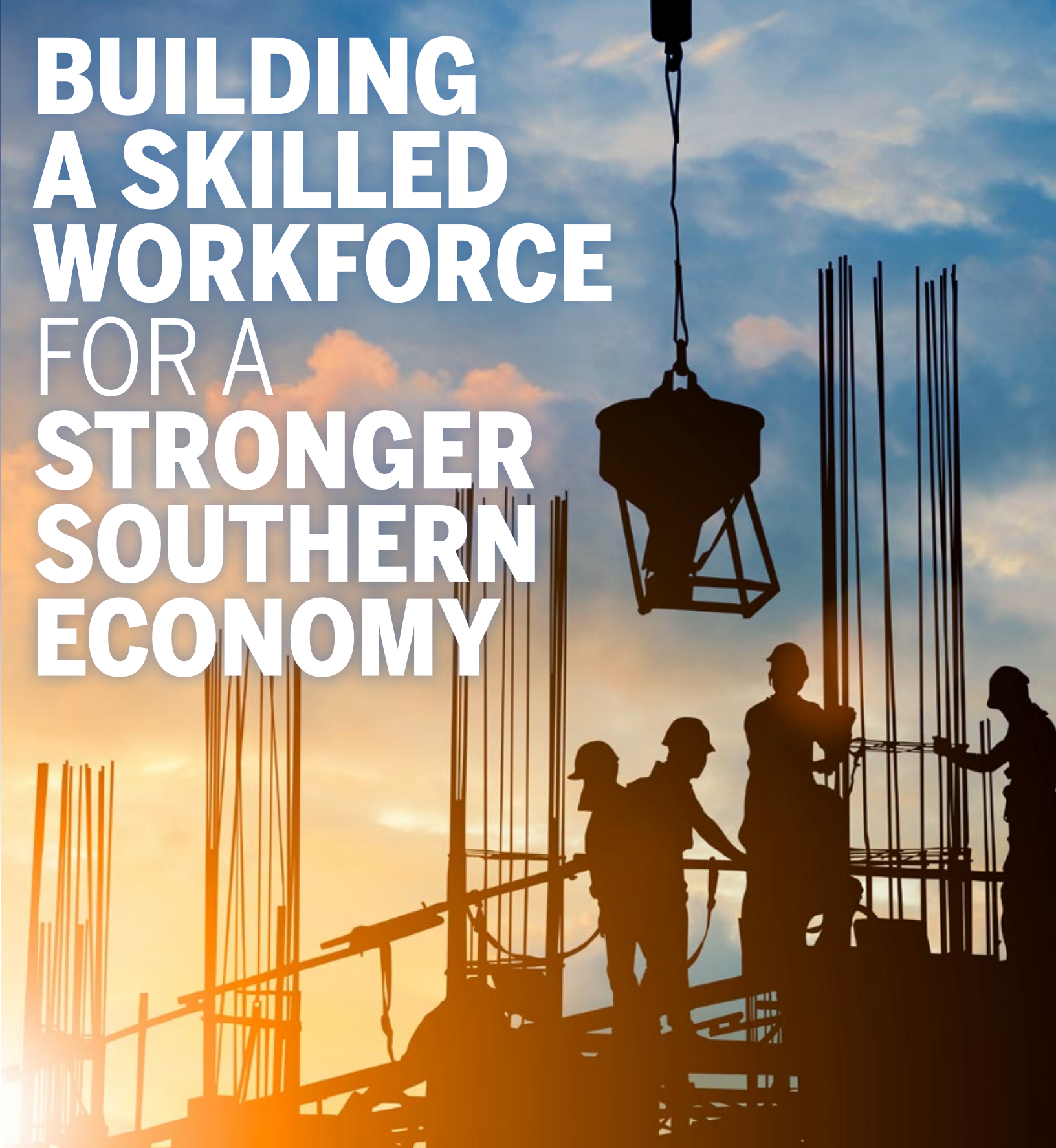


BUILDING A SKILLED WORKFORCE FOR A STRONGER SOUTHERN ECONOMY



FEDERAL
RESERVE
BANK of
ST. LOUIS



NATIONAL SKILLS COALITION
Every worker. Every industry. A strong economy.

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EXECUTIVE SUMMARY



TO EFFECTIVELY COMPETE IN TODAY'S ECONOMY, THE SOUTH MUST HELP ADULTS BUILD SKILLS

A new day has dawned in the South. No longer is a high school education and a willingness to work hard sufficient to secure a family supporting job. In fact, the majority of all jobs in the U.S. labor market require some postsecondary education or training. To effectively compete in today's marketplace, states must have skilled workforces.

For the southern United States, this new environment requires a shift. Economies once built on low-skill industries must now compete globally for jobs that require training beyond high school. Most of these jobs are middle-skill jobs, requiring education or training beyond high school but not a four-year college degree.

Across the South, there are not enough workers trained to fill middle-skill jobs. This skills gap hurts businesses that are not able to fill positions. It hurts states because the lack of skilled workers makes it challenging to attract and retain new businesses. And the skills gap hurts low-wage, low-skill workers who are not able to advance their careers and move into good, middle-skill jobs.

But the middle-skill gap isn't insurmountable. Southern states could step up to the challenge of educating more of the region's adults to close this gap. Focusing on grade school students alone won't be enough to close the skills gap now. If each and every one of the South's graduating high school students were to stay in the region and train for open jobs that require postsecondary education, there would still be unfilled positions.

If southern states are going to close their skill gaps, they must provide opportunities for *all* adults — including people of color — to increase their education and training. More than four in ten Southerners are people of color. And people of color will make up the majority of the U.S. population by 2044. To create a skilled and

thriving southern economy, state leaders must create an inclusive workforce.

To close their skills gaps, southern states must also address people's barriers to work. The history, geography, and policy decisions of the South help create obstacles that prevent people from working, building their skills, and advancing their careers. These barriers include higher poverty rates, burdensome transportation costs, onerous child care costs, high incarceration rates, and restrictive policies for previously incarcerated people. These obstacles can be even more daunting in rural areas, where there may be additional challenges like limited job openings and limited broadband service.

THE ROADMAP FOR SOUTHERN SKILL BUILDING

To help states realize economic improvement, this report includes a roadmap of critical steps states may take to establish policies that could help them close their skills gaps. State policymakers could:

- Use workforce development strategies, such as sector partnerships and work-based learning, as economic development tools capable of meeting industry needs.
- Invest in communities to implement high-quality workforce development strategies at the local level.
- Establish job-driven financial aid programs that are available to a wide range of students.
- Form career pathways and include comprehensive supportive services that enable completion.
- Create state data systems that provide accountability on how training programs are helping residents with diverse needs get skilled jobs.

State policymakers could also consider easing their path to implementation of these steps by taking the following actions, which could help bring a broad set of stakeholders to the table to unite around a common plan for skills development:

- Set a bold goal for increasing the number of adults trained for skilled jobs.
- Create a cross-agency "Skills Cabinet," and task agency leaders with working together to develop and implement a strategy for meeting the state's postsecondary attainment goal for adults.

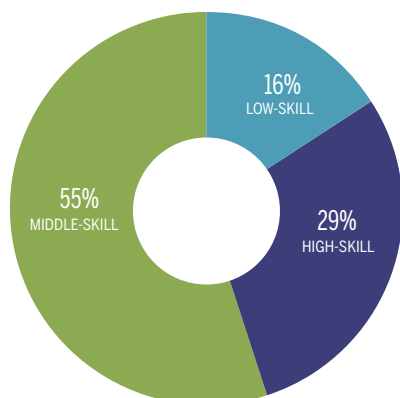
This report discusses specific policies that states could adopt to develop skilled workforces and fully realize the economic potential of local businesses and workers. Examples of current policies from southern states are also included, proving that these policy changes may be implemented in the region's context.

Residents, businesses, and state economies are counting on their leaders to create policies that will help them thrive now and in the future. Southern state leaders should examine and consider taking the necessary steps to close their skills gaps.

“
To create a skilled and thriving southern economy, state leaders must create an inclusive workforce.”

MOST JOBS IN THE SOUTH ARE MIDDLE-SKILL JOBS

JOBS BY SKILL LEVEL, AMERICAN SOUTH, 2015



Source: NSC analysis of Bureau of Labor Statistics Occupational Employment Statistics

WHY A SKILLS AGENDA FOR THE SOUTH?



THE SOUTHERN UNITED STATES

“
In the South,
many jobs that
could be done
with only a high
school degree
—already in
decline before
2007—were
lost and are not
coming back.
”

Carnevale and Smith, 2012



This definition of the southern states is established by the U.S. Census Bureau.¹

NEW RULES FOR A NEW SOUTHERN ECONOMY

The majority of jobs in the U.S. labor market require some postsecondary education or training.² To effectively compete in today’s marketplace, states must have skilled workforces.

For states in the southern United States, this new environment requires that economies once built on low-skill industries compete globally for jobs that demand training beyond high school. Southern states must invest in skills across all races, genders, and geographies for the region to succeed.

The south’s economy used to be based on inexpensive labor and land that drove agriculture and extractive industries. Prior to the Civil War, cotton and other agricultural staples produced by enslaved people who were not paid wages were profitable and southern states did little to diversify their industries as other states did.³ Following the Civil War, southern state economies expanded beyond agriculture to include some basic manufacturing and natural resources extraction, but the region principally competed on the basis of low wages, limited unionization, and tax credits.⁴ These industries, which tend to be lower skill, are now declining.⁵

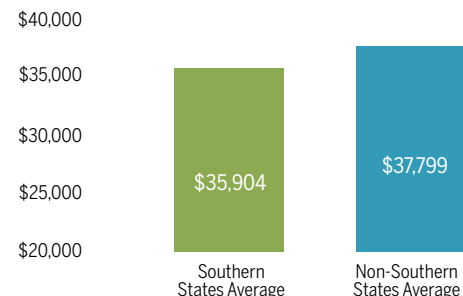
During the 1960s and 1970s, the United States economy began to shift from centering on producing physical goods to one focused on technology, innovation, knowledge, and service. Over the past thirty years, American

communities became increasingly defined by their residents’ level of education.

Now places with the “right” mix of industries and skilled workers attract good jobs while those at the other end of the spectrum are stuck with a disproportionate share of low-wage, low-skilled jobs that offer workers little advancement.⁶ In other words, economic development *and* workforce development are inextricably linked in the modern economy. Southern states can no longer compete mainly on cheap land, low-wage labor, and lower taxes.

