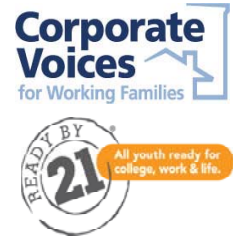


BUILDING THE BUSINESS CASE FOR INVESTING IN TOMORROW'S WORKFORCE

EMPLOYERS SEE POSITIVE RETURNS FROM COMMUNITY PARTNERSHIPS



The economic prosperity of the United States depends on having a skilled and experienced workforce—one from which employers can tap into a diverse and talented labor pool, and one in which all individuals have opportunities to earn wages that support their families. Yet too many young people today — the workforce of tomorrow — are not prepared with the skills needed to succeed at work. As our nation faces an evolving economy that demands highly skilled and credentialed workers, an inadequate supply of appropriately skilled graduates and demographic changes that



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For many employers, one practical solution to ensuring a strong, well-prepared labor pool is to "grow their own" talent — investing in the workforce readiness skills of their new hires. The value of this approach is documented in original research and analysis for Corporate Voices for Working Families (Corporate Voices) by McBassi & Company and the JarrettWagner Group.¹ It describes how diverse American employers invest in workforce readiness skills, primarily to benefit their entry-level, less-experienced employees, and documents the value derived from their investments.

While employers' needs vary and the outcomes can not be guaranteed, the implications from the research can help build the business case for why other employers should invest in their talent pipeline. It also suggests that partnering with local government and educational organizations to prepare new, skilled employees makes good business sense. Together, business and community leaders can strengthen their region's workforce, while at the same time improving business profits and the standard of living for working families and young adults. Through the Ready by 21® approach (described in more detail on page 4), business and community leaders are building national and local partnerships

geared toward strengthening the talent pipeline and improving the lives of families across the country.

In this brief, Corporate Voices:

- Provides an overview of the research and findings;
- Lays the foundation for what businesses can gain by investing in workforce training programs; and
- Explains the benefits of business and community partnerships, and how the research can build the business case for investments in the talent pipeline.



ACKNOWLEDGMENT

We acknowledge the generous support of the Ready by 21® National Partnership from the Altria operating companies: Philip Morris USA, U.S. Smokeless Tobacco Company and John Middleton Company. With this support, Corporate Voices for Working Families and its research partners documented leading examples of employers that have invested significantly in the workforce skills of their new employees — and the benefits accrued to these companies. Ready by 21's commitment to supporting this research underscores the important role that cross sector partnerships can play in developing an educated and skilled workforce of tomorrow. For more information, please visit:

www.corporatevoices.org

Investments in Workforce Readiness: Research and Findings

Even in today's difficult economy, employers need qualified and skilled workers to remain competitive and strong. Research by Corporate Voices and others documents ongoing problems for employers seeking new hires with the right skills, and continued frustration with their incumbent, entry-level employees. In one national survey, 42 percent of employers agreed that recent high school graduates



lack the skills needed to make a successful transition into the 21st-century workplace. Even among those new hires with a recent college degree, only 24 percent had an "excellent" grasp of basic knowledge and applied skills, these employers reported. What they lack, say employers, are basic skills like reading comprehension, writing and math, as well as important applied skills such as communication, teamwork, critical thinking, work ethic and professionalism.²

Facing such challenges, some employers have begun making significant and sustained investments in the workforce readiness skills of their new hires. As they have done so, they have found it helpful to

rely on a variety of community partners to advance the education and skill levels of their future workers.³

Along with relying on and collaborating with community partners, employers must also be able to justify the cost of these training programs and provide evidence of success that meets business' bottom line. Toward that end, Corporate Voices' research sought to calculate whether the education and training investments illustrated through the case examples of three well-known American companies were effective, and whether they were creating a positive "return on investment". The employers — CVS Caremark, Johns Hopkins Hospital and Pacific Gas and Electric (PG&E) — participated in the research and shared information about their workforce readiness training programs. The report features a companion "Return on Investment (ROI) Tool" designed to help calculate the real dividends associated with workforce education and training (see below).

For further descriptions of the employers and their workforce training programs, see Appendix A.

The findings from the research present a promising case for investing in workforce readiness programs, and lay out a business rationale for why other

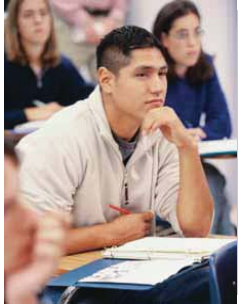
RETURN-ON-INVESTMENT TOOL: Measuring the Impact of Workforce Investment

$$\text{ROI} = \frac{[\text{PRESENT VALUE OF BENEFITS} - \text{COST OF INVESTMENT}]}{\text{COST OF INVESTMENT}} \times 100$$

To provide an appropriate economic analysis of the impact of investments in workforce training, it is important to monetize the quantitative findings. Thus, the research looked at both costs and benefits.

