

Delivering Public Service for the Future

U.S. States: For Richer, For Poorer?

Winning the battle for talent and securing our standard of living

High performance. Delivered.



Foreword

Accenture's public service research focuses on what delivering public service for the future could mean and what it will take to get there. Our goal is to inspire and support public service leaders: to take a fresh look at the problems they face, to highlight innovative solutions, to map paths to progress, and to show how all of the pieces can fit together.

Our latest public service research explores threats to standard of living and the actions governments can take to help ensure that effective labor markets secure the wellbeing of states, provinces and nations. We analyzed the implications of demographic changes on the economies in 162 countries. We surveyed citizens, job seekers, employers and state public employment service officials in the United States, as well as 10 other countries and the Canadian province of Ontario. We also conducted targeted surveys in 12 U.S. states: California, Florida, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New York, North Carolina, Ohio, Texas and Washington.

For our U.S. research, Accenture focused on this burning platform: States are engaged in a battle for the talent they need to power their economies. Unless the share of people working increases and those who are employed become significantly more productive, the standard of living 15 years from now will decline to what it was 15 years ago.

To secure the growth in their standard of living, states must identify innovative approaches to increase employment, increase workers' productivity and ensure that people are maximizing the value of their talents in the workforce. In this summary, we outline how these goals can be achieved through 1) real time information and analytic insights on talent demand and supply, 2) talent supply pipelines, 3) roadmaps showing pathways to jobs, and 4) a unified talent agenda focused on one outcome—increasing the standard of living.



A stylized white signature of Peter Hutchinson on a dark background.

Peter Hutchinson
Managing Director,
Public Service Strategy –
North America State,
Provincial, and Local



A stylized white signature of Stephen J. Rohleder on a dark background.

Stephen J. Rohleder
Group Chief Executive –
North America





Threats to Standard of Living

The notion that each generation will be more prosperous than the last is at the heart of the "American dream." In analyzing U.S. labor markets, Accenture identified three factors threatening that fundamental assumption: a rapidly aging population resulting in a smaller share of people available to work, lower participation in the workforce by those who are of working age, and unreliable growth in workforce productivity.

Taken together, these could lead to a decline in our standard of living (\$ real GDP per capita) ultimately resulting in a less prosperous society. In fact, Accenture's analysis indicates that over the next 15 years the standard of living in the U.S., rather than continuing to grow as it has for decades, is likely to stall and could actually decline by 9 percent. This would be an unprecedented reversal and leave the standard of living well below what Americans have come to expect. See Figure 1.

We have based our analysis on a three-factor model that combines demographic, workforce participation, and productivity data. See Figure 2.

The standard of living in a state or nation increases when more people work and when those who do work are more productive. In other words, standard of living is directly linked to the quantity and quality of talent at work in our economy. All those who will be part of the U.S. workforce in 2030 are already alive today and we can estimate their demographic characteristics with a relatively high degree of certainty. Those estimates indicate dramatic changes in the quantity and quality of talent in our economy. First, as the baby boomers reach retirement, the working-age population (15 to 64 years) is shrinking as a share of the total population. In fact, in 2013 the working-age population was 66 percent and Accenture estimates this number will decline to 61 percent by 2030.¹ Second, workforce participation has declined as well, with the largest drop among young people (aged 16 to 24 years).² In combination, these factors mean that the base of talent in our economy is shrinking. In addition, the rate of growth in the productivity of the workforce has been unreliable and has fallen below 1 percent for 5 of the last 10 years. Accelerated productivity growth is the only way that a shrinking talent base can generate expected increases in standard of living.

Figure 1: Accenture analysis points to U.S. standard of living well below expectations with a 9 percent decline by 2030.

