

Background: Framing the Future of Work Task Force Issue Prioritization

The next step in the Task Force process is to prioritize the policy issues for the final report.

Task Force members and staff have looked at a wide range of issues relating to the future of work. The goal is for Washington to have shared prosperity among workers, businesses, and communities.

While current unemployment is generally low, Washington has a number of areas where communities are still struggling after the recession, mostly in rural counties. Workers and businesses in these areas face unique challenges – different from urban areas, where people, skills, and economic activity are concentrated.

Businesses, workers and communities will need to do things differently to adapt to the “Fourth Industrial Revolution.” New ways of thinking, cooperating, and operating are needed to ensure shared prosperity. Solutions will likely fall into a few distinct “buckets.”

- Some solutions will be geared primarily toward **people**, particularly in the areas of training and education, and in the areas of “support.” Support entails both government-provided resources, such as UI, Workers Compensation, publicly funded education, subsidies, labor market and career data, and private sector provided support such as OJT, benefits, retirement, tuition assistance and career advancement.
- Other solutions will be geared toward **business**. A major concern of our employers is having readily available workers with relevant skills who show up on time daily and are flexible problem-solvers. Business partnership with the state’s education institutions (both secondary and postsecondary) is a critical component for ensuring the talent pipeline has the skills necessary for the workforce of the future.

Through research, stakeholder engagement, and Task Force discussions, consensus is beginning to emerge around priorities. This does not mean there is a consensus on a particular solution or policy idea, but that the Task Force is in general agreement about what is important.

Listed here are those issues, which – based upon the conversations with the Task Force members over the last year – staff have determined the Task Force has prioritized:

1. Incumbent worker training
2. Job quality
3. Use and adoption of technology in the workplace
4. Better, more timely and coordinated labor market information
5. Modernized worker support system, i.e. portable benefits, lifelong learning accounts
6. Small and medium sized business access to innovation/engineering/labs
7. Tax policy that rewards investing in people
8. Alternate forms of worker engagement, i.e. worker voice in automation discussions, cooperative ownership, ESOPs
9. Credentialing transparency
10. More effective inclusion of marginalized and disadvantaged populations in work/economy

The Task Force will be discussing each issue at the August 8 meeting to determine whether these are indeed the priorities of the group, and begin to identify potential solutions. Staff have developed short issue briefs on each of the above items to help guide the conversation in the meeting.

Policy Topic: Incumbent Worker Training

Overview

Today's economy and workplace put more demands on workers than ever as the nature of work evolves at ever-increasing rates with the advent and implementation of new technology. Workers increasingly require new training and skills development or risk being displaced in the workforce.

Business investment in worker training is far less than in years past, with a few exceptions. Many large corporations invest heavily in employee upskilling as a way to retain proven employees. Companies may also provide employee education benefits, but the structure of those benefits is largely geared towards managers and highly skilled technical workers, usually requiring an up-front investment, reimbursed if a certain grade is achieved. Small and mid-sized businesses with fewer resources often cannot afford extensive training programs or educational benefit programs.

The Washington Workforce Board (Board) made this issue a priority for the 2019 legislative session, supporting \$25 million in new spending for the 2019-2020 biennium. Washington is in the bottom quintile of states that invest in incumbent worker training. Economically comparable states, such as Massachusetts, New York, New Jersey and Maryland each spend \$60 million or higher. The state's current annual investment in this strategy includes the \$4 million for State Board for Community & Technical College's Job Skills and Customized Training programs, and between \$1 and \$2 million for the Department of Commerce's WorkStart program.

The Board's request also included policy changes to improve these programs, including expanded eligibility criteria for providers of the training, an on-demand review cycle for applications, and system oversight and evaluation of the impact of enhanced investments. The financial request was included in the Governor's proposed budget, but was not funded in the final budget. The Board intends to make the same request for the 2020 Legislative Session.

Task Force Deliberation

Over the course of our task force meetings and more recently in our respective caucus calls in July, a consensus has emerged around the importance of incumbent worker training. At the same time, the cost of training and upskilling –and how this can be funded—remains a challenge. Specifically, what is the appropriate responsibility of all parties—workers, employers and government to pay for current worker training? The concept of a co-invested fund pool, Life Long Learning Accounts (LiLAs) has also been brought up at previous Task Force meetings.