- **Costs** typically include start-up costs (fixed costs that are independent of the number of participants in the program) and variable costs (which increase with the number of participants). Costs include assessing the needs of the new employees, developing and implementing the training curriculum to address those needs, and the value of employer staff time and resources to carry out the program.
- **Benefits** reflect a broad range of potential desired outcomes. These include prospective reductions in hiring, training and turnover costs; improvements in productivity, quality, and customer satisfaction; greater workplace diversity; enhanced community engagement and reputation; and, ultimately, stronger revenues.

employers may wish to explore similar programs that meet their unique labor needs. They also suggest a range of unrealized opportunities for capturing additional benefits that are not factored into the ROI calculation, but are valued by employers nonetheless. These include greater workplace diversity, and enhanced customer loyalty and community reputation. Summarized below are the main findings:



- ***There is a real and tangible ROI for workforce readiness programs, and its value is recognized by company executives.*** For the programs analyzed, the ROI ranges from a first-year loss of 10 percent to a net gain of at least 179 percent. The company that reported negative loss in the first year is expecting to yield positive returns in the coming years (see Appendix A for more information).
- ***Companies recognize both “monetized” benefits, such as higher employee retention and lower turnover rates, as well as “nonmonetizable” benefits, including increased workforce diversity and greater community engagement.*** Each of the companies believes that the intangible benefits can be just as important as the tangible ones, and their value appears to be recognized by program directors and senior executives alike.
- ***Successful programs share key features and reflect a desire to engage the communities they serve.*** Similarly, they often leveraged public-private partnerships and relied on expertise from their local public workforce investment and training systems to improve the odds of success.

KEY FEATURES OF THE SUCCESSFUL WORKFORCE READINESS PROGRAMS EXAMINED

- Corporate commitments to hire from the surrounding neighborhood so their workforces demographically mirror the population.
- Strong ties to their community organizations, including public and educational institutions.
- Programs were started and initiated with community partners, including Workforce Investment Boards, One-Stop Career Centers and educational institutions, such as community colleges.
- Programs typically started small, as a pilot or grant demonstration, and grew on the strength of early successes.

- ***There is no “one size fits all” approach to measuring ROI.*** Some companies will find the ROI framework proposed in the report as a valuable new tool to help quantify program effectiveness, while other companies may apply internal corporate metrics to estimate equally useful cost-benefit results.
- ***Data capture is still in its early stages and improvements on this front are needed to recognize much of the value attributed to the programs by companies.*** Community organizations are in a position to collaborate with employers to help develop evaluation criteria for these programs. Most employers have not yet made it a priority to track and evaluate their workforce readiness program, which is an imperative to show the further benefits of investment.

This research provides employers with a tool that will help them assess the economic value of their investments in workforce training for entry-level workers. The implications from these findings can be applied even more broadly and can help to build a promising case for employers to invest in development of their workforce, in partnership with local community entities.



Supporting the Business Case for Investments in Workforce Readiness Training Programs

Compiling a business case and persuading employers to become strategically engaged and invested in workforce readiness training programs is often a complex and demanding process. From an employer perspective, the research and findings help make the case internally for investing in remedial training programs as a business imperative—and that doing so with strong community partners can be most effective. For community partners who are engaging more employers strategically in strengthening the skills and education levels of their incoming

workforce, the research and findings are valuable to understand and to articulate to their partners.

The employers examined in the research had varied reasons for deciding to invest in workforce training. Some sought to build a talent pipeline, reduce their recruitment and hiring costs, and improve employee retention; others hoped to increase their workforce diversity, expand into a new market, or earn community goodwill. Nevertheless, their investments in talent development were grounded in a business rationale and not simply part of a social responsibility agenda. As a result, the outcomes they reported met their bottom-line business needs.



The results and findings suggest important lessons for business and community leaders who want to make a strong case for investing in workforce training programs—and for building strong business and community partnerships to enhance their success.

Employers can use the research and findings when:

- Discussing internally and externally the bottom-line benefit for creating or expanding a workforce readiness program focused toward entry-level workers;
- Making the business case internally and externally for engagement in business and community partnerships; and
- Helping business executives understand that engagement in workforce readiness training programs is essential for business bottom-line efforts, not just to aid young, low-income and entry-level workers.