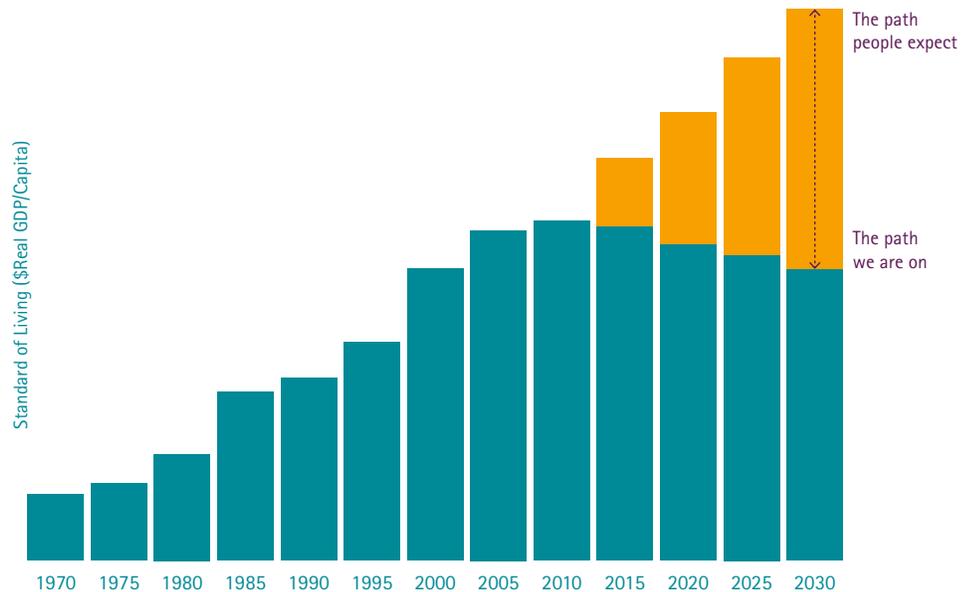
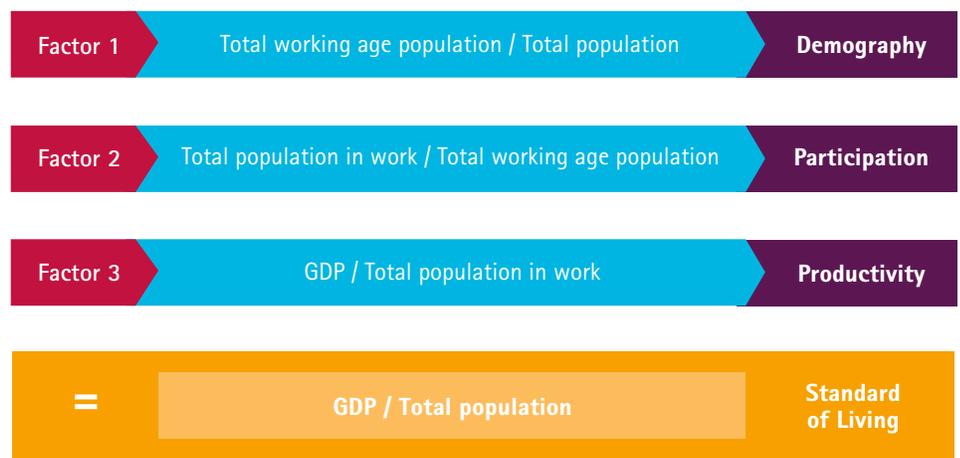


Figure 2: A three-factor model evaluates the potential impact of changes in participation and productivity.



Since the size of the working age population is fixed, the focus must be on reversing these workforce participation and productivity trends in order to avert the projected decline in standard of living. Increasing participation requires moving a higher percentage of people into the workforce by incenting work and making it easier for people to find jobs that align with their talents. Accelerating productivity requires that people possess in-demand skills, and secure jobs that fully utilize those talents.

Accenture's research points to several factors affecting participation and productivity growth rates that further threaten the standard of living in the U.S.:

Disconnect between employers and job seekers.

Employers cannot find the talent they need and job seekers cannot find the jobs they want. In our surveys, only 18 percent of employers reported sufficient access to needed skills. Just 12 percent of job seekers say it is easy to find the right job, with lack of access to job information cited as a major barrier by 58 percent of job-seeking respondents. Additionally, both job seekers (48 percent) and employers (56 percent) would value better matching of needed skills with available jobs.

Educational attainment projected to stop rising.

Educational attainment is crucial to getting people better trained for the jobs that are available or will be available in the future. Rising educational attainment has been the key source of increased quality of talent in the U.S. workforce for decades. However, the long-term increase in high school and college graduation rates is forecast to end³—and with it a critical source of increased workforce productivity.

Underutilized talents.

In the Accenture 2014 College Graduate Employment Survey, 46 percent of recent graduates in the U.S. considered themselves underemployed and working in jobs that do not require their college degrees, and another 13 percent have been unemployed since graduation.⁴ These underutilized talents represent a significant loss of potential productivity.

Employers cannot find the talent they need and job seekers cannot find jobs that utilize the talents they have. This mismatch threatens the future of every family and state.



Disconnected Government

The inherently decentralized nature of the U.S. workforce system—a myriad of federal and state programs and funding streams—has resulted in a collection of programs that is complex and not well integrated. In fact the National Governors Association notes that “The U.S. workforce system is often criticized as a sum of disconnected parts, with worker training poorly matched to industry demand, a lack of focus on industries that are the most important to local economies, and duplicative business outreach and workforce training services.”

