

Common Ground: Growing the State's Economy

Paolo DeMaria, Chief Policy Advisor
to Governor Bob Taft, Ohio

Let me start by making the following observation. Ask any public servant, and I mean teacher, university professor, social service worker, employment professional, you name it, the following question. **"Would you rather do the work you do in the context of a state with a growing economy, or in a state with a stagnant or shrinking economy?"** Now that's an easy question. Ninety-eight percent of the people would immediately say I'd rather do it in a growing economy. The other 2 percent that hesitate, after you remind them about the painful budget cutting and layoffs and all the agony we've been going through for the last three years, they too will admit it's a lot better to do their work in a growing economy.

Now, the reason I use that as an example is to make two points. The first thing you need to do to align all these systems is to quietly and diplomatically find common ground. Find common ground, find those places where people can say, yeah, I agree with that point, because then that forms the point of departure for the rest of the conversation because then you can begin to ask the question, okay, if you'd rather do your work in an economy that's growing, **is there a way you can contribute to that economic growth?** And that's a question that we don't really ask often enough, and we are content to leave some of these players in the workforce development arena to work in ways that they don't see the connection between what they do and what economic development is all about.

The second reason I raise that question is because, and, again, this is somewhat radical, and I hesitate to say it because it'll probably come back and haunt me, but, **it's all about economic development.** To me, the goal is, tell each of the players in the workforce development system, "See how it all relates back to economic development."

The **core value proposition is shifting** in the economic development arena. It is shifting from developing competitive businesses and jobs to creating and managing economic value for communities and businesses. What it is shifting to, creating and managing economic value for communities and businesses, is really what all these systems should be converging in.

From my vantage point as Chief Policy Advisor to the Governor, every dollar we spend in primary and secondary education is about workforce development. That's a big chunk of money in excess of probably \$12B a year. Every dollar we spend on higher education in the state of Ohio is about, and they are going to kill me if they hear me say this, it's about workforce development. Every dollar we spend in economic development is about workforce development. Almost all of the money we spend in the human services arena, especially for able-bodied people, that's about workforce development. And workforce development is about economic development. **So the point is, how do you take all these resources that are out there working and churning and being used and all the thousands and tens of thousands and maybe hundreds of thousands of people doing**

that work and get them to think a little bit more about what impact does it have on the economy in my state?

To me the key anchors in Ohio are the Department of Education, the Board of Regents and the higher education system, our Department of Job and Family Services, which is really a combination of our Welfare Human Services Department and our Department of Labor, essentially, and then our Economic Development Department. Those are the four key anchor agencies. And then the other key player in this whole arena is the business community.

First and foremost, **we have got to build forums for people to talk to each other.** We struggle with that at the state level. I started, just kind of on a whim, convening the four directors of those agencies in my office once a month. We're just going to talk about workforce. And boy, that has snowballed into something that is almost uncontrollable because now I meet with their key deputies, key workforce deputies, every two weeks and some of it is simply exchanging what is going on in our different shops that relates to workforce development.

What are you working on? We're putting up a new website. We're doing this. We're working with this community college. We're coordinating between, we're collecting performance data. Just hearing those people talk to each other and then making the commitment saying, oh, I need to get my people talking to your people because we are doing the same thing, or we are doing something similar, or we're doing something related. And, again, you can only take that so far dealing with state agencies and you have to try to find ways to foster that at a local level.

We also do a lot of things with our Governor's workforce policy board because he brings those players around the table. And it also engages the business community, the labor community, a lot of the other interested communities in the economic development arena. And we also use that forum to facilitate communication about what's going on in the state of Ohio, to build connections, to build partnerships, build greater understanding because I think a lot of the reason we can't take the ball much further is because people don't really understand what's happening.

I understand what I do. And I understand how it exists in my system, but I don't understand what's going on over there in those K-12 schools. And I don't understand, really, what's happening over there in those community colleges, and I don't really understand what this TANF thing does, and how that works and what happened. I live in my own world. We have to start taking down those barriers and bringing more people, educating more people about what's happening in these different systems and how they all interrelate.

The second task, and this is a little bit tougher, especially as it regards the business community, is trying to **create some common language.** Sometimes I sit in these meetings and I've got business people on one side and workforce development folks on the other side, and I've dealt with enough of them on both, at different times, and they are

sitting there saying the same thing, but they are getting increasingly angry at each other because they think they are saying the opposite things. We don't really talk the same language. The language of the bureaucracy is different from the language of business.

