

**Written Testimony of Secretary Kelly M. Schulz
Maryland Department of Commerce**

**Before the Subcommittee on Worker & Family Support of the Committee on Ways & Means
U.S. House of Representatives**

Leveling the Playing Field for Workers: Challenges and Opportunities

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Chairman Davis, Ranking Member Walorski, and distinguished members of the Subcommittee: I am Kelly Schulz, secretary of the Maryland Department of Commerce, and former secretary of the Maryland Department of Labor, Licensing and Regulation (DLLR) under Governor Larry Hogan. I am honored to be here today, and thank you for the opportunity to discuss what I believe is the way forward for workforce development in the United States.

In Maryland, we take the concerns of our workforce very seriously. For us, it is not a game, and we do not treat lightly the challenges faced by our workers and employers. We have worked incredibly hard to identify ways in which the state can play a role in sustaining and growing jobs. Over the years, we have learned that the best solutions are those that temper strategy with funding and leverage partnership, knowledge, and experience of those “on the field” to drive innovation.

Today, I will share with you the pinnacle of Maryland’s workforce development program: Employment Advancement Right Now. Referred to as EARN Maryland, this transformative program empowers the business community to drive innovation and implement solutions, through a collaborative system with employer and industry representatives, non-profit and community-based organizations, and workforce, economic development, and higher education partners. These partners work with the state to advance the skills of our workforce and grow Maryland's economy.

The EARN Maryland program:

- Addresses workforce needs by focusing on industry sector strategies that establish long-term solutions to sustained skills gaps and personnel shortages;
- Addresses the needs of workers by creating formal career paths to good jobs, and sustaining or growing middle class jobs;
- Encourages mobility for Maryland’s most hard-to-serve jobseekers through targeted job readiness training; and
- Fosters better coordination between the public, private, and non-profit sectors and the workforce, economic development, and education partners around the state.

Through EARN, we rely upon our business and industry partners – who best know the challenges faced by their workforce – to design individual development programs relevant to their industry and occupations. Employers are challenged to look both within and beyond their individual organization to identify the specific skills needed for their workforce. It is their intimate knowledge of their industry’s needs and their personal involvement in the program’s design that ensure those participating in EARN training have the relevant, in-demand skills that drive growth.

We are proud to say that in Maryland – working hand in hand with our industry and business partners – we are addressing the needs of our workforce in a strategic and economically efficient way, with an unparalleled return on investment. A recent study on the economic impact of the program shows that for every dollar Maryland invests, an additional \$18.50 in economic activity is created.

BACKGROUND

In 2013, the Maryland General Assembly approved then-Governor Martin O’Malley’s plan to administer \$4 million a year in state grants to train workers for high-demand industries. Passed by an overwhelming majority in the House of Delegates, and unanimously in the Senate, EARN became the bridge that connected Maryland workers with the skills training they needed to compete for high-demand jobs.

The EARN program was – and is – innovative. What makes it unique is that EARN is industry-led, relying on the experience and creativity of our industry partners to intimately know the needs of their workforce and design practical ways to meet those needs. This is an important paradigm shift in workforce development and the reason for the program’s success.

Instead of attempting to address barriers to employment with a one-size-fits-all approach, EARN identifies common workforce needs in specific occupations and develops and implements education and training strategies that address those deficiencies.

Furthermore, EARN not only provides trainees with in-demand skills, but also utilizes a holistic approach to ensure candidates are ready for work. By leveraging relationships with nonprofit and community-based organizations, the program focuses on underserved populations with barriers to employment, including lack of transportation, homelessness, addiction, childcare needs, and criminal backgrounds. Eliminating these barriers while candidates are enrolled in training significantly increases a participant’s likelihood of retaining employment.

While traditional workforce programs often look outward to training entities or higher education to determine needs and develop curriculum, EARN’s model looks inward and tasks business and industry partners with designing the programs. Who better to know what workers need to achieve success than the very people who create the jobs that employ them?