Supporting Research

A substantial amount of research exists related to this challenge. Some of these include:

- Upgrading workforce skills, especially retraining midcareer workers, as people work more with machines; and adapting income and transition support to help workers and enable those displaced to find new employment.¹
- Establish strategic skills mapping within jobs.²
- Create/fund industry organizations to be responsible for keeping the skills of the talent pipeline up to date.

¹ McKinsey Global Institute. Jobs Lost, Jobs Gained: Workforce Transitions In a Time of Automation. 2017

² World Economic Forum. Towards a Reskilling Revolution Industry-Led Action for the Future of Work. 2019

Policy Topic: Job Quality

Overview

Jobs and the economy have undergone massive change and evolution in the last 20 years and will continue to do so for the foreseeable future. Businesses and organizations of all types have adopted new technology, new processes and new business models, which has changed the mix of jobs, job requirements and job quality. Millions of “middle-skilled” and middle income jobs have been eliminated, and are not returning. Many workers displaced in these industries never returned to the wage levels they once experienced. In rural areas affected by large employment displacements, these communities’ economic recovery never really occurred, and remains distressed.

While many jobs created over the last 20 years never existed before, many if not most, require post-secondary education of some type; certifications or degrees in most cases. For those with a high school diploma or less, the job market provides fewer opportunities. The job opportunities the economy generates for those with less education are mostly low paid, often part-time, and may lack benefits or opportunities for advancement.

Task Force Deliberation

Task Force members have brought up job quality as a critical issue for workers. Concerns over pay, benefits, training, and retirement, along with issues of algorithmic management have been discussed. There are concerns over how jobs can be “deskilled” through algorithmic management and the difficulties for workers that can result when scheduling snafus occur.

Key issues around this topic are how employers can redesign difficult jobs to ones that are more satisfying and consequently easier to fill and retain. The issue of job quality is also tied to adoption of technology in the workplace. Other issues relate to how humans will interact with advanced technology and robots/cobots in the workplace.

Supporting Data

- Safety and protection of workers against detrimental working time demands and health risks; facilitating transitions over the life course; and more autonomy in scheduling and in choosing the location of work.¹
- Explore the effects of employee monitoring and surveillance technologies in the workplace (i.e. prediction and flagging tools, biometric and health data, remote monitoring and time-tracking, gamification and algorithmic management).²

¹ German Federal Ministry of Labour and Social Affairs. Work 4.0. 2016

² Data and Society. Workplace Monitoring and Surveillance. 2019

Policy Topic: Use and Adoption of Technology in the Workplace

Overview

Robots and software programs, fueled by advances in artificial intelligence (AI), are becoming increasingly proficient at performing an array of tasks more efficiently and accurately than the humans who created them. The collection and analysis of a dizzying volume of data is providing new ways to conduct business and even understand human behavior. While these advances continue to fuel increased productivity and economic growth, these gains are often distributed inequitably and can result in losses of jobs and job quality if not carefully balanced.

Task Force Deliberation

The disruptions affecting the state's workforce and economy through automation and AI have been a consistent theme for the Task Force since its inception. As such, the Task Force has engaged discussions on the subject ranging from increased productivity and job augmentation vs job replacement, to potential bias in AI and the effect of performance monitoring software in the workplace.

The topic was also discussed in both July 2019 caucus conference calls. In the business call this was done in the context of analyzing the effectiveness and impact of occupational licensing and certification standards, especially in the context of automation, AI, and machine learning. For the labor call, potential policy ramifications included: ways to incent employers to use a "value lens" when implementing management technologies, such as worker surveillance, or algorithmic scheduling programs; establish bottom line scheduling rules, such as disallowing short-hour "clopen" schedules or changing worker schedules to conflict with other important, scheduled needs (i.e, childcare, another job, participation in education or training, etc.); and promote business' inclusion of workers to bring new technology into the workplace, including when designing technology-related worker training or retraining, through worker-management advisory committees.

Supporting Research

Policy examples related to this topic include:

- Encourage employers to engage workers in automation decision-making by promoting worker voice.¹
- Create an AI commission made up of knowledgeable professionals and experts in the field of AI to explore implications of AI in state services.²

¹ Aspen Institute. Automation and a Changing Economy. 2019.

² Little Hoover Commission. Artificial Intelligence: A Roadmap for California. 2018

Policy Topic: Coordinated Labor Market Information

Overview

Additional information is needed to more accurately and efficiently match jobseekers with employers and jobs, across the state. Jobseekers often do not know which skills are needed for particular jobs and lack a clear pathway to obtain these skills. More accurate data on the state's labor force, along with more effective linkages between government entities and the education system, could benefit both workers and businesses by providing a more precise picture of workforce supply and demand.

