

A blue-tinted photograph of the Federal Reserve Building in Washington, D.C. The building is a grand neoclassical structure with a prominent portico supported by tall columns. A large American flag flies on a tall pole in front of the building. The sky is a clear, bright blue.

# A Perspective from Main Street: Long-Term Unemployment and Workforce Development

December 2012

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM





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# Introduction

The Federal Reserve's Community Development function promotes economic growth and financial stability for low- and moderate-income (LMI) communities and individuals through a range of activities including convening stakeholders, conducting and sharing research, and identifying emerging issues. Given the attenuating effects of long-term unemployment on the broader economic recovery and the particular issues facing LMI communities, in the fall of 2011, the Community Development function at the Reserve Banks of Atlanta, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, San Francisco, and St. Louis worked with the Board of Governors to design an initiative to explore regional perspectives on this issue through a series of forums held throughout the country. Some of these regional forums consisted of small focus groups or listening sessions; others were larger in scope, with more formal agendas focusing on a particular demographic or employment sector. In most cases, forum participants represented either intermediary organizations that are involved in the delivery of workforce development services, local employers, or both. The objective of this initiative was to better understand the complex factors creating long-term unemployment conditions particularly in LMI communities and to identify promising workforce development strategies.<sup>1</sup>

This paper reports the key topics that emerged from the forums and offers examples of how those issues were reflected in different parts of the country and for different populations.<sup>2</sup> Where noted, the paper provides context for the comments using secondary data sources or research findings. This paper does not attempt to be a comprehensive compilation of all the ideas and views that were expressed at the

regional forums. Part I of this paper discusses labor force supply chain issues; part II discusses barriers; and part III discusses considerations and further research to address these issues. Appendixes to this paper provide a list of the forums and a sampling of related activities occurring within the Federal Reserve's Community Development function in 2012.

## Background

Since the 2007–09 recession, the national unemployment picture has been unfamiliar relative to historical trends in several ways. First, long-term unemployment rates are higher than at any time since 1948 and, second, unemployment remains high despite increasing job vacancy rates.<sup>3</sup> As a result, the U.S. economy is struggling to grow under the weight of an overwhelming level of unproductive human capital.

Workforce development is, generally, a wide range of activities, policies, and programs employed by educational institutions, public and private social service providers, communities, economic developers, and employers to educate and organize a workforce and to support business and industry. The provision of workforce development can take many forms:

- Individual-centric: a combination of social services, community supports, job training and education that positions an individual for success in the workforce, the community or region, or the organization
- Societal- or sector-centric: initiatives that educate and train individuals to meet the needs of current

<sup>1</sup> The U.S. Bureau of Labor Statistics (BLS) defines "long-term unemployment" as joblessness for 27 weeks and longer. During the forums, Community Development staff used "chronic unemployment" and "long-term unemployment" interchangeably.

<sup>2</sup> The challenges and recommendations contained in this report are compiled from the regional forums, and do not necessarily reflect the views of the Federal Reserve System.

<sup>3</sup> Ben S. Bernanke, Federal Reserve Board Chairman (2012), "Recent Developments in the Labor Market," speech delivered at the National Association for Business Economics Annual Conference, Washington, D.C., March 26 ([www.federalreserve.gov/newsevents/speech/bernanke20120326a.htm](http://www.federalreserve.gov/newsevents/speech/bernanke20120326a.htm)). Jeffrey Lacker, President, Federal Reserve Bank of Richmond (2012), "Technology, Unemployment and Workforce Development in a Rapidly Changing World," speech delivered in Greensboro, North Carolina, May 7 ([www.richmondfed.org/press\\_room/speeches/president\\_jeff\\_lacker/2012/lacker\\_speech\\_20120507.cfm](http://www.richmondfed.org/press_room/speeches/president_jeff_lacker/2012/lacker_speech_20120507.cfm)).

and future business and industry in order to maintain a sustainable competitive economic environment in the community or region

- Organizational-centric: training programs that provide existing and potential workers with the skills to complete tasks needed by employers to let the organizations stay competitive in a global marketplace<sup>4</sup>

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<sup>4</sup> Lyn E. Haralson (2010), "What is Workforce Development?" Federal Reserve Bank of St. Louis, *Bridges*, (Spring), [www](http://www)

Due to the many possible stakeholders and broad scope of services, it is difficult to create a narrow definition of workforce development. Nevertheless, workforce development is an essential component of community economic development, particularly in the wake of the recent financial crisis.

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[.stlouisfed.org/publications/br/articles/?id=1953](http://www.stlouisfed.org/publications/br/articles/?id=1953) (accessed December 18, 2012).