Employers are tasked with identifying the specific skills gaps for their workforce as well as the broader range of skills needed within their industry sector. By anticipating the changing landscape of training needs, curriculum can be designed flexibly to perform over time as an effective workforce strategy.

This flexibility is unique. It ensures Maryland’s businesses have the talent they need to compete and grow and enables employment advancement in high-need fields through targeted education and skills training. This helps workers obtain jobs that offer family-sustaining wages, and provides ancillary support to help individuals overcome specific barriers to employment, such as transportation needs, record expungement, bridge instruction in math and reading, GED courses, stipends for training, and more.

PROGRAM GROWTH UNDER THE HOGAN ADMINISTRATION

Due to the success of EARN’s approach and its ability to reach both businesses and jobseekers, the program has grown both in participation and monetary investment year over year. Since taking office in

2015, Governor Hogan has doubled the state's investment into the program, increasing the budget from \$4 million to \$8 million through targeted investments in key industries.

In addition to the \$4 million historically appropriated for the program, Governor Hogan devoted an additional \$3 million to promote training in information technology and cybersecurity and \$1 million for green jobs training. These investments will ensure Maryland employers have the talent they need to compete and grow in a global economy.

Over the last year, the Maryland Department of Labor awarded funding to 27 new strategic industry partnerships, including 12 initiatives targeting the information technology and cybersecurity industries. More than 2,900 unemployed and underemployed participants, many of whom have multiple barriers to employment, have obtained employment, and over 5,600 incumbent workers have participated in training, leading to improved business outcomes including increased cost savings, productivity, and retention.

In September 2018, the Maryland Department of Labor awarded funding to 15 partnerships in a variety of industries, including cybersecurity and information technology, construction, and healthcare – all growing and in-demand industries in Maryland. The entire state will benefit from these new partnerships, which are comprised of more than 80 employer partners and will train nearly 1,600 Marylanders.

Since Governor Hogan's investment into EARN in FY2018, the program has nearly doubled the number of strategic partnerships, expanding from 40 to 79 funded programs. The focus on growing the number of qualified workers for the cybersecurity and information technology industries – both identified as high-growth industries that will continue to grow in both size and significance in future – is evidenced by a 280% increase in the number of partnerships dedicated to training in those sectors. Similarly, the number of partnerships targeting green jobs has grown, broadening the geographic reach around the state.

SERVING WORKERS' SPECIFIC NEEDS

Today, EARN primarily focuses on three distinct subsets of the workforce: incumbent workers, the unemployed/underemployed, and individuals who require preparatory training.

Incumbent Workers

Employers identify incumbent worker training as a costly yet indispensable tool that is critical for expansion, retention, and increased competitiveness. As of October 2018, more than 5,600 incumbent workers in Maryland have received training, attaining new credentials, certifications, and skills. As a direct result, employer partners report improved productivity, cost savings, wages, and job retention.

Additionally, regardless of industry or region of the state, employers identify challenges around recruitment, especially for entry level positions. This makes the pipeline of qualified workers another of EARN Maryland's focal areas. EARN partners seek to increase the number of workers with the appropriate skillsets who are ready and able to work, thereby helping address the longer term needs of our state.

Unemployed and Underemployed

In regards to the unemployed and underemployed, 3,573 EARN participants completed entry level training programs as of October 2018. Of those, 2,971 (83%) obtained employment. This is a noteworthy achievement, especially considering that EARN is training Marylanders with significant barriers to employment. As a result of their participation in EARN, employers now have a steady pipeline of candidates with relevant skills to consider for hire, thus decreasing screening, interviewing, and training costs and reducing worker turnover.

Preparatory Training

Preparatory training serves individuals who are not ready to enter the workforce, but would benefit from training and education. Employers indicate that even entry level positions require some level of experience. Accordingly, some partnerships are providing job shadow and internship opportunities for students who are still completing educational requirements. These vital experiences allow students to further sharpen their technical skills, while simultaneously forging relationships with local employers and highlighting job opportunities they may have otherwise overlooked.

While the number of partnerships offering preparatory training is currently small, these opportunities are an important step towards full employment and are having positive impacts on the industries they target.

