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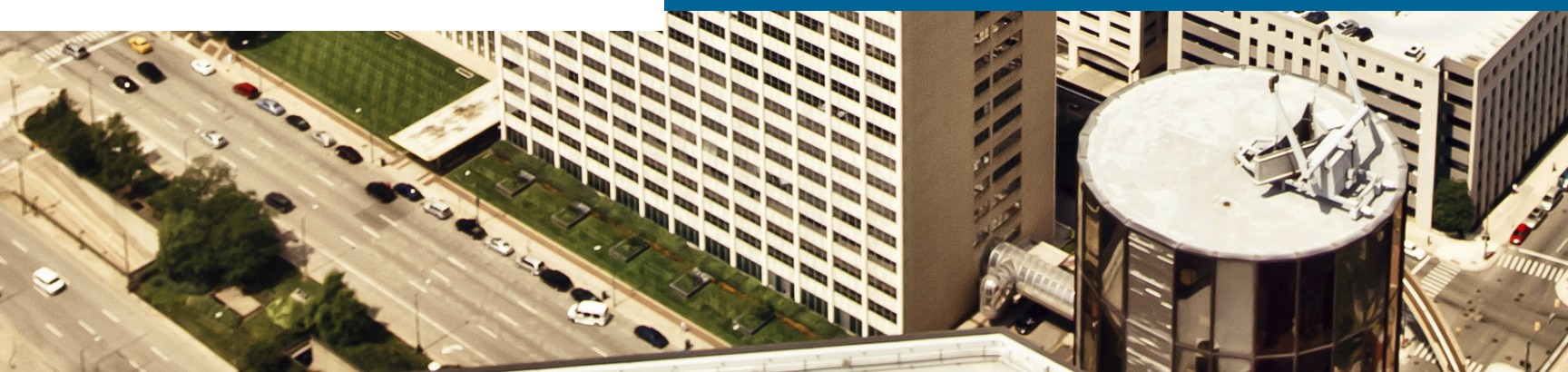


CSW

Corporation for a
Skilled Workforce

DETROIT'S UNTAPPED TALENT: JOBS AND ON-RAMPS NEEDED

***CSW WORKFORCE SYSTEM MAPPING REPORT: PART I
JANUARY 2016***





Data Sources

While many reports have been written about Detroit in the past, our goal was to be expansive in the kinds of data that we collected and to look beyond typical data sources to paint as complete a picture of the city as possible. This included reaching out to workforce system providers for information on their participants. Sources for the data in this report included:

- Labor Market Information on industries and occupations from Economic Modeling Systems Inc
- Job postings data from Burning Glass
- Commuting and workforce characteristic data from the Census Bureau's Local Employment Dynamics program
- Demographic data from the American Community Survey
- Program data from Detroit Employment Solutions Corporation (DESC), the city's One-Stop Service Provider
- Service provider data available publicly through the GRID, a product of the Detroit Jobs Alliance funded by the Detroit Regional Workforce Fund
- Interviews with workforce system stakeholders and providers

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WELCOME

There are signs of economic recovery all around Detroit. Just one year after emerging from bankruptcy, tax revenues are increasing and the city posted a budget surplus in 2015. The official unemployment rate has fallen to 10.7%, and housing prices are on the rise in many neighborhoods. Midtown and Downtown Detroit are crowded with construction activity, including the M1 light rail system and the Red Wings hockey stadium, with additional large infrastructure projects on deck. After the upheaval of the Great Recession and transformations brought on by longer-term structural shifts in the labor market, these indicators of economic vitality are very welcome. But there is still much work to do.

To keep this momentum going and ensure that economic expansion improves the lives of all Detroit residents, it is critical to invest in the skills the city needs to compete and prosper. Detroit's workers, job seekers, businesses, education and training institutions, and government leaders, including the reconstituted Mayor's Detroit Workforce Development Board, need a workforce development system designed for the realities and challenges of Detroit's new labor market. Making the best possible decisions about how to build a skilled and competitive workforce will require a comprehensive and data-driven understanding of Detroit's workforce development assets and opportunities, as well as the challenges it faces.

We undertook the research in this report with these goals in mind. First, we explored the skills and educational attainment of Detroit residents. Then, we examined the job market to understand the structure and nature of employment opportunities in the city. Finally, we looked at service providers, programs and partnerships to understand the existing infrastructure and investments being made in education, training and work-readiness services.

Developed as part of JPMorgan Chase's \$100 million commitment to the city's economic recovery, this report is the first of a two-part series detailing the findings from a research project conducted by the Corporation for a Skilled Workforce. It includes information about the complexities of Detroit's resident labor pool, Detroit's industry mix, and the mix of jobs and skills needed for the city to prosper. The second report (to be released in early 2016) provides an overview of Detroit's workforce system infrastructure and capacity – a view essential to understanding how talent supply and demand work together in the city. This kind of research allows policymakers, civic leaders, and employers to better understand their workforce system assets and needs, and better align efforts to maximize the services offered to Detroit residents.

Providing actionable data is a key component of New Skills at Work, JPMorgan Chase's five-year, \$250 million global initiative to help close the skills gap and create more opportunities for workers to obtain middle-skill jobs. As part of the effort, JPMorgan Chase is investing in the research and data that stakeholders, like those in Detroit, need to develop demand-driven workforce systems. This workforce system map can serve as a model for all cities to better understand their employment barriers and develop solutions to create job opportunities.

