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Building the High Skill Labor Market New England Needs

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[BIOGRAPHY](#)

[ANNUAL REPORT](#)

[SPEECHES](#)

[OP-EDS](#)

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[CABINET](#)

[N.U. HISTORY](#)

[PAST PRESIDENTS](#)

[PRESIDENTIAL
SCHOLARS](#)

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Address to the Treasurers' Club of Boston December 7, 1999 Harvard Club, Boston

"Building the High Skill Labor Market New England Needs"

Good afternoon. I'm delighted to be here today and to have the opportunity to address this distinguished audience.

I feel I am among friends today. Northeastern University has prepared students for productive careers for over a century. Along the way, we have sent more than a few graduates into your profession. Through our cooperative education program, we have enjoyed productive partnerships with many of the businesses and organizations represented in this room. So it is a pleasure to come before the Treasurers' Club of Boston; to have the opportunity to congratulate you on your 42nd season; to see some familiar faces; and to make some new acquaintances.

We gather at an exciting and complex time for Boston and the world beyond. I am forced to repeat clichés, which nonetheless have the potency of truth. The nation's economy is being transformed. The remarkable advances of technology, the rapid globalization of markets and companies, the demographic changes within our population - all these factors are coalescing to produce one of the most dynamic and hopeful periods in recent history. At the same time, these changes are bringing with them new sets of concerns and conflicts, as we were

reminded by recent events in Seattle.

Here in New England, the good news associated with economic change has raised some new challenges, and in my comments today I'd like to focus on one issue in particular that is especially close to our hearts at Northeastern - the issue of workforce development in the new circumstances we face.

New England is operating at near full-employment. The unemployment rate for adults with a bachelor's degree or better is under 2 percent. This is a great time to be a professional looking for a job, but it is less enjoyable for headhunters and human resource managers. Throughout the Northeast, thousands of employers - and I suspect that includes many of those represented here today - are struggling to find all the qualified employees they need, especially in technology-based industries. According to the Massachusetts Technology Collaborative, one in 11 jobs in Massachusetts' software- and computer-related technical industries are going unfilled. Similar shortages exist in biotechnology, defense and related high-technology fields. The competition for talent is fierce. One human resource recruiter at a high tech company told me recently that she felt she was working in a war zone.

We have encountered labor shortages in the past, and we have addressed them through a variety of national, state, and local strategies, as well as the actions of individual firms. Those of you who were here in the 1980s will recall the Bay State Skills Corporation and the Employment and Training Choices Program which helped high-end and disenfranchised workers find a niche in the new economy of that era. When the economy slows, however, we tend to pull back from the business of job training. Indeed, one of the reasons for the tight labor market we now face is that we're all playing a bit of catch-up as the economy continues its remarkable recovery and we find ourselves scrambling to widen the labor market pipeline.

That, however, is only a partial explanation. My primary message for you today is that the labor shortage we face now is markedly different than those we have encountered in the past. We are in a new era in New England, one that calls for new

thinking and fundamental changes in how we keep the region supplied with the employees it needs to sustain economic growth.

Consider this: The US is a few months away from achieving the longest recorded period of economic expansion in our history. The New England economy is strong. Today, Massachusetts offers one of the highest per capita incomes in the nation. Throughout the region, opportunities for economic advancement are plentiful. And yet - in spite of such opportunity - we are seeing no growth, zero growth, in the number of young professionals and other workers in New England.

Something has changed. This region has traditionally been a magnet for talent. Those who grew up here learned to love New England and often chose to make their lives here. Talented young people who came to our great colleges and universities from all over the country often stayed on after graduation. Mature professionals historically have been attracted to the quality of life in New England. And yet, today, at a time of maximum opportunity, New England's labor force remains stagnant. Without growth in labor supply, business will be unable to expand. And without business expansion, New England is at risk of being marginalized in the economic sweepstakes of the 21st century.

Northeastern's Center for Labor Market Studies has been sounding the alarm about our regional workforce for nearly two years. In September of 1998 we partnered with the Massachusetts Business Roundtable to host a conference on the problem of labor supply, which prompted the MBR to make the issue a focus of its policy agenda. Last spring we participated in Vice President [Al] Gore's White House conference on the 21st century workforce to understand better the potential of national initiatives that might be relevant to our concerns. Most recently, we have joined forces with the New England Council to establish a Blue Ribbon commission that will conduct a comprehensive examination of New England's labor market shortage, especially the unmet need for highly educated workers with skills in scientific, engineering, computer and other

technical fields.

I am very hopeful about this new commission. It will consist of business leaders, educators and experts from the six New England states. Fleet Bank senior vice president Anne Finucane and I will serve as co-chairs. Over the next 16 months, assisted by Northeastern's Center for Labor Market Studies, we will conduct the first systematic region-wide study of technological labor supply needs. We will also hold public hearings across New England. Our goal is to draw upon the best thinking and the best practices in the region and develop long-term policies and mechanisms that will enable us to cultivate and expand the highly educated and skilled workforce New England needs.

