

**National Association of Workforce Boards Annual Meeting
Washington, DC**

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Director and Professor
John J. Heldrich Center for Workforce Development
Keynote Address
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Good afternoon. I have known Bob Knight and the NAWB for many years, and I'm glad to have his friendship and leadership. We are seeing the best people rise to the fore of workforce boards today, and the NAWB is going to be a very significant player in the next few years.

As Bob noted, I am honored to serve as director of the John J. Heldrich Center for Workforce Development at Rutgers University where I also educate graduate students in public policy and other fields. The Center, named for the chair of New Jersey's state WIB and a former J&J executive, was founded four years ago by the University's Board of Governors and we have been working at a pretty hectic pace ever since. I've had the opportunity to get to know many of you here today over that time, and I look forward to making more friendships in the future.

The Center's motto is solutions at work. We are one of the few university-based center in the nation focused on bringing real solutions to the needs facing America's workforce. We seek to work with you to help transform the workforce development system to meet the challenges of a new economic era. To do so, we identify best practices and areas where system performance can be improved. We provide training and development to the frontline staff, professionals, and board members who make it work. As a university-based center, we provide an independent source of analysis for reform and innovation. We engage in partnerships with the private sector and other educational institutions to design effective education and training programs and technology solutions. We also work to educate opinion and business leaders about why workforce development is a national priority.

As a university professor, I am also a workforce practitioner. I have taught a generation of college students. The students I teach are committed, hard working, thoughtful, and eager to do well. They're more directed and focused today than they've ever been. I'm very optimistic about our future leaders, many of whom are drawn to the important field of workforce development.

Of course, most of the kids who graduate from Rutgers and our colleges are the lucky ones. They know learning is like good health care, a lifelong commitment that repays what we invest many times over.

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As the leaders of our nation's workforce boards, you know that "workforce development" is more than jargon or just another marketing slogan. It is the *energy source* of a new economy taking shape before us—a new economy being shaped by technological change, globalization, new management practices and forms of work organizations, and new financial institutions and mechanisms. **Today--knowledge rules!** What might have been controversial a decade ago is now widely accepted, from the union hiring hall to the corporate boardroom. Workers' skills and ability to learn are our nation's most vital strategic resource. Obtaining education and training is the key to economic opportunity for individuals and companies, whether it is on the job or in the classroom. Look at the facts from recent research at the Heldrich Center and other leading researchers:

- A year of post-secondary education increases annual earnings for individuals by 5 to 10%;
- Skills training creates an average increase of 26 percent in wages for high school graduates and 33 percent for those with some college.
- Heldrich Center Work Trends surveys of the American workforce find widespread support for government and employer investments in lifelong learning. 70% of workers said it was important or extremely important for government to provide financial support for skills training; while 65% thought it was extremely or very important for employers to provide tax incentives for training to workers. These numbers were as high or higher than public support for providing financial assistance for college.

Employers know they must attract and retain workers to increase firm productivity. Employers everywhere are finding that skills shortages are standing in the way of new opportunities:

- A recent survey in New Jersey found that 40% of employers could not expand due to a lack of skilled workers. National surveys of CEOs cite the lack of skilled workers as the number one barrier to continued growth.
- Investments in workplace training generate substantial returns to private firms. The Committee on Economic Development found that training programs increase firm productivity by roughly 15-20 percent

on average, with associated gains in individuals' innovative abilities and wages.

That's why all of you are embarked on such important work. In the new economy, workforce development in the broadest sense—preparing people for work, helping them work better—is **the** key to economic growth and sustained competitiveness in global markets. Workforce development is an essential priority for the lawmakers here in this city and in state capitals around the country. Last year, 32 of our nation's 50 governors made workforce development a top priority.

Yet, despite the need, investments in adult workforce development programs in this country lag behind those of our competitors in other leading industrial democracies. In the U.S., we spend **more** per capita on education from K through 12 than any other country in the world. But for the rest of working life, for adults after the age of 21, the U.S. spends **less** per capita than any other industrialized country in the world. In a speech to the nation's governors last year, Federal Reserve Chair Alan Greenspan put it this way:

“The heyday when a high school or college education would serve a graduate for a lifetime is gone; basic credentials, by themselves, are not enough to ensure success in the workplace.”

Yes, workforce development **is** a big business. According to a recent Merrill Lynch analysis, workforce development—education and training—public and private represents 10 percent of our country's GDP. Health care is 14 percent. It matters.

So the experts, the academics, and the numbers agree. Education and training are ladders of opportunity for people and core assets for business. But our shared commitment here--connecting people to skills and careers--is about more than any one person pursuing his or her economic self-interest. By making our workforce system stronger we build foundations for better lives. Using a new skill, moving up the career ladder, getting a timely raise—these experiences sustain human self worth, make stable homes and strong families and communities, and lead to generational progress.