Community leaders can use the research and findings when:

- Encouraging business leaders to engage in community efforts to close the education and skills gap;
- Discussing with business leaders the possibility of partnering on a workforce readiness training program;

- Making the case for the expertise they, as community leaders, can bring to the partnership.
- Updating brochures, talking points and marketing information targeting business leaders.



Engaging All Leaders in Supporting the Talent Development Pipeline

While employers have a great deal to gain from training investments, they are surely not the only stakeholders in the community that feel the effects of an ill-prepared workforce. Government, social services, educational institutions, and families all are burdened by this challenge—and they must all be engaged in a solution. Business and community-wide partnerships are at the core of the Ready by 21 approach to preparing youth for college, work, and life, and are reflected in all Ready by 21 principles, tools and research.

THE READY BY 21 NATIONAL PARTNERSHIP

Ready by 21 is a set of strategies that helps communities improve the odds that all youth will be ready for college, work and life. Ready by 21 is fueled and delivered by an unprecedented coalition of organizations representing government, education, nonprofit, business, research and philanthropy. This Ready by 21 National Partnership has been galvanized to support communities and leaders with tools and strategies across the country. Led by the Forum for Youth Investment, the partnership includes:

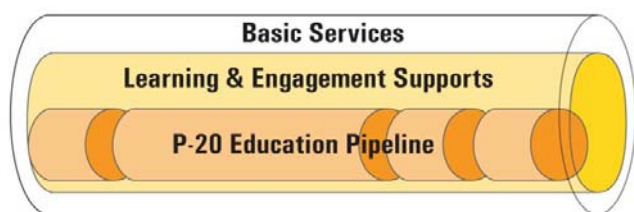
- United Way Worldwide
- American Association of School Administrators
- America's Promise Alliance
- Children's Cabinet Network
- Corporate Voices for Working Families
- National Collaboration for Youth
- National Conference of State Legislatures
- Search Institute

Combined, the National Partners reach over 650,000 state and local leaders who impact the lives of more than 100 million children and youth. www.readyby21.org

The research demonstrates that community partnerships are an invaluable tool for employers who want to make these important investments. For instance, employers saw a great benefit from partnering with Workforce Investment Boards and One-Stop Career Centers to identify the best candidates initially, and from partnering with one or more community colleges to deliver the classroom training and skills. Some also relied on community-based organizations that assist lower-income adults with the social supports — child care, transportation, housing — so critical to success on the job.

No single group in a community — government, schools, nonprofits, nor employers — can ensure that all young adults are prepared for work. Employers, along with community organizations, must look across the talent development pipeline from cradle through career for investment opportunities to help strengthen the channel of workers. Enlisting strategic engagement from public and private leaders to ensure that high-quality services and supports are in place are key principles of the Ready by 21 approach. These key principles can be found throughout the case studies of the three employers—from investments that expose middle school students to career options to ongoing support for employees pursuing postsecondary education, and continuing along their career pathway in the form of mentoring, apprenticeships, and lifelong learning opportunities.

Talent Development Pipeline



All organizations can provide different perspectives on what skills and supports entry-level workers will need to succeed, and each brings its own expertise to the effort. Employers can offer a valuable forecast of the types of workers and skills they will need in the future. Moreover, businesses can bring private-sector expertise such as leadership, advocacy, infrastructure support and financial contributions. Often, they possess the power, influence and the platform within the community to advocate for policy and community change.

Community leaders, meanwhile, provide access to a broader employee base and give opportunities for

employers to make a difference in the lives of their future employees. They also recognize the partnership publicly and build brand awareness for their business partner.

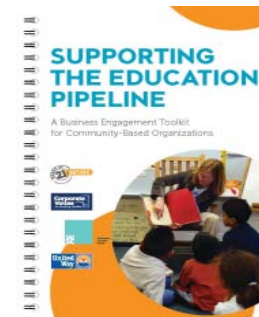
By leveraging the strengths of each partner — state and local government leaders, employers, nonprofits, schools, community centers, and others — and the lessons learned from the partnerships within the *Grow Your Own* research, local business and community leaders can prepare a competitive workforce, support families and help all young adults realize their potential.

BUILDING STRONGER CROSS-SECTOR PARTNERSHIPS: CORPORATE VOICES' TOOLS

Supporting the Education Pipeline: A Business Engagement Toolkit for Community-Based Organizations

Opportunities in the Workforce Readiness Pipeline: A Community Engagement Toolkit for Business




Download these toolkits and other tools from Corporate Voices' Website at www.corporatevoices.org.



