

Summary of Roundtable Discussions Workforce Development and the Chronically Unemployed Federal Reserve Bank of Kansas City

OVERVIEW

Unemployment trends have presented several knotty puzzles following the financial crisis and Great Recession of 2007-2009. The long-term unemployment rate, or those out of work for more than six months, is at an unparalleled high. The number of people unemployed for more than a year, the long-long-term unemployed, represent nearly a third of the nation's unemployed.

Not all groups are affected equally. African-Americans and Hispanics have seen their unemployment rates almost double since the beginning of the recession compared to whites. Almost one third of young, African-American males were unemployed in 2010. Age matters as well, with long-term unemployment contributing a greater portion of total unemployment at each age group. And older workers are less likely than the young to readily find another job.

In an effort to better understand these issues and their consequences, the Federal Reserve Bank of Kansas City held a series of five roundtable discussions in Albuquerque, Denver, Kansas City, Oklahoma City and Omaha attended by nearly one hundred local workforce development stakeholders and banking partners. The discussion goals were to:

- Provide the Federal Reserve Bank of Kansas City with information on the chronically unemployed and workforce development systems that assist them to inform the development of appropriate interventions.
- Engage new potential partners in the discussion of workforce development issues at the local level.
- Deepen the shared understanding of local leaders in the education, business and philanthropic sectors on workforce development issues.

This report first presents a summary of the roundtable discussions followed by key findings and responses in the final section.

SUMMARY OF ROUNDTABLE DISCUSSIONS

Unemployed Workers Have Varied Characteristics and Barriers

Workforce development programs serve a wide range of individuals seeking employment. The need to clearly define different segments of workforce clients when identifying needs and responses was a common theme throughout the sessions. In particular, participants recognized a need to differentiate between workers that have faced long-term unemployment or are career changers because of economic factors affecting their industries and individuals that are chronically unemployed due to more intractable personal issues and situations that affect their employability.

The chronically unemployed, which often include individuals with disabilities, the homeless, ex-incarcerated, women in crisis, single mothers, and senior workers, face a number of barriers to employment, such as:

- Intergenerational poverty which often results in unstable home and social supports.
- Challenging, chaotic lives compounded by limited resources.
- Limited soft skills and exposure to workplace norms.

The following chart summarizes several categories of unemployed persons, their characteristics and barriers to employment discussed in the sessions:

Characteristics	Barriers
Long-term unemployed	
<ul style="list-style-type: none"> • Workers that have been laid off due to the recession 	<ul style="list-style-type: none"> • Negative perceptions by employers of workers that have been unemployed for a long period • Rusty work skills after long-term unemployment
Career changers	
<ul style="list-style-type: none"> • Older workers that cannot find a job in their former areas of work 	<ul style="list-style-type: none"> • Over-qualified for existing positions in their former profession • Often do not have skills transferrable to other sectors.
Ex-Incarcerated	
<ul style="list-style-type: none"> • Low education levels • Limited soft skills • Limited work skills 	<ul style="list-style-type: none"> • Barred from work in certain industries • Negative perceptions by employers • Many businesses are tightening screening procedures. Many that may have hired people with records in the past will not do so now. • Industries that have hired people with records, particularly construction trades, have been affected by the recession and have lower overall hiring needs. • Subsidized programs have faced budget cuts or elimination due to federal funding cuts. • Unable to participate in most volunteer positions as a way of gaining work experience.
People with chronic and persistent problems such as homelessness, substance abuse, and mental illness	
<ul style="list-style-type: none"> • Low education levels • Limited soft skills • Limited work skills 	<ul style="list-style-type: none"> • Limited availability of training programs • Limited availability of social support

	<p>programs and assistance with basic needs</p> <ul style="list-style-type: none"> • Negative perceptions by employers
Returning veterans	
	<ul style="list-style-type: none"> • Negative perceptions related to potential for PTSD • Difficulties in transferring job skills and credentials to civilian sector

Perceptions and Consequences of Risk are Increasing

The idea that perception matters greatly in hiring decisions was noted across the sessions. The unemployed have perceived risks that are often greater than reality. Participants stated that stricter regulations and an increase in risk management practices by employers, driven in part by insurance company underwriting standards, are negatively affecting many of the unemployed populations. Drug screening, background checks and credit checks are increasingly wide spread. Blemished credit reports were seen to be an increasing concern because of their impact on employment opportunities and access to other services. Many people that have seen their credit standing deteriorate due to unemployment as a result of the recession are being impacted by the increased use of credit checks.

