

Remarks as Prepared for Delivery

“The Two Gap Challenge”
Talent Forward 2018

Address by

THOMAS J. DONOHUE
President and CEO, U.S. Chamber of Commerce

Washington, D.C.
October 30, 2018

Introduction

Thank you, Cheryl—and good morning, everyone.

I may be a little biased, but I think the Chamber knows a thing or two about talent. We’ve got some of the nation’s very best talent on our staff, including Cheryl and her outstanding team at the Center for Education and Workforce. They are behind some of the most exciting and innovative initiatives in this building. So I want to start by thanking all of them for putting together this conference—and for leading the Chamber’s efforts to strengthen the American workforce.

Human capital is the single greatest asset any nation can possess. Workers—whether they’re cultivated here at home or attracted from somewhere—are the muscle, the brainpower, and the energy that drives our economy.

There’s no question that the American workforce is the finest in the world.

From the assembly line workers who helped usher in the industrial revolution . . . to the mathematicians and engineers who pioneered the digital age, U.S. workers have helped create and sustain the most dynamic and resilient economy in history.

In the process, they’ve experienced the personal satisfaction of hard work. They’ve learned the lessons of failure and reaped the rewards of success. They’ve provided for their families, contributed to their communities, and improved life for others.

The collective talent of our nation isn’t just the bedrock of the economy—it’s the beating heart of the American promise. It’s part of what makes this country exceptional, and it’s an advantage we must never cede.

Remarks as Prepared for Delivery

But, if we are going to *keep* that advantage ... if we are going to *keep* the promise of opportunity to future generations of Americans, we have some work to do.

Our economy is being rapidly reshaped by technology, automation, globalization, and other forces. This transformation is creating opportunity, but it's also creating disruption—and with it, insecurity for many businesses and workers.

A lot of this insecurity can be attributed to *two gaps* that are preventing our nation from leveraging its talent and our people from realizing their potential.

The first is a *skills gap*—too many people lack the skills or credentials they need to compete for 21st century jobs. The second is a *people gap*—too many businesses can't find the workers they need, when and where they need them.

Closing both gaps is imperative to our competitiveness.

We must have a steady supply of talented and hard-working individuals to do the work of a modern economy so our nation can compete. And we need the right policies, systems, and opportunities in place to prepare those individuals so that *they* can compete.

This is a multifaceted challenge that requires us to address shortcomings in education ... modernize antiquated training and retraining programs ... fix a broken immigration system ... and tackle deep-rooted societal challenges. And it requires the engagement of stakeholders in the public, private, and non-profit sectors, along with educators, civic leaders, and families.

Business is already leading this national imperative—and for good reason. No single entity has a greater stake in the strength of our talent pool than the business community. We have the ideas, the innovations, and the incentive to drive change and create solutions.

Today I want to take an in-depth look at the twin challenges of the skills gap and the people gap and some of the ways business is working to bridge them.

Closing the Skills Gap

Let's start with the skills gap. Too many people are not being adequately prepared for opportunities in a modern economy.

Remarks as Prepared for Delivery

Many will struggle to climb the economic ladder as they face limited job opportunities, lower earning potential, or long-term joblessness. Some will get locked into a cycle of dependence that is very difficult to break.

Strengthening Education

One of the most fundamental ways we can prevent people from falling into this gap is by strengthening education—all the way from birth through graduation.

It's commonly accepted that career prep starts in the classroom. But studies show that the foundation for skills develops in the first five years of life—before most children enter Kindergarten. So the skills gap is not just a college issue, or a classroom issue. It's also a childcare issue—especially when you consider that two-thirds of children under five are in some kind of childcare while both parents work.

The Chamber Foundation promotes efforts to improve and expand access to high quality childcare or early education. We've been to a dozen states over the past 18 months to raise awareness on this priority, and the reception has been extraordinary. Local chambers and business leaders understand that high quality childcare should not be a luxury—it is a necessity. It is the foundation for basic skills and ability.

The next step in the education pipeline is K-12—and its challenges are well known.

The U.S. Department of Education's National Report Card released earlier this year showed that more than half of 4th grade students score below grade level in both reading and math. The Report Card also revealed a widening achievement gap between high-performing and low-performing students. Globally, U.S. students rank 17th in literacy, 21st in science, and 26th in math.

Without these critical building blocks of learning, it becomes harder for students to catch up, let alone get ahead.

We've seen some progress in recent years as state-level initiatives have raised academic standards and emphasized college or career readiness. But much more needs to be done. We believe strongly that rigorous accountability in schools, more choice for families, and greater collaboration between stakeholders can continue to improve K-12 education.

The goal is to ensure that every student graduates from high school prepared for the next step—whether that's college or career.

