



TRANSFORMING U.S. WORKFORCE DEVELOPMENT POLICIES FOR THE 21st CENTURY

EDITORS

Carl Van Horn, John J. Heldrich Center for Workforce Development at Rutgers University

Tammy Edwards, Federal Reserve Bank of Kansas City

Todd Greene, Federal Reserve Bank of Atlanta

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Carl Van Horn
Tammy Edwards
Todd Greene
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Transforming the U.S. Workforce Development System

2

Reimagining Workforce Policy in the United States

Larry Good

Ed Strong

Corporation for a Skilled Workforce

CHANGING LABOR MARKETS IN AN ERA OF PERPETUAL VOLATILITY

Workforce policies and investments need to be reimagined, because labor markets are changing in fundamental ways. We need to develop policies, funding, and service models that align with challenges posed by labor markets in the twenty-first century—an era characterized by perpetual volatility. This chapter offers some ideas about potential new models that would better align workforce investments with needs within an economy in transformation.

Disruptive forces are everywhere; whole industries are being transformed by innovation and changes in technology at a pace that continues to accelerate. The result is increased uncertainty and turbulence in the scale and nature of employment in many industries, and often dramatic shifts in skill requirements and how occupations are defined.

Labor market dynamics are evolving in response to these powerful forces, and the following new patterns are emerging:

- **Employment is taking on increasingly varied forms.** Fewer people are working in full-time, long-term engagement with a single employer. Alternative models are emerging and growing in use, including limited-term, project-based employment; people piecing together multiple part-time jobs; and microentrepreneurship. A Kelly Services report (Drobosky 2012) finds that 44 percent of U.S. workers define themselves as “free agents,” defined as workers who consult; perform temporary, freelance, or

contract work; or have their own businesses. For some, operating as a “free agent” is a preference, providing them flexibility and freedom in how they work. For others, it is a necessity. Part-time work for economic reasons (not by choice), as in previous economic downturns, has increased to about 20 percent of the working population, most of whom are prime-aged workers, 25–54, with limited education (Valletta and Bengali 2013).

- **Workers increasingly can be located anywhere and do their work at any time.** In an era of high-speed broadband and cloud computing, workers don’t always have to be located at a specific employer site to do their work, changing long-held assumptions about the geographic location of work.
- **Increased labor market volatility is resulting in unprecedented long-term unemployment and underemployment.** As Van Horn (2013) compellingly describes in *Working Scared (or Not at All)*, record numbers of experienced workers are unable to find new jobs for a year or more, while a substantial number of young adults are either unemployed or underemployed. Although some of this can be attributed to unusually slow job growth during a recovery, this pattern reflects what is likely to be a continuing change in U.S. labor market dynamics.
- **Workers’ employment success depends increasingly on attaining a postsecondary credential and continuing to learn throughout their careers.** In aggregate, those with a bachelor’s degree do far better in both employment and income than those without a degree. And recent research finds that certain associate degrees, certificates, and industry certifications provide similar labor market advantage. The Georgetown Center on Education and the Workforce projects that by 2020, 65 percent of all U.S. jobs will require education and training beyond high school. Today, 44 percent of workers have attained degrees and/or market valued certificates (Carnevale, Rose, and Hanson 2012). An important related trend is the accelerated pace at which specific knowledge and skills become obsolete and the expectation that workers must continue to refresh and add onto their capabilities across their work lives to remain employable. A team of Deloitte researchers posits that the skills college graduates acquire while

in school have an expected shelf life of five years (Eggers, Hagel, and Sanderson 2012).

- **Technology is increasingly being used to aid and even drive hiring decisions.** Games are now being tested that use “big data” to select the best candidates for jobs (Peck 2013). Employers invest heavily in technology aimed at ensuring they hire workers who will be a good fit with their needs. On the other side of the coin, few job seekers have similar sophisticated aids to help them in presenting themselves so that they maximize their potential to be hired. How do job seekers “learn the game” and get on a level playing field with employers?

These examples illustrate the reality that twenty-first century labor markets operate very differently than they did in the relatively recent past, reflecting the global transition to a knowledge-centered economy. Public workforce policy, funding models, and operating approaches were built for the prior economy.

Krepcio and Martin (2012) identify five major trends within the twenty-first century economy impacting the workforce system: 1) a slow growth economy and a jobless recovery, 2) changing labor markets and employment relations, 3) advances in information and communication technology, 4) demographic changes, and 5) reduced funding for the system.

Congress’s adoption of bipartisan, bicameral agreement on successor legislation for the Workforce Investment Act (WIA) occurred in July 2014, after more than a decade of failing to do so. The new Workforce Innovation and Opportunity Act (WIOA) adopts many widely sought-after changes and appears to be a substantial improvement over WIA. The authors applaud in particular elevating credential attainment to a performance standard on par with current employment outcomes and the requirements for systemic adoption of industry sector partnerships and career pathways approaches. The new law emphasizes interconnecting educational attainment and employment results, focusing on helping workers gain not only initial reemployment but also knowledge and skills that help them advance into better jobs over time. However, while passage of this important legislation offers short-term improvements, it does not reduce or remove the need to fundamentally rethink U.S. workforce development policy to align it with radically different labor market realities, and the level of investment covered by the new

legislation is minuscule compared to the overall need and other forms of investment in education and training. We should think more broadly than the dedicated funds for workforce investment. The ideas expressed in this chapter offer a starting point for how the United States could reimagine our approach to workforce development policy and funding on a broader scale.

DOES WORKFORCE INVESTMENT MATTER?

Why do we care so much about investing in workforce development? Because the stakes are so high within increasingly harsh labor markets. Consider several indicators. The demand for labor in general is far below the supply of job seekers and is expected to be so nationally for several years to come. Yet paradoxically, there are jobs going unfilled because there is a lack of people with the skills employers are looking for to fill those jobs. There were approximately 3.4 million workers unemployed for 27 weeks or more as of May 2014 (Bureau of Labor Statistics 2014). Long-term unemployment has remained at unprecedented high levels, even as the short-term unemployment rate has returned to prerecession levels. The long-term unemployed represent 34.6 percent of the total unemployed. Labor force participation rates are lower than seen in more than three decades, having dropped from 66 percent in March 2004 to 62.8 percent in May 2014 (Bureau of Labor Statistics 2014). Wages have remained stagnant for the past decade (Shierholz and Mishel 2013), constricting consumer spending and lowering standards of living for many families.

Millions of current or potential U.S. workers live at high risk of prolonged unemployment, erratic income, and poverty. Those at risk include people without a degree or other market-valued postsecondary credential, workers whose skills are either obsolete or no longer valuable to employers, the 25 percent of American adults with gaps in literacy and numeracy, older workers (who are disproportionately more likely to face long-term unemployment), young people who are disconnected from both school and work, and young people who have achieved a credential but struggle to enter career path employment.

Certainly, skills gaps are not the only causes of long-term unemployment, but they are a factor that can and should be addressed.

Without a workforce development public policy and investment strategy, the United States faces the prospect of an increasingly two-tier economy in which some prosper and others are left with little hope for self-sufficiency. The societal costs of inaction are enormous, in terms of both increased demand on social supports and the missed opportunity for productive work by millions who will be either unemployed or underemployed.

Belfield, Levin, and Rosen (2012) calculate the total lifetime fiscal and social costs of the 6.7 million “opportunity youth”—those between 16 and 24 who are attached neither to school nor work. Their finding: each opportunity youth who does not successfully engage in education and employment represents a total societal cost of nearly \$1 million—a risk of \$6.3 trillion across the whole cohort.

Investing in developing our workforce must be a national priority. How to do it and how to fund it are the subjects of the bulk of this chapter. We begin in the next section by considering the shape of current U.S. workforce strategies.

THE “SYSTEM” TODAY: A PATCHWORK QUILT OF PROGRAMS

We do not believe there is a real workforce development “system” in the United States. Our national workforce investments are essentially a series of separate domestic policy programs, each designed to serve a specific need or target group. We have programs for trade-impacted workers, veterans, those interested in specific career fields, older workers, youth, Native Americans, those on welfare, those in public housing, those in blighted areas, and those with low basic skills. Each program has its own rules and its own outcome measures, political constituency, and advocacy groups.

The limits of the current patchwork of investments have been recounted through multiple reports and study panels. The U.S. Government Accountability Office (2011) has issued numerous reports across

more than three decades describing the large number of separate job training programs, program overlaps, and the need for greater coordination among them. We highlight three disconnects below:

- 1) Integrating resources is hard. Those trying to “move the needle” on important challenges today—whether at a national, state, or local level—must attempt to weave multiple programs housed in many different agencies to achieve aligned work. As challenging as this may be, it is important for both employers and job seekers to have access to aggregated and coordinated resources without having to visit multiple agencies and follow the rules of multiple funding streams. Many examples of valiant efforts to integrate resources from multiple programs to impact a large-scale issue can be found. But the aligning work is difficult, is time consuming, is not directly funded by any of the programs, and typically is not fully successful.
- 2) Outdated metrics. The Office of Management and Budget has led an important effort to bring some cohesion to federal workforce programs by creating a common set of measures that apply to multiple federal funding streams that provide a degree of consistency on outcomes and by establishing definitions for how to measure them (U.S. Department of Labor 2005). However, as we will explore further in this chapter, we question whether the measures contained in current programs are the right ones. Current measures drive the system toward a focus on short-term employment outcomes and not skills development and credential attainment, increasingly essential to long-term economic success.
- 3) Underinvestment. A third key limitation in current workforce policy is underinvestment in some areas of crucial need. A glaring example: public funding for basic skills development by adult learners. Solid literacy and numeracy are essential to obtaining a job from which the holder can build career pathways that result in good jobs. Numerous studies have concluded that 25 percent of working-age adults in the United States function with low basic skills today (National Commission on Adult Literacy 2008). The proportion of the workforce with low basic

skills exceeds 50 percent in communities with concentrations of poverty. An estimated 40 million adults need to improve their basic skills to succeed (New America Foundation 2014).

Roughly \$2 billion is spent annually on basic skills improvement, with approximately two-thirds of that coming from states and one-third from WIA (U.S. Department of Education 2014). That might sound like a lot of money, until the scale of need is added to the equation. That total amounts to roughly \$20 per person with low basic skills, which is clearly insufficient to achieve meaningful impact in removing one of the major barriers to economic self-sufficiency. While each individual's literacy needs are different, in 2008 the average cost of serving an adult in a literacy program was \$1,000 (Sum and McLaughlin 2008).

The following three examples of disconnects are a subset of a far longer list of challenges inherent in current public policy regarding workforce development. In thinking about how to address them, we propose moving away from thinking in terms of “workforce development programs” as the needed approach. We believe attempting to solve workforce issues through programs is fundamentally flawed (Power and Urban-Lurain 1989).

- 1) Programs are structured in isolation. Each program typically defines its own target population, permissible services, metrics, rules, and administrative requirements. And while enabling legislation for a given program may cross-reference others, it is nearly impossible to make a suite of programs fully consistent.
- 2) Programs result in fragmented service delivery. Federally funded workforce programs come from multiple congressional committees, are housed in several departments, and flow to different agencies at the state and local levels—inevitably with different program years, reporting requirements, and widely varying eligibility. Organizations managing workforce development services live with the constant challenge of weaving the resources across multiple programs into coherent service delivery. Success tends to be a result of local relationships and skill at doing “workarounds” to overcome the conflicts and gaps.

- 3) Programs tend to calcify. Once the effort to create a program succeeds, the resulting apparatus tends to be left in place for many years. Although initially a program may align well with a specific labor market need, as time goes on the program tends to be locked in place while needs are changing dramatically. A federal program model carries with it a multiyear life cycle from conception to conclusion/replacement—far too slow for perpetually volatile conditions. WIA is a telling example of the slow pace of change. The original WIA legislation was enacted in 1998 and now, more than 15 years later, has finally been updated and reauthorized. And even now, no longitudinal evaluation of WIA has been completed that would inform future legislation. And, in reality, programs rarely end. Instead, as new needs become urgent, typically new programs are created to meet those needs.

THE DIMENSIONS OF TWENTY-FIRST CENTURY WORKFORCE POLICY

The United States needs both a different workforce policy framework and a new approach to executing that policy in order to be responsive to challenges posed by harshly changing labor market conditions. Twenty-first century workforce policy needs to embrace at least three major dimensions: lifelong learning, career navigation, and employment/reemployment. We see three “givens” that should become the norm as each of those dimensions is tackled:

- 1) Unprecedented integration of work and learning. The old paradigm of going to school first and then embarking on a career has been increasingly obsolete for some time now. In twenty-first century labor markets, the new norm is interweaving work and learning, starting in K–12, continuing through initial post-secondary learning, and then on through the continuing acquisition of new knowledge and skills throughout a career. Work and learning must happen simultaneously, not sequentially, allowing for learning to have experiential context and for work to be improved by learning.

- 2) Systemic collaboration among employers and educators. Many current “promising practices” in workforce policy, including sector strategies, career pathways development, community college reinvention, and earn-and-learn initiatives, contain experiments in crafting robust and agile collaborations that can change rapidly as demands shift among employers and educators and that are far deeper than traditional advisory committee models. These collaborations are full-scale partnerships with shared vision, shared costs, and shared responsibilities. This is far different from what is generally in place today. We need that in-depth partnership approach to become the norm, and not stay merely a promising practice.
- 3) Turning competencies into a unifying currency. Knowledge economy labor markets focus on competencies—what a worker knows and can do. Competencies can become a unifying language in labor markets, spanning the many credentials in use—degrees, certificates, industry certifications, licenses, badges, and more. This approach would allow employers to ascertain what job applicants know and can do, and individuals to understand what knowledge, skills, and capabilities they need to add to their portfolios to be qualified for specific careers.

We explore those three dimensions, and then consider financial models, metrics, and governance approaches for twenty-first century workforce policy.

LIFELONG LEARNING

The most critical dimension of twenty-first century workforce policy must be to ensure that lifelong learning is widely available, affordable, and results in workers’ regularly acquiring new and enhanced skills that increase their employability.

As noted earlier, workers with at least a bachelor’s degree fare much better in employment and income, as do those with market-valued associate’s degrees, certificates, and/or industry certifications. The greater

success of workers with postsecondary credentials reflects increased employer demand for higher-level skills. In both the United States and other industrialized countries, the proportion of jobs requiring high-skill workers is increasing substantially (Manyika et al. 2012). Surveys indicate that employers in fields such as advanced manufacturing cite skills shortages as reasons for why they cannot expand or improve productivity (Morrison et al. 2011). Admittedly, other researchers asking different questions find that although the skills gap is overstated, it still exists, and it could be filled through reasonable training efforts (Osterman and Weaver 2014). The pressure for increasing H-1B visas for skilled immigrant labor remains intense.

Obviously, not all jobs require high skills. While the United States continues to have millions of jobs that do not require postsecondary educational attainment, the pattern is clear: the preponderance of good-paying jobs require a degree or other postsecondary credential.

The United States needs a substantial increase in the level of educational attainment by young people entering the labor market. Certainly demand at any given time is impacted by the cyclical nature of our economy, but the trajectory is upward for educational attainment to keep the United States competitive globally, and we need our primary pipeline to focus on increased educational attainment. But, equally important, workers must continue to update their knowledge and skills, as well as acquire new ones throughout their work lives. Workforce policy needs to support both young people and current workers in acquiring needed skills and associated credentials.

Workforce policy must also focus on tearing down the basic skills divide. An estimated 40 million adults in the United States lack the fundamental literacy and numeracy skills to function in today's society (U.S. Department of Education 2003). The United States has no meaningful strategy today to impact that huge number.

This does not mean that policy should be encouraging “quick fix” training that typically has little lasting impact—a lesson learned from job training programs of the past. Nor should policy encourage long-term training that lacks connection to employer demand. Rather, policy should focus on encouraging workers to engage in education that enhances their capabilities and results in credentials that are valued by employers.

How should twenty-first century workforce policy address these needs for increased and continuing educational attainment?

