Making Workforce Work for Central Wisconsin

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Now is the Time to Get it Right

This may seem like the wrong time to be talking about workforce shortages and worker training. Here we are, in the middle of the biggest recession since the Great Depression. While there are initial signs that things are stabilizing, most experts predict that our economy will continue to shed jobs through 2009 and possibly into 2010. So, if companies are still laying people off, why bother with questions about workforce?

Outside of automobile producing areas, the rural Midwest in general, and central Wisconsin in particular, face a different situation than most of the rest of the nation. For this part of the country, this major recession is simply a short respite in a steady march towards chronic shortages of workers – particularly the skilled workers required to compete in a 21st century global marketplace. If we want the local economy and the families who depend on it to thrive in the future, now is precisely the right time to concentrate on ensuring that our workforce is prepared for the times that are coming. ▶

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The West Central Minnesota Story

Rebuilding a Rural Economy by Retraining Local Workers

In 1992, leaders in rural west central Minnesota looked at newly released Census data and realized they faced a big problem – chronic workforce shortages for years to come. Since there weren't going to be enough workers, they decided to take action to make sure that the existing workers of local companies had the skills they needed for the companies to succeed and the workers to earn better pay.

They formed a partnership of business, government, labor, education and nonprofit organizations to take on this challenge. The partners brought their best ideas and existing resources to the table and focused them on retraining the local workforce, especially manufacturing workers. They focused on the skills that companies said they needed to take the next steps towards becoming more competitive and profitable.

So what happened?

Between 1992 and 2008:

- More than 9,000 workers were retrained; about 65% of the region's manufacturing workers participated in one or more training programs.
- Manufacturing employment more than doubled – even though the state and nation was losing manufacturing jobs. Employee turnover at participating companies plummeted – saving the companies $4.3 million.
- Wages went up – from the lowest in any Minnesota region to 7th out of 10 regions.
- Workers experienced fewer layoffs; there was no decrease in the overall number of manufacturing jobs in the 2000-2001 recession.

What did it take to make all this happen? It took focused leadership, clear goals, alignment of existing resources to reach these goals, and a true partnership among everyone affected by or concerned about the issue.

How did we get into this situation?

Since the 1940's, all across the rural Midwest, cities, towns, and the surrounding countryside have been exporting their young people. That means that every year there have been fewer and fewer families in their childbearing years living here. Through much of this period, the size of families has been shrinking as well. All in all, that's meant that each year there are fewer children entering the workforce to replace those who are reaching retirement age. The population pyramid – the age distribution of our population – is upside down, with more people towards the top and fewer children and young adults near the bottom to replace them over time.

Many residents of central Wisconsin will be retiring soon – especially the Baby Boom Generation. Unfortunately, there aren't enough young people in the communities of the rural Midwest to replace those who will be retiring. That's true even if people put off their retirement for a few years because their retirement accounts lost money in the stock market. It will continue to be true for at least the next 20 years unless large numbers of additional families move into our rural communities. How do we know this? The workers of tomorrow are the children and youth of today. We know how many of them live in our communities. We also know that many of our rural children leave their community after completing their education. This will make our workforce shortages even more acute.

We would already be facing critical labor shortages across the Midwest if not for two factors – the entry of large numbers of women into the workforce and the movement of farmers into the workforce as farming mechanized and required fewer workers. We can't count on these factors any longer.

Today, there are as many or more women working in the rural Midwest than in most other parts of the country – and in many communities there are more women in the workforce than men. There simply aren't large numbers of women transitioning into the workforce anymore.

We also can't count on displaced farmers to take up the slack. While big farms keep getting bigger, there's not much more room to squeeze labor out of our farming operations. Equipment is about as big as it's likely to get. Farming methods are becoming more intensive – especially livestock farming. In recent years, much of the Midwest has actually seen increases in farm employment as big factory farms like mega-dairy operations expand and hire additional help.

Why is NOW the time to focus on workforce?

