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Remarks for the Manufacturing Development Commission

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Remarks for the Manufacturing Development Commission

These remarks were delivered in the General Assembly Building in Richmond, VA on January 11, 2016.

Ladies and gentlemen: good afternoon. I appreciate the chance to talk with you about an urgent challenge facing Virginia families, Virginia employers and the Commonwealth's economic competitiveness. I'm describing, of course, our shortage of industry-recognized, postsecondary certifications and the short-term training programs that lead to them.

It's a pleasure to have this discussion with so many friends who have worked closely with us on these sort of issues over the years like Delegate Byron, Delegate Marshall and Brett Vassey from the VMA. Our community colleges appreciate your partnership and your leadership. In fact, we're counting on these relationships as we position our colleges to answer the call on what's become the higher education issue of our time.

The shortage of these credentials is costing all of us real money right now. The company Burning Glass produced a report indicating there were more than 175,000 job vacancies last year in Virginia in what's called "middle skill" occupations. The jobs we're talking about paid more than \$28 an hour, or more than \$58,000 dollars a year – a figure that is just shy of Virginia's median household income (\$63,000). This is the kind of money that can support a family.

Well, those jobs each sat vacant for nearly a month – several days longer than the national average. That means Virginia businesses lost more than 36 million hours of productivity. That means Virginia families lost more than \$1 billion in wages. And Virginia, which depends on income tax withholdings more than any other state save one, lost more than \$54 million in tax revenue. This challenge exceeds what the private sector can do alone. Considering the toll it takes from them, they surely would have addressed it by now.

Looking forward only highlights just how dire this challenge is. Over the next decade as many as two-thirds of the 1.5 million jobs that must be filled in Virginia's workforce will require more than a high school diploma but less than a bachelor's degree. They will demand community college associate's degrees and industry-recognized credentials. If businesses can't find those credentials to hire in Virginia, they'll go elsewhere.

Today, 19 other states are funding the community college training programs that lead to industry-recognized certifications. That includes many of our neighbors like Maryland, Kentucky and both Carolinas. In fact, North Carolina is investing more than \$92 million a year on their non-credit programs. For the sake of comparison, Virginia's has never had a funding formula for the short-term training programs we're talking about. These resources just don't exist today for our colleges. Changing that is a critical step in boosting Virginia's competitiveness.

Town hall tour

At the direction of the General Assembly, we spent most of 2015 studying this issue. We held 22 town hall meetings across Virginia that engaged more than 1,500 business leaders. Many of you in the room today were present at those meetings.

The people who joined us there really emphasized the importance of what's called the 1-2-7 phenomenon. It works like this:

- For every “one” job that a business hires that demands a postgraduate degree. Think senior engineer, medical doctor, or lead software designer;
- The business has to hire “two” people with baccalaureate degrees. Think human resources, accounting, or public relations;
- And their work must be supported by “seven” frontline technicians with associate degrees or postsecondary certifications to make it all work. Think machinists, welders, electricians, project managers, lab technicians.

Businesses can find and hire the “ones” and the “twos,” no problem. In fact, they will recruit them from across the world if necessary. The “sevens,” however, must already be here. That's essential to attracting new businesses to Virginia and convincing existing businesses to stay and even expand. In fact, economic developers say that the proven existence of the “sevens,” or a pipeline to them, is more important to deal-making than any other physical infrastructure or tax policy.

The community college plan

Accordingly, we have created a workforce credentials plan to move Virginia forward and boost its competitiveness. Our plan is modest, bipartisan, innovative and results-focused. It was included in last month's budget announcement. The plan calls for an investment of nearly \$25 million, over the next two years, in our community colleges to deliver some 10,500 credentials to meet businesses demand across Virginia. In doing so, we will create the processes and infrastructure needed to do even more, building the long-term solution to what is clearly a long-term challenge.

Our proposal focuses on three priorities: building our capacity; incentivizing credential completion; and making these training programs more affordable. I'd like to take a moment and talk about each of those parts. Building our capacity is the priority for most of the proposal's first-year funding. That money will position our colleges to meet the credential needs of their communities. Instructors will be hired. Facilities will be optimized. Equipment and supplies will be purchased.

As I previously mentioned, these critical resources just don't exist today for community colleges. In fact, Virginia's Community Colleges have never been funded to offer the short-term training programs we're talking about. The patch-work network of offerings we have today are a tribute to the hustle and creativity of our presidents and workforce leaders. It's just not enough, however, to play in the big leagues.

Economic developers know, and business leaders know, that the long-term and sustained investments that our neighboring states are making in this regard puts them too far ahead to ignore. The cost of doing nothing here might just be missing out on the next big economic development deal, and the hundreds of jobs behind it, that North Carolina gets to gladly announce.

Capacity building also means deliberately engaging the individuals who have the most to gain from these credentials. It's true: people don't know what it is that they don't know. It's likely, for example, that parents today never heard the phrase, “Mechatronics.” I know I never discussed it with any of my three children while they considered their options.