Today the federal government dozens of different workforce programs with budgets of more than \$18 billion annually.⁵ These programs drive funding at the state level, and within states, multiple departments and agencies add their own funding, make their own decisions and implement programs across state, regional and local levels.

Similarly, states collect vast amounts of data and house that information across multiple, disparate systems. As a result, data may be used effectively to run individual programs—but is underutilized for steering the system toward higher-levels of workforce participation and productivity.

In this context, citizens, employers, job seekers and officials running public workforce/employment programs alike expressed dissatisfaction in our surveys with the current U.S. system.

- Citizens are very skeptical about government acting fast enough to meet future employment and skills challenges. Nearly three-quarters of U.S. citizens surveyed (72 percent) expressed such doubts.
- Employers do not look to government for help finding the talent they need. According to our survey, only 8 percent of U.S. employers use government services extensively to find the skills they need, and nearly half of employers (47 percent) do not use government services at all to find needed talent. Further, 62 percent do not think government is anticipating future skill demands.
- Similarly, job seekers surveyed do not turn to government for help finding the jobs they want. Only 11 percent of job seekers turn to the public employment system in their search for a job.
- Finally, almost 69 percent of employment officials say that the government is anticipating future skill needs to only a limited extent.



Winning the Battle for Talent

To win the battle for talent, states need strategies and tools that can increase workforce participation and accelerate productivity growth. Fortunately both are available now.

Real time information and analytic insights on talent demand and supply.

Today's job and skill needs are different from those in the past, making historical data an unreliable predictor of future talent demand or supply. Thus, states have a pressing need for real-time, skill-based information that can tell them:

- How many positions are currently open
- Which industries and companies are hiring and for what positions
- The skills, competencies, and certifications required for available positions
- The industries and roles where employment is growing
- Which skills and competencies are in greatest demand and which are hardest to find
- The degree to which training and education programs are producing the talent that the economy requires
- Where pools of talent are available to support economic development

While national and annual labor market data is a starting place, states need dynamic, localized and up-to-date information to set strategy and direct investment to effective programs. Data that is backward facing, based on yesterday's job titles and job descriptions is not sufficient. To win the battle for talent, data needs to focus on today's talent requirements—on the skills and competencies needed for success.

Consider, for example, that the talent required to be a "computer programmer" is now vastly different, and far more diverse, than it was even a decade ago. Yet this is not reflected in the single standard occupational classification (SOC code) for computer programmers. Employers do not hire generic computer programmers, rather employers are looking to hire programmers with the specific skills they need today. And today a Java Developer is different from a Ruby Developer who is different from a Mobile Developer.

Using out of date job classifications to analyze market demand for or supply of "computer programmers" is misleading for employers who are trying to understand the competition for talent, for job seekers trying to understand employment opportunities and for educators and trainers trying to assure that graduates meet employer expectations.

On the other hand, articulating job postings and resumes based on the skills and competencies required for a job rather than on job titles, standard descriptions, or job codes allows for better and longer lasting matches for employers and job seekers. For education and training providers, a skills and competency based approach informs relevant course offerings. In the battle for talent, everyone wins when there is a common language that connects all stakeholders.

For example, the State of Oklahoma runs OKJobMatch.com, a central statewide hub that provides job seekers open access to tools to have their underlying transferable skills and experiences parsed from their resume or profile and matched to jobs in a real-time database of openings. This allows job seekers to immediately connect their skills to employers who are hiring and employers to get a better match for their needs more quickly.

Talent supply pipelines.

Finding a reliable supply of quality talent is critical for every employer—including government itself. Talent supply pipelines that can help employers source, recruit, train, place, and retain talent will become a key ingredient of every successful workforce system—especially if those systems are to serve small and medium sized businesses. Accenture anticipates an increasing number of regional and sector-based pipelines as U.S. employers build new partnerships with suppliers of talent—often facilitated by intermediaries—to enable a steady pipeline of candidates for in demand skills.

A key feature of such pipelines will be the ability to match employer demands for talent with the skills, competencies, and certifications of job seekers. Matching at that level of detail allows both employers and job seekers to get a better fit, leading to higher productivity and lower turnover.

Three ways real time information and analytic insights on talent can be used to improve the odds in the battle for talent

1. Expand the range of opportunities for people with particular skills

In the last year there were 1,102 jobs posted to hire welders in Virginia—as defined by the DOL O*NET classification. That is a healthy number. But it grossly understates the demand for the talent—welding. Accenture's partner Burning Glass Technologies identified that in the same year that there were 1,102 welding jobs posted there were actually 3,318 postings that required welding skills. The landscape for jobs in welding looks much different when you look at the talent needed rather than just the job titles posted.