PARTNERING WITH INDUSTRY

Periodically, Maryland's Department of Labor, Licensing and Regulation releases a Solicitation for Implementation Grants. In 2018, given Governor Hogan's substantial investment into the program, the Department held two competitive rounds, receiving 28 proposals.

EARN proposals are thoroughly vetted through a process that ensures industry-led, in-demand strategic industry partnerships are awarded funding. Each proposal undergoes a technical, fiscal, and programmatic review by EARN staff.

Teams of industry and workforce experts from the Maryland Energy Administration, Department of Commerce, Department of Human Services, the Governor's Grants Office, the Governor's Workforce Development Board, and the Department of Labor:

- consider whether the proposal meets program requirements,
- examine the innovation being proposed,
- gauge industry engagement and commitment, and
- vet the partnership's plan for sustainability in the absence of EARN funding.

Scores are compiled, and a recommendation is made for the secretary's review. This proven process ensures that quality partnerships, which are truly employer driven, receive EARN funding.

EARN staff then work closely with each individual partnership to develop goals and measures of success and provide specific support and technical assistance to ensure these goals are met. This support includes site visits, regular meetings with grantees, and facilitating connections with peers or outside organizations to help further program success. EARN staff develop strong working relationships with each grantee to better understand the challenges and successes of each partnership. Working collaboratively with grantees creates an environment of trust and support, allowing for continuous

improvement and innovation. It is through these relationships that staff are able to implement technical assistance plans if outcomes are not being met.

Due to EARN's flexibility, each partnership is unique in its goals with different means to measure success. Many elements are considered when developing goals, such as cost per participant, average industry training costs, level of services provided, length of training, and the number of participants to be served.

Similarly, there are a variety of means to evaluate a partnership's success. Quantitatively, EARN partnerships are evaluated by the number of unemployed/underemployed participants who complete training and are placed into employment or the number of incumbent workers trained.

Program staff review the return on investment, as calculated by a third-party analyst, along with indicators such as new employers engaged and leveraged funding. Success can also be measured qualitatively. EARN staff take into consideration employer feedback, systems change brought forth as a result of the partnership, and participant success stories.

To further evaluate partnership progress and success, grantees are required to submit the following reports to the Maryland Department of Labor:

- Quarterly Narrative Report – tracks all programmatic activity, including project activities, program highlights, challenges, and success stories
- Quarterly Financial Report – tracks projected versus actual expenditures and leveraged resources
- Entry Report – captures all required demographic data
- Exit Report – captures all required outcome data

Programmatic oversight is provided to ensure the partnership is on track to meet timelines, outcomes, and other deliverables outlined in the grant agreement and that data is complete and accurate. Fiscal oversight is provided by at least three staff at the Department to confirm expenditures are allowable and reasonable.

IMPACT ON MARYLAND'S ECONOMY

The EARN program is increasing the earning potential for Maryland's workforce, which directly impacts the state's economy.

EARN partners with third-party BEACON, the Business Economic and Community Outreach Network of the Franklin P. Perdue School of Business at Salisbury University, to independently evaluate the effectiveness of the program. BEACON's 2018 economic impact study found that for each dollar the state invests in EARN, an additional \$18.50 is created in economic activity. In comparison, the nationwide average return on investment for workforce development programs is \$3.41. In other words, EARN is over five times more effective than the average workforce development program.

IMPROVED BUSINESS OUTCOMES

Over the last four years, EARN industry partnerships have implemented demand-driven skills training programs for unemployed and underemployed Maryland residents and provided invaluable opportunities to incumbent workers. Employers express satisfaction with the program, with 95%

indicating that participation in EARN has had a positive impact on their business. A highly skilled workforce in and of itself benefits employers, but secondary benefits have been identified as a result of participation in EARN, including increased revenue, cost savings and improved processes.