Specifically, we hope the data presented here will support the work underway in Detroit and advance the goal of developing a stronger workforce system that offers individuals the skills and supports required to fill quality, in-demand jobs, while helping to ensure businesses thrive.

Chauncy Lennon
Head of Workforce Initiatives
JPMorgan Chase & Co

Jeannine La Prad
President & CEO
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DETROIT HAS LOW LABOR FORCE PARTICIPATION AND HIGH UNEMPLOYMENT

Some Definitions

In order to understand the environment in which the workforce system operates, and the services needed by the people who engage with it, it's important to define our terms and understand who we are talking about.

Unless otherwise specified, references to Detroit in this report refer to the city of Detroit, not the broader metropolitan statistical area that Detroit is in.

When looking at commuting data, we used the Detroit city limits as the geography, which includes Highland Park and Hamtramck.

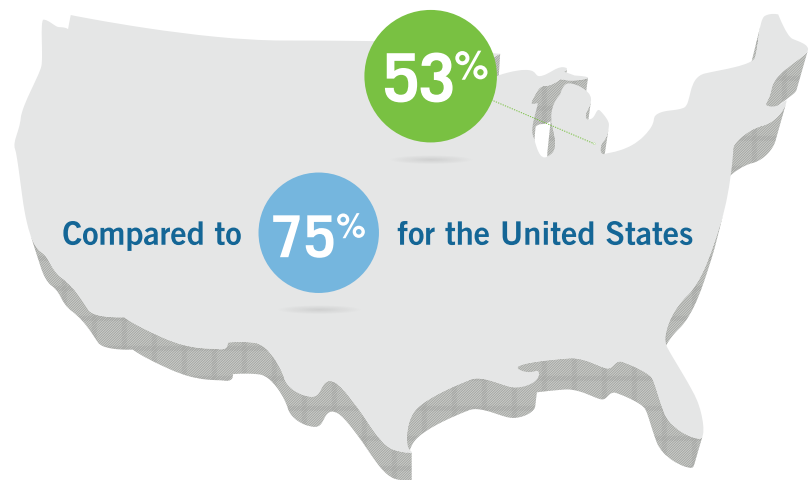
At various points in this report we compare Detroit to several cities. Comparison cities were selected based on a variety of factors such as size, industry mix, racial makeup, and inclusion in previous studies of Detroit.

Labor Force Participation: A person is counted as in the labor force if they are a) currently employed or b) unemployed, but actively looking for work (defined as having taken some job-seeking action within the last 4 weeks).

The **unemployment rate** is calculated based on the number of unemployed people in the labor force.

People who are **not included in the labor force** are not considered unemployed, even though some of them may wish to work. The population not in the labor force includes people who cannot work (such as the institutionalized, disabled, or sick) as well as those who choose not to work (such as homemakers, full-time students, retirees, and people who are not looking for work).

In 2014, 53% of Detroit residents aged 16 to 64 years (242,000 people) reported working any amount of time over the last 12 months.