# Part I: Developing the Labor Force Supply

The U.S. labor market is dynamic, constantly experiencing a series of transitions or “labor flows.” Individuals move from one job to another, from an unemployed to an employed state and vice-versa, or out of the labor force entirely. Since the end of the recession, the rate at which workers are laid off has fallen dramatically and is near its pre-recession level. However, the transition rate from unemployment to employment remains well below its pre-recession level.<sup>5</sup> Recent research also finds that of those transitioning out of unemployment to employment, individuals with higher levels of education are more likely to remain employed.<sup>6</sup>

The simultaneous increase in both unemployment and job openings that the U.S. is currently experiencing indicate changes in the matching efficiency of the labor market. An example of this might be fundamental technological change which creates a gap between the skills needed for open vacancies and the skill set of the unemployed.<sup>7</sup> For 30 years, the notion of a skills mismatch has factored prominently in national thinking about the problems with the labor supply. The forum participants’ description provided below is confirmed by employer surveys, anecdotal information, and media reporting. For instance, a 2011 study by The Manufacturing Institute found that, despite recent layoffs, an estimated 67 percent of manufacturers experienced a “moderate to serious” shortage of qualified job applicants during the recent recession.<sup>8</sup> Nevertheless, a number of researchers have cited the need for more quantitative evidence to

substantiate a skills mismatch. High unemployment despite increasing job vacancy rates supports the mismatch notion. Over the past three years, the job openings rate has increased somewhat more for manufacturing (from 1.1 percent to 2.3 percent), than for the economy as a whole (from 2.0 percent to 2.9 percent).<sup>9</sup> However, there is no clear-cut evidence of a broad-based skills mismatch, and a number of competing theories exist that explain the poor job market.

## Fragmented Workforce Development Systems

The goal of workforce development efforts is to foster more efficient transitions from job to job and from unemployment to employment. Many forum participants addressed the tangible benefits of or challenges to local workforce development programs. In theory, workforce development systems are designed to bring together employers, educators, and related service providers to supply a trained labor force that meets local industry needs. However, throughout the forums, a number of participants voiced concern that the programs and services in their regions are disconnected, or fragmented. Participants noted that, typically, there is no centralized agency or communication tool at the state or regional level to coordinate the various stakeholders involved in educational and training programs. As a result, workforce training providers and those seeking training must contend with multiple funding streams. For example, in the state of New Jersey, providers of government-funded employment and training services are hampered by the fact that there are more than 40 separate federal programs with separate funding streams and eligibility criteria.<sup>10</sup>

<sup>5</sup> Bernanke speech (March 26, 2012).

<sup>6</sup> José Mustre-del-Río, Didem Tüzemen, and Jonathan L. Willis (2012). “Heterogeneity in U.S. Labor Market Flows,” unpublished manuscript, Federal Reserve Bank of Kansas City, Economic Research Department (May).

<sup>7</sup> John Lindner and Murat Tasci (2010). “Has the Beveridge Curve Shifted?” Federal Reserve Bank of Cleveland, *Economic Trends*, August 10, [www.clevelandfed.org/research/trends/2010/0810/02labmar.cfm](http://www.clevelandfed.org/research/trends/2010/0810/02labmar.cfm) (accessed December 18, 2012).

<sup>8</sup> The Manufacturing Institute (2011), *Skills Gap Report*, [www.themanufacturinginstitute.org/Research/Skills-Gap-in-Manufacturing/2011-Skills-Gap-Report/2011-Skills-Gap-Report.aspx](http://www.themanufacturinginstitute.org/Research/Skills-Gap-in-Manufacturing/2011-Skills-Gap-Report/2011-Skills-Gap-Report.aspx).

<sup>9</sup> Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS), [www.bls.gov/jlt](http://www.bls.gov/jlt).

<sup>10</sup> Forum in Trenton, New Jersey, on February 28, 2012. Hosted by the Federal Reserve Bank (FRB) of Philadelphia. See Appendix A for a complete list of forums.

In many instances, forum participants expressed concerns about the inefficiencies that result from the multitude of training systems intended to assist unemployed persons. For example, in Maryland, forum participants remarked on the need to better align the Kindergarten through twelfth grade (K-12) education, technical and community colleges, workforce agencies, employers, and social services networks. Their comments indicated that these programs make positive contributions to education, trainings, and job linkages, but that the state needed to establish an integrated system in order for these programs to make a significant impact on unemployment in the region.<sup>11</sup>

## Secondary Education Disconnected from Labor Market

In several forums, participants stated that the K-12 educational systems in their regions are too insulated from the demands of local labor markets. These individuals felt that secondary school curriculums typically focus on the students' progression to higher education, and not a job, and further, that many school systems do not consult local employers or economic developers when developing courses or curriculum. For example, participants in Texas noted that bridging the communication gap between education and employment should be a two-way street: While employers must take responsibility for communicating their labor needs, educators must be responsible for designing systems nimble enough to respond to employer demands.<sup>12</sup>

Several forum participants raised concerns about the loss of vocational training in public high schools, and indicated that schools need to present more vocational options in order for students to understand the requisite skills and income offered by these jobs. They stated that without adequate vocational training or counseling, students that do not matriculate to an institution of higher learning leave high school with few income-earning skills and a poor understanding of alternative career options.

Some forum participants indicated that many secondary schools have subordinated vocational training to college preparatory tracks and other secondary

schools have eliminated vocational training completely. As a result, trade and manufacturing jobs in many communities are going unfilled due to a lack of qualified workers. For example, a participant in Alabama noted that his business could not invest in new, state-of-the-art machinery because he could not identify workers with the skills and experience needed to run the equipment.<sup>13</sup>

In general, participants expressed a need for high schools to offer a range of quality educational opportunities and recognize that not all students will earn a college degree. Furthermore, participants noted that perhaps students do not need to choose between vocational training and higher education. Vocational skills can provide a means to earn income while attending school. In fact, without vocational training in high school, students who eventually select a trade profession must often pay for additional education through trade schools or community colleges.<sup>14</sup>

As vocational training is reintroduced to secondary schools, some participants stressed that it is important to ensure that students are not "tracked" to vocational programs. Rather, the opportunity should exist for every student to make a determination regarding their appropriate path.

