

Skilled Workforce Is Key to Growth

Filling 'Skills Gap' and 'People Gap' Essential for Long-Term Prosperity

For the first time in recent memory, California has more job openings than residents looking for work. As the economic recovery extends into record territory, one of the key threats to continued prosperity is the lack of skilled workers for growing businesses.

California has the fifth-largest economy in the world but needs to produce an additional 1 million career-ready college graduates by 2025 to meet employers' needs.

The reality is that most of our students face a different future. Only 40% of the state's 2.2 million young adults (ages 25–34) hold an associate's degree or higher and many lack the skills needed for workforce success. In fact, only 8% of students graduate from high school prepared for college success. The reality is bleaker for underrepresented students: less than 1 in 10 of California's low-income adults hold a postsecondary degree, and even fewer have jobs that pay a sustaining wage. Similar gaps in attainment exist for students of color. Unless trends are reversed, California's standing as a vibrant, global economy is at risk.

Some business leaders call this a "two-gap" problem: a skills gap—too many people lack the skills or credentials they need to compete for 21st century jobs; and a people gap—too many businesses can't find the workers they need, when and where they need them.

Both these gaps threaten California's long-term growth and competitiveness, and they will require different but overlapping policy solutions.

SKILLS GAP

Addressing the skills gap is truly the low-hanging fruit of California economic policy. Increasing skills is not only good for employers, it's the key to economic and social mobility for workers.

The Public Policy Institute of California (PPIC) recently found that college graduates have better labor market success than less-educated adults, including substantially higher wages



and lower unemployment rates. The typical full-time worker with a bachelor's degree earned \$81,000 in 2017, compared to \$36,000 for those with only a high school diploma.

But not all Californians have the same chance to experience these benefits, according to PPIC. Low-income, first-generation, Latino and African American students—who make up most of the state's public high school students—are less likely to graduate from high school, enroll in college, and graduate from college than their peers.

State leaders have directed billions of dollars to K–12 education since the end of the recession, but outcomes are still disappointing. To improve K–12 education, policymakers should re-impose rigorous accountability in schools, more choice for families, and greater collaboration between stakeholders.

The goal should be to ensure that every student graduates from high school prepared for the next step—whether that's college or career. Although college can provide the most immediate boost to mobility, graduates can profit from postsecondary choices other than a four-year college. For example, PPIC estimates that one-third of all jobs in California require some college, but not a full bachelor's degree, and see this share holding steady in the future. In addition, work-based learning, such as apprenticeships, as well as credentialing and certificate programs, also can provide fulfilling careers.

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BUSINESS INVOLVEMENT

Businesses must play a role in filling California's skills gap by working with educational programs to identify the skills that California's economy needs to grow and to help students develop those skills.

For example, successful high schools often use Linked Learning programs, integrated curriculum, and partnership academies that use standards-based, rigorous, career-oriented academic and career technical education (CTE) courses to increase student engagement and performance. To ensure the effectiveness of these programs, schools engage employers as partners to offer work-based learning opportunities, such as internships, mentorships, job shadowing and other workplace exposure experiences.

In 2018, the California Chamber of Commerce supported a successful legislative effort (AB 1743; O'Donnell; D-Long Beach, eventually AB 1808; Committee on Budget) to reauthorize and provide new funding for the Career Technical Education Incentive Grant Program, which will enable high schools to provide high quality CTE programs linked to career pathways. CalChamber also successfully supported targeted funding (SB 1243; Portantino; D-La Cañada Flintridge, eventually AB 1809; Committee on Budget) to community colleges to improve the recruitment of students into science, technology, engineering and mathematics (STEM) pathways.

In 2019, CalChamber supported successful legislation (AB 1240; Weber; D-San Diego) to encourage California's high schools to prepare students with both college preparatory courses and CTE courses.

Employers also can take the lead to apply business principles to better align skills with jobs. Rather than waiting for training and workforce agencies to deliver prospects with hoped-for skills, companies should treat their workforce needs like they would any supply chain. Companies should project workforce demands, identify and clearly define the necessary skills, and partner with education or training providers, who then develop curriculum tailored to specific jobs. This coordination allows people to enter these training programs knowing that they will lead to employment and employers can rely on a steady pipeline of talent, ready to fill open positions.

PEOPLE GAP

But functioning educational pipelines will not solve California's labor needs—we simply need more workers.

Demography and politics are the two greatest impediments to increasing the sheer number of workers in our economy. More than a thousand baby boomers leave the California workforce every day, and this trend will continue for another decade. But workers don't generally have an expiration date. We should make it easier for our most experienced employees to stay on the job.

At the opposite generational end, many of California's young people aren't in school or employed. These youth—more than a half million in California—have a lifetime of opportunity ahead of them that should be inspired, not squandered.

Additional hundreds of thousands of Californians are sidelined by addiction and incarceration. Many of them can become societal contributors with guidance and the right job opportunities.

California's high cost of living and lack of affordable housing present two more hurdles for all workers—regardless of education—to be able to fill these critical jobs and thrive in California.

IMMIGRATION POLICY

But the biggest missed opportunity is the nation's continuing refusal to develop commonsense immigration policies.

The nation needs a comprehensive national program that addresses border security, temporary worker programs, employment verification and enforcement, as well as a path to legal status. Border security shouldn't be at the expense of trade and commerce, which must continue between Mexico and California. Temporary worker programs should be reformed to meet the needs of employers for high- and low-skilled jobs that cannot be filled by U.S. workers.

CALCHAMBER POSITION

Besides the weather, California's greatest competitive advantage is our skilled workforce. But unlike the weather, inattention to nurturing this workforce will squander that advantage. For the sake of economic growth, social cohesion, and personal fulfillment of individual Californians, California's leaders must address the skills gap and the people gap as top public policy priorities.



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