Media reports about cyber-attacks are common. Those attacks can feel like a violation if your credit card numbers, or emails, get snagged in one. But how many people know that obtaining the skills needed to fight those criminals can open the door to a career offering a six-figure income? Ignorance, outdated stereotypes, the old “bachelor’s-or-bust” mentality are the enemies we face to prepare individuals for promising 21st century careers, and supply our businesses with credentialed talent necessary to compete. The truth is we have no talent to waste if we are to realize Virginia’s true potential.

Thanks to a grant from the National Governor’s Association, we are working across several agencies to do the research necessary to break through that interest gap. There’s no quick fix for this. From what we can tell, no one is doing this well today.

The plan’s second priority is to reward performance and incentivize credential completion.

Beginning in the proposal’s second year, individual community colleges earn funding based on



performance criteria and credential completion. In other words, colleges get paid for the credentials they add to the Virginia economy, not simply the number of students who sit through a class. The urgency of this issue justifies this innovative pay-for-performance approach.

Our colleges are up to this challenge. As I mentioned, limited resources prevent us from offering all the short-term training programs that our communities need. But our existing menu of programs is both high-quality and highly

productive. Of those we serve in these short-term programs, 95-percent successfully complete them. From the second year of this proposal forward, we are asking Virginia to invest in our results – producing a win-win-win scenario that benefits individuals, businesses and taxpayers.

The third priority of this proposal is to make these opportunities more affordable for everyday Virginians. We know today that 70-percent of Americans live paycheck-to-paycheck and lack an additional \$500 to afford an emergency. We also know that 1.1 million Virginians have earned some college credit though they lack a college credential. Too many of those folks are trying to start a life while working a minimum wage job and making payments on college loans.

These short-term training programs, and the credentials to which they lead, are brimming with potential to position these people to earn their way into Virginia’s middle class and beyond. Our colleges do a tremendous job of that already when you consider an apples-to-apples comparison between some of our current offerings and those from private sector providers. For example:

- Becoming a Certified Medical Assistant is a popular entry point for those seeking a career in healthcare. Our students pay just under \$3,000 for that training. Pursuing that same credential at some private providers we reviewed will cost you between \$21,000 and \$34,000;
- Aspiring truck drivers will spend \$3,200 for community college training, at least \$1,000 less than private training providers;

- Project management professionals will pay more than double the \$800 we charge to get the same training at a private provider; and
- And our entry-level IT certification training runs about \$1,200. That is at least \$400 less expensive than the lowest cost private provider – and it's less than half of what some others charge.

The community college mission, and culture, has long been focused on affordable postsecondary access. But that status quo for these credentials isn't always enough. Price is a barrier for too many of the people we need to engage. Our programs cost, on average, \$3,100 to complete. There's practically no financial aid for these students. They have to write a check on the first day in order to begin. Our proposal changes that.

Following the capacity building of the first year, we believe that our community colleges can reduce by at least one-third – and in some circumstances, up to one-half – the cost to attend these training programs.

Let me use just three examples to demonstrate how this can work. If our plan is adopted and funded at its proposed level, in just a few years we would expect to see:

- The cost of pursuing training for a cyber-security certification could drop from today's price of \$2,500 to \$1,600 or less;
- The price of training for an AWS welding certification could shrink from today's price of \$1,100 to \$700 or less; and
- Training to become a licensed pharmacy technician, which costs \$1,600 today could be reduced to \$1,100 or less.

Some details of our proposal are still under discussion. For example, there is broad consensus that determining what credentials are considered to be in high-demand, at a given time, cannot occur without the perspective of local and regional industry leaders. I agree with that. Conversations continue, however, on the process necessary to go about collecting, verifying and acting upon such information.

Community colleges: a workforce training legacy

The General Assembly's charge, last year, to create a solution to this credentials challenge wasn't a surprise. In fact, it represents the third time in our 50 year history that Virginia has looked to its community colleges to lead the way on elevating its workforce. The first time occurred in 1966, when we were created. Changing technology and a lack of trained technicians drove business leaders at the time to advocate for the creation of a community college system. No other entity was up to the task.

Thirty years later, Virginia called on our colleges again. This time the charge was to lead the way on the commonwealth's postsecondary workforce training. The limitless drive of technology, and its integration into every workplace, demanded leadership and coordination. We are proud of that legacy and its successes, and we stand ready to lead the way, once again, in meeting the commonwealth's needs.

Our community college system is the only entity in Virginia capable of producing a credentials training program that ensures quality, affordability and access to all parts of the Commonwealth. Over the past 50 years, we have laid the foundation of structures and policies that give us the unique ability to deliver programs on a large scale but with the flexibility and responsiveness to meet the different needs of different communities. This is why the 19 other states that already fund these programs do so through their community colleges.

The \$25 million dollars we are seeking is a modest investment, compared to what's occurring in many of those other states. But we'll make it count. Our colleges will leverage that state investment, deliver tangible results, and make Virginia more competitive at every level.

What's next?

In closing, we're grateful, once again, for your interests and time to discuss our plan. It's modest, bipartisan, innovative and results-focused. And it will boost Virginia's competitiveness. We're happy to take any questions you may have.