## Challenges for the Community College System

Community colleges are positioned to offer training for people at all stages of their work life. Broadly, this includes students entering the workforce for the first time as well as those seeking to improve skills because they have been displaced, are pursuing a new line of work, or are moving up a career ladder. That said, forum participants noted that some community colleges struggle to align course offerings with students' and employers' demands in times of change. As a result, in communities facing layoffs and high unemployment, some community colleges have not always been able to accommodate the large influx of students. For example, Concord, North Carolina, experienced substantial job losses with the closing of textile mills. Local forum participants noted that the number of students interested in re-training classes continually outpaces the capacity of the local com-

<sup>11</sup> Forum in Baltimore, Maryland, on February 13, 2012. Hosted by FRB Richmond.

<sup>12</sup> Forum in San Antonio, Texas, on January 26, 2012. Hosted by FRB Dallas.

<sup>13</sup> Forum in Mobile, Alabama, on February 1, 2012. Hosted by FRB Atlanta.

<sup>14</sup> Forum in Memphis, Tennessee, on February 23, 2012. Hosted by FRB St. Louis.

munity college. For example, prospective students can face a three-year wait for community college classes in nursing.<sup>15</sup>

Participants also noted that some community colleges are not able to provide the flexibility needed to accommodate student schedules. They suggested that traditional school schedules based on seasons be replaced with shorter periods that are more in line with business cycles and industry planning horizons. However, while programs that offer short-term “stackable credentials” often meet employer needs, these programs do not align with student funding sources.<sup>16</sup> Currently, student financial aid, such as the Pell Grant, is tied to instruction that offers credit-hours towards degrees. Workforce programs that are more flexible and can qualify for financial aid are needed to meet changing labor demands. Part of this demand involves training more employees at a faster rate.<sup>17</sup>

## The Labor Force Supply Chain and the Manufacturing Sector

Workforce development is often framed in a sector-based approach by focusing on the needs of a specific industry. Sectors are identified based on their likelihood to offer additional jobs, provide jobs that meet certain criteria, or contribute in other important ways to the local economy. A primary purpose of many sector projects is to improve the job prospects or quality of jobs for LMI wage workers, either by increasing their access to good jobs or improving the wages and benefits at jobs they already hold.<sup>18</sup>

Historically, the manufacturing sector has served as an employment base for many U.S. communities. The

past 30 years have brought several significant changes, including the off-shoring of many low-skill jobs. The result is that a high percentage of the remaining positions require higher education or specialized training.

During the forums, several participants cited manufacturing as a sector where local workforce development efforts fall short. According to these participants, there are not enough appropriately-skilled workers to meet the specific labor demands in their communities. They noted that, as a result, jobs are left unfilled, and employers are hesitant to grow their companies. Some participants attributed the lack of available workers to a “skills mismatch,” others commented on the challenges of attracting workers to a field that is perceived as unstable (with a tradition of layoffs), and still others noted a disconnect between educational curriculums and labor markets.

In Alabama, employers collaborated to address the skills gap they experienced when filling manufacturing jobs. According to these employers, some manufacturing businesses in the state found it difficult to fill job vacancies, many of which required a two- or four-year degree with technical or computer programming experience. Participants attributed the problem to a local workforce development pipeline that is ill-equipped to meet the demand for specific skilled labor, such as welders and technicians. Accordingly, many of these manufacturing jobs went unfilled due to the shallow pool of qualified applicants.<sup>19</sup>

Employers in Alabama came together under the Southwest Alabama Workforce Development Council (SAWDC) to address the skills gap. Although SAWDC does not provide direct training, the organization created an integrated, comprehensive, and dynamic workforce development system. This system provides a feedback loop between the business community and the K-12 educational system to identify skills that are in high demand and to provide guidance for curriculum development that will enable students to access the local job market. According to these employers, the result of this effort is 20 years of substantial growth in the local manufacturing sector.<sup>20</sup>

<sup>15</sup> Forums in Eden and Concord, North Carolina, on January 31 and February 1, 2012, respectively. Hosted by FRB Richmond.

<sup>16</sup> A “stackable credential” is part of a sequence of credentials that can be accumulated over time, allowing an individual to build their qualifications and move up a career ladder to different, and potentially higher-paying, jobs. See U.S. Department of Labor, Employment & Training Administration (2010), “Increasing Credential, Degree, and Certificate Attainment by Participants of the Public Workforce System,” Training and Employment Guidance Letter No. 10-15, Attachment A (December 15), <http://wdr.doleta.gov/directives/attach/TEGL15-10a2.pdf>.

<sup>17</sup> Forum in Kansas City, Missouri, on January 23, 2012. Hosted by FRB Kansas City.

