



Jason Tyszko of the U.S. Chamber of Commerce Foundation

Employers must step up to solve skills-gap problem

A Civic Caucus Focus on Human Capital Interview

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Present

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Summary

According to Jason Tyszko of the U.S. Chamber of Commerce Foundation, employers are not going to sit back and wait for government to solve the skills-gap problem, the number-one issue for business members of the U.S. Chamber of Commerce. The skills gap, he says, is impacting business earnings and companies' ability to grow, with nearly 50 percent of U.S. employers struggling to fill jobs.

Employers are realizing they need to step up and play a more proactive role in solving the skills-gap problem.

In a recent report, The Chamber Foundation recommends that employers develop an education and workforce strategy based on innovations in business supply-chain management. Such a strategy puts employers in the role of end-customers of talent supply chains, encourages employers to proactively organize and manage flexible and responsive "preferred-provider" networks to deliver education and training, and encourages employers to align performance-based measures and incentives to reward good performance among the preferred providers.

Tyszko cites examples of educational institutions learning to be more responsive to employers, companies becoming more proactive in dealing with the skills gap and a state program in Kansas taking a supply-chain approach. He calls on employers to send better market signals of the skills and training they need, so education systems and economic development systems can better align with those needs. He notes that employers are already investing \$600 billion in education and training of their workers. And he points out that in addition to technical skills, employers are looking for soft skills

in their workers, such as the ability to think critically, to problem solve, to function in a team environment, to communicate effectively and to become self-learners.

There are major deficiencies in the performance of the education and workforce development system in the U.S., Tyszko asserts. He cites the country's low K-12 rankings compared to other industrialized countries and its high school graduation rate of only 80 percent, calling that a "leaky pipeline," where we lose a significant portion of the talent pool early on.

Biography

Jason Tyszko is senior director of education and workforce policy at the U.S. Chamber of Commerce Foundation, a position he has held since 2013. In his role at the foundation, Tyszko advances policies and programs to preserve America's competitiveness and enhance the career readiness of youth and adult learners.

Tyszko's prior experience focused on coordinating interagency education, workforce and economic development initiatives. In 2009, he served as a policy adviser to Illinois Gov. Pat Quinn's administration and as a member of the Executive Committee that directed more than \$10 billion in investments to aid in the state's recovery. While in the Office of the Governor, Tyszko chaired the interagency Job Training Working Group and developed Illinois Pathways, the public-private STEM education strategy included in the state's Race to the Top proposal.

In addition, Tyszko was deputy chief of staff and senior policy adviser to the Illinois Department of Commerce and Economic Opportunity. There he oversaw the design and launch of the STEM Learning Exchanges, an innovative network of statewide public-private partnerships. The network was tasked with coordinating the planning and investing to support regional STEM education and workforce programs. He further provided lead staff and policy support to the Illinois Workforce Investment Board and also managed innovative technology projects.

Tyszko received his Master of Arts from the University of Chicago and his Bachelor of Arts from DePaul University. He is a certified teacher in Illinois and resides in Washington, D.C.

Background

The Civic Caucus has released two recent statements on human capital: [one in September 2014](#) laying out the human capital challenges facing the state today and in coming years and [a follow-up paper in January 2015](#) offering recommendations for maintaining a high-quality workforce in Minnesota. The Caucus interviewed Jason Tyszko of the U.S. Chamber of Commerce Foundation to learn about a new approach to obtaining workforce talent proposed in the foundation's 2014 report

 [Managing the Talent Pipeline: A New Approach to Closing the Skills Gap.](#)

Discussion

General information about the U.S. Chamber of Commerce. Jason Tyszko started the discussion with some general information about the U.S. Chamber of Commerce. The Chamber has a membership of three million businesses within its federation of over 2,500 state and local chambers of

commerce. "We have a pretty wide reach and we represent a pretty diverse set of interests," he said. The membership includes small and medium-sized businesses, as well as large global corporations.

The U.S. Chamber of Commerce Foundation, where Tyszko works, is a 501(c)(3) subsidiary of the U.S. Chamber of Commerce. He is part of the Center for Education and Workforce, one division of the foundation. It focuses on early education, K-12, postsecondary education and adult learners and is driving the work the foundation is doing on the skills gap, Tyszko said.

The skills gap is the top issue for members of the U.S. Chamber of Commerce. " This issue is front-and-center for them," Tyszko said. "Members are clear about their need to be able to access a high-quality workforce that can contribute toward the ability of their companies to grow and compete in today's economy."

