

June 14, 2020

Memorandum To The Mayor Of Seattle Jenny Durkan

FROM: City of Seattle COVID-19 Workforce Recovery & Development Task Force - Bettina Arkhurst, Lucy Du, George Hua, Michelle Liang, Victoria Yu

SUBJECT: Reforming City of Seattle Workforce Development Ecosystem and Strategy for the Post-COVID Future Economy

Summary

The COVID-19 fallout calls for redevelopment of Seattle's workforce and revitalization of small businesses. Existing workforce development programs must be re-evaluated and a new integrated ecosystem established to combat layoffs, assist vulnerable worker populations, and maximize future skills agility and job security. In response to intensified social inequality, newly subsidized training programs will benefit low-income minorities.

Background

COVID-19 created significant financial and operational hardships in all industries causing revenue losses and worker layoffs. Dependent on consumer consumption, vulnerable industries include: accommodation, food services, retail trade, and manufacturing.¹ Seattle is one of the most vulnerable cities in the US when considering the most heavily impacted industries.² Racial minorities and low-income populations are most affected.³ Seattle's income inequality will worsen.⁴ Considering unemployment rate increases and intensified social inequality,⁵ government subsidized training programs must upskill vulnerable populations.

¹ McKinsey. "19 Tracker: COVID Business Response Center: McKinsey & Company." *COVID*, covid-tracker.mckinsey.com/vulnerable-jobs/geography/US.

² Seattle Jobs Initiative. COVID-RECESSION & RECOVERY. May 2020, www.seattlejobsinitiative.com/wp-content/uploads/COVID-19-Recession-and-Recovery-Brief.pdf.

³ Fairlie, and Robert W. "The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey." *NBER*, 4 June 2020, www.nber.org/papers/w27309.

⁴ Guy, Gene Balk / FYI. "Seattle Hits Record High for Income Inequality, Now Rivals San Francisco." *The Seattle Times*, The Seattle Times Company, 20 Nov. 2017, www.seattletimes.com/seattle-news/data/seattle-hits-record-high-for-income-inequality-now-rivals-san-francisco/#:~:text=Seattle hits record .

⁵ "Monthly Employment Report." *ESDWAGOV - Monthly Employment Report*, esd.wa.gov/labormarketinfo/monthly-employment-report.

See additional notes in appendix.



Figure 5. The Overlap between Jobs with a High Risk of Automation and COVID-19 Layoffs

Proposed Recommendations

1. Impact evaluation of all existing major stakeholders working towards workforce development, and especially involved in Seattle's long term development post-Covid
2. Work with the major stakeholders to create integrated ecosystem approach for workforce talent pipeline
3. Protect People, Not Jobs
4. Develop small business digitalization and upskilling
5. Create program incentive structure that pushes participation

Evidence + Analyses

Recommendations are based on an analysis of existing literature, current programming, and available economic and labor statistics, which will be expanded upon below:

Impact evaluation existing stakeholders

Current workforce development stakeholders are Washington State Economic Security Department (ESDWA), Seattle Jobs Initiative (SJI), Seattle Workforce Development Council (SWDC), Seattle Colleges, and Seattle-King Workforce Funders Collaborative through Upskill America-WA. These institutions exhibit deficiencies in community engagement, flexibility, timing and relevance,⁶ and must be evaluated by low-income communities of color assistance by examining demographics served, income increase, and employment status six months after program completion. Ineffective programs must be slowly phased out and funds reallocated to relevant skills training determined by the Employment Security Department (ESDWA).

⁶ Selingo, Story by Jeffrey. "The False Promises of Worker Retraining." *The Atlantic*, Atlantic Media Company, 8 Jan. 2018, www.theatlantic.com/education/archive/2018/01/the-false-promises-of-worker-retraining/549398/.

Integrated ecosystem approach

These stakeholders fund talent-employment pipelines for laid-off workers; however, resources are not consolidated accessibly. Conflicting government benefits qualifications with other non-profit or private led initiatives can cause individuals to experience a “benefits cliff”⁷.

