

Testimony Before the Health, Education, Labor and Pensions Committee on
***“Supporting Quality Workforce Development Opportunities and Innovation to Address
Barriers to Employment”***

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Greetings Chair Murray, Ranking Member Burr, and all other members of this committee. It is my honor to be with you today. I'm Nicole Sherard-Freeman, Group Executive for Jobs, Economy and Detroit at Work in the City of Detroit. I lead economic development, workforce development, and serve as the executive director of Detroit's Workforce Investment Board under the leadership of Mayor Mike Duggan.

You invited me here today to talk about the barriers job-seekers and would-be job-seekers are facing on the ground, to tell you how we're solving for those issues in Detroit, and to ask for your help where we need it. To do that, I have to begin by telling you a short story that illustrates what's possible at the intersection of workforce development and economic development with the right partnerships.

In 2018, Mayor Mike Duggan pitched the late Sergio Marchionne, then-president and CEO of Fiat Chrysler Automotive—now known as Stellantis—on a once-in-a-lifetime idea. FCA was in search of 215 acres of land to build a new assembly plant for the new Jeep Grand Cherokee—a \$2.5 billion dollar investment that would be the first of its kind in 40 years. To seal the deal, Detroit had 60 days to assemble the land, gain community and City Council approvals, complete the sale, and ensure the City's capacity to handle the related approval processes. In exchange, the Mayor had only one major ask: that FCA would give Detroiters the first chance at the 5,000 union jobs the new campus would bring to Detroit, after satisfying all of the company's union obligations.

In Stellantis' (formerly FCA's) report to the community in December 2021, the company reported that since July 2019, they have hired more than 5500 Detroiters from a pool of more

than 16,000 Detroit at Work, job-ready candidates (including into company jobs across the Metro Detroit area). Union membership increased by more than 5,000. Gross wages paid to employees increased from \$573M in 2020 to \$827M in 2021—an increase of 44%. Income taxes collected in the City of Detroit increased from \$10.6M in 2020 to \$14.2M in 2021—an increase of 34%.¹ While neither the company nor the City and its residents would say this project has been without its challenges, the experience informs a good deal of what I'll share today.

Any significant change in economic conditions—the infusion of a \$2.5B investment, or the fallout from a global pandemic, for example—offers important lessons to any student of the circumstance. Changing economic conditions in Detroit—for the better and for the worse—have brought into sharp contrast two challenges we already knew Detroiters and many Michiganders were facing: childcare and transportation.

In Detroit, there are only 23,000 available childcare seats for 55,000 children under five years old.² Beyond the availability of seats, childcare is often prohibitively expensive, as the average cost of sending one child to childcare in Michigan exceeds the median annual cost of rent.³

While Detroit is home to the nation's Big 3 automakers, Southeast Michigan has a unique set of transportation challenges. First, many Detroiters commute out of the city for work and must depend on a personal vehicle to do so. Public transit is often not a viable option, as the average metro-Detroiter can access 2 million jobs in a one-hour drive but only 65,000 jobs in a

¹ Stellantis. Neighborhood Advisory Council Update. December 15, 2021. https://stellantis4detroit.com/wp-content/uploads/2021/12/2021-NAC-Update-Stellantis-Presentation_FINAL.pdf

² https://hopestartsheredetroit.org/wp-content/uploads/2017/11/HSH-Full-Framework_2017_web.pdf

³ Ibid.

one-hour public transit trip.⁴ While commuting by car is often a necessity, it's also expensive. Transportation costs the average Detroit household more than 20% of their annual income.⁵ This high cost results in many Detroiters going without personal transportation.

Economic conditions in Detroit have also laid bare three other barriers impacting far more than just our current employment levels. First, The Council of Economic Advisers report *Addressing America's Reskilling Challenge* (July 2018) cites "managing both education and covering household expenses" as a potentially "strong deterrent" to pursuing retraining.⁶ Our frontline experience builds on that observation. Situational poverty, or poverty created by short-term conditions, is often created by illness, death of a primary breadwinner, or long-term layoff. By contrast, intergenerational poverty is the resulting outcome of extended situational poverty that is passed on to the next generation. Its chief characteristics include hopelessness, persistent failure to succeed through conventional or traditional means, and little to no awareness of or access to resources to the people or systems necessary to change one's circumstances.⁷ Live in situational poverty for too long, and intergenerational poverty becomes inescapable. Moreover, changing expectations for job and career readiness in many of our largest and fastest growing sectors, and the lack of access too many workers have to the knowledge economy and the future of work are a strategic threat to the competitiveness of our city, state and region. These dynamics have sidelined thousands of workers in Detroit—

⁴ University of Minnesota Accessibility Observatory. <https://access.umn.edu/>

⁵ Center for Neighborhood Technology. H+T Index. <https://htaindex.cnt.org/>

⁶ <https://www.luminafoundation.org/resource/addressing-americas-reskilling-challenge/rapidly>

⁷ https://www.michigan.gov/documents/mdhhs/MCCA_2014_2015_Generational_Poverty_Report_515073_7.pdf

resulting in low labor force participation rates that suboptimize our economy.⁸ While scoping our challenges is, of course, an important first step, we take that question one step further in Detroit. We regularly ask ourselves, what if we combined our knowledge of the barriers our residents face with expert insights into the future of work? And then, what if we iterated on a set of solutions that were informed by resident, grassroots, faith-based, and community-based organizations so that we could improve our trendlines on the metrics that deliver value? What I'll highlight today are four solutions, how they fit together to solve for the larger challenges we face, and how we measure those strategies against the results the Mayor, the Mayor's Workforce Development Board (Detroit's Workforce Investment Board), our State of Michigan Labor and Economic Opportunity partners and elected officials demand, and our taxpayers deserve.