Increased Revenue

Employers partners identify increased productivity as a direct result of their participation in EARN. For instance, an employer partner from the mHealth Partnership reports growing their sales by five times due to support from an EARN-trained employee. Additionally, industry partners from the Suburban Maryland Construction Initiative state that its contractors are benefiting from a pipeline of qualified workers as this increases their capability to apply for and receive contracts.

Cost Savings

One of the largest benefits expressed by employers is the cost savings experienced as a result of participating in EARN. Many employers indicate that because EARN training is tailored to meet their needs, the hiring process has become much less time intensive and tedious. Specifically, participation in EARN has resulted in lowered expenses in screening and interviewing job applicants. Because EARN trainees receive industry-specific training, there is less cost associated with the onboarding and training of new employees. Additionally, employers identify increased retention, which can be attributed to the investment into incumbent worker training. This has significantly decreased all costs associated with screening, interviewing and onboarding.

Improved Processes

Employers identify that internal processes have improved because of EARN-funded training for their employees. For example, the Total Recordable Incident Rate for one employer from the Curtis Bay Industrial Partnership reached 295 days without an injury recorded, which is a record for the site. Management attribute this milestone in part to EARN-funded safety training.

HELPING MARYLANDERS OVERCOME EMPLOYMENT BARRIERS

Maryland is experiencing record low unemployment at a time of significant anticipated growth in many of EARN's target industries. As a result, the potential pool of applicants is limited and often have barriers which make it difficult to obtain and retain employment. Some of these barriers include lack of transportation, homelessness, addiction, childcare needs, and involvement with the criminal justice system.

Transportation

Vehicles for Change, a local non-profit and EARN grantee, has a car award program that provides vehicles to low-income families. The organization has forged partnerships with a number of other EARN grantees. Through the car award program, EARN trainees have been awarded cars at a low cost with low interest loans, allowing trainees to build credit and providing reliable transportation to and from work.

Recognizing that access to reliable transportation is one of the most significant systemic barriers preventing Marylanders from accessing quality jobs, EARN grantee Civic Works launched a car match savings program in 2016. Civic Works provides a one-to-one match to the savings participants are able to accrue while they are in paid on-the-job training, up to \$1,000. Soon after purchase, Civic Works takes

the vehicle to a trusted mechanic to ensure the vehicle does not require extensive repairs. Case managers assist participants in navigating the process of purchasing car insurance, registering their vehicle, and addressing any Motor Vehicle Association flags that may prevent them from registering the car in their name. To date, 39 EARN participants have acquired vehicles through the match program, ensuring that reliable transportation is no longer a barrier to work for these graduates.

Interaction with the Criminal Justice System

Since the program began in 2015, the Careers in Manufacturing Program, led by the Jane Addams Resource Corporation, has admitted nearly 140 individuals with criminal backgrounds. For the reason that this can often hinder one's employment options, the partnership has formed a collaboration with the Maryland Volunteer Lawyer Service, a non-profit legal services provider dedicated to meeting the need for pro bono civil legal services for low income individuals. Since this partnership began, it is estimated that well over 100 cases have been expunged.

Through extensive job readiness and essential skills training, the Maritime Transportation and Logistics Partnership teaches trainees techniques on how to interact with the criminal justice system during the interview process. Participants then have the opportunity to practice these techniques through mock interviews with actual employers. Feedback is provided, allowing trainees to further hone responses in preparation for real-world interviews.

PROGRAM RECOGNITION

Since the program began in 2014, EARN has been recognized by numerous organizations for its unique program design and progress in implementing sector strategies, including the National Skills Coalition and the Urban Institute.

Most recently, EARN was named one of the Top 25 programs in the 2018 Innovations in American Government Award competition by The Ash Center for Democratic Governance and Innovation, a leading research center at the John F. Kennedy School of Government at Harvard University. Their preeminent innovation awards recognize and promote excellence and creativity in the public sector. The program highlights exemplary models of government innovation and advances efforts to address the nation's most pressing public concerns.

Further, EARN staff have provided technical assistance to many other states looking to implement similar initiatives, highlighting the efficacy of the model that EARN utilizes.