Task Force Deliberation

The Task Force included more accurate collection and sharing of data as one of its policy areas for further exploration in its final 2018 report submitted to the Governor and the Legislature. During the July caucus conference calls, this interest was reiterated, resulting in the formation of a policy topic to create structure(s) to obtain valid, reliable, real-time data on current job vacancies and projected near- and long-term hiring needs. Specifically, to include occupation codes for all employees reported by businesses on quarterly UI wage reports.

Supporting Research

- Maryland legislation proposing new regulations requiring employer submit additional information as part of its quarterly unemployment insurance. New information includes: (1) the occupation and job title of each employee; (2) the number of hours each employee has worked during the calendar quarter; and (3) the location at which the employee works.¹

¹ Maryland General Assembly House Bill 1128 (2019)

Policy Topic: Modernized Worker Support System

Overview

Existing worker support systems such as unemployment insurance, retirement plans, skills development, health insurance and others have changed very little since their creation decades ago. At the same time, the evolution of the workforce and its changing relationship with business has resulted in substantial disruptions in traditional employment areas, including workplace training, alternative work arrangements, length and nature of tenure, and employer-sponsored benefits. New or modified support systems are required to better address these shifts that leave workers less vulnerable without placing onerous burdens on private business or the government.

Task Force Deliberation

In the 2018 report submitted to the Governor and the Legislature, the Task Force included the following issue as one of its ten policy areas for further exploration: “Workers engaged in alternative or contingent work arrangements, including those who earn a living through independent contracting and the gig economy, lack a steady paycheck, or key employer-provided benefits, such as retirement savings, health insurance, or paid sick or parental leave.” Further discussion on these issues expanded the scope of these support systems beyond alternative and contingent workers to include the workforce as a whole.

During the July Task Force caucus conference calls, the business delegation discussed a potential policy topic to create accessible, cost-efficient portable benefits structure for the contingent workforce. Similarly, the labor delegation explored policy topics of supporting a portable benefits model that streamlines access and usage among under-employed, “permatemp” and contingent workers, as well as supporting a case analysis of the current unemployment insurance and related programs and develop recommendations for a modern system.

Supporting Research

Policy examples related to this topic include:

- Perform data analysis to better understand the local market and workforce.¹
- Create and pilot “Benefit Innovation Zones” that would allow for experimentation with different benefit and protection models.²
- Implement lifelong learning accounts.³

¹ The Aspen Institute. Portable Benefits Resource Guide. 2016

² The Aspen Institute. Portable Benefits Resource Guide. 2016

³ World Economic Forum. Towards a Reskilling Revolution Industry-Led Action for the Future of Work. 2019

Policy Topic: Collaborative Applied Research / Access to Innovation

Overview

The rapid-fire innovation that has driven Washington to outpace the nation in economic growth has been concentrated largely in or near King County. The ingredients that make up the innovation economy in King County aren't prevalent in much of the state (access to research institutions, capital, infrastructure, talent supply, and other resources). New mechanisms are needed to help businesses and their workers benefit from technological advancements in every corner of the state, including small cities and rural and remote regions.

A wide range of businesses across Washington are facing the challenge of staying competitive as they lack access to engineering and other resources needed to adopt advanced technology or methods (automation, AI, deep learning, robots, lean processes, etc.). Modernizing business operations entails risks and expense with no guarantee of success, so the ability to try, fail, and try again is best done gradually and with internal resources. Hence better capitalized businesses that can sponsor or co-sponsor research with research institutions can move ahead more rapidly. Business' attempts to innovate, without the benefit of technical and organizational planning resources, or discretionary capital can cause major, even perilous disruption to the company, its workers, and community.

Technology-based economic development (TBED) has shown itself to be one of the best drivers of job, wage and economic growth. At the core of TBED is university-industry collaboration. Washington's two public research institutions, University of Washington and Washington State University, are very actively engaged in sponsored research activities with industry. Although the two universities have made efforts to reach more Washington businesses, their services remain inaccessible to and too costly for most small and midsize businesses in Washington. Also, undergraduate and graduate students, without guidance or incentive to work with smaller companies, often choose to work on applied research projects linked to large corporations with significant employment potential.

Task Force Deliberation

Collaborative applied research and access to innovation has been discussed by the Task Force but discussions have not yet provided a definite course of action.