WAGES OF SOUTHERN STATES STILL TRAIL THE REST OF THE NATION

SOUTHERN STATES V. NON-SOUTHERN STATES
2016 MEDIAN ANNUAL WAGE



Source: NSC analysis of Bureau of Labor Statistics Occupational Employment Statistics

Some southern cities have attempted to respond to the shift in the economy by attracting and retaining skilled workers. However, the legacy of low-skill and low-wage is still present in the South. Even after adjusting for cost of living, a recent analysis found that average earnings in southern metro areas lag behind the rest of the country.⁷

To ensure that workers, families, and businesses prosper, southern states need to adapt to the new economy and invest in skill building for adults. Today's jobs demand more skills and training than they once did. Stronger basic proficiency in math, teamwork, problem-solving, communicating, and complex thinking are now necessary not just in jobs that require advanced degrees but also in the middle of the labor market — jobs that require some education or training beyond high school but not a four-year college degree.⁸ Moreover, the middle of the labor market now requires additional technical skills and training.⁹

MOST SOUTHERN JOBS REQUIRE MORE THAN HIGH SCHOOL EDUCATION, NOT A 4-YEAR DEGREE

Middle-skill jobs, which require some education or training beyond high school but not a four-year college degree, account for over half of all jobs in the South. Education and training for middle-skill jobs can vary from short-term job training programs or two-year degree programs often offered by community or technical colleges or other community training providers, to apprenticeship or on-the-job training with an employer. While key industries vary across southern states, their labor markets have a common feature: middle-skill jobs hold the plurality of jobs in each state.

Many of these middle-skill jobs are “opportunity occupations,” paying at least the national median wage (roughly \$37,000 per year in 2016) and requiring less

than a four-year degree.¹⁰ The proportion of middle-skill opportunity occupations varies across the South, less in metro areas with a prevalence of low-wage work like Miami, and often more in areas with large production or logistics and transportation industries such as Birmingham and Baton Rouge.

DEVELOPING SKILLED WORKERS CAN HELP SOUTHERN CITIES AND TOWNS COMPETE

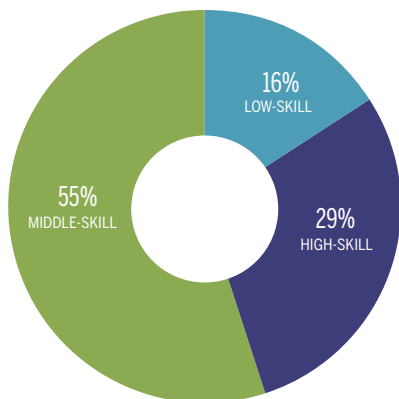
The ability to adapt to the new skills-based economy has important consequences for the overall growth of the South. The South's population and economy has grown over the past several decades, but the growth hasn't been even across the region. Metropolitan areas in the south vary significantly — some have high concentrations of skilled workers and booming economies and others are older industrial cities undergoing significant economic restructuring.¹¹

Historically industrial cities once reliant on old models of manufacturing have struggled to develop the skilled workforce required by today's economy. The majority of good jobs in these cities, after all, were attainable with only a high school education. Now, lower education levels among residents hampers job creation in these areas.¹²

To help reinvigorate older industrialized cities, states could invest in training that gives low-income workers the skills they need to compete for jobs that pay family sustaining wages. These skilled jobs can help attract more workers and revitalize these regions.¹³

Many very small cities, towns and rural areas have also seen significant economic change, driven by new technologies that aided in automating and mechanizing the agricultural and manufacturing industries. Population growth has been particularly slow in farming and mining communities and has declined in rural areas dependent on manufacturing.¹⁴

MOST JOBS IN THE SOUTH ARE MIDDLE-SKILL JOBS
JOBS BY SKILL LEVEL, AMERICAN SOUTH, 2015



Source: NSC analysis of Bureau of Labor Statistics Occupational Employment Statistics

SOUTHERN STATES MUST CLOSE THEIR SKILLS GAPS TO GROW THEIR ECONOMIES

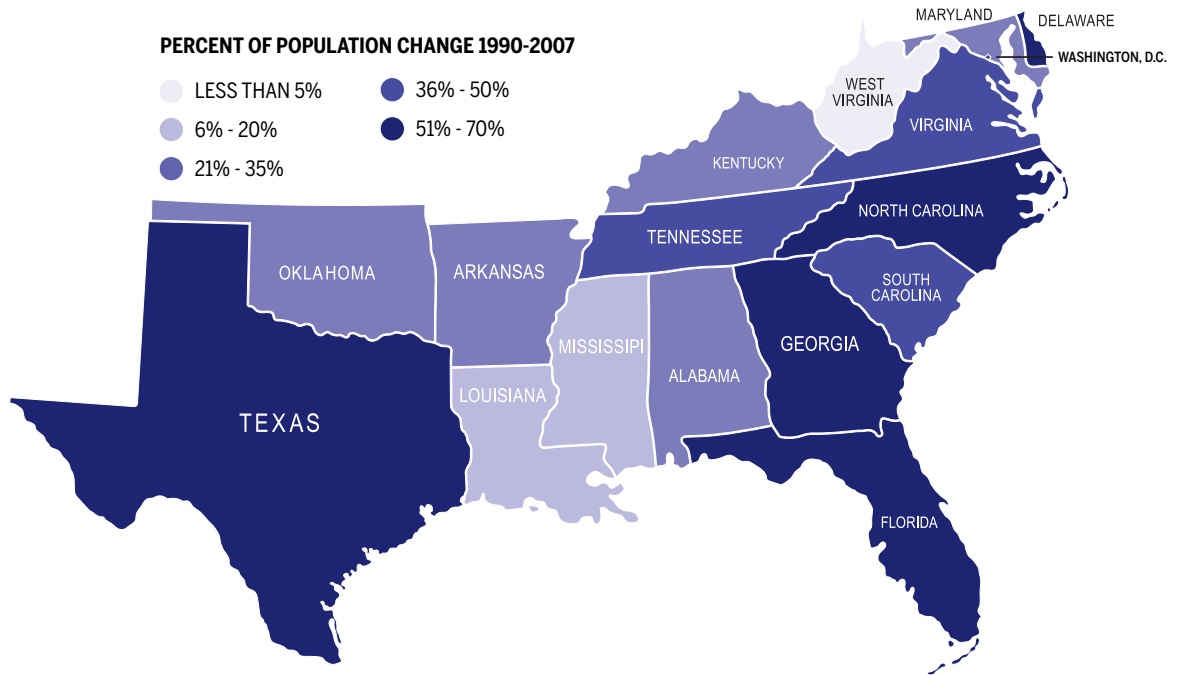
The desire for growing, thriving communities is strong motivation for states to support skills training. Across the South, there are not enough workers trained to the middle-skill level to fill middle-skill jobs. This creates a middle-skill gap in each of the Southern states.

The skills gap hurts employers. It keeps local businesses (which create the vast majority of new jobs in states¹⁵) from filling skilled positions and growing. A lack of skilled workers may also make it challenging to attract and retain new businesses who are looking to relocate to areas that can meet their skill needs.

The skills gap also hurts workers by limiting opportunities for lower-skilled workers to advance in their careers and secure family supporting work, and keeps lower-skilled people without jobs on the sidelines of the labor market.

“ If each and every one of the South’s graduating high school students were to stay in the region and train for open jobs that require postsecondary education or training, there would still be unfilled positions. ”

SOUTHERN STATES WITH MORE SKILLED WORKERS HAVE HIGHER POPULATION GROWTH



Source: U.S. Census Bureau

Efforts to close the skill gap must be inclusive of all workers. By providing more equitable pathways to good skilled jobs, Southern states can strengthen their economies.

Adults and out-of-school youth are key to closing the skills gap

The middle-skill gap isn’t insurmountable. There are proven, common-sense strategies that southern states could employ to close it and help businesses and workers succeed. Many states turn to their K-12 education

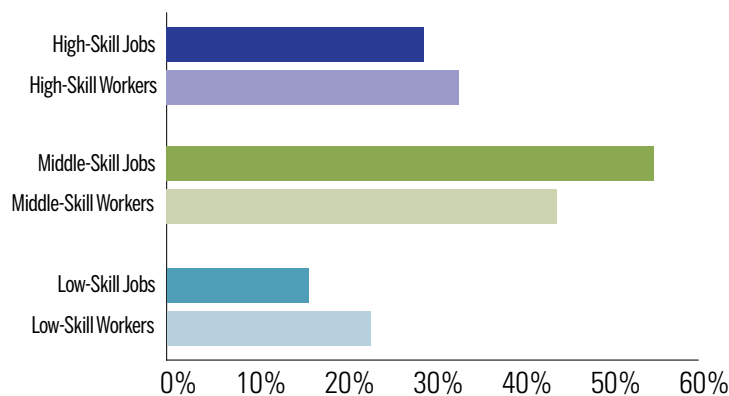
systems as a starting place for closing their skills gaps. While providing high school students with career education is critical, focusing on K-12 alone won’t be enough to close the skills gap. For example, even if each and every one of the South’s graduating high school students were to stay in the region and train for open jobs that require postsecondary education or training, there would still be unfilled positions.¹⁶

To close the skills gap, these states must also upskill the existing adult workforce. Southern states represent eight of the ten states with the highest proportion of working-age adults with no more than a high school education. Preparing lower-skilled adults for middle-skill jobs will require action on behalf of state policymakers.

Southern states make up nine of the top twelve states with the largest share of “opportunity youth” — young adults between the ages of sixteen and twenty-four who are not working and not in school. Opportunity youth are missing a critical opportunity to build skills for their future careers.¹⁷

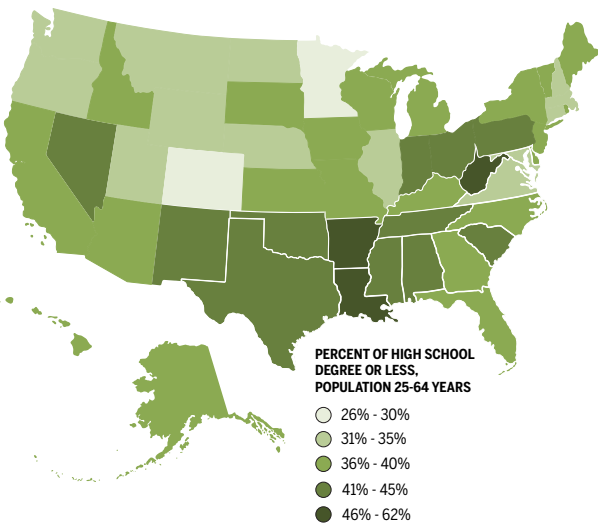
Efforts that focus on opportunity youth should also address the unique context and challenges facing young people of color, since opportunity youth are disproportionately nonwhite. Higher unemployment rates among young African Americans help drive this disparity, and are likely due to a combination of factors, including discrimination and a higher likelihood of living in areas of concentrated poverty.^{18,19,20} These challenges can also contribute to lower rates of high school completion among

MOST SOUTHERN JOBS ARE MIDDLE-SKILL JOBS, BUT NOT ENOUGH WORKERS ARE TRAINED TO THE MIDDLE-SKILL LEVEL



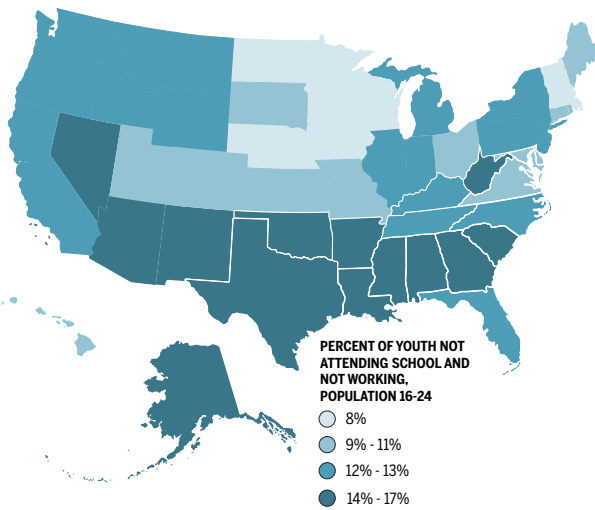
Source: NSC Analysis of Bureau of Labor Statistics Occupational Employment Statistics by State, May 2015 and American Community Survey data, 2015.

