

TO: Executive Committee

DATE: 01/26/04

FROM: WIB Staff

For Action

For Information

For Discussion

SUBJECT: White Paper on Merced County's Workforce and Economic Development System and its Challenges

PROPOSED MOTION(S): Information Only

DISCUSSION: The attached Whitepaper will be presented to the new California Administration, department heads and legislators during a January 28, 2004 meeting in Sacramento. Mr. John Headding, WIB Chair, and Ms. Andrea Baker, Director, Department of Workforce Investment will represent the Workforce Investment Board of Merced County.

ATTACHMENT(S): White Paper

WHITEPAPER

ON

MERCED COUNTY'S

WORKFORCE AND ECONOMIC

DEVELOPMENT SYSTEM

AND ITS

CHALLENGES



**WORKFORCE
INVESTMENT BOARD
MERCED COUNTY**

Merced County Today

Merced County is in the midst of a workforce crisis among the worst in the entire nation. While workforce development efforts face significant challenges nationwide, Merced County's obstacles to creating a workforce capable of meeting current and future demands are enormous. The skills gap in Merced County is significant and is only expected to increase over the next few years. In ten years, available jobs could outnumber workers by 6.7 million nationwide.

Merced County is exceptionally hard hit by the skills gap due to a number of factors. The County ranks extremely low in major indicators of educational attainment for its residents. Only 63.8% of Merced County residents age 25 or older have graduated high school, and only 11% have attained a bachelors degree or better, compared to the state average of 76.8% and 26.6%, respectively (nationwide, 42% of new job growth requires some post high school education). Dropout rates exceed the state average, only 23.4% of Merced County high school graduates are eligible to attend a California State University or University of California campus, and only 3.8% of those actually enroll. Skill gaps identified among the population include basic reading and math skills, management skills, computer skills, chemical related skills, materials related skills, and commercial driving skills. Local employers have identified these skill gaps as being significant barriers to filling current and future job vacancies. (See Graph #1)

Demographic patterns in Merced County add to the severity of the workforce crisis. Large proportions of the Merced County population are children under 15 and adults over 65, two groups that do not contribute to the labor pool. In fact, 31% of Merced County residents are under the age of 15, making Merced the "youngest" of all of California's 58 counties. However, even with the labor pool being proportionately smaller than many other areas, even comparably sized rural areas, Merced County's unemployment rates are consistently in the double digits with the average unemployment rate for 2002 at 14.4%, compared to the state average of just 6.7%.

Agricultural and retail industries remain the dominant industries in Merced County, which due to their seasonal nature, contribute to the high levels of unemployment. However, the economy of Merced County shows great potential for diversification, with agriculture's impact on local employment declining over the next 20 years. A primary factor inhibiting local residents from finding jobs or advancing in their current jobs is not only a lack of opportunities, but also a lack of skills among the local workforce. Local workers are not prepared to fill the jobs that are coming to the community. Despite the wide availability of labor suggested by the unemployment figures, existing and prospective employers consistently report having difficulty in finding qualified, skilled workers to fill even entry-level jobs. High unemployment among working-age adults in the region is compounded by what is commonly referred to as the "brain drain", or the perception that the region's most talented young adults leave the area due to lack of opportunities, thereby further contributing to the low skills base and sluggish economy. This theory is supported by statistics that show Central Valley counties lagging state population averages for all age ranges except 0-18 and 65+, suggesting that some

working-age adults are in fact opting to attend college and pursue careers elsewhere in California.

Merced County's Future

As the Merced County economy continues to change, so does the composition of our labor force. The County is expected to grow by 57% by the year 2020, exceeding the state growth rate by 26%. Today, the median age of a Merced County resident is 29 years. It is projected that the median age will decrease over the next 20 years, and the proportions of the population who are either too old or too young to work will increase. Contributing to this problem is the skill gap that exists between different age groups in the Merced County labor pool. Currently, the County's most educated demographic group is the 45-64 year age group. This is the same group that will be exiting the workforce in large numbers over the next few years, and younger workers who will need to "move up" and replace retirees have, in most cases, considerably less education. (See Graph #2). In addition to age-related issues, the ethnic diversity of the County will continue to shift in the future. Currently, nearly 60% of the population is from "minority groups" who, in Merced County, have a lower level of educational attainment and lower level of English language proficiency than other groups, and these are the same groups whose numbers are growing the fastest in the County.

