

**THE NEW CENTER**



**Policy Paper**

**Think Centered**

# Workforce Training Programs

**THE NEW AMERICAN DREAM**

### NEW CENTER SOLUTION:

# Workforce Training Programs

## THE NEW AMERICAN DREAM

The U.S. is on pace to set a record for the longest economic expansion in its history by July 2019, and the unemployment rate of 3.8% is the lowest it's been in nearly 50 years.<sup>1</sup> By many measures the U.S. economy is thriving. And yet, far too many American workers in far too many places are being left out and left behind. Consider:

- In the period between 1990 and 2015, the U.S. lost about 30% of its factory jobs.<sup>2</sup>
- Distressed rural communities have lost 1.4 million jobs since the Great Recession.<sup>3</sup>
- The percentage of men out of the labor force, which includes people who are unemployed and also those not looking for work, has jumped from 14% in 1950 to 31% in 2018. At the same time there are over 7.5 million job openings as of March 2019 that were unfilled.<sup>4</sup>

Innovation—the creation of new products, industries and jobs, and the elimination of old ones—has always brought disruption. And leaders in Washington have often held up “workforce training” as the panacea to help workers and communities deal with this disruption.

But it isn't working, due to significant underinvestment and poor performance from many of the programs that are funded.

According to a report by the National Skills Coalition, since 2001 the government has cut funds for workforce training programs by 40%.<sup>5</sup> While the U.S. spends \$500 billion each year on higher education, it spends only \$8 billion on workforce training.<sup>6</sup> Meanwhile, a publication by Mathematica Policy Research found that participation in public workforce services and training did not translate into an increase in earnings.<sup>7</sup>