SOUTHERN STATES LEAD NATION IN SHARE OF ADULTS 25 TO 64 YEARS WITHOUT EDUCATION BEYOND HIGH SCHOOL



Source: U.S. Census Bureau/American Fact Finder. EDUCATIONAL ATTAINMENT BY EMPLOYMENT STATUS FOR THE POPULATION 25 TO 64 YEARS. 2012-2016 American Community Survey

SOUTHERN STATES LEAD IN THE SHARE OF YOUTH 16 TO 24 YEARS NOT ATTENDING SCHOOL OR WORKING



National KIDS COUNT

“ With low unemployment rates and fewer skilled people looking for jobs, many employers have a harder time finding qualified employees. ”

young people of color.²¹ Some youth employment programs have been shown to be effective in addressing these disparities for opportunity youth and efforts to close the skills gap should include an awareness of the most successful programs.

THE CURRENT ECONOMIC CLIMATE REQUIRES A SKILLED WORKFORCE

The U.S. labor market is booming and unemployment is nearing record lows. Lower unemployment rates make it tougher for employers to find workers with the right skills. These economic conditions heighten the imperative for policymakers to evaluate and consider skill-building strategies for their residents.

Lower unemployment rates create hiring challenges

Unemployment is lower in 2018 than it was before the recession of 2007-2009. Some metropolitan areas in the South (Nashville, Austin, and Birmingham) have some of the lowest unemployment rates in the nation.²²

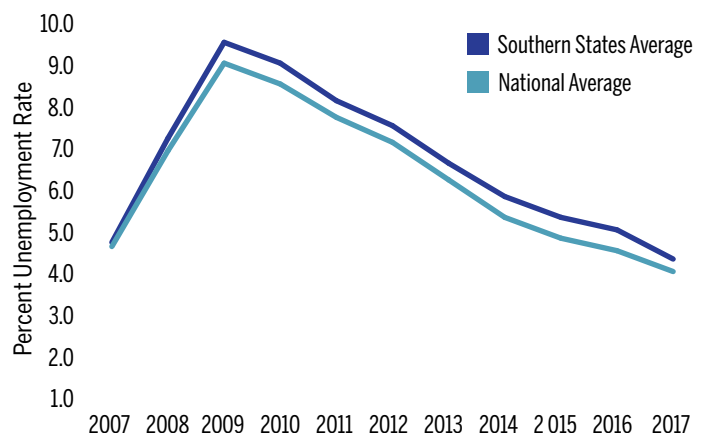
Many economists believe that low unemployment rates signal an economy that is near “full employment.” Many people who lost jobs during the recession are now back to work, making it difficult for some employers to identify and hire skilled employees.

To meet business needs in an economy with fewer job-seekers, state policymakers could consider policies that facilitate the upskilling of entry-level workers who need more training to advance within their careers and

earn family supporting wages. A recent survey found that while two out of three adults in the U.S. with limited reading, math, or digital problem-solving skills are employed, most have low earnings.²³

Though overall unemployment rates are lower than they were pre-recession, unemployment rates for black and Latino workers in the region continue to be higher than for their white counterparts. States should work to ensure that all residents have access to skilled jobs and

U.S. UNEMPLOYMENT LOWER THAN PRE-RECESSION RATES



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics.

that postsecondary education, training and employment strategies are helping to close these racial disparities in unemployment.

Tighter labor markets underscore the importance of skills and addressing barriers

While states have record low unemployment rates for residents who participate in the labor force, they have also seen an increase in people who have been sidelined from the labor market. Many state policymakers in the southern U.S. have expressed concern over their states' lower labor force participation rates, which, despite a booming labor market, are lower now than they were before the Great Recession.^{24,25} While there are likely many reasons for a lower labor force participation rate, it's likely that at least some people who want jobs have stopped looking for work because they don't have the right skills and supports to find a family-supporting, full-time job.

State policymakers should consider ensuring that workforce development polices work in tandem with other public policies to address barriers to work, including transportation, child care, and criminal records. In fact, the country's major piece of federal workforce development legislation — the Workforce Innovation and Opportunity Act (WIOA) of 2014 — enacted with overwhelming bipartisan support, requires states to develop workforce development strategies for people with significant barriers to employment. In a tight labor market, such as we have today, many employers are more willing to hire workers who lack work experience if they have the foundational skills, technical training, and supports necessary to succeed on the job.

TACKLING BARRIERS TO WORK ESPECIALLY IMPORTANT IN SOUTHERN STATES

The South's history, geography, and policy environment have combined to prevent many people from working, building their skills, and advancing their careers.

For example, the legacy of low-skill, low-wage work is still observable in the region's high poverty rates. Eight of the ten states with the highest poverty rates are southern states. This is particularly troubling given that a family of three with one child had to earn less than \$19,318 in 2016 to officially live in poverty.

Most counties with persistent poverty, where at least one in five residents has lived in poverty over the last thirty-five years, are also in the South. Though the largest share of people living in poverty in the South are white, poverty rates are higher among Native Americans (22%), African Americans (23.5%), and Latinos (21.7%), in the region compared to their white counterparts (10.9%).²⁶

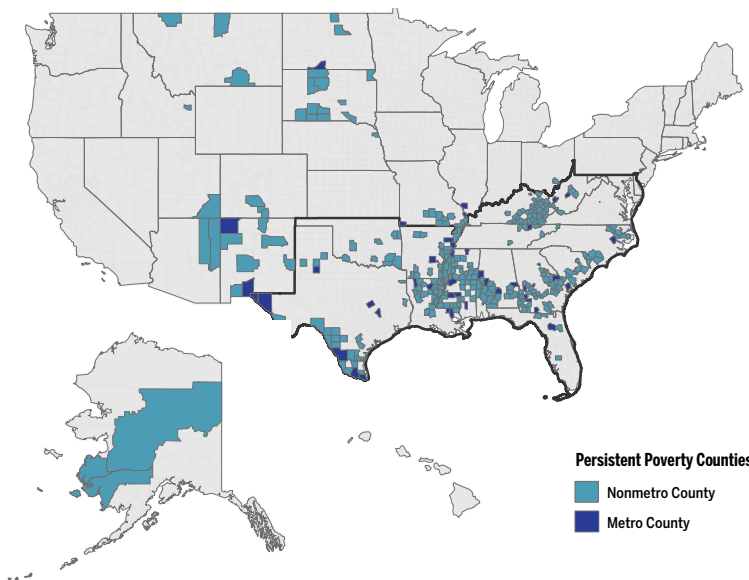
Poverty can create barriers to work, including lack of access to transportation and child care. People living in poverty also tend to have lower levels of educational attainment, which in turn constrains a region's ability to attract middle-class jobs. However, as southerners are able to move out of poverty, they can spend more money at local businesses and contribute more to the economy.

Transportation presents a significant barrier for low-income workers across the South. An analysis shows that lower-income households who spend over two-thirds of their incomes on housing and transportation are concentrated in the South. Many areas in the South perform relatively well on housing costs alone, but when transportation costs are included, it becomes evident that these two expenses are burdensome for many families in the region.²⁷ The time it takes to get to work also presents a particular challenge for workers in rural areas.

In addition to transportation, caretaking responsibilities keep people from participating in the labor force. Child care may not be readily available during work hours and quality care is often expensive and in high-demand. On average, child care expenses can consume more than 10 percent of household income for married couples and nearly 36 percent of income for single-parent households.²⁸

In fact, a recent U.S. Bureau of Labor Statistics study found that working age women not in the workforce claim home responsibilities as the main reason they're not working.²⁹ Child care can be an especially acute challenge for single-parent households, which make up a disproportionate share of households in many southern states and a disproportionate share of those attending community colleges.³⁰ By investing in child care support during training and after parents find a job, states could help more people enter the labor force.

MOST PERSISTENTLY POOR COUNTIES ARE IN THE SOUTH



Source: U.S. Census Bureau, Historical County Level Poverty Estimates Tool (1960-2010); U.S. Census Bureau/American Fact Finder, Selected Economic Characteristics, 2012-2016 American Community Survey

ADDRESS BARRIERS TO WORK IN RURAL COMMUNITIES TO HELP THEM PROSPER

Over three-quarters of people in the South live in metropolitan areas. Yet in Arkansas, Kentucky, Mississippi, and West Virginia, 36 percent or more of the population lives in rural areas. In these areas, challenges that apply across the southern states can present an even greater burden.

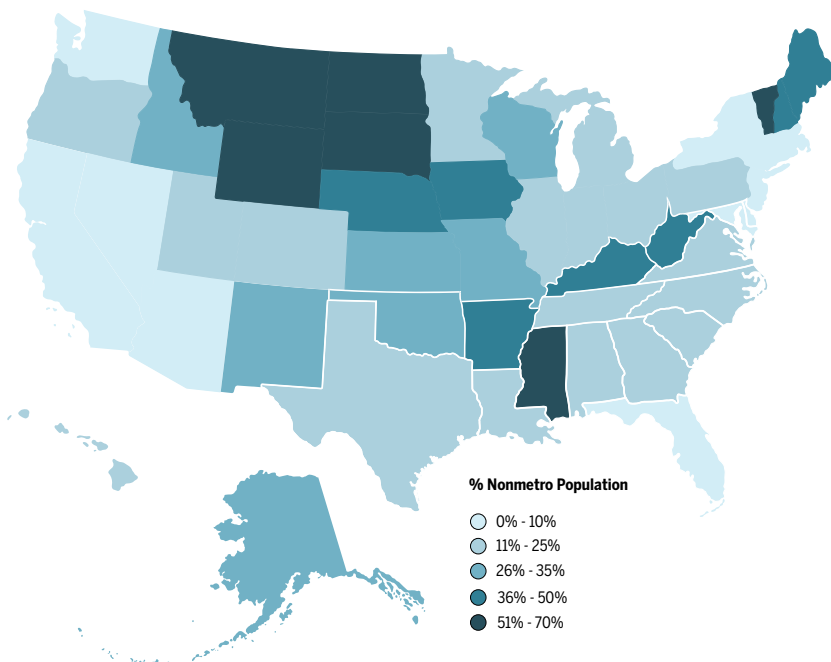
As an example, limited job openings can be a challenge in rural communities where there are neither a diverse set of industries nor a concentration of businesses. A lack of access to high-speed internet service further constrains job openings and economies in rural areas.³³ To grow the economies in communities with limited labor markets, states should consider developing a skilled workforce *and* diversifying their industry base. Tools like broadband internet service could be used to attract employers and connect prospective employees to education and training.