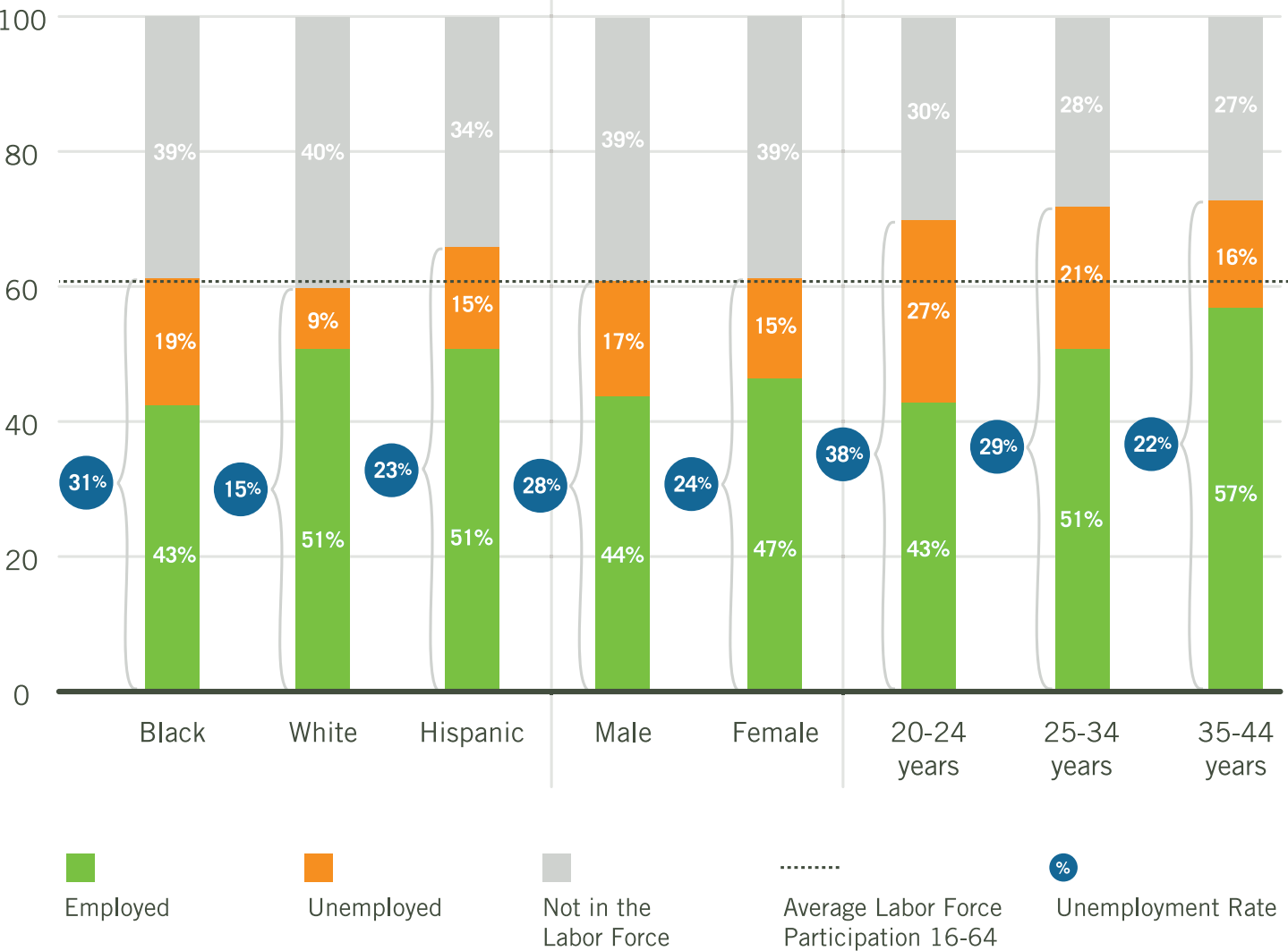


In 2014, there were 278,000 residents of Detroit aged 16 to 64 years in the labor force, compared to 168,000 residents who were not in the labor force. The overall labor force participation rate for city of Detroit residents in this age range was 62%, which is much lower than in neighboring Macomb and Oakland counties (76% and 77% respectively) and the state of Michigan (72%). It is also lower than comparison cities such as Cleveland and Atlanta (68% and 72%). To reach the same labor force participation rate as the state of Michigan, 43,300 Detroit residents would need to enter the labor force.

Of the 278,000 residents in the labor force, 60,500 were unemployed (21.7%), for a total of 229,000 individuals who are either unemployed or not participating in the labor force. This is much higher than the surrounding counties (7% in Macomb and 6% in Oakland) and comparison cities (ranging from 6% in Nashville to 19% in Cleveland).

Labor force participation and unemployment varies based on age, sex, race, and ethnicity. In Detroit, labor force participation is highest from age 20 to 44, with labor force participation rates from 70-73% across this age range.

Labor Force Participation and Unemployment (2013)

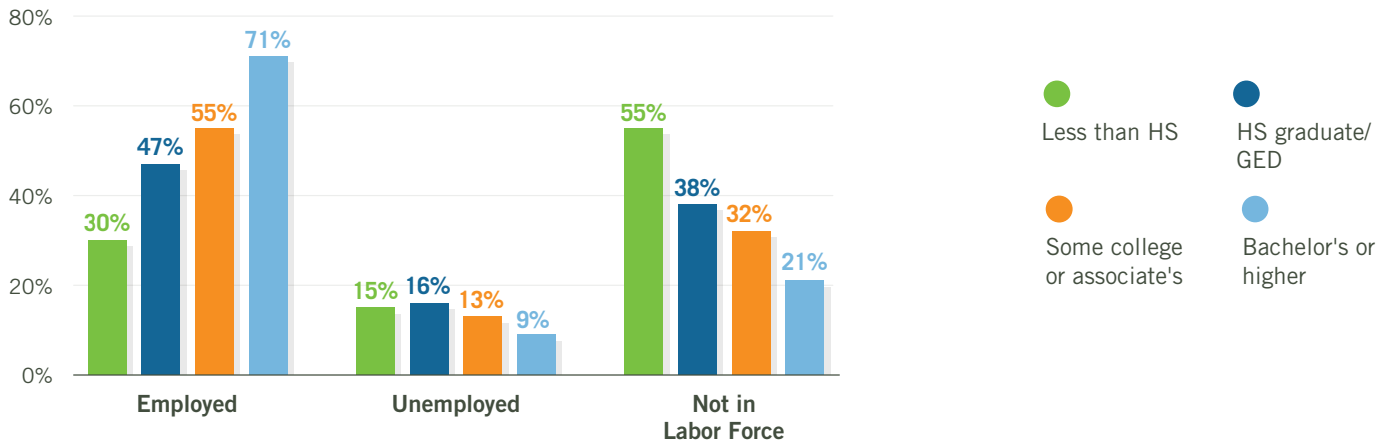


Unemployment is much more unevenly distributed, however, and the younger one is, the more likely one is to be unemployed. For example, 38% of 20 to 24 year olds are unemployed, compared to only 22% of 35 to 44 year olds. And while Black and White residents are equally likely to be in the labor force, Black residents are more than twice as likely to be unemployed (31% vs 15%).

Twenty-two percent of Detroit's population age 18 to 64 has some kind of disability. Twenty-eight percent of them are in the labor force, and their unemployment rate is 39%.