- **Build out public-private skill development partnerships to scale.** We should draw from the innovative experimentation going on in employing industry sector partnerships, career pathways development, and industry-education partnerships, and greatly expand and improve the resulting approaches. These informal partnerships found in communities across the nation can be both expanded and replicated to the point where viable partnerships are functioning in key industries in every labor market. These approaches are built on common principles but operationally take on varying flavors depending on the context of the industry and community involved. Further, the costs of entry are modest. If industry and education leaders see challenges they want to collaboratively tackle, the only upfront cost is typically for someone to facilitate their work. These characteristics make this approach easy to replicate. The continuing challenge in doing so is to identify a sufficiently compelling problem to jointly tackle and/or a clear line of sight to the return on the time and resources invested through the partnership work to convince employers to join the partnerships.
- **Craft public-private shared funding of learning.** We should use public funding to incent coinvestment in learning, resulting in a balance of costs among government, the employer/industry involved, and the learner. One example of a coinvestment approach is the Michigan Advanced Technician Training Program, where community colleges and manufacturing employers combine efforts to increase the pipeline of skilled entrants to technical careers (Michigan Economic Development Corporation 2014). State community college support is combined with employer paid tuition and student expenses, as well as paid employment/work-based learning experience in between classroom semesters. Similar manufacturing-education joint learner development models are being tried in several other states.
- **Create a large-scale, multiyear campaign to dramatically improve basic skills among working age adults.** We propose forming a national collaborative campaign in which the federal

government, foundations, and business jointly fund campaigns in states and regions to substantively remove the basic skills gaps as a barrier to entry and advancement for workers. This would require a substantial investment, likely totaling at least \$1 billion over several years. It would need a very strong national public-private leadership team to succeed. At a state and regional level, this work could be adapted to regional context and led by any number of coalitions at varying geographic levels. We envision this as a time-limited effort (perhaps 10 years) with highly visible metrics, funding tied to results, and use of evidence-based approaches now being undertaken in some locales. Making this sort of investment would represent a game changer for millions of Americans who today have little chance of realizing self-sustaining employment.

- **Restore public investment in postsecondary education and tie the increase to improving results.** In most states across the nation, state support for colleges and universities fell during the Great Recession and remains far below what it needs to be today (*Chronicle of Higher Education* 2014). Making that investment a greater priority within state budgets is essential. At the same time, the movement to increase expectations about results, such as student credential attainment, should also be expanded.
- **Provide learners with “stackable” credit for all learning.** At many community colleges today, more than 50 percent of the education undertaken by students doesn’t provide them with credits. Workforce policy needs to ensure learning results in units of credit that reflect competencies attained, regardless of where and how that learning takes place.

CAREER NAVIGATION

Another key dimension of twenty-first century labor markets is that they’re incredibly difficult to navigate. As industries and occupations rapidly and continually change, it has become enormously challenging for learners to understand their career/employment choices and the educational requirements associated with those options.

Current public policy and service delivery doesn't provide much help. Every relevant system—K–12 schools, higher education, and workforce agencies—has reduced its support for counselors and advisors as a result of cost pressures and institutional priorities. Additionally, many of those charged with career advising at those institutions are themselves disconnected from the labor market in terms of knowledge, skills, and relationships and are therefore ill-equipped to advise someone on career pathways and job seeking. In a system that measures outcomes with largely supply-side measures, that is always going to be the norm, and as we build new systems we need to design metrics that reinforce the need for close connections to the labor market and employers.

At the same time, despite an explosion of e-tools, the marketplace lacks reliable self-navigation supports. In too many places, the only people obtaining competent advising on career navigation questions are those buying it from career coaches, typically higher-income job changers.

The costs of inadequate career navigation supports include lengthened job searches and prolonged unemployment/underemployment, as well as false starts in education direction that lengthen the path to credential attainment and use up finite financial aid resources.

U.S. workforce policy can improve the availability of high-quality career navigational supports by emphasizing a combination of high-touch and high-tech approaches.

- **Create a cadre of career navigation advisors.** We should replace the current reality of individual schools and workforce centers—each attempting to provide support with inadequate funding and varied staff skills—with a new model. We propose catalyzing the creation of a new profession of highly skilled career navigation advisors. These advisors would be well versed in current career pathway options spanning multiple industries, and would be skilled at helping individuals understand their options and strategies to attain educational and employment success. Incubation for this approach could come from a combination of public and philanthropic leadership. For example, the Obama administration convened a task force around the substantial challenge of impacting young people disconnected from school and work that articulated the need and urgency of action that were then followed by multiple foundations' combining efforts

to fund catalytic work to advance needed change. Similar support could spur development of national, state, and/or regional approaches to building the cadre we envision. Ongoing funding for such a cadre in a community could come from joint support from K–12 and postsecondary schools, workforce development agencies, industry sector partnerships, and others sharing interest. Access could involve a sliding scale of individual payments based on income. Employers could support access to a career navigation advisor for their workers, as part of either a retention strategy or a mobility strategy.

- **Accelerate development of e-tools that support career navigation.** Early stage experiments can be found in the creation of reliable online self-navigation tools. The Institute of Electrical and Electronic Engineers has published a single industry-focused career navigation tool.¹ Membership is required for full access, but the essentials of how an online career navigator for professionals in the electrical and electronics field can be seen on the referenced Web site. However, our experience tells us that career navigation tools typically offer fragments of needed information and fail to maximize the potential aggregation needed. Tools are needed that can be used to do robust, user-customized information searches that span choices regarding career pathways, education, financial aid, jobs, and credentials. Those tools should employ decision-support technologies, such as predictive analytics, that add power to the results and also include customer feedback and access to outcomes data. Our observation is that software and platform developers are eager to create the tools; U.S. workforce policy needs support to accelerate the development of robust, reliable career navigation tools. That support could include leading in the articulation of customer needs requirements, in establishing database business rules that expedite integration of data sets with appropriate privacy protections, and in organizing key stakeholders to provide input to developers. Government (federal and state in particular) and foundations can provide important leadership in both developing the case for a new model for career navigation and facilitating the basic standards that should be observed in establishing such portals, including expectations of connectiv-

ity among providers. We freely admit that there is much to be developed in this arena before it is a functioning system, but the need is there, and we challenge policymakers to find the right space to make this a reality. Organizations such as LinkedIn are already doing this with a focus on professionals. We need a system that can serve all levels of workers and employers.

We see these two approaches working in tandem. Users will have widely varying preferences for the amount of “high touch” they want and need. With proper periodic guidance, users will be able to seek out and aggregate large amounts of data to inform their choices throughout their careers.

EMPLOYMENT/REEMPLOYMENT: RETHINKING ONE-STOP CAREER CENTERS

Labor exchange has been a core function of workforce policy for the past 80 years. Basic job matching, such as that done through the Employment Service, has been supplemented with an array of targeted programs providing more intensive supports to workers dislocated by plant closings and other large-scale employment disruptions. Combining those two approaches was a core premise behind the Workforce Investment Act of 1998—bringing services together under one roof rather than having to visit multiple locations to get the combined services they needed.

The vehicle for this service integration was the creation of One-Stop Career Centers (now known as American Job Centers). The centers were designed around job search and presumed most users needed only a well-designed resource room to succeed, with smaller cohorts needing staff support and retraining, usually short term.

It was a good approach for the time. In many cases, the centers became a substantial upgrade from the resources previously available to job seekers. And even today, many thousands of Americans use them each year as part of their job searches. The question for twenty-first century workforce policy is whether the American Job Center model as now conceived still works. Our take is that the premise and metrics for centers need to be modified substantially.

A key function of One-Stop Career Centers has been job matching. States (or consortia thereof) run their own data systems into which employers can list available jobs and match their registered clients with the jobs. The federal government tried to create a national job bank and link all the state systems together, but it wisely abandoned that in favor of relying on the many emerging private job matching database services. But states have, for the most part, continued to maintain their own job matching systems, and many measure themselves against a penetration rate of what percentage of jobs are listed by employers with their job matching systems. Unfortunately, we find this to be a flawed approach with too much effort going to enlisting employers for the simple purpose of posting their jobs. We believe that workforce development should leave this business to others.

The rapid growth of privately developed and managed online job and talent matching vehicles challenges the value of continuing public investment in this function. The tools are diverse and are emerging and changing frequently. As a set, they offer multiple options for workers to engage in job search and employers to find good candidates for openings.

From a job seeker standpoint, a key is whether a sufficient number of quality job bank sites/tools are free or low cost to use. Thus far, the answer to that question appears to be yes. If the market changes over time in terms of user pricing, public investments could subsidize use of these tools far less expensively than running a publicly supported set of data systems.

The core programs operated through the centers have emphasized short-term placement results as the central metric. While we discuss metrics later in this chapter, it is important to note here the adverse impact that job matching measures have on the system. By personal observation, the authors have seen cases where a local One-Stop system is fixated on getting listings of jobs, registering participants in their systems, and then essentially waiting until the participants find a job on their own. A lot of energy goes into contacting registrants to see what progress they have made and whether they got a job—energy that could have gone to advising and skills development. But reaching immediate placement goals drives activity toward the numbers count and not a deeper service model. We need to change the mindset on what is delivered and how (Strong 2012).

- **American Job Centers should become hubs for career navigation and supporting workers in obtaining market-valued credentials.** Rather than focusing on job matching, centers should be adapted to become a home for the cadre of career navigators proposed above, with highly skilled staff providing users with customized help to assess their career pathway choices, identify financial aid to support their learning, and understand the market value of the array of possible degrees and certifications that can be attained. Centers should be focused on whether customers get the information they need to make good career planning choices, and on ensuring that those customers can get supports they need while engaged in education and employment transition, not on whether the center can “take credit” for someone finding a job. Metrics are discussed at the meta-level later in this chapter. Those metrics will need to be parsed out so that the functions within the new system support the larger measures and that each component has its own set of measures that build to the larger goals.
- **States should get out of the business of operating job boards/talent banks.** The market for such e-boards is vast, and the investment required for states to operate their own does not make sense. Rather, American Job Centers, high schools, colleges, libraries, and other public agencies should offer those seeking learning and employment good information about how to effectively take advantage of the various opportunities to access job information that fits the individual and where that person is on her/his pathway. We do believe that those entering a pathway at a very low skills level will need and should receive “high touch” support from career navigators to help them navigate their options.
- **Reemployment support needs to focus on credential attainment.** An overriding lesson from the large-scale dislocations of the past 30 years is that many workers who are laid off will need to acquire new and/or enhanced skills to make a successful transition to a new job with a career path opportunity. That means that metrics for reemployment efforts need to center on credential attainment and funding strategies on providing financial sup-

port for the learning required to attain needed credentials. This work should be grounded on an assessment of the competencies already possessed by the transitioning worker, and then identifying the shortest paths to credentials that will be valued in the labor market. Reemployment should then be measured in terms of the employment results achieved by the worker after obtaining a needed credential, including the connection of that credential to the new job.

Reconceiving the One-Stop Centers as hubs for obtaining help in career navigation requires rethinking where centers are located and the scale at which they operate. A navigation-centered model may argue for increasing the number of sites housed at community colleges and universities, for example, as well as others that are integrated with community-based efforts that focus on increasing postsecondary attainment. It is fair to question whether the large One-Stop sites that were put into place in many communities in the past make economic sense in a business model that may include having career navigators doing substantial work at other community locations to reach customers effectively.

RECONCEIVED METRICS

The old adage that you get what you measure rings true in workforce development. The traditional metrics for employment-related adult programs are entered employment, retention, and average earnings. The exact computation of these are too complex to delve into here, and it has no value in this discussion except to note that the employment measurement starts at the time a participant exits from a program (i.e., is no longer receiving any services). The other measures follow from that point of exit but are extended in time to assess postprogram status. These measures assume that program participation is a one-time event that ends when employment is obtained and therefore discourages strategies that involve postemployment services. Programs want to have the best possible outcomes on these measures since, at least under WIA, there have been incentives for achieving specified benchmarks and possible sanctions if they are missed over time.

The measures for youth, a much smaller part of the total workforce investment package, are actually closer to what we think the adult measures should be. They include placement in employment or education, attainment of a degree or certificate, and literacy and numeracy gains. While not at all perfect, these measures at least target some of the skills development issues that are important for adults as well, and they can be milestones to achieving family-sustaining jobs, the ultimate objective.

But none of the measures are adequately aligned with the changes necessary in workforce policy overall. If we are focusing on lifelong learning, recognizing diversity and varying needs, career pathways, and attainment of labor market–relevant credentials, we need to examine new ways of measuring individual progress that can be aggregated to show overall gains in the nation’s competitiveness. Any measure must be tested to ensure we are getting the return on investment we need and that the measures do not produce unintended consequences. That last point is easier said than done.

In order to shift to a workforce investment strategy that moves away from public programs as the organizing vehicle, metrics must align with investments that are done through financial aid, tax policy, and educational supports. We should frame metrics in terms of goals that are simple, understandable by the general public, and contributing to the common good. Multiple examples of that can be found in the educational attainment goals set by a number of states. Two such examples:

- 1) Governor Bill Haslam of Tennessee has an initiative called Drive to 55—55 percent of the adult population will have a postsecondary degree or certificate by the year 2025 (State of Tennessee 2013). This is a straightforward goal and can be measured over time. Tennessee’s education policy decisions are made in support of that goal. Interim progress can be measured, and there is public awareness of the relevance of the goal to Tennessee’s economic prosperity.
- 2) Governor Martin O’Malley of Maryland in 2010 launched a statewide campaign called Skills2Compete—Maryland set a goal to increase the number of Marylanders with the postsecondary skills needed to fill the burgeoning middle jobs that are growing rapidly in the state (State of Maryland 2014). Again, this is a goal that is easy to understand and easy to track.

We need to look at those kinds of broad macro-metrics for our workforce development investments. The investments will not be in programs but will be in people—millions of people, not just the comparatively small numbers historically enrolled in workforce programs. So our measures need to embrace the broad policy goals with which investments need to align. These policy goals will be far reaching and impact all systems related to developing a skilled workforce. For example, Pell Grants may need to be reexamined to ensure they are supporting the broad goals suggested in this chapter.

Some examples would be to reduce the number of adults who have basic skills deficiencies, increase the number of adults who fill middle skill jobs, increase earnings of workers (measured over time) who follow career pathways, and increase the wages of low-income workers. The measures might be applied at the national, state, and local (regional) levels without regard to programs. Baselines could be established and targets set per year or over multiple years. Reports on the nation's, the state's, and the region's workforce health might be required and widely publicized by relevant bodies at each level just named. Who might those bodies be? That is another question to raise here but one to which we likely will not produce an answer. But we do point to examples where data collection and analysis are not housed in one agency. The Florida Pre K–20 Education Data Warehouse is a possible model to examine since it separates implementation from measurement.

There are multiple problems this nation faces. Each one could and often does have its own campaign highlighting to the public where we are, what we need to do, and how we are doing. It is happening with such diverse issues as childhood obesity and smart phone use while driving. A critical element is getting crowd support behind an effort and steering all relevant resources toward a common goal. Collective Impact (Kania and Kramer 2011) is emerging as one means of gathering momentum to address a pressing public issue that is bigger than one body can address. We mention this in the section on measures because metrics are one piece of a larger endeavor to change behaviors and create better paths for people. A good example is Lumina Foundation's Goal 2025, which aims to have 60 percent of the adult population in the United States attain a postsecondary degree or credential that will give them competitive standing in the labor market. Lumina dedicates its funding to reform institutions, engage employers, advance state

and federal policy, change higher education business models, and take other needed steps to create a social movement to achieve the Goal 2025. Tracking progress will play a critical role in that process; indeed, Lumina issues a report annually about the progress toward the goal in every state and county in the nation. During the first five years of an 18-year campaign, the percentage of adults aged 25–64 with at least an associate’s degree has increased yearly, with the annual rate of change increasing as well. The pace will need to continue to accelerate to reach the 60 percent by 2025 goal. Lumina has set 10 interim measures with goals to be achieved by 2016 that they believe will significantly contribute to achieving the ultimate 2025 goal (Lumina Foundation 2014). We expect the same type of process for the overall reform of investments in workforce policy.

Metrics will drive outcomes but they are not enough alone. They must be combined with a whole new way of doing business and whole new financing models.

FINANCING MODELS

We propose a number of workforce strategies that require substantial funding, most notably investments in lifelong learning, including a campaign to reduce greatly the basic skills gaps that block too many Americans from viable career pathways and employment. How can we fund these strategies?

First, we presume that the cost of greatly expanding adult learning will not be funded solely or primarily by the federal government. The federal budget balancing requirements and pressures experienced in recent years show no evidence of being resolved any time soon.

At the same time, it may be difficult to persuade states and communities accustomed to thinking about workforce development as a federally funded function that they should now absorb a substantial part of the cost of needed services. However, the return in measureable economic prosperity should be a compelling selling point. Similarly, employers facing increasingly shorter innovation cycles and less long-term employment may logically question the basis for their increasing expenditures for skill development. And individuals/families already

experiencing record levels of student loan debt acquired in the course of going to college after high school will have limited capability of paying for adult learning themselves.