Rural communities could also deploy strategies for connecting people with nearby metropolitan economies in a manner that provides mutual benefit, such as connecting metro employers to rural employees available to work remotely.³⁴ States could closely coordinate economic development and workforce development strategies to ensure that job creation and talent development go hand-in-hand; in doing so, states could diminish brain drain while providing more economic opportunity to residents and businesses.³⁵

Transportation costs can be especially acute burdens in rural areas. Many rural areas have no public transportation options, while the distance between workers' homes and their workplaces makes access to an automobile a necessity. States and localities could expand transportation options to connect workers with available jobs.

A lack of quality child care options can also be a unique challenge to rural areas. Nearly 60 percent of rural Census tracts qualify as child care deserts — areas with little or no access to licensed child care. This compares to 44 percent of suburban areas. In these areas, a lower share of mothers participate in the workforce.³⁶ States could incentivize the expansion of child care options in rural areas so that more parents can work.

MOST SOUTHERNERS LIVE IN METRO AREAS, BUT RURAL POPULATION IS SIGNIFICANT



Source: U.S. Census Bureau (Population); 2015 ERS County Typology Codes. USDA Economic Research Service using data from Bureau of Economic Analysis and U.S. Census Bureau (Metro/Nonmetro).

“The South will only succeed in developing a skilled, competitive workforce if leaders create equitable pathways to postsecondary credentials and careers for all residents.”

State policies regarding criminal justice also impact people’s ability to work. The South has some of the highest incarceration rates in the country. Alabama, Arkansas, Louisiana, Mississippi, and Oklahoma outpace all other states in the nation in regard to male imprisonment rates, and Florida and Texas also have relatively high incarceration rates, which is challenging given their large populations.³¹

People who have been incarcerated, have a criminal record, or have otherwise been involved with the criminal justice system face major challenges finding work. To widen their pool of potential workers and create more economic opportunity for their residents, states could take steps to remove barriers to employment for people who were formerly incarcerated. For example, some states have “ban the box” laws that prohibit work applications from asking as a yes/no question about whether the applicant has been convicted of a crime. Some states have also pursued expungement of criminal records for certain ex-offenders who have maintained a clean record.

Especially low education rates create yet another barrier for southern states. Four of the five states that have the highest proportion of working age adults with no formal education beyond high school also have the highest unemployment rates.³² Declining industries like mining and extraction, forestry, agriculture, and durable goods manufacturing are also more prevalent in these states, meaning that there may be fewer jobs available, especially for those with limited skills.

A SKILLED AND THRIVING ECONOMY MUST BE AN INCLUSIVE ECONOMY

Like the U.S. as a whole, the South is becoming more racially and ethnically diverse. With these changes, southern states will only succeed in developing a skilled workforce that positions the region to compete economically if leaders create equitable pathways to postsecondary credentials and careers for all residents.

Southern states are racially and ethnically diverse

While the majority of Southerners are white, African Americans and Latinos each account for nearly one-fifth of the South’s total population. In fact, more African Americans live in the South than in any other region of the country and the South has the fastest growing Latino population of any region.³⁷ Estimates indicate that people of color will make up the majority of the U.S. population by 2044.³⁸

“Reverse migration” of black people from the north to the south in the 1990s helped shape this racially diverse South, with more African Americans moving to the South than leaving.³⁹ Widespread job growth in the South during the 1990s and in the early 2000s before the Great Recession attracted both Latino and Asian people as well.⁴⁰

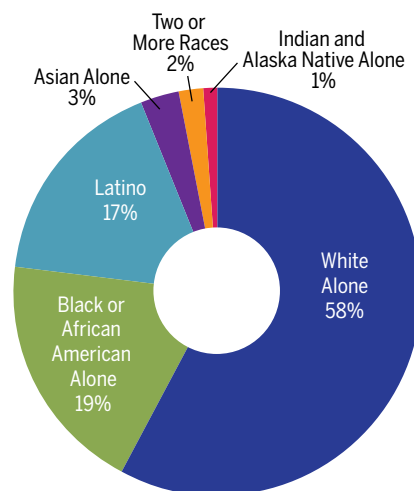
Persistent racial and ethnic disparities in educational attainment and employment hurt the economy

Despite these changes, stark racial and ethnic disparities persist across the South when it comes to educational attainment and employment. On average, Latinos and African Americans have lower education levels than whites, and have faced greater barriers to pursuing post-secondary education and training. Lower incomes and wealth among these groups impedes access to college and to training programs. In fact, when families of equal *wealth*⁴¹ — as opposed to income — are compared, studies show racial disparities in rates of four-year college graduation disappear.⁴²

Racial disparities in unemployment are even more striking. African Americans face higher rates of unemployment than any other racial or ethnic group, a fact that cannot be entirely explained by differences in educational attainment.⁴³ Since people who are unemployed are actively looking for work, higher unemployment rates suggest that Black Southerners face systemic barriers in the labor market, including bias and discrimination.⁴⁴ These disparities stand in the way of realizing the full potential of a skilled economy.

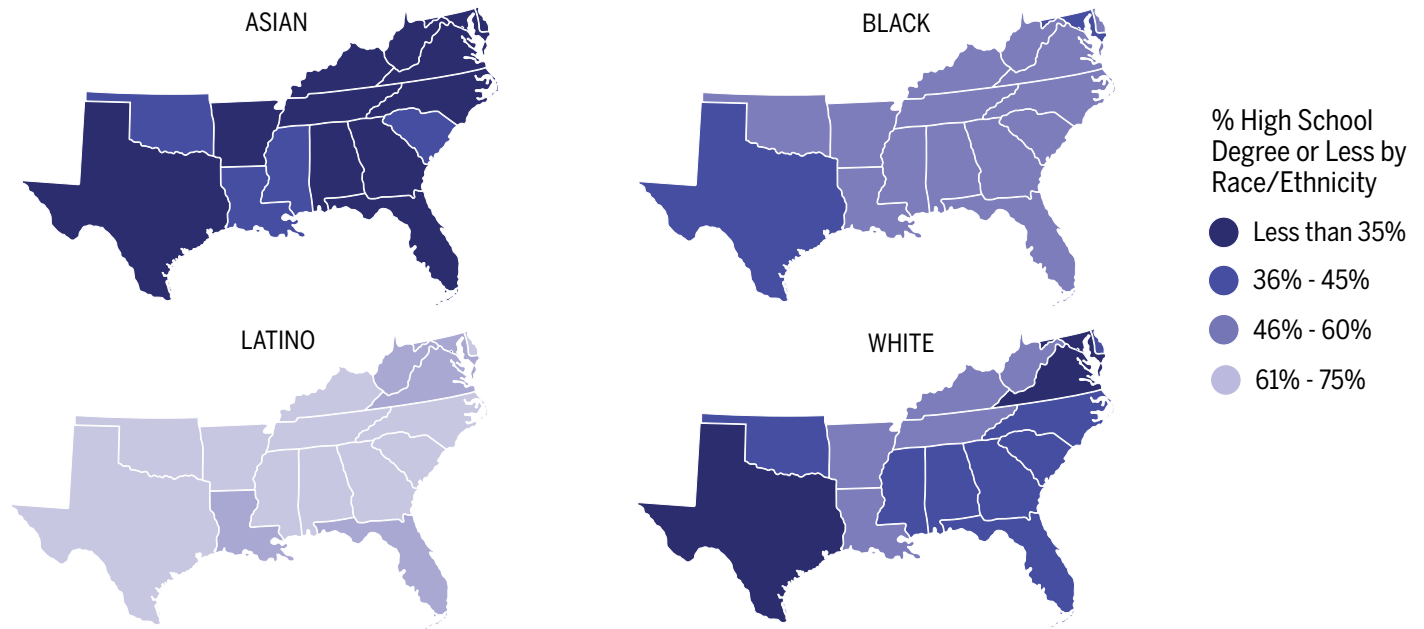
To ensure the strongest possible workforce, policymakers could evaluate access to job training, financial aid and other training supports by race and ethnicity. Where gaps exist, policymakers could review state policies and engage community leaders to determine the best solutions for increasing access.

MORE THAN 4 IN 10 SOUTHERNERS ARE PEOPLE OF COLOR



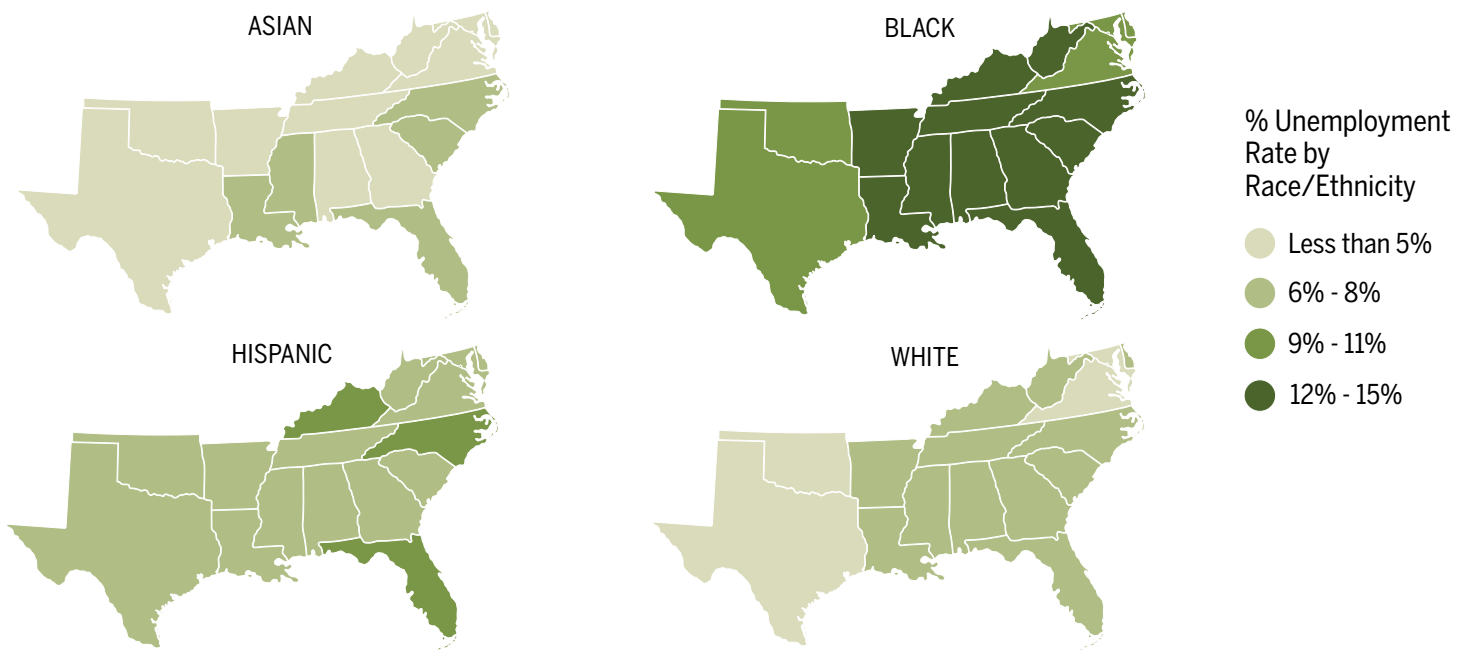
Source: U.S. Census Bureau (Population); 2015 ERS County Typology Codes. USDA Economic Research Service using data from Bureau of Economic Analysis and U.S. Census Bureau (Metro/Nonmetro).