LOW EDUCATIONAL ATTAINMENT LIMITS LABOR FORCE PARTICIPATION

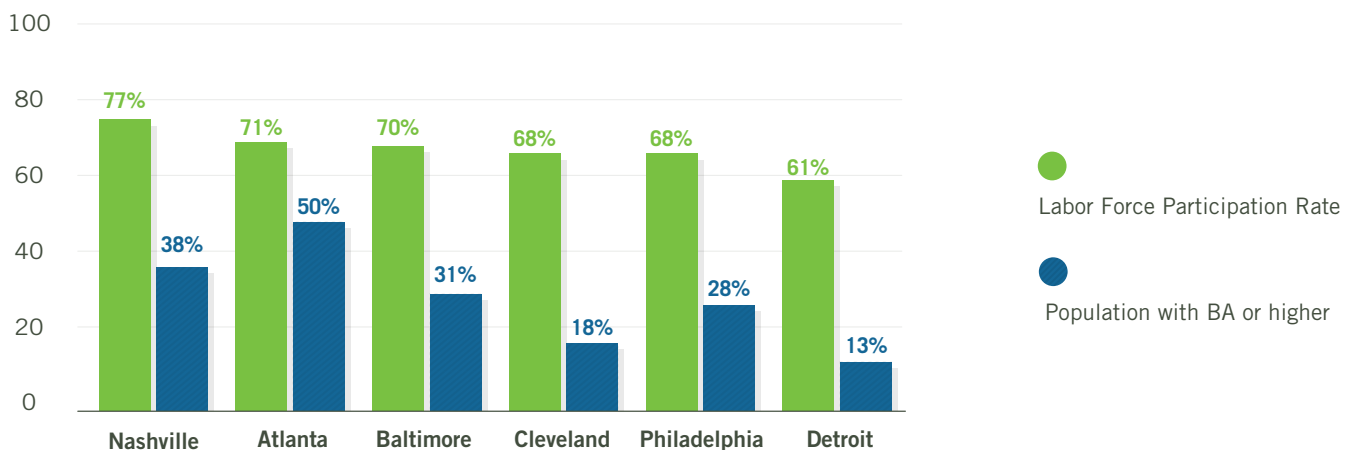
Employment Status by Education Level (2013)



Educational attainment is perhaps the most significant driver of labor force participation and unemployment. The less education one has, the less likely one is to participate in the labor force. In Detroit, for the population aged 25 to 64, 71% of people with a Bachelor's degree are employed, compared to 30% of people with less than a high school diploma. In fact, 55% of those without a high school diploma are not in the labor force at all. Unemployment also falls as educational attainment increases.

As noted previously, Detroit's labor force participation rate is lower than in comparison cities, and this can be attributed at least in part to lower educational attainment rates. Only 13% of Detroit residents have a Bachelor's degree or higher, compared to 18%-50% in comparison cities, all of which have higher labor force participation rates than Detroit.

Labor Force Participation and Education (2013)