There are three main reasons that now is the perfect time to focus on workforce:

1. Companies have time to think about training.
In boom times, as companies struggle to keep up with orders, they are busy producing, selling and shipping everything they can. There's little time for management to think about training, and every minute a worker spends in training makes it that much harder to keep up with sales. When the economy slows, companies have the luxury of taking the time to examine what skills they need to compete in the future, and are better able to release their workers from urgent duties to participate in training. Companies that use this opportunity are more likely to accelerate when the economy begins to recover. Investing in training now will give them a strong competitive advantage as business rebounds.

2. It takes time to train - and retrain - workers.
Just about every study that looks at the jobs of the future comes to the same conclusion – within a few years, at least two thirds of the job openings in America will require at least one year of training beyond high-school or the equivalent in on-the-job training.[1] The jobs that do not require training are typically low-paying jobs with few benefits – like cashiers and retail clerks, hotel housekeeping staff, and restaurant workers. Whether you are a worker who is entering the job market for the first time, an existing worker who wants to prepare for a better paying job, or a laid off worker in an industry that is restructuring, you will almost certainly need at least one or two years of education or training beyond high school to qualify for a job with a family-sustaining wage.

Since the recession makes it harder to find jobs and the resulting competition for available jobs is holding wages down, this is the perfect time for workers to gain the educational credentials they need to qualify for the good jobs of the future. Workers who retrain now will be first in line for the best jobs when the economy improves.

3. There's more money for training than ever before.
The amount of federal and state money available to train and retrain workers declined every year between 1980 and 2009. The economic scare of this recession convinced Congress to change that. The economic stimulus bill recently passed by Congress included more than $53 billion dollars in new money to help with education and training.[2] This huge influx of new money means that it's a lot easier for people who are trying to get started on a career path, who have been laid off, or who just want to retool for a better career, to find financial help to get there.

Where should we focus our efforts?

If central Wisconsin were the only place experiencing this problem, it might be hard to know what to do about its current and future workforce needs. Fortunately, there are a number of places that saw these problems coming years ago and we can learn much from their example. Here are some prime examples of proven approaches for improving the economy of a region by focusing on workers and the companies that employ them:

Fill the "pipeline" with skilled workers.
You may not be able to ensure that you will have enough workers for all the jobs in the community after the recession ends. What you can do is make sure that youth moving into a career, workers upgrading their skills and displaced (laid off) workers gain skills needed for good jobs. To do this, you must talk to employers so you know where the good jobs are today and are likely to be in the future. You must adapt higher education and training programs so they are training for the jobs needed today and tomorrow. Finally, you must help guide students – and retooling or displaced workers – into education and training programs that will make a real difference in the local economy and in their earning power.

Improve the skills of those "in the bucket."
Workers in the bucket – those already holding down a job – far outnumber those in the pipeline. For local businesses to succeed in the 21st century, they can't wait for the pipeline to refill the bucket. Businesses and the community must invest in upgrading workers' skills so that companies can prosper and pass some of that prosperity along as better wages and benefits. Rural places that have taken this on are among those doing best in good times and in bad (see sidebar on west central Minnesota).

Help companies and workers work smarter.
Over the last 30 years there has been a revolution in the way successful companies do business. New ways of thinking about production, pioneered by W. Edwards Deming and others, have radically

Adding It All Up

We started out by asking why it makes sense to focus on workforce during our current recession. To summarize, here are **five great reasons why NOW is the time:**

1. When business is down, companies have the time to retrain and retool.
2. Investing in workforce now will give us a head start by preparing our companies and workers to compete for the opportunities that will come as the economy recovers.
3. Since jobs are temporarily harder to find and wages are lower than they will be when the economy recovers, this is the time for new and existing workers to focus on upgrading their skills.
4. The recession is temporary but workforce shortages are here for the long-run. Now is the time to make sure we have enough skilled workers for the jobs we will have available when the economy recovers.
5. The Federal economic stimulus plan is pumping billions of new dollars into workforce training right now. These dollars won't be here forever. When the economy recovers, this opportunity will be lost.