<sup>18</sup> Sunny Schwartz and Johan Uvin (2004), “Benefits of a Sector-Based Approach,” Center for State Innovation, *Research and Evaluation Brief*, vol. 2, issue 3 (January), [www.stateinnovation.org/Research/Economic-and-Workforce-Development/Sectors-and-Clusters/BenefitsofSectorbasedApproach.aspx](http://www.stateinnovation.org/Research/Economic-and-Workforce-Development/Sectors-and-Clusters/BenefitsofSectorbasedApproach.aspx).

<sup>19</sup> Forum in Mobile, Alabama, on February 1, 2012. Hosted by FRB Atlanta.

<sup>20</sup> Forum in Mobile, Alabama, on February 1, 2012. Hosted by FRB Atlanta.

However, other communities have not seen similar sector growth. In Eden, North Carolina, participants discussed the community's struggle to re-train workers laid off by its primary industry, textiles, as it moved overseas. The community was hard hit by the closing of many mills in the 1980s. Nearly 30 years later, despite reported growth opportunities in manufacturing for skilled technicians, the community has

struggled to align training with demands for labor. Forum participants stated that many industrial cities that experienced significant and widespread manufacturing layoffs continue to suffer from high rates of persistent unemployment.<sup>21</sup>

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<sup>21</sup> Forums in Eden and Concord, North Carolina, on January 31 and February 1, 2012, respectively. Hosted by FRB Richmond.

## Part II: Barriers for Workers

Skills and spatial mismatch may help explain part of the unusually high amount of unemployment relative to the number of vacancies. Essentially, a skills mismatch means workers are less likely to be hired because they do not have the correct skills. A spatial mismatch means that the workers are not able to commute to where the jobs are located.

### Lack of Skills

Many forum participants across the country echoed the need for workers to improve their jobs skills. In West Virginia, for example, participants mentioned that many applicants lack the “hard” skills required to fill health care positions, particularly basic computer knowledge, and many workers are resistant to additional workforce training.<sup>22</sup>

In addition, a lack of “soft” skills among the unemployed was a constant theme in the forums. Participants discussed the difficulties of hiring in the health care industry due to a lack of candidates that can demonstrate timeliness, appropriate dress and hygiene, and professional conduct. Participants added that employees missing work without an excuse and disregarding workplace policies and protocols were ongoing problems. Furthermore, younger workers were distracted by technology, often ignoring policies about cell phone and social network use during work hours.<sup>23</sup>

### Spatial Mismatch

Challenging transportation logistics are a hurdle for many unemployed residents of rural, urban, and suburban communities. Indeed, in many forums, inadequate public transit and car affordability emerged as significant barriers to attaining and maintaining

employment. Transportation challenges can cause workers to be absent or late, or to spend more time than can be economically justified commuting to jobs. For example, in urban areas of Maryland, unreliable vehicles or the lack of owning a vehicle is a common issue among LMI families. In urban settings, public transportation typically favors standard rush hour schedules and routes, which are not always conducive to the needs of people who work shifts or other nontraditional hours.<sup>24</sup>

Suburban residents face transportation challenges similar to their urban counterparts. In these areas, public transportation is often very limited, making a private automobile a necessity. In Tennessee, forum participants noted that the public transportation system does a poor job of connecting communities of workers with jobs.

Not surprisingly, a lack of transportation options is a significant obstacle to employment for residents of rural communities and small towns as well. Rural residents often need to commute to other towns or metropolitan areas for jobs. Most rural areas have very limited public transportation options, and given the increase in gas prices, workers are becoming increasingly isolated from jobs, education, and training opportunities outside of their community.<sup>25</sup>

The forums included significant conversations about rural and small town residents’ aversion to driving or moving to metro regions for work and educational opportunities. The culture and networks established within these communities influence individual workplace decisions. For instance, many workers in the small cities of Eden and Concord, North Carolina, are multigenerational residents who value the community too highly to consider commuting to jobs outside of their immediate city. These sentiments were captured in comments by participants who

<sup>22</sup> Forum in Elkins, West Virginia, on December 5, 2011. Hosted by FRB Richmond.

<sup>23</sup> Forum in Elkins, West Virginia, on December 5, 2011. Hosted by FRB Richmond.

<sup>24</sup> Forum in Baltimore, Maryland, on February 13, 2012. Hosted by FRB Richmond.

<sup>25</sup> Forum in Dyersburg, Tennessee, on February 7, 2012. Hosted by FRB St. Louis.

noted the high value of living in small cities where family and community networks are strong, reassuring, and dependable. Some of these participants indicated a preference to avoid driving more than five miles from home to work or commuting via interstate highways.<sup>26</sup>

## Risk Management Practices

Risk management surfaced as a significant concern among employers. Participants stated that hiring decisions are frequently driven by employer perceptions. In Missouri, participants said the perception of the risks involved in hiring the long-term unemployed and the hard-to-employ has a definite impact on the willingness and ability of employers to hire them. Stricter regulations and an increase in risk management practices by employers are negatively affecting many of these populations.<sup>27</sup>

A common theme among forum participants was that the need to manage risk is a growing challenge that affects hiring. For example, in West Virginia, all of the participating employers have a regular stream of open positions. They prefer to leave positions vacant rather than to risk hiring an unreliable employee who leaves them vulnerable to liability issues. In other words, as facilities adapt to regulatory and legal changes, employers prefer to manage the vacancies rather than hire the wrong person. An example of a hiring risk could include a candidate with a nursing degree but who also has a checkered history of proper customer care or poor soft skills.<sup>28</sup>