SHARE OF ADULTS WITH ONLY A HIGH SCHOOL EDUCATION DIFFERS BY RACE/ETHNICITY



Source: U.S. Census Bureau/American Fact Finder. Sex by Education Attainment for the Population 25 Years and Over. 2012-2016 American Community Survey

STARK DIFFERENCES IN UNEMPLOYMENT RATES BY RACE/ETHNICITY



Source: U.S. Census Bureau/American Fact Finder. Employment Status. 2012-2016 American Community Survey

THE STATE OF SKILLS POLICIES IN THE SOUTH



State leaders could adopt policies that develop a skilled workforce and fully realize the economic potential of local businesses and workers. Many southern states have already started to create strategies for closing skills gaps. These include policies that promote industry engagement in training, as well as policies that ensure that postsecondary institutions are equipped to train today's students — including working adults and people without jobs who are looking to get back into the workforce — for middle-skill jobs. Federal laws like WIOA, as well as major federal and philanthropic grants, have driven some of this innovation.

However, the breadth, depth, and reach of skills policies varies across the region, with the weakest policy infrastructure in the mid-south states of Alabama, Louisiana, and Mississippi, as well as the Appalachian states of Kentucky and West Virginia.⁴⁵ Overall, a stronger workforce development policy infrastructure could help southern states grow existing businesses, attract new ones, and provide economic opportunity to more people.

SOUTHERN STATES CAN BETTER ENGAGE INDUSTRY LEADERS IN JOB TRAINING

Policies that promote industry-driven training ensure that local businesses, including small- and medium-sized companies, are partners in a region's workforce training strategies. Examples include state policies to support sector partnerships and work-based learning. These policies are critical for ensuring that workforce training is “industry-driven” — responsive to the changing needs of the labor market. They are also key for creating a hiring network for workers who are building their skills. By setting policies that develop and scale industry-driven training in communities across their state, policymakers can improve the odds that employers can hire workers with the right skills and that workers are training for real jobs.

Sector partnership policies help ensure training matches open jobs

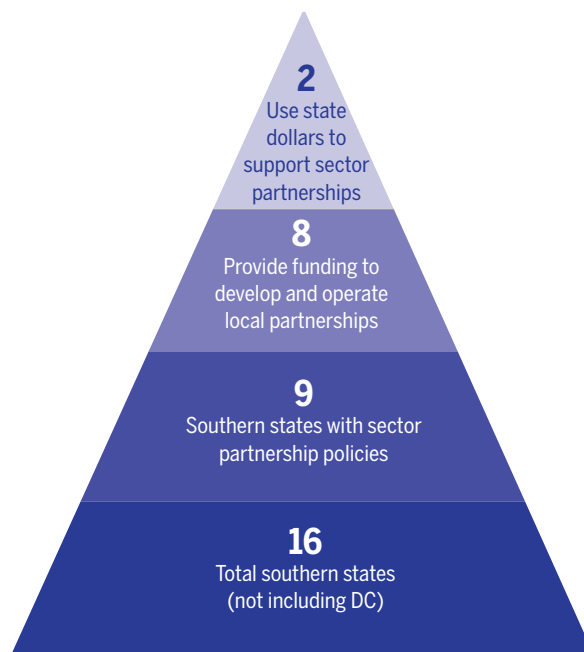
Sector partnerships bring together multiple employers within an industry to collaborate with community and technical colleges, schools, workforce agencies, community organizations, and others to align training with the skills needed for that industry to grow and compete. By working with training providers to develop or modify programs that respond to specific industry needs, these partnerships create a pool of skilled workers for multiple employers within an industry, and create opportunities for workers to train for and access skilled jobs. Rigorous evaluations of sector-based training that offers industry-recognized credentials and engages employers have demonstrated results: increased training completion, credential attainment, employment, and earnings, including for unemployed and low-income workers.⁴⁶

As part of a broader sectoral approach to economic development, sector partnerships can help states attract new businesses and retain existing ones. States could use sectoral economic development strategies to support the growth of businesses in target industries by providing supports for a range of activities that make an industry competitive. These include supports for technology transfer, research and development, industrial processes, and skills training.

North Carolina's Biotechnology Center is an example of a sectoral economic development strategy that includes skills training. The Center supports the growth of the state's biomanufacturing, life sciences, and pharmaceutical businesses by providing services that help those businesses conduct research, develop new products, and train employees with cutting-edge skills.⁴⁷ The BioNetwork sector partnership is an integral part of the Center's talent development supports. Through the network, the North Carolina Community Colleges work closely with life science businesses and other partners to develop sector-specific education and training. North Carolina invests \$4 million annually in state funds to support the BioNetwork. The state's sectoral approach to developing the life sciences industry — and the strong emphasis it places on training the workforce for the sector — have made North Carolina a leader for commercial bioscience.

Other states have adopted policies to support and scale sector partnerships, even if they have not yet integrated sector strategies into their economic development efforts.

MANY SOUTHERN STATES HAVE SECTOR PARTNERSHIP POLICIES, FEW INVEST THEIR OWN DOLLARS



GEORGIA HIGH-DEMAND CAREER INITIATIVE SECTOR PARTNERSHIP GRANTS

In 2011, the Georgia Department of Economic Development (GDEcD) met with employers and economic development stakeholders about what most influences business expansion and relocation decisions. While site selection and tax incentives were important considerations, access to a skilled and educated workforce was the prevailing factor in the majority of regions.

To better align economic development with workforce development, Governor Deal launched the High Demand Career Initiative (HDCI) in 2014, which brought together postsecondary educational institutions and private sector employers to discuss workforce challenges. GDEcD, which houses HDCI, teamed with the Carl Vinson Institute of Government to engage stakeholders from the University System of Georgia (USG) and the Technical College System of Georgia (TCSG) and more than 120 private sector employers throughout the state. At a total of seventeen public meetings, employers identified current and projected high-demand career sectors in Georgia, as well as associated high-demand skills and attributes. To expand the reach of this conversation, GDEcD also developed an online workforce needs assessment with questions similar to those asked during public meetings. This ongoing, publicly available questionnaire allows any Georgia employer to report and update their workforce needs.

These meetings and assessments determined specific skills gaps across high-demand sectors and moved HDCI beyond data collection and into the next two-pronged solution development phase. First, GDEcD formed five HDCI industry task forces for film, aerospace, logistics, construction, and IT. Working groups of industry-related stakeholders meet regularly to address ongoing workforce issues, such as how to expand apprenticeships and other work-based learning opportunities in the construction industry. Second, GDEcD established the HDCI Sector Partnership Grant using \$3 million from the Governor's WIOA Reserve Funds. This grant program aims to engage communities in workforce solutions by helping local partners build and maintain regional sector partnerships. Starting in 2016, Georgia's twelve economic development regions could apply for grants up to \$250,000 with a 10 percent local match requirement. The grant is strictly for capacity building (i.e., hiring "regional convener" employees or consultants) to create a better system of collaboration among regional workforce partners.

Grant applications were required to identify high-demand industry sector(s) using labor market information and plans to address employer engagement, career pathways, WIOA-defined special populations, partnership sustainability, and how the partnership will leverage a 10 percent required local match, and other existing state workforce resources. The applications also needed to designate a leader of the sector partnership and letters of participation from: at least five regional industry employers; local postsecondary institutions; the K-12 school system; the Georgia Department of Labor office; the Georgia Vocational Rehabilitation Agency; the chamber of commerce or economic development professionals; and the Department of Economic Development existing industries representative. Additional partners, such as community-based organizations (CBOs) and local social service agencies, were strongly encouraged.

Grants were available across the state, such that one region's allocation did not diminish funding to other regions. To assist local partners with the grant application process, GDEcD hosted sector strategy trainings and follow-up regional workshops, during which staff shared labor market data to help regions choose an industry sector. A publicly available HDCI Sector Partnership Guide lays out clear steps to identify high-demand industry sectors and develop partnerships between public and private sectors. To date, eleven of twelve regions have applied for and received grant funding.

One particular grant recipient, HDCI Metro Atlanta (HDCI-MA), is focused on building employer-led partnerships in three industry sectors: healthcare; information technology; and transportation, distribution and logistics. Atlanta CareerRise, a regional workforce funder collaborative, is contracted to serve as the partnership leader and hired a full-time HDCI program director and part-time industry sector consultants. Since grant funding began in mid-2017, HDCI-MA has convened over thirty employers (still expanding), as well as academic institutions, chambers, economic developers, CBOs, government agencies, and local workforce development agencies. Sector leads are conducting employer visits to introduce the initiative and understand current and future workforce needs. They are also convening sector work groups with key non-employer stakeholders including chambers of commerce and economic development, K-12 and postsecondary education, government agencies, community providers and local workforce development boards. Combined, these activities will create an environmental scan that will lead to sector roadmaps and strategic priorities. The healthcare sector group, which began before the grant in 2013, already has well established employer and partner councils and strategic priorities. It has developed workforce development programs for the frontline, mid-career, and professional levels expected to be implemented in 2018.

HDCI has been successful in collecting data about skills gaps and other workforce issues, organizing sector task forces and allocating funding for local communities to build and maintain sector partnerships. At the same time, this collaborative effort represents a paradigm shift for many stakeholders and comes with unique challenges across the twelve regions. Stakeholders may be accustomed to operating in their own workforce silos, such as K-12 schools, postsecondary institutions, social service agencies, and workforce training centers. In regions that cover larger areas, collaborative efforts and resources may be centered in the highest-populated city or town with less attention focused on rural areas. Socioeconomic barriers like limited transportation and geographic barriers like the North Georgia mountains may affect partners' ability to participate. Facilitators are tasked with forming an inclusive strategy that engages all potential partners from across the entire region.

While there are currently no dedicated dollars beyond the initial \$3 million, HDCI staff expect to reevaluate the grant in 2019 and consider extending funding given a variety of factors including program impact, staff bandwidth and general political will. With or without ongoing funding from the state, identifying other sources of funding is crucial since the grant is limited to capacity building. As trust and collaboration builds among partners in the chosen high-demand sector, it is up to these stakeholders to invest in actual program development that will increase economic opportunity for residents and produce a talent pipeline for regional employers.





“
Over the course of his or her career, a person who participated in a registered apprenticeship earns about \$300,000 more than someone working in the same field who was not an apprentice.
”

Such policies provide investment, technical assistance, and guidance to help communities develop and maintain sector partnerships as a key vehicle for engaging employers in sector-specific training. In fact, nine of the sixteen southern states have adopted policies to provide ongoing support to local sector partnerships in multiple industries (Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Tennessee, Texas, and Virginia).⁴⁸ It is not surprising that more than two-thirds of southern states have adopted sector partnership policies. WIOA requires states to support the development of such partnerships at the local level. Indeed, under WIOA, states can use funds available to the governor to support a number of activities, including sector partnerships.

Of the nine southern states with a sector partnership policy, eight provide funding to support the development and operation of local partnerships.⁴⁹ However, only two of these eight use state dollars to support local sector partnerships in multiple industries. Maryland and

Tennessee have each passed state legislation that provides a robust framework for sector partnerships, appropriating \$8 million and \$10 million respectively in state funds to provide competitive grants for partnership development and maintenance.

