



Community Outlook Survey



Barriers to Employment Access Remain Key Challenge in Workforce and Economic Development

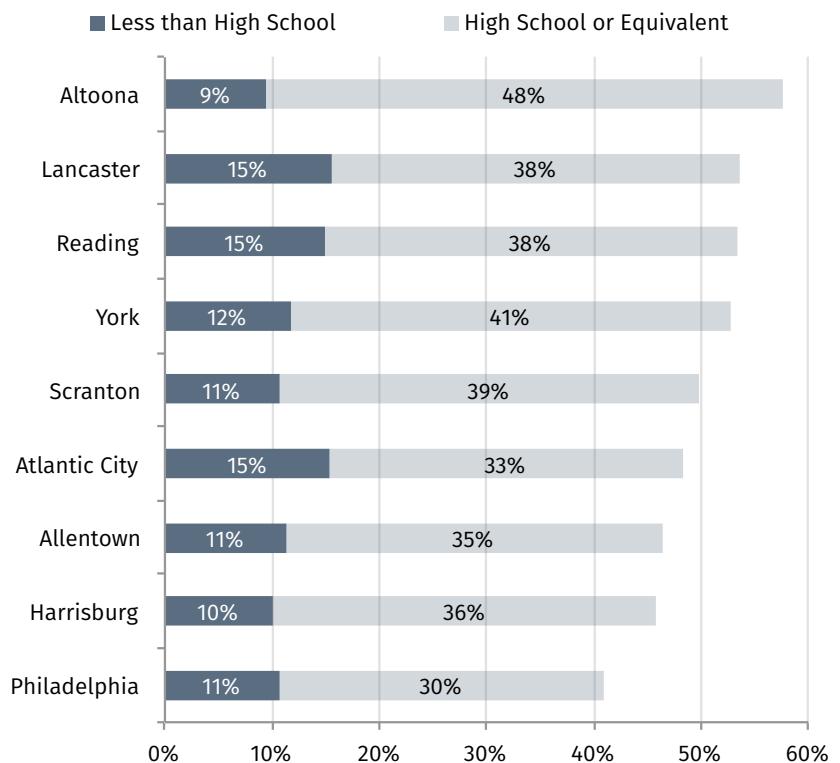
The Federal Reserve Bank of Philadelphia’s *Community Outlook Survey (COS)* monitors trends affecting the well-being of low- and moderate-income (LMI) households and communities in the Third Federal Reserve District, which encompasses Delaware, southern New Jersey, and the eastern two-thirds of Pennsylvania. Each quarterly survey focuses on one of four topical areas: housing and neighborhood development; workforce and economic development; health, wellness, and family services; and household financial stability.

The 2Q2017 *COS*, focusing on the theme of **Workforce and Economic Development**, was sent to participants in April 2017. Survey responses were welcomed from representatives of organizations engaged in expanding economic opportunity for LMI individuals and communities through job training, workforce development, employment placement services, economic development planning, commercial development, and community development finance. A total of 27 organizations responded, with 81 percent servicing Pennsylvania, 15 percent servicing New Jersey, and 11 percent servicing Delaware. Respondents were asked to describe the most pressing workforce and economic development challenges in the communities they serve in a series of open-

ended questions. Qualitative research methods were used to identify key challenges and promising solutions reported by survey respondents. The findings are summarized here and include direct quotes from the respondents.

Figure 1. Share of Population 25 Years or Older with a High School Diploma or Less, 2011–2015

