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The Middle-Skills Gap

Community-Based Solutions to Meet Employer Demands

Maurice A. Jones

Official statistics indicate that the economy is strong. The April 2018 national unemployment rate of 3.9 percent was the lowest since 2000 (Bureau of Labor Statistics 2018b; Kitroeff 2018). In many urban neighborhoods and rural communities across the country, however, high unemployment rates persist, and people are struggling to achieve financial stability. Whereas the Atlanta metro area currently has one of the highest job-growth rates in the nation (Bureau of Labor Statistics 2018a) and relatively low unemployment, in nearby Vine City, a neighborhood just west of downtown, the unemployment rate was 19.4 percent, and more than 40 percent of residents lived in poverty as of 2016 (U.S. Census Bureau 2018). The unfortunate reality is that many low- and moderate-income people face persistent barriers to financial security and employment, despite living in cities that are experiencing strong growth.

At the same time, many companies cannot find qualified talent to fill jobs, particularly “middle-skills” positions. These positions generally require more than a high school diploma but less than a four-year bachelor’s degree, as well as additional credentials like technical certifications and associate degrees. Many applicants lack these technical skills in addition to basic reading, writing, and math skills. Yet as recently as 2015, 73 percent of employers reported that they expected their demand for middle-skills positions to increase (Chanmugam, Smith, and Worrell 2014). Estimates suggest that between now and 2024, the U.S. economy will create 16 million middle-skills job openings (National Skills Coalition 2017).

There is a supply-and-demand mismatch at play in the market. Employers have a clear and growing demand for workers with training and qualifications to fill middle-skills positions, while low- and moderate-income communities have a supply of millions of residents who are under- and unemployed but lack the skills necessary to meet this demand. Middle-skills positions offer financial stability and economic security (some of these jobs pay at least \$55,000 according to Carnevale et al. [2017]) and thus a path to the middle class. Solving this market mismatch requires preparing people to meet employers' demand for technically proficient workers, a process that could transform high-poverty communities and further strengthen our overall economy.

As secretary of commerce and trade for the Commonwealth of Virginia, I saw firsthand the challenges and transformative possibilities of solving this market mismatch. In 2014, we identified that the state would need to replace more than 930,000 retiring workers and fill another 500,000 jobs by 2022—the combined total represents about one-fifth of the working population (U.S. Census Bureau 2014; Virginia Board of Workforce Development 2014). We further determined that 50 to 65 percent of the positions could be classified as middle skilled.

On one of my tours through the state, I met a man in his thirties whom we had connected to a middle-skills career pathway. Hailing from an extremely poor part of rural Virginia, this young man had recently left prison after serving several years for drug-related charges. He had never held a traditional job. Through the Commonwealth's workforce efforts, he began attending an employment services program that connected him with a welding course, from which he eventually earned an American Welding Society certification. Shortly thereafter, a local construction company hired him at a wage that propelled his ascent into the middle class.

This economic impact in and of itself was certainly significant, but what struck me most about the young man's story was how this job had transformed him on a personal level. He reported having a new level of confidence that allowed him to support his formerly estranged daughter and his community in a way he could not have imagined previously. By learning a trade, he had become a market participant equipped with technical skills that had value. He could leverage those skills to seek out new opportunities that enabled him to earn a living wage. His story crystallized for me the notion that cultivating a talent supply to meet this

market demand is not only an economic imperative but also a human one. Finding a way to integrate undervalued talent successfully into the workforce gives workers market power and the satisfaction that comes from having a value that the market will reward, which can transform those workers' lives and their communities.

Creating a work-ready talent supply to meet an enormous market demand, however, is not an easy task. Even in Virginia, where we had an extensive public system of 15 local Workforce Development Boards, 24 state-level programs, a new state-funded pay-for-performance model, and the Virginia Board of Workforce Development, it was difficult to reach our target populations. Often, chronically unemployed people whom we desperately wanted to serve did not utilize the available resources. Some were not aware they existed. Others faced logistical challenges in arriving at the program locations. And those who did enroll in our programs often felt uncomfortable about opening up to staff in these completely new environments.

The sheer magnitude and scale of this public system made it challenging to adjust programs to meet the needs of any particular community or specific population. Virginia's workforce development programs, not unlike similar programs across the country, had to prioritize geographic breadth to serve the entire state over personal depth with any one community or client. While some who participate in this massive public system, like the young man I met, can find a way to succeed without much personalized attention, many more struggle to develop the skills to enter the workforce and become full market participants who can command a living wage.