I had the great opportunity to talk to the Executive Director of our Ohio Manufacturer's Association the other day and I said, "Eric, how do we get through these language issues? Do we find interpreters to do the translation?" And he said, you know, one of the things I've found is Baldrige is a great way to connect different institutions. It really dawned on me as a quite substantial thing to say. The Manufacturer's Association is a great advocate of Baldrige.

We have quite an active Baldrige and education program in the state of Ohio. We have, the Ohio Award for Excellence, which is Ohio's version of the Baldrige program and the top performer last year, who won the Governor's award, was the University of Cincinnati. Not their academic side, it was their administrative piece, and I'll grant you that's progress, not, maybe the kind of progress we'd like to see, but it means that out there in the public sector, a lot of people are starting to use those kinds of tools to think about the way they do their business, and it's providing a common language for them to talk to each other. So, again, the more we can do to find common language.

Then we have to begin, and this is where I'll get into talking about what I see happening in each of these arenas, **we have to start nurturing culture change**. Let me say when I make these kind of dramatic statements about it's all about economic development, the immediate reaction from people is to say, no, it's not. And that's okay. I'm not trying to convince everybody that they have to wear the ED on their hat and be out there, I'm Mr...., you know, Economic Development.

That's not really what we are after. **We are really after a very marginal change. All I really want is for the teacher, the university professor, the welfare case worker, whatever, to maybe think a little bit about how they, how what they do relates to the economy, maybe 2 percent of their thinking time, 3 percent, very small amounts.** Because I think if you can get people over that hump and get them comfortable with that, you will just see explosions of progress being made. So you don't have to threaten these people with, "we are fundamentally changing what it is you're about," all you have to do acknowledge that it would be better if the economy was growing. How can you marginally change what you do to improve the economy?

Education and Workforce Development

Let's talk about some of these sectors. Let's start talking about education first. I tell the Governor, I love doing education workforce development because there are so many great people doing so many great things, and there is so much momentum and hope and I love that stuff and I tell him. Education is great. All you states are doing standards based reform, you are looking at your teacher quality issues, and imbedded in each of those things you can bring elements of tying things to the economy.

When you are developing standards, is the business community involved? Are your standards articulated in terms that relate back to actual business activity and business skills? Are the curricula that are being developed based on those standards? Are the lessons, model lessons that are being developed based on the curricula, based on the standards, incorporating issues of business? Are your teacher education programs beginning to look at those standards and incorporating those into their teaching? Does your teacher professional development activity incorporate issues of relating the state standards back to real business applications? I mean, a whole host of things, and there's a lot of exciting things happening in the state of Ohio.

One of the things we have going on is a taskforce looking at high school transformation. The Gates Foundation is putting a lot of money out there looking at smaller high schools, making the high school experience more meaningful. We are starting to see pockets of wonderful activity happening, some of which is really focused on relating what happens to the high school to the real world. Think about setting up an alternative high school that is healthcare career focused, that's building trades focused, that's technology focused. It brings the business community immediately to the table. It brings richness to the standards conversation and it brings greater meaning to what those kids get out of the experience once they leave.

Achieve is also doing some interesting things with their American Diploma Project, trying to align what it is that high school graduates ought to know and be able to do in order to either go into the college track or into the high skills jobs track. The more you can convene discussions about how we use those sets of standards to guide our education policy and guide our post-secondary education policy is very important.

Higher Education

Let's move to higher education. Now, I'll start by saying there's a huge difference between the two-year sector and the four-year sector. No doubt about it the two-year sector is much more flexible. They are much more responsive. They are much more in touch with the business community. I shouldn't say that as a blanket statement. There are some of them out there that are just so entrepreneurial, it's just incredible. All you have to do is sit back and let them do their stuff. There are a couple of others that are warming up to the notion, and it takes a little more cajoling.

The really toughest nut to crack is the four-year higher education system. Because, there is huge cultural bias and huge offense is taken to the notion that we're about workforce development. That is not what we do at four-year institutions at all. We are not about workforce development. It's like, okay, okay, okay so you're not, but, again, if you go back to this notion of, wouldn't it be better if the state had a little more money and we wouldn't always have these budget battles? Well, yeah, I agree with that. Well, then, don't you think maybe if you understood, that there are some good examples of things happening very quietly on those fronts. For instance, in Ohio, and, again, this is in a professional arena so maybe to the academic purist it doesn't really apply, but all the

teacher colleges have gotten together, and they are involved in what's called the Ohio Partnership for Accountability.

