

# Issue Brief: The Career Readiness Gap

## Challenges of Career Readiness and Awareness in Southeast Michigan

### Executive Summary

Southeast Michigan's economy is beginning to show signs of recovery after unprecedented economic upheaval. However, the long-term sustainability of that recovery is under threat due to inadequate pipelines of students and workers participating in many of the region's most in-demand careers. Southeast Michigan's talent development systems<sup>1</sup> should be supported by effective state and federal policies to enable practices that yield a robust and skilled talent pool for employers. In its current state, the region has students and jobseekers who are not aware of and/or prepared for career opportunities, or do not know where to go for additional education or training. Educational and training programs are not currently aligned with

employer needs. Employers are often not actively engaged in preparing the workforce of the future. Policymakers do not know if programs and policies are working, and current policies and strategies emphasize educational attainment but lack the ability to reasonably prepare individuals for the workforce. The career readiness revolution is starting, but there is much that still needs to be accomplished. As stakeholders in Southeast Michigan continue to learn about best practices from around the country and build upon the data-and-employer driven approaches they are testing locally, everyone has a role to play and must invest the time and energy to ensure success. Failing to act could prove costly to the Michigan economy.

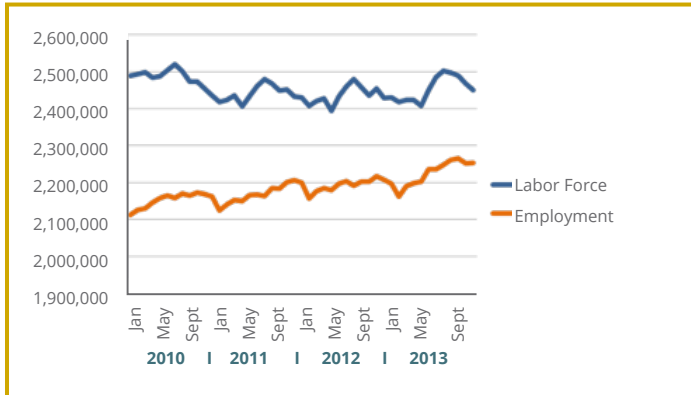
### Developing Recommendations

WIN will hold policy town hall meetings in fall 2014 to develop recommendations to address the career readiness gap. Each town hall meeting will address a different targeted audience where policy solutions may be relevant (employers, students and jobseekers, policymakers, educators, etc). WIN will release updates regarding the recommendations as they become available. If your organization would like to host a policy town hall, please contact Tricia Walding via phone at 313.744.6710 or via e-mail at [tricia.walding@win-semich.org](mailto:tricia.walding@win-semich.org).

<sup>1</sup> Includes colleges, Michigan Works! Agencies, universities, etc.

## Current State of Affairs–Talent Demand

After more than a decade of upheaval, Southeast Michigan's economy is showing clear evidence of recovery. Unemployment has fallen from 19% in 2009 to roughly 8% in 2014, with projections of around 5-6% by 2016. After more than 10 years of declining labor force participation, the number of individuals working or looking for work has stabilized across the region and now is beginning to increase. Labor demand from employers is on the rise as well. In many sectors, demand far outpaces the supply of skilled talent.



The current challenge to the economic recovery and employer success in Southeast Michigan is a lack of career ready applicants. The Southeast Michigan talent ecosystem currently includes:

- **Students and jobseekers** who are not aware of career opportunities and/or do not know where they can learn more.
- **Students and jobseekers** who are not prepared for career opportunities and/or do not know where to go for additional education or training.
- **Educational and training programs** that are not aligned with employer needs.
- **Employers** who are not directly engaged in preparing the workforce of the future.
- **Policymakers** who do not know if programs and policies are working.
- **Current policies and strategies** that emphasize educational attainment but not preparation for the workforce.

Southeast Michigan's economic upheaval began more than 15 years ago, but from 2001 to 2009, the region lost almost 300,000 jobs, 73% in manufacturing. Recently, the region's employment base has started to recover at a faster rate than almost any other region in the country. Employers have reacted and adjusted

to the dramatic shifts in employment and technology, which have revealed new, and perhaps surprising, opportunities for Southeast Michigan's job seekers.

After a slow start in the first half of 2013, job demand climbed above 2012 levels. In 2013, the top jobs in-demand included occupations that required both high levels of education and training, and those that do not. Software developers for applications, retail salespersons, and registered nurses top the list of in-demand occupations in 2013<sup>2</sup>. Of the more than 374,000 postings in 2013, 56% are in high demand clusters of information technology, advanced manufacturing (engineers & designers and skilled trades & technicians), health care, and retail and hospitality. Postings for jobs in information technology now exceed<sup>3</sup> those for engineering, production, or health care jobs. Many of these jobs are not in core IT firms, but instead driven by new technological demands from the automotive, health care, and finance industries.

