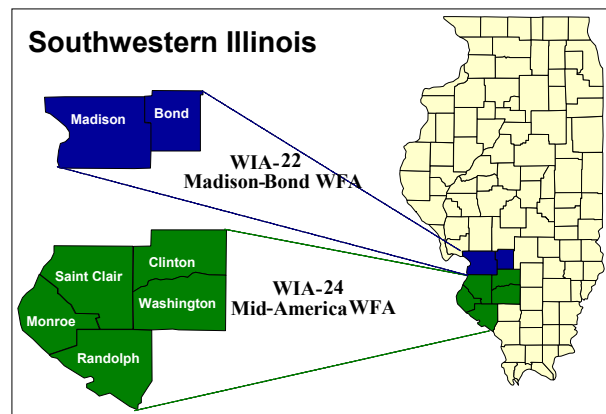


THE STATE OF THE SOUTHWESTERN ILLINOIS WORKFORCE

BY

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INTRODUCTION

This is a short summary of *21st Century Workforce, Southwestern Illinois*, a Community Audit that examines the past, present and future of economic and workforce development in Bond, Clinton, Madison, Monroe, Randolph, St. Clair and Washington counties. In considerable detail, it also examines the recent performance of the area's public high schools.

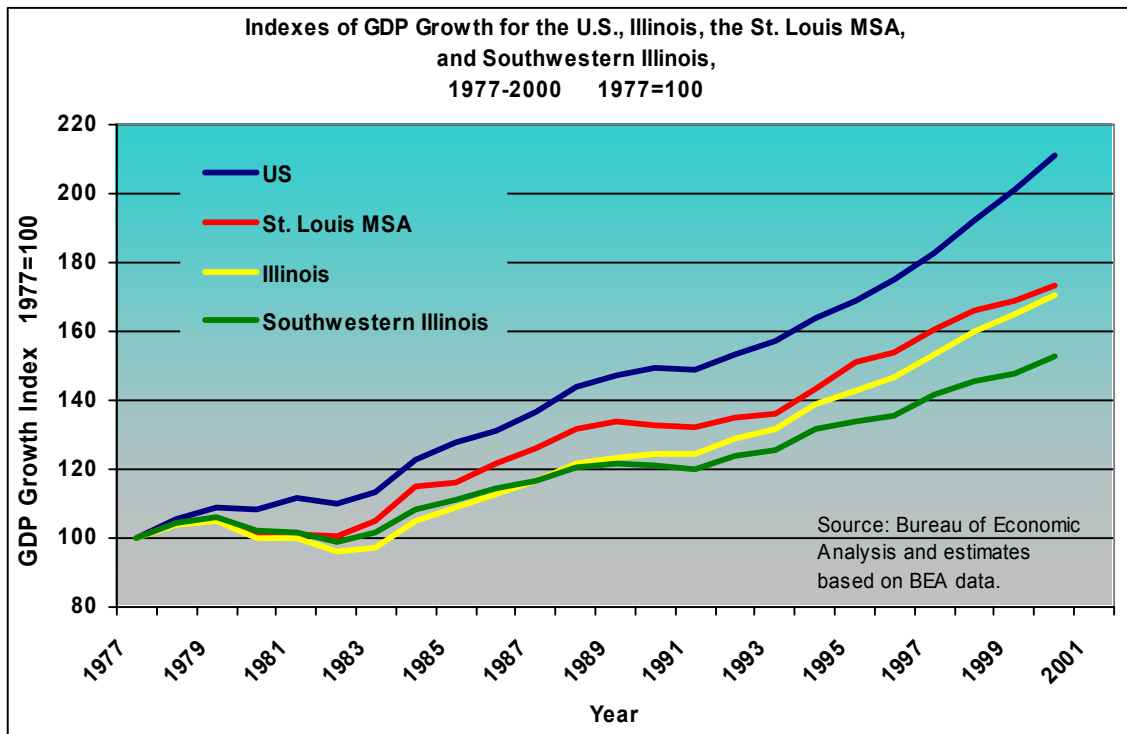
The original report summarized here is 190 pages in length. It contains numerous charts and graphs, along with explanatory text. This summary therefore covers only the study's highlights: It focuses on the main research findings and the principal economic and workforce development opportunities and challenges that this seven-county area faces in the early 21st century.