In addition, many forum participants detailed the difficulties that ex-offenders face when seeking employment. Historically, individuals with a criminal record have experienced challenges in finding jobs, and under the current economic conditions, these challenges are particularly acute. Participants reported that there is no standard for how employers run or treat criminal background checks. Participants in Maryland stated that some employers reject any applicant with a criminal record. Other employers establish a “look back” period or consider the sever-

ity of the crime and adjust employment offers accordingly.<sup>29</sup>

## Balancing Wages and Benefits

Forum participants repeatedly noted that many workers struggle to find a job that pays a wage that they can subsist on, including covering the cost of being at the job. For example, many unemployed persons incur additional transportation and child-care costs if they accept a job. As a result, some LMI individuals balance the tradeoff between public assistance and low wage jobs. In many forums, participants noted that the need to manage wages to maximize total income and benefits keeps many individuals out of the workforce or from increasing their pay. For example, participants in Nebraska discussed the “cliff effect” experienced when employees receive an increase in wages that results in reduced support from income-tested public benefits, especially child-care subsidies. As a result, income tests that are too low or too stringent can be a disincentive for advancing in a job.<sup>30</sup>

## Barriers for Workers in the Health-Care Sector

A look at the growing health-care sector provides another example of barriers to employment. During the recent recession, when many industries were shedding jobs, the health-care sector continued to add jobs at a relatively vigorous rate, averaging 22,000 new jobs per year.<sup>31</sup> In fact, the health-care sector experienced robust growth throughout the last three recessions. Over the past year, employment grew in all major health-care settings, including a 4.4 percent growth in home health care and a 1.2 percent growth in hospitals jobs. This growth is expected to continue in the long run.<sup>32</sup> That being said, the health-care sector’s story varies greatly across regions.

In many communities, health-care positions go unfilled because local unemployed workers lack the

<sup>26</sup> Forums in Eden and Concord, North Carolina, on January 31 and February 1, 2012, respectively. Hosted by FRB Richmond.

<sup>27</sup> Forum in Kansas City, Missouri, on January 23, 2012. Hosted by FRB Kansas City.

<sup>28</sup> Forum in Elkins, West Virginia, on December 5, 2011. Hosted by FRB Richmond.

<sup>29</sup> Forum in Baltimore, Maryland, on February 13, 2012. Hosted by FRB Richmond.

<sup>30</sup> Forum in Omaha, Nebraska, on January 24, 2012. Hosted by FRB Kansas City.

<sup>31</sup> Nancy Condon (2011), “Examining Healthcare Employment: The Prognosis is Good,” Federal Reserve Bank of Atlanta, *Econ South*, (Third quarter), [www.frbatlanta.org/documents/pubs/econsouth/11q3\\_healthcare\\_employment.pdf](http://www.frbatlanta.org/documents/pubs/econsouth/11q3_healthcare_employment.pdf).

<sup>32</sup> Condon (2011).

requisite hard skills to fill these vacancies. As noted above, health-care administrators in West Virginia reported that applicants often lack basic computer knowledge. A perceived unwillingness to improve computer skills, even among incumbent workers, exacerbates the problem as the field constantly introduces new programs and software.<sup>33</sup>

Moreover, some communities do not offer enough training to keep pace with the labor demands of the health-care sector. For example, participants in Tennessee said that despite a high demand for nurses, there is a lack of available nursing educators to meet the need.<sup>34</sup> Meanwhile, employers in some communities find it difficult to keep health-care positions filled as a result of low salaries and demanding work conditions. In Alabama, participants stated that the local colleges and universities graduate substantial numbers of qualified workers for health-care openings, but workers often turn down offers due to low pay.<sup>35</sup>

Due to a lack of standardized credentials across regions and facilities, many potential health-care workers struggle to navigate the training systems and obtain the “correct” hard skills. In Maryland, participants mentioned the difficulty in placing workers

<sup>33</sup> Forum in Elkins, West Virginia, on December 5, 2011. Hosted by FRB Richmond.

<sup>34</sup> Forum in Memphis, Tennessee, on February 23, 2012. Hosted by FRB St. Louis.

<sup>35</sup> Forum in Birmingham, Alabama, on January 27, 2012. Hosted by FRB Atlanta.

with the “wrong” training. For example, they said that there is a steady stream of individuals being certified as Licensed Practical Nurses (LPNs); however, the local health-care sector places a higher value on trained nursing certifications other than the LPN.<sup>36</sup>

Another reason that available health-care positions often go unfilled is the lack of soft skills among potential health-care employees. Employer participants noted problems with workers’ punctuality, professional conduct, proper appearance, and patient service skills. Participants agreed that communication skills are a consistent shortcoming for entry-level employees as well as among some nurses. Furthermore, employers have challenges with employees missing work without an appropriate excuse and disobeying company policies and protocols that are essential in a health-care environment.<sup>37</sup>

Finally, rural communities find filling vacant health-care positions to be particularly challenging. Rural communities resort to competing with each other on a regular basis for nurses and technicians. As a result, these workers tend to cycle through different facilities, usually for more money, a perception of better benefits, or a better work place.<sup>38</sup>

<sup>36</sup> Forum in Baltimore, Maryland, on February 13, 2012. Hosted by FRB Richmond.