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I know what hard work at decent wages means to people on a daily basis and what happens when those opportunities die. I grew up in Pittsburgh where my father worked at the Homestead U.S. steel plant for forty years. Practically, everyone I knew in my neighborhood was a steelworker or depended on big steel. As a young man I went to work at the Homestead plant, at one of its rolling mills.

The Homestead plant generated over 35,000 jobs in our community. Think about that—35,000 jobs. Of course, the economic shocks of the early 1970s and early 1980s crippled the American steel industry. By the end of the decade the Homestead plant like so many others closed its doors and turned out the lights on all those jobs. Today, the entire complex has been torn down and redeveloped as a water park with fewer than **20** full-time jobs.

Yes, the free market system is driven by the process of so-called ‘creative destruction,’ continually replacing old and less efficient companies with more efficient and innovative ones. But the tragedy of the Homestead story is that families and communities had the rug—the entire house—of their economic future pulled away from them without a meaningful plan to prepare them for a changing world, and guide them to new, stable, decent jobs. As one worker observed years later, ‘it was the end of life as we knew it.’

Many of the sons and daughters of the Homestead steelworkers found better jobs and opportunities in the new high-tech sector taking flight in Pittsburgh and its suburbs. These new economy companies were attracted to Pittsburgh, in part because of good universities and a high-skills workforce built by the men and women who stayed through the past two decades. These people saved and scabbled for training programs and new skills so they were ready for whatever future they could make. But it could have and should have been easier for them and the entire city.

In today’s global economy, change is an even more powerful force—with greater potential to build or destroy. Those of you in business know that. Your market opportunities *and* your competition are no longer limited by natural resources or location. You depend on a smart, nimble workforce. Jobs are being created and eliminated faster than ever before. Despite the greatest peacetime economic expansion in American history, large employers including Lucent, Motorola, AOL Time Warner, and Disney are announcing layoffs. Dot coms by the hundreds vanish in cyberspace – and so do their jobs!

As business leaders, educators and managers, we know that people need new skills, new tools, and new approaches to be secure and succeed. In our new economic era, workers and their skills are a strategic resource we can’t afford to squander or take for granted. We know we can and must prevent the Homesteads of tomorrow from dislocating another generation of workers and communities. That’s a principle reason your work is so important, and that’s what helps get me up in the morning and work at these issues as I have for the past 27 years.

It is not just the dislocation of economic change that we need to concern ourselves with. Today, after ten years of economic growth and swelling federal and state revenues, there are still millions of hard working people who have been left behind. The U.S. poverty rate is more than double our unemployment rate.

Between 1979 and today, the number of families with children in which a parent worked but the family remained poor, nearly doubled. Today, a family with one earner working full time at the minimum wage still cannot raise itself about the poverty line. And while the unemployment rate is low, millions of adult Americans have dropped out of the labor force entirely. Many are illiterate, lack skills, and are discouraged.

But **more than half** of our unemployed, part-time and underemployed workers are high school graduates.

These left out and left behind workers represent a disturbing trend. The gap in incomes and opportunity between the educated and less educated in America continues to grow. Almost two-thirds of moderate and low-income workers—those earning less than double the official poverty line—have only a high school degree or less. Working poor families not only have less formal education, they have less access to computers, the Internet, and other forms of information technology necessary for many jobs.

Heldrich Center studies of the working poor show that they desperately want the training and education they need to move ahead. According to our *Work Trends* surveys, over 80 percent of the working poor say they need more education and training and would enroll in programs if their employers paid for all or part of it. Despite the need, only 27% of the working poor have ever received government assistance for training and only 18% said their employers ever provided financial help to get more education.

The millions of low-income adults and children lacking skills, computers and Internet access need new bridges to cross the digital divide, if they are to be included in a high-performance, high-skills workforce.

If we fail to bridge this divide, the consequences will be severe for Americans mired in a new cycle of generational poverty **despite** work. The millions of children who don't have computers at home, whose parents may be immigrants working double shifts, who can't afford extra classes and special tutors—these kids are going to be competing for a shrinking pool of low-skill jobs. That is, unless we give them a second chance—or a first, real chance. Let's not forget that these people are the core constituency of the workforce investment board.

But I firmly believe that the power of the sweeping new technologies and marketplaces around us hold great promise. I believe our information revolution can and will be channeled into broad-based job growth and development that will expand the economic pie and shrink poverty. A primary reason is the leadership and the commitment of the 1,500 people in this room today. You are the founders and shapers of the next generation workforce development system and

are clearly committed to leadership. Still, it can be tough to get our arms around this awesome responsibility.