Workforce Board staff have researched this topic and have found some promising models in Europe and Canada. Staff spoke recently with a representative of the British Columbia Institute of Technology industry research program. They have developed deep industry relationships, performed a great deal of collaborative research with industry partners resulting in many new products, services and new jobs in British Columbia. Staff have also had exploratory, yet promising discussions with faculty in engineering and computer science, and other business support organizations about potential new models to address this innovation services gap.

Supporting Research

- Support the development of TBED at the state and/or regional level.¹
- Utilize regional universities and community colleges as hub-and-spoke models to expand the reach and scope of CAR beyond UW and WSU.²

¹Economic Policy Research Center, University of Washington. Economic Rationale for a Washington TBED Initiative, Greg Tassey. 2019

² National Science Foundation. Big Data Regional Innovation Hubs. 2018

Policy Topic: Policy that Rewards Investing in People

Overview

This promotes the idea of viewing a worker as an “asset” rather than an “expense” on a balance sheet. For instance, capital expenditures in machinery (including automation and AI) are encouraged through tax breaks and depreciation. Currently, training and skills development is largely viewed as an expense, meaning that businesses are more incentivized to automate or buy machines rather than retrain and upskill.

In order to alleviate this, one policy idea is to treat employees as assets on the balance sheet. If this were the case, companies could be granted tax breaks for investing in workers in the same manner they are currently granted for investing in capital infrastructure.

Task Force Deliberation

After being presented information on the subject by Task Force staff in July 2019, the concept of incentivizing workforce investment was discussed in both Task Force caucus conference calls. This resulted in both caucuses identifying a policy topic around creating a tax incentive for businesses to invest or co-invest in the skill development of their workforce.

Supporting Research

Policy examples related to this topic include:

- This model is already being explored at the federal level with a bill introduced to Congress in February 2019 and sponsored by Senator Mark Warner of Virginia. Referred to as the “Investing in American Workers Act,” the bill would amend the Internal Revenue Code of 1986 to provide a credit for employer-provided worker training. The credit would apply to expenditures for the training of non-highly compensated employees.¹
- Create a Worker Training Tax Credit. Modeled on the popular Research and Development (R&D) Tax Credit, this new tax credit could be used by small and large businesses to invest in training for their low- and middle-income workers².

¹ Investing in America’s Workers Act, Senate Bill 538 of 2019.

² The Aspen Institute, Worker Training Tax Credit. 2018

Policy Topic: Engage and support workers to address economic stability and job quality

Overview

Domestic productivity gains, although slowing over the past decade, continue to outpace growth in wages. The net result of this ongoing trend is that income inequality in the United States has been on the rise since the 1970s, and continues to be a major policy flashpoint across the country. This trend is consistent in Washington state, as real median earnings for the lowest 80 percent of individual workers remained flat from 2000-2017, remaining well below \$50,000 during that time period, according to data from the U.S. Census Bureau. At the same time, real median individual earnings for the top 20 percent of earners increased from \$53,000 to \$91,000. Compounding this problem, the occupations which are generally lower in pay are often the most susceptible to automation and job displacement. In order to allow Washington's businesses and workers to prosper together, this growing disparity needs to be addressed.

Task Force Deliberation

In its final 2018 report submitted to the Governor and the Legislature, the Task Force included as one of its policy areas for further exploration the subject of increased economic productivity coinciding with stagnant wages, leading to greater wealth inequality. Subsequent Task Force discussions acknowledged the need to address this issue in a variety of ways including employee ownership models, greater worker voice in decisions that affect them, entrepreneurship training (including managing life as an independent contractor), career paths to higher quality jobs, and others. During the July 2019 caucus conference calls, the labor caucus suggested exploring the topic of establishing guidelines for certain public workforce investments that requires a worker/management advisory and oversight body.

Supporting Research

Policy examples related to this topic include:

- Create an Office of Employee Ownership with dedicated staff to provide support and technical assistance; loan funds, loan guarantees, and information and incentives for ESOP loan providers¹.
- Changing reward mechanisms: Create economic incentives that reward job creation and/or wage and benefit enhancement, especially as automation proceeds and the gig economy disrupts how jobs are created (or even what constitutes a job).
- Create a more flexible labor market via promoting and supporting entrepreneurship.²

¹ National Center for Employee Ownership. Economic Growth Through Employee Ownership. 2016

² The Aspen Institute. Automation and a Changing Economy. 2019

Policy Topic: Credentialing Transparency

Overview

Credentials have been used historically as the primary proxy to signal “talent.” Students from elementary school on have been counseled to get a college degree to ensure employability. Employers require college credentials or other non-degree credentials rather than articulating the actual skills and competencies required to do a job well. For certain populations, such as racial minorities, people with disabilities, and justice-involved, for whom higher education and degree completion has been inaccessible, the “degree as proxy” hiring trend has put many careers out of their reach.

