

A Demand-Side Strategy
to Meet Indiana's Workforce
Basic Skills Challenge



E x e c u t i v e S u m m a r y

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In the 21st century, 60 percent of all jobs will require skills that are possessed by only 20 percent of the current workforce.

By 2006, nearly half of all U.S. workers will be employed in industries that produce or use information technology products and services. More workers will need basic computer skills to enter their chosen occupations – and additional, specialized training in field-specific applications to advance.

About 50 percent of adults have low literacy skills.

In Indiana, an estimated 960,000 to 1.23 million employed Hoosiers have literacy skills below the minimum standard for successful employment in a knowledge-based economy. Current resources serve an estimated 20,000 to 23,000 workers annually.

Indiana is not unique as the United States has a serious workplace skills problem. But this is an area in which state-to-state comparisons are of little value. Bottom line: The state's workers lack the basic skills needed to successfully complete the jobs of today and tomorrow.

Skills Needed to Get a Job

- Read a want ad and complete a written application
- Talk about skills, abilities, accomplishments, likes and dislikes
- Answer and ask questions

Skills Needed to Survive on a Job

- Follow oral and written directions, ask for clarification or reasoning, and make small talk
- Locate written information, facts or specifications
- Understand technical vocabulary and the enabling words attached to them; for example, "pour the pellets into the extruder"
- Understand and use charts, diagrams and illustrations

Skills Needed to Thrive on a Job

- Give as well as follow instructions
- Participate in group discussions
- Teach others
- Predict outcomes
- State a position
- Express an opinion
- Access and use information from diverse sources

In addition, many of those workers don't realize the depth of the situation – only 20 percent of adults testing at literacy levels 1 and 2 (lowest on the five-point scale) stated that they saw an immediate need for help in remediation of their low skills. Employers, however, realize the gravity of the skills

shortcoming and are prepared to be part of the solution.

Project Overview

The Indiana Chamber of Commerce Foundation initiated the *Employer-Driven Workforce Literacy Project* in late 2003. The goal is to upgrade the literacy levels of Indiana's incumbent workforce through the development of employer-driven programs.

Phase I of the project was completed with the assistance of a broad-based Workforce Literacy Advisory Committee, a local project coordinator and a national research and consulting firm (FutureWorks of Arlington, Massachusetts). Phase II and a longer-range Phase III call for implementation of initiatives developed as a result of the research completed.

Advisory Committee Member Agencies

- Indiana Literacy Foundation
- Indiana Library Federation
- Indiana State Teachers Association
- Indiana Department of Education
- Indiana Department of Workforce Development
- Indiana Department of Commerce
- Ivy Tech
- Indiana Chamber of Commerce
- Workforce Development Concept
- Edwards & Associates
- Verizon Foundation
- Indiana State Building Trades

The Advisory Committee – which included representatives of business, labor, education and public sector agencies and organizations – broadened the traditional literacy definition to include:

- Communicating effectively in English;
- Learning, understanding and applying information and analysis;
- Thinking critically and acting logically to solve problems;
- Using technology, tools and information systems; and
- Working in teams, developing a positive attitude toward change and demonstrating a willingness and ability to learn for life.

FutureWorks completed four major research tasks:

1. **Literature/expert review:** reviewed national and Indiana-specific literature and data on workforce literacy needs, program themes and major issues, and assessed their implications for this project.
2. **National scan of innovative practices:** identified promising program models and developed a framework of "best practices" to guide this project. The research team also organized a series of informational forums to share promising practices with stakeholders in Indiana.

Literacy Levels

Level	Persons at this level usually can:	Persons at this level usually cannot:	% of U.S. Adults*
1	Locate the expiration date on a driver's license	Locate an intersection on a street map	20%
2	Determine the price difference between two tickets	Write a short letter explaining a billing error	27%
3	Use a bus schedule to get to a destination by a specific time	Explain the difference between two types of employee benefits	32%
4	Use information in a newspaper article to calculate money needed to raise a child	Determine the total cost of carpet to cover a room	18%
5	Use a table of information on oil exports to explain trends	(not applicable)	3%

*At 80% probability level

Source: U.S. Department of Education, 1993, 2001.

- 3. Document and analyze Indiana's current workforce literacy programs and resources:** inventoried and assessed current programs and funding sources across all providers in Indiana.
- 4. Business survey:** designed and analyzed an in-depth survey of Chamber employer members and customers to help document their needs and perceptions of workforce literacy education.