A COMMUNITY-BASED WORKFORCE SOLUTION

In truth, the mechanism for effectively supplying talent from low- and moderate-income communities to compete for middle-skills jobs cannot rely on the traditional public-sector workforce system alone. Rather, we must incorporate community-based, private organizations into the workforce development apparatus to develop a talent supply more efficiently. Research shows that training low-income individuals for careers in high-growth sectors can positively impact their economic

well-being (Hendra et al. 2016), with the biggest boost coming from partnerships with experienced community organizations (Schaberg 2017), many of which can reach individuals with untapped talent and help guide and support them through the training process. Private enterprises, including nonprofits, have the trust of communities and the flexibility to customize workforce programs and services to meet a diverse set of employers' shifting demands.

Part of the reason I was so excited to join the Local Initiatives Support Corporation (LISC) last year was because of its focus on partnering with community-based organizations. LISC believes partnerships with organizations that are *of the community* and that enjoy the trust of residents through long-term relationships with them are the most effective way to deliver services that will advance the progress of low- and moderate-income communities across the country. LISC's Financial Opportunity Center (FOC) approach in particular is one model that relies on partnerships with community-based private enterprises, such as faith-based organizations and community colleges.

Specifically, the FOC model transforms community-based private workforce development enterprises into full-service sites that have devised solutions for the two issues many traditional workforce programs face—recruitment and retention. By offering employment services in the very communities where low- and moderate-income people live and using a one-on-one coaching approach, FOCs can get these target populations through the door and coming back. Community members are often already aware of these organizations because of the deep roots they have in the communities. This connectedness facilitates the formation of long-term relationships with clients. Moreover, FOCs help create a supply of workers that are not only technically proficient but also well grounded—workers that are capable of achieving economic mobility as well as maintaining active civic and family lives outside work, empowered by living wages and stable finances.

A FOUNDATION OF FINANCIAL WELL-BEING

Upon a client's arrival at the FOC, the community-based organization pairs the client with a coach to work on three programmatic areas of

the bundled services model—1) financial counseling, 2) employment services, and 3) income support services. Coaches serve as the client's primary point of contact for all of his or her questions. In some cases, they might share their cell phone numbers and strive to become their client's trusted advisers. Although workforce programs, including some I oversaw in Virginia, also offer one-on-one financial counseling, the FOC model is distinct in its commitment to using individual coaches to address clients' financial stability as the foundation for their workforce attachment and skills development.

This focus on financial stability is absolutely essential for getting people living in low- and moderate-income neighborhoods positioned to absorb all the benefits of employment and, eventually, on track for a middle-skills career. In 2016, the Pew Charitable Trusts reported that over two-thirds of people living in high-poverty areas either spend more than they earn or just break even every month. People in these communities are often more likely to struggle to meet basic financial obligations, such as paying their mortgage, rent, or utility bill (Pew Charitable Trusts 2016). So, as a first step at each FOC, a coach works with the client to organize his or her financial life. The coach helps the client develop a plan for managing the client's expenses and reducing existing debt. Coaches teach clients strategies to increase their credit scores. Our data indicate these efforts work. FOC clients are more likely than those going through traditional workforce programs to pay their bills on time, and they have bigger reductions in non-asset-related debt (Roder 2016).

This financial organization also allows them, once they have a job, to feel as though the work is actually paying off, because they can see a path toward a more stable financial future. They start performing better at work because they are less stressed about how they will pay their bills. In fact, FOC clients who take advantage of these combined services significantly improved their ability to retain a job in the second year after program entry (Roder 2016).

CREDENTIAL BUILDING

Preparing people for middle-skills jobs, however, requires more than just stabilizing their finances. We also need to have a laser focus

on developing their educational and technical skills to meet the talent demands of local employers.

Many new FOC clients test between a sixth- and eighth-grade level of literacy and numeracy on the Test of Adult Basic Education (TABE), but many credentialed training programs typically require a tenth-grade literacy and numeracy level.¹ The Bridges to Career Opportunity (BCO) program, which LISC piloted in 2013 at select FOC sites, provides specialized support to fast-track clients through academic readiness programs to help them reach the grade levels needed to be successful in occupational skills training programs. The academic readiness training focuses on basic reading and math skills that are contextualized to the clients' chosen career tracks. The curriculum also includes employability skills, and it may feature employer partners as guest speakers.²

