



State Workforce Policy: Recent Innovations and an Uncertain Future

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I. Introduction

In the United States, the education and skills of the workforce have failed to keep pace with the growing demand for skills among employers in recent decades.

This “skills gap” is present in middle-skill jobs (i.e., those requiring some postsecondary education or training short of a bachelor’s degree) as well as those requiring higher levels of education.¹ In some cases, the skills in short supply are somewhat specific to particular occupations and/or industries, like machinists or welders in advanced manufacturing.²

The skills gaps contribute to higher rates of unemployment, as employers have difficulty filling job vacancies in certain industries, as well as high levels of income inequality (between those with higher levels of education and skills and those without them) even when jobs are filled.

To date, education and workforce policies in the United States have not sufficiently addressed the problem of the skills gap. Indeed, federal workforce policy has been particularly unresponsive during the past decade: the Workforce Investment Act (WIA) has never been reauthorized or updated since its initial passage in 1998 during a near full-employment economy. Resources available to the system have declined dramatically during this same time period.³ According to calculations by the National Skills Coalition, baseline funding for the publicly funded workforce system has declined by one-third (in inflation-adjusted terms) since FY 2002, even as the size of the U.S. workforce and the skills demanded of it have continued to grow.⁴ The Obama Administration did provide a one-time, \$4 billion infusion of workforce development funding between 2009 and 2011 under the American Reinvestment and Recovery Act.⁵ However, most of those funds were quickly spent with the growing demand for services,

¹ Harry Holzer and Robert Lerman, “America’s Forgotten Middle-Skill Jobs: Education and Training Requirements in the Next Decade and Beyond” (Washington: The Workforce Alliance, 2007).

² See Testimony by Harry Holzer before the Joint Economic Committee of Congress on July 12, 2011, available at <http://www.google.com/search?q=harry%20holzer%20joint%20economic%20committee&ie=utf-8&oe=utf-8&aq=t&rls=org.mozilla:en-US:official&client=firefox-a&source=hp&channel=np>.

³ Harry Holzer, “Workforce Training: What Works? Who Benefits?”, available at http://www.familyimpactseminars.org/s_wifis28c02.pdf; National Skills Coalition, “Training Policy in Brief: Workforce Investment Act – Title I”, available at http://www.nationalskillscoalition.org/resources/reports/tpib/nsc_tpib_via_titlei.pdf.

⁴ Letter to congressional officials from the Council for the Advancement of Adult Literacy, January 31, 2011, available at www.caalusa.org/Letter.pdf.

⁵ *American Recovery and Reinvestment Act of 2009*, Public Law 111-5 (2009), available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ5/html/PLAW-111publ5.htm> (last accessed June 8, 2011).



and the long-term trend of federal disinvestment in workforce programs has subsequently resumed from pre-ARRA levels.

Federal education policy, including both K-12 and higher education policy, has been more innovative and better funded during this period – including major reforms encouraged by the “Race to the Top” competitive grants to K-12 systems and large increases in Pell grant funding. But relatively few of these innovations have strengthened the ties between our education and workforce institutions, and the extent to which both systems are responsive to shifts in the labor market. Overall, little has been done at the federal level to make the supply of skills among workers more responsive to trends on the demand side of the market, especially in particular occupations and industries.

In contrast to the relative lack of attention paid to these important issues at the federal level, we have seen an impressive amount of innovation in workforce policy at the state level during the past decade. In particular, many states have developed innovative policies and practices to better align worker education and training with the demands for skilled workers in key occupations and industries. Efforts have been made to improve the coordination between higher education, workforce and economic development policies. Funding streams have been aligned in creative ways, and at least some attention has been paid to generating sustained funding over time. Though no rigorous evaluation evidence yet exists on the impacts of these efforts, we regard them as important steps forward in the development of policies to improve the skills of American workers and their labor market rewards.

As we chart the future directions in workforce policy, we can anticipate that the need for effective education and workforce policies to meet the demand for skilled labor will be at least as great as before, if not more so. As labor markets gradually recover from the Great Recession, the pattern of skill demands we observe across occupations and industries will likely have shifted, with many jobs permanently gone and others arising in their place. The skill sets of dislocated workers, as well as those entering or reentering the labor market, will need to adjust to these shifting patterns of demand. Adjustment difficulties will likely be particularly acute among less-educated and disadvantaged workers, who have been hit hard by this recession; and they will also be quite serious among the long-term unemployed, who often have difficulty reentering the labor market after their extended absences and whose ranks have swelled quite dramatically in the past three years.

