

HIGH PRIORITY OCCUPATIONS

To compete in today's global economy, businesses need a skilled workforce, and our citizens need increasingly higher levels of skills and knowledge. In the past, too many workforce education and training programs in Pennsylvania were not aligned with skill needs and job openings in our economy. The Commonwealth of Pennsylvania's new workforce development strategy seeks to change that by targeting education and training dollars to *High Priority Occupations*.

High Priority Occupations are defined as job categories that are in demand by employers, have higher skill needs, and are most likely to provide family sustaining wages. The Commonwealth's Workforce System has developed a three step process to define High Priority Occupations:

- **Step One - Industry Cluster Analysis** to identify the industry sectors that have the highest potential for growth and could benefit most from strategic workforce investments
- **Step Two - Occupational Data Analysis** to create a baseline list of high demand, higher wage occupations within each of the targeted industry clusters using the best available labor force data
- **Step Three – Expert Input and Regional Factors** to identify occupations that are likely to emerge based on economic development investment, new labor market trends, or business demand, that are too new or regionally-specific to be captured by the data.

Step One was completed in 2004 with the publication of *Targeted Industry Clusters*. Steps Two and Three of this process will be undertaken annually to ensure that public investments keep pace with rapidly changing technology and labor market demand. All public workforce investments will be focused on job categories identified as High Priority Occupations.

Step One – Industry Cluster Analysis

Last year, as part of the effort to better align workforce spending with the needs of the economy, Pennsylvania's Workforce Development Task Force defined nine industry clusters and eight sub-clusters and mapped business concentration and the employment of these clusters across the Commonwealth's 67 counties. The Task Force included the Departments of Labor and Industry, Community and Economic Development, and Education, as well as economists, the Center for Workforce Information and Analysis, and regional workforce and economic development practitioners.

Each of these clusters consists of a group of industries that are closely linked by common product markets, labor pools, similar technologies, supply chains, and/or other economic ties. The Pennsylvania Department of Labor and Industry (L&I) profiled the state's clusters, listed below, in the 2004 publication *Pennsylvania's Targeted Industry Clusters*. The clusters were chosen based on the potential for growth or their overall importance to the stability of Pennsylvania's economy.

1. Advanced Materials and Diversified Manufacturing
 - Chemicals, Rubber and Plastics
 - Electronics
 - Metals and Metal Fabrication
 - Printing
 - Vehicle and Vehicle Equipment
2. Agriculture and Food Production
 - Food Processing
3. Building and Construction
4. Business and Financial Services
5. Education
6. Information and Communication Services
7. Life Sciences
 - Bio-Medical
 - Health Care
8. Logistics and Transportation
9. Lumber, Wood and Paper

More information about Pennsylvania's Targeted Industry Clusters is available at the Pennsylvania Workforce Development website under the "PA Competitive Industries" link at: <http://www.paworkforce.state.pa.us/paworkforce/site/default.asp>

Step Two – Occupational Data Analysis

The next step is to align training and education with occupations that are in demand by employers, have higher skill needs, and are most likely to provide family sustaining wages. The goal of the process is to incorporate both the best available statistical data and local input from workforce and economic developments. Combining hard data with expert knowledge will result in a more accurate picture of Pennsylvania workforce needs than relying on either source alone.

The Pennsylvania Department of Labor & Industry will prepare a baseline list of occupations using federal and state labor market data as well as projections based on U.S. Department of Labor models. This list will be further refined in Step Three to incorporate expert opinion and local information. Occupations are selected based on the following criteria:

Importance to the Cluster was defined based on two factors. Occupations had to account for at least one out of every 100 jobs in the cluster (“significance”) or at least one out of every five jobs in the occupation must be in the cluster (“dominance”).

The number of projected annual openings in the cluster was set at

- 75 openings within the cluster
- Or at least 1 percent of the total projected openings in the cluster, but not less than 25 total openings and 250 openings across all industries.