Policies must foster flexibility, labor mobility, and job stability to be effective.⁸ Existing government-led programs have been criticized for training for disappearing professions,⁹ not closing workers-employee skills gap, and onerous licensing requirements.¹⁰ Seattle’s retraining programs are predominantly delivered through the Seattle Colleges, which has not closed skills gaps despite certifications and courses for all sectors, and SJI, which still highlights pipelines with diesel, iron work, maritime welders, and healthcare. Only healthcare remains a high-needs industry in Seattle May 2020.¹¹ However, the root issue of job-oriented training emphasis instead of employee agility and lifelong-learning must be addressed.

⁷ David Kaz, “Understanding ‘Benefits Cliffs’: Implications For Helping Washingtonians Advance To Self-Sufficiency Through Workforce Strategies.” <https://www.seattlejobsinitiative.com>, Seattle Jobs Initiative, Mar. 2015, www.seattlejobsinitiative.com/wp-content/uploads/SJI_BenefitsCliffs_Report_MAR2015.pdf.

⁸ “OECD Skills Outlook 2019: Thriving in a Digital World, Executive Summary.” OECD.org, OECD, 2019, www.oecd-ilibrary.org/sites/df80bc12-en/1/1/3/index.html?itemId=%2Fcontent%2Fpublication%2Fdf80bc12-en&_csp_=53a91137adce4a3a859955ebh548509c&itemIGO=oecd&itemContentType=book, accessed June 14, 2020.

⁹ Tyran Saffold, “Are Government Retraining Programs Adding to the Skills Gap?” *ThinkWhy*, 7 Oct. 2019, thinkwhy.com/news-detail/are-government-retraining-programs-adding-to-the-skills-gap, accessed June 14, 2020.

¹⁰ Jeffrey Selinger, “The False Promises of Worker Retraining,” *The Atlantic*, Atlantic Media Company, 8 Jan. 2018, www.theatlantic.com/education/archive/2018/01/the-false-promises-of-worker-retraining/549398/, accessed June 14, 2020.

¹¹ “Labor Market Report Library: Top 25 Skill Clusters May 2020.” *ESDWAGOV - Labor Market Report Library*, esd.wa.gov/labormarketinfo/report-library, accessed June 14, 2020.

Top 25 skill clusters from online ads			Return to content
King County, February 2020 through May 2020			
Source: Employment Security Department/LMEA; The Conference Board® Burning Glass® Help Wanted OnLine™			
Rank	Skill clusters	Number	
1	Customer and Client Support: Basic Customer Service	26,681	
2	Information Technology: Microsoft Office and Productivity Tools	20,029	
3	Administration: Scheduling	17,638	
4	Sales: General Sales	16,805	
5	Business: Project Management	15,227	
6	Information Technology: Software Development Principles	13,891	
7	Administration: General Administrative and Clerical Tasks	11,354	
8	Finance: Budget Management	11,321	
9	Business: Business Process and Analysis	10,722	
10	Business: People Management	8,787	
11	Information Technology: SQL Databases and Programming	8,361	
12	Administration: Administrative Support	7,792	
13	Information Technology: Cloud Solutions	7,484	
14	Health Care: Emergency and Intensive Care	7,214	
15	Business: Business Strategy	7,062	
16	Information Technology: Java	6,851	
17	Information Technology: Scripting Languages	6,828	
18	Information Technology: System Design and Implementation	6,767	
19	Health Care: Basic Patient Care	6,476	
20	Marketing and Public Relations: Customer Relationship Management (CRM)	6,382	
21	Business: Business Management	5,906	
22	Business: Quality Assurance and Control	5,877	
23	Finance: General Accounting	5,858	
24	Finance: Billing and Invoicing	5,497	
25	Industry Knowledge: Retail Industry Knowledge	5,487	

Protect people, not jobs

Existing initiatives intended to help show a tendency to partner with disappearing professions. This can be seen through existing SJI and Seattle College programs. The SJI's May "COVID-19 Recession & Recovery" report¹² lists the importance to utilize existing resources to support the workforce during these times while expanding programs to meet crisis-level demand. However, the process to do so has not yet fully begun.