Yet, while the need for more effective education and workforce policies at the state level will be great, a variety of circumstances will pose major challenges to the further development or even continuation of these policy innovations. For one thing, many of the states in which important innovations occurred have experienced changes in partisan political leadership, and it is unclear to what extent the new leaders will embrace the innovations begun under their predecessors.



Furthermore, the current fiscal circumstances of the states are dire. State budgets are extremely procyclical, and most states suffer substantial shortfalls during major economic downturns like this one. Because this recession is both severe and protracted, the fiscal balances of many states will not recover quickly. And, because most states are required by law to have balanced budgets in every year, they face intense pressure to cut funding for services deemed inessential.

Unfortunately, workforce policies and programs are often on the chopping block in this scenario, because they tend to lack major constituencies for whom they are a top priority. As a result, funding cutbacks in this area occur quite frequently during hard economic times.

In light of all of these challenges, on June 21st 2011, the Georgetown Center on Poverty, Inequality and Public Policy and the National Skills Coalition convened a roundtable discussion of state workforce leaders, workforce policy experts and researchers to review some of the major state workforce policy innovations of the past decade and their future prospects. Some of the questions we addressed during that meeting included:

- What innovations have occurred during the past decade in key states, and what were their most commonly observed characteristics? Do we know anything about the extent to which these innovations have been successful at addressing the skills needs of employers and workers?
- Can these innovations survive and prosper in the current and future economic and fiscal climates?
- How can federal policies be more supportive of such innovative efforts?

In this report we try to answer these questions, drawing on key insights from the participants in our June 21st meeting and on previous work by several of the authors in this area.

II. Major State Innovations and their Characteristics

Despite facing a range of challenges over the past eight years, a number of states have achieved significant innovations in state workforce policies during this time period.

Much of this innovation has been driven by several critical factors. In addition to technological change, globalization and competition, there has been a growing demand in the labor market for skilled workers in a variety of fields, particularly in middle-skill jobs. There has also a growing body of research at the state and national level projecting a significant need for workers to possess some sort of postsecondary credential in order to fill projected job openings and earn family-sustaining wages. Innovation has been further shaped by state workforce agencies' implementation of "demand-driven" policies such as sector partnerships and career pathways policies that engaged employers in identifying skills and credentials for the workplace.



While many of the state level innovations began much earlier in the decade, the great recession and worker dislocation that reached crisis levels in 2008 and 2009 clearly demonstrated to state workforce professionals and educators that significant education and re-training would be key to helping millions of Americans get back to work. Some state policymakers concluded that typical short-term interventions were not enough to help worker reemployment in states devastated by unemployment such as Michigan, Ohio and Pennsylvania.

As mentioned above, in 2009, Congress funded more than \$4 billion in job training and employment services under the American Reinvestment and Recovery Act to ensure U.S. workers and businesses had the skills they needed to participate in the nation's economic recovery.⁶ This funding allowed states to scale up and expand on existing innovations focused on providing more workers with the skills and credentials needed for re-employment and recovery. While not significant enough to reverse the broader long-term trend of disinvestment in funding for workforce programs, coupled with the loosening of training provider policies, the infusion of funding through the Recovery Act enabled continued progress at the state and local level and likely increased the workforce system's training and credential outcomes.⁷

In several states, governors and state agency administrators were key agents of change in workforce policy. State agency leaders faced a number of significant hurdles: fluctuations in yearly federal funding cycles; siloed funding streams; limiting legislation; lackluster outcomes; and difficult economic conditions. Under these circumstances, some state agency leaders began to focus their efforts on business engagement and longer-term training and credentialing strategies to get people back to work. Working with their elected officials and colleagues on the state and local level, these leaders pursued innovative solutions that included aligning funding from state workforce and human service agencies, passing enabling state legislation, designating the state's share of federal WIA funding toward new innovations, aggressively seeking waivers from the United States Department of Labor, and aligning education and training programs with employer demand. Several states integrated and repurposed federal funding streams, changed education and training strategies for adult learners, and moved from a "work first" approach towards a more integrated, training-focused system. These states shifted from an emphasis on short-term, low-cost job training and job matching, to encouraging more workers to develop new skills and knowledge by earning the credentials needed by employers in the current and future

⁶ *American Recovery and Reinvestment Act of 2009*, Public Law 111-5 (2009), available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ5/html/PLAW-111publ5.htm> (last accessed June 8, 2011).

