



Workforce development at a crossroads: Four themes from roundtables in the 10th District

by: Steven Shepelwich

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Workforce development has always been an adaptive field, but in today's economic climate, the pace and complexity of change feel unprecedented. Organizations that support workers and employers are navigating a landscape of shifting employer expectations, uncertain funding streams, and structural barriers that make training alone insufficient.

At the same time, innovation, collaboration, and a focus on expanding opportunity are creating new possibilities. Workforce organizations are reimagining pathways, expanding non-degree options, and pushing for systemic solutions that address not only job skills but also the housing, childcare, and transportation challenges that shape whether people can participate in the labor market at all.

Over the past several months, the Federal Reserve Bank of Kansas City brought together more than 85 nonprofit leaders, employers, educators, and funders in a series of roundtable conversations across six states: Colorado, Kansas, Missouri, Nebraska, New Mexico, and Oklahoma. These conversations provided a detailed look at the pressures shaping the field and the strategies organizations are using to adapt. What emerged is a portrait of a sector that is both challenged and resilient.

This article shares insights from those conversations, including a discussion of the strengths of the workforce sector and a closer examination of four themes:

- 1 Non-degree post-secondary education options are moving from an alternative to a valued choice.
- 2 Funding instability is forcing organizations into survival mode and limiting innovation.
- 3 Employer uncertainty is shifting the focus toward incumbent training at the expense of new worker pipelines.
- 4 Pathways for entry-level and mid-level advancement are narrowing, creating long-term challenges for workers.



The Roundtables: A ground-level view

The roundtables were designed as open forums for workforce leaders to share what they are seeing on the ground. Participants came from nonprofits, chambers of commerce, regional initiatives, community colleges, libraries, and philanthropic foundations. Employers from healthcare, manufacturing, and technology sectors also weighed in.

The conversations confirmed that workforce development does not operate in isolation. It sits at the crossroads of education, business, social services, and public policy. Each decision, whether to launch a new credential program, expand childcare supports, or restructure employer training, ripples across sectors.

During the discussions, leaders spoke frankly about shrinking resources, burnout, and the difficulty of sustaining programs when funding can vanish overnight. But they also described innovation, stronger cross-sector partnerships, and growing recognition among employers that degrees are not the only measure of readiness.



Strengths of the workforce sector

Before diving into the challenges, it is important to highlight the four strengths that roundtable participants identified as defining the sector in their communities.

Workforce development thrives on collaboration, and participants highlighted this as a defining strength. Nonprofits, employers, funders, and educators partner in ways that make systems more responsive. Participants discussed examples such as:

- Chambers of commerce helping align training programs with employer needs.
- Community colleges working directly with businesses to create customized curricula and apprenticeship opportunities.
- Libraries and opportunity centers acting as community hubs for digital literacy, job navigation, and wraparound supports.

Employers are slowly but meaningfully changing their perspectives on hiring, participants said. Many employers are demonstrating greater openness to candidates from nontraditional backgrounds, including immigrants, justice-involved individuals, and people with disabilities. The rise of skills-based hiring is a significant development. Although adoption is uneven, more employers are beginning to prioritize demonstrated competencies over formal degree requirements in their hiring processes.

Workforce organizations can be nimble innovators, and they shared examples of innovations. They have experimented with and expanded micro-credentials, apprenticeships, and dual-credit programs for high school students. Participants mentioned the use of “digital navigators” who work with clients to develop digital skills and perform tasks such as online job search, resume creation, and completing applications. Apprenticeships are being scaled in industries far beyond the traditional trades. These innovations reflect the sector’s agility in responding to both worker needs and employer expectations.

Despite financial pressures, policy shifts, and funding volatility, leaders of workforce organizations said they remain committed to serving individuals facing the highest barriers to employment. Workforce organizations remain committed to making opportunity accessible to all, from single parents balancing work and childcare to older workers seeking reskilling. This commitment also strengthens communities by ensuring that all residents have pathways to stability and advancement.

These strengths provide an essential foundation as organizations navigate the four themes that follow.



Theme 1: Non-degree options become a valued choice

For decades, the dominant message was clear: success required a four-year degree. That narrative is changing. Today, workers, employers, and educators increasingly recognize that short-term programs, such as certificates, microcredentials, and apprenticeships, can provide pathways to stable jobs.