He said a recent survey by Adecco, a job placement firm, found that 92 percent of business executives believe there is a serious gap in workforce skills and nearly half of their businesses are missing out on growth opportunities as a result. Over 75 percent of manufacturers believe there is a moderate-to-severe shortage of workers within their sector.

Nearly 50 percent of U.S. employers, Tyszko said, are struggling to fill jobs, resulting in long-term vacancies, while we have "people sitting on the bench." In the manufacturing sector alone, there are 600,000 unfilled jobs today. In the total economy, by 2020, over six million jobs will go unfilled.

"We have a tremendous gap in terms of the jobs that are available and the ability for people to access those jobs," he said.

The skills gap hurts business earnings and companies' ability to grow. According to Tyszko, the impact on earnings of an average, midsized manufacturer due to the skills gap is around 11 percent, or just under \$5 million. He said over 40 percent of companies can't meet their financial targets or innovate, because they don't have access to the workforce they need. And 37 percent of employers say they can't start new major projects or launch strategic initiatives, because they don't have access to the talent they need to compete and grow.

There are some major deficiencies in the performance of the education and workforce development system in the U.S. Tyszko said the Organisation for Economic Co-operation and Development (OECD) international rankings show that, compared to other industrialized countries, the U.S. K-12 system ranks:

- **26th in math;**
- **17th in reading; and**
- **21st in science.**

In addition, Tyszko said, the overall U.S. high school graduation rate is 80 percent. "That means right out of the gate, we are losing a significant portion of our talent pool," he said. "We have a leaky pipeline, a low-performing pipeline as early on as high school."

At the postsecondary level, Tyszko pointed out, 60 percent of students going to any type of college require remediation. Only 36 percent of full-time students at four-year research universities graduate on time, followed by 19 percent at all other four-year programs and only four percent at two-year

institutions. And nearly 54 percent of four-year degree holders age 25 and under are either unemployed or underemployed.

He reported that a recent Gallup study found that only 11 percent of business leaders say college graduates are well prepared for the workplace. In contrast, 96 percent of chief academic officers of colleges and universities report being somewhat or very confident that they are preparing students to be successful in the workplace.

The employer community is not going to sit back and wait for government to come in and solve the skills-gap problem. "We realize we need to step up and play a more proactive role in addressing this," Tyszko said. So the Chamber Foundation has been exploring how employers can expand their leadership role. In 2014, the foundation published the report  *Managing the Talent Pipeline: A New Approach to Closing the Skills Gap*, advocating a new supply-chain approach for employers to take in dealing with the skills gap.

Lessons can be carried over to a workforce strategy from innovations in business supply-chain management. During uncertain times, Tyszko said, companies have had to develop highly sophisticated supply-chain partnerships and relationships in order to manage lead times and their competitiveness in the marketplace and to make sure they can compete and grow.

According to Tyszko, three core principles for employers can be carried over to an education and workplace strategy:

- **They should play an expanded leadership role as end-customers of talent supply chains and no longer as beneficiaries of education and workforce systems.**
- **They should proactively organize and manage flexible and responsive preferred-provider education/training networks.**
- **They should align performance-based measures and incentives to reward good performance among the preferred providers.**

"This is a demand-driven system that speaks to the need for a workforce system designed to meet the needs of our time, not the past," Tyszko said. The Chamber put this vision out at its national conference in November and is now working on implementation of the talent supply-chain approach.

College for America , a nonprofit college based in New Hampshire, is disrupting the business model for how postsecondary education is delivered and how colleges can be more responsive to employer-partners. Tyszko said the college has revamped its business model to recruit employers first as the primary customers. After College for America recruits an employer, he said, it figures out how to customize a program for that employer that's competency-based, flexible and doesn't require someone to enroll in a traditional, semester-based system. He said the college works to get the desired training for current or potential employees "better, faster, cheaper."

According to Tyszko, the college then recruits students and often brings in existing employees to upgrade their skills. The school agrees to support the students and employees in moving through the program quickly. "That's an example of how an institution has really changed its practice," he said.

Lone Star Community College in the Houston area revamped its programs to better meet the needs of the oil and gas industry. Tyszko said the college decided to get rid of a lot of programs that were taking too long for people to get through, weren't necessarily connecting in a relevant way to the needs of the industry and weren't getting people skilled in time. In place of these programs, he said, "Lone Star created new customized training programs to get people through the door faster, get them credentialed and placed within a rapidly growing industry in the area. The school was able to move through a lot of barriers that many other public systems would find very difficult to move."