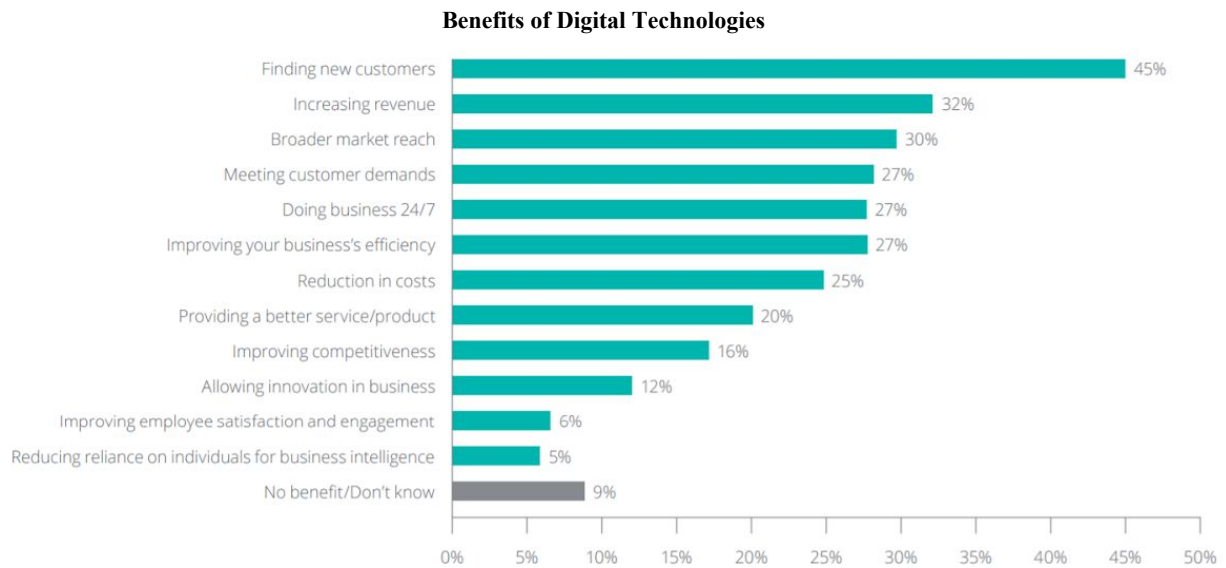
Small business digitalization

The future of work relies on enhancing digital technology for business growth. Especially for small-to-medium sized businesses, digital tools efficiently assist with acquiring new customers, increasing revenue, and meeting customer demands.¹³ With so many small businesses not fully embracing the digital age, one might suspect major barriers such as inadequate broadband or lack of technical skills. However, many small businesses being unaware of the benefits of digital tools

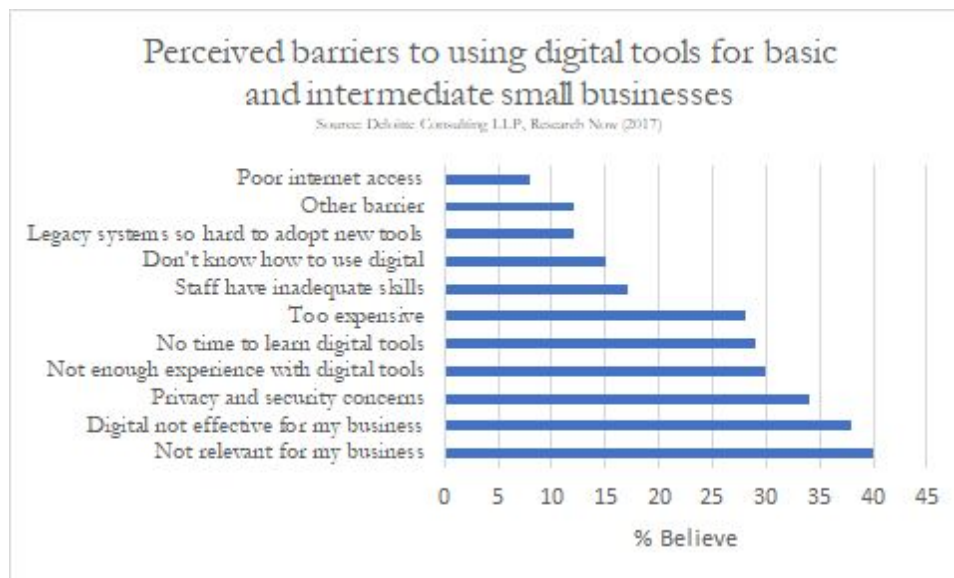
¹² "COVID Recession & Recovery." <https://www.seattlejobsinitiative.com>, Seattle Jobs Initiative, May 2020, www.seattlejobsinitiative.com/wp-content/uploads/COVID-19-Recession-and-Recovery-Brief.pdf.