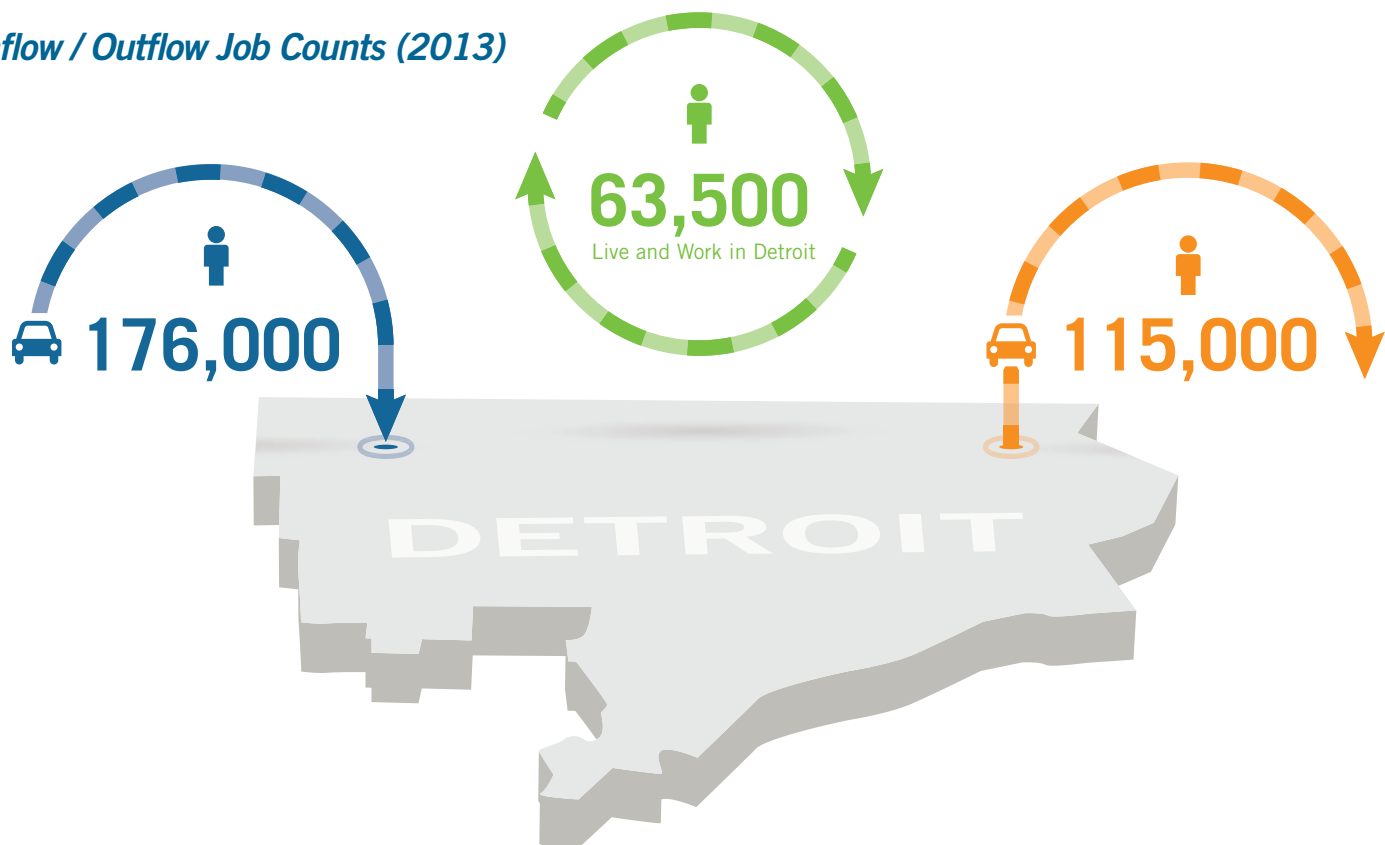


FEW DETROITERS WORK IN DETROIT

Due to the dynamics of the Detroit labor market, Detroit has both a tremendous amount of in-commuting and out-commuting labor. In 2013, only 26.5% of jobs within the city limits (including Hamtramck & Highland Park) were held by people who lived within the city limits, which means that 73.5% of jobs were held by people who commute into Detroit to work.

Even while 176,000 people commute into the city for work each day, a large majority of workers who live within the Detroit city limits (64%) commute outside the city to their jobs. Among workers who live in Detroit, 36% of those who leave the city for work earn in the lowest wage bracket (less than \$1,250/month as defined by data source), compared to 23% of those who live and work within the city.

Inflow / Outflow Job Counts (2013)



This statistic points to the absence of entry-level job opportunities within the city, and adds a significant transportation burden to those who can least afford it. Forty-eight percent of Detroit-resident workers live at least 10 miles from their workplace.

Out-commuting workers are younger than those who both live and work in Detroit. They are more likely to work in goods-producing industries (construction, manufacturing) and trade/transportation/utilities industries than those who stay within the city. The most common destination cities are Warren, Southfield, Dearborn, Sterling Heights, and Farmington Hills, but workers are dispersed widely throughout the Metropolitan Detroit region.

...BECAUSE THERE AREN'T ENOUGH SUITABLE JOBS FOR THEM IN DETROIT

With 60,500 unemployed working-age residents of Detroit, and another 168,000 working-age residents who are out of the labor force (some percentage of whom would like to be working, or should be working to ensure a healthy economy), the scale of need in Detroit is vast. Unfortunately, there are simply not enough jobs in the city of Detroit to meet the demand. Even leaving aside the skills mismatch between the current industry mix of Detroit and its residents, the jobs are just not there. There are many more jobs in the Tri-County area (defined as Wayne, Oakland and Macomb counties, not including Detroit), and total employment there is growing, compared to the declines in the city. However, Detroit residents face tremendous barriers to accessing jobs in the suburbs, including some of the highest car insurance rates in the country (\$2,000-\$5,000 per year). Detroit's inadequate public transit system provides few alternatives for Detroit residents who cannot afford to pay for car insurance. Residents are faced with the choice of not driving at all, and thus being unable to access jobs, or driving without insurance, and risking additional fees and penalties they cannot afford if they are caught.

Jobs Relative to Population

| City | 2014 Jobs in City | 2013 Population in City | Jobs as % of Population |
|----------------|-------------------|-------------------------|-------------------------|
| Atlanta | 818,462 | 447,848 | 183% |
| Cleveland | 466,305 | 394,335 | 118% |
| Nashville | 431,378 | 634,465 | 68% |
| Baltimore | 378,533 | 622,104 | 61% |
| Philadelphia | 711,912 | 1,553,165 | 46% |
| Detroit | 258,807 | 706,663 | 37% |

As the population has declined, Detroit has experienced a hollowing out of the central city. In terms of the percentage of the population living in the central city, Detroit is most similar to Cleveland (16% compared to 19%), although Cleveland is roughly half the size in both the city and Metropolitan Statistical Area (MSA). Atlanta is even more hollowed out, with its central city making up only 8% of the MSA population. However, Detroit differs from those cities in one very important way — they both have more jobs in the city center than they have residents. In fact, Detroit had the lowest percentage of jobs relative to its population of any of the comparison cities.

This numerical mismatch between jobs and population compounds the gap between labor force demand in the city and the skills of the residents, and drives the high degree of out-commuting by Detroit residents to suburban jobs.