Given the early stage of the Commission's work, it would be presumptuous for me today to offer prescriptions for the concerns we face. Rather, I'd like to use my time with you to promote attention to the problem of workforce development and to encourage each of you to become part of the effort to find solutions to what is arguably the largest single challenge that this region faces.

To that end, let me say a bit more about the nature of our situation as I understand it, then offer some preliminary thoughts about the kinds of things we need to be considering.

The new era

The first thing we need to recognize is that our tight labor market is not merely a temporary squeeze brought about by recent and rapid economic growth. Rather, it is an outgrowth of demographic trends in the region and changes in the composition of the region's economy. This is a long-term, structural and regional challenge that demands a well-wrought, long-term, regional response. A few statistics will suffice to make the point. Between 1990 and 1998, the number of workers in New England actually declined by 32,000. In Connecticut, nearly one in every 14 members of the workforce left the state. In Massachusetts, the labor force grew one percent - but that should be read against 15 percent in the 1980s and 18 percent in

the 1970s.

By way of comparison, the labor-force growth rate in the mountain states from Nevada to Idaho was a robust 26.5 percent. During the time period - the 1990s - 220,000 more people left Massachusetts than moved here. Among those who left, 126,000 were between 25 and 34 years old - and 86,000 had bachelor's or graduate degrees.

Over this same time period, those sectors of the New England economy that grew most rapidly are those which depend on a higher proportion of highly educated workers with skills in scientific, engineering, computer and other technical fields.

Herein lies the essence of our structural problem: the kinds of people who are leaving are those the new New England economy needs in ever larger numbers. The consequences of this situation are evident in the repeated comments of Massachusetts-based CEOs with whom I have discussed workforce issues. Too many have told me that they are having to locate facilities outside the state and region because of their inability to find workers they need locally.

Toward a comprehensive action plan

So where do we turn for solutions? There are several pieces of the puzzle, all of them calling for greater analysis before policy directions can be established. First, we need to understand better what is driving movements of workers into and out of the New England workforce; second, we must take stock of our effectiveness in growing locally the workers we need; third, we should assess our effectiveness in helping members of our current workforce adapt to changing economic requirements. Let me review each of these issues in turn.

On the first of them, the out-migration of talented people from New England, the numbers I have already cited are a sufficient basis for concern. But we do need to know more about these

patterns. We need to understand more clearly, for example, if the graduates of our colleges and universities are less inclined to remain here to build their lives than in the past, and, if so, why? We also need to work with HR offices at major companies in the region to gather data on both hiring and departure patterns, and the forces that drive them. These are tasks we are planning to undertake through the commission I mentioned a moment ago.

One factor in this immigration/outmigration equation already seems quite clear. A recent report prepared by our Center for Labor Market Studies for MassINC points the finger at New England's high cost-of-living, especially with respect to housing. If it's true that housing costs are driving people out of the region, then all of us - corporations, hospitals, universities and communities - need to view the development of affordable housing as a prerequisite for our economic survival. And we need to work with our political leaders to make sure that supporting the production of affordable housing is high in the region's public policy agenda.

I am pleased to say that some good work is being done in this area. Mayor [Thomas] Menino has made affordable housing a priority for the city, and there are substantial state funds available to support the production of privately owned, subsidized housing. Northeastern has been pleased to participate in two recent initiatives along these lines. In November, we broke ground on a residential complex on Columbus Avenue in Roxbury that will create 75 new homes to be sold at subsidized prices for income-eligible families while also increasing the number of student beds for Northeastern undergraduates by 600. Just yesterday, we celebrated the renovation of 25 units of subsidized limited equity co-op housing in the Fenway. Our experience suggests that there is an important role for institutions, as well as government agencies, in the production of affordable housing, and I would hope that other universities and corporations can contribute to progress in this area.

One fascinating and not fully appreciated theme in the out-migration/in-migration equation involves immigration of foreign nationals to the region. Thanks again to Northeastern's

Center for Labor Market Studies and MassINC, we have a new report that offers strong evidence of the economic significance of recent immigration. Indeed, were it not for immigration, the New England labor market would have declined by 200,000 workers over the past decade instead of 32,000. Many leaders in New England's business community have expended considerable energy convincing Congress to expand the H1-B temporary work visa program. Characterized by controversy since its inception, it appears to have done little to alleviate the high tech labor supply problem in New England or elsewhere. Moreover, it is intentionally temporary, when we are seeking long-term solutions.

If the H1-B program is not the answer, what is? Foreign immigrants take various paths into New England's labor market. The question is which among them might prove most effective given the economic conditions we face and how can we get maximum benefit from this source of talent? This is a matter requiring further analysis by our Commission.

