Low Wage Workers in the New Economy
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Good Morning. I want to thank Jobs for the Future for inviting me to join you this morning and share some of what we have learned about strategies for employing and advancing low-wage workers in Boston. I also want to thank the Annie B. Casey Foundation and the Ford Foundation for launching this important conversation.

We are now a few years into a period of unprecedented economic prosperity. As corporate leaders and professionals in human resources and workforce development our challenge is not only to ensure that the rising tide of prosperity lifts all boats. Our challenge is also to ensure that we have sufficient and skilled oarsmen to keep the boats in the water in fair weather and foul.

I have served for the past two years as the Chair of the Boston Private Industry Council, and prior to that as the Chair of Boston's School-to-Career Committee. Our experience at the PIC in working with low-wage workers spans four major initiatives: school-to-career, welfare-to-work, incumbent worker training and one stop career centers. Let me tell you first a little about these initiatives, and then spend most of my time on lessons learned.

Over the past twenty years, the PIC has placed Boston high school students into earning and learning opportunities in private sector employment through a variety of efforts, most recently the school-to-career program. Fully 3,324 students are now involved, and school-to-career has been adopted by several high schools as a primary reorganizational focus.

In the last three years, we adapted some of what we learned from school-to-career to the development of employer-sponsored programs for individuals who are transitioning from welfare-to-work. These programs feature partnerships between an employer and a community-based organization, and have touched 436 former welfare recipients.

Even more recently, we have been working with employers and organized labor in the health care sector to advance the skills and educational attainment of 400 entry level workers to prepare them for jobs that significantly increase their skills, productivity, and earnings. We also have the experience of administering local, competitively chartered one-stop career centers under a competitive model that on an annual basis offer job assistance to over 11,000 adults.

My comments this morning draw from all of these experiences and initiatives. I want to share what we have learned and identify the challenges we all face in helping low-wage workers enter and survive in a technologically advanced economy.

To preview a bit, I want to focus on four lessons:

- education is Job 1;
- connection is the key to retention;
- the future matters, and
- measurement, measurement, measurement.

<u>Education is Job 1</u>

This is just a shorthand way of pointing out that, at least in our experience, education on the job is just as powerful for low-wage workers, as formal schooling in terms of both initial success and long-term advancement. A few words of background on this issue might be helpful here.

First, we know that education and skill development are critical in today's job market. Labor market studies show a direct correlation between educational attainment and both attachment to the labor market and earnings. Many studies have focused on the increase over the past decade in the level of functional literacy required at every occupational level and across every industry sector. Most significant, these studies have shown that making a jump from a relatively low paying entry level job to a higher paying job requires the ability to do work in literacy, numeracy, and technology at a college level.

Clearly, the most effective way to deal with educational attainment is by preparing individuals with the skills required to succeed in higher education and the workforce upon completion of K-12 education. I know that many people in this room are working in your respective states and communities to raise the standards in public education and to put in place the practices necessary to achieve those standards. Certainly, that is the case in Massachusetts.

However, despite these efforts, the low-wage workers with whom we have worked with over the past few years are, for the most part, unable to do college level course work. Of the individuals that we have assessed for our welfare-to-work program, the majority have literacy or numeracy skills that fall between second grade and seventh grade levels. Roxbury Community College, an institution located in the heart of Boston, found that 94% of all of the students who applied to the college could not read, write, or do math at a college level. In fact, for the majority of those students, the remediation courses they would need to take before taking a college level course would exhaust their Pell Grants.

Moreover, in our experience, once we have successfully brokered an individual into the workforce, particularly an individual with a low level of educational attainment or academic skills, it is very difficult for that worker to make the next step into an outside GED or skills training program. Particularly for individuals with little or no work history, maintaining a job and other life responsibilities is a challenge in itself. Moreover, a recent study in Maine seems to say that the least educated are also least likely to see continuing education as a strategy that would result in increased earnings and career advancement potential. At first glance, this seems surprising. But, on reflection, it is clear that education is not something that was successful for these individuals in the past. One of the challenges is to design and present educational alternatives that are attractive to adult learners who have not traditionally succeeded in educational programs.