<sup>37</sup> Forum in Elkins, West Virginia, on December 5, 2011. Hosted by FRB Richmond.

<sup>38</sup> Forum in Elkins, West Virginia, on December 5, 2011. Hosted by FRB Richmond.



## Part III: Considerations and Further Research

Forum participants identified a number of considerations and recommendations to address the labor supply issues and barriers to employment discussed at the forums.

### Workforce Strategies Should be Targeted to Local Markets

Because the causes of unemployment are driven by different factors within geographies, broad national and statewide programs may not effectively address high unemployment rates that exist at the community level. Consequently, participants commented that workforce strategies need to be tailored and targeted to specific community (or neighborhood) needs. Additionally, these efforts need to be informed by current and reliable research and data. A more intense local focus will help mitigate a major concern expressed by participants regarding poor coordination and communication among workforce development organizations, industry, and educational sectors.

Considerations and research to support local workforce development efforts:

- providing data sets and analysis of local labor markets
- identifying new growth sectors for local markets
- reviewing identified best practices in workforce development
- developing strategies to enhance coordination among local workforce development programs and organizations
- analyzing the unemployment gap for disproportionately impacted groups including minorities, youth, and persons with disabilities
- identifying opportunities to mitigate the geographic challenges faced by LMI individuals seeking employment

### Sector-Based Approaches Should Focus on Career Ladders

Participants noted that helping individuals out of long-term unemployment should include not only access to employment but an opportunity to improve their future prospects and prosperity. For example, sector development should include structured “career ladders,” a workforce development strategy designed to guide workers from basic- to higher-level skills in the workplace. Successful career ladders rely on the expertise of industry leaders to develop appropriate paths. Furthermore, coordinating with educational and workforce institutions to build standard credentials to fill positions across regions and employers would improve the workers’ ability to benefit from these programs.

In the health-care sector, nursing programs provide a good example of a career with a ladder that helps workers to maximize both career advancement and income over time. Following this career ladder, new workers can be trained first as lower-skilled, home health workers, then as LPNs, then as registered nurses (RNs), and so on up the ladder. One strategy for developing a segment of the workforce like this is to have funding and programming that is easily accessible and provides stackable credentials, accreditations, or degrees.

Considerations and research for developing career ladders:

- developing projections of workforce demands for growth sectors of the economy, including skills gaps, potential wages, and opportunities for individual advancement
- analyzing educational and workforce resources needed to develop identified skills
- identifying appropriate performance measures for sector-based initiatives

- analyzing whether sector-based approaches increase the employability and earnings of LMI individuals and other disadvantaged workers
- identifying private funding streams for workforce certificate programs

## Mitigate Employer Risks

Participants commented on a notable shift in hiring practices. In recent years, hiring practices such as the use of drug testing, background checks, and credit checks have become more widely used in an effort to reduce employer risk. In Maryland, participants noted that stricter regulations and an increase in risk-management practices by employers are negatively affecting populations that are already vulnerable to high rates of unemployment.<sup>39</sup> Because the long-term unemployed face a substantial challenge when seeking work, participants recognized that these individuals often require intense services—in some cases, a costly and time-consuming prospect.

Some forum participants suggested that policy changes could mitigate certain risks or provide a financial incentive to the employer, and thereby lead to increased hiring of the persistently unemployed. The suggested policy changes include bonding programs for the long-term unemployed, tax incentives such as the Workers Opportunity Credit, and subsidies for on-the-job training.<sup>40</sup>

Considerations and research regarding employers risk management:

- studying the practices of pre-employment screening tools, such as background and credit checks, and their effects on employment decisions for different groups of long-term unemployed
- evaluating strategies targeted to improve opportunities for populations with particular barriers to employment
- analyzing the cost to “buy down”/bond the risk of difficult-to-employ populations, by sector

<sup>39</sup> Forum in Baltimore, Maryland, on February 13, 2012. Hosted by FRB Richmond.

<sup>40</sup> Forum in Kansas City, Missouri, on January 23, 2012. Hosted by FRB Kansas City.

## Clarify Use of Community Reinvestment Act in Workforce Development

Participants said that in order to broaden the use of the Community Reinvestment Act (CRA) for job creation and workforce development purposes, banks and communities need additional guidance from the regulators about how the CRA can be used to support these activities. In Oklahoma, for example, bankers noted the importance of guidance from their regulators when considering CRA investments. They said that clarification of CRA treatment of workforce development support would be useful, especially regarding documentation and consideration of activities outside of assessment areas. These participants added that incentives for supporting workforce development programs need to be clarified and tied to CRA requirements, broader bank goals, or, ideally, both.<sup>41</sup>

Consideration and research for the CRA:

- explaining to CRA examiners and financial institutions the usefulness of CRA as a tool to assist with workforce development
- developing a compendium of examples where workforce development activities have been CRA-eligible
- convening financial intuitions and workforce development stakeholders to discuss ways in which they can collaborate to support common missions and business practices

## Conclusion

The Federal Reserve System is committed to continuing to examine the issues facing the long-term unemployed. Appendix A to this report provides a list of the local forums hosted by regional Federal Reserve Banks. Appendix B includes a snapshot of key activities that the Community Development offices of the Federal Reserve Banks engaged in during 2012 in response to long-term unemployment and workforce development issues.