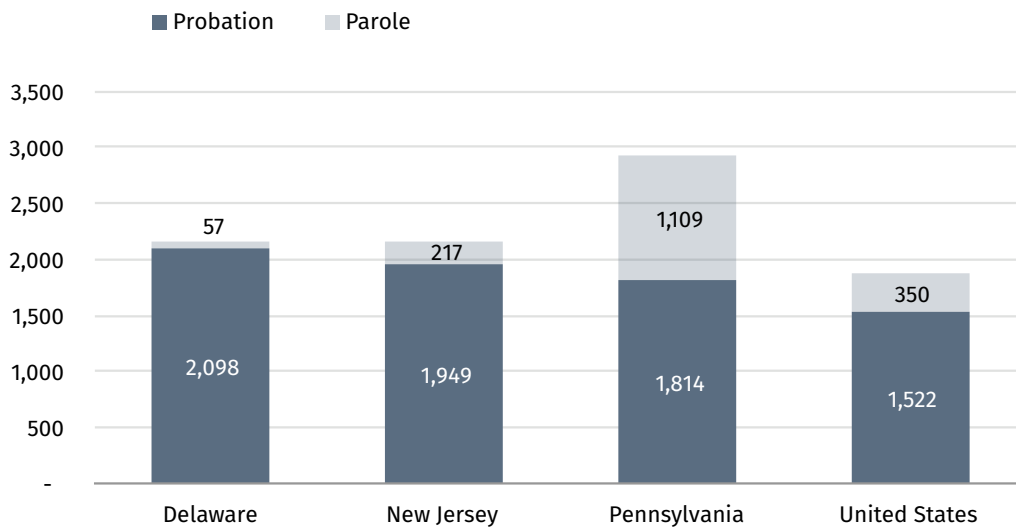
Selected Third District MSAs



Source: U.S. Census Bureau, American Community Survey, 2011–2015, Table S1501.

Figure 2. Adults Under Community Supervision per 100,000 Residents, Third District States and U.S., 2015

Third District States and U.S.



Source: Bureau of Justice Statistics, Corrections Statistical Analysis Tool (CSAT) — Probation and Parole; date accessed: May 5, 2017.

Pressing challenges

1. Local workforces face substantial skill gaps that limit job seekers' access to existing employment opportunities.

The most common concern cited by survey respondents was that, despite a generally improving local economy, there is a lack of skilled workers available to fill vacant jobs. Respondents specifically noted the high demand for employees in middle-skills occupations, such as customer service, bookkeeping, and mechanical operations, many of which require experience or education beyond a high school diploma. While formal educational attainment may not be a perfect indicator of job seekers' skill levels, the lack of basic credentials often constitutes a barrier to even entry-level employment. Figure 1 illustrates the share of adults aged 25 years or older with a high school diploma or less as their highest level of education in a selection of Third District metropolitan statistical areas (MSAs) from 2011–2015. In each of these MSAs, a large portion of these adults has not attained the postsecondary credentials that would position them competitively for existing employment opportunities. Notably, in the Atlantic City, Lancaster, and Reading MSAs, more than one of seven of these adults lacked a high school diploma or equivalent credential.

Although many survey respondents mentioned inadequate educational attainment as a key challenge, even more expressed concern over the lack of “soft skills” among those seeking employment in their local economy. Soft skills encompass a broad range of competencies and behaviors that enable effective interpersonal communication and collaboration.¹ Nationally, many of the fastest-growing occupations are in the health-care field and include a broad range of entry-level positions in both home-based and institutional settings.² Since many of these jobs involve highly sensitive client interactions, it is likely that there will be an ongoing demand for workers with strong interpersonal skills.

Currently, we have a large portion of workers who do not have a high school diploma or GED, which impairs them from gaining employment since the

¹ For more information, see Laura H. Lippman, Renee Ryberg, Rachel Carney, and Kristin Moore, “Workforce Connections: Key ‘Soft Skills’ that Foster Youth Workforce Success: Toward a Consensus Across Fields,” *Child Trends Publication 2015-24*, June 2015; available at www.childtrends.org/wp-content/uploads/2015/06/2015-24WFCSoftSkills1.pdf.

² See “Fastest Growing Occupations,” Bureau of Labor Statistics; available at www.bls.gov/emp/ep_table_103.htm. (Date accessed: May, 14, 2017.)

minimum level at most places including unskilled labor require at least a high school equivalent.

Literacy continues to be a tremendous challenge. There is also a need to upskill both the employees who are currently working in entry-level positions as well as those who are unemployed.

2. Vulnerable groups disproportionately face nonskill barriers to employment, such as insufficient access to transportation, histories of arrest or incarceration, and behavioral health issues.

Survey respondents reported that a wide range of nonskill barriers impede many workers from obtaining and maintaining employment. Some job seekers find themselves disqualified from available positions as a result of background checks and drug screenings. In particular, involvement in the criminal justice system can have a long-lasting negative impact on an individual’s ability to secure employment. While it is difficult to estimate the total re-entry population, Figure 2 depicts the relative prevalence of adults living under community supervision in Third