The Chamber Foundation encourages employers to work with preferred training providers that are responsive and flexible, whether they're traditional providers or not. Tyszko noted that the **Jane Addams Resource Corporation**, a community-based nonprofit in Chicago, creates a simulated manufacturing training environment. "They recruit low-income populations to access the training and then be placed with one of their portfolio of companies," he said. "They stand as an alternative to the community college system in their area. They've gotten good results by orienting around a supply-chain business strategy and being geared toward meeting the needs of the portfolio of companies that recruit directly from them."

Employers must lead the way and come better prepared to manage the talent supply chain. Tyszko called this a new paradigm and said employers must know what their demand is. "Employers must come together and focus on the positions and the capabilities that drive their competitive advantage," he said. "I suspect you'll find that the focus will be on a range of occupations, from the top level down to middle-skill positions."

Tyszko said employers need to better identify what their needs are based on their business model. "They need to find out which positions need deep-bench strength," he said. He expects that manufacturing, energy, IT and health care will be prominent sectors attracted to this new approach.

The skills gap will continue to grow until employers become more proactive. "We're hoping to take a slice out of it, but this is a long haul," Tyszko said. "We don't think the solution is going to be driven by more public-sector leadership or investment. That's important and needs to happen, but employers need to step up in a whole new way. Not in a way that's charitable or philanthropic. They have to do this because this is what they need to drive their growth."

Alcoa, a leading global manufacturer, is an example of a large company becoming more proactive in dealing with the skills gap. Tyszko explained that Alcoa has a corporate social responsibility unit that makes community investments to do good things and promote the company. The company realized the skills gap is not going away and decided to reorganize internally, by moving the corporate responsibility unit underneath human resources. "That has brought more intentionality about how those corporate investments are affecting the company's ability to access talent," he said. "They've created campus partners and are getting a lot more strategic about where they're placing their time, their jobs and their investment in capital and programs."

"That's an excellent example of a company that found a way to reorganize its own practices and to target its resources more strategically in order to get a better result," Tyszko continued.

The education system and the economic development system should be able to better align with employers if they send better market signals. "It's going to take a big leap for educators and

economic development groups to enable employers to play the role of the end-customer and not to get in their way or pretend to know their needs without really knowing them," Tyszko said.

Employers are already investing massive amounts of money into training their workers. Tyszko noted that the total annual investment of employers in education and training is \$600 billion, compared with an annual federal investment of \$450 billion. "The employer investment is a massive amount of resources primarily going to incumbent employees who are older," he said. "If you were to redirect just a small percentage of the \$600 billion toward working with supply chains and hiring newly credentialed workers, that could transform the system tomorrow."

"We don't have to wait around for the public sector to get the tax code, the incentives or the grants right," he continued. "Employers are in a unique position to leverage their hiring practices more effectively. We think we could do that today. We don't need to wait."

The public sector could create a better enabling environment to help employers change the system more quickly. Tyszko wonders whether something could be done with income tax withholdings to encourage employers to invest in training. For example, perhaps an employer could withhold some state income tax to recoup some worker training costs, rather than having to go through a grant process.

The State of Kansas has a program called *Workforce AID* (Aligned with Industry Demand) that takes a supply-chain approach, rather than using a competitive grant process. Tyszko explained that the program, which is run by the state Department of Commerce in partnership with the Kansas Board of Regents, brings employers in to help craft requests for proposals (RFPs) for the training and the industry-recognized credentials their employees need. The program then puts the RFPs out for bid to a very diverse set of providers. "It almost becomes like a talent-purchasing bid that goes out," he said. "This is a great example of how incentive systems can be reorganized to get a different result."

Career and technical education (CTE) is on the front lines of this debate, but it represents a small drop in the bucket in level of investment and is typically aimed toward middle-skill jobs. With supply-chain management, Tyszko said, employers determine their needs, which may or may not align with the existing CTE program offerings in the area. Also, he said CTE programs typically use advisory boards of employers that might meet twice a year. "It's a very low level of advisement," he said. "With talent pipeline management, we're talking about employers coming in not as advisors, but as end-customers in preferred-provider relationships. We want employers coming in and saying, 'We want to work with you, but if you're unable to deliver, we'll work with someone else.'"