The remaining six states use federal WIOA funds rather than state dollars. The amount of WIOA dollars reserved by these states for sector partnership spending widely varies, from \$3 million in Georgia to just \$350,000 in Kentucky. Meanwhile, Virginia provides technical assistance to local areas who want to create sector partnerships, but does not dedicate federal or state dollars for the specific purpose of supporting sector partnerships.

Apprenticeship and other work-based learning policies enable workers to train on the job

Work-based learning gives workers the opportunity to build new skills while earning a paycheck. Through learning that happens on the job, workers can gain a new

credential and earn higher wages associated with their new skills. Apprenticeship is the most well known form of work-based learning, blending classroom learning with worksite training to get workers the skills they need while they're on the job; other forms include incumbent worker training, on-the-job training, and paid internships for young adults.

Work-based learning pays off for both businesses and workers. For businesses, work-based learning programs reduce recruitment, training, and supervision costs, as well as employee turnover.⁵⁰ In fact, registered apprenticeship is a preferred form of training among firms that use it, with 94 percent of employers reporting they would recommend it as a strategy to other employers.⁵¹

Workers also benefit by gaining skills and credentials with value in their industry while earning income. Over the course of his or her career, a person who participated in a registered apprenticeship earns about \$300,000 more than someone working in the same field who was not an apprentice.⁵² Since these programs give workers the chance to “earn and learn,” without incurring student debt, they put workers on a path to the middle class without the burden of having to choose between advancing their careers and supporting their families.

In recent years, work-based learning has received increasing attention as a workforce development strategy. Specifically, the federal government and some states have adopted policies to expand the apprenticeship model both to a range of industries and to a range of workers. In 2016, the U.S. Department of Labor awarded \$10.4 million in State Accelerator Grants to fifty-two states, territories, and D.C. to develop strategic plans for expanding and diversifying apprenticeship.⁵³ They built on this investment with \$50.5 million in State Expansion Grants to thirty-six states to continue developing comprehensive strategies for expanding apprenticeship. Ten southern states were awarded these state expansion grants, including Arkansas, Delaware, Florida, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, and Texas.

Among many states, the federal grants are the primary means for expanding apprenticeship. However, some states have created their own complementary policies aimed at expanding apprenticeship for a broad range of residents, including adults and young adults who are not in school. Tax credits for employers who hire apprentices are the most prevalent policy among southern states, although some states also offer subsidies that cover the classroom instruction component of apprenticeship programs⁵⁴ and grants to fund apprenticeship programs in targeted industries.⁵⁵

At least six southern states (Alabama, Arkansas, Louisiana, Maryland, South Carolina, and West Virginia) have created tax credits for employers who hire apprentices.⁵⁶ These tax credits are supposed to provide an incentive

for employers, particularly those not familiar with the training practice, to sponsor registered apprenticeship programs by offsetting costs associated with program development and administration, instruction, and training materials.

While tax credits are a useful mechanism for starting a conversation with firms about apprenticeship, they may not be enough on their own to incentivize employers, particularly those from small- and medium-sized firms who create most new jobs, to start an apprenticeship program. For one, firms do not realize the benefits of a tax credit until after they've paid the costs of registering a program and hosting apprentices, and not all firms have the capability to pay these costs upfront. Moreover, in many Southern states, business taxes are so low that such credits may have limited value.

That's why some states have taken additional measures to expand apprenticeship. For example, apprenticeship tax credits in South Carolina and Maryland are only one part of larger initiatives to expand apprenticeship. The South Carolina tax credit is part of Apprenticeship Carolina, administered by the state technical college system's Division of Economic Development. Apprenticeship Carolina has a staff of consultants who serve as “intermediaries,” guiding companies through all steps of developing and registering an apprenticeship program at no cost. Moreover, as part of the Economic Development Division, Apprenticeship Carolina consultants have access to employers and can broadly market apprenticeship to them — especially those looking to locate to or expand in the state. South Carolina also subsidizes post-secondary instruction for apprentices so they don't have to cover the costs of classroom instruction associated with their apprenticeship. Furthermore, Maryland recently passed legislation that in addition to establishing a tax credit, also provides a scholarship for classroom instruction for apprentices.

“Tax credits alone may not be enough to incentivize employers, particularly small and mid-size businesses, to create apprenticeship programs.”

KEY TAKEAWAYS:

- Over the past few years, the majority of southern states have taken advantage of federal policies and opportunities to expand sector partnerships and apprenticeship.
- Nine southern states have sector partnership policies, but only two southern states invest their own dollars to support local sector partnerships in multiple industries.
- Five southern states created tax credits to reward employers who hire apprentices, but these credits by themselves may not be enough to motivate small and mid-size businesses. To address the needs of these businesses, states could consider supporting intermediaries who can broker work-based learning services, providing tuition assistance for apprentices, and broadly tie apprenticeship and other forms of work-based learning to overall economic development.

CASE STUDY: APPRENTICESHIP CAROLINA

Apprenticeship Carolina was launched in 2007 in response to South Carolina's shortage of skilled workers. A 2003 report by the South Carolina Chamber of Commerce recommended that expanding apprenticeship would be an opportune way to solve this problem. The intent of Apprenticeship Carolina is to assist more industries and businesses in creating registered apprenticeship programs. At its inception in 2007, South Carolina had ninety apprenticeship programs and just under 800 active apprentices. Today, just over ten years later, the state boasts over 900 apprenticeship programs and close to 15,000 active apprentices. Apprenticeship Carolina is now housed under the state's Technical College System and works with all sixteen of its colleges. This unparalleled growth serves an example of how states nationwide can use apprenticeship programs to grow their skilled workforce and spur economic development.



Apprenticeship Carolina fulfills its objective of increasing the number of apprenticeships in South Carolina by educating companies on the benefits of having an apprenticeship program and helping them with registration and start-up process. Companies regularly approach Apprenticeship Carolina directly or through a referral from technical college, WIOA, or other economic development staff.

Although many companies recognize the benefits that apprenticeships provide, getting a registered apprenticeship up and running can be an intimidating endeavor. As an intermediary, Apprenticeship Carolina alleviates much of this burden by walking companies through the process step by step and taking on many of the administrative duties at no cost to the employer. In addition, companies can receive a \$1,000 tax credit from the state for each registered apprentice employed for at least seven months during each year of an apprentice's program, for up to four years.

Apprenticeship Carolina immediately wanted to expand beyond the building trades. Though their support is available to employers in any sector, Apprenticeship Carolina targets employers in seven industry clusters that have shown demand for middle-skill workers: advanced manufacturing,

construction technologies, energy, healthcare, information technology, tourism and service industries, and transportation, distribution, and logistics.

Apprenticeship Carolina is also a major part of the state's economic development plan. This is because apprenticeship gives employers a pipeline of skilled workers to grow their businesses. A state that supports apprenticeship in a robust way is attractive to expanding businesses. The South Carolina Technical College System recognized this by establishing a Division of Economic Development to ensure the state's competitiveness as it relates to workforce, education, and training. Through this division, the efforts of readySC, which specializes in recruiting businesses and getting them up and running in the state, and Apprenticeship Carolina are streamlined. Apprenticeship opportunities are included in any initial conversation with an employer looking to move or expand to South Carolina.

Apprenticeship Carolina's original goal was 20,000 apprentices served by 2020. However, they've already surpassed that goal and are now working towards getting 2,000 companies in South Carolina to have registered apprenticeship programs. They also see room to grow and momentum around youth apprenticeship. The organization continues to serve as a model nationwide of the potential for growth in apprenticeship with strong state investment.

SOUTHERN STATES HAVE ROOM TO IMPROVE IN HELPING ADULTS SECURE POSTSECONDARY CREDENTIALS

To close the skills gap, state policymakers could consider developing strategies to train adults for middle-skill jobs. Working adults are increasingly turning to community colleges to earn credentials that can help them advance their careers. Indeed, half of all community college students are over twenty-one years old, and the vast majority of students are working while enrolled in school.⁵⁷

At the same time, employers benefit when community colleges prepare local workers for skilled jobs. Community and technical colleges play a significant role in workforce training in the South, and in rural communities, may be the only postsecondary institution in close proximity.⁵⁸

States could adopt policies to better support community colleges in this role and ensure that they prepare all students — including working learners and unemployed people looking to get back into the labor market — for middle-skill jobs. These include policies to promote job-driven financial aid and policies to support career pathways so that adults can upgrade their skills while balancing their training with work, family, and other responsibilities. By making sure that postsecondary training works for adults, states could begin to close their middle-skill gap now.

Job-driven financial aid policies allow students to get credentials that employers value

States could help adults earn postsecondary credentials by making it more affordable for them to participate in training programs. On average, community college students have unmet financial need of \$4,011 per year.⁵⁹ To help meet this need, states could provide “job-driven” tuition-free assistance for middle-skill training programs generally (such as free community college) or specific high-demand industries in the region.

Job-driven financial aid can also make attending school as a working learner easier by filling gaps in federal financial aid — providing aid to students attending less than half-time or to those enrolled in short-term training programs that take less than one year to complete. For example, it is difficult to use Pell grants, the U.S.’s top source of need-based, debt-free financial aid, for short-term programs — which can include industry-recognized credentials or certifications, licenses, and certificates — despite the fact that these credentials account for 24 percent of all postsecondary awards in the U.S.⁶⁰

More than half of southern states have some sort of job-driven financial aid program in place, though some programs are not funded to their full capacity.⁶¹ Southern states that do not have any significant job-driven financial aid include Alabama, Delaware, Louisiana, Mississippi, North Carolina, Oklahoma, and South Carolina.

Of southern states that do have a policy in place, the amount of funding available and the scope of such

programs varies greatly. As the concept of free community college gains popularity, more and more states are developing “Promise” programs that provide last-dollar scholarships — scholarships designed to cover the gap between students’ other financial aid and their total financial need — to residents attending community and technical colleges. However, most states have not made these programs available to adults. Out of the southern states, only Tennessee provides free community college to all of its residents, regardless of age.

Georgia and Virginia have established programs to help residents earn credentials sought by employers in leading industries. However, they are not funded to capacity and could be expanded.

Georgia’s Helping Outstanding Pupils Educationally (HOPE) Grant provides tuition assistance to residents of any age who are pursuing a technical college certificate or diploma, with additional funding available to those pursuing a certificate or diploma in one of seventeen in-demand fields, including precision manufacturing, health science, and welding technology. However, due to a decrease in funding, the HOPE Grant only covers a percentage of tuition and does not cover books, supplies, and other essential costs.⁶²

Virginia’s newly-established New Economy Workforce Grant Program, provides first-come, first-served grant funding for noncredit workforce training that leads to a credential in a high-demand field. Students can have up to two thirds of the program cost covered through this grant established in 2016. Awards totaling \$5 million were given during its first year, providing grants to roughly half of the state’s 4,200 credential earners.⁶³ Given student demand, Virginia has now expanded the program to \$7.5 million in awards per year. While these policies in Virginia and Georgia are promising examples, more needs to be done across the region to adopt and adequately fund financial aid programs that help people earn credentials for middle-skill jobs.