## 30%

of U.S. factory jobs were lost between 1990 and 2015



## 1.4 million

jobs have been lost in rural communities since the Great Recession

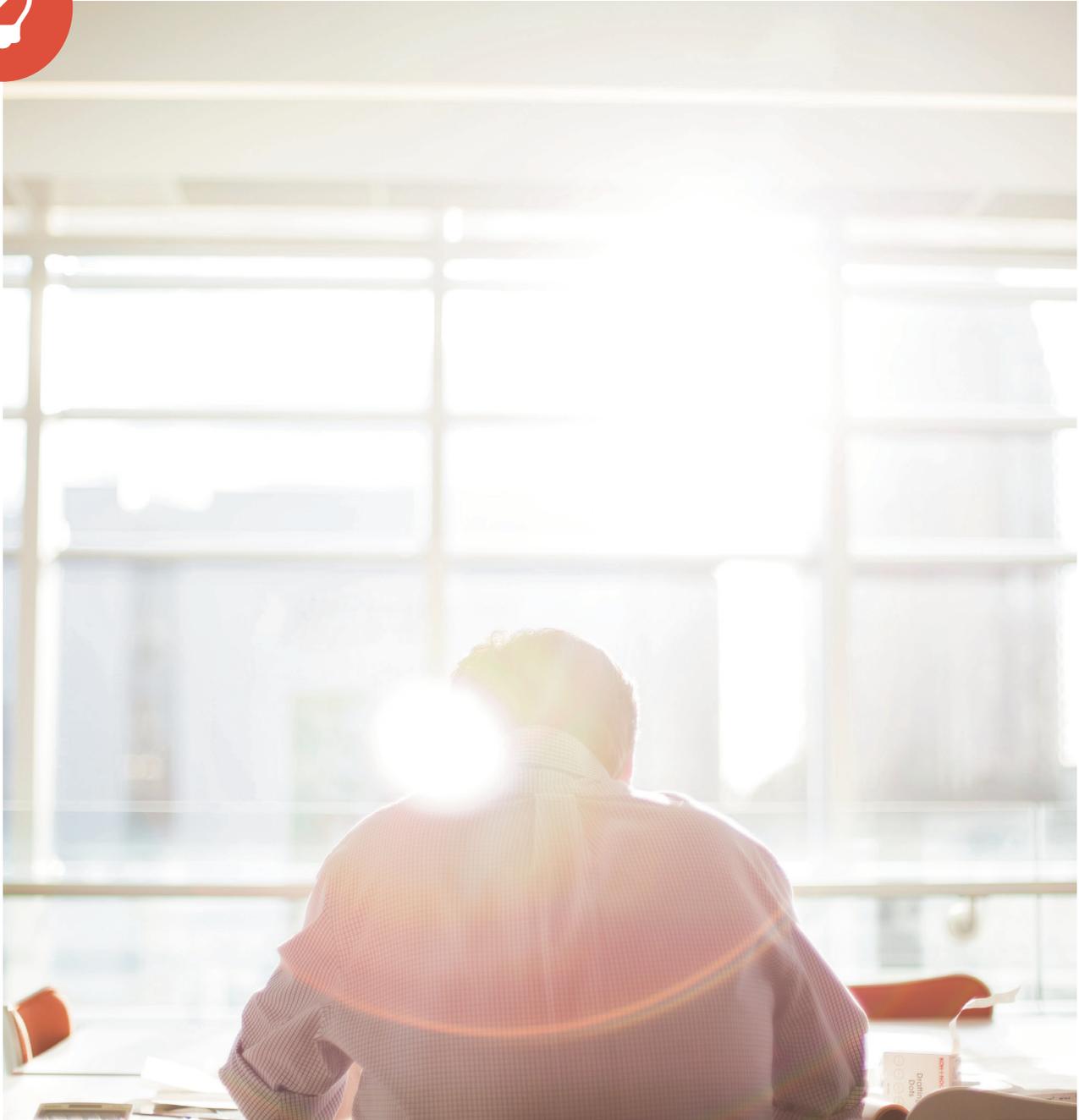


## 7.5 million

job openings are unfilled as of March 2019 despite the percentage of unemployed men jumping from 14% in 1950 to 31% in 2018

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*This paper was developed with the research and writing contributions of The New Center policy analyst Zane Heflin.*



# Solutions

# Solutions: An Overview

It's time for real and sustained investment in worker training and retraining, and a different approach to designing the programs:



1. Emphasize the Job, Not the Training



2. Cut through the Licensing Thicket



3. Fix Job Corps



4. Promote Awareness of Workforce Training Resources



5. Improve Reporting on Outcomes



6. Provide Flexibility for State Funding

**INFORMATION****Current Legislative Landscape****WIOA**

President Barack Obama signed the Workforce Innovation and Opportunity Act (WIOA) into law in 2014 to help job seekers access employment, education, training, and support services to succeed in the labor market, and to match employers with the skilled workers they need to compete in the global economy. WIOA consolidated the more than forty federal job-training programs that are within nine different agencies to improve efficiency. Congress passed the Act by a wide bipartisan majority; it was the first legislative reform in 15 years of the federal workforce development system.<sup>8</sup>

**National Council for the American Worker**

President Donald Trump issued an executive order in 2018 establishing the President's National Council for the American Worker, which has the purpose of updating the job training approach. The new National Council for the American Worker will focus on further consolidating existing federal programs and funding new job training initiatives, with a special concentration on expanding apprenticeship programs and retraining older workers without college degrees. As part of the effort, companies and trade unions have committed to funding nearly four million slots for apprenticeships, retraining, and continuing education programs over the next five years.<sup>9</sup>

# 1. Emphasize the Job, Not the Training



The goal of any workforce training program is to provide workers with the right skills and qualifications to get in-demand jobs. But too often workforce training programs focus on teaching skills without also ensuring that participation in the program will lead to employment. A prerequisite for workforce training ought to include identification of a job opening where the skill shortages are located. One such nonprofit organization that is taking this approach is Capital IDEA, which works with businesses and community colleges to find employment opportunities for their trained non-traditional students in Texas.<sup>10</sup>

**Most graduates of Capital IDEA triple their previous earnings after participating in their program.**



A similarly successful workforce training program is provided by Pursuit, a New York social impact organization that aims to provide upward mobility for low-income Americans and the two-thirds of workers without four-year college degrees. Pursuit provides a four-year intensive program to train adults interested in careers in coding and technology.<sup>11</sup>

**Pursuit graduates earn \$85,000 on average compared to \$18,000 before entering the program.**

More than a dozen institutions support Pursuit's work, including family foundations, the New York City Council, Salesforce, Google, and Walmart. Pursuit also utilizes a unique financing mechanism to expand its outreach and to make their intensive workforce training program more cost-effective. Principal investors are paid back by an income share agreement: If graduates make more than \$60,000 a year, they agree to pay 12% of their income to the investors for three years. The result of this innovative financial setup is a bond with an effective interest rate of 6.6% and a much lower default rate.<sup>12</sup>

Minnesota non-profit HIRED demonstrates the value of flexible state funding for federal workforce training programs.<sup>13</sup> HIRED receives funding from major federal employment programs including the Workforce Innovation and Opportunity Act (WIOA) and the Supplemental Nutrition Assistance Program's Employment and Training (SNAP E&T).