Remarks as Prepared for Delivery

And, by-the-way, a four-year degree is not the only path to prosperity. Work-based learning, such as apprenticeships, can lead to fulfilling careers. A four-year degree is also not a *guaranteed* path to success. Today, over half of B.A. holders under 25 are still unemployed or underemployed. Many are shouldering mountains of debt.

To help avoid this outcome, post-secondary education or training must be seen as the investment that it is. Students, parents, and taxpayers are investing \$400 billion a year in higher education. They must have confidence that what is being taught in America's colleges and universities will translate into credentials of value in the economy.

Students need better access to information to help them make smart decisions. Data and resources, like the Chamber Foundation's *Launch My Career* web tool, can help them calculate the return on investment of particular programs, credentials, or career paths. More tools like this are badly needed.

Talent Pipeline Management

Business can also play a very active role in helping prepare people for job opportunities.

The Chamber is very proud of an initiative we have pioneered that applies business principles to better align skills with jobs. It's called *Talent Pipeline Management*, or TPM. Here's how it works:

A company projects their workforce demands ... they identify and clearly define the necessary skills ... and they partner with education or training providers, who then develop curriculum tailored to specific jobs. People can enter into these training programs knowing that they will lead to employment ... and employers can create a steady pipeline of talent ready to fill open positions.

To this end, we've been training employer organizations across the country on how to better organize their education partnerships. We started two years ago and now more than half the states in the country have TPM projects going with more than 1,000 employers involved.

TPM is fundamentally changing how employers engage with training partners and the result is real pathways to actual jobs.

A little later in the program you'll hear from Michigan-based company Consumers Energy, which successfully used TPM strategies to hire over 100 qualified gas and electric line workers over a two-year period. Prior to

Remarks as Prepared for Delivery

adopting this approach, the company had to go through 4,000 applications to find 50 people who were employable.

TPM continues to grow and we're not slowing down—it holds too much promise for businesses and workers alike.

Job Displacement, Retraining, and Life-long Learning

It's clear that building a strong educational foundation and creating pathways to jobs will help us prevent more people from falling into the skills gap in the first place.

But what about those who are already well into their careers and now find themselves unable to compete? Or those whose jobs are at risk of becoming obsolete? These are thorny questions to which there are no easy answers.

First, we need to acknowledge that government programs intended to help those who are displaced by economic changes are inadequate at best.

Business can play a more direct role in helping displaced workers get back on their feet by investing in economically depressed communities. Investments in “opportunity zones” created under the new tax law can work alongside other existing programs to drive job growth and produce skilled workers to fill those jobs.

Second, businesses can help by regularly training and retraining their own employees so that their skills stay sharp and relevant. Companies that continually invest in their employees will maintain greater flexibility and agility in a rapidly changing economy.

Third, individuals need to engage in life-long learning. Hiring data shows that the half-life of skills is about five to seven years. Those who have the adaptability and entrepreneurship to reinvent themselves will stay marketable. Those who don't are at risk of falling into the gap. Employers can help by giving workers the space to take risks, innovate, and even fail.

Leverage Data and Technology

The Chamber has been working with various stakeholders for years to understand the drivers of the skills gap and to design solutions to bridge it. In the process, we realized that it isn't enough to modernize our workforce.

Remarks as Prepared for Delivery

We've also got to modernize the talent marketplace itself by better leveraging technology and data. This will improve the way talent is identified, recruited, and hired.

The Chamber is leading this effort through its *T3 Innovation Network*, which brings together businesses, post-secondary institutions, HR professionals, and technology vendors—and ensures that they're all singing from the same songbook. That means standardized data ... harmonizing job requirements and credentials ... and helping people manage education and job opportunities by having access to their own data.

The Foundation is also teaming up with several top corporations to launch a new *Job Data Exchange*. This is a groundbreaking effort to help businesses and their HR technology partners better signal *in-demand skills* for *in-demand jobs*. You'll hear more about this innovative project later today.

New approaches to modernize the talent marketplace—coupled with broad efforts to prepare workers for 21st century opportunities—will do a lot to narrow our nation's skills gap.

Closing the People Gap

But even as we make significant progress in equipping American workers with the skills needed in today's economy, we still face a growing people gap.

There simply aren't enough people to fill vacant jobs at every skill level in a wide range of industries—from agriculture and health care to manufacturing and services. This is the number one problem I hear from employers as I travel the country.

People are on the sidelines for a variety of reasons—and we need to look at different ways to get them back in the game.

Getting People Off the Sidelines

For one thing, 10,000 baby boomers are leaving the workforce every day. This trend is expected to continue until 2029. A person's value in our economy doesn't expire at a certain age. We should be making it easier and providing incentives for people to continue working well past 65.

What about the next generation of talent? Overall, it's brimming with potential. But there are nearly 5 million so-called “opportunity youth”—people between 16 and 24 who aren't in school or employed.