TEN KEY FINDINGS AND ISSUES:

This study uncovered a substantial number of findings and identified key issues for Southwestern Illinois. The ten most important are the following:

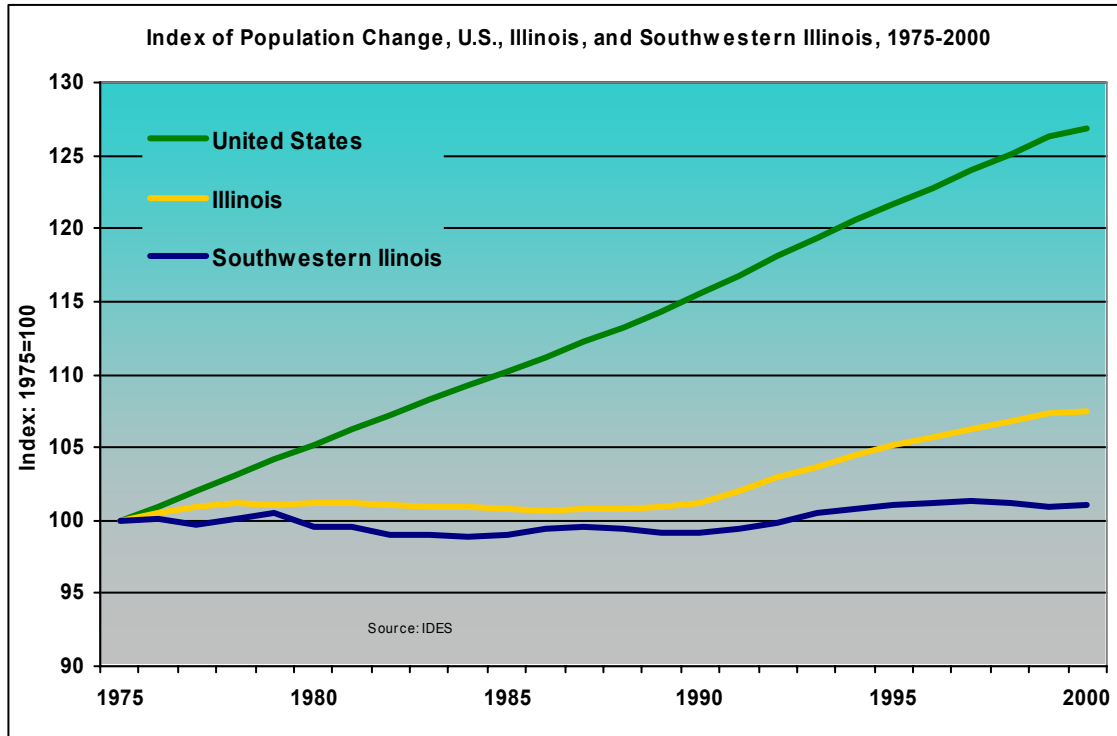
1. From a full house to a pair of deuces. The past quarter-century has been a mixed blessing for Southwestern Illinois' regional economy. From the mid-1970s to the early 1980s, the region's GDP declined or stagnated. Economic expansion began in 1984 and continued, with a brief pause in 1991, until the beginning of the 21st century. The recent 2001-2003 national economic and employment contractions have dealt Southwestern Illinois another painful blow

This region has not shared fully in recent U.S. economic growth. The Southwestern Illinois economy relies more on heavy manufacturing than either the state or the nation—and employment in manufacturing has declined virtually everywhere in the U.S. Several of the area's most important industries have been seriously impacted by globalization and the national shift from a goods-producing to a services-producing economy.



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Demography has also played a major role in Southwestern Illinois' sluggish economic growth. The population of the Midwest as a whole, and certainly in Illinois, grew very slowly during the last quarter of the twentieth century. The population of Southwestern Illinois stagnated from 1970 until the mid-1990s, when it resumed slow growth.



From the end of World War II until the mid-1960s, Southwestern Illinois held a strong economic hand of powerful *heavy* industries: steel production; petroleum refining; machinery, meat processing; metal bending, etc. Although once a great advantage, this mix of manufacturing industries left the region quite vulnerable to the economic restructuring caused by globalization, technological change, and shifts in the U.S. economy during the late twentieth century. The result, in a poker player's parlance, was that Southwestern Illinois' full house morphed into a pair of deuces.

2. Cards for the 21st century game. Southwestern Illinois enjoys some major geographical assets useful for economic development and plans exist to capitalize on them. These assets include the following:

- An abundance of quality land for all types of business and residential development;
- An excellent location in the center of the U.S. and its markets;
- Good transportation facilities and better potentials;
- Plenty of water and some other natural resources; and
- Proximity to recreational facilities and the cultural amenities of the Greater St. Louis area.