Indicative of the problems facing Merced County is the skill gap among residents and the corresponding wage gap that contributes to the high poverty rate in the area (25.4% of residents are living below the federal poverty line, compared to 16% statewide and 13.3% nationally). As long as poverty is a persistent problem throughout the County, low educational attainment, low skill levels, and low employment rates (which are all correlated with poverty) will continue to plague the area.

The public and private sectors in Merced County have been very active in recent years in creating and implementing economic development strategies designed to create and retain more jobs in the area. Some of the successful examples of these efforts were hard won, including bringing a federal penitentiary and the University of California campus to the area. These efforts at creating jobs will have little positive impact on the current residents of Merced County if those residents are not prepared and are ill equipped to respond to employer demands and fill the new jobs. The University of California campus will ultimately employ thousands of people, but already the majority of jobs there are being filled by people commuting in from other areas, or who are relocating to Merced, leaving unemployed Merced residents no better off. The federal penitentiary received hundreds of local applications for its numerous job openings, but only a handful of the jobs actually went to Merced County residents because so many did not meet the minimum requirements.

The health care industry is also growing dramatically in Merced County. There is a huge demand for virtually all health professionals, especially nurses, and Mercy Medical Center Merced anticipates needing an additional 220 nurses in the next 24 months. However, despite high unemployment rates, Mercy and other health care providers are

finding it nearly impossible to fill their current nursing slots, and it took the average health care employer over 6 months to fill their most recently advertised nursing vacancy.

Merced County's Challenges

Merced County's challenges to creating a workforce prepared to meet current and future demands are numerous. Three of the industries that have been targeted for growth in the area; identified as high tech, medical services & research, and manufacturing, are excellent examples of industries where the County's existing labor pool is woefully unprepared to meet demand. In order to properly address these challenges, the following must be accomplished:

- Growing industries and the specific job descriptions they will employ must be identified and communicated to all players within the local economic and workforce development system.
- Steps must be taken to ensure that training and educational programs and opportunities exist to prepare local workers in the growing industries, and that those programs are accessible and meet the skill standards being required.

Merced County's Response and Strategies

In order to address the challenges detailed above, a variety of changes must be made in the way Merced County approaches workforce development. Workforce and Economic Development professionals must coordinate their activities closely with local educators and training providers to ensure that the local supply of labor can meet the demand that will be created by new jobs. In the event that the existing labor supply is capable of filling new jobs in a particular growing industry, workforce development professionals must make sure to connect qualified local labor with the opportunities in a timely manner. In the event that the local labor supply cannot meet the demand created by new jobs, all the players must collaborate to provide training that will better qualify local residents for these jobs.

- **Local Strategy:** A Business Competitiveness Team was formed in response to the Merced County Economic Development Strategic Plan to address specific issues such as a single point of contact for employers, identifying industry clusters and conducting forums to address employer needs. Two forums called Workforce Academies, with curriculum customized for businesses by the U. S. Chamber of Commerce, were conducted with Roundtables. These forums served to address the specific needs and issues of employers and to facilitate the responsiveness of education and training providers.

As Merced County's economy becomes more diversified, more of these new jobs will require high school and college diplomas. Because of this, the time needed to prepare a local worker to fill changing employer needs may be years. This is why local educators and training providers must be informed on the growing and emerging industries in the area, employment projections, and the specific types of jobs that will be in demand so that they can create appropriate training. Employers must also partner with educators, as well as workforce and economic professionals, to ensure that employer's needs are

known, and that every effort is being made, with assistance from the employers, to prepare local residents to fill local jobs.

