

**Written Remarks of Byron G. Auguste,
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**“Make It in America: What’s Next?” Second Hearing
PANEL THREE: Skills Training & Manufacturing**

Happy to be here. The question I want to address is “How do we create a U.S. job market that works for all working Americans?” It’s big and controversial question. Today, I’m not going to discuss the politics of it, and for the most part I’m not going to advocate for specific policies. I’m mainly going to talk about “the plumbing” of the U.S. labor market: why it’s gotten sort of clogged up, why it has to be addressed, and the efforts of Opportunity@Work and others to fix it.

First, some good news: the underlying economic opportunities in the United States are tremendous. Imagine that you were the sole proprietor of a family business called the United States of America. You owned the whole thing and you planned to hang on to for the long-term. Right now you would be investing and building and hiring and training workers like hell. It’s a great time, and great place, to do it. To coin a phrase, you would be Making it in America. In AT Kearney’s annual survey of global business leaders on the best places to invest in the world, the US was #1: and by an unprecedented margin. The US was #1 according to business leaders in every major industry and from every continent.

As of May, there were 5.4 million open jobs in the United States - the highest levels in at least 15 years. While we’ve had over 5 straight years of private sector job creation and unemployment rates are down to 5.3%, there are still millions of Americans discouraged or underemployed.

If the case for “Making it in America” is so strong, then why aren’t more Americans “making it” in the U.S. job market today? 3 big problems:

First, wages have been too flat for too long. According to the Council of Economic Advisors, Americans’ median family earnings remain 7% lower than it was some 15 years ago, even with recent ‘signs of life’.

Second, too many workers are stuck in place. One vital sign of a healthy labor market is the “quit” rate. That is: how many workers are confident enough to voluntarily quit their jobs to find a better one. This rises and falls with the economy of course, but this kind of voluntary job mobility has structurally declined—they’re down by 27 percent since 2001.

Third, a skills mismatch wastes too much talent America needs. Nearly half of U.S. employers report difficulty hiring employees who have the skills their companies need to compete, but 70% of employers are not collaborative with any higher education institutions to address the issue. We appear to be a million workers short in IT professions in the next few years, yet 15% of engineering graduates say they could not get a job as engineers. Almost 90% of higher education leaders think that their institutions are doing a good job preparing their students to succeed in the workplace, but only half of students and half of employers agree.

Right now our job market works best for those Americans who follow conventional paths to 4-year college degrees and who have the social capital and mentorship that encourages employers to take a chance on hiring, training, and advancing them. It works poorly for the growing number of people whose journeys are less linear and well-supported - including the 43 million people with “some college” but no degree, mid-career industry switchers, un-credentialed workers who mastered their skills on the job, full-time parents re-entering the workforce, the long-term unemployed, skilled immigrants, and young people reaching for the first rungs on the career ladder. The big problem we’ve got is that those Americans it doesn’t work increasing represent the future of our country.

Of the 150 million Americans in the workforce, how many can clearly say: If I make the extra effort to do X, I can learn Y, and then be hired or promoted into job Z? How many are engaged by the work they do, and see a career path ahead of them? How many would confidently quit their current job to take a better one? Too many Americans lack that confidence, and are “stuck” without a way to translate their best efforts into progress in the job market. This situation undermines our economic dynamism and growth, because human capital – the most valuable asset on America’s economic balance sheet— is not realizing its full value.

In my two years in the White House, as Deputy Director of National Economic Council. I worked closely with Vice President Biden and the Secretaries of Labor, Commerce, and Education on making federally funded workforce and training programs more job-driven: aligned to skills employers need, where employers have “skin in the game” in terms of apprenticeships, internships, co-funding, partnerships with training institutions, etc. These policy changes, along with the new Workforce Innovation & Opportunity Act, are genuine progress, and build on the lessons of successful local, industry, and union partnerships.

The federal government spends ~\$20 billion on job training each year, but employers spend between 10 and 25 times as much to train workers. Moreover, the \$7.5 trillion in U.S. payroll is what ultimately drives the market for skills. Many U.S. labor market problems are not mainly the result of inadequate training or education (i.e., ‘the supply of skills’)— instead, they originate on the “demand” side—how employers recruit and hire, train and promote, and use technology in their workforce strategies.

Opportunity@Work believes U.S. employers are experiencing a classic market failure, in which their individual hiring and training practices are inadvertently limiting the collective U.S. talent pipeline and creating “skills mismatches” with economy-wide ripple effects. In other words, employers are looking for their slice of talent, but not growing the pie.

Here are some examples of these “demand side” market failures:

In trying to raise the “quality” of their workforce, with very few good indicators of that quality, employers have made a 4-year college degree too great a barrier to hiring and job mobility. While only 19 percent of administrative assistants have 4-year college degrees, in 2014 Burning Glass finds that 65% of new admin jobs required them to be considered.

Employers are only half as likely to grant an interview to someone unemployed for over 6 months when compared to those more recently employed with identical education, skills and experience—yet, an Evolv study of 20,000 hires found it made no difference to job performance.

In Fortune 500 companies, resume-screening software typically culls half of the resumes automatically, based on pre-set criteria such as ‘years of experience in role X’, specific degrees or credentials. 72% of recruiters report that they “screen out otherwise qualified candidates”.

Less educated workers receive only half the formal on-the-job training that more educated workers receive. While many companies have great management development programs, in most companies, entry level frontline workers are trained for compliance, safety and efficiency but not so much for progression into better-paying jobs.