Roundtable participants emphasized that this is not just about affordability. It is also about relevance and accessibility. Programs that can be completed in six months or less, such as HVAC certification, solar panel installation, or home healthcare training, are proving to be attractive because they connect directly to in-demand jobs. Young people are beginning to see credentials like IT certifications or healthcare training as first-choice options, not as fallback plans. In addition, several participants mentioned examples of short-term training programs that offer concurrent credit towards associate and bachelor's degrees. Adults seeking career changes or re-entry into the workforce also value programs that can be completed in months rather than years.

Employers are reinforcing this shift by acknowledging that, for some positions, skills and credentials are often more important than college degrees. Several companies represented at the roundtables are experimenting with removing degree requirements from job postings or developing partnerships with workforce organizations to co-create targeted training programs.

Despite progress, participants noted a gap between employer interest and adoption. Many employers still rely on degree requirements as default filters in their hiring systems. Workforce organizations, participants said, must often act as advocates, urging employers to follow through on implementation of skills-first hiring practices.

The growing acceptance of non-degree pathways has broad implications, according to many of the participants. Communities will need to invest in flexible, stackable programs that allow workers to build skills over time. High schools, community colleges, and nonprofits will play key roles in creating pipelines that begin early and remain accessible throughout a worker's life.

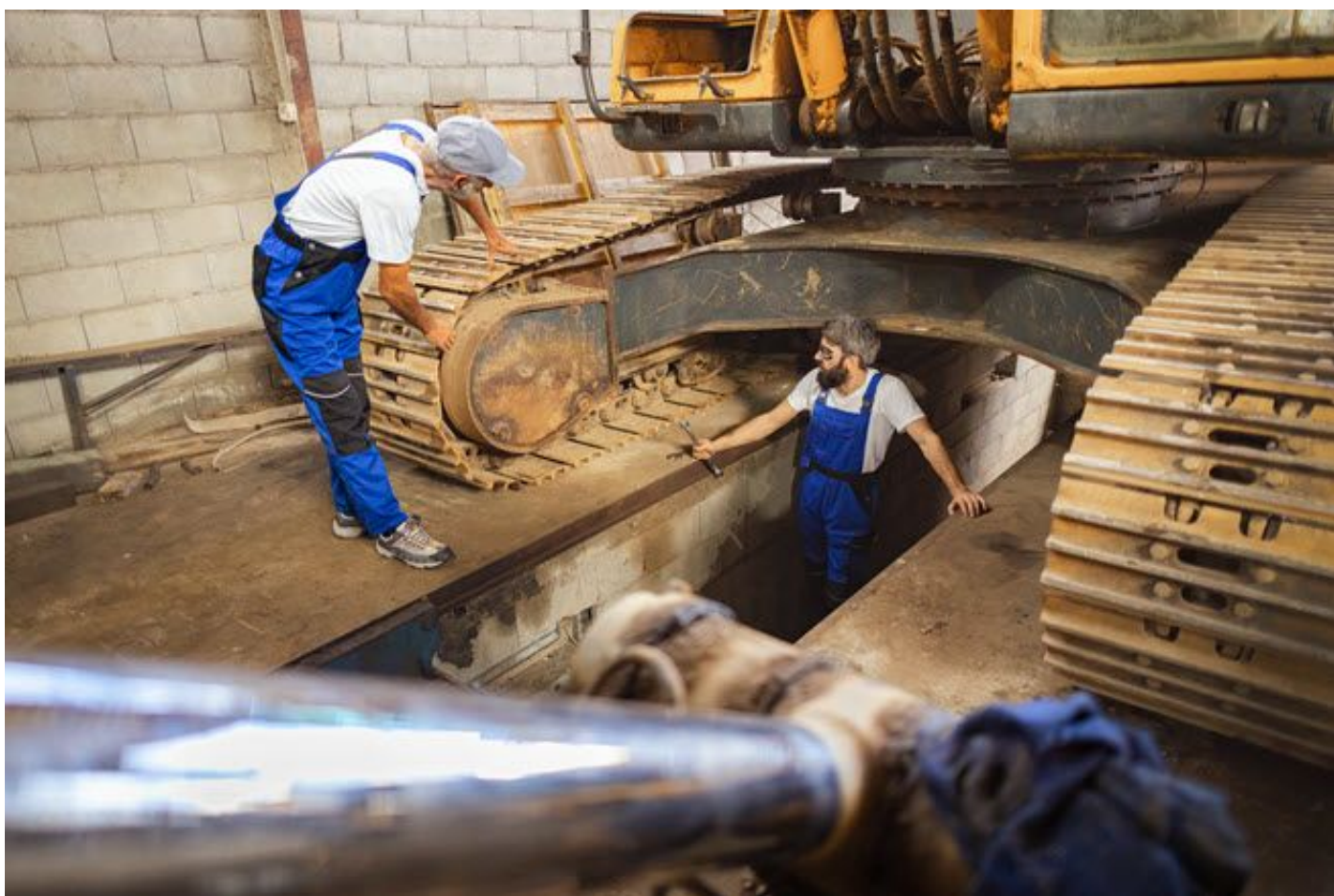


Theme 2: Funding instability and its impact on innovation

Participants consistently identified unstable funding as the most pressing challenge. Federal and state programs are often inconsistent, with funds promised, delayed, or rescinded. Several organizations described situations where entire programs were approved but never received funding, leading to abrupt shutdowns.

This environment has forced many organizations into survival mode. Some workforce development organizations stated they have only two or three months of reserves. Instead of piloting new models or expanding proven strategies, many of the participants are conserving resources and retrenching. The opportunity cost is significant, they said: innovation stalls, staff morale declines, and workers lose access to programs that could have advanced their careers.

Some roundtable participants shared that the funding crisis also directly affects workers. When programs close or shrink, program participants lose access to training, wraparound supports, and the chance to move toward economic stability. Leaders expressed concern that without long-term funding commitments, they cannot plan effectively or sustain programs that show promise.



Theme 3: Employer uncertainty and the shift to incumbent training

In uncertain economic times, employers are prioritizing stability, several participants stated. Many are hesitant to expand hiring or experiment with new workforce pipelines. Instead, they are turning inward, focusing on reskilling and upskilling existing employees.

Investing in current employees, including more narrowly focusing their investment in upskilling new workers, has some clear benefits, they said. It strengthens retention, reduces burnout, and creates opportunities for internal advancement. Workers who receive training are more likely to stay with their employers and move into mid-level positions, reducing recruitment costs and filling skills gaps.