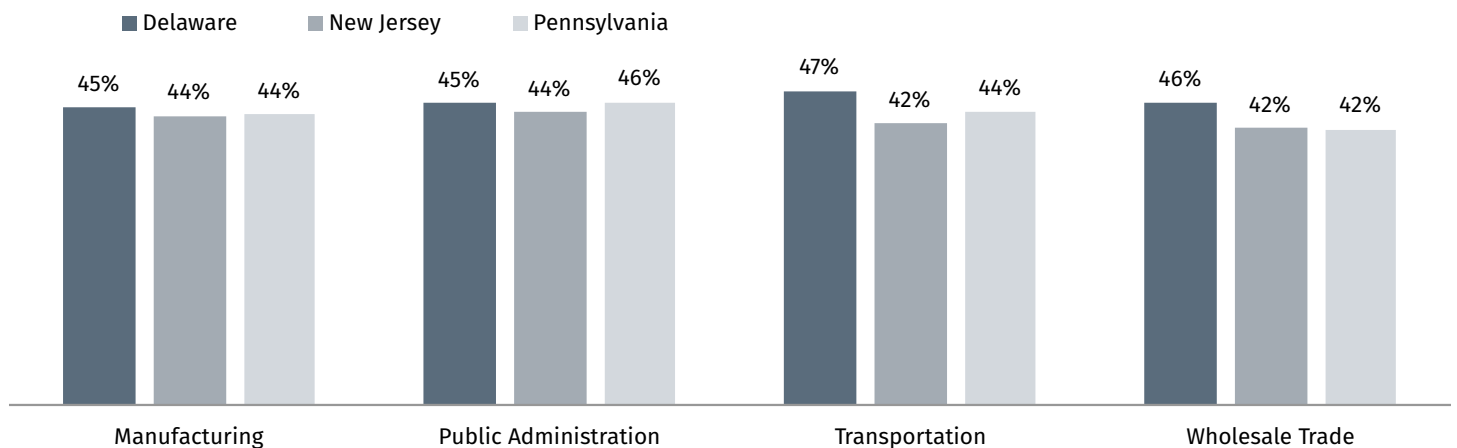
District states in 2015, representing a minimum estimate of the population total. Of the three states, Pennsylvania had the highest rate of adult supervision, with one in 34 adults under parole or probation, compared with one in 53 nationally. For many formerly incarcerated citizens, the prevalence of criminal background checks compounds existing skills-related barriers as those with a high school degree or less are much more likely to have been incarcerated at some point in their lives compared with those with four-year degrees.³

For other job seekers, the tradeoffs associated with available employment opportunities constitute barriers. When transportation and child-care arrangements are costly or impractical, low-wage or variable schedule employment may seem unattractive. Respondents also noted that, in certain circumstances, workers and families can face a net decrease in household income when transitioning from public benefits to employment in low-paying jobs, increasing the strain on household resources.

³ Diane Whitmore Schanzenbach, Ryan Nunn, Lauren Bauer, et al., “Twelve Facts about Incarceration and Prisoner Reentry,” The Hamilton Project, October 2016; available at www.hamiltonproject.org/assets/files/12_facts_about_incarceration_prisoner_reentry.pdf.

Figure 3. Share of Workforce 50 Years or Older by Industry, 2011–2015

Third District States



Source: Authors’ tabulations of U.S. Census Bureau 2011–2015 American Community Survey Public Use Microdata Sample (PUMS), accessed via the Minnesota Population Center IPUMS-USA database (IPUMS USA, University of Minnesota, www.ipums.org).

... many in this group also have other barriers that prevent them from gaining employment, such as drug abuse history, criminal records, and lack of transportation options to the work locations.

Drug-related issues are plaguing our region, reducing eligible candidates for employment.

3. Businesses are struggling to find workers with the skills necessary to replace older workers nearing retirement.

The short supply of highly skilled workers exacerbates the challenges currently facing employers as many incumbent workers near retirement age. Figure 3 depicts industries with relatively large shares of workers 50 years or older in Third District states in 2015. Whereas about 37 percent of workers overall were in this age group across the three states, older workers were clearly concentrated in these four areas. For manufacturing in particular, older workers may have highly specialized skills that require years of experience to develop.

The issue of imminent retirements was raised in the 2Q2016 *COS* on workforce and economic development,⁴ suggesting that viable solutions to this challenge have not yet been widely identified. Still, some respondents shared that many local employers are recognizing the need to train incumbent workers and develop new talent pipelines to replace those leaving the labor force. As in the prior year's survey, respondents cited apprenticeships and other types of on-the-job training as potential strategies.

Many of the technical jobs have individuals who have done the jobs for 30+ years and are hitting retirement age. New individuals need to be hired but trained to know the job as well as the retiring person. Apprenticeship should be offered to hand off knowledge. Employers need to take the time to train the workforce.

There are many people who are in the traditional labor force for manufacturing who have or will be soon reaching retirement age. Qualified replacements for skilled manufacturing people are difficult to come by for many companies.

4. Private contractor “gig” work and self-employment opportunities are on the rise, but some individuals are held back from pursuing these paths due to a lack of soft skills.