While Detroit has a shortage of jobs overall, in the jobs that do exist, there is a mismatch between labor market demand and the skill levels of the population. When we compare the job preparation requirements of the Tri-County economy (not including Detroit) in 2014 to Detroit, Detroit has fewer minimal-preparation jobs and more high-preparation jobs. This mismatch will only increase, since in the Tri-County area the volume of minimal-preparation occupations grew by only 5% from 2009 to 2014, compared to 10% for moderate-preparation jobs and 6% for high-preparation jobs.

Job posting data for Detroit reveals high demand for highly-skilled and experienced workers in occupations such as software developers, registered nurses, sales representatives for wholesale and manufacturing, and computer systems analysts. Sixty percent of jobs that include a preferred educational attainment level require a Bachelor's degree or higher. Heavy and tractor-trailer truck drivers are an exception to the emphasis in the job postings on high preparation jobs. Demand is high in Detroit and across Southeast Michigan for this moderate skill job.

Minimal

Jobs that usually only require a high school diploma or less, with or without short-term on-the-job-training (OJT).

39%
of all jobs in
Tri-County

37%
of jobs in
Detroit

Moderate

Jobs that usually require a high school diploma and moderate to long term OJT or apprenticeship AND Jobs that usually require some kind of postsecondary training such as certificate programs, including people with some college but no degree.

26%
of all jobs in
Tri-County

24%
of jobs in
Detroit

High

Jobs that require prior work experience in the occupation regardless of education (i.e., first line supervisors) AND any job requiring an associate's degree or higher.

35%
of all jobs in
Tri-County

38%
of jobs in
Detroit

In looking at the Tri-County area minus Detroit, software developers are still the top in-demand job and health care jobs are in demand and growing. However, the out-counties differ from the city in that there are more retail and hospitality postings. Restaurant demand has grown 400% since 2011, and department stores, motor vehicle manufacturing, and child day care services have also grown considerably. Only 51% of job postings specifying an educational requirement listed a Bachelor's degree, which is a decline from 2011, while 36% of postings listed a high school diploma as the highest education level required.

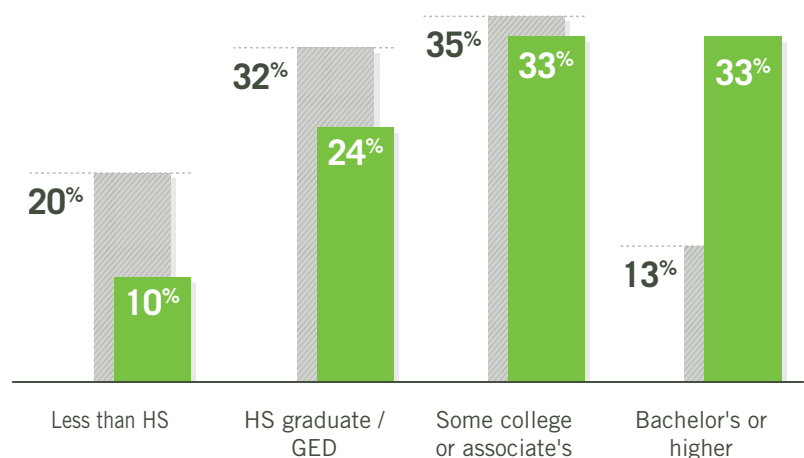
What this adds up to is high out-commuting of Detroit residents for these lower-skilled jobs in the suburbs alongside high in-commuting of suburban residents for higher-skilled jobs in the city. Seventy-four percent of all jobs within the Detroit city limits (including Hamtramck & Highland Park) were held by people who do not live in Detroit.

The data tell the story. While only 13% of Detroit residents have a Bachelor's degree, 33% of people working at jobs physically located in Detroit have a Bachelor's degree or higher. Jobs in Detroit held by people with less than a high school diploma represent only 10% of the total jobs, where 20% of the population has not attained that credential. Also, in-commuting workers are more likely to be White. In a city where 80% of the population is Black/African American, 58% of those working in jobs located in Detroit are White. The higher skill level required of jobs located in Detroit also results in higher wages. Over 50% of jobs in Detroit pay more than \$3,333 per month (around \$40K annually), but only 25% of workers living in Detroit (and working in Detroit or anywhere else) work in jobs that pay that amount.

This model of heavy services in suburban areas and professional jobs in the city is not unique to Detroit, but as the preceding section showed, it is particularly unbalanced in Detroit, and made that much worse by the inadequate public transportation system in Metro Detroit.

Education of People Working in Detroit Compared to Detroit Population (2013)

● Detroit Population
● People Working in Detroit



INDUSTRY MIX LACKS ON-RAMPS

A major culprit in the shortage of jobs is Detroit's industry mix. Nearly one quarter of all jobs in the city of Detroit are in Government, a higher percentage than in comparison cities. Government employment includes federal, state, and local government functions and the U.S. Postal Service (57% of 2014 government employment), as well as public schools and state educational institutions from elementary to college and trade schools (43% of 2014 government employment).

From this data one might think that Detroit is government-heavy. However, when viewed from a jobs-per-population perspective, Detroit is not particularly out of line with comparison cities, and actually ranks lower than many. But Detroit lacks private sector jobs, and particularly those in the low-preparation zones of Retail Trade, Accommodation and Food Services, and Arts, Entertainment, and Recreation. Jobs in the Tri-County area minus Detroit are much more likely to be in the private sector; only 7% of jobs there are in Government.