¹³ Rogers, Kristina, and Andrew Cosgrove. "How COVID-19 Could Change Consumer Behavior." *EY*, EY, 16 Apr. 2020, www.ey.com/en_us/consumer-products-retail/how-covid-19-could-change-consumer-behavior.

is the greatest barrier. Amongst the least digitally engaged small businesses, dominant barriers are uninformed perceptions, lack of funds or time, and inadequate staff skills.¹⁴



Source: Deloitte Access Economics & Stancombe Research and Planning, 2017

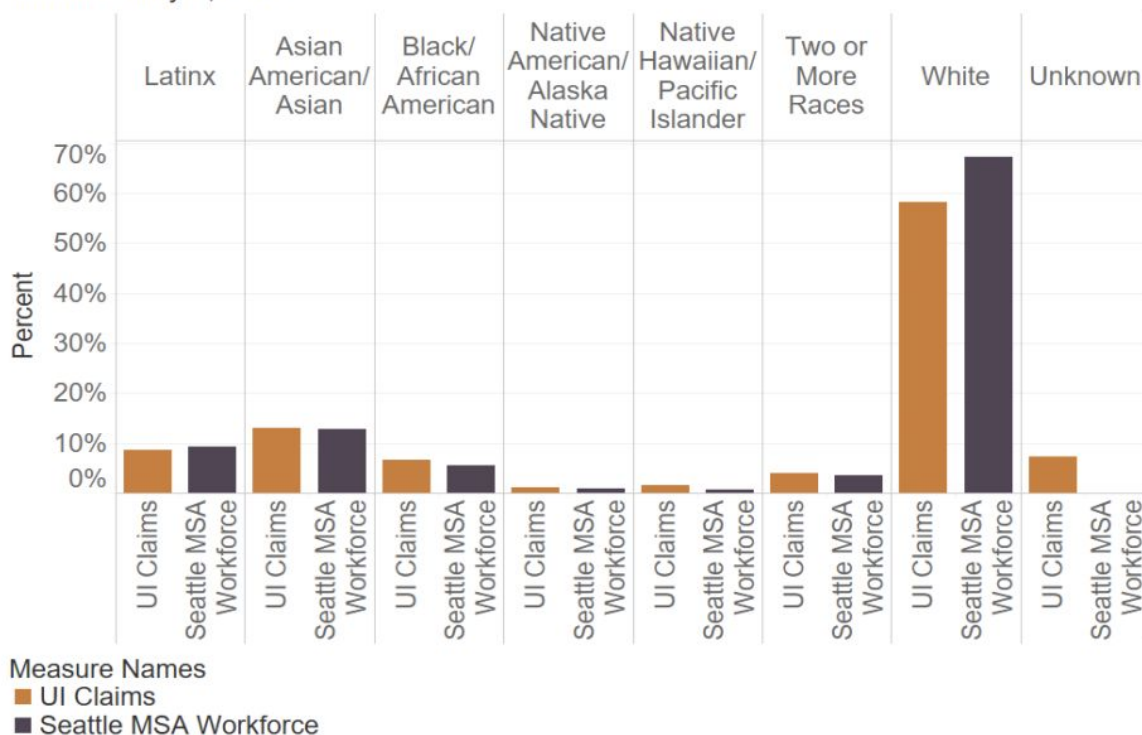


¹⁴“Small Business Technology Trends: Deloitte US.” *Deloitte United States*, 20 May 2020, www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/connected-small-businesses.html.

Encouraging incentive structure

The pandemic has been a catalyst to already underway structural changes. Jobs at highest risk for automation have had the highest unemployment insurance claims during the pandemic. Although some occupations may not have been at immediate risk for automation in the short run, the pandemic has accelerated the industries' push for job automation due to pressure to cut labor costs and respect social distancing rules.

