

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.

These are different but related challenges, requiring different policy prescriptions, but both threatening the state's competitiveness and long-term prosperity.

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 \$80,000 in 2016, 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. Work-based learning, such as apprenticeships, as well as credentialing and certificate programs, can lead to fulfilling careers.

BUSINESS INVOLVEMENT

Business also can play a role in helping prepare people for job opportunities.

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EDUCATION

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.

The California Chamber of Commerce supported a successful legislative effort (AB 1743; O'Donnell; D-Long Beach, eventually AB 1808; Committee on Budget) in 2018 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.

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.

A company projects its workforce demands, it identifies and clearly defines the necessary skills, and it partners with education or training providers, who then develop curriculum tailored to specific jobs. People can enter these training programs knowing that they will lead to employment and employers can create a steady pipeline of talent, ready to fill open positions.

PEOPLE GAP

But even upskilling workers will not solve California's labor needs—we need more workers.

Demography and politics are the two greatest impediments to increasing the sheer number of workers available 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 are disaffected young people who 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.

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 cost of living has discouraged many young people from pursuing careers in the state. The lack of affordable housing, especially in the metropolitan coastal areas, is an impediment to recruiting talented professionals and lower-wage service employees, alike.

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, California's leaders must address the skills gap and the people gap as top public policy priorities.



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January 2019