Early indicators show that this increase is a result of increased economic activity, and employers have even greater demand for a highly skilled and knowledgeable workforce. New job opportunities increasingly require skills and credentials of a more specialized nature, mainly due to technological changes. Many employers with an interest in talent development understand that to fulfill current and future gaps, we must look to cultivating and growing our own career-ready workforce.

IT and Engineering are among the most difficult to hire. According to CareerBuilder, a "hiring indicator" of 0 means a job is impossible to fill, while an indicator of 100% means it is extremely easy to fill. The hiring indicator for skilled trades is 39, for engineering is 32, and for IT is 24. This means these occupations are quite difficult to fill.

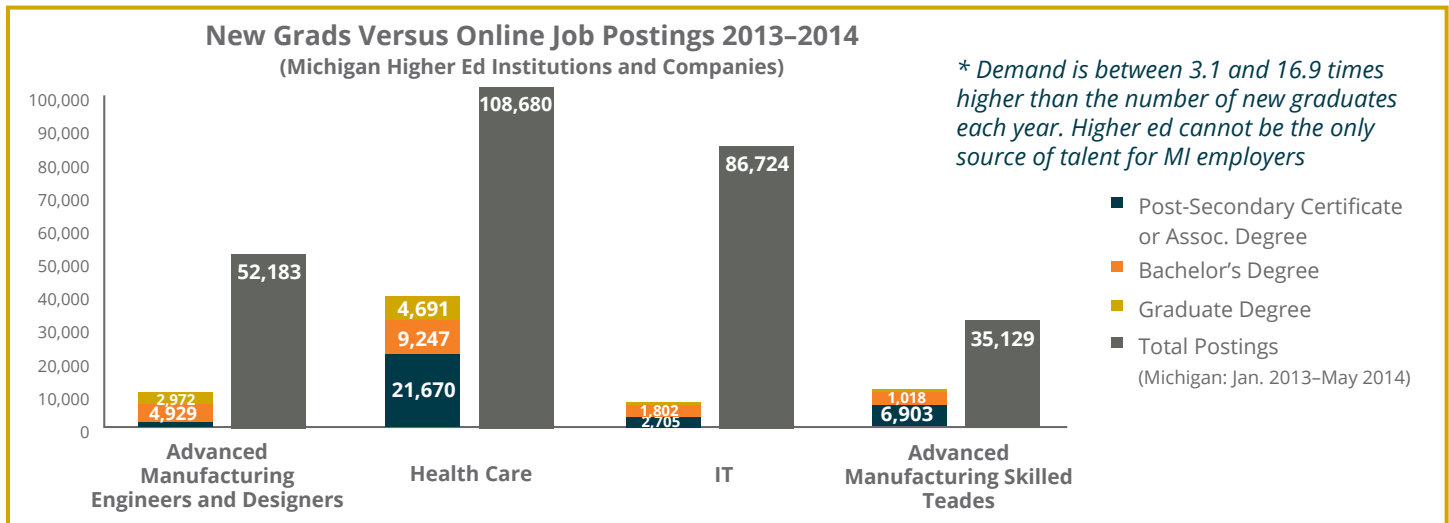
Occupational Clusters	% of total job postings
Information Technology	11.75%
Advanced Manufacturing	9.88%
Skilled Trades and Technicians	3.04%
Engineers and Designers	6.84%
Health Care	10.75%
Retail and Hospitality	24.14%

<sup>2</sup> A list of the top 30 occupations in demand for 2013 is included at the end of the document.

<sup>3</sup> Based on real-time job posting data from Burning Glass Technologies.

## Current State of Affairs–Supply

With the increase in job demand, an increase in supply is needed, but a lack of awareness and career readiness plagues students and job applicants in the region. High school students must meet state and federal requirements for education, leaving little time for career awareness and preparation. The student-to-counselor ratio in the region is 600 students to every one counselor. These counselors must prioritize mental health and well-being of students before career counseling, leaving most students sorely lacking for career awareness and advice that would help steer them toward in-demand careers.



**Students are not enrolling at sufficient rates in educational courses, programs, or training in many high-demand fields, such as IT, engineering, and the skilled trades.** Though the community welcomes the return of new jobs post-recession, many within the region are not familiar with in-demand jobs and how to access those opportunities. The manufacturing legacy and recent employment decline have reinforced a negative perception of the industry—and the perception that jobs related to manufacturing, including the auto industry, are low-tech, low-skilled, dirty, or unstable. These perceptions have served as a deterrent for students, parents and teachers, who may not look toward manufacturing as a viable career choice. Many of the most in-demand jobs are related to STEM fields, yet beyond some health care positions that remained stable through the recession, most students and jobseekers lack exposure to, and are generally unfamiliar with, viable, in-demand career opportunities. Therefore, they are unable to make informed educational choices. This has resulted in low enrollment in these programs.