The reality that every stakeholder will be able to offer reasonable resistance to becoming the primary funder of lifelong learning argues that the only models that can work are ones that spread that risk across all of them. Shared funding options for adult learning include the following:

- **Accounts.** The creation of the 401(k) 30-plus years ago contributed to moving retirement funding from being primarily an employer responsibility to being an individual one with (in some cases) employer contributions. More recently, health savings accounts have been used as a vehicle to help families manage their spending in that arena. Within workforce development, both individual development accounts and Individual Training Accounts have been used at limited scale. Accounts offer some consistent attributes: customer control, portability, and an emphasis on saving for future events. Funding could be put into accounts from all stakeholders; many of these systems operate with matching provisions and tax benefits to encourage individual contributions. Such an approach has been introduced in the proposed Lifelong Learning Accounts Act, which would set up employee- and employer-sponsored savings accounts targeted at educational advancement. While not enacted federally, Washington State has been a leader in championing these accounts and has enacted state legislation putting them in place in the state.
- **Tax credits.** The largest antipoverty investment in the nation is the Earned Income Tax Credit, which has enjoyed bipartisan support for many years. It provides low-income workers with a refundable tax credit that grows with their incomes until reaching a phase-out level. The effect has been to encourage low-income people to leave welfare for work and to provide them with needed support until they reach self-sustaining income levels. This approach has proven to be fundable and supportable at a large scale. Smaller-scale tax credits have been used to support postsecondary learning, currently including the American Opportunity Credit and the Lifetime Learning Credit. A choice for

workforce policy is to substantially expand the use of tax credits as a federal funding strategy. Following the model of the Earned Income Tax Credit, which is a part of every financial literacy course for low-income families, the benefits are clear and can be substantial. For a working family, EITC can be the difference between living in poverty or not. Large-scale take-up of a workforce tax credit would require a similar kind of awareness campaign and clear articulation of the value to both the individual and society of the credit.

- **Pell Grants for adult learners.** This tool has been effective in supporting low/moderate-income students in obtaining postsecondary education. However, Pell Grants were designed to help full-time traditional students, and they work less well with adult learners who often are attending part time. Current policy work being done by several groups is raising the idea of developing an adult worker-centered Pell approach to complement the grants aimed at traditional students. The College Board (2013) released a report that outlines two separate tracks for Pell Grants, one for transitioning young students and another for adult learners. That report is the basis for a legislative campaign that the Study Group, which authored the report, is spearheading. This approach offers another way to target financial aid to adult learners who would otherwise struggle to afford needed education.
- **Public-private collaboratives.** As noted earlier, intriguing experiments are under way in which work and learn models are being employed to accelerate and contextualize education. In some of these models, employers are paying the learner wages during the time spent on the job as well as providing tuition support for the courses taken. Various combinations can be imagined of the balance of employer support, public support, and individual funding that would be possible in different industry/occupational training situations.

If a combination of these approaches is used to finance the ongoing expanded learning that is central to twenty-first century workforce policy, a short-term variant will be needed to achieve the scale of results necessary to strengthen basic skills. The enormous literacy and numeracy challenges found among adult workers require a large investment

spanning a few years that can greatly reduce the number of working-age adults with basic skills gaps. If that can be accomplished, a much smaller scale of ongoing support for remediation of basic skills gaps would be required and could be incorporated into the models described above.

It is likely that the large-scale basic skills improvement campaign will require a combination of public investment (federal, state, and local), business support, and philanthropic support. Solving this challenge is central to the readiness of U.S. workers; the costs of not responding are large in terms of the income and social supports that will be required if large-scale improvement is not achieved.

Beyond financial strategies to support adult learning, the workforce policy approach requires ongoing support for three other key functions:

- 1) Intermediaries. Industry sector partnerships and similar collaboratives require support from staff with the capacity to do skilled facilitation and provide expert research and analytic capability for the partnership. Our experience suggests that this work requires at least partial public funding, potentially with match requirements from the collaboratives themselves.
- 2) Career navigators. The cadre of expert navigators described earlier could be supported through a combination of funding from K–12 school districts and colleges, workforce support through reframed American Job Centers, and sliding-scale client fees.
- 3) Reframed American Job Centers. If the next generation of centers is charged with becoming strong education- and career-advising resources, ongoing funding will include contributing to support for the cadre of career navigators. Centers will also need staff who are adept at helping customers understand their options for financing learning, and for obtaining the support services they require to successfully navigate transitions. This work requires public funding for important, ongoing infrastructure; it could and should be funded directly, and the Job Centers should shift from being a collection of agencies to unified operations with clear, bounded missions.

Some of the costs discussed can be covered by repurposing existing federal workforce program funding, particularly by moving away

from a program model and by explicitly getting out of some functions, such as running job boards and talent banks. But this reframing represents a great time to move from a dominantly federally funded model to a shared federal/state/local approach to public funding, as can be found in many other areas of public policy. A model of a shared funding approach exists today in the Unemployment Insurance system. This funding model could be repurposed to support career changes beyond interim benefits. There have been modest modifications to this tightly bound system, such as those that support job sharing and allow benefit receipt while engaging in training, but it is time to think more broadly about how these funds could be used to support retraining and career navigation in a way that helps mitigate the need for income support. Already, 16 states levy an additional tax in conjunction with unemployment taxation to support worker education and training (U.S. Department of Labor 2012). This base provides a solid starting point for rethinking and interconnecting unemployment reduction and retraining.

While current laws share authority and responsibility at all three levels of government, the reality is that if the federal dollars are the primary source of funding, most attention gets placed on meeting the federal measures and reacting to federal regulatory requirements. Shifting to a shared funding model would improve the ownership and balance among the three levels of government of workforce investments and strategies.

Finally, we offer thoughts on three other considerations for future workforce policy: 1) the role of workforce boards, 2) community colleges and workforce development, and 3) supporting entrepreneurship as part of workforce development.

DO WE NEED WORKFORCE BOARDS?

Local/regional workforce boards made up of business, education, labor, community organizations, and government have been a key part of workforce structure in the United States for the past 35 years. As we think about the foci for workforce investment suggested above, are these boards still relevant?

We submit that they can be very relevant, but with a modified mission. Today, the central business most workforce boards are in is the management of federal grants—operating One-Stop Centers, procuring providers, monitoring expenditure of federal funds, and reporting on associated performance measures.

If we shift the funding of adult learning into some combination of the models suggested earlier, the crucial work these boards could do moves away from grant management and more to what some leading boards do today:

- **Community convening and leadership.** Workforce boards can, and in some cases do, act as catalytic agents to bring community stakeholders together to identify and tackle important workforce issues in their labor markets.
- **Broker and organize multiple resources.** Rather than dominantly focusing on managing a few federal grants, workforce boards could become resource brokers, skilled at organizing a mix of relevant public funds (federal, state, and local), industry funds, and foundation support for key initiatives.
- **Community workforce metrics.** In moving the focus from program measures to scalable impact metrics, workforce boards could become leaders in their regions in tracking and assessing progress being made at a community/regional level.

The geography of workforce boards now is predominantly based on political boundaries rather than labor markets. To increase their effectiveness and impact in terms of the strategic leadership work needed, they should have a regional labor market focus, which we believe will allow much closer ties to economic development.

COMMUNITY COLLEGES AND WORKFORCE DEVELOPMENT

In recent years, growing national attention has been paid to community colleges as the chief provider of workforce training. On the surface, this is a logical step toward investing in longer-term, labor market-rele-

vant training. Nearly \$2 billion is being invested in creating new models within community colleges to be employer driven, and focused on labor market–relevant training and credential attainment (U.S. Department of Labor 2014). These are wise investments in an infrastructure that needs major overhaul. Success rates for completing courses of study at community colleges or transferring to four-year schools has been a subject of concern and debate. No matter how you slice it, completion rates are well below what the general public would expect. At best, the completion rate is 40 percent (Juszkiewicz 2014).

Regardless of the rates, community colleges play multiple roles in their service areas. They are the stepping stone to transfer to four-year schools. They are the providers of credentials and degrees that improve labor market competitiveness for adult learners. They are the place a person goes to upgrade one skill or to take a course for simple personal enrichment. These are certainly many roles to play. In their workforce preparation role, which has received much attention from President Obama, community colleges are being looked to as the prime workforce development providers, especially for adult learners who need to upgrade their portfolios to compete for middle-skills jobs.

There is interest in strengthening community colleges' connections with employers, particularly through sector strategies, making course offerings and curriculum employer driven. These are not traditional modes of operating for community colleges, but there is movement in the right direction through grants to make this vital connection. We see great potential for community colleges to play major roles in developing our workforce, particularly our adult learners, but a long path remains to be traveled before they can completely fulfill that potential. We encourage continued attention on this segment of the workforce development system as we know it today. Community colleges, in general, already have strong workforce arms that are primarily aimed at incumbent worker training. In technical fields, community colleges have in place good internship models, and many are well integrated with employers. Comparatively, their costs are low and they can focus on labor market–relevant, stackable credentials. In our opinion, more movement is needed in order to fit the schedules of adult learners and to integrate work and learning, but the potential is there. We should be building on this valuable resource.

WORKFORCE DEVELOPMENT AND ENTREPRENEURSHIP

The unprecedented sluggishness in hiring during the current recovery raises a challenge to the past century's assumptions about jobs, which centered on workers being full-time employees of an organization as the dominant/desired model. Current forecasts suggest that employment as traditionally defined won't return to prerecession levels for years to come, and that the result will continue to be an imbalance in which too many workers seek too few jobs.

We're beginning to see hints of an alternative framework in which a substantial percentage of people build a pieced-together income strategy, either because they can't find a full-time job, or because they prefer the control and flexibility of self-packaging. In addition, community development strategy in many places centers on encouraging people to become entrepreneurs—not necessarily in the large-scale, venture capital sense but rather in a “create your own job in your own neighborhood” sense.

Entrepreneurship can and should become a stronger workforce investment strategy. This is a teachable skill that has received slight attention in our workforce world, and has been discouraged by performance metrics centered on placement in an existing job. Entrepreneurship as a strategy is important in an economy in which whole occupations are being destroyed, as new, never before thought of occupations are being created. If nurtured properly, entrepreneurs create those niches and can be employers beyond one-person shops. We need entrepreneurship as part of our workforce arsenal.

Note

1. See www.ieee.org/education_careers for a preview of the career navigation tool (accessed November 26, 2014).

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3

Reemploying Unemployment Insurance Claimants

A Good Government Investment

Richard A. Hobbie
Rutgers University

Yvette J. Chocolaad
National Association of State Workforce Agencies

This chapter discusses a strategy to reemploy unemployment insurance (UI) claimants with dedicated and cost-effective eligibility assessments and job search assistance. Although evidence supporting this strategy began accumulating in the late 1980s, resources to implement it have not been fully or consistently allocated by the federal government. With “universal services” emphasized in the Workforce Investment Act (WIA) of 1998, resources were spread thinly, and opportunities to improve the efficiency of the UI system were missed. Here we review some of the challenges that have led the U.S. Department of Labor (USDOL) to propose this strategy, the evidence on cost-effectiveness, the new USDOL “Reemployment Vision,” and recommendations for improving federal policy in this area.

The phrase *good government investment* has a dual meaning. First, evidence shows the strategy is a good government investment because it can have a high government benefit-cost ratio, and substantial net government benefits in the form of budget savings if provided to many UI beneficiaries. Also, UI claimants benefit from reduced unemployment duration, increased employment, and perhaps increased earnings, and employers benefit from filling job vacancies more quickly and ultimately from lower unemployment taxes. Second, it is a *good-government* investment because it can help lower benefit overpayments, thereby improving the integrity of state programs. Assessing eli-

gibility and assisting UI beneficiary job search more closely can reduce major causes of overpayments, such as lack of job search documentation and the failure of some beneficiaries to report their return to work in a timely fashion.

In general, we recommend the following five improvements:

- 1) Promote and expand the “Reemployment Vision,” which was developed by a workgroup of federal, state, and local government and nonprofit organization officials convened by USDOL
- 2) More than quadruple the administration’s proposed investment in eligibility assessments and reemployment services for UI claimants to \$800 million per year
- 3) Develop and apply new performance measures to encourage rapid reemployment of UI claimants
- 4) Research effective job search strategies
- 5) Increase grants to states for UI administration so they can provide more effective UI eligibility assessments

A PROPOSED STRATEGY FROM THE U.S. DEPARTMENT OF LABOR

In the USDOL fiscal year (FY) 2015 budget justification to Congress, the administration proposed to “build on the success” of existing efforts and establish an “. . . enhanced, integrated, and expanded Reemployment and Eligibility Assessments (REA) and Reemployment Services (RES) program in all states” (USDOL 2014). Based on a promising model and evidence in Nevada, the proposal would require about 1.3 million UI claimants estimated to be in the top quarter of those most likely to exhaust their UI benefits and an estimated 63,000 ex-service member claimants to participate in REA and RES. The integrated REA and RES would be “in-person interviews to review eligibility for UI benefits; provisions of labor market and career information to claimants to inform their career choices; support for the development of reemployment and work search plan(s); orientation to services available through ‘American Job Centers,’ also called local One-Stop Career

Centers; and provision of staff-assisted reemployment services, including skills assessments, career counseling, job matching and referrals, job search assistance workshops, and referrals to training as appropriate” (USDOL 2014).

The program names Reemployment and Eligibility Assessments and Reemployment Services are confusing but derive from federal law. Table 3.1 summarizes the main elements of each approach. Eligibility assessments should be conducted in normal UI administration, but this aspect has atrophied over the years as a result of cuts in funding of employment services and UI administration. Assessments of reemployment prospects, usually performed by One-Stop Centers, are the precursors to helping UI claimants find employment in a cost-effective manner. Reemployment services, such as job search workshops or job matching, also are administered by One-Stop Centers. They help UI claimants improve their search for work, an unfamiliar and daunting task for many dislocated workers. Reemployment services also help employers find qualified workers through job matching, a struggle for many employers who say they cannot find qualified workers at the wages they offer.

Although USDOL officials were aware of the accumulated positive evidence on the effectiveness of reemployment services for UI claimants, their budget justification cited only specific recent research results on an integrated REA/RES approach in Nevada that found

- claimants were significantly less likely to exhaust their benefits;
- claimants had significantly shorter UI durations and lower total benefits paid (1.82 fewer weeks and \$536 lower total benefit outlays)¹;
- claimants were more successful in returning to work sooner in jobs with higher wages and retaining their jobs; and
- \$2.60 of savings were produced for every \$1.00 of cost (USDOL 2014).

In FY 2014, the federal government appropriated a total of about \$80 million for REA in most states. The administration’s FY 2015 proposal would nearly double that to about \$158 million for the integrated REA/RES approach in all states. Mandatory funding would be provided based on the projected number of targeted UI beneficiaries, at a cost of

Table 3.1 Comparison of Reemployment and Eligibility Assessments (REA) and Reemployment Services (RES)

Characteristic	REA 2010 grant requirements	RES requirements ^a
Participant selection	REAs target claimants based on a range of factors including benefit week, location, likelihood to exhaust, and others.	RES target claimants based on likelihood of exhaustion and benefit duration.
Participation	<ul style="list-style-type: none"> • Identified claimants are required to participate fully in all REA components. • Claimants must report to the One-Stop Career Center in person for staff-assisted services. 	States determine participation requirements for RES; some made participation mandatory while others did not.
Activities and services	Required activities for REA claimants: participate in initial and continuing UI eligibility assessments; participate in individual labor market information sessions; participate in an orientation to One-Stop Career Center; register with the state's job bank.	Allowable activities for RES claimants: job search and placement services; counseling; testing; occupational and labor market information; assessment; referrals to employers, training, and other services.
Plan development	Reemployment plan must be developed and include work search activities, appropriate workshops, or approved training.	Recommends reemployment plans for RES claimants who would benefit from additional RES and or referrals to WIA, particularly those who are not a viable candidate for job opportunities in the region.

^aUnder the American Recovery and Reinvestment Act.

SOURCE: Barnow and Hobbie (2013).

\$150 per beneficiary, and state UI programs would be required to cooperate with state employment service agencies to implement the integrated approach.² USDOL estimates its proposal would yield gross outlay savings to the federal unemployment trust fund in FY 2015 of about \$420 million, for a net savings of about \$262 million in the first year.³

CHALLENGES TO REEMPLOYING UI CLAIMANTS

The strategy of emphasizing reemployment, and not just UI benefits, has a long history, but a plethora of system challenges has impeded its effective implementation. We have identified eight such challenges.

1) Slow and insufficient response to structural economic change.

The UI and employment service systems were slow to respond to a proportionate rise in permanent layoffs since the early 1980s (Groshen 2011) and the secular rise in long-term unemployment that was exacerbated by the Great Recession of 2007–2009. The federal government provided insufficient resources to reemploy the long-term unemployed after the early 1990s. Instead, it emphasized temporary benefit extensions, typified by added spending in response to the Great Recession of over \$200 billion on emergency unemployment compensation for the long-term unemployed, and only an additional \$250 million on reemployment services aimed at UI beneficiaries and \$148 million for other labor exchange services under the Wagner-Peyser Act (Barnow and Hobbie 2013).

Under the Social Security Act of 1935 and the Federal Unemployment Tax Act of 1939, the federal-state UI system was designed to provide temporary and partial wage replacement to covered and eligible workers. All states established federally approved UI programs under these laws. State unemployment taxes finance the regular benefits, up to 26 weeks in most states, and all state unemployment tax revenue is deposited in the respective state accounts of the federal unemployment trust fund. States earn interest on their balances and regularly withdraw trust funds to pay state benefits. Federal grants to states for administration are authorized, and the Secretary of Labor is charged with providing enough funds to states for “proper and efficient administration” of

state UI programs. In addition, in response to recessions, the federal government usually covers the cost of emergency benefit extensions, beyond the state benefits and permanent federal-state extended benefits (up to 13 or 20 additional weeks of benefits, depending on state unemployment rates), out of general revenues.