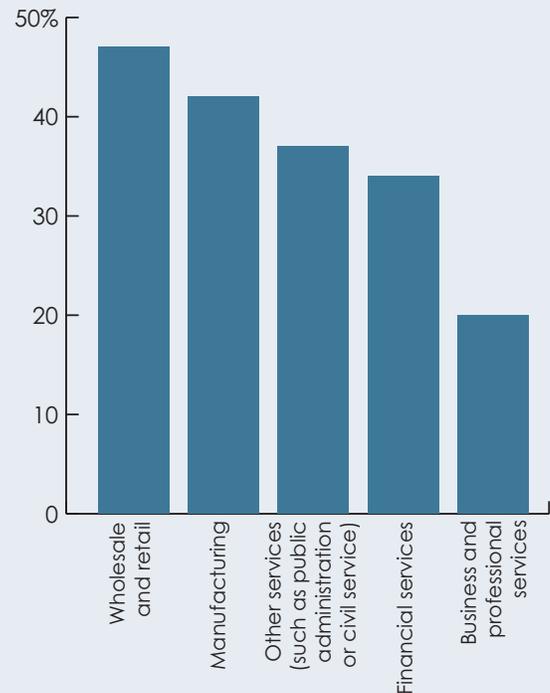
Major Findings

The research reinforced the belief that incumbent workforce literacy deficits are a national concern, with the problem seemingly growing in Indiana. Workers with low basic skills make very low wages and employers suffer major losses in productivity and in the ability to enter profitable but demanding markets.

The findings included four major conclusions:

- 1. There is significant need for incumbent workforce literacy education in Indiana; however, awareness is limited and demand is muted.** The research team estimates that in 2002, between 960,000 and 1,230,000 employed Hoosiers – about one in three – had literacy skills below the minimum standard (as developed by national experts) for successful employment in a knowledge-based economy. Indiana, like most other states, lacks a system for measuring basic adult or workforce literacy deficits on an ongoing basis; therefore, this estimate derives from extrapolation of a 1992 sample study. While many employers recognize the competitiveness challenges that result from widespread literacy deficits, there has been limited awareness of this

Basic Skills Deficits Among Job Applicants Across Industry Sectors



These figures represent the percentages of job applicants who lacked sufficient skills for the positions they sought in 1999, according to an American Management Association survey. Job applicants were tested in basic literacy and/or math skills — defined as “functional workplace literacy, i.e., the ability to read instructions, write reports and/or do arithmetic at a level adequate to perform common workplace tasks.”

Source: American Management Association, Workplace Testing 2000

problem on the part of the general public or the media, and little attention from public policymakers in Indiana. That has dampened demand for literacy services and contributed to the need growing relatively unchecked.

- 2. Current public resources in adult education and workforce development to address the Indiana incumbent workforce literacy challenge are inadequate to meet the need.** As best as FutureWorks could measure, current resources are serving only about 20,000 to 23,000 employed adult workers annually (a total of approximately 41,000 people are served). This includes approximately 15,000 to 16,000 workers through the Department of Education's (DOE) adult education programs; 3,000 to 4,000 through the Department of Workforce Development's (DWD) Advance Indiana incumbent worker training programs and Work One Centers; and 2,000 to 3,000 through the Department of Commerce's incumbent worker training programs. This barely scratches the surface of the apparent need.

3. **Other public, private and non-profit resources may be positioned to help address this challenge; however, their current capacity is limited.** Additional resources to meet this challenge exist in the public, private and non-profit sectors; however, they are limited and not targeted specifically to addressing workforce literacy education. The Ivy Tech system, volunteer literacy providers, libraries and community initiatives do provide some adult education services that may include workforce literacy education, but none of these are significant enough to meet the potential need, nor are they targeted enough to meet specific employer and worker literacy needs.

4. **Employers are critical to addressing the workforce literacy challenge and are prepared to play a central role.** Surveys and interviews conducted for this research demonstrate that Indiana employers are prepared to invest substantially in a basic skill development strategy if it is carefully constructed and thoughtfully administered. However, they will need the financial assistance and incentives that Indiana state government can help create. They also will need good information about the returns on investment in basic skills and help in building a basic skills educational delivery system with programs and providers that work for working adults and their employers. Finally, they will need consistent private sector leadership that relies on clear accountability systems.

In summary, the need is great, the current capacity of state programs is grossly inadequate to meet that need and the impact of other public, private and non-profit resources is limited. The fourth point – employers prepared to play a key role in addressing the challenge – deserves greater attention.

