

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-0515

MEMORANDUM

TO: Members, House Committee on Small Business
FROM: Jason Crow, Chairman
DATE: November 13, 2019
RE: Subcommittee on Innovation and Workforce Development field hearing:
“Innovations in the School to Small Business Pipeline”

The House Small Business Subcommittee on Innovation and Workforce Development will hold a hearing titled, “Innovations in the School to Small Business Pipeline.” The hearing is scheduled to begin at 11:00 A.M. on Friday, November 22, 2019 at Cherry Creek Innovation Campus - 8000 S Chambers Rd, Centennial, CO 80112.

Small businesses remain in need of employees, particularly in highly and middle skilled positions. While traditional academic institutions play an important role in helping to fill the workforce development gap, they often do not provide adequate job training outside the classroom. To fill the gap, Colorado is embracing new and innovative approaches towards educating young people and creating a school-to-business pipeline. This hearing will explore how schools are changing their priorities to supply a much-needed workforce and what policies can help promote these efforts.

Witnesses:

- Ms. Sarah LC Grobbel, Assistant Superintendent, Career & Innovation, Cherry Creek Schools, Aurora, CO
- Mr. Noel Ginsburg, Founder & CEO, CareerWise Colorado, Denver, CO
- Mr. Matthew Kaplan, Vice President, Business Development and Membership, Outdoor Industry Association, Boulder, CO; Testifying on behalf of Outdoor Industry Association
- Mr. Garry Edmonson, Program Administrator, Colorado Journeyman & Apprentice Program IUOE Local 9, Aurora, CO

Background

All over the country, businesses are facing an increasingly competitive job market. The unemployment rate is at 3.6 percent and there are more job openings than people actively seeking them.¹ In many cases, businesses fail to hire because their applicants do not have the skills needed to do the job – this is called the skills gap. Meanwhile, many college graduates have tens

¹ BLS, LABOR FORCE STATISTIC FROM THE CURRENT POPULATION SURVEY, *Unemployment Rate* <https://data.bls.gov/timeseries/LNS14000000> (last visited Nov. 14, 2019)

of thousands of dollars in student loan debt.² For many Americans, traditional educational pathways are not providing the careers promised or preparing students adequately for the 21st century job market.

States like Colorado are seeking to change that. Instead of traditional education to career pathways, they are embracing Apprenticeships and Career and Technical Education (CTE). This allows students to both learn in the classroom and on the job. Starting in high school, many students begin learning and working, obtaining college credit and industry recognized credentials while earning money. Trade associations and labor unions have been also involved in this effort. Furthermore, the skills obtained during these apprenticeships can be broadly applied to several different careers and help businesses find the workers they need to grow and expand while investing in the workforce of the future.

Small Businesses and Workforce Development

Small businesses can be the most vulnerable to negative effects of not being able to attract, retain, and hire talented workers. Small firms simply do not have the human resource departments to handle the ever-changing needs nor do they have the capacity to provide extensive on-the-job training required to upskill workers to meet their needs. Yet, because of their ability to be nimble and flexible, it also provides an opportunity for small firms. Often, small business owners serve in multiple rolls—CEO, human resources, legal, accounting, and marketing. This allows the small business owner the ability to make timely and efficient decisions that facilitate the quick implementation of new strategies. Additionally, policies can be more easily altered to allow the hiring of traditionally hard to place workers, such as long-term unemployed, persons with criminal records, and youth. Thus, there is an opportunity for federal programs, apprenticeships, and public private partnerships to fill the gap in funding and workforce needs of small businesses.

Skills Gap and Workforce Shortage in Colorado

Colorado has been particularly hard-hit by the workforce shortage that has existed in the U.S. for the past year-and-a-half. Going into the 11th year of economic expansion, Colorado's unemployment rate is at 2.7 percent, a percent lower than the national average.³ While this is generally good for workers, many industries from construction to hospitality to health care are struggling to fill open positions.⁴ Workforce shortages can hinder economic growth and the expansion of many small businesses in Colorado as they struggle to meet demand. Furthermore, it could undermine U.S. competitiveness and result in companies shifting their operations abroad.⁵ For industries that cannot outsource, such as construction, agriculture, and health care, many turn to legal immigration and worker visas, which are limited and unlikely to expand under the current administration.

² Jessica Dickler, *Student Loan Interest Rates Edge Higher and Higher*, CNBC, July 2017. <https://www.cnbc.com/2017/07/18/student-loan-interest-rates-edge-higher-and-higher.html> (Last visited Nov. 14, 2019)

³ BLS, *Colorado Economy at a Glance* <https://www.bls.gov/eag/eag.co.htm> (last visited Nov. 14, 2019)

⁴ Bill Radford, *Colorado Springs Programs Target Labor Shortages, Skills Gaps*, THE GAZETTE, Jan. 26, 2018. https://gazette.com/business/colorado-springs-programs-target-labor-shortages-skills-gaps/article_92b6e6d1-f1d8-5b87-8bb9-e4cd8bc714e8.html (last visited Nov. 14, 2019)

⁵ Id.

How Unions Can Help Address the Skills Gap

Much of the growing skills gap, particularly in so-called “middle skills” or jobs that require more than a high school degree, but less than a college degree, can be attributed to the decline of labor unions. Because unions were tied to on-the-job training and apprenticeships, businesses had access to the skilled workers they needed.⁶ However, the high-tech environment of the 21st often requiring a college degree that train people for jobs in information technology and communication services but have also increased significantly in cost. An aging workforce alongside the decline of labor unions has left many of the middle-skill jobs in Colorado behind, and therefore hindered economic growth.

