

POLICY WATCH – June 2012

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From NBLC's President & CEO



Graduations may be behind us, but the need to improve how students are being educated to be college and career ready is certainly not. Efforts are underway in Sonoma County through the Workforce Strategy Taskforce to develop a strategic plan to ensure that the workforce is able to meet and match the demands of the jobs being generated locally. The Taskforce is looking at how students can better connect with employers, complete post-secondary schooling for in demand jobs, and become more employable through mastery of "soft skills" like attitude, appearance, manners and office etiquette.

Cynthia Murray

SAVE THE DATE – November 2, 2012

Leaders of the North Bay Annual Luncheon, Embassy Suites, San Rafael
11:30 a.m. – 1:30 p.m.

Students Must Be College and Career Ready to Obtain Jobs

The urgency of getting students trained in the skills needed to be gainfully employed is growing as technology replaces numerous jobs at an accelerating pace. The same need exists to retrain workers who are being displaced by technological advances so that they are not unemployed.

In the Huffington Post's "90 Million Workers Won't Be Needed By 2020, Study Says," Bonnie Kavoussi (Posted: 06/19/2012) says, "According to McKinsey Global Institute, between 90 and 95 million low-skill workers -- or 2.6 percent of the global workforce -- will not be needed by employers by 2020 and will be vulnerable to permanent joblessness, while employers around the world will need nearly 45 million more medium-skill workers (with secondary school and vocational training) and 38 to 40 million more high-skill workers (with a college education) than will be available."



"The McKinsey study called for "decisive action by policy makers and businesses" to address unemployment concerns. It said that developed countries can avoid a shortage of high-skill workers by more than doubling those obtaining college and postgraduate education, allowing more high-skill workers to immigrate to the countries where they are needed, retraining more mid-career workers, and guiding more college students to job-relevant training. But even those efforts might leave 20 to 23 million lower-skill workers in danger of permanent joblessness. The study projected that through 2030, China and India will add the most college-educated workers to the labor force."

“For developing countries to combat long-term joblessness, the study said, they need to double or triple the growth rate of the capacity of their high schools and vocational schools, double or triple their labor-intensive exports, and double or triple their investment in infrastructure and housing construction to employ lower-skill workers.”

Skills Gap Isn't the Only Reason Some Jobs are Going Unfilled

It is frequently reported that there are many jobs that employers are not able to fill. Often, reasons given are that the talent pool isn't adequate or candidates don't have the skills needed to do the work. Knowledge @ Wharton, had an interesting take on this issue in “Why Good People Can't Get Jobs: Chasing After the 'Purple Squirrel’” (June 20, 2012). It featured an interview with Wharton management professor Peter Cappelli on his book – [Why Good People Can't Get Jobs: The Skills Gap and What Companies Can Do About It](#) - wherein “Cappelli debunks the oft-repeated argument from employers

that applicants don't have the skills needed for today's jobs. Instead, he puts much of the blame on companies themselves -- including their lack of information about hiring and training costs -- and on computerized applicant tracking systems that can make it harder, not easier, to find qualified job candidates.”

Here are excerpts from the interview:

“Knowledge@Wharton: One of your chapters in the book is called “A Training Gap, Not a Skills Gap.” You have some figures showing that in 1979, young workers received an average of two and a half weeks of training per year. By 1991, only 17% of young employees reported getting any training during the previous year, and by last year, only 21% said they received training during the previous five years. You note that this especially hurts work-based training programs, such as apprenticeships. So, really, a huge part of the so-called “skills gap” comes from the weak employer effort to promote internal training for either current employees or future hires. Is that correct?”

“Cappelli: Right. I think the story that one hears, particularly around the policy community, is that employers can't find the people they want to hire because schools are failing and kids aren't coming out with the right academic degrees and the right knowledge. If you actually look at the data from employers themselves when they report problems they're having with recruiting, they never talk about academic skills as being near the top of the list. In fact, their complaints have been consistent for the 30 years or so that I've been looking at this. And their complaints are the ones, frankly, that older people always have about younger people -- they're not conscientious enough, their workplace attitudes are not diligent enough, they don't want to work hard enough -- those sorts of things. They're not actually looking for young people out of school at all.”

“When you look at what they want, they want experience -- everybody wants somebody with three to five years' experience. What they're really after are the skills that you can't learn in a classroom, that you can only learn by doing the job itself. So, the craziness about the hiring requirements is that in most cases, employers are looking for somebody who is currently doing exactly the same job someplace else. That's partly why they don't want to look at an applicant who is currently unemployed.... They want somebody who is currently doing the same job right now. The problem is that nobody wants to give those people right out of school any experience. Nobody wants to take somebody who's never done this job before and train them. Now, I can understand why it's better, easier, if you're an employer to hire somebody who's already been trained -- or it seems like it's better. But it's creating this skills problem, because nobody wants to give people that initial experience. And again, in many cases, it would pay off to take people who are really qualified in many ways -- except for these quite specific skills -- and help them get training. You can pay them less while you're training them. You can require that they get some of these skills before you engage them. But because of the accounting systems, employers, for the most part, have no idea what it would cost them to train somebody. They have no idea whether they're actually saving money by trying to chase these people who already have jobs and hire them.”