Tyszko said CTE is probably able to adapt more quickly to this new model than other players who have not traditionally had a working relationship with the employer community. "I'm hoping they can lead the way," he said. "It remains to be seen, because a lot of these programs are stuck in the old way of doing things."

In the 1950s, employment was relatively stable and skill requirements shifted gradually; now the system is more dynamic, with faster-and-faster skill requirement changes and shorter-and-

shorter employment periods. Tyszko said in the 1950s, there was a lot of in-house training, along with apprenticeship-style programs, such as hospitals training their own nurses. "It was a long-term bet by employers," he said. "They knew talent was going to stick around."

By the 1980s, he said, there was more of an outsourcing strategy, getting talent on demand. Employers started going to the spot market, thinking they would find what they needed when they needed it. That strategy yielded uneven returns for employers and was known for high turnover rates and improper fit.

"But today, employers need a new strategy," Tyszko said. "For those positions that drive your competitive advantage, you need deep-bench strength. You need preferred providers to fill those needs. This is not a silver bullet to solve all employment problems, but given the current environment, you need to have a set of reliable relationships for those positions that drive your competitive advantage."

The new supply-chain approach to filling workforce needs has not been well executed in other countries. Tyszko said other countries are interested in learning about this approach. "There's tremendous interest globally," he said. "Countries are trying to revisit their workforce systems, because they're not performing well."

In Switzerland, the youth apprenticeship model makes employers chiefly responsible for organizing the curriculum, the assessments and the administration of assessments in vocational programs. It's an example, Tyszko said, of the public sector investing the authority, the leadership and the resource base into privately operated employer collaboratives. "There are strengths and weaknesses with that approach," he said. "But there is no question about the role employers are playing in directing the course of those programs, as well as organizing a national youth labor exchange."

The Swiss system is much more employer-led than the German system, which might make the Swiss system easier for the U.S. to emulate.

"But I don't think anyone has cracked the nut on the supply-chain approach," Tyszko said. "I don't think anyone is getting ahead of the U.S. on this. We have a real opportunity to advance a new way of looking at the education and workforce space and we could become the global leader in sourcing talent."

Employers need to do things differently or the whole supply-chain model falls apart. Tyszko said employers must be the end-customers and hold the suppliers of workforce training accountable. "This is all about getting the employer community better organized to manage those relationships well and to play an expanded leadership role," he said. "It's also about employers organizing things differently internally."

In each company, he said, the human resources department must work together with finance and accounting and consult with line-managers to address the issue of talent within the whole company. Then the company must go out and manage the demand for talent well. "This has to be done as a team," he said. "We need to better organize employers on the demand side to get better results on the supply side."

Companies want to diversify their workforce and want to find the programs that can best recruit underrepresented people and get them through job training better, cheaper and faster. Tyszko pointed to the [i.c.stars](#) program in Chicago, which uses an innovative, project-based-learning approach to train low-income youth for IT jobs, while they earn an associate degree.

Commerce and economic development groups may be best suited to help employers link their talent strategy to their business strategy. "We need to start empowering those groups to play that role more effectively," Tyszko said. When companies considering locating in an area ask how and where they'll find the talent they need, the commerce and economic development people often just lay out the facts on various colleges, their programs and their graduates. Instead, the groups should take the opportunity to work with employers to set up talent supply chains. "That's a much more proactive and action-oriented way to help them address their talent needs," he said.

In addition to technical skills, employers are looking for soft skills, or employability skills: the ability to think critically, to problem solve, to function in a team environment, to communicate effectively and to become a self-learner. Tyszko said those skills can be acquired in a variety of contexts. "I would not assume they're being addressed within a traditional liberal arts and science curriculum, or any curriculum, without evidence," he said. It's an opportunity, though, for history departments or philosophy departments to demonstrate how they can provide those skills and add value towards the objective of students to land a job and start a career. "We shouldn't make this about CTE vs. liberal arts and sciences; that is a false dichotomy that does neither side justice," he said.

The U.S. Chamber Foundation is developing a tool kit to help employers move toward the supply-chain approach to obtaining talent. Tyszko said the kit will include information on launching new employer collaboratives, organizing demand within companies, back-mapping where companies get their talent today, understanding talent flows better, communicating competency and credential requirements across employers, developing new employer measures and aligning public and private incentives.

"We're going to be developing strategies on how employers get started and then move to advanced practice," he said. "We want peers learning from each other. Let's try some things. Let's get experimental. And we want to shine a spotlight on areas that are doing things well."