2. Create a competitive edge in economic development

Increasingly employers are going to where the talent is. When New York was trying to land GlobalFoundries, a leading manufacturer of semiconductors, they needed to convince the company that they had a deep pool of talent that could meet their needs. Fortunately for New York, the state's employment system provided rich information on the skills and capabilities available in the state. They pinpointed a location in upstate New York where this \$8.5 billion computer chip manufacturing plant is now under construction. Having that kind of real time information was a competitive advantage for NY. In your state you need to know where the pools of talent are today—and most state systems cannot do that.

3. Align education with employer talent needs

Real time information on talent demand can be used to assess whether a state's education systems are producing the quality of talent that its economy needs. The tools to conduct such as assessment are readily available, but most states have yet to utilize them. Without alignment of education with economic needs, states are going into the battle for talent ill-equipped.

U.S. Chamber of Commerce Foundation Talent Pipeline Management Project

The U.S. Chamber of Commerce Foundation recently began a talent pipeline management project as its major workforce initiative. The goal of the project, which will be officially announced in early fall, is to apply lessons learned from supply chain management to developing a nationally scalable approach for meeting the talent needs of our current job market. The U.S. Chamber of Commerce Foundation intends to demonstrate how using supply chain methodologies can empower businesses to drive better results in recruiting talent, and how the approach can help businesses, educational institutions, government entities and non-profit/community organizations work together to develop practical solutions for closing the skills gap.

The Business-Higher Education Forum's (BHEF) CyberUp program is an example of how talent pipeline partnerships can help to address employer talent needs in high growth sectors. BHEF is a U.S.-based membership organization of Fortune 500 CEOs, college and university presidents, and other leaders who collaborate to improve alignment between higher education and the workforce, and advance solutions to U.S. education and workforce challenges. The shortage of cybersecurity talent is a major concern for BHEF members as the volume of data that organizations manage is expanding rapidly each year. With increasing demand for qualified cybersecurity professionals, this field has grown 74 percent⁶ from 2007 to 2013—more than two times faster than all IT jobs.

Responding to the needs of the businesses that it represents, BHEF sought to develop a scalable solution to address the shortage of skilled cybersecurity professionals in collaboration with partner colleges and universities by accessing new pools of talent—namely, low-income and underrepresented minority students. With the support of Accenture, BHEF created a program that enables the business and higher education communities to work together to recruit, prepare and place students in line with both employer demand and student needs in different regions. In June 2014, BHEF received a \$1 million grant from the U.S. Navy to support expansion of this program in the greater Washington DC and Tidewater Virginia region, which has a large Navy cyber presence.

Skills for Chicagoland's Future (SCF) is a public-private talent pipeline partnership uniting Chicago and Cook County government, businesses, job seekers, workforce development partners and educational institutions in Illinois. The partnership represents a coordinated effort to jumpstart business growth, put local residents to work and stimulate the region's economy.

The program's focus is to shrink the skills gap in the Chicago area while helping employers find employees who are properly trained for available positions. Rather than training people in a skill and hoping they find a job, SCF focuses on partnering directly with business to identify the skills required to meet staffing needs. SCF then identifies training programs that can meet the employer's skill needs, and recruits talent from the unskilled/unemployed labor pool to those programs. As a result, participants are trained specifically for available jobs that are in demand, providing a viable career pathway for the unemployed in Chicago to move directly into work.⁷

Roadmaps showing pathways to jobs.

In the battle for talent every job seeker should have a personalized roadmap showing pathways for putting his or her talents to work. Traditional career ladders are irrelevant in today's marketplace where a career is made up of a series of jobs, and where job seekers are constantly looking for better opportunities to get the most from their skills and competencies. Evidence-based roadmaps show job seekers the range of possibilities they should consider given what others with similar skills and competencies have done in the marketplace. Such personalized roadmaps give them real-time information on how to navigate the marketplace and get the most out of their skills and competencies, or how to get the skills and competencies they need for the job they want most. For job seekers, these roadmaps, combined with real-time talent demand information, help guide their investment in developing skills aligned to market needs. For employers, job seekers and educators alike these roadmaps help facilitate the connection of talent to employment.