What they are doing is starting to track where their teachers go and what principals are saying about their teacher performance and how their performance is in the classroom, how does it link back to the curriculum in those teacher colleges? This is amazing because hopefully the end game is to say, okay, what are the courses that really provide them with stuff they need to know to be successful teachers and what are those courses that maybe aren't having that kind of impact and then how do we tweak the curriculum to make it work? We're not asking them to be any less academic purists. We're just asking them to be sensitive to what it is these people end up doing. And they are engaged in that.

I think when those things start creating reports and people start reading them and getting the sense that, yeah, you can have a solid academic program that isn't about vocationalizing four-year university education, it's not about workforce development, but there are things that students can learn that have wider application like looking for patterns, looking for comparative analysis, synthesizing data, etc.

A lot of it is a matter of, how do you effect the culture through your higher education coordinating body, through the governors, you know, the Bully Pulpit, through the faculty, without being offensive, but with allowing people to think that, yeah, I can take part and I can have an impact on the economy of the state because, again, it's better if we are working in an economy that is growing. If I can impact that even at the margins, then that's a good thing.

So, what are some things to do? In Ohio we have a commission on higher education in the economy. We've got business organizations, government people, higher education people sitting around the table talking about, how do we strengthen the linkage between higher education and the economy? And, again, it's great because everybody can put their issues on the table, and they can mull them around and you see where everybody is, but then you can start seeing people, understanding where the other people are coming from. People, college presidents understanding that the business community is frustrated with us, how do we get through that? Legislators understanding that the universities are frustrated with the lack of respect and the lack of funding that's coming from the legislature and digging into why those issues exist and trying to find common ground. And, again, we are still at the, kind of in the middle of that process, but just having those conversations around the table, going back to my notion about forums for communication, is proving extremely beneficial.

I think you can redesign funding systems to begin to slightly incentivize the kind of behavior that you want to see. And, again, while you shouldn't do it in a threatening way, there are ways to do it in a non-threatening manner. You can either push it to the out years, you are saying, five years from now we are going to start with 10 percent of our funding. Some states have experimented with these kinds of things in a slightly different way, giving people time to adapt because when they have time to adapt, they are

more likely to buy into where you are going, especially if you can ground it in principles that everybody can agree to.

The other thing is performance measurement and accountability. I think there is a lot of interesting stuff happening in that regard. I'm not a particular fan of doing a lot of testing in higher ed to show value added. I happen to think that we do have some things. I'm a believer that unlike so many of other governmental service, there is a market for what higher education produces, and it's called the job market. People are employed, and a salary defines what value is placed on, and it's not just your degree, but it's on a whole host of factors, but a degree is a significant thing. I always think that if a state would report wage data, say, you know, 24 months after graduation on an institution-by-institution, program-by-program, degree-by-degree, major-by-major basis, that would open a lot of people's eyes. People would start thinking a little bit differently.

The other thing I think states ought to report is the percentage of faculty that have worked in the private sector for any portion of their career, in any field, not even in their own field, in any field at some salary level, say, in excess of \$50,000.00, you know, make it some significant work, or consulted to the private sector. Because, again, I think the more all of us have had college professors that have been in the private sector, the more it really changes their perspective on how they instruct and how they develop curriculum and how they teach.

Higher Education and Supply Chain Management

One other thing I think that's important to remember for higher education and it's a great lesson from the business community, supply chain management. Supply chain management. What has Ford done? They go to their suppliers and they say, I can no longer tolerate this kind of variability from you in the product you send me. I need it to look like this. I need it to be delivered like this. I need it to be within these tolerances. If you're not there, I'm going to find somebody that can do it. And, maybe I'm going to help you get to that point because we've worked together for a long time and my success is your success, so let's work together to get you there. But if you can't cut it, then I'm going to go elsewhere.

Higher education doesn't do that with their feeder system, primary and secondary. I think the enlightened higher education people are starting to think about how can they help the supply chain to better serve our purposes? Some people will say, well, no, they have a financial interest in getting bad products because then they remediate and state funding systems are designed to pay money for remediation, and so forth and so on. But if we can just get more quality people into the higher education system, that'll all wash out. So let's work on getting more kids graduating from high school and into the higher education system so that you don't have to teach remedial education, you can do regular classes, and you're still going to get the same, if not more money, and it'll be okay. Don't feel threatened that somehow if remedial education goes away there is going to be a big budget hole in the higher education system.