<sup>41</sup> Forum in Oklahoma City, Oklahoma, on November 16, 2011. Hosted by FRB Kansas City.

# Appendix A: List of Federal Reserve System Local Forums

Between October 2011 and May 2012, the Community Development staffs at nine of the regional Federal Reserve Banks conducted forums that brought together various workforce development stakeholders. Below is a list of the forums by date, location, Reserve Bank host, and theme.

Federal Reserve System Local Forums			
Date	Location	Reserve Bank host	Theme/description
10/24/2011	Atlanta, GA	Atlanta	Labor, Education, & Health Advisory Council
11/2/2011	Atlanta, GA	Atlanta	Self-employment
11/16/2011	Oklahoma City, OK	Kansas City	CRA and workforce development
12/5/2011	Elkins, WV	Richmond	Rural health-care sector
12/13/2011	Albuquerque, NM	Kansas City	CRA and workforce development
1/9/2012	Miami, FL	Atlanta	United Way
1/17/2012	Jackson, MS	Atlanta, St. Louis	CRA Roundtable
1/17/2012	Jackson, MS	Atlanta, St. Louis	Historically Black Colleges and Universities
1/20/2012	Pelion, SC	Richmond	Rural
1/23/2012	Kansas City, MO	Kansas City	Metropolitan collaboration
1/24/2012	Omaha, NE	Kansas City	Chronic unemployment & workforce development
1/26/2012	San Antonio, TX	Dallas	Chronic unemployment & workforce development
1/27/2012	Birmingham, AL	Atlanta	Workforce development
1/31/2012	Eden, NC	Richmond	Displaced workers
2/1/2012	Concord, NC	Richmond	Displaced workers
2/1/2012	Little Rock, AR	St. Louis	Workforce development
2/1/2012	Mobile, AL	Atlanta	Advanced manufacturing sector
2/2/2012	New Orleans, LA	Atlanta	Digital media sector
2/7/2012	Dyersburg, TN	St. Louis	Rural
2/8/2012	Denver, CO	Kansas City	Metropolitan collaboration
2/13/2012	Baltimore, MD	Richmond	Barriers to employment
2/14/2012	Louisville, KY	St. Louis	Chronic unemployment & workforce development
2/16/2012	Jacksonville, FL	Atlanta	Persons with disabilities
2/17/2012	Jacksonville, FL	Atlanta	Persons with disabilities
2/23/2012	Memphis, TN	St. Louis	African Americans
2/28/2012	Trenton, NJ	Philadelphia	Workforce development
3/7/2012	Jacksonville, FL	Atlanta	Space coast
3/27/2012	Minneapolis, MN	Minneapolis	Workforce development
3/29/2012	Newark, NJ	New York	Chronic unemployment & workforce development
5/2/2012	Phoenix, AZ	San Francisco	Chronic unemployment & workforce development
5/8/2012	Nashville, TN	Atlanta	Financial sector



# Appendix B: Reserve Bank Community Development-Related Activities and Next Steps

Outlined below are key activities the Community Development offices of the Federal Reserve Banks have engaged in during 2012 in response to long-term unemployment and workforce development issues. This does not represent a comprehensive list of all Reserve Bank Community Development unemployment and workforce development activities in 2012.

## Federal Reserve Bank of Atlanta

### Events

- September 19-20, 2012: *The Future of Workforce Development Conference* (This conference was co-hosted by the Federal Reserve Bank of Kansas City.) ([www.kansascityfed.org/community/conferences/workforce/index.cfm](http://www.kansascityfed.org/community/conferences/workforce/index.cfm))

### Research

- The FRB Atlanta's Center for Human Capital Studies webpage features the *Human Capital Compendium*, which provides access to research published since 2008 by the Board of Governors and all 12 Federal Reserve Banks on topics related to employment, unemployment, and workforce development. ([www.frbatlanta.org/chcs/compendium/?d=1&s=ad](http://www.frbatlanta.org/chcs/compendium/?d=1&s=ad))
- FRB Atlanta established a series of podcast interviews which feature economic development experts sharing their important perspectives on a number of regional and national economic development strategies. ([www.frbatlanta.org/podcasts/economicdevelopment/](http://www.frbatlanta.org/podcasts/economicdevelopment/))
- In the first quarter of 2012, FRB Atlanta contributed to the *Econ South* publication with "Who Is the Most Unemployed? Factors Affecting Joblessness." ([www.frbatlanta.org/documents/pubs/econsouth/12q1\\_employment\\_recession.pdf](http://www.frbatlanta.org/documents/pubs/econsouth/12q1_employment_recession.pdf))
- In May 2012, FRB Atlanta conducted surveys and interviews to explore the formal and informal labor force participation of low-educational attainment

and low-wage individuals. ([www.frbatlanta.org/pubs/partnersupdate/12no4\\_labor\\_force.cfm](http://www.frbatlanta.org/pubs/partnersupdate/12no4_labor_force.cfm))

## Federal Reserve Bank of Boston

### Events

- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities* (This conference was co-hosted by the Federal Reserve Banks of Boston, Chicago, Cleveland, New York, Philadelphia, Richmond, and St. Louis). The conference included a track on workforce development. ([www.philadelphiafed.org/community-development/events/2012/reinventing-older-communities/](http://www.philadelphiafed.org/community-development/events/2012/reinventing-older-communities/))

### Research

- FRB Boston is currently developing the *Transforming Smaller Industrial Cities* award in collaboration with Living Cities. FRB Boston will pilot a multi-year initiative beginning this year with smaller cities in Massachusetts. The goal is an ongoing "system change" and process whereby all smaller cities are better able to take advantage of their physical and human capital assets.