About the Author

John Molinaro, Associate Director of The Aspen Institute's Community Strategies Group, has more than 30 years of experience improving the vitality of communities and regions and building the economic success of families, especially in rural areas. Prior to joining Aspen in 2006, John served as Vice President of West Central Initiative, a hybrid community foundation/community development corporation in Minnesota, where he was responsible for all of its grantmaking, strategic planning, community development, leadership development and regional planning activities. While there, John led the formation of a regional workforce development initiative that gained national attention for transforming the economy of a rural region by increasing the marketable skills of its workforce. John also served as a policy fellow at the University of Minnesota's Humphrey Institute of Public Affairs, and as a multi-term appointee to the Minnesota Governor's Workforce Development Council. He holds certifications in Economic Development Finance and Housing Development Finance from the National Development Council, and a Master's Degree in Community and Regional Planning.

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altered the way work is done by the world's most successful businesses. These new "intellectual technologies," like Lean Manufacturing, radically change the relationship between workers and companies. Rather than viewing workers as replaceable cogs in a big production machine, successful companies today count on their highly-skilled, cross-trained workforce to constantly help them find new ways to work smarter, produce better products, reduce waste and improve productivity. Rural areas that embrace these new intellectual technologies and train their workforce to use them are far more successful in retaining and growing local jobs.

Shift business strategies to improve competitiveness.
In the 1950's and 1960's, rural America saw rapid job growth as companies left cities looking for cheap land and labor. Today most of these companies have left America looking for cheaper land and labor overseas. To remain competitive, a community's businesses must adopt strategies that make sense in a globally competitive environment. Companies whose locations are tied to specific places – like central Wisconsin's cranberry industry – are a good start for building a local economy. Other companies can compete by going after the parts of the market that are sensitive to shipping costs or delivery time. This means companies need to be fast and nimble to survive in America. To be fast and nimble requires a highly-trained workforce. Helping local companies chart the path to new, globally competitive business models is a great way to boost a region's economy – and workforce training is a critical part of making these new strategies work.

Grow local companies.
If you can lure a business to your community with incentives, someone can always lure it away by offering more. In 2005, nearly 80% of all new jobs in America were created by small business (those with less than 500 workers),[3] and small businesses are overwhelmingly local in nature. In recessionary periods – like now – large firms shed more jobs, shed them sooner and rehire later than small businesses.[4] Focusing local efforts on helping locally owned small businesses obtain quality workers so they can grow is a prime way to grow a strong local economy and stable jobs that are likely to remain in the community.

Invest in entrepreneurs.
Entrepreneurs are workers too! To succeed in their jobs – and create jobs for others – entrepreneurs need education and training. In addition, businesses have life cycles. They are born, some grow, some are bought out by other companies, some die, and some are broken up when their owner retires. It takes a steady stream of new business creation to sustain a community's economy. Quality entrepreneurial education programs can double or triple the chances that an entrepreneur will succeed in a new business venture and that the business will grow and thrive – and add jobs to the local economy.

In written Chinese, the word crisis combines the symbols for danger and opportunity. The current economic crisis and the dangerous likelihood that central Wisconsin will face long-term workforce shortages provide an incredible opportunity. Now is the time to bring together business, government, nonprofit organizations, education and workers – and anyone else with an interest in the economic success of communities and families – to ensure that every worker has skills needed for a good job and every business has a workforce with the talents it needs to successfully compete in the 21st century.

[1] Extrapolated from Bureau of Labor Statistics projections and other sources. See, for instance, Table I-1 at http://www.bls.gov/emp/optd/optd001.pdf

[2] See http://www.recovery.gov/?q=content/investments

[3] See http://www.sba.gov/advo/stats/sbfaq.pdf

[4] Extrapolated from SBA detailed firm size data – see http://www.sba.gov/advo/research/data.html#us