The number and type of credentials in the marketplace is growing. Badges, micro-degrees, apprenticeships and other on-the-job training certifications, MOOCs, credentials conferred by industry associations, along with traditional and non-traditional college degree programs; the growth seems endless. A Credential Engine study in 2018 identified 330,000 distinct credentials in the U.S. alone¹.

However, there is no “standard” for defining the parameters of any credential, and no taxonomy for describing the skills, competencies and experiences attained to merit a credential. Students, workers and jobseekers want to be able to identify and compare credential and program options before they invest. Comparing one credential to another is currently an “apples to oranges” exercise, making it nearly impossible to fully determine the labor market value of particular degrees, certificates, licenses or other credentials. (Although Washington is the only state that currently is able to match student records with wage records for program-level performance results).

Employers also need to know what a particular credential represents to aid the hiring process, and to support investments in upskilling their workforce. Now more than ever, they also want to be able to communicate with the education community much more precisely about the skills and competencies they need, when they need them. Employers want mechanisms to allow them to co-create the talent pipeline with the education community, including partnering on work-based learning opportunities.

Credentialing transparency is an idea being promoted nationally, funded primarily by the Lumina and JP Morgan Chase Foundations. After about eight years of funded research, they jointly funded a non-profit called Credential Engine, to develop a standard credentialing taxonomy and language, and to build a national credential registry that would list every credential in the national (and eventually international) marketplace. With this basis, states and other public entities could utilize the data free of charge to build credential literacy among students, jobseekers, workers and employers. Heightened credential transparency and literacy will greatly improve the ability of employers and workers to know what they are getting and dramatically improves the ability for workers and employers to search and find relevant information about credentials.

Task Force Deliberation

This issue has been discussed by the Task Force. The Workforce Board hosted a webinar on this topic July 22. There is widespread agreement that this issue needs attention and effort. The Workforce Board is operating under a grant to upgrade and enhance Career Bridge to be ready for credentialing transparency and standardization. The Task Force will hear about how Washington’s higher education system views this idea at the upcoming August 8, 2019 Task Force Meeting.

Supporting Research

- Credentialing webinar held July 22, 2019
- www.credentialengine.org

¹ *Counting U.S. Secondary and Postsecondary Credentials*, A Credential Engine Report, April 2018

Policy Topic: More Effective Inclusion of Marginalized and Disadvantaged Populations

Overview

While Washington State's economy has exhibited robust economic expansion in its recent history, the benefits of this growth have not been equally distributed. One of the major issues in today's society and economy is severe income disparity. Particular groups in Washington State face systemic barriers and inequities when it comes to securing quality employment, accessing educational opportunities, and starting and growing a business. A staggered starting line inhibits, or at least toughens, the path to success for significant portions of groups of Washington residents including people of color, women, veterans, people with records, rural residents, people with disabilities, and tribal members, among others. Access to infrastructure and services are likewise not universally accessible across all areas of the state, creating additional barriers and reducing the competitiveness of some rural areas of Washington.

Task Force Deliberation

The Task Force has made clear its intentions to examine all possible policy recommendations through an equity lens, as stated in the initial 2018 report to the Governor and the Legislature. In the July 19 caucus conference calls, inequity and inclusions topics were revisited with both caucuses outlining the topic for further exploration.

Supporting Research

Policy examples related to this topic include:

- Facilitate economic development across the state by tailoring efforts to specific communities and their strengths and weaknesses.¹
- Vendors and employers must be dramatically more transparent about the AI-based predictive tools they build and use for human resource management, and must allow independent auditing of those tools.²
- Encourage businesses to employ youth or other targeted populations through mechanisms, such as tax incentives, training or other wage level differentiations, UI waivers for trial employment, risk-sharing with state for targeted population hires, etc.
- Support existing state efforts to expand rural broadband internet coverage.

¹ Walmart Foundation. America at Work: A National Mosaic and Roadmap for Tomorrow. 2019

² Upturn. An Exploration of Hiring Algorithms, Equity and Bias. 2018