Participants suggested addressing this issue by policies that mitigate certain risks or provide a financial incentive to the employer. Examples cited were bonding programs for felons, tax incentives such as the Workers Opportunity Credit, especially if its use could be made less burdensome, and subsidies for on-the-job training and pre-hiring worker ‘try-out’ periods.

Training and Education Needs to be Accessible and Relevant

Training and education was highlighted as a key strategy for increasing workforce development outcomes. A number of needs were discussed to make education and training services more useful. Participants stated programs that are more nimble, responsive to labor demands and faster paced are needed. Greater flexibility in delivery is needed to fit the schedules of both the learners and the needs of industry.

Training programs need the input of employers in their design and delivery to ensure that graduates have the skills needed for available jobs. A focus on connecting workers to career pathways through training, rather than on a short-term job opening, is needed.

Short term, ‘stackable’ certificate options were noted as one successful approach to this. Work is needed, however, to inform students and workers on how stackable certificates can support different career pathways. This would assist people in getting into and out of relevant training

programs faster. Employers, as well, need to provide supplemental on the job training and ‘earn while learning’ initiatives.

Training in soft skills was mentioned as another area that needs greater attention. Participants recognized that employability skills and basic soft skills are difficult to teach by themselves or to incorporate into other training programs. Funding for this is scarce, however, and Congress is pressing employment councils to put more money into classroom training rather than on soft skill training.

Many participants stated that public schools need to restructure both what and how they are teaching. A greater focus on entrepreneurship and vocational training options was identified as a need. Standard school schedules based on seasons need to be replaced with shorter periods that are more in line with business cycles and planning horizons. A need for increased services for challenged students was noted to help them complete high school and access other training. Greater use of tools like “Work Keys” was called for to certify skill sets of both high school students as well as others in the workforce.

A number of funding issues affect the delivery of training programs. Long-term training requires more funds per person and results in fewer (though often better) jobs. Federal funding sources often have pressure for developing quick skills and getting people into jobs. Funding is also limited for soft skills development, which is often an expressed need of employers. Workforce Investment Act funds also places limits on how long a person can be in training. It must also be recognized that for many unemployed workers it is difficult to make time for training because of the need to get back into employment.

Participants felt that stackable certificate programs should receive greater support through funding sources such as Pell grants. Currently, funding sources such as Pell are tied to instruction that offers credit-hours towards degrees. The Department of Labor’s Trade Adjustment Assistance for Community Colleges and Career Training program, or TAACCCT, was mentioned as a useful example of a funding source that supports the development and delivery of educational programs that can be completed in two years or less and lead to high-wage, high-skill jobs.

Strong and Expanded Partnerships Needed

Partnerships were recognized as needed to ensure effective workforce development outcomes. Educators and employers need to work together to ensure that training programs are relevant and that appropriate employment opportunities are available for graduates. Such collaboration should help better clarify and define skill needs, as well as needs for soft skills development. This collaboration needs to be continuous and not just when there is a spike in employment needs.

Another effective area for partnership discussed was nesting workforce development programs with economic development programs. Sectoral approaches were seen to work well and allow greater coordination of the supply and demand of workforce needs. They were seen to be a win

for both workers who are more readily able to find jobs and employers who are able to find workers with the skills they can use.

Participants expressed a need for more public/private partnerships to bring together a wider group of stakeholders together. Better and greater communication is needed to inform employers of the role their businesses have in meeting social responsibility goals, as well as reaching social service agencies that serve clients that could benefit from workforce services. Several participants characterized the issue of social responsibility as a pendulum that swings between extremes of attention. Participants felt a need to communicate a steady and reasoned approach to workforce development issues that balanced social and private commercial interests and goals. This would also contribute to a better understanding and assessment of actual rather than perceived risks, as discussed above.

In general, participants expressed interest in greater networking and collaboration with economic development organizations, educators and employers. Such collaboration should place a greater emphasis on identifying and meeting employer needs to ensure the supply of jobs. In addition to large employers, other organizations that should be included are small and mid-sized businesses, labor unions, and community colleges, economic development programs, entrepreneurship programs, insurance companies and the legal system.