I would like to suggest a set of five principles for how we respond to these challenges. They come from a recent paper I coauthored with Betty Jane Narver, a former state WIB chair now with the University of Washington, Evelyn Ganzglass and Martin Simon of the National Governors' Association, and Chris King of the University of Texas. We arrived at these five principles for strengthening the 21st century workforce development system based on the actions and feedback of workforce leaders across the country. I imagine that many of you have arrived at similar conclusions through your own experiences and observations over the years. To me, these principles are like strategic channel markers, guideposts bobbing on the waves, that we can follow through the ebb and flow of events as we lead our organizations forward.

Each of you—the leaders in this room—will have to inspire others to follow your course. In this wired 24x7 society, you'll need convincing reasons to inspire your colleagues, your own mayors and governors, your local educators and parents—to support you and make sure that workforce development remains a signal priority. The guiding principles for building the next generation workforce system are:

1. Be **market driven**.
2. Support and promote **lifelong learning**.
3. Incorporate **new ways of learning**, including new technologies.
4. **Provide flexibility and responsiveness** for workforce organizations, so that they can help individuals, employers, and government adapt successfully to economic change.
5. Develop and use **new performance measurement and accountability tools** for individuals, institutions, and companies.

How might some of these changes take place as we navigate our way in turbulent waters?

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If we are **market driven**, we know that listening and responding to the needs of individuals and employers—our customers—is most important. We know that we can make our local labor markets work better, by treating skilled workers as an important resource in our local economy who should be aggressively recruited

and cultivated. We must build closer connections between educators and industries and employers.

In New Jersey, the Heldrich Center and the HealthCare Institute are working with the pharmaceutical industry and higher education to build bridges between graduates and employers that include customized degree programs, externships and incumbent worker training programs.

If we wish to support and promote **lifelong learning**, we need to educate business and political leaders about seeing education and training as a permanent condition, not a one-shot treatment. We need to talk about the mismatch in resources between K-12 and the rest of our working lives. Educating and speaking out about our mission is a way we can expand the circle of knowledge. Trade and industry associations and unions are very promising allies for our cause. They can work with you to promote and deliver training and seek investments in the capacity of the workforce system through technology and software, distance learning, and higher education.

If we are adopting **new ways of learning** at One Stops and throughout the workforce development system, we can develop partnerships with organizations at the cutting-edge of elearning. Look toward the colleges and universities who are having success with Internet-based instruction.

A word of caution. In this new era learning technologies, we need to develop new consumer and privacy protections. It used to be it was easy to evaluate an educational institution—you stopped by, looked at the building, and went inside. In the Internet world, we need to research and implement appropriate safeguards and protections.

If we are committed to promoting accountability in workforce initiatives, we need accurate, accessible, and fair ways to measure performance and outcomes. Plain and simple, you can't judge performance in a business, in baseball, or in the classroom, without good numbers. We must do more to document and measure how individuals, training providers, and the whole workforce system perform. In short, we need to convince ourselves and those who pay the bills that we deserve support. Web-based tools and applications are a critical tool in gathering and studying outcomes. Consumer Report Card web sites that we've developed at the Heldrich Center can be very effective if your state and local boards and staff are committed from the top.

We also need to learn more about what is working at One Stops around the country. The Department of Labor and the Heldrich Center are evaluating One Stop practices nationally and will soon make available a national report featuring and describing these promising practices.

And let's remember this. Most WIBs are less than a year old, and making good progress for a young, new experiment.

If we are going to encourage **flexibility and responsiveness in the education and training business**, we must recognize that our economy is running at Internet speed and we have to learn how to keep up. We should focus capacity building, staff development, and improvement efforts at the front lines and point of service and build career ladders within our own organizations. Each and every worker has potential. We must also give jobseekers and employers information, tools, and services that allow them to navigate the workforce system online, on their own time, at their discretion. Then we're really getting up to speed—creating a non-stop, One-Stop.

Our principles are simple. But like the Ten Commandments, they can be easy to remember but difficult to live by. They are:

Be market driven. Support lifelong learning. Adopt new ways of learning. Commit to accountability. Be flexible and responsive to change.

There's no perfect workforce center that will reflect all these principles, all the time. But these challenges can inspire new ideas and new possibilities. Think of the mighty deeds we've seen accomplished in our economy over these past ten years—it has been a truly remarkable time. Because each of you gave your time and labor to educating our workforce, millions of people were able to buy a house, start families, go to college for the first time, and find a satisfying career. And for most of us, we feel like we've earned every inch of progress. It's been a lot of hard work, and there are more challenges ahead. As we choose the path we will follow, let's set a course all can follow. Let's give the people we're working for the most important chance of all, the chance to use their talent to productive and satisfying ends.

The great jurist Oliver Wendell Holmes once observed that we are all born idealists, because we are born to act. If we act, we are acting toward an end, and if we care, every goal we have can be a great ideal. Every person in this room is that kind of idealist, an idealist born to act. You have taken many steps toward that goals you have for your community and your country. Let's continue that journey together.