However, roundtable participants told us, this strategy carries risks. By focusing primarily on incumbent workers, employers may inadvertently shrink opportunities for new entrants, including young people, career changers, and those re-entering the workforce after incarceration or unemployment. This could weaken long-term talent pipelines and leave critical gaps when older workers retire.

Employer uncertainty was noted by many of the participants as also limiting the pace of innovation in hiring practices. Even employers who express interest in skills-based hiring often hesitate to fully adopt it during uncertain times. Skills-first approaches and new pipelines are often discussed but not fully implemented as companies wait for greater market clarity.

For workforce organizations, the challenge is balancing employer demand for incumbent training with the need to ensure opportunities for new workers. Dual strategies will be necessary to ensure both short-term stability and long-term sustainability.



Theme 4: Career compression, stalled mobility, and new pathways

Roundtable participants repeatedly expressed concern about the decline in traditional entry-level opportunities. Market uncertainty, automation, outsourcing, and restructuring have reduced the number of openings. Those jobs that remain often fail to provide wages sufficient to support families.

Mid-level roles are also being squeezed, a few of the participants said. Many companies have cut management layers, shifting more responsibilities onto fewer employees. Automation and AI have accelerated this trend, compressing opportunities for advancement.

At the higher levels, participants noted that older workers are staying in their roles longer, either by choice or due to financial necessity. This creates bottlenecks that limit advancement for younger workers.

Participants consistently argued that workforce organizations and employers must work together to reimagine career pathways. Apprenticeships, mentorship, career ladder programs and competency-based advancement can help workers move up even in a constrained environment.



Conclusion: Building resilience in uncertain times

The roundtables offered a detailed view of a sector under pressure, but not without promise. The four themes of 1) non-degree options as a valued choice, 2) funding instability, 3) employer focus on incumbent training, and 4) narrowing pathways highlight significant opportunities and challenges shaping the workforce development sector.

At the same time, participants saw the field's strengths of partnership, innovation, and resilience as providing a solid footing for navigating the current environment. The message for policymakers, funders, and employers is clear: workforce development is not optional. It is essential for economic vitality, community stability, and expanding opportunity. To move forward, stakeholders identified the need to:

- Provide stable, multi-year funding that allows organizations to plan and innovate.
- Expand non-degree pathways that connect directly to in-demand jobs.
- Balance investment in incumbent training with strategies that create opportunities for new entrants.
- Address systemic barriers such as childcare, transportation, and housing that determine whether workers can succeed.

Workforce development has never been only about jobs. It has always been about creating pathways for people to build stability, advance in the workplace, and contribute to vibrant communities.



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