“We underestimate the gaps. It’s a real struggle to get participant skill levels up to the point where they meet the requirement for many workforce development programs.”

- Community-Based Organization Stakeholder

This distribution of jobs matters a lot to job seekers in Detroit because the job preparation requirements vary tremendously across industries. We repeatedly heard from workforce providers that the low level of skills and educational attainment of Detroit residents means that they require significant investment in basic education and skill building to qualify to enter a vocational training program or entry-level work.

For example, from January to November of 2014, 11,000 of 30,000 job seekers served by Detroit Employment Solutions Corporation (DESC) qualified for intensive services. In a sample of 2,611 individuals who have been assessed at the One-Stop, the average reading grade level equivalent was 8.9 and the average math grade level equivalent was 7.0. These scores are below the ninth-grade level that is typically linked to the basic skills needed for entry-level employment, as well as the tenth-grade level typically needed for community college entry (after which remedial education would still be needed before entering college-level classes).

Adult literacy is a major challenge in Detroit. While data is difficult to come by, estimates on the number of functionally illiterate adults ranges from 1 in 3 in the State of Michigan to 47% for the city of Detroit. Many of the participants served by Reading Works (a Detroit network of literacy service providers) are reading at a sixth-grade level or lower. Due to new higher standards for the GED test, Reading Works indicates that it can take from 12 to 36 months to bring these adults to a level of proficiency necessary for passing the GED test or entering many job training programs.

Up-skilling these job seekers to be able to take advantage of the higher-skill job openings in Detroit is a monumental task requiring a significant investment. While they are on that path, they still need access to jobs that fit their skill levels, and the current industry mix in Detroit does a poor job of providing those opportunities.

“Many Detroiters face a staggering combination of barriers to employment. There is no silver bullet.”

- Workforce Training Provider



DETROIT'S INDUSTRY MIX

| | <i>Government</i> | <i>Retail, Hospitality, Arts & Recreation</i> | <i>Health Care</i> |
|--|--|---|---|
| Jobs in Detroit (2014) | 60,300 | 38,000 | 37,300 |
| % of Detroit Jobs | 23% | 15% | 14% |
| Detroit Growth (2011-2014) | ▼ 10.4% | ▼ 2.4% | ▲ 1.6% |
| Tri-County | 7% of jobs and declining | 20% of jobs and growing | 12% of jobs and growing |
| Preparation Level Needed ● Minimal ● Moderate ● High | | | |
| Wage Distribution ● Low ● Moderate ● High | | | |
| Sample Minimal Preparation Jobs | <ul style="list-style-type: none"> • Office Clerks • Janitors and Cleaners • Secretaries and Administrative Assistants • Postal Service Mail Carriers | <ul style="list-style-type: none"> • Retail Salespersons • Combined Food Preparation and Serving Workers, including Fast Food • Cashiers • Waiters and Waitresses • Stock Clerks and Order Fillers | <ul style="list-style-type: none"> • Home Health Care Aides • Office Clerks • Receptionists and Information Clerks • Housekeeping Cleaners • Personal Care Aides |
| Sample Moderate Preparation Jobs | <ul style="list-style-type: none"> • Police and Sheriff's Patrol Officers • Teacher Assistants • Firefighters • Court, Municipal, and License Clerks • Bus Drivers, Transit and Intercity | <ul style="list-style-type: none"> • Automotive Service Technicians and Mechanics • Pharmacy Technicians • Bookkeeping, Accounting, and Auditing Clerks • Bakers • Maintenance and Repair Workers | <ul style="list-style-type: none"> • Nursing Assistants • Medical Assistants • LPN/LVN • EMT/Paramedic • Pharmacy Technicians |
| Notes | Almost 1/4 of all jobs, much higher than comparison cities | Low preparation needed, but low wages too Too few jobs relative to number of Detroiters with low skills | Even many moderate preparation jobs pay low wages |

| <i>Manufacturing</i> | <i>Transportation, Distribution & Logistics</i> | <i>Office and Administrative Occupations</i> |
|---|---|---|
| 19,700 | 16,000 | 15,000 |
| 8% | 6% | 6% |
| ▲ 8.9% | ▲ 1.8% | ▼ 5.6% |
| 12% of jobs and growing | 3% of jobs and growing | 5% of jobs and growing |
| | | |
| | | |
| <ul style="list-style-type: none"> • Helpers-Production Workers • Laborers and Freight, Stock, and Material Movers • Shipping, Receiving, and Traffic Clerks | <ul style="list-style-type: none"> • Reservation and Transportation Ticket Agents and Travel Clerks • Laborers and Freight, Stock, and Material Movers • Light Truck or Delivery Services Drivers • Customer Service Representatives | <ul style="list-style-type: none"> • Office Clerks, General • Secretaries and Administrative Assistants, except Legal, Medical, and Executive |
| <ul style="list-style-type: none"> • Team Assemblers • Machinists • Inspectors, Testers, Sorters, Samplers, and Weighers • Industrial Machinery Mechanics | <ul style="list-style-type: none"> • Heavy and Tractor-Trailer Truck Drivers • Aircraft Mechanics and Service Technicians • Airfield Operations Specialists • Bus Drivers, Transit and Intercity • Dispatchers, except Police, Fire, and Ambulance | <ul style="list-style-type: none"> • Medical Secretaries • Insurance Claims and Policy Processing Clerks • Legal Secretaries |
| <p>Moderate preparation but high wages</p> <p>Need good basic and soft skills to succeed in on-the-job training</p> | <p>Even some minimal preparation jobs pay moderate wages</p> | <p>Most jobs require only a high school diploma, but many Detroit graduates may not have required basic skills</p> |

