Talent Development Is a Key Ingredient for Economic Development

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The following article was adapted from a speech given by Assistant Secretary DeRocco to the Economic Development Administration's Symposium for 21st Century Economic Development.

It is a pleasure to be here today at EDA's Symposium for 21st Century Economic Development.

The theme of the day has obviously been economic development. For those of you who have been in this business for awhile, you know that economic development was always synonymous with targeted tax breaks. Cities and regions would design incentive packages to entice companies to locate operations in their area.

In the static, industrial-based economy of the 20th century, this type of tactical economic development was effective. But the world has changed. We are no longer competing against one another, but against countries from across the globe.

And this new economy requires a new strategic approach to economic development. It means that we must establish, through policy and actions, the conditions that best encourage innovation, entrepreneurship, and economic growth.

The Council on Competitiveness, in their groundbreaking report *Innovate America*, identified the three key areas needed for economic growth. The first is infrastructure. Do regions have the transportation system to support a robust economy and do they have the technology assets required to enable success?

The second is investment. Is the capital available to support the risk required in today's economy? Are the government's policies designed to encourage capital risk-taking or restrict it?

Together, these two areas provide the basic tools required for economic development. But they are also useless without the third and, in my opinion, most important component of an economic strategy, the development of human talent.

It is the development and use of talent that will ultimately decide the fate of the United States and every other country in the global economy. To stay ahead of the global competition, we must look at and improve the way we develop our talent. And that means bringing reform to our education and training systems.

Education, as all of you know, is a locally controlled activity in this country. Schools vary considerably across districts and states. This diversity, though, is part of our strength. Communities on the East Coast are not like communities in the Great Plains and our schools should reflect that.

However, regardless of where you live or what you expect to do in life, there are foundational skills in math, reading, and science that are critical to success. That is the basis for the No Child Left Behind Act and the President's new High School Initiative.

But while much of the focus in government, in the media, and by ordinary Americans remains on grade school and high school education, it is really what happens after high school that determines the opportunities available to individuals. It is the post-high school education and training where talent development occurs.

As the Assistant Secretary of Labor for Employment and Training, it is my job to oversee the public investment in workforce preparation—and our focus is on post-secondary education and training. Each year, the government invests over $15 billion in job training services that are delivered through a nationwide network of 3,500 career centers.

This system was created back in 1933 as one of the many New Deal programs, and, in too many areas, it still reflects its roots as a social services program. For example, the process of helping an individual is still more important than the results of our services. This is evident from the language of the law, which describes in painstaking detail how and in what order services should be delivered.

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This situation leads rather naturally to a system where employers are regarded merely as the end of the process rather than customers or even partners. This mentality must be overcome if the public's investment in talent development has any chance of showing a positive return.

The Administration has moved to reform the system by creating the High Growth Job Training Initiative. By partnering with employers and engaging educational institutions, the High Growth Initiative demonstrates to our system how to put employers back in charge of talent development.

Through the process of engaging employers, it became clear that many face the same challenge; they are unable to find the workers they need to fill their available jobs. It isn't that there are not people looking for work, but rather that those people do not possess the skills that are needed in today's workplace.

The best example of this can be found in the manufacturing industry. The first Friday of each month we learn that manufacturing has dropped several thousand more jobs. Yet at the same time, the Purchasing Managers Index reports that manufacturing activity is expanding and employers are planning to hire additional workers.

That is because manufacturing is in the midst of an historic transformation. Since Henry Ford invented the assembly line, good jobs were available in manufacturing for unskilled labor. But in the last five years, those jobs have been replaced by robots and automated systems. As a result, the jobs that are now available require individuals with the skills to create, program and repair those automated systems. In effect, jobs in manufacturing are now available only to skilled labor.

Of course, it isn't just manufacturing. Energy, construction and transportation all are seeing their jobs change rapidly while new industries like biotechnology are growing and rapidly hiring.

That is why a cornerstone of the High Growth Job Training Initiative is to engage educational institutions, especially community colleges. Individuals must now learn more specialized skills to work in any industry and they must do so prior to employment because traditional employer-based training programs are a thing of the past.

The success of the High Growth Initiative was not missed by the President. Recognizing that many of the job opportunities available in the 21st century economy begin with an associate's degree – and building on the model of partnerships among educators, employers and the workforce system – the President created a similar but new initiative called Community-Based Job Training Grants.

These grants are designed to improve the training available at community colleges by connecting employers with the schools to provide more and better teachers, state of the art equipment, and a greater capacity to teach more students. In short, they will improve the ability of our community colleges to develop talent.

With these two initiatives well established, it is now time to move talent development into a central role in the economy. This, of course, cannot be accomplished at the national level.