In addition to helping clients improve their reading and numeracy skills, coaches work with clients on applying for training programs and jobs that will put them on a career ladder. Importantly, coaches continue to provide job retention, income support services, and financial-stability support services throughout the training programs in order to maintain clients' financial well-being. The FOC and BCO models together can quickly move people from sixth-grade reading and math competencies to having the skills necessary to earn family-sustaining wages. Research has shown these kinds of real-world, "bridging" activities to be effective in increasing retention in community colleges (Martin and Broadus 2013), and LISC is bringing the community relationships and know-how of local partners to the BCO model to help reach individuals who might otherwise not be served by these larger institutions. Indeed, LISC's own research has shown that within six months of entering one of our FOCs, clients have a 74 percent job placement rate, and 76 percent of clients have increased their net income (Rankin 2015).

MATCHING TALENT AND EMPLOYERS

Individual client stories reveal the program's transformative impact. Jovan (last name omitted) was raised in Chicago public housing projects, sold drugs, and eventually served time for a felony conviction. After leaving prison, he remained unemployed for more than seven

years. Many formerly incarcerated people face a similar predicament. More than two-thirds end up being long-term unemployed (deVuonopowell et al. 2015). In 2015, Jovan declared bankruptcy, which served as a wake-up call to find “a career, not just a job.”

This resolution led him to the North Lawndale Employment Network (NLEN), an FOC/BCO community-based partner in the North Lawndale neighborhood on Chicago’s west side, where more than 50 percent of adult residents have a criminal background and 94 percent of residents live below the federal poverty line (NLEN 2012). In addition to working with his coach to design a financial plan, Jovan enrolled in NLEN’s U-Turn Permitted, a four-week job-readiness program for men and women who have a felony background, which included lessons on how to broach his felony conviction with employers. Two weeks after graduating from that program, he was referred by his coach to a front-desk greeter job at a community services building located in North Lawndale.

While working, Jovan completed NLEN’s Bridge Literacy program to improve his reading skills so he could enter Moving Forward, a diesel mechanics training program offered with guidance from the Chicago Transit Authority (CTA). He had always been good at working on cars, so the Moving Forward program was a good fit. In August 2016, the CTA hired him as a full-time apprentice through its Second Chance program, and he passed his repair, mechanic, and bus operator exams. In March 2017, he received a promotion to become a rail car repairman, a position that paid him \$21.90 an hour, and he now sees a career track to management. Jovan’s coach also worked with him to increase his credit score by 144 points in 18 months. He is now enjoying financial stability for the first time in his life.

Jovan’s story underscores two key elements of the BCO program. The first is the incredible persistence it takes for both the community-based organization and the client to overcome obstacles to employment. In order to achieve such significant outcomes in a relatively short period of time, Jovan had to utilize all of the resources available at NLEN. While our local partners and the FOC/BCO model cannot imbue this sense of commitment in all of their clients, the FOC/BCO model does a remarkable job in breaking down any barriers that arise in clients’ pathways to skill development and employment. The model is able to

do this because of the partners' local presence in the communities and their ability to adapt to clients' needs.

For example, because transportation can be a challenge for many clients, NLEN recommended resources to Jovan that were conveniently located. The transitional job he obtained at the community services building was in North Lawndale. The Moving Forward credentials program that NLEN offered was located in the neighborhood as well. And, of course, his coach at NLEN was the driving force behind his connection with these resources. Rather than having to research opportunities independently to develop a career strategy, Jovan was able to rely on his coach, who worked with him to design a concrete plan. He even reported that having access to NLEN's physical space and computer lab became a welcome refuge when he needed to study or focus.

Another vital component of the BCO model Jovan's story highlights is the need for strong partnerships with employers. Pairing the Moving Forward credentials program with guidance from the CTA provided the contextualized training that can be beneficial to program participants. Community-based organizations are well positioned to identify these employer partners and work with them to cultivate a talent supply that will meet their hiring needs. A large government workforce-development infrastructure cannot realistically offer this level of customized service to enable staffers to understand and ultimately match an individual employer's hiring demands with a supply of workers educated in that employer's own language through the contextualized training. However, in the future, especially as we look to fill the middle-skills gap, it is essential that employer partners also commit to hiring program participants into career positions within their organizations, just as the CTA does through Moving Forward. Doing so provides a crucial link between the educational and professional environments and can position clients for a successful transition to full-time employment.