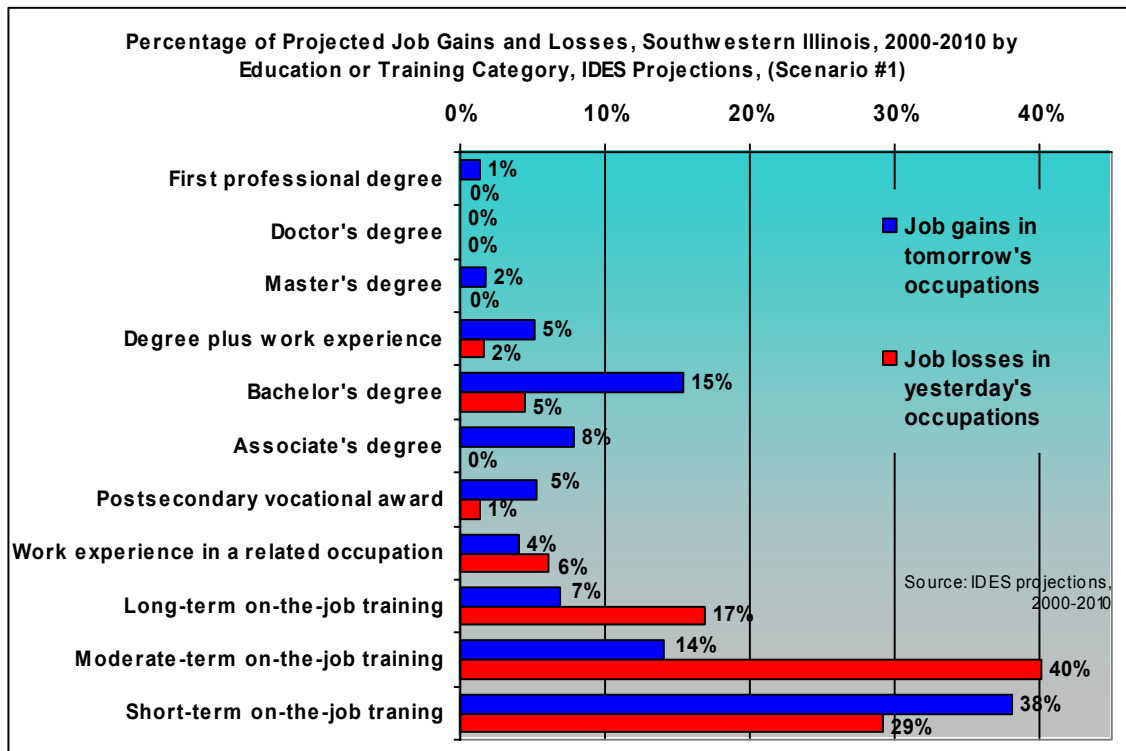
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None of these assets are recent acquisitions. Together, they position this area for participation in the growth of the Logistics cluster of industries (transportation, warehousing, wholesale trade and distribution) among several others including food processing, high-tech manufacturing, and information technology. Economic developers target these and still other clusters for development in the years ahead.

Another important asset in terms of future economic development is the large number of small entrepreneurial firms that have emerged in recent years. Engineering Services is an industry that deserves special attention because of its future potential. Some areas of Southwestern Illinois house dynamic engineering and other high-tech companies. This study identified 98 engineering firms currently operating in the area. In early 2003, these firms employed 1,117 workers, many of them highly skilled and well-compensated specialists. Annual sales reached nearly \$80 million.

These entrepreneurial companies are most visible in the Edwardsville and Granite City areas of Madison County and in areas near Scott Air Force Base in St. Clair County. In tune with the 21st century knowledge-based economy, these 98 firms offer hope for technological breakthroughs that could provide this area the boost it needs to regain ground lost over past decades. These companies should be targeted and nurtured in the interest of Southwestern Illinois' economic future.

3. The growing importance of human capital. Yesterday's skills and knowledge are inadequate for tomorrow's jobs. Today's jobs demand cognitive, communication and people skills not required of yesterday's workforce. Tomorrow's jobs will demand still higher levels of skills, knowledge and—most critical of all—the willingness and ability to continue learning throughout one's adult life.