Best practices for addressing workers' barriers to employment Congress can support to scale success we've had in Detroit

Community Health Corps: Addressing wrap around needs of Detroit's most disconnected residents and connecting them with work

Community Health Corps, created by Mayor Duggan and Deputy Mayor and former Michigan Supreme Court Justice Conrad Mallett, is a model is built to disaggregate and solve for some of the most immediate and egregious issues facing Detroit's most disconnected residents. From unsafe housing conditions and food insecurity to access to behavioral and physical health services, Detroit's Community Health Corps is a 30-person team working to connect Detroit's vast network of existing programs and community service providers in an operational

⁸ <https://www.crainsdetroit.com/sponsored-content/why-increasing-labor-force-participation-essential-michigans-economy>

infrastructure that will help us make one taxpayer dollar work like five dollars. This program is essential to increasing labor force participation because many of the challenges our most disconnected residents face don't exist because we lack solutions. These challenges exist because access to solutions across multiple agencies with complex, disconnected, laborious bureaucracies is a barrier. If you've ever tried to help a family member work through an application for a legitimately earned public benefit following a house fire with a fatality, as I have, you know the challenges firsthand. With CARES and ARPA funding as support, Community Health Corp is delivering a team of front-line, door-knocking State of Michigan certified community health workers who are getting into and staying in the trenches with Detroit's most disconnected residents. We've served 1316 households in the past 13 months, with 490 having completed their economic self-sufficiency goals.⁹ We're not the first community to try this approach, but here's what's different in Detroit: Within the appropriate legislative guidelines, Mayor Duggan seated this program inside our workforce agency, Detroit at Work. Why? Because intergenerational poverty is complex. If our model delivers essential human services without hardwiring participants with concrete ways to improve their skills, get a job, and get firm footing onto the path toward the middle class, then we're not improving economic mobility; we're just creating false hope that economic stability and mobility are possible. As long as they're doing their part, our resident taxpayers should rightfully expect better than that from their government officials.

Innovative work-readiness programs and industry partnerships with local employers

⁹ Community Health Corps. City of Detroit. December 2021 Program Update.

The second initiative born of the FCA experience is a new model for work-readiness and employer partnerships. From the early days of the Michigan Economic Development Corporation and Labor and Economic Opportunity division's \$5.8M investment in the project, the Detroit team has had one aim: Understand what's keeping our employer-client awake at night and, wherever possible, solve for the issues before they ever show up on the manufacturing facility floor. Our client told us three things: 1) new workers don't have access to the information necessary to understand the working conditions and physical demands of a day-in-the-life of a production worker; 2) the communication and problem-solving methods in today's manufacturing environment are not the same as those that existed in your grandfather's plant; and, 3) if you set expectations for the work, and new employees get through the first few weeks, the job, career opportunities, and union wages and benefits can offer the kind of financial stability that helps rebuild families and communities. Our job at Detroit at Work was to distill those observations into a work and career readiness workshop that would quickly get Detroiters 'on the list' for priority hiring when the Mack Engine Plant opened. That's what we promised, and Detroit at Work and its community-based partners delivered more than 1000 work-readiness workshops across the City in churches, recreation centers, and our American Job Center One-Stops---also known as Detroit at Work Career Centers. More than 37,000 Detroiters expressed interest, more than 16,000 took the steps necessary to pre-qualify themselves through our Detroit at Work program, and more than 5500---or roughly one out of three applicants were hired. The company says the Detroit at Work marketing and vetting campaign helped them save \$2.1M in HR costs. In combination with the State of Michigan's Labor and Economic Opportunity investment of \$5.8M, this \$7.9M

investment in talent created a new model for employer relationships in the City. In Detroit, we believe public workforce systems owe employers and job-seekers significant returns on their investments.

Reshaping adult basic education to enable credential attainment and support participants' basic needs

While not a surprise, the third learning has led us to begin reshaping adult basic education in the City. More than 200 Detroiters washed-out of the Stellantis hiring process because they didn't have a high school diploma. We have no data on the number of Detroiters who never applied because they did not wish to be embarrassed by their lack of the credential. Mayor Duggan's response was to create Learn to Earn, a program to support Detroiters with a stipend of up to \$200 per week for up to six-months to complete their high school diploma or GED. Critics argue that paying adults to finish a basic credential shouldn't be necessary. Front-line practitioners argue that incentivizing adults who have real financial obligations and significant time constraints is a model worth trying.¹⁰ To date, more than 480 Detroiters have enrolled and are making progress toward skills gains and diploma completion. In Detroit, this number is more than two times the number of students who enrolled prior to the establishment of the incentive model¹¹. In Detroit, we believe that by adjusting the incentive model for students and exploring incentives for teachers, we have a shot at further modifying the behaviors of participants and outcomes of the program.