EXAMPLES OF SUCCESS

Over the last four years, EARN has transformed countless lives, providing opportunities that otherwise may not have been available. Below is but a small sampling of EARN participants who have overcome barriers to employment and successfully entered the workforce:

“While living at Helping Up Mission, Joseph heard about JARC’s training program. He scored well on the aptitude test and entered the program. Joseph worked hard and finished training in just 8 weeks. ‘When I walked in to get my job, I had a felony theft on my record and it was only 5 years old. [JARC] had a lot of influence,’ Joseph said. Since completing the program, JARC has helped Joseph obtain a scholarship to receive a car through Vehicles for Change, and have his

license reinstated. He has already earned 2 pay raises, and has passed the probationary period. He now has a 401k and vacation time.” – *Careers in Manufacturing Program*

“Larry came to Vehicles for Change after 12 years of incarceration in 2015. With his previous experience in diesel automotive, he excelled in furthering his automotive knowledge. After 2 months in the automotive internship program, he was hired full time as a bus mechanic with Reliable Transportation. Larry was married in 2017, which is also the year he made his first 6-figure salary. Larry has also hired 2 graduates of the automotive internship program at Vehicles for Change.” – *Automotive Technicians for Change*

“When Terrance began training, he had been recently released from prison in West Virginia. Once he completed the Sustainable Energy Workforce Development Partnership (SEWDP) training, he was placed in an internship which helped him to build his resume and further refine his skills. Upon completion of the internship, he was hired with the Local 26 Union earning \$13.54. Terrance is on a path to increase his earnings and enhance his skills through this apprenticeship.” – *Sustainable Energy Workforce Development Partnership*

“Regine is a 20-year-old single mother who was experiencing homelessness when she enrolled in Healthcare Mentorship Baltimore. In a needs assessment, Regine shared details of her housing and employment needs; subsequently, the case manager developed a plan that helped Regine acquire affordable housing and stable employment to support her through the training. Despite her obstacles, Regine graduated with her nursing assistant certification on time with 100% attendance and a glowing recommendation from her clinical instructor. Regine is now using her new skills to seek advanced employment opportunities in a hospital setting, where she will receive increased wages and enhanced medical benefits.” – *Healthcare Mentorship Baltimore*

“Rich had been unemployed for more than 2 months when he began the Facilities Management program in April of 2018. He completed training, including an internship where he was able to hone his technical skills. Soon after, he obtained full-time employment earning \$40 per hour.” – *Creating a Pipeline of Green Jobs*

“Andre came to Civic Works because he was unable to find steady work due to his criminal background. When he began the program, Andre's driver's license was suspended for 4 different traffic citations and he did not have a vehicle. With help from Civic Works staff, Andre was able to attend a driver improvement course, pay off the money he owed for the traffic citations, and obtain a valid driver's license. While in the program, Andre discovered that he had an open warrant caused by accidentally missing a mandatory court appearance for his child support case. With support and advocacy from his case manager, Andre was able to resolve the court case. Within less than a week of completing the program, Andre had gained full-time employment in the Brownfields industry at a starting wage of \$18.75 per hour. He is currently building savings toward the purchase of a vehicle.” – *Remediation Construction Industry Partnership*

“Davontay was raised in Baltimore City. Prior to joining NPower's Tech Fundamentals program, Davontay was struggling with financial instability and homelessness off and on for over a year. He was in desperate need of a change and looking for a better way of life. His biggest inspiration for joining NPower was his family, particularly his son for whom he wanted to be a provider and positive role model. In July, Baltimore based PortNetworks brought Davontay on full-time as a

Network Technician Specialist. This position allowed him to gain financial stability and better deal with the obstacles that comes along with being a single father. He is currently building his experience at PortNetworks while preparing to test for his CompTIA Network+ certification.” – *NPower Tech Fundamentals*

CONCLUSION

EARN continues to have a profound impact on the business community and jobseekers in Maryland. The Hogan Administration is proud to support this program and excited to share its successes in the years to come.

Thank you again for this opportunity to speak with you today, and I look forward to answering your questions.