⁷ Neil Ridley and Evelyn Ganzglass, "Responding to the Great Recession: How the Recovery Act Boosted Training and Innovation In Three States," (Washington: The Center for Law and Social Policy, February 2011).



labor market. Pennsylvania's Industry Partnerships, Michigan's No Worker Left Behind and Oregon's Career Pathways all followed this path.

These policy reforms did not come easily, however. What is noteworthy about these innovative and progressive states is the leadership and the common characteristics they all shared. They were singularly committed to major policy changes over time, successfully navigated federal and state policy barriers, creatively used their Title I set aside funds, and, perhaps most importantly, had strong support and leadership from their governors.

These and other state policy developments over the past 8 years centered around several key practices -- *sector partnerships*, *career pathways*, and *innovative adult learning strategies* -- all of which have shown promise in states that have adopted these reforms.⁸

Sector or Industry Partnerships: Sector partnerships are in place in nearly forty states and the District of Columbia. Sector partnerships organize stakeholders connected to an industry to develop plans for growing (or saving) that industry, with a particular focus on building new workforce pipelines where skilled worker shortages exist.

Career pathways: Career pathways has emerged as a key strategy for addressing the education and skill needs of a broad range of workers and businesses. This model aligns basic education, occupational training, and higher education in a way that promotes smooth transitions across programs and institutions, and permits people to continue to work and support their families while gaining education, skills and credentials.

Integrated Education and Training: States are increasingly adopting or experimenting with accelerated learning programs that allow students to gain literacy (or language) and occupational skills at the same time. This approach helps educationally underprepared adults achieve success by integrating basic skills and career-specific training that moves students further and faster to certificate or degree completion.

Recent innovations in these areas include Michigan's No Worker Left Behind, Pennsylvania's Industry Partnerships, Oregon's Career Pathways, Washington's Integrated Basic Education and

⁸ National Network of Sector Partners, "What is a Sector Initiative?" available at <http://www.insightcced.org/index.php?page=what-is-sector-initiative> (last accessed June 8, 2011); NGA Center for Best Practices, "State Sector Strategies," available at <http://www.nga.org/portal/site/nga/menuitem.1f41d49be2d3d33eacdcbeeb501010a0/?vgnnextoid=5a5e912a4824e010VgnVCM1000001a01010aRCRD> (last accessed June 8, 2011).



Skills Training (I-BEST), Georgia’s career readiness credential program and Wisconsin’s Shifting Gears program.⁹

Michigan’s No Worker Left Behind

Michigan’s significant economic downturn left hundreds of thousands of workers unemployed, with many losing long-held, well-paying jobs. Michigan’s Governor Jennifer Granholm concluded that the state’s future competitiveness required a doubling of the number of workers with a post-secondary degree or other industry-recognized credential to keep pace with an altered labor market requiring different skills. To do this, Michigan implemented *No Worker Left Behind* which offered unemployed, underemployed and low-wage workers up to two years of free tuition at community colleges or other educational institutions for market-relevant credentials. This policy focused resources on helping at-risk workers obtain new skills and credentials aligned with in-demand and emerging occupations. NWLB reflected a fundamental change in Michigan’s workforce strategy away from short-term job search and placement services, toward longer-term investment in training and credentials.

Pennsylvania’s Industry Partnerships

Under the leadership of Governor Ed Rendell, through the passage of comprehensive workforce development reform legislation in 2005-06, Pennsylvania allocated \$20 million in state revenue, along with \$10 million in state-designated federal WIA resources, to support Industry Partnerships—publicly funded collaborations of multiple employers coming together from a single regional industry to identify common skill gaps, and then to jointly shape curricula and credential outcomes for designated occupations at local community colleges and WIA-funded training providers. At one point nearly 80 partnerships served more than 6,000 firms across the Commonwealth. While many sector partnerships are driven at the local level, Pennsylvania made sectoral initiatives a central part of its overall workforce development strategy. Pennsylvania’s Industry Partnerships also became a model for potential replication at the federal level, including through the bipartisan SECTORS Act.