**Not only is there a deficiency of students interested in high-demand industries, but there is a shortfall in the number of individuals completing degrees or certifications relative to the employer demand for workers with various levels of education.** Online job postings between January 2013 and May 2014 in Michigan showed a need for nearly 47,000 engineering and design workers with bachelor degrees, but only

5,000 degrees were awarded in the state in these areas of study. Similar trends are present in the other industries tracked; with IT postings for bachelor degrees exceeding 72,000, with only 1,800 graduates attaining this degree. In health care, almost 31,000 postings indicated a requirement for a graduate degree, but degree attainment for this level of education was below 5,000 completions<sup>4</sup>.

**Employers are looking for experienced workers, yet jobseekers typically do not have the opportunity to gain that necessary experience while they are in training or in school.** High unemployment rates and delayed retirements have pushed back first-time or transitional employment for many jobseekers. Particularly troubling is the region's decrease in youth employment over the past 10 years. Employment of the areas 16-19 year olds dropped 18.7% from 2000-2012, from 46.1% to 27.4% in 2012. For the 20-24 year old age bracket in the Metro Detroit area, employment dropped from 70.8% of individuals to 62.3%, putting the area in the 78th percentile, or worst 22% of regions in the U.S. for the age group. Brookings Institute Research shows that young people are more likely to persist in their education, both through high school and into college, if they see the relevance of their academic experience to real-world work experience.

**Leaky pipelines, particularly around career transition, cause disruptions in talent development.**

<sup>4</sup> Note: Online job postings may include more than one degree requirement, resulting in a duplication of the number of postings requiring a specific degree. Online job postings do not consistently indicate the degree level requirements.



Some individuals may drop out of training due to lack of a full awareness of real career opportunities and because of the difficulty in navigating the transitions between K-12, higher education, and workforce systems.

**Talent systems must be supported in their efforts to be sustainable and accountable.** Certain state and federal policies can enable or prevent the systems from accurately tracking career readiness success.

**Critical pathways that give students experience, like Career & Technical Education, are often perceived as “alternative track,” not for the college bound.** While these programs give students critical exposure to real-world career opportunities and skills, the programs are often undervalued, overlooked and avoided because they do not align sufficiently with the focus on college readiness.

## Future State of Affairs: Things Will Only Get Worse

**We will have fewer overall workers in the future, no matter what we do.** In the United States, every day there are 10,000 new baby boomers who reach retirement age<sup>5</sup>. This will be the case every day for the next 17 years. In Southeast Michigan, this translates into roughly 158 people per day (58,000 people per year). This will be even more apparent in information technology where 39.7% of the almost 74,000 workers are age 45+ (13.1% are 55+), in health care, where 45.7% of the 244,410 workers are over 45 (20.1% are 55+) and engineering and design, where 51.3% of the 76,000 workers are age 45+ (19.3% are 55+)<sup>6</sup>.

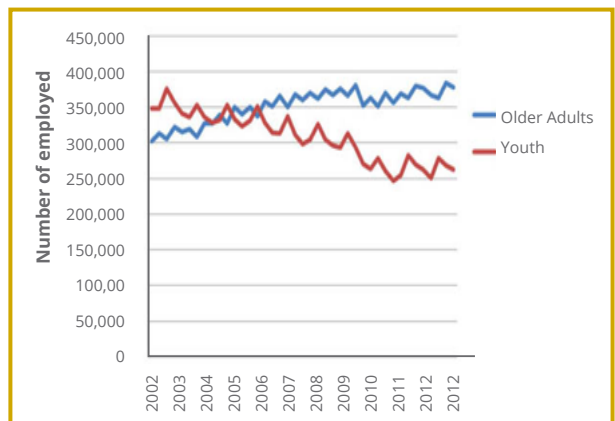
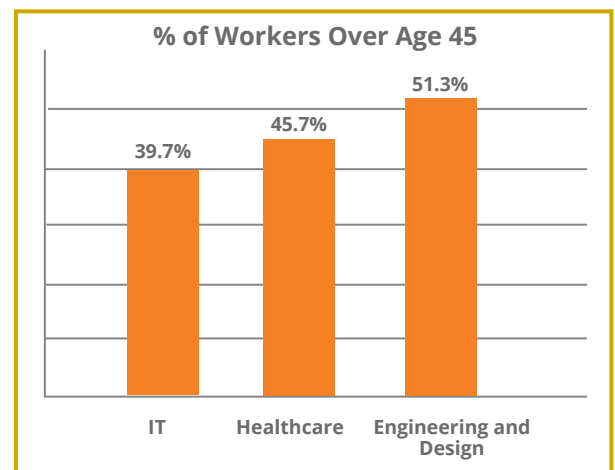
**Lack of education:** By 2018, 63% of job openings nationwide will require at least some college education (56% in 1992). In 2012, 45% of SE MI advanced manufacturing postings called for college education (21% in 2007<sup>7</sup>). Today less than 40% of the SE MI workforce (over age 25) holds a college degree. Another 24% has taken some college coursework<sup>8</sup>.