State law and administration are supposed to ensure UI claimants have sufficient earnings in a base year to be “monetarily eligible” for unemployment benefits and that they meet certain “nonmonetary” qualification requirements, such as being able to work, available for work, and actively seeking work. State UI and employment service administrators are supposed to assure that claimants “certify” their ability to work, their availability for work, and their active work search, and to refer them for job search assistance provided by the state employment service or training provided by One-Stop Career Centers. State employment services are supposed to help these workers find new employment.

The system seemed to work well for temporary unemployment, but concerns about “structural unemployment,” the mismatch between the demand for labor and the supply of labor, grew beginning in the 1950s. It was thought that advancing production technologies and other economic changes were displacing workers, and that workers were remaining unemployed longer than expected.

It was not until the 1990s that the UI program was partly refocused on permanent layoffs and reemployment services for the long-term unemployed. In 1993, the federal government enacted the Emergency Unemployment Compensation Amendments, which, in part, provided for the establishment of “. . . a program encouraging the adoption and implementation of a system of profiling new claimants for regular unemployment compensation to identify which claimants are most likely to exhaust such benefits and who may be in need of reemployment assistance services to make a successful transition to new employment.”

The new policy was a response to the decline after the early 1980s in the proportion of temporarily laid-off unemployed workers during recessions (Groschen 2011), and new evidence showing that if the system could identify UI claimants who were likely to exhaust UI benefits and provide reemployment assistance early, they would return to work earlier than otherwise. Subsequently, profiling aimed at reducing long-term unemployment was implemented in states, but added funding for

reemployment services was not allocated from other employment and training programs as promised (Wandner 2010).

2) Inconsistent policy.

In 1997, the USDOL wrote an Employment Service Program Letter (USDOL 1997) to encourage states to improve reemployment services to profiled and referred UI claimants. In part, it said to

- provide job search assistance to UI claimants early;
- tailor services to the UI claimants' reemployment needs; and
- provide more and better reemployment services, such as job search workshops, including employers, labor market information, job clubs, regular reassessment of UI claimants' plans, job-loss, financial and health insurance counseling, automated service plans, and collaboration with other service providers.

Many states and localities adopted such approaches, but resources were spread thinly, with an emphasis on universal services under WIA. Meanwhile, in the early 2000s federal reemployment policy swung away from RES to REA as policymakers took a more skeptical view of the effectiveness of RES. While this occurred, the National Association of State Workforce Agencies (NASWA) sent a letter to USDOL, urging the federal government to take a balanced approach of REA and RES (NASWA 2004). But the message went unheeded until February 2009, when the federal government enacted the American Recovery and Reinvestment Act (ARRA) of 2009, which provided one-time funds of \$250 million for RES.

3) Decentralization of the workforce development system.

Decentralization of the workforce development system led to greater emphasis on serving all customers and to relatively less emphasis on reemploying UI claimants. The workforce development system became more of a federal-state-local partnership as it evolved under the Manpower Development and Training Act of 1962, the Comprehensive Employment and Training Act of 1973, the Job Training Partnership Act of 1982, WIA, and now the Workforce Innovation and Opportunity Act of 2014 (WIOA). WIA, which was enacted when the economy was at near full employment, emphasized "universal services." With limited resources in the system, there also might have been a tendency to

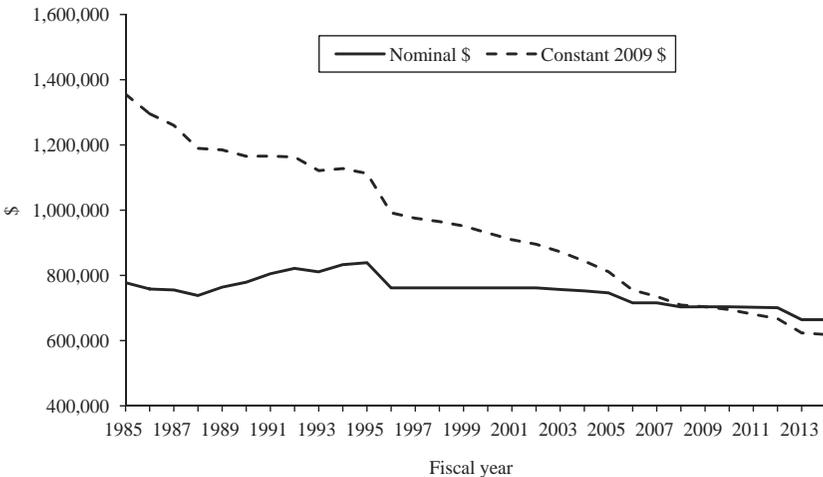
focus on customers not receiving UI benefits or those most in need as the system was flooded with workers seeking help, particularly in the aftermath of the Great Recession.

WIA created local One-Stop Career Centers in which the employment service and the UI program are required partners. Local Workforce Investment Boards govern the One-Stop Centers, but the employment service and UI program are state programs. Local officials do not have the incentive that state officials have for saving state UI benefit outlays. This is one reason why the administration’s FY 2015 proposal requires state UI programs to cooperate with state employment service programs, but the cooperation needs to be mutual and might not be as forthcoming from One-Stop Centers with other priorities determined locally.

- 4) Reduced funding for Wagner-Peyser Act labor exchange services.

Since the mid-1980s, real (adjusted for inflation) federal grants to states for Wagner-Peyser Act labor exchange services, a primary source of federal funding for job search assistance for the unemployed, were cut by about half (see Figure 3.1). Even accounting for additional funding

Figure 3.1 Funding for Employment Service State Allotments (nominal and constant 2009 dollars)



SOURCE: USDOL.

under ARRA, a recent study estimates average per participant spending on labor exchange services fell from \$55 before the recession to \$38 during the early stages of the recovery (Eberts and Wandner 2013). This made it difficult for states to provide job search assistance for all workers in general and UI claimants in particular (Wandner 2010). Localities might have picked up some of this loss by spending more WIA funds on labor exchange services instead of training. The federal government partially worked around this problem with limited funding for RES grants in FYs 2001–2005 of about \$35 million per year (see Table 3.2 for REA/RES funding). However, the federal government ceased such funding in FY 2006, until a large one-time appropriation of \$250 million in FY 2009 was provided under the ARRA (Barnow and Hobbie 2013), and temporary, mandatory funding was provided for long-term EUC claimants under the Middle Class Tax Relief and Job Creation Act. But, no more funds were appropriated for RES for regular UI claimants after ARRA.

Table 3.2 Funding for Reemployment Services and Reemployment and Eligibility Assessments

Fiscal year	RES funding (\$)	Number of states ^a	REA funding (\$)	Number of states
2001	35,000,000	53		
2002	35,000,000	53		
2003	34,773,000	53		
2004	34,576,000	53		
2005	34,290,000	53	17,794,479	21
2006			10,601,852	19
2007			16,056,832	19
2008			15,757,313	19
2009	247,500,000 ^b	53	39,280,972	34
2010			53,382,216	34
2011			48,734,731	38
2012			75,563,770	43
2013			64,259,656	41

^aStates include Washington, D.C., Puerto Rico, and Virgin Islands.

^bRES fiscal year 2009 is American Recovery and Reinvestment Act funding.

SOURCE: USDOL.

5) Elimination of America's Job Bank.

In 2006, the federal government defunded America's Job Bank (AJB), which was a nationwide system containing about half of the state job banks, which had job vacancy listings. This eliminated the ability of the participating states to access job vacancies in the other participating states. The conclusion to kill the AJB stemmed from a belief that a burgeoning commercial Internet job bank market provided extensive job vacancy listings and, therefore, there was no need for a nationwide public job bank. However, this ignored critical roles government can play in verifying legitimate employers advertising job vacancies, ensuring the job vacancies are in fact open, eliminating duplicate job vacancy listings often found on commercial Internet job sites, and protecting the health and safety of job seekers from dangerous or criminal job vacancy listings on the Internet.

The elimination of AJB was, however, a temporary setback. States reacted by creating the National Labor Exchange (NLx) through the efforts of NASWA and an alliance with DirectEmployers Association, whose more than 700 members are Fortune 1,000 companies. Today the NLx has over 1.5 million unique and current domestic job vacancy listings with verified employers that are updated daily, which is about 50 percent more than existed in the AJB at its peak. Also, unlike the AJB, all states, the District of Columbia, Guam, and Puerto Rico participate in the NLx.

6) Disconnection of UI claimants from reemployment services.

While the need for connecting UI claimants to job opportunities seemed to be growing, and evidence was mounting that providing job search assistance early in claims was cost-effective, new remote claims-taking technologies were implemented that substantially disconnected claimants from in-person job search assistance. Previously, claimants had to apply for UI in local offices where they might also seek job search assistance. USDOL initiated revolutionizing claims taking with the targeted funding of telephone call center technology in the mid-1990s, and that was quickly overtaken by Internet claims-taking technology. Soon nearly all initial and continued claims were being taken remotely.

7) Disproportionate emphasis on timely payment of benefits.

In the early 1970s, the federal government placed paramount importance on the prompt payment of unemployment benefits. The U.S. Supreme Court, on April 26, 1971, issued the *California Department of Human Resources Development v. Java* decision, which struck down a provision of California law that said, “If an appeal is taken from a determination awarding benefits, the benefits in issue are not to be paid until the appeal has been decided.” The court found the Social Security Act conditioned federal grants for state administration of UI on the state providing methods of administration that “. . . are found by the Secretary of Labor to be reasonably calculated to insure full payment of unemployment compensation when due.” Further, the court said Congress intended “when due” to mean “. . . at the earliest stage of unemployment that such payments were administratively feasible after giving both the worker and the employer an opportunity to be heard” (USDOL 1971).

In 1993, the federal government enacted the Government Performance and Results Act (GPRA). Late in the 1990s, USDOL responded with implementation of a new system, Unemployment Insurance Performance Measurement System, which reinforced the emphasis the *Java* decision placed on timely payment of benefits. The system had 10 core measures that emphasized timeliness and quality of administration but excluded reemployment. It was not until late 2006 that the department began reporting on a new core measure focusing on reemployment of claimants, the entered employment rate, which is defined as the percent of individuals receiving a first payment of UI in a quarter who were reemployed in the subsequent quarter.

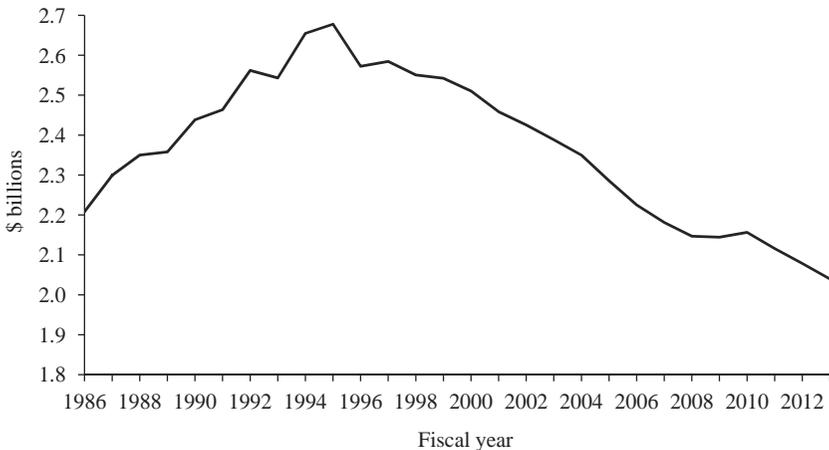
Today, the three primary measures under the GPRA are 1) percent of intrastate payments made timely, 2) percent of recoverable overpayments that have been detected, and 3) entered employment rate. Some states believe they have struggled to meet federal standards set for these measures because they do not receive enough administrative funds from the federal government and have not been able to upgrade their 1970s or 1980s vintage computer benefit systems. Also, UI directors have complained about the reemployment performance measure because employment services and One-Stop Career Centers have responsibility for reemployment, not UI programs.

8) Reduced funding for base UI administration.

Since the mid-1990s, the base funding (adjusted for inflation and a fixed base workload) for federal grants to states for UI administration has declined to levels lower than those in the mid-1980s, at about \$1.7 billion today (see Figure 3.2).⁴ Adoption of remote claims taking, such as over the telephone or the Internet, that might have increased efficiency could explain some of the decline in funding for the base, but the drop has made it difficult for states to administer their programs in general, which might also have affected their abilities to assess adequately the continued eligibility and reemployment prospects of claimants.

Meanwhile, the federal government has worked around the decline in base UI administrative funding with temporary supplemental funding through appropriations for REAs and supplemental budget request grants for information technology modernization. These “workarounds” have produced a limited and unpredictable stream of federal funding in lieu of more consistent and predictable annual base funding. Beginning in 2005, the federal government provided about \$18 million in grants for REAs, which funded services that should have been funded with the base federal grants if there had been more funding for UI and

Figure 3.2 Appropriations for State UI Administration per 2.0 Million Average Weekly Insured Unemployment (adjusted into constant 2009 dollars)



SOURCE: USDOL.

employment services (see Table 3.2). These special grants have been provided each year since and have grown to \$80 million in FY 2014, but the supplemental budget requests in particular are likely to shrink as unemployment declines.⁵

Some states have tried to compensate for federal underfunding of base grants for state UI administration by supplementing federal grants with state funds. In FY 1994, for example, some states provided state supplements to federal base grants of about \$50 million in total. Such aggregate supplements quadrupled to about \$222 million in 41 states in FY 2013. However, not all states have been able to provide supplemental funds, and states disagree with USDOL that the federal grants alone are sufficient for proper and efficient administration of the program.

THE EVIDENCE

The research evidence to support mandating and funding both REA and RES for UI claimants has grown compelling in the past 25 years, beginning with the results of a New Jersey demonstration project reported in 1989, and ending with highly positive evaluations of Nevada's integrated REA/RES program released in 2012 and 2013.⁶ Collectively, the evidence demonstrates that engaging claimants in REA and RES early in their unemployment spells, as a condition of continued eligibility for benefits,

- reduces the percent of claimants receiving UI and accelerates the return to work almost immediately;
- may enhance job search skills, depending on the design and delivery of the RES;
- reduces UI program spending by cutting the average number of weeks of UI benefit receipt;
- is low-cost and cost-effective, even during economic downturns, suggesting government can fund REA and RES from savings in UI benefit payments; and
- seems to help address the problem of long-term unemployment, as it reduces the percent of claimants who remain on UI for a long time and who exhaust benefits.⁷

The evidence rests primarily on the findings of rigorous random assignment evaluations. Promising features include

- early intervention,
- the provision of REA and a comprehensive package of RES,
- integrated service delivery,
- mandatory participation and enforcement of participation requirements, and
- engagement of as many UI claimants as funding permits.

2009 Nevada REA/RES Initiative

The 2009 demonstration in Nevada of an integrated REA/RES program was cited by the administration as a basis for its FY 2015 proposal. The Nevada evidence came out of a USDOL review of the impact of its federal REA initiative, which it conducted during the Great Recession, when benefit extensions were available in response to the high unemployment rates. The review focused on REA initiatives in Nevada, Florida, Idaho, and Illinois. In Florida, Illinois, and Idaho, new UI claimants in the treatment group were required to participate in an REA interview (and received some limited RES during the REA interview) but were referred for most services to different staff in “operationally independent” employment and training programs.⁸ In Nevada, claimants in the treatment group were required to participate in both REA and RES, and the eligibility monitoring and services were provided “seamlessly by the same staff member.” In three of the four states—Nevada, Florida, and Idaho—the study measured reductions in duration of regular UI receipt ranging from a little less than 0.5 to 1.8 weeks, and for regular UI and extended benefits combined ranging from 1.1 to 3.0 weeks. Reductions in regular UI benefit payments ranged from \$97 to \$526 (Poe-Yamagata et al. 2011).⁹

Nevada’s program had the largest impacts, with reductions in regular UI benefit duration of 1.8 weeks, and in benefits of \$526.¹⁰ It also demonstrated an impressive benefit-cost ratio of 2.6 (counting reductions in regular UI benefits only; it was 4.0 when counting both regular and extended benefits).¹¹ The Nevada program reduced the percent of claimants exhausting benefits by 10.4 percentage points, or 15 percent,

providing support that the strategy would reduce long-term unemployment among UI claimants.