Turning from issues related to migration patterns to those involving production of talent through our educational systems, it is clear that we have work to do at every academic level.

In Massachusetts, of course, the reform of our K-12 system has been a front burner issue, politically and educationally, since at least 1993. Today we will get school-by-school reports of the results on the latest round of MCAS testing, and the numbers will tell us that progress has been painfully slow. As someone who has been involved around the edges of the education reform movement, and more directly in the recent discussion about standards for teacher education in the Commonwealth, I am acutely aware of the depth of the challenges we face in these arenas. I am also aware that important questions about the value of some of the tests we are currently using remain to be answered.

But despite slow progress on these important questions, it seems to me utterly clear that education reform is a movement we must all get behind to assure the strongest possible result for the state and the region. I am not talking just about moral support

here, or even political support, important as these are. There is also plenty of room for the major institutions of the region, universities, of course, but businesses as well, to participate in this effort, as is demonstrated in the strong roles played by organizations like the Boston Plan for Excellence, the Massachusetts Business Alliance and the Massachusetts Business Roundtable. For a state and a region that lives by its wits, this is an arena in which we cannot afford to fail.

There is important work to be done at the college level as well.

Given the structural shift in the economy over the past decade and the strong job market for high tech workers, it might surprise you to hear that between 1987 and 1998, the number of bachelor's degrees earned in engineering nationwide fell by more than 14 percent. How do we explain that? Does the fault lie within the culture of academia, where there remains a remarkably high level of disdain for students who want to focus on career preparation? Are parents missing an important message? Are the technical fields seen as too demanding? Can the K-12 system do better in building a pipeline of students with scientific and technological interests?

Several years ago, Northeastern made a strategic decision to expand our colleges of engineering, computer science, business administration and health sciences, and we are making some progress. We are also seeking more students from outside New England. So far so good, but on a macro level higher education needs to be much more creative and effective in addressing the serious mismatch between current enrollment patterns and urgent economic needs.

We also need to constantly revisit our programs and our curricula to make sure they remain abreast of the evolving needs of the regional economy. At Northeastern, we were delighted earlier this year when our High-Tech MBA program was ranked tops in the country by ComputerWorld Magazine, outscoring both Harvard and MIT, as well as Berkeley and Stanford. The moral of this story is not Northeastern's triumph, as proud as we are about it, but the fact that other programs that once had top billing are now seen as less effective because they

have failed to remain abreast of emerging needs. The world of work is changing. We must change along with it.

Finally, we need to look at the efforts we are making to help our mature workers adapt to the demands of a new economic era. Here we are confronted with a bit of a paradox. At a time when we desperately need every skilled worker we can find, our systems for retooling and retraining incumbent workers have been allowed to wither. In Massachusetts, for example, until very recently there was no statewide effort to encourage incumbent worker training, and some of the agencies that attended to this arena in the past, like the Bay State Skills Corporation, have disappeared. Fortunately, the Massachusetts Business Roundtable and the AFL-CIO have joined forces to promote legislative attention to this issue, and a modest bill was approved last spring. But that was a very small first step. Much more can and should be done to make sure that our older workers are given every opportunity to remain productive in changing economic circumstances.

In this arena, as in the arena of affordable housing, education reform and undergraduate education, Northeastern is attempting to make constructive contributions. Through our University College we are working with the Massachusetts software council to design certificate programs for bright, employed college graduates who want to retool themselves to enter the high tech industry. Through our College of Business Administration, we have developed an MBA program tailored to the needs of the EMC Corporation that will be delivered on-site at EMC. We will keep at it.

Across the nation, we need to take fuller measure of what individual firms are doing to develop their workforce in-house. We need to hear from employers about what we can do better - at the region's two- and four-year colleges and universities that offer continuing education, and in the various government sponsored job training programs - to help heighten the capability of the existing workforce. We need to find out what works, and emulate it; find out what doesn't, and discard it.

Conclusion

I have probably gone on too long about our workforce challenge here today, yet I have only skimmed the surface of the issue, and I have certainly raised more questions than I have answered. We are in a new economic era. We do need innovate thinking. We must recognize that the labor shortage we face today is a long-term problem that will require a long-term solution. So, we must proceed apace in our search for answers. And when we find them we need to stay with them through bad economic times as well as good ones. Economic growth may slow at some point, but the demographics of our region and the composition of our economy will not be changing any time soon.

I also hope it's clear that we can neither develop the new and comprehensive labor market strategy that New England needs, nor bring it to fruition, without active participation and support from the region's business community. We need your ideas on what works and what doesn't. We need your collaboration as we work to better align employment and education. And we need your help in awaking the region to new conditions we now face. I trust that you will find this cause on worthy of your attention. I pledge to you my commitment, and that of Northeastern University, as we work to address the challenges we face.

Thank you.

[Return to top of page](#)