- **Local Strategy:** The local Workforce Investment Board (WIB) has had Strategic Issues Panel forums on Education and Economic Development. These panels have established an ongoing dialogue to discuss relevant and important strategic issues affecting the community.

To be successful, future economic and workforce development strategies must concentrate on the sectors that are predicted to grow in Merced County over the next five, ten, and twenty years. In the County's recently adopted Economic Development Strategic Plan, 12 target industries and 25 target occupations were identified for the County, based on the sectors that are expected to grow in the area in the coming years. While some Merced County workers are currently employed in these occupations, and other occupations do not even exist as of yet, all of the occupations need to be fostered in order to retain existing companies and attract new ones. These occupations cannot be fostered if local residents are not adequately being prepared to fill them.

- **Local Strategy:** There have been Regional Economic Forums relating to industry sectors. One of the local WIB goals is to identify a single sector so that concentrated efforts are achieved to mitigate the above challenge.

Some possible local solutions to fill skill gaps are in development, and include:

- Development of Vocational Education Certificate Programs created to address the specific skill requirements of the target industries.
- Development of Apprenticeship and Internship programs in the growing industries to provide on-the-job training and mentorship opportunities for young workers and students.
- Development of a Manufacturing Institute that would allow the County to further capitalize on its strength as a manufacturing center, raise the visibility of manufacturing as a profession, and create certificate programs for manufacturing occupations (currently, manufacturing is considered one of Merced County's strongest potential growth areas, yet little is being done to prepare local workers for manufacturing professions.)
- Development and implementation of employed worker training to improve the workforce and promote a "move up" strategy.

Basic skill deficiencies among the working population must be addressed if there is any hope of preparing Merced County workers for the opportunities that lay ahead. The County has a number of education and training providers that offer programs to address the most basic skill gaps for the target populations, and the University of California campus will fill the need for four-year degree programs. However, few workers are

taking advantage of this training in the skill gap areas. The challenge for the education and training community, and the strategy that will lift Merced County out of double-digit unemployment, is to create a lifelong learning system that will build career ladders for workers, and make education at all levels accessible. This will require developing strong linkages between the pre K – 16 sector, community colleges, vocational education institutions, and four-year institutions so that courses are complementary, students can easily navigate a system that supports the career ladder concept, and courses are designed to prepare local workers for local occupations.

- **Local Strategy:** There is ongoing dialogue through the local Pre K-16 Education Advisory Council.

The strategies identified will require strong partnerships between all players in the community development arena: employers, educators, economic development professionals, workforce development professionals, and local policy makers. The community development strides that have occurred in Merced County over the past several years, and continuing into the future, will do little to raise existing Merced County residents out of poverty and unemployment unless those developments occur in tandem with educational and training improvements designed to ensure that Merced County residents can fill the new jobs.

LEGISLATIVE ACTION

While Merced County strives for a unified and collaborative partnership with all stakeholders to address its unique challenges, we need and would appreciate your support in the following ways in order to achieve workforce and economic success:

- Support the workforce and economic development systems - they have essentially become the same business.
- Support policies/legislation that support businesses that drive our local economy.
- Support reauthorization and implementation of the Workforce Investment Act in order that the above identified strategies can be successful.
- Support flexible Workforce Investment Act policies so that decisions may be made at the local level in order to best serve the particular needs and challenges of our county.
- Strengthen the Workforce Investment Act's One Stop delivery system through infrastructure funding so that stronger collaborative partnerships can be established and then nurtured.
- Distribute discretionary dollars more equitably to the local workforce investment areas.

- Design the formula for infrastructure dollars based on the more specific challenges and issues relating to individual counties.
- Alleviate the state level administrative barriers so that Workforce Development Professionals may administer programs more efficiently and effectively. This will also allow for more collaboration and involvement from both public and private community organizations.
- Support local Workforce Investment Act Youth programs.