⁹“No Worker Left Behind Fact Sheet,” available at <http://www.michigan.gov/poverty/0,1607,7-253-49653---00.html> (last accessed June 9, 2011); Pennsylvania Workforce Development, “Industry Partnerships,” available at <http://www.portal.state.pa.us/portal/server.pt?open=514&objID=575072&mode=2> (last accessed June 8, 2011); “What is Rise?,” available at <http://risepartnership.org/> (last accessed June 9, 2011); Worksource Oregon, “Career Pathways: Higher Learning and Higher Education in Oregon,” available at http://www.worksourceoregon.org/index.php?option=com_content&task=category§ionid=14&id=123&Itemid=48 (last accessed June 8, 2011); Washington State Board for Community and Technical Colleges, “Integrated Basic Education and Skills Training (I-BEST),” available at http://www.sbctc.edu/college/e_integratedbasiceducationandskillstraining.aspx (last accessed June 8, 2011); Georgia Work Ready, “About Georgia Work Ready,” available at <http://gaworkready.org/pages/view/what-is-ga-work-ready> (last accessed June 8, 2011).



Oregon's Career Pathways Initiative

The objective of the Career Pathways Initiative in Oregon has been to ensure that workers—including adults with limited basic skills—can train for entry and advancement in skilled occupations. Over the years, Oregon has blended numerous federal and state funding sources to establish career pathways programs at all 17 of the state's community colleges, aligning adult basic education and occupational training with ongoing postsecondary study geared toward a particular occupation. Combined resources have included USDOL Incentive Grants, Community College Strategic Reserve Funds, community college state general funds, as well as federal Perkins and Workforce Investment Act dollars. Oregon's program has become a national model for replication by a number of foundation- and publicly funded initiatives.

Washington's I-BEST Program

Another state innovation that has become a national model, Washington's Integrated Basic Education and Skills Training (I-BEST) program, integrates adult basic education and occupational training within the same classroom in order to accelerate learning and help low-skilled students more quickly earn an industry recognized credential. The program was developed in response to studies performed by the Washington State Board for Community and Technical Colleges indicating that students were unlikely to complete a long-term basic skills class and then successfully transition to college level vocational programs. The I-BEST model challenges the traditional notion that students must first complete adult basic education or ESL before moving to college-level course work. Rather, I-BEST pairs ESL or ABE instructors with technical training instructors in the same classroom to integrate their instruction. Washington's 34 community colleges have adopted the model, and numerous other states and localities are now developing their own versions of the I-BEST model across the country.

Wisconsin's Shifting Gears Program

Under Governor Jim Doyle, Wisconsin also focused on sector strategies and a range of other policy reforms to empower workers to find job security and advancement opportunities. With funding from the Joyce Foundation's "Shifting Gears" program, Wisconsin linked education and job training with employer needs in critical industry sectors. The Regional Industry Skills Education (RISE) project used Shifting Gears funds to leverage other resources toward state level policy change and regional program innovation. The goal: stronger state and regional support for "career pathways providing workers with stepping stones to skills and credentials that Wisconsin's industries and regional employers demand."



III. How Can Federal Policy Support Innovative State Workforce Efforts?

Despite the absence of rigorous evaluation evidence on the impacts of these state innovations, we believe they have been positive attempts to make education and workforce systems more responsive to economic trends, and therefore they merit ongoing development as well as evaluation. But, the political, economic and budgetary climates facing these states put the continuation of these innovations in jeopardy.

Those interested in continuing these state-level innovations should consider what role federal policy is playing and could be playing in their continuation. What opportunities does WIA reauthorization present to make changes to that law to allow it to better support state efforts? What other federal policy changes might foster these and other innovations at the state level?