This goes to the heart of the first lesson we've learned. We have been more successful in brokering workers into education and training programs in situations in which education and training is provided at the work site, with shared release time, and with an outcome that is directly related to career or earnings advancement. In short, education has to be "Job 1" at the workplace for these workers to succeed.

Just one example--at one of the health care organizations in Boston where we have both a welfare-to-work program and an incumbent worker training program, we are seeing individuals advance from the lowest entry level jobs as certified nursing assistants into jobs that require some knowledge of physiology and sub-acute level nursing assistant skills. Through a collective bargaining agreement, for each level of advancement, the individual receives a thirty-cent per hour increase in pay. This is a win for both the individual--who receives an increase in wages--and the employer, --who retains a more skilled employee for a longer period. In addition, this employer has an on-site alternative diploma program. Several of the participants in the nursing assistant program are studying to earn their high school credential.

We are making progress, but have a long way to go. We need to increase the capacity to get the right education--the education workers need to advance--to more people. And, speaking as a CEO, this is not solely a challenge presented by those in low-wage jobs. Increasingly, companies must offer sophisticated training simply to retain the staff they have at every wage level. Certainly low-wage workers need to be a focus of this effort as well.

Connection is the Key to Retention

Educational and skill attainment is the key to career advancement, but for many low-wage workers focus must be placed as well on retention.

We learned many years ago at the PIC that employers will hire young people who are in high school if we provide a skilled individual to deal with behavioral and educational issues that surface at the workplace. So we hire career specialists who prepare, place and problem-solve with young people and their employers to keep the student on the job, and to ensure that there is a strategy for the student to learn on the job. Increasingly, the career specialist connects the learning on the job to the learning in the classroom. And we have developed a tool to make the time on the job as productive as possible from the perspectives of both the student and the employer: the work based learning plan.

We adapted our school-to-career experience for adults in welfare to work programs. Employers, for whom case management is not their core business, are partnered with community-based organizations that provide career case management and coaching services.

About two-thirds of those former welfare recipients in Boston who have completed an employer-sponsored welfare-to-work program under this partnership are still employed after two years and many others are in training. To ensure that as many former welfare recipients as possible stay at work, we are in the process of reviewing the story of each and every individual who has entered the program to understand why people leave the job. Let me share some of the results of this effort with you.

After reviewing four of the eleven employer-sponsored programs, we know that fifty-two percent of the people who leave the program do so before they are even placed into a job, either during the job readiness phase or after they complete job readiness. Of those who are placed into a job and leave in the first year, 38 percent leave in the first 30 days. The preliminary numbers seem to indicate that much of the intervention needed to retain an individual in the job needs to come in the job readiness period and the first thirty days of employment.

The reasons that individuals, case managers, and employers give for why workers leave are wide-ranging, but the most significant issues seem to be: work hours and schedule, mental health, pregnancy, and substance abuse. These data tell us that we need to develop better strategies for preparing individuals for 24-hour, seven day a week work schedules. We also need to continue our efforts to develop opportunities in occupations that are not shift-related. From the beginning, employers and career case managers have identified mental health issues as a serious obstacle to success. We need to develop better screening mechanisms and improve our ability to engage the state welfare agency in developing resources and strategies for transitioning these individuals to work.

To bring new workers into the world of work, investment must be made in case management. Such case management must work with an individual and an employer to anticipate retention issues, and to develop plans for dealing with these issues before the individual loses his or her job. Often this involves changes at the workplace that will enable, or even encourage, employees to seek out help in resolving child care or other issues before being fired for poor attendance. Finally, success is achieved eventually with some individuals because resources are invested to help them try again, in another workplace, after losing their first job. Simply put, connection--through career specialists and case management--is the key to retention.

The Future Matters

Success in employing low-wage workers cannot be measured simply by the entry level position. These workers must have confidence in the future if they are to meet the challenges of retaining a job. Our experience in incumbent worker training, welfare-to-work, and school-to-career indicates that explicit career paths for entry-level workers do not exist. Even in industries in which education and careers go hand in hand, such as health care, there is little focus on career paths for entry-level workers.