Initial Unemployment Claims by Race/Ethnicity vs Seattle MSA Workforce
March 8-May 9, 2020



Layoffs are concentrated in remote-unfriendly occupations, which are typically lower-paid with 38% under a median hourly wage of \$20 or less.¹⁵ Trends show racial minorities experience higher levels of layoffs, despite adjusting for workers of color being overrepresented in essential occupations.¹⁶

¹⁵ Seattle Jobs Initiative. COVID-RECESSION & RECOVERY. May 2020, www.seattlejobsinitiative.com/wp-content/uploads/COVID-19-Recession-and-Recovery-Brief.pdf.

¹⁶ Tracy Jan, Scott Clement. "Hispanics Are Almost Twice as Likely as Whites to Have Lost Their Jobs amid Pandemic, Poll Finds." The Washington Post, WP Company, 6 May 2020, www.washingtonpost.com/business/2020/05/06/layoffs-race-poll-coronavirus/.

Implementation and Next Steps

Impact evaluation existing stakeholders

Evaluations of current local training programs should incorporate SJI and the SWFC's policy and research teams as existing research will aid in assessing the long-term effectiveness of programs following COVID-19.

Integrated ecosystem approach

Seattle must develop an integrated strategy. Seattle Colleges should revamp offerings according to market trends information provided by local employers to best supply talent for post-COVID job skills demand. City government supports all logistical and facilitation to balance job skills needs. Private sector retraining programs garner more trust, and the Seattle government should expand training partnerships to include direct pipelines to employment in private-sector firms aligned with demanded skills.

Protect people, not jobs

To account for individuals' needs, future participants complete a preference survey ([an example prototype survey](#)) on unemployment status, preferred skills, industry, availability, current employment, and personal goals to match users with upskilling programs.

According to the OECD Skills Outlook 2019, it is imperative to encourage agility by incorporating lifelong learning systems - particularly for our target population¹⁷. This includes providing the appropriate technology and flexible education framework in low-income communities of color to acclimate to evolving workforce demands.

Small business digitalization

Given small businesses' need for digitizing to stay competitive in the market, employees must upskill and transfer skills back to their previous employers. The upskilling program must coordinate with small business owners to train current employees by covering a percent of the employee's wage while the employee participates in the program. After completion, the employee must return to their original employer and apply skills learned directly in their job position. Not only does the individual benefit, the small business does too.

Encouraging incentive structure

A mandatory pre-training program educates participants on the COVID-19 impacted job market landscape in order to make informed choices on preferred upskilling occupational pathways,

¹⁷ "OECD Skills Outlook 2019: Thriving in a Digital World." *OECD Instance*, www.oecd-ilibrary.org/education/oecd-skills-outlook-2019_df80bc12-en.

basic financial literacy, and the importance of life-long learning as an educational philosophy, which will be continually promoted throughout training programs.

Recessions spur companies to eliminate less productive workers and restructure operations to lower costs. Industries impacted the most from COVID-19 intersect industries susceptible to permanent future job loss.¹⁸ Full recovery hinges on reskilling of workers in vulnerable industries, and tiered incentives encourage displaced workers to acquire skills in higher demanded occupations.¹⁹

¹⁸Seattle Jobs Initiative. *COVID-RECESSION & RECOVERY*. May 2020, www.seattlejobsinitiative.com/wp-content/uploads/COVID-19-Recession-and-Recovery-Brief.pdf.

¹⁹Washington State Employment Security Department. *Top 25 Occupations Advertised Online*. May 2020, esdorchardstorage.blob.core.windows.net/esdwa/Default/ESDWAGOV/labor-market-info/Libraries/Occupational-reports/Employer-demand-top-25/2020 HWOL/Top 25 occupations advertised online April 2020p.pdf.