A. Restore Federal Funding Cuts to States

The already low levels of funding for WIA, and the threat of further cuts by some Congressional appropriators, could limit what WIA might do in the short-term to support the expansion of such state-level innovations. One recent and, according to state leaders, devastating blow to state innovations came at the hands of the Continuing Appropriations Act of 2011, the package of \$38.5 million in cuts passed in April 2011 to avert a federal government shutdown.¹⁰ That Act reduced USDOL funding by \$1 billion, including a \$300 million reduction in WIA funding achieved mostly by a two-thirds reduction in the WIA state set-asides (also known as the Governors' Reserve) that had previously funded statewide innovations like those outlined above.

These set asides, typically 15% of a state's WIA allocation, have been critical in supporting state innovations for the past ten years, including most statewide sector partnerships, career pathways, and a variety of other promising innovations. While it is unclear whether these funds will be returned to the states in future funding cycles, their impact has been significant -- and the loss of these funds may stifle or even extinguish existing successful programs in the states. The 15% state set-aside has been a noteworthy federal policy that has driven innovation and promising practices in many places. As one former state workforce leader commented "we're sunk without the set aside funds -- it will kill innovation and experimentation."

Given the skills gaps facing U.S. industries, and the states' desire to get as many of their residents back to work as possible, Congress and the Obama Administration need to reverse these baseline cuts to WIA funding, including the restoration of funding designated for state set-asides. In the short-term, one possible way to offset part of this loss would be with the new USDOL "Workforce Innovation Fund" (WIF) that was created, albeit at a smaller level (\$125 million), with some of the funds recouped from the state WIA cuts. Depending on the size and

¹⁰ See Continuing Appropriations Act of 2011, P.L. 111-10.



the number of the competitive grants to be distributed under the WIF, the USDOL could use the fund to explicitly reward states that have led innovation efforts over the past several years, as well as to encourage new states to adopt some of these promising state strategies. The WIF could focus very specifically on such advancements as sector strategies, career pathways, long-term training toward industry-recognized credentials—all innovations that have been developed by states without explicit funding or incentives under WIA.

More broadly, an additional set of changes involving community colleges, the unemployment insurance system and other programs and policies might also be helpful. These could be encouraged with a major new funding stream on a far greater order of magnitude than what is currently envisioned for the “innovation funds.”

We review both opportunities for improvements to WIA and a broader set of possible policy changes below.

B. Reform WIA to Encourage Promising State Practices

Despite the enormous constraints that limit WIA funding today and for the foreseeable future, it could play a more supportive role for innovative state-level efforts. Most significantly, WIA funding could be directly targeted to those policies and programs that are most promising, including sectoral programs, career pathways and integrated adult basic education and training programs. Promising practices could be encouraged by directing the \$125M in “workforce innovation funds” that the Department of Labor is planning to distribute towards sector/industry partnerships and other innovative activities at the state level. Given the significant recent loss of 10% of the set-aside funds, these “innovations funds” - if properly directed - could help many states continue their innovative practices.

Additionally, the intent to support state-level sectoral efforts could be made even more explicit in the statutory language of WIA. For instance, the “Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act of 2011” that was passed by a very rare unanimous bipartisan vote in the House of Representatives in 2010 would amend the Workforce Investment Act of 1998 to establish a new Industry or Sector Partnership Grant program administered by the U.S. Department of Labor.¹¹ These grants, modeled on the Pennsylvania Industry Partnerships, would allow recipients to establish or expand regional industry or sector partnerships that lead to collaborative planning, resource alignment, and training efforts across multiple firms for current and potential workers within the targeted industry cluster. While not limited to states only, these grants would strengthen sector strategies at both the state and local level.

¹¹ The Strengthening Employment Clusters to Organize Regional Success Act of 2011, S.665, H.R. 1240.



A second set of changes to WIA that might encourage more state-level innovations would include adjustments to performance measures. Currently, the multitude of WIA performance measures, their inconsistency with those used in other public systems (such as TANF) and their emphasis on quick employment placements instead of long-term training or credential attainment all tend to discourage state and local WIBs from using WIA funds to support longer-term training of the type provided in sectoral programs.