So, the same companies with shortages of technology-savvy workers already have employees in their retail shop floors, warehouses, or calls centers who have the aptitude and motivation to learn those skills, or might already have some of those skills—learned outside a more traditional setting. And the software and processes they use to hire are likely screening out applicants with those skills (or with small gaps that can be rapidly filled with accelerated learning tools).

As I mentioned, there are great examples of local training, industry, and union partnerships to develop a skilled workforce around the country. A huge amount of passion and creativity going into addressing skills mismatches, and I expect to see more of them with WIOA and job-driven training reforms at the federal level. But we have to be honest that these initiatives are far too small relative to our workforce needs, and even the most successful do not replicate or spread nearly fast enough, or at all.

For example, there’s growing support for apprenticeships around the country, and here in Congress—and that’s great. Apprenticeships work, and have a good return on investment. But recognize that the ambitious doubling of apprenticeships in 5-years the President has called for would get us to 750,000 apprenticeships in a workforce of 150 million. So let’s get that done, by all means, but we shouldn’t think that it will be enough.

Given the issues we’ve just laid out, it might be best to see the “fix” to our job market woes not just as a series of training programs, but as a more like “fixing the plumbing”, or “re-wiring the circuit board” or “creating an operating system” for the job market. We need to build a flexible, dynamic, and common “operating system” for the U.S. labor market that employers, educators, workers and job seekers can plug into as a tool to better align their own training investments with each other’s priorities, recognize overlooked potential, and respond to market needs.

This is the mission of Opportunity@Work, the social enterprise that I co-founded in March, based at New America. Here’s why it matters:

For employers, it would mean drawing talent from a much larger, more diverse pool, and hiring based on candidates’ abilities, not pedigree.

For educators, it would mean being able to translate skills employers demand into training or college curricula to impart those skills well.

For students and job seekers, it would mean being easily able to signal a broad range of skills to potential employers, while accessing both the information and on-demand training needed to pursue their career goals.

Re-wiring the U.S. labor market is a very big goal. So we’re starting with information technology jobs, which constitute 12 percent of today’s open jobs – over 600,000 of them. These are good jobs, paying 50% more than

the average job. And while you DO need a solid education, 40% of today's IT workers don't have a 4-year college degree. And it's not just Silicon Valley. It's in demand in every city and virtually every county in the country, and 2/3s of the IT workforce work in industries other than Tech, like healthcare, manufacturing, and financial services.

Opportunity@Work's first major initiative is to facilitate the successful implementation and nationwide scaling of the TechHire initiative for IT jobs announced by President Obama at the National League of Cities in March. As part of our commitment, we've created a learning network for 21 TechHire communities from Delaware to Tennessee to New Mexico.

- Strongly supported by local business, government, & civic leaders, TechHire brings together a critical mass of employers in a region to agree to hire entry- and mid-level information technology job positions based on a demonstration of competence, whether or not an applicant has the typical job history and academic pedigree. In other words, if you want to know if someone can code – don't ask to see their college degree or their resume: ask to see their code.
- In order to ensure that employers can find those workers with the skills but not the pedigree—TechHire will spread non-profit hiring on-ramps like Code2Work and LaunchCode. These organizations assess the skills of non-credentialed workers, and translate typical job descriptions from degrees and qualifications to what actual skills must be demonstrated. With employers more open to such hiring, we're starting to see high-quality accelerated IT job training—such as 12-week “coding bootcamps”—commit to expand to smaller TechHire cities - lured by aggregated employer demand.
- Opportunity@Work is also partnering with major talent technology platforms such as LinkedIn, CEB, Glassdoor, and others—for skills self-assessment, job matching, HR “best practices”, and other parts of a “virtual operating system” for the U.S. job market —so that employers can more easily understand, assess, and adopt their preferred approaches to finding and investing in talent on a more inclusive basis, with less perceived risk. This will improve the functioning and inclusiveness of the IT job market, making it far easier for education programs to align to employer needs, and help students, workers & job seekers to better access training resources that allow them to learn more and earn more in high-demand jobs.

When President Obama announced TechHire he said, “If you can do the job, you should get the job.” He also recognized LaShana Lewis, of St. Louis Missouri. LaShana learned to code before she had to drop out of college after her freshman year. Despite her skill, she wasn't able to get a job interview to be a programmer, so she worked as a bus driver and in customer support for over a decade. LaShana was matched to a job as a systems engineer at MasterCard, by hiring on-ramp LaunchCode—our partner in St. Louis. LaShana found the job of her dreams. Mastercard filled an important job with a committed employee, and now realizes it was overlooking great talent. Bringing invisible talent like LaShana's into our economic mainstream – allowing people like her to “make it in America” is vital to renewing America's promise in the 21st century.

Opportunity@Work will be part of the movement to unlock such talent, grow the “talent pie” for American industry. Core to our work is to building the systems and processes that will allow first-and-foremost employers – but also educational institutions, local governments, non-profits, workforce boards to take coordinated action to address this market-wide problem. We'll help to mobilize the full capabilities of our country's leading institutions of technology, business, education and training, and workforce development to improve the job

market in communities nationwide; and to empower millions of Americans who can learn and excel at good jobs that U.S. employers need to compete.

I'm not here to advocate for specific policies. Opportunity@Work is focused on collective action, not advocacy. But if the US economy is to achieve the productivity, innovation, and broad distribution of earnings and opportunities we all want to see in the years and decades ahead, there will be a lot of policy innovation needed to bring the work we're doing to nationwide scale, and into a wider range of career-path jobs. We look forward to learning from and working with all of you towards achieving those goals for the communities you represent. Thank you.