Several respondents mentioned self-employment as a path being pursued by many of their clients, specifically formerly incarcerated individuals for whom traditional employment arrangements may be harder to secure. Technology and the growing “gig economy” facilitate opportunities for individuals to take on contract work or start their own businesses, as either a supplement to or replacement for full-time employment. Figure 4 illustrates the share of tax filers in a selection of Third District counties who reported income from an independent business in 2014. This includes income from both incorporated sole proprietorships and independent contractor work (e.g., driving for a rideshare service) but of course does not capture informal cash-based arrangements unless the individual opted to report the income. Across the District, rural areas of Pennsylvania, such as Juniata and Potter counties, had some of the highest shares of residents reporting independent business income.

Despite the expanded opportunities available through self-employment, survey respondents mentioned that a lack of soft skills can inhibit individuals from being successful in these endeavors. Since these arrangements are more likely to depend on professional and customer relationships, strong interpersonal skills and business networks are essential. With respect to formerly incarcerated individuals, for whom rejoining the workforce may be one component of their broader reintegration into society, this facet of self-employment may be particularly challenging.

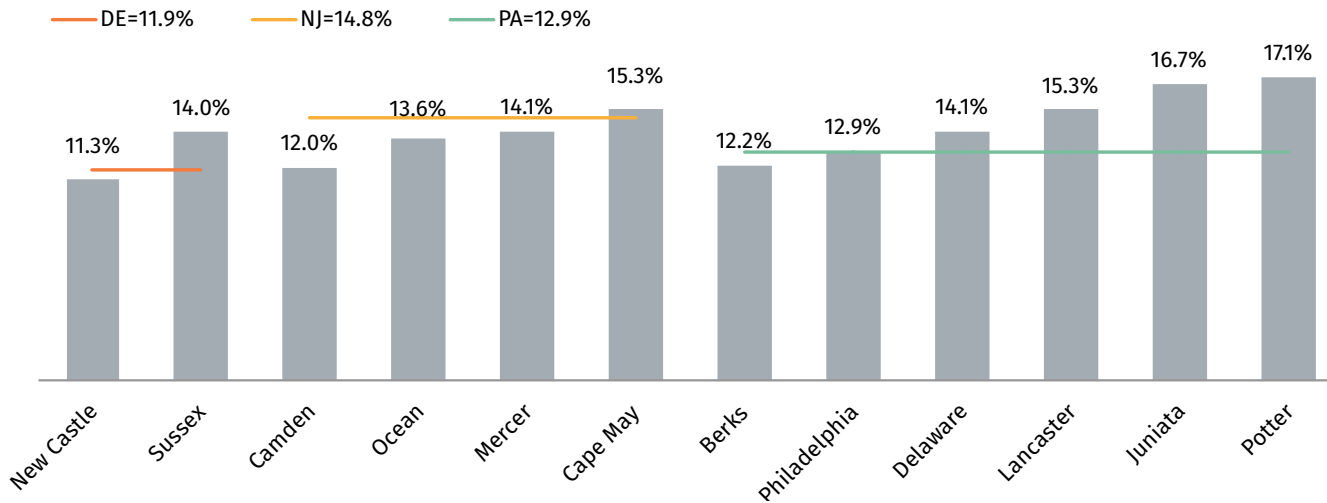
As work increasingly moves toward free agency or independent contractor working relationships, soft skills will be critical to thrive in the work environment of the future.

Technology is reducing the cost of starting up and running businesses, thus making business start-up and growth more likely. We expect to see more individuals seeking self-employment options as they are released from incarceration.

⁴ Available at www.philadelphiafed.org/community-development/community-outlook-survey/2016/2016q2.

Figure 4. Share of Resident Tax Returns with Independent Business Income, 2014

Third District States and Selected Counties



Source: Internal Revenue Service, "Percent of income tax returns with business or professional net income in 2014," via PolicyMap, date accessed: May 9, 2017; available at www.policymap.com/tables.

5. State and federal budget cuts reduce the resources available for workforce and economic development activities.

Respondents expressed a great deal of concern over the future of federal funding for workforce and economic development, with major cuts to existing programs under discussion in ongoing budget negotiations. According to the National Skills Coalition, federal funding for the Workforce Innovation and Opportunity Act declined 45 percent from FY2000 to FY2015,⁵ suggesting that resources have been declining for some time. Relatedly, the ongoing decline in federal funding for general community development activities⁶ further constrains available resources for local economic development and community services, raising concern among respondents that barriers to employment will be exacerbated for many workers. At the state level, support for community colleges was perceived to be in jeopardy.

The [Community Development Financial Institutions] Fund is the primary funding source for CDFIs throughout the country and has successfully provided services to spur economic development. Without this funding, the community development field will struggle to serve some of our country's most vulnerable communities.