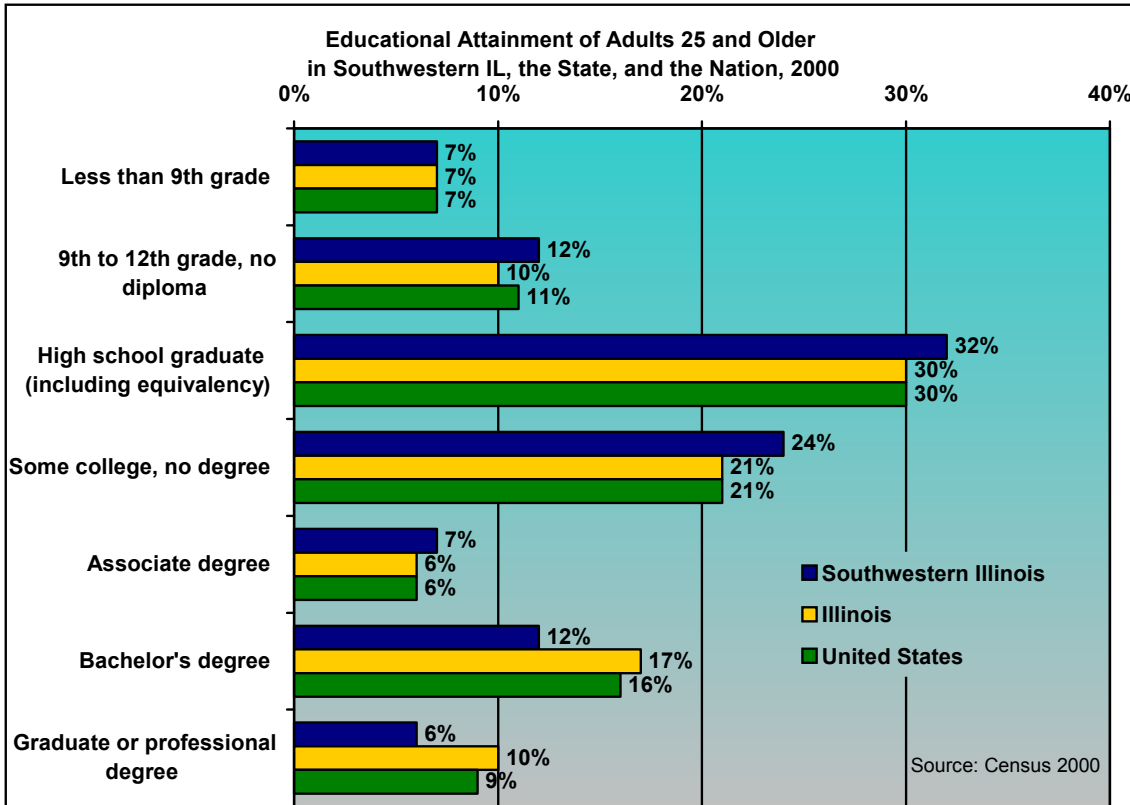
Most 21st century jobs, whether in the service or goods-producing sectors and whether held by men or women will *require the equivalent of at least a full high*

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school education. A rising percentage of occupations will require some post-secondary education as well.

4. Education levels of Southwestern Illinois adults need improvement.

Adult educational attainment is a primary measure of how well equipped a workforce is to meet the demands of the 21st century knowledge-based economy. It is also an indirect indicator of the importance residents place on education and their willingness to participate in continuing education. This study contains a survey of the educational levels attained by the Southwestern Illinois adult population. Significant findings from that survey include the following:



- The share of Southwestern Illinois adults *lacking a high school diploma* is on par with the state and nation.
- The area has a slightly higher percentage of adults with *no more than* a high school diploma. It also has a slightly higher percentage of adults with some college and Associates degrees than either Illinois or the U.S. as a whole.
- Smaller shares of Southwestern Illinois adults hold *Bachelor's or professional degrees* than the state or nation. Only 18% of Southwestern Illinois adults have completed university as compared to 27% statewide and 25% nationally.

5. K-12 education in Southwestern Illinois offers plenty of room for improvement.

This study examined the *performance of Southwestern Illinois' public high schools* using indicators such as student dropout rates, graduation rates, and scores on Illinois standardized tests (PSAE). Basic findings include the following:

- More than half of the area's high schools perform well according to most performance measures (low dropout rates, high graduation rates, and good scores on standardized tests). Alas, that means that a remaining but substantial number of high schools perform less well.
- Unfortunately, many young people do not complete high school or if they do graduate, they do not learn what they need to succeed in the 21st century workforce.
- No area high school is among Illinois' very best as measured by these indicators.
- Tremendous variation in student performance exists among the area's 39 public high schools. Many area high schools perform very low according to every educational indicator. In some schools, the dropout rate has increased and the graduation rate has decreased over the last five years. Some schools perform better than might be expected given the socio-economic profile of their students. Alas, some also perform much worse.

Many employers express concern about the quality of oral and written communication skills, and the reading and math abilities of entry-level workers. They also see a lack of teamwork and customer service skills among entrant workers.