Poe-Yamagata et al. (2011) concluded that Nevada's integration of REA and RES was a likely cause of the greater program effects. With this integration, Nevada provided "additional services, and with greater consistency, than other states." Nevada spent an average of \$201 per treatment group member on the REA (\$53) and RES (\$148). It should be noted this calculation is an underestimate of the cost per participant because it is an average that includes treatment group members who did not participate in REA and/or RES (because, for example, they found employment or exited the UI program before participating), as well as those who did.¹²

A subsequent, independent, and yet-to-be-published analysis of the Nevada program results by one of the original authors looked at UI exit patterns to determine what "underlying program mechanisms" contributed to the program's effectiveness (Michaelides 2013).¹³ Did most of the effects occur early when notice of the REA/RES requirements raised the cost of staying on UI for some claimants and, perhaps, encouraged other claimants to focus more quickly on their job search efforts? Or, did most of the effects occur after claimants participated in the RES, suggesting the RES were "effective in enhancing the job search abilities of recipients, particularly of those with limited job search experience, thus helping them to get reemployed?" The author finds that the larger proportion of the impacts occurred after claimants appeared for the initial REA/RES meeting, and concludes that ". . . the personalized services offered by the Nevada REA/RES program were themselves effective in enhancing job search efforts of recipients and in helping them to exit UI earlier than they would have in the absence of those services." Thus, while the Nevada study shows independent effects from REA and RES, an integrated approach that includes REA and comprehensive RES likely yields the biggest impacts (Michaelides et al. 2012, Michaelides 2013).

Evidence from Earlier Studies

Earlier evidence on the effectiveness of REA and RES steadily accumulated through demonstrations conducted from the mid-1980s by USDOL, individual states, or both.¹⁴ In the demonstrations, UI claim-

ants were required to participate early in their UI claims, but timing and strategies differed. While some of the studies targeted specific categories of UI claimants, such as those most likely to exhaust benefits, others were not restricted substantially. However, most often claimants with employer recall dates or some claimants belonging to unions were exempt from targeting, which also was consistent with state law and practice.

The demonstrations varied in their emphasis between UI eligibility and work search monitoring on the one hand and reemployment services on the other, but the distinctions between the two approaches were not always substantial. First, mandatory job search assistance, or RES, naturally facilitates greater oversight of UI eligibility (Wandner 2010).¹⁵ Second, if the RES that claimants are required to participate in are minimal or not of high quality, if the RES do not differ much from what claimants could and would have accessed on their own, or if few claimants actually receive the RES (e.g., due to weak enforcement of participation mandates), most effects (on UI exit rates) of RES will stem from the inconveniences and encouragements for work search that are associated with mandatory participation requirements, rather than from enhanced job search skills of claimants. In fact, in the earlier demonstrations in which UI exit rates were examined, unlike the Nevada demonstration of 2009, the majority of impacts on UI exit rates occurred before or concurrently with the RES interventions. This suggested to some that the RES, while effective at deterring UI receipt, were not helpful in enhancing the effectiveness of UI claimants' job search skills, which some researchers have surmised is at least partly due to the minimal RES provided in many of the demonstrations (Michaelides 2013; Wandner 2010).

Two of the earlier studies, in Maryland and Washington, demonstrated the importance to the integrity of the UI program of intensive monitoring of UI claimant eligibility through the continued claims process. These studies found that UI eligibility monitoring on its own is highly cost-effective to government and important for reducing UI duration.

The Maryland UI Work Search Demonstration conducted in 1994 found UI benefit receipt fell nearly one week for those required to make more employer contacts, or who were told their employer contacts would be verified, while benefit receipt rose nearly a half week in cases

where the requirement to document employer contacts was eliminated (Benus 1997). The earlier Washington Alternative Work Search Experiment, conducted in 1986 and 1987, found eliminating the requirement to report employer contacts and attend an eligibility review increased UI duration an average of two to three weeks (Johnson 1991).

Collectively, these earlier studies also demonstrated that *early* and *mandatory* engagement of UI claimants in the job search activities of the workforce system is a cost-effective strategy that reduces UI duration and accelerates reemployment.¹⁶ (See Appendix 3A for summaries of the evidence.) Across most of the studies, reductions in UI duration ranged from nearly a half week to four weeks, with typical impacts toward the lower half of that range. Many of the studies measured impacts for the first year only, so long-run returns on investments may be higher than the short-term findings suggest.

Overall, these one-year impacts, plus the generally low costs of the services, resulted in high government benefit-cost ratios in most of the sites, even just from the perspective of the workforce system (comparing reductions in UI benefit payments to the costs of the services, and not accounting for potential increases in tax revenues or broader social benefits).

THE U.S. DEPARTMENT OF LABOR REEMPLOYMENT VISION

Regional Summit on Reemployment

From March to June of 2009, USDOL held regional forums on reemployment of UI claimants to provide “timely and regionally-customized technical assistance to the system” (USDOL 2009). This effort was a follow-up to a national January 2009 “Reemployment Works!” Summit held in Baltimore, Maryland, which “identified key reemployment principles and areas of focus.”¹⁷ General findings from the summit indicated that the system needed to collect, analyze, and provide workforce information to job seekers, employers, economic developers, educators, and other interested parties and groups; invest in

information technology and tools; assess job seeker skills; and have flexibility in service delivery. The report on the summit said the following:

- Many states increased their use of profiling (i.e., identifying specific target groups, such as those most likely to exhaust benefits) and were trying to match job openings with claimants' skills, knowledge, abilities, experience, and interests.
- Some state UI programs increased collaboration with One-Stop Career Center staff through cross-training.
- Some states tried to integrate labor market information more into career counseling.
- Some states reduced duplicate data collection and shared more data.
- Some state rapid response teams introduced workers to the workforce system earlier.
- Some states used data mining to link job seekers to employers not engaged in the workforce system.
- Some states used social media for outreach, job vacancy referrals and other services.
- Many states increased availability of online tools for skills assessments, resume writing, and interviewing.

After ARRA funds were spent by the end of 2011, however, service levels for targeted reemployment services for UI claimants (and training) resumed their downward trend (Wandner 2013).

The National Reemployment Vision

The National Reemployment Vision was developed by a group of federal, state, local government, and nonprofit organizations called the "National UI Connectivity Workgroup" (USDOL 2010). The workgroup included state UI and workforce agency staff, local Workforce Investment Board and One-Stop Career Center staff, and NASWA staff to work with USDOL national and regional staff members. The Vision emphasizes the *UI claimant is foremost a job seeker*. It has four main elements, which are being developed and demonstrated in selected states in a joint effort by USDOL and NASWA:

- 1) An Integrated Workforce Registration tool to allow job seeker information to be collected once for all programs, thereby avoiding duplicate data entry and streamlining the process for customers and program staff. This also includes a Workforce Integrated Profile Page for each job seeker that provides personalized, real-time information on job openings, services, training and other activities, messages, and UI claims functions.
- 2) Real-time triage of services aims to provide the job seeker and staff with personalized and continuously updated job vacancy listings, skills assessments, career information, and labor market information to guide job searching.
- 3) Job matching and assessment of skills transferability involve continuously connecting job seekers' knowledge, skills, abilities, experiences, and interests with job vacancy listings. It also involves assessing whether job seekers could transfer their employment characteristics to other occupations and whether some skills training might assist such transfers.
- 4) Social networking involves use of such applications as email, Facebook, Twitter, and LinkedIn to facilitate continuous communications of job seekers with the workforce system, employers and other job seekers through, for example, virtual job clubs and job search communities.

Two efforts are ongoing to demonstrate and spread the elements. First, New York and Mississippi are participating in the UI/Workforce Connectivity Pilot project. Mississippi has implemented the Integrated Workforce Registration and Workforce Integrated Profile Page in six One-Stop Career Centers, and New York will implement it in late 2014 in selected counties. Second, New Jersey joined this effort as the third pilot state in mid-2014.

Idaho and Minnesota also are involved in developing other elements of the Vision. Social media contributions include such examples as online job clubs and job coaching, virtual career fair software, live chats, talent communities, training in the use of social media, and communities of practice for workforce practitioners. Six additional states (California, Illinois, Kansas, Kentucky, Iowa, and Georgia) have joined this effort and are receiving technical assistance from the original four states and the NASWA Information Technology Support Center.

RECOMMENDATIONS FOR IMPROVEMENT

Promote and Expand the USDOL Reemployment Vision

The technologies needed to connect UI claimants to the workforce system are necessary, albeit not sufficient, for reorienting the UI system in a cost-effective way toward reemployment. In a period of constrained budgets, with high levels of long-term unemployment and heightened expectations for high-quality self-service options, it is important that federal and state partners continue to advance the Reemployment Vision and the information technologies currently being piloted. This is an ongoing process with a high level of interest and commitment by many states and the Office of Unemployment Insurance at USDOL, but progress will depend on a continued focus, as well as funding for future information technology investments by federal and state governments, and sufficient administrative (including technical staff) capacity in the states.

Given the decentralized nature of the workforce system, states also should seek ways to assist and encourage localities to make reemployment of UI beneficiaries a high priority, even though beneficiaries have temporary income support that other job seekers might not have. The improved job matching and other technological tools piloted in the Reemployment Vision should help that effort.

Quadruple the Administration's FY 2015 Funding Proposal

The administration's FY 2015 proposal is for a REA/RES program of about \$158 million that would help 1.3 million UI claimants at a per beneficiary cost of \$150. Instead of serving only the top one-fourth of claimants most likely to exhaust their UI benefits, we suggest serving all claimants profiled. Assuming constant returns to scale and the benefit/cost ratios implicit in the administration's estimates, a program four times the size of its proposal would have a gross cost of \$632 million, gross savings of \$1.68 billion, and a net savings of \$1.048 billion. It would serve over 5 million UI claimants. In addition, we suggest increasing the amount provided per claimant based on the Nevada evidence to at least \$200. That would raise the gross cost to \$800 million or more.

Congress presents a gauntlet of divided Committee jurisdictions for this proposal. The tax writing committees, the House Committee on Ways and Means, and the Senate Committee on Finance have jurisdiction over UI taxes and mandatory spending on benefits; the workforce committees, the House Committee on Education, and the Workforce and the Senate Committee on Health, Education, Labor and Pensions have jurisdiction over the Workforce Innovation and Opportunity Act and the Wagner-Peyser Act; and the Committees on Appropriations have jurisdiction over discretionary spending.

There also is strong political resistance to additional mandatory federal spending, even if it leads to net saving for the federal budget, a decline in UI benefit outlays, a reduction in the federal budget deficit in the near term, and perhaps an eventual decline in state UI taxes to finance benefits. The congressional budget process does not recognize the attendant savings. Instead, it demands offsetting tax increases and/or spending cuts elsewhere in mandatory spending under its pay-as-you-go requirements. Without recognition of the short-run savings potential, it will be very hard for Congress to enact such a program. For mandatory spending, either formal recognition of the savings as offsets, equivalent offsets, or a waiver of the pay-as-you-go requirements would be needed. On the discretionary side, additional spending for REA/RES would have to fit under the discretionary budget caps, which would require cuts in other discretionary spending to avoid breaching the caps.

Apply New Performance Measures for Reemployment of UI Beneficiaries

State UI directors have complained about the reemployment performance measure for the UI program. They say the program should not be evaluated on the basis of reemployment because they have no control over the reemployment of UI beneficiaries. They say reemployment is the responsibility of One-Stop Career Centers in general and the Wagner-Peyser Act employment services function in particular. The administration should not only require state UI programs to coordinate with employment service programs on reemployment programs, but it also should devise an entered employment measure for UI beneficiaries to place the onus of reemployment on the entities providing reemploy-

ment assessments and service—One-Stop Centers or Wagner-Peyser Act employment service programs.

The state of Texas saw improvement in UI claimant reemployment performance after adopting such an approach to performance measurement. The state devised a “rapid reemployment” measure, the percent of UI claimants reemployed within 10 weeks, that was included in contracts with local workforce boards. The state data show that adoption of the measure, coupled with other policies and the use of technology, seemed to result in significant improvements in the system’s focus on UI claimant reemployment. The rapid reemployment rate, which was 40 percent when the measure was adopted in 2003, was significantly higher (between 42 and 55 percent) during the Great Recession and the period since (Miller 2013).

Conduct Research on Effectiveness of Alternative Job Search Strategies

While the research evidence shows that REA and RES are cost-effective approaches to accelerating UI claimant reemployment and addressing long-term unemployment, the variation in research results and in state approaches to RES suggests a need to evaluate the effectiveness of various job search strategies included in state RES efforts. Why, for example, did Nevada’s 2009 reemployment demonstration seem to show greater effects of RES on the success of job search efforts than earlier studies that evaluated UI claimant exit rates (and mainly found RES deterred UI receipt)?

Evidence on the effectiveness of job search assistance for a different target population, welfare recipients, also has accumulated. This began with job search assistance studies in Louisville in the early 1980s that were the “most independent and robust” to that point and led to further studies and the widespread adoption of job search assistance as a strategy for state welfare reform efforts (Gueron and Rolston 2013, p. 83; Greenberg, Deitch, and Hamilton 2009, pp. 23–28). To learn more, the Office of Planning, Research, and Evaluation at the U.S. Department of Health and Human Services is currently undertaking a multiyear effort designed to learn more about the “effectiveness of various job search methods and the components of (job search assistance) programs” for

the population served by the Temporary Assistance Needy Families program (Klerman et al. 2012, p. 1).

Ideally, a similar effort focused on UI claimants would shed light on the value of various job search assistance (RES) strategies for different groups of UI claimant job seekers. This information is needed even more if the system continues to operate with highly constrained budgets.

Increase State UI Administration Funding

Part of the reason there is a need for added funding for UI eligibility assessments is that the federal government has been underfunding state grants for employment services and UI administration. If the federal government appropriated sufficient funds for state administration of UI—say, about \$200 million more per year—there might be no need to fund UI eligibility assessments separately because these could be part of normal UI program administration, if only states had enough administrative funding each year to execute them fully and properly.

This option faces the same political challenges as REA/RES and even more difficult budgetary challenges. The grants to states for UI administration category are defined as discretionary spending as opposed to the mandatory spending for UI benefits and the proposed REA/RES program funding. Discretionary funding is subject to budget caps on spending by functional category. Any additional spending on state UI administration or employment services could not be offset by taxes or mandatory spending cuts, but rather would have to be within the discretionary spending caps as allocated to the respective Labor, Health and Human Services, and Education and Related Agencies Subcommittees in the Appropriations Committees of the United States House of Representatives and Senate (Collender 1993).

None of these recommendations are easy to enact or implement. However, each of them could help to improve the efficiency and the integrity of the UI system, and could cut government costs and, ultimately, employer unemployment taxes.

Notes

The authors thank our colleagues Jim Van Erden, for acquiring and displaying some of the data in the text, and Josie Link, for research assistance. We also thank Rick McHugh, an attorney with the National Employment Law Project, who reviewed an earlier draft and gave us some valuable suggestions. The authors' recommendations are their own and do not reflect the policy positions of the National Association of State Workforce Agencies.

1. These impact data are from a U.S. Department of Labor follow-up study (Michaelides 2013) that extended an original analysis (Poe-Yamagata et al. 2011) "using updated data on UI receipt and wages." The follow-up study made only slight changes to the impact estimates of the original study.
2. This is in contrast to the usual "discretionary spending," under which an aggregate amount would be appropriated for services and then allotted among the states. The mandatory funding is modeled after a recent, temporary REA/RES program that provided \$85 per beneficiary. It was added to the Emergency Unemployment Compensation (EUC) program under the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96).
3. The Congressional Budget Office (CBO) has not developed estimates on this proposal. Such estimates would be developed if the House Committee on Ways and Means were preparing to mark up a bill including such a program or if the CBO were producing a report on such reemployment programs.
4. The average weekly number of insured unemployed is a measure of workload that is calculated by dividing the total number of continued weeks of UI claimed by 52 weeks.
5. Supplemental budget requests are likely to decline because their source of funding, the difference between the projected funding that is needed and the actual funding for realized workload in the fiscal year, will shrink. This tends to happen as unemployment falls and projections overshoot actual costs.
6. REA and RES are terms that derive from recent federal statutes; they are used here regarding initiatives of earlier periods, even though the terms did not apply then. Loosely, REA includes assessing and enforcing UI eligibility and work search requirements, and RES includes job search assistance services (see Table 3.1). Several researchers and research organizations have catalogued and synthesized this evidence, including Wandner (2010) and Balducci, Eberts, and O'Leary (2004).
7. Benefit-to-cost ratios presented here are from the perspective of the workforce system (taking into account reductions in regular UI benefit payments) and not the government at large (also taking into account increases in tax revenue from boosted earnings). They ranged from about 1:1 to 4:1, with most estimates in the bottom half of that range. These high returns reflect the relatively low cost of services and relatively large reductions in UI benefit payments.
8. The federal REA grant program requires states to exclude claimants who seek

work only through their union hiring hall and claimants with a definite return-to-work date. Illinois targeted claimants with high-demand skills. All states limited REA to claimants who had received at least the first UI benefit payment and were able to work and available for work.