There is a variety of tools in the marketplace that seek to support and guide career choices and job matching for students and other job seekers. The American Association of Community Colleges is developing a Virtual Career Network (VCN)—a website that enables virtual career exploration and preparation, giving users information about the skills required for a position and connecting them to training needed to become qualified (currently available for healthcare and green jobs e.g. renewable energy and sustainability).⁸ The tool can assess a user's interests and make career recommendations accordingly. The Virginia Education Wizard, an online tool created by the Virginia Community College System (VCCS), offers an assessment to help users explore their career interests and create academic and career plans based on those interests. Further, it helps users understand which degrees map to which careers; the salary ranges for those careers, and the local institutions offering courses.⁹ CareerOneStop.org, funded by USDOL and run by the State of Minnesota, offers a skills profiler where users can enter skills and be matched to jobs that typically use those skills—directing users where to focus their career search. Texas' Lone Star College System has a tool that provides students with visibility into the jobs in greatest demand in their area and a detailed roadmap of how to pursue programs of study and develop skills that will help them place successfully.

While these examples represent slightly different approaches to roadmaps, the central message is that the right tools do exist to help job seekers understand career options, decide what route they want to take, and provide guidance on how they can get there. And while such roadmaps will help all job seekers, they can give a special boost to those who have had the hardest time accessing job opportunities through traditional channels—those returning from the military, the disabled, and those who have not completed a traditional educational program.

With talent at a premium, all job seekers must be equipped with the best information about how to put their skills to work.



Unified talent agenda focused on one outcome—increased standard of living.

As already mentioned, the National Governors Association describes the workforce system in the U.S. as the “sum of disconnected parts”. There are multiple programs and funding streams managed across multiple state agencies—serving employers, job seekers, education and workforce organizations, and others. The lack of alignment and integration among these many parts prompted the NGA and its chair, Oklahoma Gov. Mary Fallin, to promote the need for a more unified workforce agenda at the state level. The newly passed federal Workforce Innovation and Opportunity Act gives governors the authority and flexibility to do just that. NGA recommendations include coordinating strategic planning processes to integrate the missions of key state agencies and establishing incentives to increase alignment between education and the workforce.¹⁰ And states can do more to align and unify talent related programs by:

- Developing a single measure of return-on-investment (ROI) on workforce and talent spending that allows a state to assess and compare the value to taxpayers of its many programs.
- Creating a unified, enterprise-wide budget for workforce and talent related programs including workforce development, unemployment, human services and education—and using that budget to realize the greatest ROI it can.
- Convening a workforce/talent cabinet or creating an executive-level coordinating role—a talent czar—to steer enterprise-wide policy and resource allocation.

States and cities are already taking the initiative to unify and align their talent related programs.¹¹ South Dakota has created a workforce cabinet to get the most value from its many programs. In Massachusetts, the Director of Education and Workforce Development coordinates efforts across the Executive Office of Education, the Executive Office of Labor and Workforce Development, and the Executive Office of Housing and Economic Development to pool expertise and resources in the development of a workforce pipeline aligned with labor market demands.¹² In 2014, New York City Mayor Bill DeBlasio created the Mayor's Office of Workforce Development (WKDEV) to take responsibility for coordinating workforce with economic development across the city's five boroughs. WKDEV will partner across more than a dozen city agencies, housing and workforce programs, business, education and training communities and community organizations to meet the talent needs of New York City's business community and help New Yorkers access quality jobs with opportunities for advancement.¹³

The bottom line is that states with an integrated and unified approach will be better able to compete in the battle for talent being waged today.

Call to Action

Accenture's analysis indicates that without change, the shrinking of the workforce and unreliable productivity growth rate could lead to a decline in the standard of living in the U.S. by 2030.

To secure their standard of living, states need to win the battle for talent. They must act now to increase workforce participation and accelerate productivity growth. Doing so is the only way to ensure they have the quantity and quality of talent needed for economic success. Accenture believes that 1) real-time information and analytic insights on talent demand and supply, 2) talent supply pipelines, 3) roadmaps showing pathways to jobs, and 4) a unified talent agenda focused on increasing standard of living offer a winning combination for delivering public service for the future as states face this crucial challenge. The time to act is now.



About the Research

Accenture analyzed trends related to demography, workforce participation rates and productivity in 162 countries. Together, these factors add up to gross domestic product (GDP) per capita, used as the measure of standard of living:

Demography

For the purposes of this research, demography is the share of working-age population (aged 16 to 64) in the total population. Demographic trends can be predicted with high confidence using the United Nations' age-based demographic projections as the main driver of this analysis. Accenture obtained demographic data from the United Nations, Department of Economic and Social Affairs, Population Division (2013), World Population Prospects.

Participation

Participation is defined as the share of working-age people who are employed. Only those who are working produce income. Thus, this analysis uses only employment participation data and excludes unemployed job seekers. To keep the model simple, there is no differentiation between full- and part-time jobs. Accenture obtained participation data from the World Bank World Development Indicators (retrieved December 2013).