“Knowledge@Wharton: Has the role of the typical company HR department been enhanced, minimized, made irrelevant in this hiring process these days?”

“Cappelli: I think that part of the story is that the HR departments have been gutted over the last 20 years. Particularly in this recession, there's a lot of downsizing, but especially in HR. The training departments are largely gone out of most companies, and a lot of the recruiting functions are gone as well. So, in the old days, you ask a

hiring manager to create a job description. There would be an HR person there to help him do it or to push back if they had requirements which were crazy or out of whack with the market. Now those folks are gone, and basically, those wish lists of hiring requirements get baked right into applicant tracking software. Human eyes rarely see applicants

until the very end of the process. So, we're trying to push the automation too far. There's nothing wrong with the automation, per se, and you need to screen all these applicants. But trying to get rid of the people altogether means that we're relying on the machines to make the decisions. Human judgment is still pretty important."

"Knowledge@Wharton: The subtitle of your book -- *The Skills Gap and What Companies Can Do About It* -- suggests there are solutions to these issues. You've touched on this already. But if you had to pick two or three things that could alleviate this problem, what would they be?"

"Cappelli: If I were an employer, I would first begin -- actually, I put this to a group of CEOs just this last week -- to ask if I know what it's costing me to keep a vacancy open. It's got to be costing me something. Do I know what it's costing me to train somebody versus hiring somebody and chasing them on the outside? If you have answers to those questions, you start realizing that it does cost something to keep vacancies open. Searching forever for somebody -- that purple squirrel, as they say in IT, that somebody who is so unique and so unusual, so perfect, although you never [find] them -- that's not a good idea."

Best Companies for Leadership



Reinforcing the need for training is The Hay Group, a global management consulting company, reports in its annual [Best Companies for Leadership Study](#) that these companies share best practices worth emulating. The key is that these "top companies foster innovation at all levels of the organization." The study said, "All of the Top 20 companies reported that their leaders regularly celebrate innovation, compared to just 49% of the other companies. In addition, they reported that if individuals have an excellent idea, they can bypass the chain of command without the threat of negative consequences, compared to only 63% of the other companies."

And notably, "Best Companies for Leadership distinguish themselves by their ability to develop well-rounded, multi-faceted talent within their organization," said Susan Snyder, senior principal in Hay Group's Leadership and Talent practice and co-leader of the Best Companies for Leadership Study. "As innovation increasingly becomes a key differentiator for companies worldwide, best-in-class organizations are doing more to train and develop their people, celebrate diversity, reward collaboration and establish an environment that fosters innovation, creating a competitive advantage in the marketplace. In fact, the Best Companies consistently outperform their peers. Over a 10-year period, the Top 20 companies produced a 5.39 percent shareholder return, compared to a 2.92 percent return generated by the S&P 500."

Fix Immigration – Save the U.S. Economy and University Research

In "Foreign inventors dominate patents awarded to top research universities," by Kent Hoover, Washington Bureau Chief (The Business Journals, June 26, 2012), it is reported that according to the [Partnership for a New American Economy](#), which analyzed 1,500 patents awarded in 2011 to the top 10 patent-producing universities in the U.S., "more than 76 percent of the patents awarded to the nation's top 10 research universities last year had a foreign-born scientist listed as an inventor.

The organization, which is composed of mayors and business leaders, contends this finding demonstrates the need to reform our immigration policies to allow more of these foreign-born inventors to remain in the United States. The report states, "Many