Employer Surveys

The first of two employer surveys of Indiana Chamber of Commerce

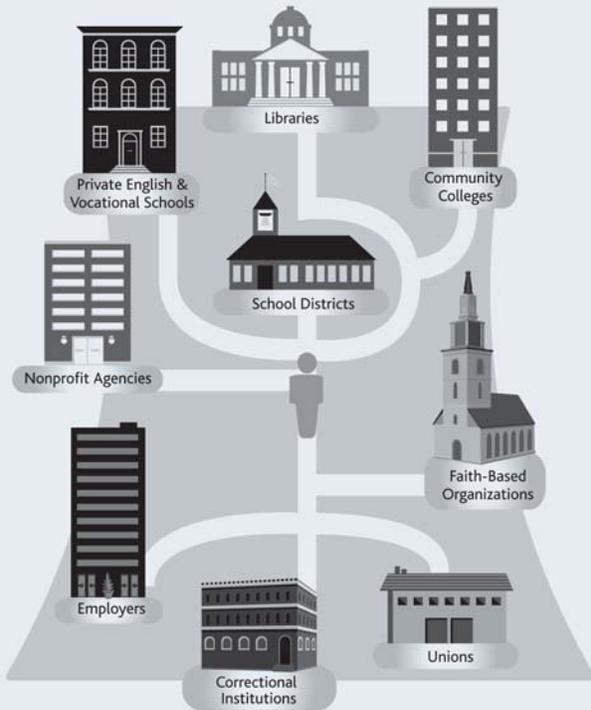
members included the following results:

- Asked to assess the basic skills of workers hired over the past few years, 30 percent said those skills were worse than they used to be, while only 19 percent said they were better.
- In evaluating the potential impact of 13 proposals for improving basic workplace skills (see chart), employers were generally positive in almost all areas. This comes from a group that can be skeptical, if not cynical, about traditional public investments.
- Among the 13 ideas, second in terms in acceptance was strong employer interest in getting better information about where to receive help in designing training programs

Employer Rankings of Strategies to Improve Workforce Literacy Skills in Indiana

Proposed Ideas	Percent Rating 5 (Extremely Significant Impact)	Percent Rating 4	Percent Rating 3	Percent Rating 2	Percent Rating 1 (No impact)
Direct funding to private employers for employee training	24	34	26	10	6
Better information to employers about where to get help from education specialists and training providers	23	35	27	10	5
Clear standards (reflecting strong employer input) and some sort of basic certificate or credential for employees and job seekers meeting those standards	19	37	31	8	5
Substantial tax credits for companies that invest in upgrading the basic skills of their employees	17	39	25	12	7
More information to employers about how to develop programs and measure their ROI impact	16	37	27	13	7
Private sector leadership in the design and delivery of training programs	18	34	34	10	4
Help groups of smaller firms get together to find economies of scale by developing joint training solutions to their basic skill deficits	15	36	30	13	6
Direct funding to employees (vouchers) for basic skill education	16	32	23	17	11
Increase funding directly to basic skill education and training providers	14	30	29	17	1
Increase training and workplace-experienced staffing for education and training providers to deepen their understanding of workplace skill needs and development opportunities	10	34	37	14	5
A major distance learning or technology-based initiative providing internet-accessible, computer-based learning tools and self-assessment techniques for employees to access from their workplaces and homes	13	25	33	21	7
Increased funding for disadvantaged worker training	6	26	35	22	10
A major statewide marketing campaign aimed at encouraging employees and their employers to invest in basic skill education and training	10	19	32	23	15

Literacy Providers



Source: American Management Association, Workplace Testing 2000

and measuring their impact.

- Third in acceptance and receiving the least opposition was the proposal to develop basic skills standards that reflect strong employer input and establish a basic certificate or credential for employees and job seekers meeting those standards.

A follow-up survey was conducted of employers who had been investing in basic skills training over the past two years and had expressed a willingness to provide additional information. Among the findings:

- Skills most in need of remediation: Thinking critically and acting logically, finding and using information, teamwork skills and technology skills.
- Most effective locations for training: All or mostly at the worksite (46%) and mostly at worksite with after-work support at home or a community location (36%).
- Regarding the method of basic skills training delivery, the most popular option was workplace-based classroom with an instructor. Other options were after-work, community-based classroom with instructor or open access/exit media lab with instructor.

The benefits of workplace education programs are numerous. Improved skills that allow employees to work smarter and faster help increase productivity and profitability for the employer. Additional benefits that are more difficult to measure, but increasingly important, include enhanced

employee morale, more positive attitudes, stronger team performance and ability to cope with change.