9. There was no impact in Illinois. The Illinois results are not conclusive because the REA program suffered from inconsistent implementation, and the evaluation was based on a small sample. Illinois restricted the program to claimants with high-demand skills. The Emergency Unemployment Compensation program was in effect during this period.
10. Based on the strong impacts in Nevada, USDOL conducted a follow-up study (Michaelides et al. 2012) that extended the Nevada analysis “using updated data on UI receipt and wages.” The results of the original study held up, with only slight changes in the impact estimates (for example, the average reduction in regular UI benefit duration was 1.8 weeks, and the reduction in regular UI payments was \$536).
11. A USDOL (2011) report included the following statement: “. . . cost information in the study, except for Nevada, does not include the cost of providing reemployment services or training. These costs could not be evaluated because they were not tracked for either the control or treatment groups. Nevada differs from the other states in this respect because the State, on its own initiative, decided to track the information to ensure an understanding of both the overall savings and to better understand how REAs assist claimants.”
12. Email from Eileen Poe-Yamagata, of IMPAQ International, to Yvette Chocolaad, NASWA, June 22, 2014.
13. This study has been submitted to a labor economics journal.
14. The impetuses for these studies were changing labor market conditions (with proportionately more permanent layoffs during recessions that triggered concerns about structural unemployment, as outlined in the previous section) and federal budget constraints that required greater evidence-based justification for additional program investments (Wandner 2010).
15. For example, in the New Jersey demonstration, among other activities, claimants were notified by letter of a requirement to participate, to attend an orientation, and to make periodic contact to discuss job search activities. These activities are common to many UI eligibility monitoring initiatives, such as the REA initiatives of the current era.
16. Also, while earnings outcomes have not been the primary focus of the studies, collectively the studies show no or small and positive impacts on earnings and/or wages.
17. See the USDOL workforce3one.org Web site link: <https://reemploymentworks.workforce3one.org/ws/reemploymentworks/pages/summit.aspx?pparams=> (accessed November 7, 2014).

Appendix 3A

Summary of Evidence on the Effectiveness of Job Search Assistance for Unemployment Insurance Claimants (1989–2006)

Table 3A.1

• Strengthening Connections between UI and One-Stop Delivery Systems (2004). A USDOL-funded demonstration in Wisconsin tested the combination of enhanced UI eligibility oversight with either of two intensities of job search assistance for claimants screened in through the Worker Profiling and Reemployment Services initiative. Profiled claimants less-prepared for job search or with few transferable skills were required to participate in comprehensive job search assistance, while those with better job search skills or more transferable skills were given minimal assistance. Overall, comparing treatment and control groups, the program reduced average UI duration by 0.6 of a week and UI benefits by \$147. For those in the first treatment group (intensive services), average UI duration fell nearly a week and benefits by \$233 (Almandsmith, Adams, and Bos 2006).

• Evaluation of WPRS Systems (1996–1997). This six-state demonstration found that an intervention of minimal, mandatory job search assistance targeted on individuals screened as most likely to exhaust UI benefits reduced UI duration in five of the six states, from one day to one week. In the five states, UI benefits were reduced an average of from \$21 to \$140. The following was one conclusion from the study:

“Our customer satisfaction survey found that customers highly valued more extensive services, and those who received such services found [them] much more helpful than other claimants . . . [S]tates in which [the intervention] reduced UI receipt were also states with large impacts on claimants’ receipt of services. Improving [services], therefore, is likely to both increase customer satisfaction and result in greater UI savings” (Dickinson, Decker, and Kreutzer 2002, pp. 77–78).

• Job Search Assistance Demonstration (1995–1996). A demonstration in Washington, D.C., and Florida, targeted on those with the highest probabilities of exhausting benefits, tested two different job search assistance interventions and found that they reduced average UI duration by nearly a half week (Florida) and one week (D.C.), and UI exhaustion rates by 4 percent (Florida) and 8 percent (D.C.). Note that in Florida, participation requirements were not strongly enforced. The authors recommended that

“If states want to expand services received by claimants . . . states should make particular services mandatory for all claimants referred to [the intervention], or at least encourage local offices to be aggressive in using individual service plans to set and enforce service requirements.” (Decker et al. 2000, p. xxvi)

(continued)

Table 3A.1

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- Worker Profiling and Reemployment Services in Kentucky (1994–1996). A demonstration in Kentucky to gauge the effects of targeting RES on those most likely to exhaust benefits required that profiled UI claimants attend an in-person orientation. The claimants were referred to a minimal package of job search assistance services. The program reduced UI duration an average of over two weeks and UI benefits by \$143, and appears to have been highly cost-effective (no formal analysis was done, but the reported cost of the intervention was \$22 per recipient, on average) (Black et al. 2003).
 - Maryland UI Work Search Demonstration (1994). This demonstration that did not involve targeting was focused on examining the cost-effectiveness of various work search policies. It found that new UI claimants required to participate in a time-intensive job search assistance workshop received UI for an average of a half week less than claimants in a control group, and received an average of \$75 less in UI benefit payments (Benus 1997).
 - Reemploy Minnesota (1988–1990). A state-funded demonstration in Minnesota provided personalized and intensive job search assistance modeled after the New Jersey demonstration (see below). It targeted all UI claimants except those on short-term layoff, with union membership, or enrolled in training. The job search assistance intervention reduced UI duration an average of four weeks, with a benefit-cost ratio of 2.0 from the perspective of the workforce system (Greenberg and Shroder 2004).
 - Nevada Claimant Employment Program (1988–1989). A demonstration in Nevada that was not restricted to permanently separated workers or those most likely to exhaust UI tested the idea that intensive services are cost-effective and emphasized “adequate time to deal with claimants.” It found that intensive, staff-assisted job search assistance reduced UI duration an average of two weeks, more than paying for itself with a benefit-cost ratio of over 2.0 considering reductions in UI benefit payments (Hanna and Turney 1990).
 - New Jersey UI Reemployment Demonstration (1986–1987). This demonstration tested identifying displaced workers early in their UI claims and providing RES to speed reemployment. UI claimants over 25 who had been with their previous employer three or more years (but not on short-term layoff or with union membership) were required to participate in job search assistance composed of comprehensive, personalized services. The intervention reduced UI duration by an average of a half week, and the UI benefit exhaustion rate by 6.7 percent. Benefit payments declined an average of \$87. The intervention paid for itself when taking into account reductions in UI benefit payments. Subgroup findings suggested the intervention had the

“ . . . greatest impact on workers who had readily marketable skills and experience . . . the demonstration might have had an even greater impact on UI receipt if the eligibility requirements had been set whereby a wider range of claimants were enrolled, including those whose reemployment prospects were relatively good” (USDOL 1989, 1990, 1996).
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NOTE: See also Balducci, Eberts, and O’Leary (2004); Greenberg and Shroder (2004); and Wandner (2010).

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4

Learn and Earn

Connecting Education to Careers in the 21st Century

Anthony P. Carnevale
Andrew R. Hanson

Georgetown University Center on Education and the Workforce

By 2020, 65 percent of job openings will require at least some postsecondary education and training (Carnevale and Smith 2013). However, not all higher education is created equal: the costs, risks, and returns on postsecondary education and training programs are highly variable. For today's high school graduates, and an increasing share of middle-aged adults, decisions about whether to enroll in college, which institution to attend, and which program of study to pursue will have critical economic consequences.

As things now stand, however, they are making those decisions in an information vacuum. The U.S. postsecondary education system is a kaleidoscope of institutions and interests, and educational policies vary from state to state. Most importantly, there is no unified data system that connects postsecondary fields of study and degrees with actual labor market demands. Such a system would enable students to better understand how their training is likely to fit into the real-world job market, and it would also motivate institutions to be more accountable for shaping their programs to fit their students' needs.

The good news is that the data and technology needed to create such a system already exist, and the costs of integrating them into a unified whole are relatively low. The federal government is the logical place to house the exchange: given the frequency with which people, especially new college graduates, move across state lines, it would be difficult for any given state to track its labor market outcomes. Only one major barrier remains—a 2008 federal ban on the creation of a student unit

record system. Currently, the federal government collects data at the institution level, rather than the student level, which prevents users of the data from answering questions about what students learned while enrolled, as well as what happens to them in the labor market after they graduate, and how outcomes vary for students with different demographic characteristics. Proponents of the ban, largely from the higher education sector, cite privacy concerns, but colleges and universities are already legally required to send student-level data to the Department of Defense and Internal Revenue Service, and already voluntarily send data on more than 140 million students to the private National Student Clearinghouse (McCann and Laitinen 2014).

The Great Recession left millions of college graduates looking for jobs, and since then the media, students, and parents have devoted increasing attention to the value proposition of postsecondary education. The need for more transparency in the higher education sector has become apparent, and politicians have stepped in. In 2013, Senators Ron Wyden (D-OR) and Marco Rubio (R-FL) introduced the Student Right to Know Before You Go Act, which would repeal the federal ban on a student unit record system and require postsecondary institutions to report labor market outcomes of their graduates. McCann and Laitinen (2014) detail the political barriers obstructing the repeal of the ban, but there is broad bipartisan support.

But connecting the dots in the data we already have is only the beginning. As the time it takes for young people to gain traction in the labor market has lengthened, we need to find ways to simplify and accelerate the transition from education to careers. This includes strengthening career education, tying the funding of postsecondary education and training programs with cost and labor market demand, strengthening connections among institutions with education and employment missions, and scaling up competency-based education initiatives. This chapter will outline the new realities of the U.S. labor market and explore ways in which a learning-labor exchange could help students and institutions adapt to those new realities.

WHAT WE KNOW ABOUT THE LINK BETWEEN EDUCATION AND THE LABOR MARKET

- *On average, more education pays.* Over a lifetime, college graduates earn \$2.3 million on average, compared to \$1.3 million for high school graduates (Carnevale, Rose, and Cheah 2011). This earnings gap appears to be widening: the wage premium workers receive from a college education—the difference in earnings between high school and college graduates—increased from 40 percent in 1970 to 84 percent in 2010.
- *Majors and fields of study have an even larger influence on earnings than degree level.* Within and across degree levels, people have vastly different earnings:
 - College graduates who majored in the highest-paying fields earn up to three times as much as those who majored in the lowest-paying fields (Carnevale, Strohl, and Melton 2011), making the difference in earnings between the most- and least-paid college graduate greater than the difference between the average college and high school graduates.
 - A bachelor's degree in petroleum engineering translates into a median annual wage of \$120,000, compared with \$29,000 a year for a bachelor's degree in counseling psychology. And while degrees from prestigious institutions do confer advantages, a teacher with a bachelor's degree from Harvard still typically makes less than an engineer with an associate's degree from a community college.
 - The choice of majors also affects college graduates' chances of landing a job in the first place. The unemployment rate of recent college graduates for information systems, for instance, was nearly 14.7 percent, compared to 4.8 percent for graduates who majored in nursing (Carnevale and Cheah 2013).
 - The importance of field of study is so powerful that workers with less education in one field frequently earn higher wages than those with more education in another. Overall, 30 percent of workers with an associate's degree earn more than the median

worker with a bachelor's degree (Carnevale, Rose, and Cheah 2011), and one-quarter of male certificate holders earn more than the median male bachelor's degree holder (Carnevale, Rose, and Hanson 2012).

- *Occupations also play a strong role in determining wage and employment outcomes.* Workers with less education can out-earn those with more education if they gain access to high-paying occupations. For example, an engineering technician with an associate's degree typically earns more than a high school guidance counselor with a master's degree.
- *Within occupations, degree level still matters in determining earnings.* Among engineers, for example, an associate's degree holder earns \$65,000 annually, a bachelor's degree holder earns \$85,000, and a graduate degree holder earns \$103,000.¹

THE SHORTAGE OF SKILLED WORKERS AND THE NEED FOR A MORE EFFICIENT EDUCATION AND TRAINING SYSTEM

Despite the high average economic returns to higher education, the supply of skilled workers in the United States has not kept pace with employer demand (Carnevale and Rose 2011). Since 1983, the demand for college-educated workers has grown by an average rate of 3 percent each year, while the supply has only grown by 2 percent. As the demand for postsecondary education and training has increased, high school graduates have been left behind. Between 1970 and 2010, high school-educated men's wages declined by 41 percent (Jacobs 2013a), as young men have lost access to middle-wage, blue-collar jobs in the manufacturing industry and have been forced to shift into lower-paying food, personal service, sales, and office support occupations (Carnevale, Hanson, and Gulish 2013). In short, the failure of the U.S. human capital development system to adequately develop in-demand skills in its workforce has created a paradox: a large number of highly skilled job vacancies at a time when millions of Americans are looking for work (Jacobs 2013b).

Among high school students, college-age young adults, and older adults, the United States lags substantially behind its peers in literacy, numeracy, and problem solving in technology-rich environments (OECD 2013). U.S. teenagers and high school graduates have weaker basic skills than their international peers, especially in math, where 25 percent score below the baseline level, compared to 10 percent in Finland and Korea (Kuczera and Field 2013). What's more, they don't seem to be catching up: between 1994 and 2004, there was no growth in U.S. teenagers' literacy skills (Desjardins and Warnke 2012). Baby boomers rank average in numeracy skills relative to their international peers, and American teenagers and college-age adults rank dead last in numeracy (OECD 2013).

In terms of postsecondary attainment, the United States is actually losing ground to its international peers. The baby boom generation ranked first in bachelor's degree attainment and third in postsecondary attainment internationally, but today's generation of young adults ranks 12th in bachelor's degree attainment and 11th in postsecondary attainment overall.² The largest room for growth is in career-focused associate's degree programs, where the United States ranks 17th internationally, at 10 percent. By comparison, 25 percent of young adults in Canada earn a career-focused associate's degree.

Under current projections, the United States will need 11 million more workers with postsecondary credentials between 2014 and 2020 to satisfy the labor market's demand for college-educated workers.³ The recession of 2007–2009 led to the decline of low-skill construction and manufacturing jobs, replaced by jobs in health care, biotech, nanotech, clean energy, and advanced manufacturing jobs, most of which require at least an associate's degree (Soares and Steigleder 2012). This increased the level of skills mismatch in the labor market, as former construction and manufacturing workers scrambled to retrain and move into different careers (Şahin et al. 2012).

Closing the gap between the supply and demand for skilled workers will pay off in higher wages for workers (due to higher skill levels and productivity). Higher-paid workers will mean more tax revenue for federal, state, and local governments and less dependency on government programs; more productive workers will boost employer profits and lead to higher economic growth, which benefits everybody. Education

contributed one-third of the U.S. economy's productivity gains between 1950 and 2000 (Carnevale and Rose 2011). Adding an extra year of schooling for all Americans by 2025 would increase gross domestic product (GDP) growth by between \$500 billion and \$1 trillion, providing an additional \$150 billion in state, local, and federal taxes.⁴

How can we close the gap between the lagging supply of skilled workers and the growing demand? High school graduates enroll in postsecondary programs at a high rate (70 percent); the problem is that not enough of them actually finish. There are now 75 million Americans in their prime working years (aged 25–54) who do not have a postsecondary credential. Nearly 37 million have some college credit, and roughly 15 million have at least two years of college credit. Increasing the production of the U.S. education and training system by 11 million workers with postsecondary credentials is a feasible task, but it will require increasing college completion rates as well as developing high-quality adult education and workforce development programs to educate and retrain prime-age workers forced to change careers due to changing labor market dynamics, as workers shift from blue-collar jobs to high-skill service jobs.

The United States comprises three primary sectors charged with education and training missions: 1) K–12 schools, 2) postsecondary education and training institutions, and 3) employers. Altogether, they account for roughly \$1.6 trillion of spending on human capital development: \$610 billion on K–12 general education, \$483 billion on postsecondary education, and \$528 billion on employer-based training (\$164 billion on formal training and \$364 billion on informal, on-the-job training).⁵

A lot of those dollars are spent ineffectively. Workforce development programs in this nation, particularly services funded under the Workforce Investment Act (WIA), are too focused on getting unemployed and displaced workers into jobs instead of engaging them in a long-term skill development strategy, though the evidence demonstrates that this is a less effective strategy (Jacobs 2013a). Unlike its international peers, the United States does not invest in active labor market policies, such as job training. We rank 28th—second to last—in federal expenditures on workforce training among developed countries, spending only 0.1 percent of our GDP compared to the 0.7 percent average, and 1 percent in Germany and Denmark (Jacobs 2013a). The U.S.

workforce development system should operate as part of an ongoing education and training system for workers, not merely as a massive job placement service.

In other developed countries, workforce development institutions largely operate separately from institutions primarily focused on general, academic education. In the United States, however, this is not the case—postsecondary programs with academic education and workforce missions are located at the same institutions. In fact, the majority of postsecondary programs of study are career focused: 57 percent of postsecondary degrees and awards are in fields primarily focused on preparing students and trainees for the labor market.⁶

However, improving education and training will require increased public spending, which makes it politically unfeasible for at least the near future. More to the point, what we spend now is spent ineffectively. Ours is one of the least productive education and training systems among developed nations, as measured by the postsecondary attainment rate relative to spending on education and training as a share of GDP (Carnevale, Hanson, and Gulish 2013). Put more simply, we rank 11th in postsecondary attainment despite spending more than anybody else. Most of that spending has been at the federal level: between 2000 and 2010, total federal aid to postsecondary education more than doubled, to \$169 billion. At the same time, state expenditures per pupil at postsecondary institutions declined because of budget constraints and growing enrollment reflecting increased demand for postsecondary education and training (U.S. Department of Education 2012).

