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Workforce Development in Today's Economy

Remarks by

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Member

Board of Governors of the Federal Reserve System

at

“Leading the Way: A Workforce Development Video Campaign” awards ceremony

hosted by

the Federal Reserve Bank of New York and Pathways in Technology

Early College High Schools in the Greater Rochester Area

Rochester, N.Y.

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I would like to thank the staff at the Federal Reserve Bank of New York for inviting me to attend this awards ceremony.¹ As many of you may already know, the Leading the Way campaign is a joint effort between the Federal Reserve Bank and the P-TECH² schools of the Greater Rochester area. It is wonderful to be part of an event that celebrates collaboration between educational institutions, local government, the Federal Reserve, and employers as they work together to provide appropriate training for young workers to fill local jobs needs. Collaboration creates a more vibrant workforce that is connected to actual jobs.

Today's Job Market

I have just come from a meeting of the Federal Open Market Committee (FOMC). The FOMC is one of the main policymaking committees of the Federal Reserve System. Our main job on the FOMC is to set interest rates to achieve the maximum level of employment in the country and sustain inflation at a moderate level.

The nation's unemployment rate is currently around 4.1 percent, which is a relatively low level by historical standards. What that means for the young people participating in this program is that this is a great time to find a job. Moreover, not only is the national unemployment rate low, so are unemployment rates for young people and members of ethnic and racial groups that have traditionally faced greater challenges in the labor market. As many of you know, during the deep recession of 2008 and 2009, many Americans were so discouraged by poor job prospects that they stopped even looking for work. That meant that too many Americans were sitting on the sidelines. In

¹ I am grateful to Heidi Kaplan for her assistance in preparing this text. The remarks represent my own views, which do not necessarily represent those of the Federal Reserve Board or the Federal Open Market Committee.

² *P-TECH* is short for Pathways in Technology Early College High.

the past few years, the job market has gotten so strong that many of these people have come off the sidelines--and many are now back at work.

The Rochester area, like much of the country, has now recovered from the Great Recession. The education and health-care sectors continue to be the main drivers of job growth. And, the local community colleges have partnered with local employers to align their curriculums with the employers' job openings, to increase workers' connections to jobs, and to become a resource for regional job information. Finally, the local government has worked to contend with a long-term loss of jobs in manufacturing and a more recent loss of jobs in professional services by attracting investment in a world-class photonics hub in Rochester.

I often meet with people who run large companies to get their take on the strength of the economy. Whereas a few years ago, they might not have been engaged in a lot of hiring, today they tell me that it is becoming more challenging to find well-qualified workers for the job openings they want to fill. That's good news for those of you participating in the P-TECH program. It means employers are looking for graduates of programs just like yours, which are attuned to the job opportunities of employers. P-TECH Rochester programs offer students professional mentors, job shadowing opportunities, and on-the-job experience to ensure that they are ready to contribute positively to the workplaces of local employers. I also understand that companies are investing more in on-the-job training and are strengthening efforts to retain more of the workers they attract, which means younger workers--such as P-TECH graduates--have a better chance of securing jobs that lead to long-lasting careers. By any measure, the

market for younger workers today looks much better than it did in the years just after the Great Recession, when unemployment rates for teenagers were above 20 percent.³

In fact, firms are turning more and more to programs like P-TECH to help them find and train the workers they need. So the skills you are gaining today are likely to provide pathways not only to the jobs of today but also the careers of the future.

Workforce Development

The Federal Reserve Bank of New York is one of the facilitators of the Leading the Way campaign. The Federal Reserve System has a long-standing interest in understanding labor market dynamics and promoting workforce development opportunities. Programs like this help workers prepare for jobs and help firms invest in workforce development. Together, these efforts help make the economy more productive and help us achieve our goal of maximum employment. In addition to the Federal Reserve Bank of New York's efforts, the Federal Reserve Bank of Boston is learning about labor markets in small industrial cities through their Working Cities Challenge and the Federal Reserve Bank of Dallas has focused on the importance of infrastructure including broadband for economic inclusion. The Federal Reserve Bank of Atlanta has been a leader within the Federal Reserve System in establishing the Investing in America's Workforce Initiative, an effort across the Federal Reserve System to reframe training expenditures as investments in human capital rather than costs. In October, Atlanta established the Center for Workforce and Economic Opportunity to focus on employment policies and labor market issues that affect low- and moderate-income

³ See Lael Brainard, "Coming of Age in the Great Recession," speech given to the Federal Reserve's conference on "Economic Mobility: Research and Ideas on Strengthening Families, Communities, and the Economy," April 2, 2015, www.federalreserve.gov/newsevents/speech/brainard20150402a.htm.

individuals. The System also recently hosted a national conference in Austin to promote the importance of investing in America's workforce.⁴

As employers' demand for specific education and training increase, collaborative initiatives, like those exhibited through the P-TECH programs of Greater Rochester, will help minimize the skills mismatch appearing in many communities with burgeoning job markets.

Young Workers

Since 2013, the Federal Reserve Board has been administering the Survey of Young Workers to learn more about work experiences and future prospects for 18-to-30-year-olds nationwide. When I look at the survey findings, I am struck by how well the P-TECH program addresses many of the issues young people identified in the survey.

As a first example, the survey findings highlight the important correlation between postsecondary education and labor market outcomes. The survey data indicate that higher levels of educational attainment are associated with higher earnings, greater job satisfaction, and increased optimism about one's job future. P-TECH focuses on providing students with postsecondary credentials, helping to address one of the survey's main concerns.

Second, responses to the survey underscore the importance of young workers receiving appropriate information that enables them to select an educational program that provides better labor market outcomes. The survey found that more than 30 percent of

⁴ For more information on the Working Cities Challenge, see www.bostonfed.org/community-development/smaller-industrial-cities/working-cities-challenge.aspx. For the Dallas Fed's work on closing the digital divide, see www.dallasfed.org/cd/pubs.aspx. For the Atlanta Fed's Center for Workforce and Economic Opportunity, see <https://www.frbatlanta.org/cweo.aspx>. And on the Investing in America's Workforce Initiative, see www.investinwork.org.

young adults did not receive information about jobs and careers in high school and college. P-TECH is focused on providing information about educational opportunities and jobs to students before they enter high school.

Third, the survey found that many young workers are not employed in fields aligned with their education. Fewer than half (45 percent) of the young workers surveyed said they were employed in a career field that is closely related to their educational and training background. P-TECH focuses on aligning education with actual jobs.

Finally, the survey found that steady employment is very important to young workers. In 2015, young adults had a strong preference for steady employment (62 percent) over higher pay (36 percent). And, among the respondents who preferred steady employment, 80 percent would rather have one steady job than a stream of steady jobs for the next five years. The work that P-TECH students do directly with employers helps steer them toward long-term, steady employment.

Conclusion

In conclusion, I am proud that the Federal Reserve is contributing to the efforts of the P-TECH program in the Rochester area and I look forward to the video presentations we will have shortly. I want to congratulate in advance the winners of the video competition, who will also be announced shortly. I also want to congratulate all of you for being part of a 21st century education program that will help connect you to pathways of opportunity and help enable you to make important contributions to the vitality of your community.