Utilizing Research as a Roadmap for Future Work

The research showcases companies that articulated a clear and compelling case for why they invest in the skills of their entry-level workers. It also suggests why other employers could benefit from doing the same. Increasingly, American employers require a skilled and qualified workforce to meet the demands of a global economy. Employers alone cannot ensure that all workers are prepared to succeed. By partnering with community organizations and the public sector, they can leverage the strengths of each and increase the odds of success. Using this research and findings, employers can find a roadmap to pursue similar education and training strategies — with the prospect of real and lasting returns on their investments over time.

Appendix A: Synopsis of Employers' Workforce Readiness Training Programs ⁴

COMPANY	PROGRAM OVERVIEW	BUSINESS IMPACT/ OUTCOMES	WORKER IMPACT
	<p>PATHWAYS TO PHARMACY</p> <ul style="list-style-type: none"> • Industry-based career pathway for pharmacy careers • Focus on at-risk young adults • Menu of education, training and social supports • Engagement across the talent pipeline from middle school and continues in employment 	<ul style="list-style-type: none"> • ROI = 179% • Lower turnover rates • Higher reported customer satisfaction • Builds pool of qualified and skilled pharmacists, pharmacy associates, pharmacy technicians, and others 	<ul style="list-style-type: none"> • Provided with classroom and on-the job skills training • Provided a career path • Can earn college credentials while earning a paycheck • Other supports include, job shadowing, mentoring, apprenticeships, internships and life-long learning opportunities programs
	<p>SKILLS ENHANCEMENT PROGRAM</p> <ul style="list-style-type: none"> • Began as a program focused only on lower-skilled and entry level employees; now open to any who seek to improve skills • All employees receive work readiness and job skills training • Course taught on hospital campus by adult education teachers • Enjoys senior-level executive support 	<ul style="list-style-type: none"> • ROI = 74% • Reduction in employee turnover costs • Ability to adopt curriculum based on ever-changing business needs 	<ul style="list-style-type: none"> • Receive work readiness training and new job skills to improve employability • Receive continuing education and chance to continually upgrade skills • Improves chances of upward mobility within hospital system or elsewhere
	<p>POWER PATHWAY™</p> <ul style="list-style-type: none"> • Customized workforce training through higher educational institution partners • Creates career pathways to strengthen the talent pool of skilled workers in communities across California • Improves access to jobs in high growth energy field 	<ul style="list-style-type: none"> • ROI negative 10% in first year due to start-up costs but projected to grow to positive 40% by year five • Large talent pool of ready and skilled workers • Increased diversity of applicant pool 	<ul style="list-style-type: none"> • Receive workforce training and skills needed to succeed at PG&E • Prepares for job opportunities in high growth energy field

Corporate Voices for Working Families
www.corporatevoices.org

Corporate Voices for Working Families is the leading national business membership organization shaping conversations and collaborations on public and corporate policy issues involving working families. A nonprofit, nonpartisan organization, we create and advance innovative policy solutions that reflect a commonality of interests among the private sector both global and domestic, government and other stakeholders. We are a unique voice, and we provide leading and best-practice employers a forum to improve the lives of working families, while strengthening our nation's economy and enhancing the vitality of our communities.

Forum for Youth Investment
www.forumfyi.org

The Forum for Youth Investment is a nonprofit, nonpartisan "action tank" dedicated to helping communities and the nation make sure all young people are Ready by 21: ready for college, work and life. Informed by rigorous research and practical experience, the Forum forges innovative ideas, strategies and partnerships to strengthen solutions for young people and those who care about them. A trusted resource for policy makers, advocates, researchers and program professionals, the Forum provides youth and adult leaders with the information, connections and tools they need to create greater opportunities and outcomes for young people.

Endnotes

1. Corporate Voices for Working Families. *Why Companies Invest in "Grow Your Own" Talent Development Models Including a Tool for Calculating Return on Workforce Readiness Programs*. 2011.
2. The Conference Board, Partnership for 21st Century Skills, Corporate Voices for Working Families and the Society for Human Resource Management. *Are They Really Ready to Work? Employers' Perspectives on the Basic Knowledge and Applied Skills of New Entrants to the 21st Century U.S. Workforce*. 2006.
3. Corporate Voices for Working Families. *What Are Business Leaders Saying about Workforce Readiness?*. December 2010.
4. To review the full case examples and the full report, please visit www.corporatevoices.org. Corporate Voices for Working Families. *Why Companies Invest in "Grow Your Own" Talent Development Models Including a Tool for Calculating Return on Workforce Readiness Programs*. 2011.

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