Productivity

Productivity is defined as workers' contribution to a country's GDP—more specifically, real GDP (in constant 2005 U.S. Dollars) per worker. Accenture obtained productivity data from World Bank World Development Indicators (retrieved December 2013).



Three-factor Standard of Living Model

Given that most countries' long-term productivity growth rate is trending toward the zero-percent line, the base scenario assumes that productivity and participation growth rate is maintained at zero. Under this scenario, Accenture estimates that within the sample of studied countries, standard of living—defined as real GDP per capita—is set to fall up to 12 percent by 2030 in some countries.

In addition to providing a diagnostic tool to highlight an emerging burning platform, a three-factor model evaluates the potential impact of changes in participation and productivity. To customise Accenture's projection, interactive parameters were built to manipulate the participation (annual employment participation growth in percentage points) and productivity (annual growth in real GDP per worker) assumptions underpinning a range of standard of living scenarios.

Accenture's standard of living model provides participation and productivity outcomes required to counter the impact of projected demographic headwinds. However, it does not offer insight into the most effective way of achieving these outcomes. To that end, Accenture conducted four surveys in 11 countries (Australia, Brazil, Canada, France, Germany, India, Italy, Japan, Singapore, the United Kingdom and the United States), 12 U.S. states (California, Florida, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New York, North Carolina, Ohio, Texas and Washington) and the Canadian province of Ontario. These surveys provide a 360-degree view on the jobs and skills environment:

Accenture Citizen Survey:

General population (aged 18–64), 10 questions, 500 interviews per country excluding boost. Boost for 12 U.S. states + Ontario (n=400 per state).

Accenture Job Seekers Survey:

Currently unemployed and seeking work, employed but with experience of three months' unemployment in last five years, and employed but seeking another job. 31 questions. 500 interviews per country, excluding boost except U.S. (1,000), India (400), Singapore (250). Boost for 12 U.S. states + Ontario (n=400 per state).

Accenture Employers Survey:

Range of company sizes—small, medium and large. 28 questions. 300 interviews per country excluding boost. Boost for 12 U.S. states + Ontario (n=100 per state).

Accenture Public Employment Services Officials Survey:

Senior executives and decision makers of public employment services/agencies. 23 questions. 100 interviews per country.

Ipsos Mori and McGuire Research Services executed the surveys between September and November 2013.



We want to help you stay
on the path to prosperity

For more information contact:

Peter Hutchinson
peter.c.hutchinson@accenture.com

Tim Rogers
timothy.p.rogers@accenture.com

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 281,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

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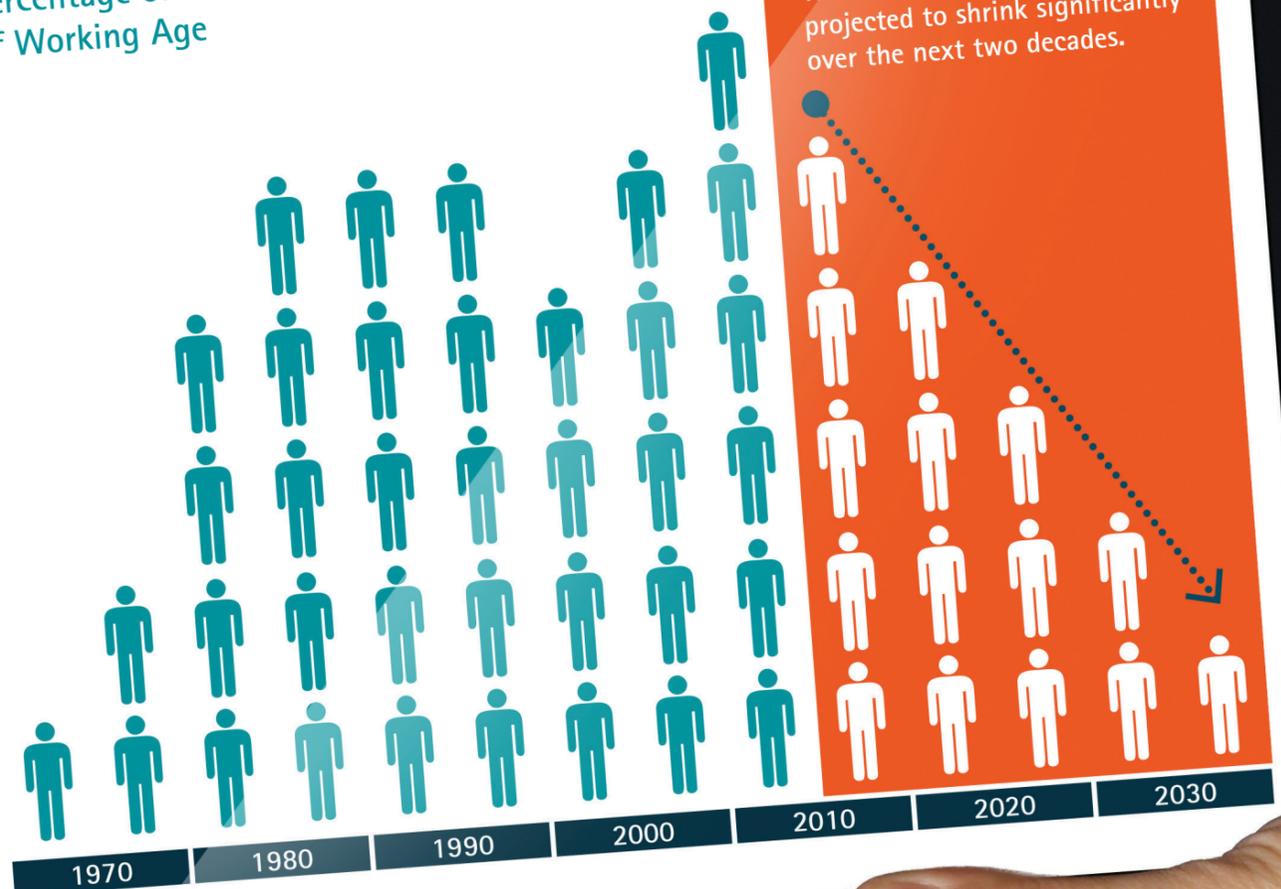
High performance. Delivered.