6. Guidance and career counseling in high schools and the One-Stop career centers needs improvement. Career and guidance counselors lack fresh and accurate information about the real world of work. They also need better information about emerging occupations in the Southwestern Illinois area in order to better advise students. Specific findings and recommendations include the following:

- Teachers and guidance counselors are biased (perhaps unintendedly) toward college preparatory programs. Many think, and we concur, that it is appropriate to recommend vocational and technical preparation to students who are not immediately interested in pursuing a college degree.
- Internships for students, teachers and guidance counselors during the summer and during breaks throughout the year can be excellent ways to update their knowledge of the world of modern work.

Many counselors and teachers need a heightened awareness that initiative, customer service skills, critical thinking abilities and teamwork skills are essential to the 21st century Southwestern Illinois workplace. The business community and schools can meaningfully partner to heighten that awareness.

Primary attributes of the 21st century workplace will be the increasing mobility of workers and jobs and greater volatility of occupations. People no longer spend their entire careers working for a single employer. Greater longevity and inadequate retirement funds (including Social Security) ensure that more people will work longer, changing occupations several times during their lives. And the occupations themselves will change greatly; many occupations destined to be growing rapidly and demanding workers by the end of this decade do not even exist today. In the 21st century, people may work for a dozen or more employers—including themselves—during their working years. Some job shifts will be voluntary; others will be necessitated by a rapidly changing economy and workplace. The point is that workers must be prepared for constant change and assisted in coping with it.

The increased mobility of workers and volatility of occupations illustrates the need for better career and employment counseling for adults and suggests a greatly enhanced role for Southwestern Illinois' One-Stop career centers and community colleges.

7. Strengthen links between educators and employers. Links between businesses, school districts and post-secondary institutions are not as good as they need to be in Southwestern Illinois. Schools can tap employers to educate both students and educators of the new world of work and the new demands of the workplace. The number of available mentoring and internship programs for teachers and students is inadequate.

In our interviews, employers revealed willingness to help teachers practically apply mathematics and science education to the world of work. They also suggested promoting math, science, healthcare and technical education careers, illustrated with well-defined career ladders, through a media blitz. Exceptional graduates of vocational programs and/or Southwestern Illinois College (SWIC) and Lewis & Clark Community College (LCCC) might be held up as "poster children" for young people to emulate. Local businesses are also willing to educate students about corporate culture, hiring expectations, assessment testing and educational requirements.

Employers are willing to function as active partners in career awareness programs. Such programs could begin in the second grade and continue throughout high school, exposing students to businesses, careers, mentors, internship experiences and career fairs. Although the present emphasis in Southwestern Illinois high schools on service learning and volunteer work is excellent, it does not help students acquire civic knowledge, workplace understanding and career-related skills.

Business leaders also declare their willingness to provide guidance resources and scheduling clerks in order to assist guidance and career counselors in working one-on-one with students. Additionally, some employers say that they are willing to develop strong paid internship programs for teachers, guidance counselors and students. The Workforce Investment Boards in collaboration with the area's Chambers of Commerce could spearhead this collaborative effort.

Employers that we interviewed think that collaborating with schools to confront the extensive dropout problem would benefit the entire region. They also voiced great concern about the area's serious brain drain and other losses of human capital.

8. One-Stop career centers and community colleges should market themselves more aggressively. Employers are now officially defined to be the primary customers of the entire WIA-era workforce system. Unfortunately, many One-Stop career centers around the nation have been slow to operationally embrace that new definition. The One-Stops in Southwestern Illinois appear to be no exception. Surely, it is no mystery why this is so: Treating employers as customers runs counter to the passive traditions of the unemployment service and the social worker mentality of many workforce veterans.

The conventional capitation system of financing community colleges provides little incentive for these institutions to aggressively market workforce training services. But highly customized training for the incumbent workforce not only promotes local economic development and the competitiveness of local businesses, it can also be a significant source of revenue for the community colleges. The community colleges in Southwestern Illinois could "notch up" their marketing of training services to area employers.