Career pathways policies help students address barriers to build in-demand skills

For adults who are trying to pursue a postsecondary credential while holding down a job or raising a family — all on a tight budget — coursework isn’t the only challenge. Additional barriers — scheduling difficulties, balancing immediate work opportunities with longer-term education and employment goals, and financial challenges, such as transportation, housing, and child care costs — can prevent success.

Additionally, some adults need to improve their literacy and numeracy skills in order to succeed in postsecondary training. Limited opportunities to build these basic skills can be a barrier for adults seeking to secure college credentials.

“Half of all community college students are over twenty-one years old and the vast majority of students are working while enrolled in school.”

CASE STUDY: TENNESSEE RECONNECT

Governor Bill Haslam of Tennessee signed the Tennessee Reconnect Act (HB 531/SB 1218) into law in May 2017, making community college effectively free to all Tennesseans, regardless of age. Funded by the state lottery, Tennessee Reconnect is a last-dollar scholarship for adults to attend community college to gain a credential or degree. The tuition grant is set to begin disbursement in the Fall of 2018. While the scholarship is critical, Tennessee Reconnect's strong statewide recruitment and enrollment effort is also instrumental to positioning the program for success.

The impetus for Tennessee Reconnect was born out of Governor Haslam's Drive to 55: an initiative to increase the number of Tennesseans with a postsecondary degree or credential to 55 percent by the year 2025 in order to keep up with job demand. Governor Haslam started Drive to 55 after an analysis showed that without intervention, only 39 percent of Tennesseans would have a postsecondary credential by 2025.

After reviewing the numbers, officials realized that the Drive to 55 goal could not be attained without a significant number of Tennessee adults returning to college to gain a postsecondary credential. In addition to adults who may never have started college, data revealed that there are actually 900,000 Tennesseans who have completed some college but did not graduate with a credential or degree. Providing free postsecondary education for these adults not only helps more Tennesseans move into better paying jobs, but also helps employers fill critical skills gaps and grow their businesses. Reflecting the skills gap trend nationwide, middle-skill jobs account for 58 percent of Tennessee's labor market, but only 45 percent of the state's workers are trained to the middle-skill level. Tennessee Reconnect aims to help close that gap.

The Tennessee Reconnect program has set itself up for success with distinct marketing and outreach strategies coming from the state, institutions, and regions. The Tennessee Higher Education Commission (THEC) engages in traditional marketing through advertisements and a user-friendly website. It also runs the Tennessee Reconnect Ambassador program, where people are trained to identify potential Reconnect students, answer basic questions about the program, and connect potential applicants to the right resources depending on their needs. For example, in Middle Tennessee, Urban League staff are trained as Reconnect Ambassadors, ensuring that people receiving other community services through the organization also have the opportunity to learn about Reconnect. The

postsecondary institutions themselves offer information sessions as well as pre-enrollment boot camps focused on topics such as math, technology, or writing.

Regional outreach is also conducted through Tennessee Reconnect Communities, which offer community-based, institution-neutral, high-touch advising, navigation, and support services that often cover a multi-county region. Regions interested in offering this service apply to THEC, which gives start-up grants to hire a director and other staff. Reconnect Communities are led by an organization that is trusted and respected within that community. For example, in Nashville this is the Nashville Chamber of Commerce, but in other regions it may be a community-based organization or a job center. These Reconnect Communities do one-on-one outreach and meetings to work with potential students to develop a plan of action for them to return to school, graduate, and find a good job. Directors go out into the community — to malls, churches, and more — to find potential students. Eight Reconnect Communities have been launched thus far, and they are already serving 13,000 students without the tuition grant even being available yet.

Tennessee Reconnect also works with state agencies and counties to make sure they are using and promoting the program to its full advantage. The Tennessee Department of Transportation has trained several employees as Ambassadors and is poised to take advantage of this opportunity to upskill their workers. THEC plans to replicate this model with other state agencies so that they can educate their employees and their clients about Tennessee Reconnect.

Additionally, THEC has trained thirty staff at twenty companies in Rutherford County as Reconnect Ambassadors, with an additional thirty to be trained in 2018. The Rutherford County Chamber requested this training from THEC as they realized how important Tennessee Reconnect could be to business growth and development, as well as to reaching the county's Drive to 55 goal. Several other counties have seen Rutherford's example and have reached out to try to find out how they can replicate this themselves.

The tuition grant will begin disbursement in Fall 2018. Looking forward, Governor Haslam has pledged to focus on completion and equity to make sure that working learners of all demographics are not only starting college but completing and exiting with an industry-recognized credential or degree.

Some states have introduced career pathways to help mitigate the many challenges associated with securing a college credential. These pathways address challenges in several ways:

- Use **career coaches** who connect people with the right training programs and support services to achieve their career goals, whether those services are provided by the college itself or a partner such as a community-based organization.
- **Expedite training** by helping people brush up on their basic reading, writing, and math skills (or earn their high school equivalency diploma) at the same time as they're building technical skills.
- Provide **in-demand “stackable” credentials** that count toward a higher-level certificate or degree and offer **credit for prior learning**. This means that workers can use their short-term credentials not just to find an in-demand job, but also to continue their education without losing credit for the work they've already done.

Because career pathways are built to help workers earn in-demand, industry-recognized credentials, they create a pool of people with the skills and training that local businesses need. In fact, the best pathways use sector partnerships to engage industry leaders in program design and make hiring connections for students.

While career pathways are recognized as a best practice, community colleges may face challenges in adopting them because they require intensive partnerships with state agencies and community partners, as well as additional financial investment. States could support and scale the adoption of these pathways by providing support directly to community colleges and their community partners, and by taking advantage of opportunities to braid federal and state dollars across workforce, higher education, and human services programs. In fact, such policies are critical in states that are aiming to prepare low-skilled and low-income adults for family-supporting careers.

Few southern states have adopted policies to promote robust postsecondary career pathways. Only four southern states (Arkansas, North Carolina, Texas, and Virginia) have policies that explicitly support and invest in these types of pathways despite the South's relatively high poverty and low educational attainment rates.⁶⁴

Some southern states have developed critical components of training pathways using private philanthropic dollars and grants from more general state sources. However, the lack of a dedicated state investment for these initiatives threatens their long-term viability.

For example, the Mississippi Community College Board implemented the Mississippi Basic Integrated Education and Training Program at each of its fifteen community colleges mainly with philanthropic dollars.⁶⁵ This “integrated education and training program” is modeled after one in Washington State with proven success.⁶⁶ Students



have different onramps to the training pathway, including a SmartStart class which consists of a career assessment, basic education, career awareness, and soft skills training for up to three hours of college credit.

The Mississippi Integrated Basic Education and Skills Training program helps people improve their basic reading, writing, and math skills while training for an occupation so they can earn their high school equivalency diploma and an industry-recognized credential at the same time. However, because there are not dedicated state resources for the program, the future of the Mississippi program is uncertain.

Similarly, Georgia, Kentucky, North Carolina, and Louisiana were among five states to participate in Accelerating Opportunity — a philanthropically funded initiative to promote integrated education and training approaches at the state level. An impact analysis of Accelerating Opportunity found that students earned more credentials while taking fewer credits, accelerating their postsecondary education goals, and in some states, program participants saw labor market gains.⁶⁷ With grant resources expired, however, and no substantial state funding, Georgia, Kentucky, and Louisiana may face challenges to institutionalizing these programs.

KEY TAKEAWAYS:

- Most states in the South have job-driven financial aid programs, though the funding and the scope of each state's program varies widely.
- Only four southern states use policy and resources to promote postsecondary career pathways. Though pathways have produced results, most southern states have not invested the funding necessary to secure the future of these programs.
- Southern states could consider ensuring that job-driven financial aid is available to more adult students.

CASE STUDY: ARKANSAS CAREER PATHWAYS

The Arkansas Career Pathways Initiative (CPI) was formed in 2005 in response to Arkansas' relatively high poverty rates and low number of residents with postsecondary credentials. CPI provides tuition and case management support for low-income parents to earn GEDs, certificates, and associate degrees in community colleges and technical centers across Arkansas. Since its inception, over 30,000 students have enrolled in one of more than 400 career pathway options that link education, training, and support services and lead to employment and career advancement in high-demand industries.

With initial support from the Governor's Workforce Cabinet, the Arkansas Department of Higher Education (ADHE) worked with twenty-five two-year colleges and technical centers to set up and administer CPI programs. The state funds the program with existing federal Temporary Assistance for Needy Families (TANF) block grant dollars, administered by the Arkansas Department of Workforce Services (DWS). Eligible candidates are required to be custodial parents or guardians of children living at home. In addition, they must be current or past recipients of TANF cash assistance; or be current recipients of Supplemental Nutritional Assistance Program (SNAP), Medicaid, or Arkansas' children's health insurance program; or earn 250 percent or less of the federal poverty level. To date, close to 90 percent of CPI participants are women and the majority are single parents. Recipients receive funding each year for tuition and fees (beyond what is covered by Pell Grants), as well as wraparound support services such as career planning and employment counseling, and assistance for child-care, transportation, and coursework materials.

According to an external College Count\$ impact study funded by the Winthrop Rockefeller, Ford, and Annie E. Casey Foundations, around half of CPI participants between 2006 and 2013 received at least one postsecondary certificate or degree compared to just a quarter of all Arkansas community college students. CPI students of color were three times as likely to attain an academic credential, compared to their non-CPI counterparts. In 2011, CPI students earned roughly \$3,000 more in their first twelve months with a job versus non-CPI TANF recipients. The impact study also evaluated the initiative's return on investment measured by increases in tax payments from wage gains and decreases in public assistance spending. The state of Arkansas receives a significant return of \$1.79 over five years for every dollar spent on the Career Pathways Initiative.

Not only does CPI help Arkansans break the cycle of poverty and save the state money, it also reduces the skills gap by connecting participants with jobs in high-demand career sectors. Each year, CPI college and technical center sites conduct a gap analysis using DWS data about job openings, job growth, and job loss across industries. Site leaders also speak with employers around the state about labor demands. CPI advisors use this labor market and anecdotal data to help students align their career goals with actual workforce needs. The Allied Health and Education sector for instance, which includes nursing occupations, is one of the highest-demand industries and employs almost two-thirds of CPI certificate or degree recipients.

The Arkansas Career Pathways Initiative has successfully leveraged existing funding to produce substantial academic and employment outcomes that benefit both low-income families and employers. Ongoing coordination across state agencies and the twenty-five participating colleges and technical centers drives the initiative's success. The ADHE maps out career pathways based on current employer demand and provides staff to assist with program implementation. Data sharing between ADHE and DWS allows for continuous program evaluation and improvement. This collaboration is driven in part by the state legislature's ongoing bi-partisan support and its policy that CPI maintain data on course enrollment, degree completion, job placement and retention, and wages. Tuition assistance and case management are also essential components of the initiative, a point emphasized in follow up interviews with CPI participants.

There is much work left to be done, given that Arkansas' 19 percent poverty rate remains higher than the nation's average. While there are more state residents age twenty-five or older with a postsecondary degree than when the program started, numbers still fall short of the national rate. Unfortunately, decreased funding for CPI in recent years has narrowed the impact of the program. In addition, federal TANF work participation requirements create a disincentive for investing TANF dollars in education and training initiatives such as CPI. Limitations on Pell Grant eligibility also provide challenges for CPI students enrolled part-time and/or in short-term programs. Looking to the future, state and federal policies must be aligned with the goals of CPI so the initiative can be as effective as possible in providing economic opportunities for low-income families across Arkansas.