Delivering Public Service for the Future

How can a shrinking workforce deliver a higher standard of living?

The United States Workforce at the Tipping Point

Percentage of the Total Population
of Working Age

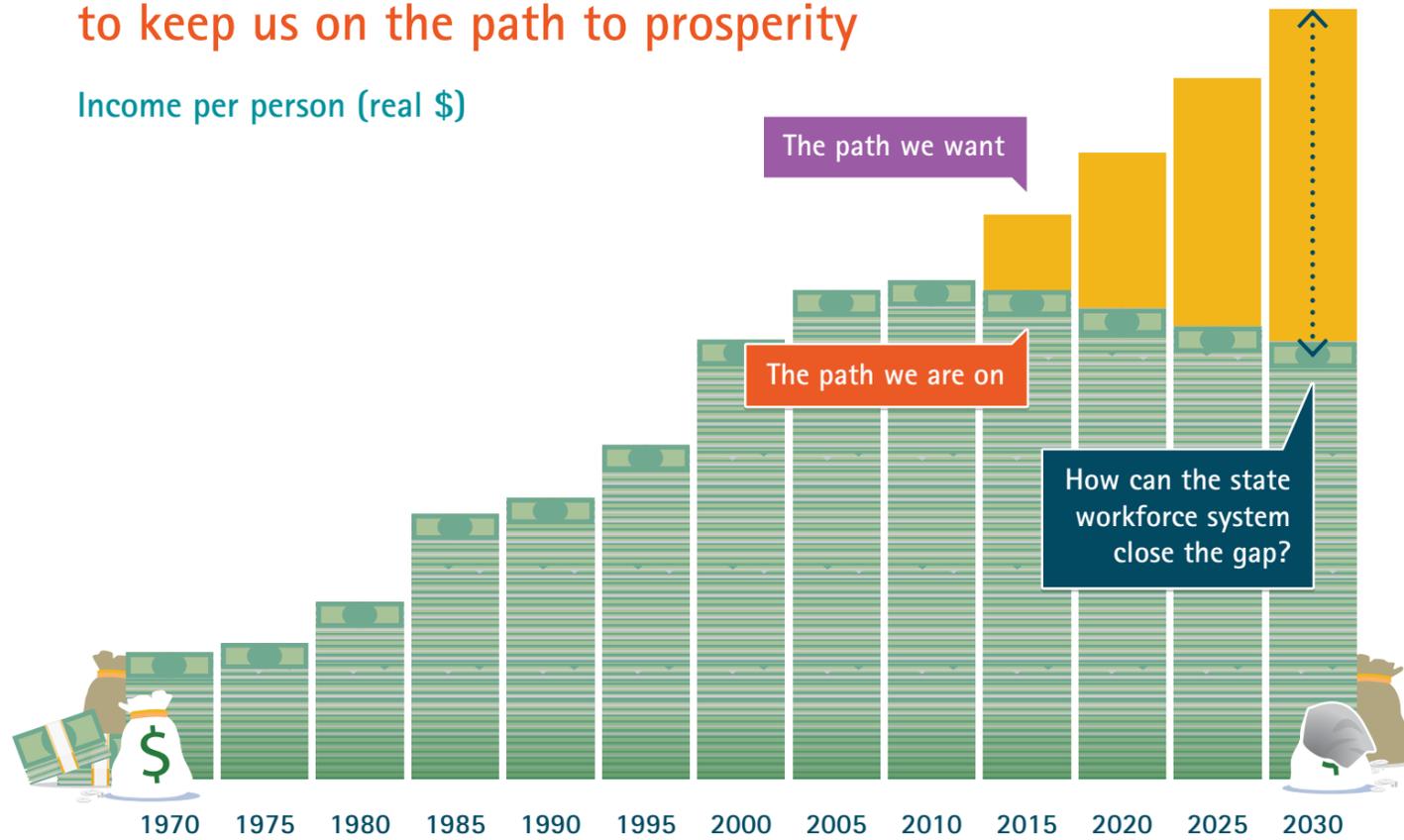


What you may know...
The United States workforce is
projected to shrink significantly
over the next two decades.

What you may not know...

What you may not know is that it won't be easy for a smaller workforce to keep us on the path to prosperity

Income per person (real \$)



Both job seekers and employers say the challenges are substantial

- ✗ Job seekers cannot find the jobs they want and do not look to the government for help.
- ✗ Job seekers don't think they need new skills.
- ✗ Employers cannot find the skills they need and do not look to government for help.
- ✗ Both job seekers and employers would value better matching of skills with jobs; employers also want confirmation of job seeker credentials.
- ✗ Citizens don't trust government – and are particularly skeptical about government acting fast enough to meet future challenges in the area of employment and skills.

The Good News: Proven strategies for tipping the balance in favor of prosperity



Up-to-the-Minute Employment Information