The U. S. national economy is actually the collection and integration of many regional economies. It is at the regional level where economic development is implemented and where the effects of economic shocks are felt. And it is at the regional level where talent development can help to spur economic growth and provide hope and opportunity to regions that have lost both.

Examples of such areas would be those most affected by global trade. Dr. Gary Green from Forsyth Tech Community College in North Carolina likes to say that back in the 1980s, North Carolina's economy was well diversified. They had textiles, tobacco, and furniture. Well, 20 years later, all three are nearly gone from the state.

Some areas of North Carolina responded to the challenge and are now centers for innovation. What they and other successful areas have in common are a strong group of talented professionals, usually centered around a university, that incubate new industries. This happened in Silicon Valley 20 years ago around Stanford and Berkeley where information technology flourished, and more recently in the Research Triangle of North Carolina where Duke, UNC and others spawned the biotech industry.

For each example of a successful transition though, there are numerous other areas that were not so lucky. Much of the Upper Midwest has yet to recover from the decline in the steel and auto industries. Areas of the Carolinas are in similar positions after the textile companies moved overseas. What each of these areas has in common is that a large percentage of their talent base possesses skills that are now obsolete.

The government has programs such as Trade Adjustment Assistance that help to meet the short term needs of such individuals, but no program or initiative exists that encourages and assists in the building of a new economy.

Of course, there is another area that is now the focus of building and rebuilding and that is the Gulf Coast. For a number of reasons, the city of New Orleans has seen decreasing economic activity and the departure of its most talented citizens. And now what remained of its infrastructure has been destroyed.

It will take years for the Gulf Coast to reestablish a regional economy, but through the integration of talent development, there exists an opportunity to build a new economy.

Demand-Driven Electronic Tools and Databases

Reformation of a decades-old delivery system presents a significant challenge within the federal-state-local system. The Employment and Training Administration serves as an information clearinghouse, facilitating peer-to-peer contact and supporting the dissemination of "promising practices."

Several national electronic tools are housed with the Career One-Stop Portal, www.careeronestop.org, which provides a single point of access to information as well as services related to job markets, occupations, and the workforce system itself. For example, at America's Career Info Net (www.careerinfonet.org), individuals can make informed career decisions on training and occupations.

Emulation of peers is part of the policy architecture. ETA initiated the National Business Learning Partnership (NBLP) in October 2003 to accelerate the transition by local workforce areas to the attributes of a demand-driven system. This peer-to-peer learning relationship matched 19 local workforce areas (mentors) that have exceeded their performance standards while delivering effective business services with 25 local sites (protégés) that wish to improve their performance by engaging businesses more successfully.

ETA, along with the National Association of Workforce Boards and the National Association of State Workforce Agencies, has created an online tool and communication device called Workforce3 One. The Workforce3 One integrated Web site (www.workforce3one.org) offers the public workforce system, employers, economic development professionals, and education professionals a workspace designed to create and support a demand-driven community that responds directly to business needs and prepares workers for good jobs in the fastest-growing careers. The partners encourage readers of *Economic Development America* to register on the Web site and join the conversation.

Lower Mississippi received a boost to its economy when gaming was introduced 15 years ago as an alternative to Las Vegas and Atlantic City. But now with gambling available in communities all across the country and with the tourism infrastructure destroyed, there is no anchor for the regional economy.

The challenges brought on by this devastation are only magnified by the fact that Mississippi and Louisiana were ranked 49th and 50th in the nation in educational attainment.

It will take years for the Gulf Coast to reestablish a regional economy, but through the integration of talent development, there exists an opportunity to build a new economy. This new economy would include skilled workers and the industries that they attract and would offer opportunity for the hundreds of thousands of residents in the region that have known economic setback and despair.

Each of these initiatives that I have discussed today – High Growth, Community Colleges, and Regional Economies – are designed not as new programs, but as catalysts for change. They are meant to demonstrate how talent development can drive economic growth and consequently, how the $15 billion we annually invest should actually be spent.

We are making headway on this front and I believe that many in the system are seeking to do similar things. Unfortunately, there still remains one roadblock to ultimate success and that is the system itself. Born out of the New Deal and incrementally expanded over the years, the workforce system remains a maze of bureaucracy and red tape. The most innovative and determined communities and states can make the system effective, but the question remains why such effort is required.

The Administration has had major job training reform legislation before Congress for two and a half years but has been unable to force action in the Senate. We will continue to forge ahead though. Through initiatives like the ones I have discussed today, we will demonstrate that the workforce system can and should do better and that talent development must be an integral part of any economic strategy. ★★★