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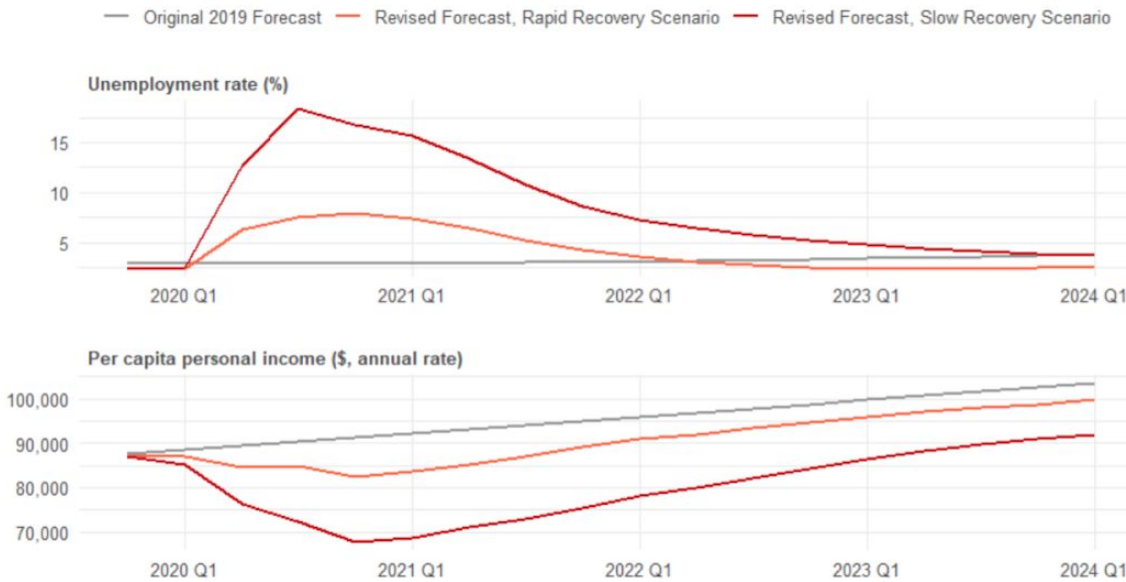
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al-reports/Employer-demand-top-25/2020 HWOL/Top 25 occupations advertised online April 2020p.pdf.

Appendix

City of Seattle Background and Economic Context

Economic Forecasts



Rapid Recovery Scenario

- 45% probability
- About 65,000 jobs lost
- 8% unemployment rate by year end
- Income per capita 5.5% lower by year end

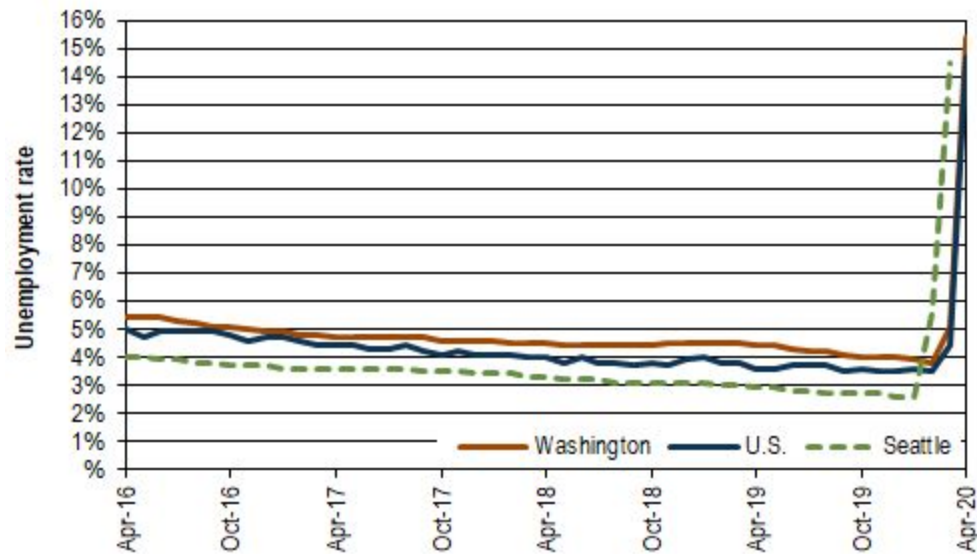
Slow Recovery Scenario

- 35% probability
- About 170,000 jobs lost
- 18% unemployment rate by year end
- Income per capita 12.5% lower by year end

Unemployment rates, seasonally adjusted

U.S., Washington and Seattle, April 2016 through April 2020

Source: Employment Security Department/Labor Market and Economic Analysis; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics



Employment and unemployment, not seasonally adjusted Washington State

	2020		2019		2018		2017	
	April	March	April	March	April	March	April	March
Civilian Labor Force	3,932,156	3,895,060	3,875,503	3,889,343	3,772,678	3,786,076	3,704,178	3,711,043
Employment	3,309,377	3,685,856	3,715,171	3,702,103	3,612,695	3,604,944	3,538,660	3,523,710
Unemployment	622,779	209,204	160,332	187,240	159,983	181,132	165,518	187,333
Unemployment Rate	15.8%	5.4%	4.1%	4.8%	4.2%	4.8%	4.5%	5.0%

Seattle particularly:

March to April month-over-month increase from 5.6% to 14.5%, 258% higher than March rate

April 2019 to April 2020 year-over-year increase from 3% to 14.5%, 483% higher than 2019 rate

Normal Employment Seasonal Change, Estimated Change, Actual Seasonally Adjusted Change

Washington State, April 2020

Source: Employment Security Department/Labor Market and Economic Analysis; U.S. Bureau of Labor Statistics, Current Employment Statistics

	Normal seasonal change	Estimated change	Seasonally adjusted change
Total nonfarm	18,500	-508,500	-527,000
Leisure and hospitality	6,500	-171,200	-177,700
Professional and business services	4,500	-30,800	-35,300
Government	2,500	-26,000	-28,500
Retail trade	1,900	-43,700	-45,600
Construction	1,700	-79,300	-81,000
Wholesale trade	800	-11,900	-12,700
Other services	600	-30,600	-31,200
Education and health services	500	-66,200	-66,700
Financial activities	400	-7,200	-7,600
Mining and logging	0	-500	-500
Information	-100	-3,300	-3,200
Transportation, warehousing and utilities	-200	-9,700	-9,500
Manufacturing	-600	-28,100	-27,500

Normal seasonal change is the expected monthly change in employment based on history.

Estimated change is the employment change over the month based on BLS survey data.

Seasonally adjusted change is change in employment accounting for normal seasonal patterns.

- The normal seasonal gain in leisure and hospitality employment is 6,500 in April. The estimated loss was 171,200, so employment decreased by 177,700 on a seasonally adjusted basis.
- Employment in retail trade normally rises by 1,900. It is estimated to have decreased by 43,700 this April, so it decreased by 45,600 on a seasonally adjusted basis.
- Typically, manufacturing decreases by 600 in April. On a seasonally adjusted basis, manufacturing employment decreased by 27,500 as the estimated decrease was 28,100.

Inequities in Unemployment

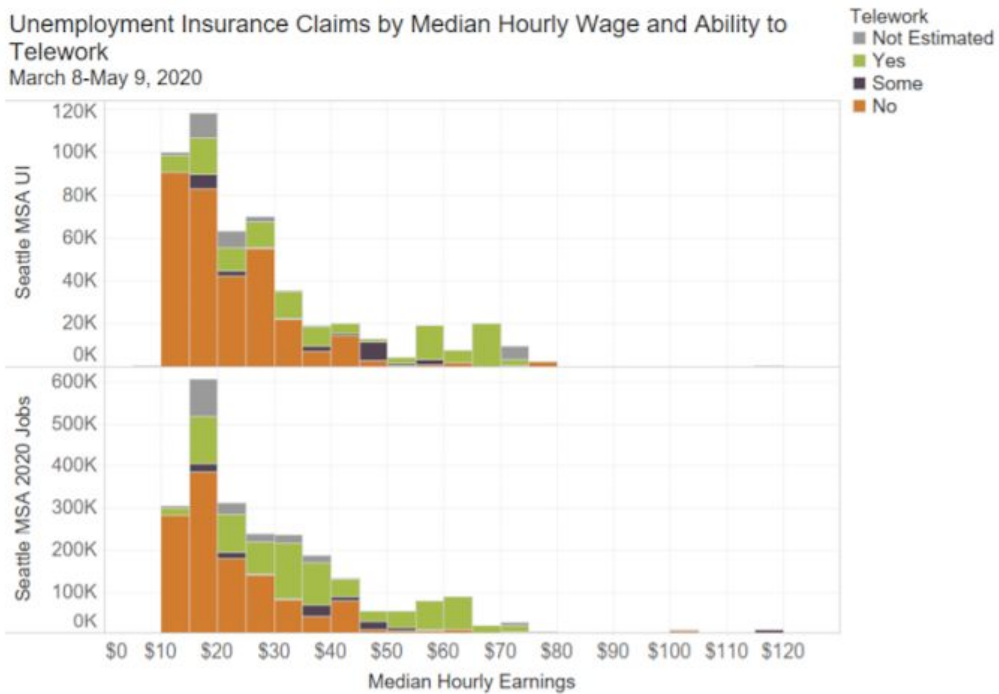
Occupations with the Most Initial UI Claims by Automation Risk
March 8-May 9, 2020