If federal funding is cut from [the Workforce Innovation and Opportunity Act], that could greatly affect these issues.

State support for community colleges is waning quickly, and unless the state legislature and the governor work out their differences, the segment of postsecondary that has an immediate impact on unemployed/underemployed training, community colleges, will be faced with difficult decisions about services for those most in need.

⁵ National Skills Coalition, "Interactive Federal Funding Tool"; available at www.nationalskillscoalition.org/federal-policy/federal-funding-tool. (Date accessed: May 14, 2017.)

⁶ For an overview, see www.philadelphiafed.org/community-development/community-outlook-survey/2017/2017q1.

Opportunities

When asked, “Over the past year, have you seen any promising trends or changes?” the following were cited as promising opportunities for improvement by survey respondents.

1. Increased employer engagement

Several survey respondents shared that local industry employers are partnering on transportation and workforce development efforts, which will create positive benefits for those seeking employment. Additionally, as the labor market improves, employers are more actively training incumbent workers and focusing on employee satisfaction to improve retention rates.

Three promising changes I have seen are: 1) employers willing to meet our minimum wage (\$13/hr.) to engage with our program, 2) the hiring or beefing up of employer’s in-house training function after realizing the impact of our program, and 3) a growing willingness to address the nontraining issues that are impacting our employer’s ability to retain good people.

Companies are taking more responsibility for training and developing their workforce, as the people they need are not out there looking for jobs. The issues and challenges do seem to be bringing more employers (especially large ones) into the larger community to be engaged in solutions.

In the past year, we have extended transit from the highest areas of unemployment directly to employment centers that need workers. In the short term, the private sector has paid some of the additional costs of this service, but there are questions about long-term stability.

2. An improving local economy

As local economies improve, respondents have noticed more companies are now willing to hire those who may have faced barriers to employment in the past. Jobs are being created and companies are hiring, but, as mentioned, some employers and job seekers still struggle to find a match between the skills needed and the skills available.

We see the economy overall getting better. ... companies are starting to hire and subcontract again.

The unemployment rate within the region has improved since the '08 recession; however, pockets of high unemployment still plague our region (youth, coal miners). The promise of relaxing regulations to put coal miners back to work is encouraging but will not correct the long-term economics of the coal industry.

Digging deeper: More resources from CDS&E

For a more in-depth look at topics discussed in this report, see the following publications from the CDS&E Department of the Federal Reserve Bank of Philadelphia:

“Apprenticeship Guide: 2017”; available at www.philadelphiafed.org/community-development/publications/special-reports/apprenticeship-guide

“Uneven Opportunity: Exploring Employers’ Educational Preferences for Middle-Skills Jobs”; available at www.philadelphiafed.org/-/media/community-development/publications/cascade-focus/uneven-opportunity-exploring-employers-educational-preferences-for-middle-skills-jobs/cascade-focus_6.pdf?la=en

“Workforce Development: Engaging Employers,” *Cascade*, 94 (2016); available at www.philadelphiafed.org/community-development/publications/cascade/94/08_workforce-development

“Coalition Helps Returning Citizens Move from Corrections to Community,” *Cascade*, 92 (2016); available at www.philadelphiafed.org/community-development/publications/cascade/92/02_coalition-helps-returning-citizens

“Following the Money: An Analysis of Foundation Grantmaking for Community and Economic Development,” *Foundation Review*, 8:3 (2016); available at www.philadelphiafed.org/-/media/community-development/publications/special-reports/following-the-money_foundation-review.pdf?la=en

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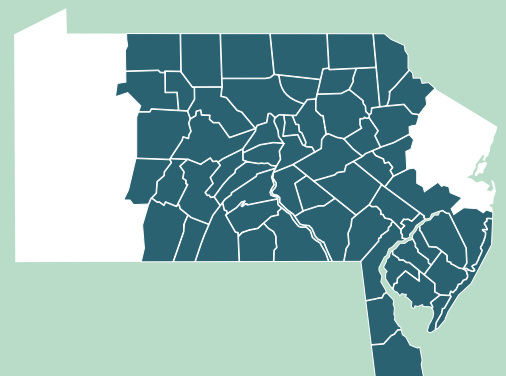
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The Third Federal Reserve District

The Federal Reserve Bank of Philadelphia serves the Third District, which covers eastern Pennsylvania, southern New Jersey, and Delaware. The Bank’s Community Development Studies & Education Department supports the Federal Reserve System’s economic growth objectives by promoting community development in low- and moderate-income communities and fair and impartial access to credit in underserved markets.





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