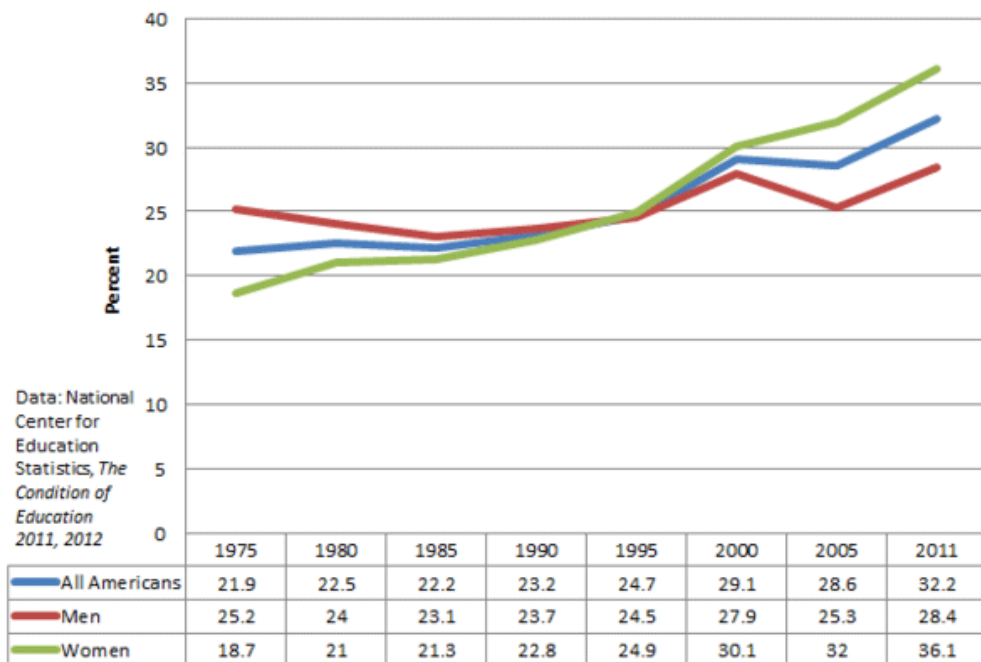
of these inventors may end up leaving the country under current policies. The study found that 54 percent of the patents studied included foreign-born inventors who were students, post-doctoral researchers or staff researchers who were not professors.” These inventors have been stymied in obtaining visas and forced to leave the U.S. hurting University research, which is essential to helping the “U.S. stay ahead in the fields of science, technology, engineering and mathematics (STEM). Universities receive one in six of all patents for molecular biology and microbiology, for example. Academic research institutions own more than one-third of patents in genetics.”

“If U.S. political leaders don’t reform the country’s broken immigration system soon, they risk jeopardizing one of the country’s biggest assets -- our ability to leverage our pre-eminent universities to attract talented foreigners and make them part of the great American success story,” the partnership’s report concludes. To remedy this brain drain, more than 80 university presidents joined the partnership in calling for Congress to pass legislation to:

- Grant permanent residency -- green cards -- to foreign students who earn graduate degrees in STEM fields;
- Create a Startup Visa for foreign-born entrepreneurs who want to start companies in the U.S.; and
- Remove or at least raise the current cap of 65,000 H-1B visas, which are awarded to highly skilled foreigners who work in the U.S.

A Picture is Worth 1,000 Words

Percentage of 25- to- 29-Year-Olds with a Bachelor's Degree



If the equation holds, women are poised to dominate our workforce in the coming years. With each passing decade, more Americans have gone to school and earned a higher degree. But as shown in this chart below, compiled from data in a pair of [annual reports](#) released by the National Center for Education Statistics, nearly all of that progress since 1975 has been among females (in GREEN). Women passed men in bachelor's attainment in 1995 and haven't looked back since. By 2000, a higher share of females were earning Master's degrees, where they

now out-compete males 8.8 percent to 5.1 percent. The pattern has been similar across every racial demographic. Among whites, blacks, Hispanics, and Asians, women have simply made more progress.

MEMBERS IN THE NEWS

George Lucas donates fire engine to Muir Beach Volunteer Fire Department and names Kathleen Kennedy Successor at S.F. Based Lucasfilm

The Muir Beach Volunteer Fire Department has received a big gift courtesy of filmmaker George Lucas. Lucas donated one of his two engines from his Skywalker Ranch fleet in Lucas Valley after the Muir Beach fire department had entered into negotiations to buy the vehicle ...

Marin filmmaker George Lucas has named veteran producer Kathleen Kennedy as his co-chair and successor at the iconic film studio he founded ...

Redwood Credit Union President & CEO testifies before Washington Congressional Committee

Redwood Credit Union's President & CEO Brett Martinez testified before a Congressional committee in Washington, DC yesterday urging them to extend SBA programs and raise the credit union business lending cap so credit unions can continue to provide more loans to help local small businesses., DC yesterday urging them to extend SBA programs and raise the credit union business lending cap so credit unions can continue to provide more loans to help local small businesses ...

Kaiser Permanente hospitals in North Bay get High Marks for Patient Safety

Kaiser Permanente hospitals in Santa Rosa and Vallejo were among 15 other Kaiser hospitals to receive an "A" grade on the Hospital Safety Score by The Leapfrog Group, an independent national nonprofit run by employers and other large purchasers of health benefits ...

Buck Institute Gets \$1M Grant

The Buck Institute has received \$1 million for new postdoctoral fellows positions, funding two years of research for 10 scientists ...

Wells Fargo debuts \$100 million environmental grant program & doesn't have to worry about Moody Downgrade

Wells Fargo said Tuesday that it established a \$100 million environmental grant program that will kick off with a \$15 million, five-year commitment to the National Fish and Wildlife Foundation. The San Francisco bank will award the \$100 million to nonprofits and universities by 2020 under the program that falls under its corporate social responsibility efforts ...

Wells Fargo, the nation's fourth largest bank by assets, is not on Moody's list of banks up for a credit review. When Moody's first announced it was reviewing the credit ratings of 17 banks back in February Wells Fargo was not on its list ...

Read more online at www.northbayleadership.org/news



Who We Are

Twenty one years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes over 43 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org