SOUTHERN STATES CAN STRENGTHEN WORKFORCE DATA SYSTEMS TO PROMOTE ACCOUNTABILITY AND TRANSPARENCY

Resources invested in sector partnerships, work-based learning, job-driven financial aid, and career pathways should go to programs that successfully serve people from all backgrounds and places, including women, people of color, and residents from both metropolitan and rural communities. States need accurate and comprehensive data systems to help leaders gauge their progress toward this goal. Data could be used to identify gaps in program access or performance and direct practitioners and policymakers to solutions for closing those gaps. Businesses need access to data that will help them assess whether the regional workforce can meet its current and future needs.

Data systems are crucial to determining where skills gaps exist in certain industries and where sector partnership efforts should be channeled. Systems can show both in-state demand for selected occupations and the number of students enrolled in programs that prepare people for those occupations. Only three southern states — Florida, Mississippi, and South Carolina — report that their systems can conduct skills gap analyses. Most states report that they are in the process of building this functionality.⁶⁸

Data systems for higher education and workforce programs should be able to inform students, workers, employers, policymakers, and others about whether people are accessing and completing programs and finding jobs. Most southern states have data systems capable of providing this information. However, systems in three southern states — Alabama, Delaware, and South Carolina — are not fully capable of helping these different stakeholders make informed career decisions.⁶⁹

Southern states could also use data to produce publicly available consumer information tools for students and workers so that they can compare programs and make informed education and career decisions. Data should be aggregated to protect privacy. About half of southern states produce these tools. Of the states that do not have these information tools, most are in the process of producing them. However, Delaware, Maryland, and Oklahoma have made minimal progress toward producing these tools.⁷⁰

In addition to making data available to students and workers, southern states could also regularly report the education and employment outcomes for the state's education and workforce programs to the state legislature. This prompts policymakers to evaluate the effectiveness of the state's programs. Only five southern states regularly report these outcomes to policymakers. Those states are Louisiana, Mississippi, Oklahoma, Tennessee, and Texas.⁷¹

Finally, states could invest their own resources to supplement the federal resources available to develop and maintain data reporting systems. Fourteen states across the



nation find it necessary to supplement federal resources for data systems with state resources. Only four southern states use their own money to help create and maintain these important data systems. These states are Georgia, Mississippi, North Carolina, and Tennessee.⁷²

Even states that invest their own funding in systems are primarily dependent on federal grants. Once federal grants expire, many states are forced to downsize systems which stalls the progress they've made and jeopardizes the realization of potential benefits.

KEY TAKEAWAYS:

- Data systems help perform crucial functions that promote accountability, informing students, workers, employers, policymakers, and others about where industry skills gaps exist and whether people are accessing and completing programs and finding jobs.
- Most southern states have data systems capable of providing information about their states' education and training programs. While only a few southern states' systems can determine where skills gaps exist, most states are in the process of building this functionality.
- The majority of southern states have or are in the process of developing consumer information tools for students and workers to make informed career decisions. Yet three southern states have made minimal progress toward producing these tools.

A ROADMAP FOR SOUTHERN SKILL BUILDING



A ROADMAP FOR STATE POLICYMAKERS TO CLOSE THE SKILLS GAP AND GROW THE ECONOMY

This report is filled with examples of how states could close their skills gaps and strengthen their economies. This roadmap describes actions policymakers could take to either begin or continue their work toward building a stronger economy. State policymakers could:

1. Use workforce development strategies, such as sector partnerships and work-based learning, as economic development tools capable of meeting industry needs.

The availability of skilled workers factors heavily into businesses' ability to grow, as well as their decisions to relocate to a new place and stay there. Policymakers interested in expanding their states' business base by targeting high-growth industries could offer industry-driven training through sector partnerships and work-based learning. These workforce development policies could be coordinated with other sectoral economic development policies that support research and development, technology transfer, industrial process upgrading assistance, entrepreneurship, and traditional incentives.

Examples from North Carolina and South Carolina demonstrate the value of this approach. In North Carolina, sector-specific training for the biotech industry dramatically influenced firms' decisions to move to or stay in the state. In South Carolina, the state's apprenticeship program is integral to economic development efforts, ensuring that existing and new companies have the workforce development support they need to train a skilled workforce. By using industry-driven training as a key economic development tool, states can maximize their job creation efforts.

States could use this strategy to promote industry-specific economic development in both rural and metropolitan regions. Aligning economic and workforce development efforts is critical in rural communities that need more jobs and more skilled workers to stabilize and grow their local economies. In metropolitan areas, strategies that promote industry-driven training as a key economic development tool can help ensure that job growth is inclusive and provides opportunities for all residents.

2. Invest in communities to implement high-quality workforce development strategies at the local level.

Over the past several years, a number of Southern states have adopted key skills policies to support local sector partnerships, work-based learning, and career pathways for adults. However, most states are at the initial stage of this work, using federal or philanthropic funds to test new strategies. States could do more to bring this suite

of proven skills strategies to scale in communities across the state.

Policymakers could consider investing more state resources into the development and growth of local workforce development strategies. By dedicating state dollars to local strategies, states could make better use of the infrastructure they've started to build with federal funds. State dollars could also leverage investments from other sources, such as philanthropy and business. In fact, state investments in sector partnerships, work-based learning, and career pathways could complement the training investments that employers and workers are already making.

States who invest their own dollars into these strategies could also set requirements around service delivery and program performance so that local practice is tied to state policy goals. Maryland and Tennessee offer examples of states that have invested their own funds in building sector partnerships, giving them more capacity to implement these partnerships.

While funding is critical, local communities need additional investment beyond dollars to successfully adopt new workforce development strategies. States could couple technical assistance with funding to help with initial implementation, disseminate best practices and lessons learned, and help local communities develop the tools necessary to coordinate strategies across employers, education and training providers, and other stakeholders. Technical assistance may be particularly important in parts of the state that have a less robust workforce development system. Through its High Demand Career Initiative, Georgia is working to provide technical assistance to regional sector partnerships.

3. Establish job-driven financial aid programs that are available to a wide range of students.

Over half of the states in the South have established job-driven financial aid policies in recognition of the fact that many students need assistance to earn postsecondary credentials. Yet, in states that do have policies in place, programs leave significant funding gaps for students. For example, financial aid policies may not pay for full tuition, cover costly fees, or apply to short-term training. To ensure that students can acquire the skills and certifications needed by employers, states could offer financial assistance for a wide variety of programs and needs.

Tennessee offers a strong example of job-driven financial aid. Through the Tennessee Reconnect grant set to begin disbursement in Fall 2018, attaining a degree or credential from a community college is effectively free to all Tennesseans regardless of age. Local chambers of commerce across the state see Tennessee Reconnect as an important tool for business growth and development.



4. Form middle-skill career pathways and include comprehensive supportive services that enable completion.

Since upskilling the existing adult workforce is essential to closing state skills gaps, policymakers could introduce career pathways that help mitigate the many challenges adults face in securing college credentials. These pathways use career coaches who connect people with the right training and support services, expedite training, and provide in-demand “stackable” credentials.

The Arkansas Career Pathways Initiative is a strong model of such a program. Arkansas assesses gaps in the state’s key industries and uses federal money to provide gap tuition funding and wraparound support services for adults so that they can complete their college credentials. An independent study of the program has already confirmed that it produces a positive return on investment for the state, and the initiative’s graduates are helping to fill needs in the state’s high-demand industries.

Support services like child care and transportation are a key feature of these training pathways for adult students as they enable them to complete college credentials while working, raising a family, or both. They are especially important in the South with its burdensome transportation costs and disproportionately high share of single parents. Southern states could follow Arkansas’ lead and use existing federal fund sources to provide career pathways along with strong supportive services and also consider refraining from adding restrictions on supportive services that would interfere with access to education and training.

5. Create state data systems that provide accountability on how training programs are helping residents with diverse needs get skilled jobs.

When policymakers invest taxpayer dollars into workforce development programs, they want to ensure results for workers and employers. Since policymakers looking

to close their state's skills gap must develop a diverse and inclusive workforce, it is imperative that training programs are widely available to all residents, including those who face systemic barriers to economic opportunity. To address these issues, states could collect data and create data tools that show participation, completion, and labor market outcomes for the full range of state education and workforce programs, as well as for different racial, gender, and income groups. These data tools could be accessible to both policymakers and the public so that students, workers, employers, and others can make informed decisions.

Mississippi illustrates how a southern state can invest in data systems. Mississippi's data system can conduct skills gap analyses and produce information on whether people are accessing and completing workforce programs.

However, all southern states could make better use of these data systems to inform students, workers, employers, and policymakers about how workforce programs are preparing jobseekers with different training needs and addressing equity gaps. Once data systems are used to identify gaps in program access or performance, this data could also be used to close these gaps and for overall program improvement.

VEHICLES FOR STATE POLICYMAKERS TO CLOSE THE SKILLS GAP INCLUDE GOAL-SETTING AND A "SKILLS CABINET"

State policymakers could also ease their path to implementation of these steps by taking the actions below. These actions could bring a broad set of stakeholders to the table to unite around a common vision for skills development:

Set a bold goal for increasing the number of adults trained for skilled jobs.

A common goal could mobilize the public and private sectors to work together to adopt practical solutions for closing the skills gap. For example, in 2013, Tennessee's Governor Haslam adopted a goal for 55 percent of Tennesseans to earn a college degree or certificate by the year 2025. This "Drive to 55" goal created a framework for key state policies including Tennessee Reconnect,

which specifically targets adults. By adopting a statewide postsecondary attainment goal for adults that includes high-quality workforce credentials and degrees, state policymakers could show businesses and residents that they are committed to meeting their skill needs.

Create a cross-agency "Skills Cabinet" and task agency leaders with implementing a strategy for meeting the state's postsecondary attainment goal for adults.

Closing the skills gap isn't a job for a single government agency. Instead, it requires coordination across a range of agencies to make sure that workers have the right combination of training, education, and support services to build skills for good jobs. State policymakers could consider creating a Skills Cabinet so that agency leaders across workforce development, economic development, higher education, and human services can develop and implement a comprehensive and shared skills strategy. States like Arkansas, Alabama, Kentucky, and North Carolina have all created multi-agency leadership groups to guide skills policies.⁷³

The strength and efficacy of a skills cabinet depends on the actions it takes. So while the creation of the cabinet is a critical first step, activities must go beyond naming and convening a set of agency leaders. To be effective, skills cabinets could:

- Align different agencies' strategic plans in service of their common goal.
- Braid federal and state funding streams to support key strategies and maximize impact.
- Use data systems to measure progress toward goals and ensure that such progress is equitable and inclusive.
- Identify opportunities for aligning education and training programs with other critical policies around issues like childcare, transportation, and criminal justice that are key for removing barriers to work.
- Make joint recommendations to policymakers on new and innovative strategies that agencies can implement in partnership with one another to improve opportunities for workers and businesses.

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