Incentives and Work Supports Matter

Participants recognized a number of policy and program gaps, in terms of social services and supports, affecting the hard to employ. Participants stated that unemployed workers would often benefit from a better understanding of their unemployment benefits. Individuals could make better use of their unemployment insurance benefits to assist with training opportunities.

Another issue related to individual work supports was the ‘cliff effect’ experienced when an employee received an increase in wages that resulted in reduced support from income-tested public benefits. Income-tests that are too low or stringent can be a disincentive for advancing in a job. The participants noted the need for a transition time to allow workers the ability to become more stable before reducing needed supports.

The Earned Income Credit was viewed as a useful program for lower-waged workers. Concern was expressed however that many of the beneficiaries don’t use it or maximize its use because of limited awareness and knowledge of the program. The participation of banks in financial literacy and outreach was viewed as needed. The need for greater financial education and access to mainstream financial services was also noted as an important factor in increasing employability.

Job Creation is a Needed Complement

Many participants stated a need for greater focus on creating more local jobs. Workforce development programs need to make a clear connection between the services they provide and

the local jobs that are available. Many participants noted that the limited availability of jobs throughout the past few years has been a constraint on placing their clients.

Participants recognized that it is often difficult for businesses to get involved in workforce programs because of economic constraints and uncertainty. However, participants suggested that economic development incentives need to be adjusted to encourage the creation of local jobs filled by local hires. These policies would involve incentives to bring off-shore jobs back 'home,' and require companies moving into an area to hire locally. Many participants stated that economic development incentives should be used to create net new jobs rather than to shift companies and jobs around locations.

Tax Increment Financing and other economic development incentives should be used as leverage with businesses coming into a community to hire from that community. TIF could be used to match the incentivized business with the skills of the local workforce. Employer tax credits could be useful, but employers often find them too difficult to use and often feel it may put them at risk with the IRS.

Banks and Workforce Development Organizations Have Shared Interests

Two of the roundtable discussions were held with senior bank staff that manages activities in compliance with the Community Reinvestment Act. The Community Reinvestment Act, or CRA, encourages FDIC insured banks to provide services to all individuals and communities within its assessment area, especially those that are low- and moderate-income. Banks carry out this obligation through providing financial services, loans and investments that support development related activities.

Direct support of workforce development programs has not been a traditional CRA-related activity for banks. While some banks were noted to be members of local workforce investment boards (WIBs), their involvement was motivated by being a local employer and good corporate citizen. The majority of the banks, however, were not aware of WIBs. None of the participants in the Oklahoma City roundtable, for example, had knowledge of their local WIB or WIBs in general. Similarly, WIBs had a limited understanding of the CRA and need to be more proactive in using it as a tool for outreach to banks.

Current Activities

Banks, however, did identify several activities that they support which are complementary to workforce development goals and programs. These include:

- a. **Small Business Development:** Banks support small business development activities by providing direct lending, investment and capacity-building services to small business owners, as well as support of microloan programs, Community Development Financial Institutions, small business incubators, and technical assistance providers. These activities respond to the need for greater job creation as a complement to workforce development programs.

- b. **Financial Education:** Financial education is an important activity many banks perform that can help improve the employability and productivity of employees. Banks are often active in providing educational services to schools, non-profit clientele and employee groups. Several participants cited a need for increased workplace-based financial education programs, which could be tied to workforce development outcomes.
- c. **Partnerships with Community Organizations:** Banks have supportive partnerships with local organizations as one avenue for CRA-related engagement. Partnerships with Junior Achievement, Boys & Girls Clubs and YouthBuild were mentioned as examples of providing education about career choices and skill development.
- d. **Funding:** A significant component of CRA-related activities is the provision of loans, investments and grants to community development organizations which complement workforce development outcomes. Opportunities could exist for increasing such funding to more targeted workforce development programs.

Barriers to Consider

The bank participants identified the following barriers to be addressed when considering increased participation with workforce development programs, especially when looking to the CRA as an incentive:

- a. **Economic Environment:** Staffing and resource reductions at banks limit their ability to expand their community development efforts. Expanded programs may require trade-offs with support of existing initiatives.
- b. **Documentation Requirements:** Banks were concerned about the ability to appropriately document that assistance to workforce investment boards or other workforce development programs is used for CRA eligible purposes. While on the face of it, grants to a WIB may support CRA goals, the end use of the funds or other assistance needs to be clearly documented for use in regulatory examinations. For example, a grant to support a general job training program would need to document that the individual participants were LMI, came from an LMI area, or that other eligibility requirements were met. A portion of the assistance could be qualified if only a portion of the participants were from an eligible category. WIBs should be able to assist in meeting these documentation needs because of the rigorous reporting requirements they face for the majority of their programs.
- c. **Assessment Area:** Banks have established assessment areas used for focusing their CRA-related activities. Information on workforce needs and programs tailored to individual assessment areas can help strengthen the case for bank participation. WIBs could play an important role by using their local labor market information to assist

banks in better understanding and documenting the labor needs within their assessment areas.