Proposals to reform education and training in the United States should focus, then, on enhancing the productivity and efficiency of its education and training system. Technological innovations have shown some promise to improve pedagogy and learning, but the best way to enhance productivity is to align education and training programs with the competencies the labor market demands. As it is, many students are making poor choices about what to study, and many postsecondary education and training institutions are funneling students into postsecondary programs of study that do not lead to gainful employment. Jacobson and LaLonde (2013) find, for example, that only one-quarter of Florida community college students complete a degree or certificate with a moderate or high return. Carnevale, Rose, and Hanson (2012) find that half of postsecondary certificates do not meet that standard

(even though certificates do pay off, on average).⁷ Additionally, among women who either dropped out of college before earning a credential or earned an associate's degree, 52 percent work in jobs that only require a high school diploma.⁸

The public should prioritize funding education and training programs that have labor market value. Promoting our citizens' autonomy as individuals—their ability to access a broad array of cultural goods and fully participate in a democracy—is an important goal, but it cannot be met until individuals can meet their basic needs. The inescapable reality is that work is central in American society. Those unequipped with the knowledge and skills necessary to get, and keep, good jobs are denied full social inclusion and tend to drop out of the mainstream culture, polity, and economy. In the worst cases, they are drawn into alternative cultures, political movements, and economic activities that pose a threat to mainstream American life.

Moreover, if public money is not spent funding education and training programs that promote access to high-paying careers, it is a missed opportunity to move low-income Americans and other disadvantaged social groups into the middle class. It is also a missed opportunity to increase the skills and productivity of the workforce, which would lead to broader growth and economic prosperity for all Americans.

FOUR IDEAS FOR REFORMING EDUCATION AND TRAINING IN THE TWENTY-FIRST CENTURY

Promote Transparency in the Outcomes of Education and Training Programs by Building a Learning-Labor Exchange

The most cost-effective way to ensure education and training programs are effectively preparing students and trainees for the labor market is to ensure that students, educators, practitioners, and policymakers are making informed decisions that are in line with their goals. Because the costs, risks, and returns to postsecondary programs of study are so highly variable, we need more quality, coherence, and transparency in cost and outcomes.

The current major source of data about postsecondary institutions, the Integrated Postsecondary Education Data System (IPEDS), is plagued with problems. It was designed for a postsecondary education system that mostly comprised 18-year-old high school graduates who enrolled full time at a four-year college or university and graduated from the same institution within three to five years. This means that IPEDS does not include data on half of students enrolled at two-year colleges, outcomes for students who take longer than the typical completion time, the academic preparedness of students, or students who have not graduated but are still enrolled. The federal government cannot even analyze the effectiveness of Pell Grants, the largest federal investment in higher education.⁹

However, addressing the problems with IPEDS still leaves another major problem with the current mechanisms for evaluating postsecondary programs of study: the lack of transparency about the labor market outcomes of students and trainees who enroll in and complete postsecondary education and training programs. Building a learning-labor exchange will allow us to assess the extent to which particular education and training programs result in tangible employment outcomes. Such an exchange could be used to track outcomes from early childhood education through high school, postsecondary education, and the workforce. Already, we have earnings data in state unemployment insurance (UI) databases that can be linked to transcript record data using individuals' Social Security numbers. The Department of Labor's Wage Record Interchange System facilitates the sharing of wage data across states. In addition, there is the Department of Education's State Longitudinal Data Systems (SLDS) grant program, which funds state-based programs that integrate education data in P-20 data warehouses that link student records between pre-K and college into a single system. Of the 25 states that have received grants under the SLDS program so far, Florida, Utah, and Texas have developed advanced data systems that in turn link this education data to workforce and public assistance data (Eyster, Anderson, and Durham 2013). For example, California's community college system has used these data to develop a "salary surfer" Web tool, which allows students and career counselors to determine their likely salaries and probability of finding a job for given occupations and industries.¹⁰ Pennsylvania has developed a similar tool called

“Career Coach.” However, these tools have not been established for a long enough time frame for researchers to assess their effectiveness.

Building a learning and labor exchange would require minimal up-front costs, but those costs would generate long-run savings because of the reduced regulatory burden on education and training institutions and the decreased need for the assorted surveys and disconnected data they use now. Vollman and Carnevale (2009) estimate that the start-up costs would be roughly \$60 million for the most comprehensive learning and labor exchange, along with \$14 million in ongoing costs, a small fraction of a percent of the \$295 billion of public spending on postsecondary education and training each year (Snyder and Dillow 2013).

A learning-labor exchange would also minimize the need for aggressive federal oversight or costly state regulations, such as the roughly 850,000 hours that institutions spend annually to comply with the reporting requirements for IPEDS (Laitinen 2014). However, the information system that would most effectively increase the efficiency of our education and training system is a student unit record system, which would collect data directly from and about students, as opposed to aggregated data from institutions; this practice is currently prohibited by law.¹¹ Congress should repeal this prohibition in the pending reauthorization of the Higher Education Act. A student unit record system would provide unique student identifiers through Social Security numbers that could be connected to from states’ unemployment insurance records, which contain data on wages, occupations, and employers. The two information “feedstocks”—transcript records and wage records—needed to build a learning and labor exchange have already been developed, they just need to be connected. Repealing the student unit record ban, along with passage of the Student Right to Know Before You Go Act, which has received bipartisan support, would create the foundation for a learning-labor exchange that would fundamentally restructure our education and training system for the twenty-first century.

Another approach would be to create online learning exchanges, in which job-search engines would match job openings and career pathways to specific courses being offered by traditional postsecondary institutions and online degree programs. These learning exchanges would promote healthy market competition among postsecondary institutions, which in turn would minimize the need for aggressive federal oversight or expensive state regulation. In other words, greater transpar-

ency would lead to more informed consumers and policymakers, which would encourage consumers to vote with their feet and institutions to focus on the labor market value of their programs instead of prestige.

The Department of Education is the ideal institution to administer the learning-labor exchange. First, centralizing the data would create economies of scale and cost efficiencies to replace our current system, in which each state runs its own exchange. It would also allow students, families, and policymakers to compare the efficacy of programs of study and institutions across various states. And it is a natural role for the federal government to play, given its substantial investments in postsecondary institutions.

But a learning-labor exchange alone will not ensure success at promoting the alignment between education and careers. The next step is to ensure that the high-quality information gets into the hands of those it would benefit, via user-friendly tools and information campaigns. Report cards, similar to the Department of Education's "College Scorecard," should be published at the program level, and should include such information as expected earnings, the job placement rate, the probability of completion based on students' characteristics (academic background, work experience, interests, financial resources, and family constraints), program cost, loan default rate, and median loan amount.¹² Because career counselors within institutions may not provide objective guidance about the effectiveness of programs of study at their institutions (Kuczera and Field 2013), we need public information tools and initiatives.

Develop Outcome Standards for Education and Training Programs to Ensure the Public Is Getting the Most Bang for Its Buck

Transparency itself won't be enough to move individuals and institutions toward programs with demonstrable labor market value; there should also be outcome standards in order to receive public funds. Given the size of its investment, the public has not done enough to hold institutions accountable for how public dollars are spent and whether education and training programs are effective. This is due to the public's limited access to information, as well as to the fact that workforce development programs and postsecondary programs have a variety of definitions for what constitutes successful program outcomes.

Taken together, this lack of transparency and outcome standards means that ineffective public and private training programs continue to attract trainees and public funds that could be used more effectively. The Obama administration's proposed Gainful Employment regulations provide a framework for establishing a minimum outcome standard for the receipt of public funds. The regulations are designed to evaluate the effectiveness of certificate programs at Title IV institutions and all education and training programs at for-profit colleges (except liberal arts bachelor's degree programs). In total, the regulations will apply to more than 55,000 programs at 5,600 postsecondary institutions (U.S. Department of Education 2011).

Employability is an appropriate metric for all postsecondary programs; students ought to know their probability of finding a job and comparative earnings level after completing a postsecondary program of study. At the same time, gainful employment regulations should only be used to regulate postsecondary programs of study that promise employment and earnings as a direct effect. Programs focused on academic education, by contrast, can use weighted metrics that also include assessments of learning.¹³

The core metrics that could be used as outcome standards are earnings, job placement in field, student loan debt default rate, and debt-to-earnings ratio. These metrics are better alternatives than completion, cost, and learning metrics alone. For example, completion itself is a poor indicator of success. If an enrollee completes a program and can't find a job, or ends up working in a job with lower wages than when she started, why should completion be viewed as a success? Why should a trainee who acquires valuable skills and drops out of a training program to work in a high-wage job be counted as a failure? Moreover, maximizing completion rates can be counterproductive if they simply encourage institutions to shift enrollments to less-challenging programs or to serve the most-advantaged students. Nursing programs are more difficult to complete than cosmetology programs, but some completions are more valuable than others; nursing graduates are more employable and more highly paid than cosmetology graduates. Gainful employment metrics can also improve cost metrics by evaluating program costs relative to earnings returns. Nursing programs also cost more than cosmetology programs, but the earnings returns are much higher for nursing.

Similarly, postsecondary education and training accreditors should utilize these metrics in their accreditation standards. At some accrediting bodies, these initiatives are already under way. For example, the Accrediting Council for Independent Colleges and Schools, a major national career-related education accrediting body, requires accredited education and training institutions to report graduates' job placement rate in their field of study. Institutions must maintain a job placement rate of 60 percent or higher in order to remain accredited. While the majority of postsecondary education and training institutions are subject to academically focused accreditation standards, they should be updated to align with twenty-first century demands by incorporating labor market metrics.

Simplify and Accelerate the Transition between Education and Careers

Compared to other developed countries, the transition from high school to postsecondary education and training in the United States is lengthy and complex. For example, high school graduates can spend 10 years or more navigating the postsecondary system before entering the labor market, while apprenticeships in European countries generally enroll students in their late teens, allowing them to earn while learning and achieve competencies in their target careers by their early twenties. The United States is moving in the opposite direction: here, the age at which young adults gain traction in the labor market actually increased from 26 in 1980 to 30 in 2012 (Carnevale, Hanson, and Gulish 2013). There are two major logjams: between high school and postsecondary education, and between postsecondary education and career.

One reason for the first difficulty is that high school curricula are largely focused on purely abstract, academic content, so students are required to enroll in a postsecondary program of study in order to gain exposure to career preparation and guidance.¹⁴ In part because students are not exposed to career options in high school, they do not make strategic decisions about their careers until much later in life. In some cases, the first career guidance young adults encounter is at One-Stop Career Centers (financed by the Department of Labor through WIA) after they become unemployed.

Strengthening career and technical education

To accelerate the transition between high school and postsecondary education, school districts, and state and local governments should develop and strengthen career and technical education programs. Career and technical education represents an opportunity to build an academically rigorous middle pathway that strikes a balance between abstract academic content and learning by doing. Research has already shown that this kind of career and technical education engages students, improves their math and reading skills (Stone et al. 2006), and prevents young men in particular from dropping out of high school. Countries that offer strong career and technical education pathways have more success at transitioning young people into the labor market than those with a uniform pathway, as in the United States.

Such high school career and technical education programs should bridge either directly into the labor market or into a career-focused postsecondary program of study, as well as allow for lifelong learning and upward career and educational mobility. To ensure the curriculum will be rigorous, matched to labor market demand, and confer a credential with labor market value, curriculum developers should use industry-recognized standards to plan courses of study. To ensure that these courses are relevant to specific labor market demands, they should cooperate with local employers, Workforce Investment Boards, community colleges, and regional economic developers. At the same time, career and technical education curricula must maintain their academic rigor. The demise of vocational education in the 1970s was due to its lack of rigor, which effectively shut out students from pursuing further education.

These programs must be state-led, since the main federal program that supports career and technical education, the Perkins Act, provides only roughly \$1 billion of the \$20 billion spent nationally on high school career and technical education programs.¹⁵ Federal funding can incentivize states to spend money effectively, but for the most part, states must scale up these programs themselves. Texas, for example, has especially scaled up career and technical education programs and enrolled more than 1 million students with greater than 90 percent of students meeting postsecondary performance standards for technical skills (Association for Career and Technical Education 2014).

High schools should also partner with local employers to expose students to a professional work environment by providing students with work-based learning opportunities such as internships, co-ops, and apprenticeships. Work-based learning also encourages students to think strategically about career decisions and, in many cases, earn wages to pay for further education and training along their chosen career ladders.

Alongside career and technical education, dual enrollment initiatives can accelerate young adults' entrance into the labor market. There is broad support for these initiatives; the problem lies in how the funding is allocated. The Office of Career, Technical, and Adult Education (formerly the Office of Vocational and Adult Education) provided a framework for articulation agreements for dual enrollment initiatives through revisions to the Perkins Act. The revisions would "require all consortia applying for state subgrants to establish or adopt secondary-postsecondary articulation agreements for each funded career and technical education program. State leaders would be expected to create statewide articulation agreements and encouraged to support policies that maximize the award of college credit to students who complete registered apprenticeship programs and industry-based training" (U.S. Department of Education 2012). Not only will dual enrollment accelerate the transition of young adults into careers, it will also give them access to a wider variety of courses than high schools alone can provide.

Creating stronger links between education and training institutions

The second logjam is the transition between postsecondary education and career. Unlike high school curricula, many postsecondary education and training programs focus on career preparation but remain plagued by the lack of alignment between their programs and the demands of the labor market.

Promoting transparency and developing outcome standards will promote this alignment, but reforms within institutions and at the state level are also needed to address problems at the micro level. There are administrative roadblocks, too—namely, funding mechanisms and decentralization, which create silos of disconnected institutions and programs that have similar goals but that cannot leverage the efficiencies that result from specialization and economies of scale. The critical

next steps are to break down the barriers between education, job training, workforce development, and regional economic development.

Community colleges. Community colleges are the critical link at the center of the U.S. education and training system. Today, there is no single place where individuals can coordinate all their career development activities, locate all the education and training resources available to them, and find real-time information about local, regional, and national labor markets. Similarly, public support programs, such as Unemployment Insurance, do not provide beneficiaries with immediate information or resources about job search or retraining. Community colleges are the ideal institutions to integrate these services and resources, as most Americans are geographically proximate to a community college, and community colleges' missions are more focused on workforce development than other postsecondary institutions.¹⁶

The best community colleges have formed a web of relationships with high schools, four-year colleges and universities, regional employers, local Workforce Investment Boards, One-Stop Career Centers, and regional economic planners (Holzer 2011). The Pathways in Technology Early College High School has partnered with IBM and City University of New York to create a smooth transition between high school and high-demand jobs in information technology occupations. In an era of rapidly growing costs of postsecondary education and training, community colleges have effectively controlled costs. The average tuition for a student at a community college in 2013–2014 was \$3,300, compared to \$8,900 at public four-year colleges and \$30,100 at four-year nonprofit colleges (College Board 2013).¹⁷ Community colleges are the only postsecondary institutions that actually lowered their cost per full-time equivalent student between 1999 and 2009 (Desrochers and Wellman 2011).¹⁸ They are, in short, ideally positioned to play a central role in order for the United States to tackle its projected supply shortfall of skilled workers.

However, community colleges currently face a supply shortfall of their own: money. They are unable to satisfy the demand for programs of study with high labor market returns due to the structure of funding mechanisms for postsecondary education and training, as well as recent budget constraints that have not kept pace with their growing enrollment.

Unbundling postsecondary education funding. In some cases, students do not enroll in programs of study with high labor market demand because they lack the academic skills necessary to succeed. Nearly 80 percent of enrollees in adult basic education and adult secondary education programs perform below the 9th grade level, and 40 percent perform below the 6th grade level (Rutschow and Crary-Ross 2014). But even after controlling for academic ability, students enroll in high-demand programs of study at relatively low rates (Holzer and Nightengale 2009).¹⁹ This gap arises because in the current system, community colleges are funded based on enrollment, not on program costs or the labor market value of the program offered. This discourages them from expanding high-cost programs that have high labor market value, such as nursing and allied health programs; the long wait lists for admission into high-cost, in-demand programs tends to divert students into academic or liberal arts programs that can be provided at a relatively low cost. The result has been a shortage of career-oriented programs of study that prepare students for in-demand careers. In a market that operates efficiently, supply expands to meet demand. Enrollment-based funding prevents this from happening.

The solution to this supply problem is to unbundle and repackage the pricing mechanisms in postsecondary education. Institutions should charge higher tuition for programs of study that cost more to provide. This will give institutions an incentive to expand costly programs that have substantial labor market value. The impact of that higher tuition on students would be mitigated or offset completely in two ways: by financial incentives for students who complete their studies, and by replacing the current system of funding on the basis of enrollment alone with funding mechanisms that offer financial incentives to institutions that can show a high completion rate in courses with high labor market value.