Job Quality was defined partly based on a wage threshold: jobs had to pay at least \$25,364 in the cluster -- 200 percent of the poverty level for one adult and one child in 2003

Additional Screens: Workforce dollars should be targeted to occupations with shortages of workers not occupations with excess supply. No single statistic definitively determines whether a workforce shortage exists in a particular area. In order to screen out jobs for which there is evidence of a workforce surplus, additional assessments were made based on employment trends, wage trends, unemployment rates, and the ratio of the number of “training completers” in an occupation (i.e., individuals completing education and training courses that prepare them for the occupation) to the number of job openings. Occupations with indications of labor market slack were removed from the initial list based on the following standards:

- *Employment loss of greater than 10 percent* from 2001 to 2003. With employment loss greater than this, experienced dislocated workers ought to be available to fill job openings. (Average employment growth from 2001-03 across all occupations equaled 0.4 percent.)
- *Nominal wage decline.* Average wage growth across all occupations in period analyzed equaled 5.4 percent. The rate of inflation equaled 3.9 percent. Therefore, nominal wage loss is one indicator of a slack labor market in particular occupations.
- *An occupational unemployment rate of 10 percent or higher* over the 2002-04 period. The average unemployment rate across all occupations in this period was 5.6 percent, and higher levels of unemployment are an indicator that unemployed workers should be available for job openings.
- *A ratio of training completers to job openings of more than 300 percent.* The ratio of training completers to job openings should be a good indication of how well the “supply” of trained workers is meeting industry “demand.” However, the completion data is sometimes unreliable and may not capture regional differences. Occupations for which significant evidence exists that the Commonwealth is training more people than there are job openings were eliminated from the initial list. The threshold was set at 300 percent more training completers than openings.

Step Three – Expert Input and Regional Factors

The third step is to refine the baseline list to incorporate input from workforce and other professionals including economic developers, business and labor leaders, workforce development professionals and educators to better understand demand for a skilled workforce that cannot be captured by the data. Critical to this effort is the contribution of regional Industry Partnerships consisting of business leaders, worker representatives, and education experts who define immediate and anticipated training needs and other human resource challenges.

It is critical that modifications to the baseline list do not undercut the strategic focus underlying the state’s workforce reforms. Proposed additions to the High Priority Occupations list must be supported by sound rationale and documented evidence of industry demand and must pay above the wage floor currently set at \$25,364 (or 200 percent of the federal poverty level for a family of one adult and one child). Occupations paying below this level will be included only if (a) substantial opportunities exist for advancement into higher-level jobs; (b) opportunities exist to invest workforce dollars in ways that improve job quality and/or strengthen career ladders; or (c) Regional self sufficiency wages for one adult and one child are lower than current floor of \$25,364. Region is defined as either a local workforce investment area or Team Pennsylvania region.

All additions to the High Priority Occupation list are subject to approval by the Economic Development Cabinet. The mechanisms through which occupations may be added to the High Priority list are as follows.

Statewide Additions and Eliminations

- 1) A panel of experts in the industry will review the initial list and make recommendations for additions and eliminations based on their knowledge of the industry. The rationale for adding or subtracting to the list can include:
 - a. Significant investment in a sector that will lead to new demand for a skilled workforce or new skill sets that could not be captured by historic data.
 - b. Evidence that appropriate workforce development investment could substantially improve wage or work environment conditions, or promote the development of career advancement and career lattices.
- 2) The Economic Development Cabinet will consider recommendations from the Workforce Development Sub-Committee to remove occupations that are not a good investment of Commonwealth funds or do not meet economic development and quality of life goals. The Cabinet can also add occupations based on targeted statewide economic development and other financial investments.

Regional Input

In some cases, statistical analysis and projections can miss differences and dynamics in regional and local labor markets. In order to ensure that the High Priority Occupations list has appropriate input from regional businesses, the following mechanism was put in place in order to obtain local input.