Over the past two years, Colorado has seen an uptick in union membership as well as innovative school-to-business partnerships.⁷ An increasing number of high schoolers are choosing CTE and apprenticeships than traditional four-year colleges. Businesses are investing more in the future of their workforce as they see many of their older workers retire and experience a skills gap in the existing workforce. While 86 percent of Colorado employers say that the skills gap is a threat to their business, many are actively taking steps to alleviate it and invest in the future.⁸

Apprenticeships

Apprenticeships provide a learning experience that includes a structured combination of on-the-job training and related classroom instruction. Used mostly in skilled trades in the U.S., they have been gaining popularity recently due to the high cost of higher education. Originally established with the National Apprenticeship Act of 1937, the Department of Labor (DOL) was directed to register individual apprenticeship programs that are in conformity with certain standards.⁹ Recently, the Trump Administration issued a rule to establish Industry Recognized Apprenticeship Programs. The proposed rule issued by DOL, establishes a process for creating Standards Recognition Entities (SREs) to register apprenticeships outside the government.¹⁰ These SREs can be trade associations, educational institutions, state or local governments, non-profits, unions, or joint labor-management organizations.¹¹ Under the proposed rule, entities such as trade, industry, and employer groups or associations, educational institutions, state and local government entities, non-profit organizations, unions, or a consortium or partnership of these entities could become a Standards Recognition Entity (SRE) that sets standards for training, structure, and curricula for IRAPs in relevant industries or occupational areas.¹²

In 2014, only 0.5% of the US labor force participated in registered apprenticeships.¹³ In Switzerland, where apprenticeships are common, nearly 70% of students enroll in apprenticeships

⁶ Id.

⁷ Jean Lotus, *Union Membership Climbs In Colorado Amid Nationwide Drop*, PATCH, Feb, 14, 2019 <https://patch.com/colorado/denver/union-membership-climbs-colorado-amid-nationwide-drop> (last visited Nov. 14, 2019)

⁸ COLORADO SUCCEEDS, *Skills Gap*, <https://coloradosucceeds.org/best-schools/skills-gap/> (last visited Nov. 14, 2019)

⁹ Benjamin Collins, R45171, Cong. Research Serv., *Registered Apprenticeship: Federal Role and Recent Federal Efforts* (2019)

¹⁰ Id.

¹¹ Benjamin Collins, R45835, Cong. Research Serv., *Proposed Rule on Industry-Recognized Apprenticeship Programs* (2019)

¹² Id.

¹³ *Supra* Note 9

instead of going directly to college.¹⁴ These programs engage students at 15 or 16 years of age and prepares them with 21st century skills for high-demand, high-skilled jobs, and allows them to pursue higher education and training. The goal is to provide quality education and create productive, lifelong learners across society. Not only are these pathways flexible, they provide a path of upward mobility for those in lower socio-economic status.

Creating successful apprenticeship programs involves heavy engagement between businesses and educational institutions. To that end, partnerships are very common. Rather than viewing this a social responsibility, businesses can take the lead to develop future talent. If they do not train the workforce early, they recognize they will be caught in a cycle of training workers much later in their life when it is considerably more expensive or spending money to poach workers from others and managing low worker engagement.

Innovation in Colorado’s Education-to-Business Pipeline

Colorado’s initiative to create a statewide youth-apprenticeship system to address their skills gap, workforce shortage, and high cost of four-year colleges and universities, has been started through CareerWise Colorado. Inspired by a visit to Switzerland to observe their youth apprenticeship program, the goal is to create well paying jobs in a number of industries that are not typically associated with apprenticeships. It is intended to duplicate several important components of the Swiss model. This includes: 1) Recognizing that business partners need a return on investment during the course of the apprenticeship¹⁵ and that 2) Apprenticeships should increase career options, not narrow them.¹⁶ At the end of the three-year program, the pilot is expected to help students “earn a high school diploma, up to a year of college credit at no cost to the student, provide at least one industry recognized credential – also at no cost, and thousands of dollars of wages averaging about \$30,000.”¹⁷

Outside apprenticeships, CTE is a successful model for preparing students to transition to the workforce. The Cherry Creek Innovation Campus is a career preparedness facility accessible for high school students in the Cherry Creek School System. The idea is to prepare students for the academic and professional demands of the 21st century, providing pathways in advanced manufacturing, business services, health & wellness, hospitality & tourism, building trades, IT & STEAM, and transportation.¹⁸

Conclusion

The answer to Colorado’s – and perhaps the rest of the United States’ – struggle with a workforce shortage and expanding skills gap is innovation in the way we prepare young people for the workforce. Since traditional educational pathways are not fully giving students the skills they need for jobs, and the high cost of education can cause people to take on large amounts of student loan debt and disadvantage those of lower socio-economic status, alternative pathways are being created. From CTE to registered apprenticeships, Colorado’s innovation in the school-to-business

¹⁴ Dwyer Gunn, *The Swiss Secret to Jump-Starting Your Career*, THE ATLANTIC, Sept. 7, 2018 <https://www.theatlantic.com/business/archive/2018/09/apprenticeships-america/567640/> (last visited Nov. 14, 2019)

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ CHERRY CREEK SCHOOLS, INNOVATION CAMPUS, *About Us* <http://cia.cherrycreekschools.org/about-us> (last visited Nov. 14, 2019)

pipeline can used as a modeled for other states and localities to help small businesses find the skilled workers to grow and expand their business.