Risk	Occupations	King County UI Claims	Seattle MSA UI Claims
High	Retail Salespersons	8,716	16,751
	Carpenters	4,309	10,031
	Taxi Drivers & Chauffeurs	7,337	9,158
	Bartenders	5,383	8,779
	Cashiers	4,029	7,397
	Construction Laborers	2,603	6,712
	Dental Assistants	2,674	5,965
	Receptionists	2,871	5,643
Moderate	Waiters and Waitresses	10,708	18,025
	Sales Managers	9,172	15,806
	General & Operations Mngrs	8,703	14,656
	Hairstylists	5,542	10,859
	Electricians	3,188	8,339
	Customer Service Reps	4,088	7,577
	Construction Managers	3,140	6,548
	Stock Clerks & Order Fillers	3,165	6,348
	Cooks, Restaurant	3,720	6,189
	Childcare Workers	3,098	5,821
	Production Workers, All Other	4,031	9,176
Not Estimated	Managers, All Other	4,333	7,661

Risk
■ High
■ Moderate
■ Not Estimated

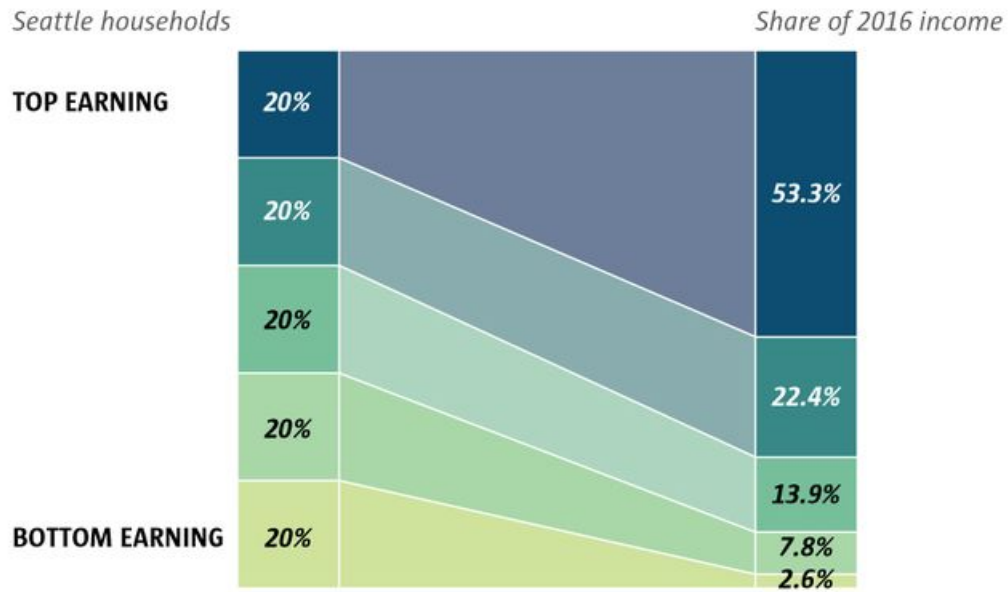
Demonstration of intersection of automation risk and COVID-19 employment disruptions.

Unemployment Insurance Claims by Median Hourly Wage and Ability to Telework
March 8-May 9, 2020



Demonstration of income inequality exacerbation. Lower income individuals disproportionately affected by unemployment.

Existing Income Inequality



Each 20% represents 63,835 households.

Source: US Census Bureau

Worker Demographics