Human Services and the Welfare System

Let's talk about the human services in the welfare system. Actually, this is an arena that has had some practical experience in **cultural change**. The whole Welfare to Work experience is a perfect example. A lot of people were in the mindset, okay, we're about passing out cash assistance and other kinds of supports to help people kind of survive. And then a cultural stone was thrown to them and it said, no, no, you're not, it's not about that. You have to help these people transition into the workforce. That's a great example. The more we can do to help people involved in the human services arena understand that they do play a role in economic development, that when you're working on helping a person out and if there is a choice between getting them in a track that's going to lead to a job that really doesn't have a career path and is probably dead-end to one that your community really has a need for and where there's a career track. By all means, use that knowledge to guide that person into that field to the extent that it's practical, instead of just letting things kind of happen on their own. Be more strategic about the direction that you give. And, again, I think that the welfare to work community has proved to be very resilient when it comes to shifting their focus, again, very much on the margins. We have to get people thinking, understanding the different resources that are available, what's happening in the education arena, what's happening in the higher ed arena, understanding the choices that people make and so forth and so on.

Economic Development and the Business Community

The economic development community is another one. The point was very well made that a lot of times they look at workforce development or education as, those aren't my problems, and in these times of scarce resources I'm seeing more and more of them come to say, how can I use this funded infrastructure out there to my advantage in doing economic development work? They have got to see the value of that and they also have to be the voice of the business community, and I'll get to the business community in a minute, to keep putting the pressure on the rest of us to align around the business "driveness" of the economy. Because, again, being business driven is a key motivator in getting all these systems to align.

So, let me end by talking a little bit about the business community. Tom Dowd (USDOL) made a point about the business community has to be at the table articulating what they need. This is a very frustrating thing for the business community. I've had people come in my office complaining, we don't want to work with other people, these were a couple of representatives, some of our metro area Chambers of Commerce, we don't want to work with other people, it's frustrating working with all these bureaucrats. We can't understand how they think. We can't get them to change, and so forth and so on. I told them, look, in your community you've got to keep at it. You've got to keep at it because you'll be buried by the people that get it right, you'll be buried by them.

In Dayton, they are doing it. In Dayton they've got all the players around the table. They are operating the Dayton job center. They figure out the funding later. You can never tell the difference between the person you are talking to, whether they are paid for by the Human Services Department or paid for by the higher education community, or paid for by the economic development community. It's seamless. People go in, they are helped, they are not turned away, and it all gets worked out in the back office and the business community is engaged. They are getting it. The Cleveland's of the world are going to get buried by the Dayton's of the world because they are not getting it. Star County is getting it, the Canton community is getting it. So, the more we look at examples of places that are getting it, you got to tell these business people, it can be done, you've just got to keep working and working and driving and driving and pounding and pounding and eventually you'll get there.

The business community should also take an interest in the notion of supply chain management. Imagine if Ford went to some business college and said, you know, the variability in the graduates that you are sending us is unacceptable and we're just going to stop taking them altogether. You bet those people would pay attention to that. You bet students would pay attention to whether they were going to that institution if they knew that, hey, there are a handful of employers that just won't hire us, *prima facie*, because we went to this university. Imagine if the variability of the steel that Ford got was the same as the variability of the workforce they get. It just would be unacceptable, and yet the business community, it goes back to something that was said yesterday, it's because of scale.

They have a huge labor market to draw from and as long as the labor market is huge and they can kind of find, generally, who meets their needs over this vast expanse, they don't have to deal with the majority. But as that labor market gets tighter, I think you'll see more and more of them willing to engage, and they need to engage. They need to engage in K-12, they need to engage in higher education with the community about what is it that we need. And some of that goes back to speaking the same language.

Let me close with two final observations:

Flexible Funding

One is flexible funding. In some ways, in order to get all these different pots of money working together, and you notice I really haven't talked about structural change, you don't have to merge the Department of Education with your higher ed system, you don't have to merge, although, I will say that if you want to do that there are benefits that come from that, especially if it's strategically done and well thought out. There needs to be a little pot of money to help the flexibility. Dayton, for instance, has a little pool of money that when they go into the back office and are sorting through the bills and you pay this and we pay this and we'll split this, and then there are these things that are left over, you need something, and it takes very little money to do that.

Measure performance.

The second is measure performance. Do it simply. Do it in ways that people buy into and do it in ways that people can see how their behavior affects the numbers. I will repeat what I've said to those business leaders that came into my office for all of you, it's whoever gets it, whoever gets this stuff and does it right, soon, or first, they win. They win. Thank you.