- d. **Bank Performance:** Several banks stated a need to show a connection between support for workforce development and broader bank goals in addition to CRA. Workforce development programs will need to show clear outcomes and their connection to the bank's overall goals and interests. Possibilities could include connections between a strong workforce and increased local business growth, for example.

KEY FINDINGS AND RESPONSES

The roundtables provided the Federal Reserve Bank and participants with detailed information on workforce development programs across the Bank's market area. In addition, participants found the roundtables to be useful in connecting with other programs in their areas, sharing information and identifying issues of common interest. Following are key findings from the roundtables:

1. The characteristics and needs of unemployed populations need to be clearly defined to develop appropriate responses. The long-term unemployed and chronically unemployed are broad categories that need further definition when considering policy and program options.
2. The chronically unemployed require a high level of costly and time-consuming services. The more recently unemployed provide a greater return on investment in terms of producing employable workers for jobs. Decisions are required to balance efforts and resources targeted to these groups.
3. Policies and programs are needed to mitigate perceptions of risk and the increased screening of potential employees. Employees and employers need more information about credit histories and reports, how they can be appropriately assessed and used, and their impact on employment decisions.
4. Public benefits and work supports need to ensure that eligibility requirements and means tests are appropriate and provide incentives for work advancement.
5. Short, flexible and skills-focused training options are needed to meet the needs of both workers and employers. Stackable certificate programs tied to career pathways were highly regarded. Flexible funding sources are needed to support a wider range of these types of training. Banks may provide a new source of funding through their CRA-related activities as described below.

6. Banks are involved in programs that complement workforce goals and outcomes through their current CRA-related activities. This engagement, however, could be expanded through additional information on workforce development organizations and programs. Incentives for supporting workforce development programs need to be clarified and tied to CRA requirements and broader bank goals.
7. Participants were open to and interested in more information about the workforce development system, local organizations and programs, and new partnership opportunities.

Based on these findings, the Federal Reserve Bank of Kansas City plans to focus on the following areas and activities:

1. **Host the national conference, *The Future of Workforce Development***, that will address many of the issues raised in the roundtables such as the definition and needs of the chronically unemployed, innovative strategies and the evolving context that shapes program goals and responses. The conference, which is co-hosted by the Federal Reserve Banks of Kansas City and Atlanta, will be held in Kansas City on September 19 and 20, 2012. The conference agenda and registration is available at workforce.kcfed.org.
Relates to key findings 1, 2, 3, 7
2. **Hold semi-annual workforce development roundtables** in each of the Bank's offices (Kansas City, Denver, Oklahoma City and Omaha) to focus on emerging issues, current data and research, and networking opportunities. The Federal Reserve will work with local workforce leaders to identify relevant topics and new stakeholders to invite.
Relates to key finding 7
3. **Strengthen the understanding of the CRA** and its relation to workforce development goals and strategies for both bankers and workforce development practitioners. This may be done through presentations at the workforce development roundtables and CRA roundtables held for bankers, as well as presentations at industry conferences and similar venues.
Relates to key finding 6
4. **Support financial education efforts through 'Putting Your Paycheck to Work,'** a new series of materials to assist employees in understanding their paycheck and how to make the most of it. The materials will be available online and trainings will be scheduled in the Bank's market area.
Relates to key finding 2, 3, 5

5. **Increase connections between workforce development and the asset building field.**

Asset building programs address issues that are relevant to workforce development programs such as the impact of means tests on public benefits, the use and impact of credit reports, access to life-long education and training programs, and strategies for benchmarking and attaining self-sufficiency. The Bank will assess existing awareness among the workforce development and asset building fields and then identify ways of increasing exposure.

Relates to key findings 3, 4, 7

For additional information, contact:

Steven Shepelwich
Senior Community Development Advisor
Federal Reserve Bank of Kansas City
steven.shepelwich@kc.frb.org / 405-270-8675