Remarks as Prepared for Delivery

Working together with many of the companies you will hear from today, we are partnering with school districts and nonprofit organizations to reach these young people and connect them to work-based learning experiences and first-time jobs.

Another driver of the people gap is the opioid epidemic. The labor force participation rate for prime-working-age men fell from 92% to just over 88% between 1999 and 2015. Addiction is responsible for 20% of that decline.

The Chamber has been working with partners in the public and private sector to help curb the epidemic. We also strongly supported sweeping new legislation to combat the crisis, which the president signed into law last week.

Crime is also siphoning talent out of our economy. There are 6.7 million people in America's prison system today. I believe meaningful employment opportunity is one of the keys to ending mass incarceration. So we need better education, vocational training, and rehabilitation in U.S. prisons, and more must be done to prevent former inmates from backsliding.

I'll mention one other group of talent that must be fully leveraged in our economy—veterans and military spouses. They are among our best and brightest. They are highly trained, resilient, adaptable, and hard working. But some veterans struggle to transition into the civilian workforce. And many military spouses face challenges in building and sustaining careers because of frequent moves or deployments.

In 2011, the Chamber created *Hiring Our Heroes* to address these unique challenges. As part of their efforts, HOH launched a campaign to hire 500,000 veterans and military spouses. They've hit that goal, with 2,000 companies hiring more than half a million and planning to hire 200,000 more.

The Chamber is working with key partners to tackle all of these challenges—and not just because business has an economic stake, but because it's the right thing to do.

Immigration Reform

Finally, there's another critical way to help close the people gap—and that's through commonsense immigration policies.

Immigrants have long been a vital part of our economy, and they can help fill gaps in our workforce.

Remarks as Prepared for Delivery

So our nation must continue to attract and welcome the world's most industrious and innovative people, and finally fix our broken immigration system.

I'll be the first to admit that our current political climate makes that easier said than done, but it *must* be done. And I think there's an opportunity to do it in the next year for a few reasons:

One—the president is determined to secure the border ...

Two—some 1 million immigrants working legally under the DACA and TPS programs will be removed from the workforce over the next year unless Congress acts. Nobody wants to see that happen ...

And three—we are seeing the practical consequences of failing to act: unpicked crops left rotting in the fields ... tourist spots and resorts shuttered because of a lack of seasonal workers ... high-skilled workers opting for careers in other countries.

The case for action could not be clearer.

Getting something done will require compromise on everyone's part, but there are several things that must be included:

Reform must ensure that our nation is safe and secure.

The immigration system must be modernized for today's economy and aligned with market demands.

Employers must have the ability to hire workers of all skill levels—when and where they need them. We need an updated employment verification system that is workable for employers of all sizes and in all industries.

Finally, we need to come up with a tough but fair process for the millions of undocumented people living in the U.S. to have the opportunity to earn a legal status. And we must address the plight of 1.3 million “Dreamers”—the young men and women who were brought here as children through no fault of their own. They contribute to our economy in numerous ways, and it would be unconscionable to force them out of their homes, their schools, and their jobs.

Ultimately, an effective immigration system will respect the rule of law, respond to the needs of our economy, and reflect our nation's values.

We should settle for nothing less.

Conclusion

Ladies and gentlemen, at this moment of rapid change and massive transition, we must put talent first.

That requires us to bridge the gaps that exist between students and workers and the jobs that will provide them opportunity, security, and prosperity. It requires us to bridge the gaps that exist between employers and the skilled workers they need to expand their businesses, serve their communities, and grow the economy. And it requires us to bridge some of the gaps that exist within our political system and among the electorate.

These challenges are not small—and their solutions are not simple. But we can't be deterred from action. We can't sit back and watch an economy poised for greater growth stall because we don't have the skills or the people we need.

Some might say that these are fundamentally social problems. So government must solve them. But it's business that invented the most powerful social program of all—a *job*.

The government doesn't create jobs or ensure opportunity. The private sector does through a vibrant free enterprise system supporting a growing economy.

That's why the Chamber is advancing a business-led effort that includes:

Advocacy for better policies at every level of government ...

State and local partnerships to advance Talent Pipeline Management and other innovative solutions ...

Data-driven approaches to building and sourcing talent ...

Proactive measures by employers to drive change in their own operations ...

Fostering a culture in which individuals are encouraged to be entrepreneurial and are driven to succeed ...

And a commitment to address the social issues that threaten opportunity, prosperity, and competitiveness.

We are tackling these challenges so that the American Dream remains in reach for all who are willing to work for it.

Remarks as Prepared for Delivery

And we're urging all the stakeholders to join us and seek business-led solutions.

If we work together and close these gaps, opportunity will flourish, the economy will grow, people will prosper—and our nation will remain the most innovative, competitive, and productive on earth.

Thank you very much.

###