Pairing the FOC/BCO model with the health field has also offered significant opportunities for advancing clients' wage progression and putting them on the path to financial stability. "Sarah," a client at one of our Houston-based programs, first entered an FOC in 2014. Though she had experience working in hospitals in her native Ethiopia, she had been unable to secure a health-care position in the United States. At the FOC run by the Alliance for Multicultural Community Services, Sarah

enrolled in a Certified Nursing Assistant (CNA) program. Fairly quickly, however, her coaches realized she wanted to do more in the health-care field than just attain her CNA certification. They recommended her to another local FOC site managed by Wesley Community Center, where she was able to enroll in its BCO program and continue to increase her knowledge of the health-care sector. Through Wesley, Sarah was able to receive more specialized phlebotomy training at Houston Community College, which she completed in August 2015. Before entering the FOC, Sarah had mostly been working in warehouse jobs making near minimum wage. By September 2014, after working with her FOC coach, she had obtained a full-time job at an assisted living facility, making \$9.00 an hour, and she later moved on to become a patient care technician at a Houston-area hospital, earning \$13.66 an hour.

Despite this success, by December 2015, Sarah was feeling frustrated about the lack of advancement opportunities at her job and the low wages she earned, but she wasn't sure how to make a change. She decided to return to Wesley Community Center and seek additional guidance. Sarah met with her employment services coach for several sessions aimed at increasing her self-esteem and confidence as she contemplated looking for a new job. Her coach also encouraged her to attend an "employment boot camp" at Wesley that prepares participants for paid internships at the Houston Methodist Hospital, located in the Texas Medical Center. Sarah completed the program and applied for an internship, but was instead offered a full-time, Patient Care Assistant II position at the hospital with a wage of \$16.50 an hour. Because of the training and coaching Sarah received through the FOC and BCO programs, she attained a new level of confidence about her career and a living-wage job.

EXPANDING THE IMPACT

Both Jovan's and Sarah's stories demonstrate that the work of preparing the under- and unemployed to compete in the workforce is incremental and highly personal. The FOC/BCO model, however, offers opportunities for scaling and replication, which will be necessary to continue narrowing the middle-skills gap. In fact, using strong

oversight and data collection coupled with rigorous outside evaluations (Roder 2016), LISC has already shepherded the model from a pilot program with four centers in Chicago to nearly 80 centers in 30 cities, serving more than 20,000 people of all ages and races. We have worked with a diverse set of community-based partners to embed FOC/BCOs into their existing programs, and we are also constantly looking to work with new partners to expand the program and increase its impact.

For example, we are beginning to explore how we can bring the model into rural environments, where resources may be more dispersed, but where people's need for these services is incredibly great. By adopting a "mobile" FOC model, we are hoping to maintain the local advantage of our urban programs, while providing flexibility to cover wider geographic areas that might lack public transportation. We are also thinking about incorporating digital literacy in the professional skills training programs the BCOs offer. No matter the industry, fluency with basic computer programs has become and will continue to be a necessity in the modern economy.

Moving forward, we are also seeking to ensure that clients progress toward earning a living wage through their participation in FOC/BCO programs. Over 50 percent of American workers are making less than \$30,600 a year (Social Security Administration 2018). Across all of the high-poverty areas where LISC works, such as the North Lawndale area of Chicago, the median per capita income is \$18,600 (U.S. Census Bureau 2018). Getting people into jobs is not enough: we need to put them on a path to earning wages that will enable them to provide comfortably for their families, and we need to steadfastly support them on that journey. Only then can our clients and communities truly enjoy economic stability.

At LISC, we work to forge resilient and inclusive communities of opportunity across America—great places to live, work, visit, do business, and raise families. In pursuit of this mission, we strive to find and incubate market-based solutions to solve social problems, and we relish our role of convening local players to tackle these issues.

The FOC/BCO model is one such solution. By stabilizing low- and moderate-income clients' financial lives and supporting them as they enter the workforce, the FCO/BCO model offers a proven and efficient method for supplying underused talent to meet employers' growing demand for filling middle-skills jobs (Rankin 2015; Roder 2016).

Solving for this middle-skills gap on a national scale, however, actually requires a local solution. By investing in and working with community-based, private partners, we can catalyze opportunity in the communities where this talent lives. Our nation's future prosperity depends on getting it done.

Notes

1. One example is Creating IT Futures, a national effort of the Computing Technology Industry Association (CompTIA) that is involved in multiple federally funded initiatives by TechHire, a network of communities, educators, and employers' initiatives. The Creating IT Futures program requires a minimum tenth-grade math and reading level prior to initial application acceptance. See Creating IT Futures (2018).
2. For more information about the BCO program, see LISC (2018).

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