## Federal Reserve Bank of Chicago

### Events

- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities*

### Research

- In 2012, FRB Chicago continued the Industrial Cities Initiative (ICI) to develop comprehensive community profiles of Midwestern industrial cities. They released the Working Paper and held the Symposium. The ICI community profiles are due to be completed in late 2012. ([www.chicagofed.org/webpages/events/2012/ici\\_symposium.cfm](http://www.chicagofed.org/webpages/events/2012/ici_symposium.cfm))

## Federal Reserve Bank of Cleveland

### Events

- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities*
- June 28-29, 2012: *2012 Federal Reserve Bank of Cleveland Policy Summit on Housing, Human Capital, and Inequality* ([www.clevelandfed.org/Community\\_Development/events/PS2012/index.cfm](http://www.clevelandfed.org/Community_Development/events/PS2012/index.cfm))

## Federal Reserve Bank of Dallas

### Events

- May 8, 2012: *Community Development Investment Roundtable: A Means to Job Creation*. At the session, investors explained how their organizations are partnering with banks to put people back to work.

## Federal Reserve Bank of Kansas City

### Events

- September 19-20, 2012: *The Future of Workforce Development Conference*

## Federal Reserve Bank of New York

### Events

- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities*

## Federal Reserve Bank of Philadelphia

### Events

- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities*

## Federal Reserve Bank of Richmond

### Events

- During 2012: *Redefining Capital: A Forum Series on Baltimore's Next Economy*. This is a four-part series that studied a Brookings Institution study of job creation opportunities in Baltimore, Maryland; the economic importance of new immigrants to the

local workforce; and the role of key organizations in expanding economic growth. ([www.richmondfed.org/conferences\\_and\\_events/community\\_development/2012/redefining\\_capital\\_20120426.cfm](http://www.richmondfed.org/conferences_and_events/community_development/2012/redefining_capital_20120426.cfm), [www.richmondfed.org/conferences\\_and\\_events/community\\_development/2012/redefine\\_capital\\_20120607.cfm](http://www.richmondfed.org/conferences_and_events/community_development/2012/redefine_capital_20120607.cfm))

- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities*
- September 12, 2012: *Economic Inclusion Conference: New Pathways to Financial Stability*. The conference included a session on strategies for increasing workplace success for low-income individuals. ([www.richmondfed.org/conferences\\_and\\_events/community\\_development/2012/economic\\_inclusion\\_20120912.cfm](http://www.richmondfed.org/conferences_and_events/community_development/2012/economic_inclusion_20120912.cfm))
- October 29, 2012: *Micro-Enterprise Conference*. This regional conference included workforce development sessions. Keynote speaker and Yale Law School Scholar Andrew Verstein discussed the implications of the American Jobs Act and its potential effect on small businesses and the local workforce.

### Research

- FRB Richmond is conducting research on *Community Resiliency in Southern Mill Towns: Concord and Eden, North Carolina*.

## Federal Reserve Bank of St. Louis

### Events

- March 20, 2012: *Livability and Jobs Conference*. The focus of the session was on the economics of sustainability, regionalism, and the new civics, equity, and jobs. ([www.stlouisfed.org/community\\_development/events/?id=344](http://www.stlouisfed.org/community_development/events/?id=344))
- May 9-11, 2012: *Reinventing Older Cities: Building Resilient Cities*
- July 13, 2012: *JOBS Act: How Regulation A, Small Cap IPO, and Crowdfunding can Help St. Louis* (co-hosted with the St. Louis Regional Chamber and Growth Association). In addition to an overview of the Jobs Act, the meeting focused on its impact on the St. Louis region to address capital needs.
- September 12, 2012: Meeting the Challenge: Keeping Kids in School (conference in Louisville, Kentucky). Participants learned about Network for Teaching Entrepreneurship (NFTE) and innovative

approaches to reach today's youth. ([www.stlouisfed.org/community\\_development/events/?id=393](http://www.stlouisfed.org/community_development/events/?id=393))

## Federal Reserve Bank of San Francisco

### Events

- August 15, 2012: Nevada Workforce Development Forum (in Las Vegas, Nevada). ([www.frbsf.org/community/resources/2012/0815-Nevada-Workforce-Development-Forum/index.html](http://www.frbsf.org/community/resources/2012/0815-Nevada-Workforce-Development-Forum/index.html))
- December 4, 2012: FRB San Francisco hosted a workshop on workforce development issues at a California Asset Building Symposium in Fresno, California.