1. Local Workforce Investment Boards (LWIB) can petition the Economic Development Cabinet through the Department of Labor & Industry to add High Priority Occupations based on the criteria below. Proposed occupations must meet wage floor criteria. The petitions must be made annually within 60 days after the initial High Priority Occupations list is distributed.
 - New economic development or business investment in a certain field or industry is likely to stimulate job growth in occupations that are not captured by the historical data. At least three businesses must certify that they will have a total number of openings that meet or exceed a regional openings threshold (the regional thresholds and number of openings required varies by local workforce investment area and is listed below) for each of the next five years.
 - Industry Partnerships of at least five employers demonstrate an unmet need for an emerging occupation in their industry sector sufficient to generate openings equal to or greater than the regional threshold for five years.
 - Regional openings in an occupation exceed the job openings threshold for the local workforce investment area (LWIA) and the occupations have a demonstrated importance to one or more regional industry clusters.

LWIA Openings Thresholds

Greater than 75 openings

South Central
Three Rivers (Allegheny County)
Philadelphia
Montgomery

Greater than 50 openings

Lancaster
Central
Bucks
Chester
Lehigh Valley
Northwest
Delaware
Berks

Luzerne-Schuylkill
Westmoreland/Fayette
Lackawanna

Greater than 35 openings

Northern Tier
West Central
North Central
Pocono Counties
Southern Alleghenies
Southwest Corner
Tri-County

The Center for Workforce Information and Analysis will provide available data on the occupations that meet the openings thresholds and other High Priority Occupations criteria to each Local Workforce Investment Board.

2. Local educational institutions (K-12 and higher education) and economic development agencies can petition Local Workforce Investment Boards to propose adding a High Priority Occupation. The petitioning organization must provide documented evidence that wage floor and number of openings criteria described in the previous section are met.

3. Appeal process In the event, that the Local Workforce Investment Board denies a request from local educational institutions or economic development agencies, these entities can appeal to the Sub-Committee on Workforce Development of the Economic Development Cabinet. The appeal must provide documentation of demand as listed above and will be reviewed and decided upon by the Economic Development Committee.

Exceptions

- *Wage Thresholds* – In cases where regional weighted self-sufficiency wages for one child and one adult are lower than the current wage floor of 200% of the federal poverty level for the same family size, a region may petition to include occupations that meet the self sufficiency wage, but not the federal poverty wage floor. The Center for Workforce Information and Analysis will calculate weighted self-sufficiency wages for Workforce Investment Areas or Team PA regions.
- *Emergency Additions* – New dynamics in a labor market may emerge over the course of the year, after the High Priority Occupations list has been established. If new information or changed circumstances warrant additions, Local Workforce Investment Boards may petition the Workforce Sub-Committee of the Economic Development Cabinet for additions to the list, so long as appropriate documentation and rationale is included.

- *Customized and On the Job Training* – Several workforce programs are designed to fund customized or on-the-job training that results in immediate placement. The High Priority Occupations List does not preclude programs from continuing to engage in this type of training, subject to their own program guidelines. Most programs will require that the wage floor established above be met for these training activities.
- *Pre-employment, basic skills, and literacy education* – The High Priority Occupations list does not prevent programs that currently provide pre-employment and basic skills training or literacy and English as a second language education from continuing to do so. These education and training activities are governed by individual agency or program policy.

Handling Yearly Changes

Each year, when the High Priority Occupation list is printed, occupations that have been eliminated will be noted in the following categories:

- *Occupation to be eliminated* – An occupation listed as High Priority in the previous year, but that no longer meets the criteria will be listed as “to be eliminated” for one year to allow for a transition period. Schools and other providers should begin phasing out programs for that occupation.
- *Eliminated Programs, No new enrollments* – An occupation listed as a High Priority Occupation in the previous year, but that does not and is not projected to meet demand criteria for two subsequent years in a row will be added to a list in which no additional public funds will be used for new enrollees. Students already enrolled in the course of study will be grandfathered in to allow for program completion.
- *Eliminated Programs* – In the third year, programs will be eliminated completely and no workforce development funds will be used for these programs.