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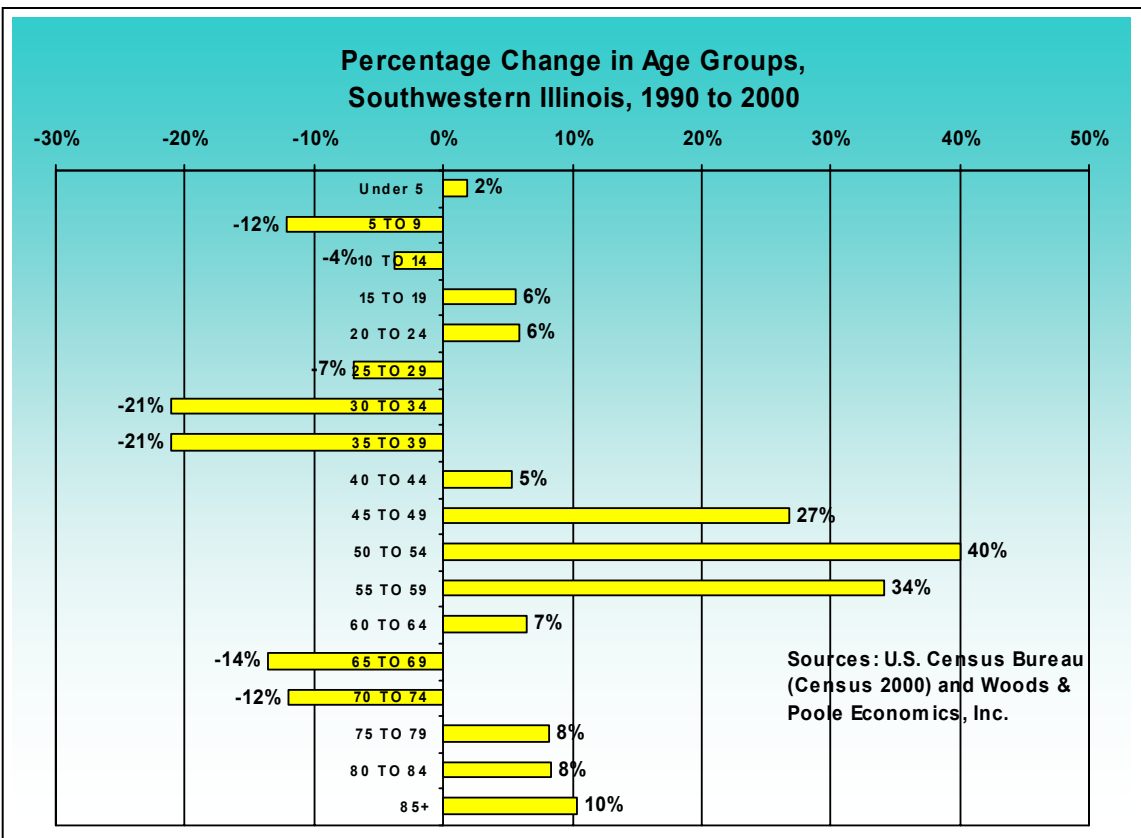
A better understanding of in-depth marketing and how it differs from superficial advertising efforts is essential in transforming the One-Stops and community colleges into aggressive marketing organizations. The simplest definition of marketing is “to find out what your customers want and then give it to them.” This makes market research—finding out what the customers want—the first step in building an aggressive marketing organization. The next steps entail designing, selling and delivering products and services to meet identified needs. The penultimate step is obtaining feedback—learning whether products and services meet customer needs and expectations and how improve them. The final step, of course, is to modify and otherwise improve those products and services to better serve the clientele.

Overcoming ingrained views and habitual practice requires new types of thinking. Fortunately, Southwestern Illinois has a reservoir of local expertise in the fields of marketing and organizational management. The Department of Management and Marketing in the School of Business at Southern Illinois University-Edwardsville is one immediate resource. There are undoubtedly others as well.

9. Major ongoing demographic changes will affect workforce quantity and quality in Southwestern Illinois.

Southwestern Illinois is undergoing several significant demographic shifts:

- The aging baby boomer generation, along with a relatively small population of younger generations is leading to an older working population in Southwestern Illinois. A much larger portion of the area’s workforce is in their forties and fifties than was a decade ago.
- Although the picture differs from county to county, the region is experiencing a substantial loss of its younger population that represents a serious “brain