Real-time job demand information and labor market trends at your fingertips for job seekers, educators, employers and policy makers



Talent Supply Pipelines

Assuring employer-specific supplies of needed talent—especially for small and medium sized employers



Roadmaps to Jobs

Individualized pathways to in-demand jobs and careers



Unified Workforce Agenda

One agenda for workforce, employment and education programs, driven by powerful incentives to achieve common outcomes

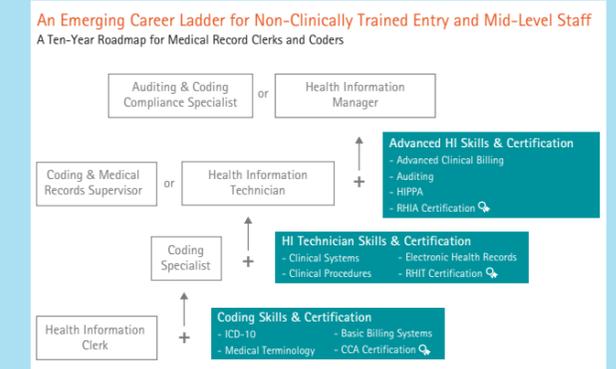
Tools government can implement now

Real-Time Labor Market Data

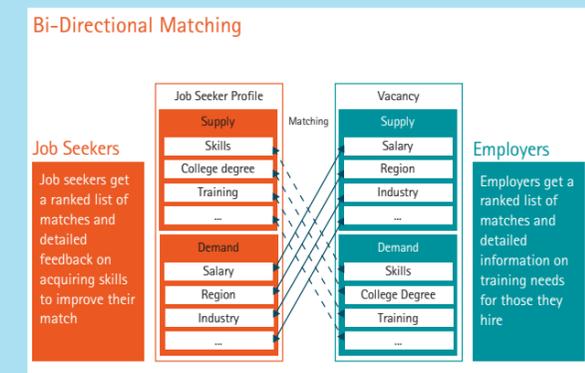
Job Family	Location	Postings Per Capita*	Growth: 2010 to 2012
Digital Media & Gaming	Your State	82.5	48%
	Nation	44.6	28%
Software Development	Your State	39.9	51%
	Nation	26.9	33%
Financial Transactions Processing	Your State	10.2	31%
	Nation	5.5	35%
Wireless/Mobility	Your State	3.6	202%
	Nation	1.7	171%
Internet Security	Your State	6.0	82%
	Nation	3.9	43%
Supply Chain Distribution Services	Your State	4.1	100%
	Nation	3.4	49%
Health IT Software Development	Your State	2.5	167%
	Nation	1.4	61%
Supply Chain Management & Software	Your State	1.9	-2%
	Nation	1.1	42%

*Postings Per Capita = Online job postings per 10,000 residents age 18-64.

Pathways to Employment



Skills Assessment and Matching



Skill Development