To remedy these problems, the WIA performance measures might be amended to put less weight on short-term employment and more on longer-term achievement of industry-recognized educational credentials or earnings gains.¹² In addition, the incentives associated with stronger or weaker performance might be strengthened, so that strong state performers might be granted waivers from some requirements. On the other hand, to avoid the “creaming” of enrollees that might accompany stronger performance incentives, states might also get rewards for serving harder-to-serve or disadvantaged populations. At a minimum, performance measures should be modified downward by making statistical adjustments to those measures based on the number of disadvantaged clients enrolled in a state’s training program.

Finally, the structure of our system of WIBs might be modified to more closely reflect the realities of regional labor markets. While there have been some encouraging efforts by local WIBs to collaborate across regions, there still are places where there are too many local WIBs per metropolitan labor market thereby complicating the planning of regional and state initiatives. An updated WIB system might make the process of creating industry partnerships and aligning training institutions with these partnerships more straightforward.

C. Other Approaches

Apart from WIA, a number of approaches might be used to more effectively encourage state-level workforce systems that are more closely aligned with the demand side of the labor market. These include:

- A major competitive grants program dedicated to building state-level education and workforce systems;
- Reforms in community college programs and funding; and
- Some other possibilities, including Unemployment Insurance reforms.

¹²Recently, the United States Department of Labor set a goal to increase credential attainment under Department-funded training programs by 10% by the year 2012. A strengthened credential outcome requirement under WIA, and an alignment of other performance measures to support that outcomes, would improve prospects for the achievement of this agency goal.



1. A major competitive grants program to build state-level education and workforce systems

Perhaps the most promising way to encourage states to build demand-aligned education and workforce systems would be to have a competitive grants program dedicated solely to this purpose. Such a program would involve larger sums than are currently envisioned in the WIA innovation fund. Indeed, they might more closely resemble the Race to the Top grants that have been so influential in generating reforms of K-12 educational systems.

Of course, given the huge constraints on current federal budgets, it is not an auspicious time to suggest a major new program. On the other hand, any such program would be very small relative to the enormous sums currently spent supporting higher education in the U.S., and a successful program would easily pay for itself through improved educational and employment outcomes that would likely result.

Besides providing larger amounts of funding, such a grants program would be more prescriptive about the kinds of efforts needed to generate more effective education and workforce systems that are more closely aligned with demand-side trends. Building sustainable funding sources for such efforts that leverage other federal, state and private funds would also be encouraged by these grants. On the other hand, it should be clear that the new grants programs will only supplement WIA, which is already stretched beyond capacity relative to needs, and will not cannibalize it further.

2. Reforms in community college programs and funding

Regardless of whether or not such a competitive grants program could be funded in the current fiscal environment, there are probably reforms of community colleges operations and funding that could effectively contribute to better alignment between occupational training and industry needs. As the community colleges already receive many billions of dollars in public subsidies from states and the federal government (through Pell grants), encouraging better alignment with labor demand would likely improve the effectiveness with which these huge sums are currently spent. The low rates of credential completion that we currently observe among community college students (especially the disadvantaged) would likely improve, as would earnings outcomes for credential completers. And these reforms would also build on and leverage the large sums invested by other federal grant programs as well as private foundations in community colleges to date.¹³ Among the reforms at community colleges that would be useful in this regard, two in particular stand out.

¹³For example, on January 20, 2011 the U.S. Department of Labor (DOL) released a Solicitation for Grant Applications (SGA) for the Trade Adjustment Assistance Community College and Career



First, employment services and career counseling about the state of demand in state and local labor markets should be much more available to students than they are now. States should particularly encourage the use of administrative data on employment trends in such counseling efforts. While such Labor Market Information (LMI) is a federally funded resource typically made available through unemployment offices and WIA One-Stop Centers, it is typically not available to supplement and strengthen career guidance on college campuses. The U.S.

Departments of Education and Labor should work together to make a more robust menu of LMI data and career counseling resources available at both One-Stops and colleges, and states should encourage the use of already available employment data in their guidance efforts.