**The brain drain: Place matters, but jobs matter more.** A 2012 Detroit Regional Chamber study showed that 85% of college grads who left the state left for **career opportunities**, and 38% left for urban experiences. In looking for their next job, 86% of these graduates said they would prefer a job somewhere they would like to live, while 56% said they would simply look for the best job, regardless of location. While there is substantial effort and resource dedicated to educating students about great places to live in Michigan, and sometimes making those places better, there is little emphasis placed on informing the workforce—current and future—about the volume and type of available jobs.

**Career readiness among college graduates:** A McKinsey & Company study from December 2012 concluded that 42% of employers believe new graduates are adequately prepared by their colleges or other pre-employment training programs, and only 45% of new graduates think they are prepared for their jobs. Efforts that emphasize degree attainment are on the right track, but degree-attainment alone is not sufficient to ensure that employers will find the qualities they need in future talent.

**Lack of commitment to youth work experiences:** Fewer than 10% of 2012 Southeast Michigan online job postings asked for candidates with less than one year's work history. For those requesting a four-year degree, fewer than 4% are searching for candidates with less than a year's experience<sup>9</sup>.

Yet, work experiences among youth have been steadily declining. In the last 10 years, employment for youth ages 14-24 fell by 24.5% (85,400 jobs) while employment for older workers age 55+ climbed 25.2% (76,100)—an almost perfect inverse relationship. In fact, older workers compose the only age group that saw an employment increase during the last recession while, at 30%, metro-Detroit's youth unemployment rate is the highest of any metro area in the country. As older workers hang on longer, young people are left behind. They simply are not getting the skills and experience that employers want these days (typically 1-4 years) in the new workers they hire.



<sup>5</sup> Pew Research Center: Baby Boomers Retire. <<http://www.pewresearch.org/daily-number/baby-boomers-retire/>>

<sup>6</sup> Economic Modeling Specialists, Inc. 2013 data.

<sup>7</sup> Based on real-time job posting data from Burning Glass Technologies.

<sup>8</sup> Economic Modeling Specialist Inc.

<sup>9</sup> Based on real-time job posting data from Burning Glass Technologies.



# WORKFORCE INTELLIGENCE NETWORK

## The Bottom Line

Lack of effective career readiness programs could result in continued high levels of youth unemployment and even fewer workers with the experience needed to perform at the level needed by employers. Without guidance and data regarding careers in high demand, students and jobseekers may choose education programs that do not align with the needs of employers—leading to graduates who are unable to find jobs, and employers who cannot fill in-demand positions.

The Southeast Michigan region is at a pivotal point in economic and workforce development. Retirement rates are expected to increase with economic improvements, further exacerbating the problem, leaving employers struggling to find experienced, competent workers. The continued misalignment of training programs to the actual needs of employers may lead to a long-term talent pipeline issue. Companies may be less likely to fill job openings with individuals who are ready to work, leading to increased needs and costs for on-the-job training and less likelihood that employers will be able to appropriately fill their middle and high skilled openings. In turn, this may lead to less successful companies and

frustrated employers. This could result in a mass exodus of business from the region.

If we invest in career awareness for our middle schoolers, high schoolers, and young college students, Michigan may retain many of the young people and future workers that are projected to leave the state. Current projections from EMSI<sup>10</sup> indicate that the state could lose nearly 250,000 residents between the ages of 10 and 30 by 2023. We have the potential to retain at least 75,000 additional workers by helping students get into high-wage, lucrative careers within the next decade. Based on employer demand projections, not only will employment increase, but the **total income of Michigan families could grow by over \$4 billion dollars**. The additional income translates into roughly \$160 million in additional income tax revenue and over \$200 million in additional sales tax revenue for the state<sup>11</sup>.

The economic recovery of the Southeast Michigan region is not sustainable without changes to the way in which we approach career readiness and awareness.

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### Acknowledgements

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<sup>10</sup> Economic Modeling Specialists, Inc.

<sup>11</sup> Note: 2014 dollars and 2014 effective sales and income tax rates applied.