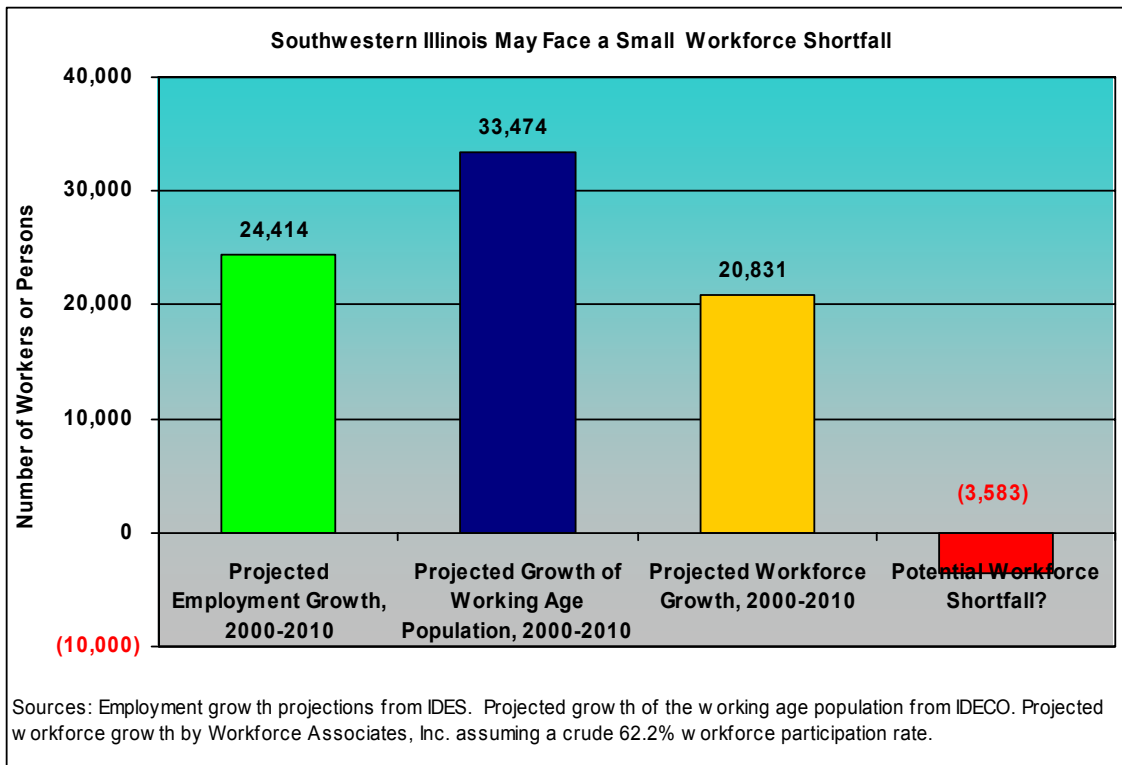


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drain.” Several counties also are losing mature workers, which represents a loss of experience. Both drains entail a loss of human capital that Southwestern Illinois can ill afford.

The changes in total population within and among the counties of Southwestern Illinois during the last decade of the twentieth century conceal significant ethnic shifts. St. Clair and Randolph counties, two of 34 in the state that lost population in the 1990s, did so mainly because of “white flight.” In Madison County, the Hispanic and African-American population growth outstripped Caucasian population growth by more than 30%.

- The Illinois Department of Employment Security projects that job growth will modestly outpace workforce growth in Southwestern Illinois. But this projected gap is neither so large nor so certain as to warrant alarm. It seems more likely that the area’s labor market will remain in approximately the same degree of balance as it has been in recent years.



- Future workforce supply for the Logistics cluster of industries (transportation, warehousing, etc.) is likely to remain ample.
- The health services cluster already faces serious workforce shortages, especially in nursing. Unless the problem is immediately addressed, those shortages will likely worsen considerably in the years ahead.
- Several other occupational families also face tight labor markets in the years ahead because large numbers of incumbent workers are slated for retirement later in this decade. Among these are primary and secondary school teachers, police, and other security personnel.

10. Southwestern Illinois has inherited some non-workforce liabilities that impede economic development. They include the following:

- Fragmented political interests and development groups in the St. Louis metropolitan area, exemplified by the continuing rivalry between the Missouri and Illinois sides of the river.
- An unfavorable public image of the Metro East area that inhibits people from considering the region as a place to live, shop, and work.
- An unfavorable image of labor-management strife stemming primarily from historical incidents.
- Punitively high insurance premiums for unemployment and workmen's compensation.
- Abnormally high litigation.

No one should minimize the difficulty of addressing such liabilities. These are deeply engrained perceptions and realities. As with the assets listed above, these liabilities are historical and longstanding. Indeed, this list coincides with points made in earlier studies of the Southwestern Illinois economy. But the same points were reiterated again and again during the interviews and focus groups conducted for this study. There are no perfect ways to address these liabilities; and none of them falls squarely in the domain of the workforce investment boards. But the communities of Southwestern Illinois must address them. Their future well-being demands nothing less.

THREE SCENARIOS FOR THE FUTURE.

To help visualize the future economic and workforce development of Southwestern Illinois, three different scenarios for the year 2010 are outlined below:

Scenario #1: No Surprises—Things Go On As Expected. This scenario rests on the assumption that the trends identified in the recent past continue in the future. Plans and projects already underway continue to unfold. Salient features of this scenario include these:

- Total Southwestern Illinois employment in all occupations from 2001 to 2010 increases to 24,414, amounting to a slow growth rate of 9.2% over the entire period.
- Heavy industry continues to face severe national and global competitive pressures. More manufacturing jobs are lost.
- Service and retail account for the greater share of job growth.
- Southwestern Illinois is challenged to fill all jobs required by the healthcare occupations during the balance of the decade.
- Engineering and other high-tech industries increase. The most rapidly growing jobs in these industries require substantial education and training.
- Persons lacking a good education and basic workplace skills have difficulty finding and keeping employment, even in low-paying jobs.
- Rapid changes in the economy demand worker responsiveness. Those workers who cannot or will not improve and update their skills and knowledge find themselves redundant.
- The Southwestern Illinois continues to offer an insufficient number of high-skilled, high-paying jobs. This scenario, based upon the continuation of recent trends, does not predict dramatic improvement in the Southwestern Illinois workforce quality, whether measured by education, skill levels, or pay scales.
- Many Southwestern Illinois families, especially those headed by single parents, continue to find it difficult to achieve and maintain financial self-sufficiency.
- Southwestern Illinois is seriously challenged to upgrade the education, skill, and pay levels of its workforce.

Scenario #2: Southwestern Illinois' Economic Development Plans Are Realized. This scenario envisions a successful transition to a "knowledge-based" economy. Total employment increases 23% more rapidly than in Scenario #1. Major industrial sectors and occupational groups also grow more rapidly.

The area's economic plans develop key clusters of economic activity that do the following:

- Capitalize on Southwestern Illinois' central geographical location and build on its traditional role as a transportation nexus.
- Utilize the opportunities offered by the presence of Scott Air Force Base to accelerate the development of entrepreneurial high-technology businesses.

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- Leverage the newly established Entrepreneurship Center at the SIUE School of Business to spur the development of new, small, and medium-sized businesses.
- Play an significant part in the St. Louis metro region's expansions of healthcare services and life sciences.
- Are high-valued added and competitive in both local and global markets.
- Profitably export goods and services beyond the boundaries of Southwestern Illinois.
- Are "knowledge-based" and require a well-trained and highly skilled workforce.

Scenario #2 poses even more serious challenges to the Southwestern Illinois workforce development and educational systems than did Scenario #1. Beyond the challenges already mentioned in Scenario #1 are the following:

- Attracting and producing qualified healthcare professionals, especially nurses.
- Ensuring a sufficient supply of skilled technical and professional workers in architecture, engineering and innovative manufacturing.
- Identifying and meeting the workforce needs of the area's myriad entrepreneurial companies.
- Equipping the entire workforce with the ability to adapt and learn quickly.

Scenario #3: Meltdown. Southwestern Illinois is vulnerable to any number of potentially devastating events from inside and outside the area. The probability of occurrence in this decade of any individual one of these disasters is, we may hope, very low. None of them, however, is impossible. In the study, we include a brief list of these not to plumb their workforce implications but rather because it is sometimes useful, as the great Herman Kahn once said, to "think about the unthinkable."

DEVELOPING A 21ST CENTURY WORKFORCE FOR SOUTHWESTERN ILLINOIS: TEN KEY CHALLENGES

This study maps the territory that the Southwestern Illinois area must travel in order to develop an economy and a workforce that will meet its citizens' needs in the early 21st century. The people of this region must now decide where they want to go and build the appropriate roads to reach their desired destinations.

Chapter 5 of the study identifies and explicates ten key challenges confronting Southwestern Illinois. These challenges are followed by a mixture of ideas, recommendations and promising practices, along with references to potentially useful Internet websites. Our aim is not to prescribe specific actions, but rather to point out promising paths and ideas that may be of interest to workforce boards and other leaders in the seven counties. Here is that list of ten key challenges.

Ten Key Challenges

1. Align education, training, and career preparation with Southwestern Illinois' major economic clusters and those of the greater St. Louis region. Promote entrepreneurship in Southwestern Illinois and concentrate on strengthening existing businesses.
2. Encourage the One-Stops and community colleges to become pro-active in meeting training and other workforce needs of employers in Southwestern Illinois.
3. Enhance content and broaden the scope of the One-Stops' market research.
4. Address a growing shortage of healthcare professionals.
5. Reduce regional "brain drain" and actively encourage professionals to return to the area.
6. Increase direct interaction between educators and the business community.
7. Reduce high school dropout rates and raise graduation rates. Ensure full compliance with ISBE procedures for accurately recording dropouts and calculating dropout and graduation rates in all area high schools.
8. Improve the academic performance of all Southwestern Illinois primary and secondary students as measured by Illinois standardized tests. But also emphasize teamwork, customer service, and other "soft" skills.
9. Dramatically improve the quality, quantity and attractiveness of vocational high school curricula. This is important both to prepare non-college bound students for productive places in the workforce as well as to provide learning experiences for students who find conventional academic environments ill-suited to their learning styles and/or interests.
10. Enhance the quality of career and guidance counseling in all public high schools, the One-Stops, and the community colleges.