¹⁰ Karolina Ramos. Poverty Solutions. Behavioral Economics of Education Incentives: Lessons for the Learn to Earn Program. November 2021.

¹¹ Learn to Earn Program Update. City of Detroit. July 2021.

Leverage federal investment and strong outcomes of work-based learning to broaden the impact of local and state funding

Lastly, there are more than 11,000 Detroiters who were not selected as an FCA hire. This pool of talent (along with more than 30,000 more in our database who are Detroit at Work customers who are not interested in auto manufacturing jobs) are ready to take steps toward their next opportunity. Using American Rescue Plan Act funding, we've built a plan to take advantage of their motivation and skills called Skills for Life. Essentially, three internal City departments have piloted a program through which Detroiters work three days per week earning \$15 per hour removing commercial blight remediation and leading other city beautification projects while spending 2 days per week earning a credential and \$15 per hour that will lead to a middle-class job at the end of the program. We believe this combination of meaningful and necessary work to beautify the City while earning pay and a credential is a pathway to a middle class career. More importantly, it's a way for Detroiters to practice lifelong learning. Skills for Life is an opportunity for residents to build their professional adaptability skills—one of the most sought-after traits for employees in the knowledge economy¹², and establish critical thinking, advanced problem-solving in advanced technology environments (including highly-automated and artificial intelligence [AI] enabled workplaces), mobilizing systems and teamwork effectiveness, digital fluency and citizenship, and understanding digital systems. These competencies are among the 56 foundational skills that will help citizens thrive in the future of work.¹³ While the Skills for Life program launched in November 2021, early results are promising. More than 200 residents are interested, 100 have applied, 38 enrolled, 3

¹² <https://www.accenture.com/us-en/insights/future-workforce/missing-middle-skills-human-ai-collaboration>

¹³ <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/defining-the-skills-citizens-will-need-in-the-future-world-of-work>

graduated, and 39 are expected to begin in the next 4 weeks. While this is no cause for a victory lap, we see positive trends we will continue to track, evaluate and use to inform future program adjustments.

We believe that taken together, the measures above will help increase Detroit's labor force participation. Mayor Mike Duggan and City Council's vision is to create opportunity for all Detroiters. As noted in a recent editorial by former Michigan Lt. Governor Brian Calley,¹⁴ and as echoed by my Workforce Board co-chairs Cindy Pasky, President and CEO of global staffing agency Strategic Staffing Solutions, and David Meador, Chief Administrative Officer of DTE Energy, one of Michigan's largest utilities, getting residents off the sidelines and back into the workforce is essential to Michigan's economy and Detroit's readiness for continued industry investments. While Detroit's labor force participation rate has been steadily rising over the last year, to just 1,353 fewer residents employed or looking for work in December 2021 than pre-pandemic March 2020, too many Detroiters remain disconnected from work.¹⁵ Improving economic self-sufficiency, and advancing economic mobility for residents into good, middle-class jobs and careers—while centering equity in the strategy—are among Mayor Mike Duggan's top priorities.

Conclusion

One silver lining in our current crisis has been the funding to put real muscle behind understanding and creating resident-informed solutions to what we're facing. With the help of

¹⁴ <https://www.craigslist.com/sponsored-content/why-increasing-labor-force-participation-essential-michigans-economy>

¹⁵ Bureau of Labor Statistics. Local Area Unemployment Statistics.

Workforce Innovation and Opportunity Act (WIOA) funding and our partnership with the State of Michigan's Labor and Economic Opportunity division, CARES funding in mid-2019, and now American Rescue Plan Act funding, Detroit stood up these first-of-their-kind initiatives to tackle some of our most intractable challenges, while creating pathways to economic stability and mobility. We believe that, in Detroit, our residents don't need more programs. What we need is funding and permissions to braid funding across the Department of Labor (DOL), Health and Human Services (HHS), Department of Education (DOE) and others into solutions that deliver a greater return on investment for taxpayers. As importantly, we need investments to continue readying industrial land and sites so that Detroit and Michigan can strengthen the local and regional economy, and can compete to bring more industry and investments to the US.

Many thanks to this committee for the privilege of sharing Detroit's learnings. If of interest to this body, Detroit would welcome the chance to provide further testimony about what is working, what is not, and what Mayor Duggan and his Administration are doing about it in the City with support from Senator Debbie Stabenow and Senator Gary Peters, Governor Gretchen Whitmer and her administration, local legislators including City Council and the Detroit Delegation, the business community and faith based leaders, and most importantly---the residents of the City of Detroit.