Using funds from an incumbent training grant, several long term care and health maintenance organizations and teaching hospitals are developing career paths in administrative and patient care lines of work. There are constant shortages in all health care organizations: nursing assistants, nursing staff, medical records coders, and practice support or medical assistants. The organizations that we are working with are developing career ladders that provide upward mobility for entry-level workers, and, in the process, improve retention. Let me tell you about one example.

In the first round of outreach for the medical record coders program at Partners Health Care, seventy-five individuals applied for the program that only had the capacity for fifteen. This program is an opportunity for administrative staff to leave what they believe are dead-end jobs with little upward mobility. The medical coders program, which was designed in partnership with Northeastern University, provides college credit and leads to national certification. Graduates will be hired into positions that offer an immediate increase of up to $2 per hour, with the potential, once they receive national certification, to earn increases of $7 to $10 per hour.

This and other programs should be extended to other organizations in health care and to other industries. Obviously, career ladders cannot be developed from outside the relevant organization. We need to work collaboratively with employers to design the career ladders, identify the skills and competencies, work with an educational organization to develop the curriculum, and provide release time to individuals. The payback for the organization is increased retention, higher productivity and the ability to fill positions where there are severe shortages.

Our longer-term goal with the incumbent worker training grant is to develop partnerships between employers and community colleges. The curriculum in work-site education programs must be linked to community college entrance standards. Many colleges now offer courses on-line, allowing full-time workers to enroll in college without having to juggle child-care and commuting arrangements. Finally, employers should develop education and career plans for entry-level workers to enable them to make the connection between educational and skills attainment and career advancement. At the PIC, we're trying to help in this process, but as an employer I know it is not easy.

Measurement, Measurement, Measurement

I would disappoint everyone at the Boston PIC if I did not highlight the lessons we have learned about the need for measurement. Without it, our efforts are just more programs in a vast sea of efforts that seem to be well-thought out but may not achieve anything. With it, we can prove that certain programs work, and others don't, and focus investment on taking effective programs to scale. While to most corporate ears the idea of measurement seems self-evident, it is often much easier to say than do in the arena of public/private endeavors.

In Boston's school-to-career effort, we recognized very early on that if that program was to succeed long term, it needed funding both in the local school budget and by the state. To get funding, we had to prove school-to-career worked for those students fully involved in the program. This was not an easy task, as it involved identifying which students were in which programs, and linking that data with information in school data bases about retention, absenteeism, grades, and results on standardized tests. For the last three years, reports have been prepared that compare school-to-career students with peers in the same high school who do not participate. The evidence is solid—the program keeps kids in school, helps them perform better, and surprisingly, results in a rate of post-secondary education that is far above what would otherwise be expected. School-to-career is now a recognized way to restructure high schools; is a part of the Boston school budget; and is funded at the state level as well. That would not have happened, I think, without our emphasis on measurement.

Similarly, the PIC has for some time administered policies related to one-stop career centers using a competitive model. This is a bit controversial nationwide, but we view these centers as embodying much of the underlying rationale of the new Workforce Investment Act. Measurement of outcomes of these centers is vital, and we do an extensive review each year to ensure that each center adequately serves its clients and plays a vital and successful role in their job-seeking efforts. Some centers have had funding delayed, or have been required to make needed management or organizational changes as a result of these reviews. Again, measurement is vital to success.

In closing, let me give you a couple of thoughts I have had as a CEO. I have framed the lessons we've learned at the Boston PIC in the context of this program—on what has been successful in retaining and advancing low-wage workers. But I am often struck by the fact that school-to-career, welfare-to-work, and incumbent worker training efforts are the public sector corollaries for the kinds of hands-on training and work experiences all employees need and most employers must offer. Mentoring programs, management succession plans, key staff retention efforts all depend on very similar strategies to those we've discovered must be used with low-wage workers. Not surprising, I suppose, but it does suggest that employers have a lot to contribute to this effort. And so do the various foundations represented here today. Together we must find ways to ensure that the strategies of connecting students, low-wage and incumbent workers more firmly to the needs of the workplace are well-understood. And we also need to ensure that these connecting strategies are well-funded. As I look forward, in cyclical highs like the present, and in the inevitable low points, I believe the success we have in better shaping the skills and contribution of this country's entire workforce, low-wage workers especially, will have a lot to say about our collective future.

Thank you.