Second, states should generate incentives for the colleges themselves to provide more training in high-demand sectors, where instructional capacity is now frequently limited.¹⁴ One way to do this might be to have state subsidies for student attendance, which now are generally only tied to enrollment levels and not to outcomes, instead be partly based on credential attainment and especially in high-demand and well-paying sectors. Federal initiatives that could encourage such a shift in state funding of colleges might include a new federal investment in better cross-state education and workforce data systems that would make it easier for colleges to demonstrate their graduates' achievements of credential and employment outcomes. The combination of better information for students and better incentives for the institutions themselves would likely enable both to be more responsive to labor market conditions and trends, thereby further extending recent state workforce innovations.

Additionally, federal and state funding to support students in community college could be made more readily available to students who are also part-time workers. Currently, most of this funding is structured for more traditional full-time for-credit traditional postsecondary study. By comparison, technical training toward immediate employment within a local industry, or the integration of basic skills instruction and technical training for lower-skilled adults (who are often part-time students and full-time workers) is far more modest. This complicates colleges'

Training (TAACCCT) Grant Program. The \$500 million awarded under the SGA will support capacity-building grants to community colleges and other eligible institutions of higher education—including consortia of two or more institutions—to “expand and improve their ability to deliver education and career training programs that can be completed in two years or less, are suited for workers who are eligible for training under [TAA], and prepare program participants for employment in high-wage, high-skill occupations.” See National Skills Coalition fact sheet, available at www.nationalskillscoalition.org/.../nsc_taacct_sga_summary_2011-01.pdf. An example of private foundation investment in increasing rates of community college completion is *Achieving the Dream*, a foundation-funded effort that implements changes in community college policies and practices designed to increase students' success. Unfortunately, we have no rigorous evaluation evidence to date that suggest successful impacts from these efforts. See “Turning the Tide: Five Years of Achieving the Dream in Community Colleges,” available at <http://www.mdrc.org/publications/578/overview.html>.

¹⁴ For example, high equipment and instructor costs in nursing and technical fields limit such capacity.



efforts to significantly expand their participation in sectoral or career pathways strategies. At the federal level, modifying financial aid rules and expanding Pell eligibility to part-time working students would make it easier for them to sustain and finish their studies, thereby making it easier to include them in state-driven sectoral strategies.

Another set of useful reforms could be enacted through the Unemployment Insurance (UI) system. Broadly speaking, the public workforce system and Unemployment Insurance system ought to be more closely linked. This would serve two goals. First, it would ensure that workers who are out of work and are engaged in workforce training have some means of income support to sustain them during the training period. Second, it would promote unemployed workers' participation in training activities that will help them re-skill during periods of transition in the labor market.

Currently, the unemployment insurance system provides six months of support to the unemployed, except during recessionary periods when emergency extensions are often enacted.¹⁵ But such assistance is generally not tied to participation in training or other beneficial workforce-related activities, except for job search requirements and mandatory registration with the employment service in some states.

Instead of providing unconditional UI assistance to unemployed workers for fixed lengths of time, it might make more sense to provide shorter periods of assistance to some workers and lengthier periods of assistance to those engaged in significant education or training. Of course, we would not recommend making any such changes limiting UI availability during a period when the labor market remains very weak, as it is right now, but only after we have more fully recovered from the current downturn. Further, there ought to be better collaboration between state and local-level unemployment insurance offices and One-Stop Centers so that those receiving UI could benefit from the assessment, job search assistance and training programs offered through the One-Stops. This would enable workers to make better use of time spent out-of-work, and would better prepare them for jobs that might be available in high-demand sectors in their states.

3. Some Other Possibilities

As we consider the range of policies and other changes that would support state efforts to align education and training with local industry needs, there a few additional factors to consider.

¹⁵ “The Long-term Effects of Job Displacement and the Effects of Extended Unemployment Insurance,” IMF Unemployment Workshop (October 22, 2010), *available at* <http://www.imf.org/external/np/seminars/eng/2010/res/pdf/tvw.pdf>.



First, data on the attainment of industry-recognized credentials are critical to these efforts. While a minority of states have made it a priority to better collect and monitor data, federal support for uniform data collection on credential attainment across states could improve the amount and quality of the data that is collected. Likewise, the need for rigorous evaluation of any of these efforts to align education and training remains crucial.