**In 2018, HIRED helped 2,424 individuals get a job and plan for a career in the Minneapolis area.<sup>14</sup>**

More federal funding needs to be targeted toward organizations and programs with proven records of success in placing people in good paying jobs.

## 2.

# Cut through the Licensing Thicket



A study by the Brookings Institution's Hamilton Project estimated that state and local occupational licensing requirements are responsible for America having 2.85 million fewer jobs, as people are discouraged from pursuing new careers. The study found that around 30% of American workers need a license to perform their jobs; in the early 1950s, less than 5% did. About 800 occupations—from emergency medical technicians to cosmetologists to interior designers—are licensed by at least one state.<sup>15</sup> In a particularly egregious example, North Carolina requires more than twice as many training hours to become a licensed barber than a police officer.<sup>16</sup>

How to reduce or eliminate this unnecessary licensing thicket?

1. State agencies should make use of cost-benefit analysis to determine whether requests for additional occupational licensing requirements are warranted.
2. The federal government should promote the determination and adoption of best-practice models through financial incentives and better information.
3. State licensing standards should allow workers to move across state lines with a minimal cost for retraining or residency requirements.
4. Certain occupations that are licensed should be reclassified to a system of certification or no regulation.

## 3.

# Fix Job Corps



Job Corps is a federal workforce training program—funded to the tune of almost \$2 billion annually with strong bipartisan support—aimed at teaching skills to disadvantaged young adults for future careers.

But the program is not working. The U.S. Department of Labor carried out an audit of Job Corps in 2011 to assess its job training outcomes, and the overwhelming conclusion was that Job Corps “could not demonstrate the extent to which its training programs helped participants enter meaningful jobs appropriate to their training.”<sup>17</sup> The main benefactors from Job Corps have not been the young adults looking to learn skills that will prepare them for their future careers, but rather government contractors who failed in their task to find them work. The 2011 report found that Job Corps contractors “could not demonstrate they had assisted participants in finding jobs for 94% of the placements in the sample.” Instead, participants in Job Corps found jobs on their own without “clearly documented contractor assistance.” The end result was that Job Corps paid millions of dollars to transition services contractors, but found “insufficient evidence demonstrating they had provided the services required by their contracts”.<sup>18</sup>

Secretary of Labor Alexander Acosta has said he intends to reform the failing Job Corps program, but he has been met with resistance from members of Congress who have Job Corps centers in their districts. Congress needs to fix this program or shutter it altogether because it simply is not working.

## 4.

# Promote Awareness of Workforce Training Resources



According to a 2016 Pew Research Center survey, 87% of workers believe that it will be essential for them to get training and develop new job skills in order to keep up with changes in the workplace.<sup>19</sup> Most workers recognize the importance of staying ahead of the curve with their education and skills to be qualified for jobs in the rapidly changing modern economy, but too many people are unaware of workforce training programs that could benefit them. The 2017 Public Policy Poll conducted by Virginia Commonwealth University found that 57% of those surveyed were not familiar with job and career opportunities in their community. Among those with less than a high school diploma, 80% were unfamiliar with the education and training opportunities in their community.<sup>20</sup> Promoting greater awareness of workforce training resources through increased advertising or marketing could help to close this gap.

## 5.

# Improve Reporting on Outcomes



In order to avoid the pitfalls of previous workforce training programs, it is essential that the government has adequate data on the outcomes of participating workers in areas such as long-term employment and wage growth. One method to ensure that workforce training programs are effective would be for state-level data sets to be linked to help training providers better track participants over time. By linking state tax records with job training enrollment records, the federal government would have an easily verifiable way to track a participant's earnings and labor force participation data. Additionally, the integration of state and local data reporting systems would make it easier to assess which programs are working while also cutting down on administrative costs associated with tracking and maintaining accurate records. Since reporting on outcomes can be time-consuming and costly, the federal government should provide both the tools and framework for collecting the required data to help participating workforce training programs.<sup>21</sup>

## 6.

# Provide Flexibility for State Funding



Local workforce organizations that receive state funding are often more innovative and successful thanks to their knowledge and expertise in the local job market. However, funding for state grants under the WIOA has shrunk by 40% over the last 15 years.<sup>22</sup> With billions spent on workforce training programs that are scattered across 14 federal agencies, and little to show for their effectiveness, the better alternative is to allow states more flexibility to allocate funding as they see fit.<sup>23</sup> State governments should have the authority to provide funding to programs run by local organizations that have a proven track record of success rather than adopting a one size fits all approach that fails to meet the needs of their citizens.

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