Key Recommendations

The problem has been identified. Part of the solution is to implement a demand-side program that takes advantage of existing resources, provides incentives for employer and employee participation, and features innovative approaches to meet changing needs.

The five specific recommendations are:

1. **Build awareness and organize demand for workforce basic skill development:** The first part of this five-point plan is a series of awareness-building activities aimed at employers and their workers that makes the business case for investment and provides concrete information about how to build skills in the workplace and where to get help.
2. **Establish a demand-driven delivery system with programs and providers that work for working adults and their employers:** Point two involves a number of carefully targeted investments to build out an employer-responsive delivery system. This would include development of a workforce readiness credential; creation of an employer resource center; establishment of "workplace basic skill" certification requirements for instructors with a professional and paraprofessional staff development system; establishment of accreditation standards for providers; a stronger role for postsecondary institutions in service delivery; and the inventory, assessment and design of effective instructional curricula and delivery models.

Framework of Successful Program Characteristics

1. Program is employer driven
2. Workers are involved in design, implementation and evaluation of training
3. Assessment and training is customized to specific workplace
4. Training is customized to adult learner and consistent with adult learning methodologies
5. Paid release time, voluntary participation and incentives are key
6. Program includes career planning and learner support components
7. Training providers selected based on clear criteria and are skilled and well-trained
8. Program includes an evaluation

3. **Promote continuous innovation in program design and delivery:** This strategy envisions the establishment of an "innovations fund" that could encourage and test new

program approaches and delivery strategies by making incentive grants and challenge grants to providers and employers.

4. Establish new financial incentives for increased investment

by employers and workers: State support (with federal aid) for adult education is limited and not focused on the incumbent labor force. Current funding to underwrite grants to employers to defray some of the cost of basic skill remediation is sharply constrained. New adult workforce literacy funding is necessary, but to spur successful workforce and economic outcomes, it must be directed in a “demand-side approach” through employers and workers rather than through provider agencies. Specifically, this recommendation is for the development of a legislative program offering substantial tax credits for employers and workers investing in basic skill programs.

5. Create a public-private partnership to provide consistent leadership, strong management and rigorous accountability:

Point five of this plan is the establishment of a new private-public partnership institution that would lead implementation of this demand-side program. Such an institution does not necessarily need to be established by state legislation; it could be organized as a non-profit corporation under existing law.

Next Steps

While this represents a different strategy, it does not require a totally new beginning. Current programs from the Indiana’s education, commerce and workforce development departments, as well as postsecondary institutions, can serve as building blocks. The non-profit sector, relying strongly on literacy volunteers, has the capacity to make important contributions. Most important, many businesses are already making big investments in the basic skills of their workers and, given a delivery system that supports those efforts, they are prepared to do much more.

The Indiana Chamber and the Workforce Literacy Advisory Committee are prepared to move forward. Action teams, built around recommendations with a clear consensus, will develop implementation plans and strategies.

Issues that require additional study or planning have a number of resources available, including the Chamber’s workforce development and education

committees, the Indiana Literacy Coalition, Indiana’s Education Roundtable and more. A policy/research team will be charged with creating a long-range work plan and funding proposals.

External resources are also available. The U.S. Chamber of Commerce’s Center for Workforce Preparation has extensive materials that can be modified for use in Indiana. The state of Kentucky and the city of Los Angeles are at varying stages of implementing similar plans, with the Kentucky architects particularly helpful in the research phase and their thoughtful approach to a similar challenge in their state.

The needs are great and will only grow as time passes. A demand-side program can bring the resources and incentives together to make a difference in the lives of our workers and the economic potential of our companies. The time to act is now.

Organizational Benefits of Workplace Education Programs

Percentage of employers reporting benefit gained

Improved employee morale/self-esteem	87
Increased quality of work	82
Improved capacity to solve problems	82
Better team performance	82
Improved capacity to cope with change in the workplace	75
Improved capacity to use new technology	73
More employees participating in job-specific training	73
Higher success rate in promoting employees within the organization	71
Improved effectiveness of supervisors	69
Increased capacity to handle on-the-job training	67
Improved labor-management relations	65
Increased output of products and services	65
Higher success rate in transferring employees within the organization	60
Improved results in job-specific training	56
Increased profitability	56
Reduced time per task	56
Quicker results in job-specific training	55
Reduced error rate	53
Better health and safety record	51
Reduced waste in production of products and services	49
Increased customer retention	42
Increased employee retention	40
Reduced absenteeism	33
Employers reporting at least one benefit gained	98

Source: The Conference Board, Turning Skills Into Profit: Economic Benefits of Workplace Education Programs