A JOB IS ONLY THE BEGINNING

Even Employed Detroiters Face Poverty

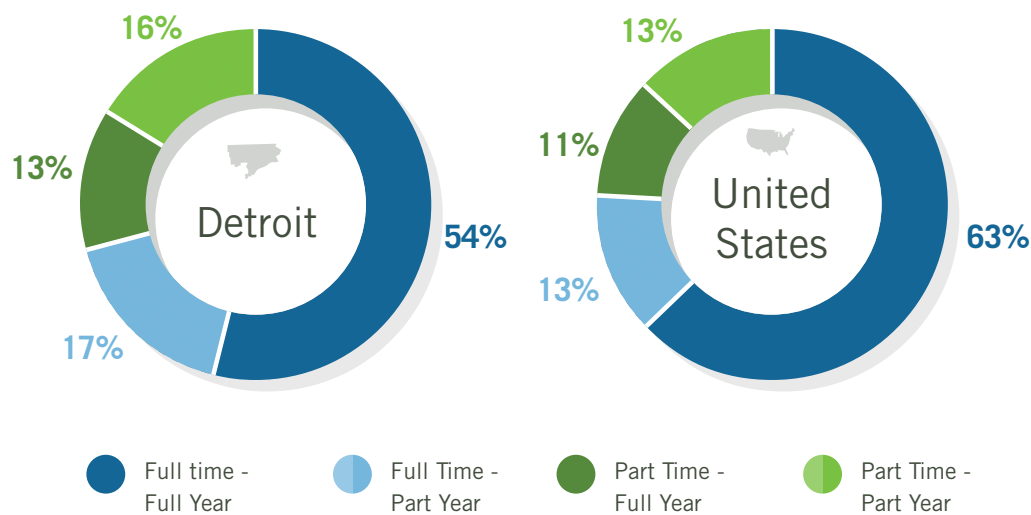
18.5% of all employed residents 16 years and older were in poverty in 2013 (39,000 people)



Even though... **31%** of them (12,000 people) worked full-time, full-year jobs over the last year.

We know that non-working residents face significant poverty. In 2013, in the population aged 20 to 64, 61% of unemployed residents had income under the poverty line, as did 52% of residents not in the labor force. But getting a job is often not enough to move out of poverty, especially since those who work are less likely to work full-time, full-year jobs compared to national averages. Working Detroiters still need access to support services that can help them reach self-sufficiency.

Detroit has More Part-Time Workers (2013)



LOOKING FORWARD

This report, the first of two in a series, establishes both the workforce and employment sides of Detroit's market, while offering glimpses into a few of the essential economic and skills issues affecting both. Understanding labor market demand and supply—and the rapidly changing market forces that shape both—lays the foundation for an assessment of the workforce development system in Detroit.

Part Two, to be published in early 2016, will highlight key insights regarding the workforce system infrastructure, including funding, organizations, programs, and partnerships designed to help Detroit residents navigate and succeed in the labor market.

“There are many leaders in the city whose life's work has been to bring about change in these areas. Never before, however, has there been this kind of data and information all in one place.”

- Community-Based Organization Stakeholder

In some ways, the data and information in this report may seem grim, the scale and scope of the challenge overwhelming. The labor market supply and demand challenges highlighted in this report are not unlike those faced in large urban centers across the nation. What is unique to Detroit is the depth and persistence of some key challenges on the supply and demand side. Amidst the stark realities of the data, however, it is important to stay mindful of the myriad assets—at the individual, community and system-wide level—upon which Detroiters have to build.

The next and final report will also highlight observations about Detroit's opportunities and assets. Taken together, the data and information provided in this series provides context for Detroit's rapidly emerging economic, workforce, and community development strategies.

Considering Equity: Especially In Detroit

While residents and other stakeholders have affected considerable progress on some racial and socio-economic concerns in Detroit, the system may still reflect a troubling dynamic: the persistence of longstanding inequities in access and opportunity for job seekers and residents.

While outside the scope of this report, our research uncovered strong perceptions of deeply-rooted factors that adversely impact how the system works—more specifically where, how, and for whom services are designed and delivered. Several stakeholders expressed clear and definite interest in a discussion about who has access to the system, and in what ways.

Ultimately, opportunities and outcomes for job seekers in Detroit are key priorities. Given the growing body of research pointing to equity as a key component of regional and community prosperity, Detroit presents a compelling opportunity for further research and action.



Corporation for a Skilled Workforce is a national nonprofit that partners with government, business, and community leaders to connect workers with good jobs, increase the competitiveness of companies, and build sustainable communities. For more than 24 years, we have been an effective catalyst for change. We identify opportunities for innovation in work and learning and provoke transformative change in policy and practice. We have worked with dozens of workforce investment boards, state and local workforce agencies, community-based organizations, foundations, federal agencies, and colleges to create lasting impact through their collaborative action.

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