Second, it is important to wrestle with the tension between demand-driven education and training systems and the needs of the most disadvantaged populations for such training. Sectoral training and past efforts for dislocated workers are generally most successful for those with strong enough basic skills to handle technical work at community colleges or other training providers.¹⁶ Some members of the most disadvantaged groups may fall into that category, though many will not – especially those with specific employment barriers. Employers are generally less interested in hiring the lowest-skilled and most disadvantaged workers, and therefore employer participation in the public workforce system might be jeopardized by serving substantial numbers of these workers. How to maintain an appropriate balance between these legitimate and conflicting needs deserves more thought.

Finally, the broad issue of job quality as well as worker quality merits some attention. The notion that good jobs are broadly disappearing from the US labor market is not supported by the data. On the other hand, good-paying jobs for less-educated and less-skilled workers have been diminishing in number, and employment growth has been relatively strong in the low-wage service sector, especially during the recovery from the Great Recession.¹⁷

Under these circumstances, public efforts that encourage employers to take the “high road” and create jobs that provide opportunities for skill-building and higher compensation might be in order. Of course, in product and labor markets which have grown more competitive over time, higher compensation and higher productivity must go hand in hand. Better pay without better employee performance is a non-starter, and traditional efforts to raise pay without better performance are becoming obsolete. On the other hand, to the extent that we can encourage employers in at least some industries to provide more job ladders and skill-building opportunities, these might generate better outcomes for businesses and their workers. While our knowledge of exactly what works in this area is thin, some promising efforts have emerged in a

¹⁶ Harry Holzer, “Workforce Training: What Works? Who Benefits?”, available at http://www.familyimpactseminars.org/s_wifis28c02.pdf. See also “The Impact of Community College Retraining on Older Displaced Workers: Should We Teach Old Dogs New Tricks?,” Cornell ILR School Industrial & Labor Relations Review, Vol. 58, No. 3, article 5, available at <http://digitalcommons.ilr.cornell.edu/ilrreview/vol58/iss3/5>.

¹⁷ Harry Holzer and Robert Lerman, “America’s Forgotten Middle-Skill Jobs: Education and Training Requirements in the Next Decade and Beyond” (Washington: The Workforce Alliance, 2007).



few industries, and we should experiment with and evaluate them as part of the broader efforts we have described above.¹⁸

IV. Conclusion

A number of states have developed innovative practices that better align their education and workforce development systems with industry in recent years. While there is not any rigorous evaluation evidence on the extent to which these practices have improved worker outcomes, these state developments are very promising and deserving of continued support as well as evaluation.

This policy brief has identified a number of ways in which federal policy might better support the development of these initiatives. Some can be implemented within the WIA framework, whereas others lie outside of the WIA domain.

The state innovations highlighted in this paper face significant challenges. States have yet to convince private employers to invest their own resources to generate sustainable funding streams remains for sectoral programs. Sustaining sector and industry partnerships over time will be difficult, particularly as industry demands shift in unforeseen directions. As noted earlier, there is a significant tension between supporting the disadvantaged and meeting the needs of employers for highly skilled workers.

Nevertheless, the state initiatives highlighted here are positive developments that should be sustained and studied over time. We hope that some mechanisms for supporting them at the federal level will soon be generated, and that states will remain interested in their further development. While the political and budgetary environments are very difficult right now, our need to build a stronger workforce system that meets the needs of workers, their employers, and the economy remains very great. As we slowly recover from the Great Recession, and the demand for skilled workers in many sectors increases, it will be even more important to have a robust public workforce system in place. Now is the time to take critical steps to strengthen that system.

¹⁸For example, Restaurant Opportunities Center United, a national non-profit with local offices in a growing number of U.S. cities, has implemented a variety of strategies to encourage employers to pursue high-road employment practices. In Philadelphia, the District 1199c Training Fund has implemented adult basic education and training and sectoral strategies to prepare disadvantaged workers for careers in the health care industry, and to help upgrade the skills and careers of those already working in the industry. PHI seeks to provide “quality care through quality jobs” in the eldercare and disability services industry by training workers and working with employers to implement quality employment practices. See <http://phinational.org/training/>. Manufacturing Extension Partnerships work with small and mid-size employers to create and sustain jobs in the manufacturing industry, as well as increase profits. This program is provided through the United States Department of Commerce. See <http://www.nist.gov/mep/>.



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