Restructuring funding, though, will not address the problems posed by decentralization. A uniquely American phenomenon, decentralization has many benefits. By providing institutions with flexibility and autonomy, it encourages creativity and innovation. Because it brings a diverse mix of students into institutions via a variety of paths, it fosters an intellectually rich and creative environment. At the same time, decentralization creates confusion: because this diverse mix of young adults are not given clear guidance about what comes next, many get

lost, change their minds, or find the educational system difficult to navigate. The result is increased costs and a longer route between school and career. Because the students who need the most help navigating this complex path frequently come from disadvantaged backgrounds, this confusion also exacerbates racial and class inequalities.

However, the solution is not necessarily to consolidate programs or institutions. There are 47 federal programs with workforce development elements, administered by nine federal agencies (Government Accountability Office 2011). That sounds inefficient, but many of those programs have specialized knowledge developed to serve specific groups. Consolidation might achieve minor administrative efficiencies at the cost of overall *effectiveness*.

Enhancing workforce development programs by leveraging partnerships. The most cost-effective form of workforce development training is high-intensity programs focused on developing skills and competencies, as opposed to short-term programs focused on job placement and labor force attachment (Jacobs 2013b). The problem is that workforce development programs lack the money to do this. Public spending on active labor market policies has been declining since the 1980s (Jacobs 2013a). In 1980, 34 percent of human capital investments by the federal government was spent on job training and employment services; by 2010, it was 9 percent. WIA, which provides job training for unemployed workers through the Title I Adults and Dislocated Workers Program, is currently funded at \$3–\$4 billion. If it were funded at the same level as the Comprehensive Employment and Training Act in 1979, it would receive \$25–\$30 billion.²⁰ Moreover, WIA, which was passed with broad bipartisan support, has not been reauthorized in the 10 years since it was first up for reauthorization in 2003.²¹

Given the lack of resources or political will to scale up workforce development programs to effectively target skill building, the next best alternative is to let these programs focus on what they can do well, while building stronger connections to other institutions in the education and training system, such as high schools, community colleges, and regional economic development agencies. The outcomes of every workforce development program, and every postsecondary program of study, should be evaluated by using common labor market metrics in

the learning-labor exchange and by developing an outcome standard on which to base funding.

“Career pathways” is a model that connects the decentralized patchwork of education and training programs and institutions into a straightforward track toward in-demand careers. Washington State, California, Illinois, Minnesota, and Wisconsin have all piloted career pathways programs, as have national and regional initiatives led by the Joyce Foundation. Centered at community colleges, career pathways have been widely embraced as the most effective structure for promoting access and completion of postsecondary programs of study without stifling upward career mobility. The Department of Labor’s Employment and Training Administration; the Department of Education, Office of Career, Technical, and Adult Education; and the Health and Human Services’ Administration of Children and Families have all united to embrace the career pathways model. A career pathway is “a series of connected education and training programs and support services that enable individuals to secure employment within a specific industry or occupational sector, and to advance over time to successively higher levels of education and employment in that sector. Each step on a career pathway is designed explicitly to prepare the participant for the next level of employment and education” (U.S. Department of Education 2012). Career pathways combine adult basic education and career training on the path to a postsecondary credential with labor market value, while forgoing excessive remediation. They also use stackable credentials, which allow students to earn marketable certificates and certifications on their way to more ambitious degrees and career goals. Career pathways programs also accelerate program completion by teaching general education and career education simultaneously.

This approach will alleviate the disadvantages of decentralization. In this system, each education and training institution has a clear role to play, but partnerships leverage local knowledge and skills to create synergies and promote specialization. Community colleges can partner with school districts on dual enrollment initiatives and basic adult education services; employers and regional Workforce Investment Boards work together to plan program offerings and provide high-quality internships, apprenticeships, and work-study opportunities. Meanwhile, One-Stop Career Centers offer job placement services.

Enhance the Productivity of Postsecondary Education Programs by Shifting from the Seat Time–Based Credit Hour to Competency-Based Education

Currently, most postsecondary programs of study are focused on seat time and the credit hour. This means that students who learn quickly spend extra hours in the classroom, while those who need extra time end up earning a low grade or failing the course and having to take it over.²² By recognizing only accredited course work presented in class, the credit hour system also discourages individuals from learning outside the classroom. It is based on a twentieth century model, in which education took place in the lecture hall. Yet we live in a time when new technologies, such as sophisticated assessment software, have encouraged modulated learning, where students advance at their own pace, and educators are facilitators and mentors, not lecturers. The credit hour system's monopoly on postsecondary learning prolongs the time it takes for individuals to acquire competencies with labor market value and muddles the value of postsecondary credentials. Consequently, industry-based certifications—which are based strictly on assessments of actual competency—have risen to prominence over the past decade.

In contrast, competency-based education uses prior learning assessments, which include standardized tests and portfolios of work, to understand the skills individuals have acquired outside of formal education programs. The University of Wisconsin has, for example, developed the UW Flexible Option, which encompasses a series of self-paced, competency-based degree and certificate programs that allows students to demonstrate mastery of competencies through prior course work, military training, or on-the-job training.²³ Competency-based education is often, though not always, focused on career preparation. For example, Brandman University, a private nonprofit postsecondary institution focused on working adults, has utilized the Department of Labor's Occupational Information Network (O*NET) to map occupational competencies onto its curricula.

This is not a new idea: prior learning assessments have been used for years by the American Council for Education to provide veterans with credit for what they learned in the military, and by the College Board, which uses advanced placement examinations as a way for high school students to earn college credits.

By making the skills workers develop in postsecondary programs more transparent, competency-based education will also benefit students by making the process of matching job seekers and employers more efficient.

Competency-based education and prior learning assessments have broad support from the American public (Lumina Foundation and Gallup 2013), but because the federal financial aid system is largely based on the credit hour, they face large institutional barriers. Even so, there are signs of change. More than 20 institutions across the United States are using competency-based education in some form—notably, Western Governors University.

CONCLUSION

The U.S. postsecondary education system is a kaleidoscope of institutions and interests, educational policies vary from state to state, and there is no unified data system connecting postsecondary fields of study and degrees with actual labor market demands. In order to improve opportunities for job seekers, meet the needs of employers, and improve the effectiveness of workforces, we need to reengineer postsecondary education by devising better ways of linking courses of study to career pathways. This will enable students to better understand how their training is likely to fit into the real-world job market, and it will motivate institutions to be more accountable for shaping their programs to fit their students' needs. For this to happen, however, we must first tackle the job of integrating the patchwork quilt of information systems that now exist among various states, agencies, and institutions into a comprehensive set of data that connects postsecondary programs with career pathways.

In a world where postsecondary education is more important than ever but less and less affordable, maintaining equal access to the American dream will be increasingly dependent on efficiency. Forging better connections between the needs of the labor market and postsecondary education will not only serve the needs of employers but will also hold colleges more accountable for providing degrees of value to their students. It will also give low-income students better strategies and clearer

pathways for getting a college degree that will help them pursue a meaningful career—and a small piece of the American dream.

Notes

1. Georgetown University Center on Education and the Workforce analysis of the U.S. Census Bureau's March Current Population Survey, 2013. Reported annual earnings are from 2012.
2. Georgetown University Center on Education and the Workforce analysis of data from OECD (2013). See [http://www.oecd.org/edu/eag2013%20\(eng\)--FINAL%2020%20June%202013.pdf](http://www.oecd.org/edu/eag2013%20(eng)--FINAL%2020%20June%202013.pdf) (accessed April 23, 2014). See Table A1.3a. Percentage of the population that has attained tertiary education by type of program and age group (2011). The age groups are 55–64 for the baby boom generation and 25–34 for young adults. Postsecondary attainment refers to “Total tertiary attainment” category and bachelor’s degree attainment refers to the “Tertiary-type A and advanced research programs.”
3. Georgetown University Center on Education and the Workforce estimate based on the supply-demand methodology in Carnevale and Smith (2013).
4. Georgetown University Center on Education and the Workforce estimate based on methodology in Carnevale and Rose (2011). This model predicts economic growth as a function of workers’ average educational attainment as measured by years of schooling, under a primary assumption of human capital theory that schooling enhances individuals’ skills and productivity.
5. Georgetown University Center on Education and the Workforce analysis of data from the American Society of Training and Development.
6. Georgetown University Center on Education and the Workforce analysis of data from U.S. Department of Education (Snyder and Dillow 2013, Tables 320–322).
7. Carnevale, Rose, and Hanson (2012) define “substantial labor market value” as providing at least a 20 percent wage premium over a high school education.
8. Based on a Georgetown University Center on Education and the Workforce analysis of data from the Current Population Survey, March supplement, 2010–2012. The analysis defines jobs requiring some college or an associate’s degree as working in an occupation where the share of workers in that occupation with at least some college is greater than the share of the labor force with at least some college. However, if the median annual earnings for the occupation are closer to the median earnings for workers with some college or an associate’s degree than to the median earnings for high school–educated workers and at least 10 percent higher than the median annual earnings for high school–educated workers, then the worker is classified as appropriately qualified for the occupation.
9. Georgetown University Center on Education and the Workforce analysis of data from the 2012 National Postsecondary Student Aid Study panel using the National Center for Education Statistics’ PowerStats.
10. <http://salarysurfer.cccco.edu/SalarySurfer.aspx> (accessed April 23, 2014).

11. McCann and Laitinen (2014) describe in detail how the student unit record system ban came about.
12. As Ruder and Van Noy (2013) note, earnings information should include the full distribution, not only the median.
13. Lumina Foundation's Degree Qualifications Profile provides a comprehensive and ambitious model for including both the quantitative and qualitative dimensions to learning that can, in theory, break down the tensions between specific and general learning; occupational and academic learning; and the tensions in the economic, cultural, and civic roles of postsecondary education. Their approach mixes both educators' and employers' perspectives in a consensus-building process. This bottom-up approach is most attractive because it relies more on faculty consensus and expertise as well as the ground-level perspectives of other stakeholders rather than top-down and more narrow measurement models like gainful employment.
14. Adoption of the Common Core represents a continued emphasis on curricula primarily focused on abstract, academic content.
15. Based on the assumption in Klein (2001) that the Perkins program accounts for 5 percent of national spending on secondary career and technical education programs.
16. However, career preparation is one of the central missions of four-year colleges and universities as well. For example, the majority of four-year college undergraduates are enrolled in career-focused majors (Carnevale, Strohl, and Melton 2011). There is also an opportunity for these institutions to incorporate labor market services into their institutional structures.
17. See Table 1A, Tuition and Fees column in College Board (2013). Prices are rounded to the nearest 100 for readability.
18. See Figure A2 in the appendix in Desrochers and Wellman (2011).
19. Holzer and Nightengale (2009) find this trend is especially strong among low-income students.
20. The Comprehensive Employment and Training Act was the federal program job training bill that provided unemployed workers with public service jobs. It was signed into law in 1973 during the Nixon administration until the Job Training Partnership Act (JPTA) replaced it in 1982 during the Reagan administration. WIA then replaced the JPTA in 1998 during the Clinton administration.
21. The Workforce Investment Act H.R.1385 received 91 votes in the Senate and 343 votes in the House of Representatives.
22. The exceptions to this are industry-based certifications, which are test-based and typically do not require individuals to complete a program of study to receive a certification.
23. <http://flex.wisconsin.edu> (accessed April 23, 2013).

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5

The U.S. Approach to Higher Education and Workforce Development

Separate Parts in Search of a Whole

Harry J. Holzer

Georgetown University and American Institute for Research

In the United States today, roughly three-fourths of all high school graduates enroll in and attend a college or university. Many hope to attain skills and credentials that will enable them to find high-paying jobs as soon as they finish college and enter the labor force.

Unfortunately, large percentages of these students (especially at our public two-year institutions) drop out without earning any college credential. Even among those who do obtain a credential, they receive virtually no counseling or other information about the job market while they are there and frequently earn degrees with only modest labor market value. In the meantime, public funding for our workforce development system has been shrinking for decades, with fewer people obtaining job training over time, while our workforce institutions remain relatively separate from those of higher education.

How did the United States arrive at such a juncture? What are the strengths and weaknesses of our systems of higher education and workforce development? What would constitute the most effective reforms that we could introduce in both realms through policy? This chapter seeks to answer these questions.

THE SEPARATE SPHERES OF HIGHER EDUCATION AND JOB TRAINING

During most of the twentieth century, higher education and job training were viewed as quite separate activities with very different roles to play in the U.S. economy. Enrollment in colleges and universities expanded dramatically after World War II, with student tuition levels subsidized at least partly by the federal GI Bill, but also by states as they built their own higher education systems. Local public two-year colleges have often been seen as stepping-stones to four-year schools, though they also prepared students for a number of occupations. The public and private four-year colleges (which now number well over 2,000) have provided liberal arts degrees as well as more focused preparation for a range of occupations (such as accountants, teachers, and engineers). Among those majoring in liberal arts fields, many have gone on to obtain graduate degrees in a range of professions, while others found work directly after college in fields that didn't require specific occupational preparation.

In contrast, until the 1960s most job training was relatively short-term and occurred in the workplace, where newly hired or promoted workers would receive both formal and informal preparation for the jobs they were beginning, and where the costs of such training were split between employers and workers (Mincer 1974). This was true in both white-collar and blue-collar jobs and in a wide range of industries, such as manufacturing and service sectors. Somewhat longer-term training was also provided in some cases, such as apprenticeship programs in construction.

Federally funded job training began with the Manpower Development and Training Act of 1962, as a response to concerns over regional pockets of structural unemployment. But these efforts shifted their focus to the disadvantaged rather than the displaced and expanded quite dramatically in the late 1960s and 1970s, beginning with the War on Poverty and subsequent passage of the Comprehensive Employment and Training Act (CETA) in the early 1970s (Holzer 2013). Job training under CETA was provided in classroom settings as well as on the job. In the late 1970s, CETA funded considerable amounts of public service employment for the poor, along with job training. Funding for CETA

reached its peak (adjusted for inflation) in 1980 at the end of the Carter administration.¹

CHANGES AFTER 1980: THE JOB TRAINING PARTNERSHIP ACT AND BEYOND

During the 1980s and 1990s, CETA evolved first into the Job Training Partnership Act (JTPA) and then the Workforce Investment Act (WIA). In 2014, WIA became the Workforce Innovation Opportunity Act (WIOA). With each new legislative iteration, more authority devolved to local workforce groups (known as Workforce Investment Boards) that represented local stakeholders, including business, labor, and education agencies. Over time, the presence of local businesses on the Workforce Investment Boards grew, with the goal of steering training dollars toward growing industry sectors with greater demand for skills.

WIA created funding for some 3,000 new One-Stop Career Centers (now called American Job Centers) around the country, at which a new range of workforce services have been provided. These have included *core* services, which is essentially modest staff assistance with job search, and *intensive* services, in which job seekers receive aptitude testing and career counseling. Individuals can only receive training once they have first received core and intensive services. In addition, greater choice has been provided for those obtaining training, with funding ultimately provided through vouchers (known as Individual Training Accounts [ITAs]). Individuals receiving such vouchers can shop among local training providers, about whom information is provided at the One-Stop Centers across the nation.

Funding for these activities is provided through separate funding streams for adults, dislocated workers, and youth. A range of other programs and services, including the Job Corps for youth, are also funded through the various titles of WIOA (Besharov and Cottingham 2011).²

But funding through this legislation has diminished fairly consistently over the past three decades, even while some new funds for workforce services have appeared in other (small) federal programs and agencies.³ Public service employment has disappeared completely

from this legislation, while the numbers of workers receiving training (especially among the disadvantaged) has declined steadily over time (Holzer 2009). For those receiving ITAs, training is mostly modest and very short term.⁴ By most measures, federal expenditures on workforce services relative to the size of our economy and labor force are very modest, in comparison with most other industrial countries.⁵

Why has federal workforce funding, especially for job training, diminished so much over time? Partly this has occurred because of growing doubts about the cost-effectiveness of these services. A large body of evaluation research on federal job training programs has developed in this time period, and results have been decidedly mixed, though usually more positive than the critics allege. Publicly provided training for disadvantaged adults under JTPA and WIA have generally appeared to be cost-effective, even if its impacts are not terribly large (on average) and sometimes they fade over time.⁶

But perhaps another reason for the decline in funding is that job training, in its traditional form, has become viewed as a weak substitute for higher education as preparation for the job market. After declining in the 1970s (because of a temporary glut of college-educated workers who pursued higher education to avoid the draft for the Vietnam War), the economic value of college degrees rose substantially, beginning in the 1980s. By the year 2000, the ratio of earnings for four-year college graduates to high school graduates had roughly doubled, relative to where it stood in 1980.⁷

Greater numbers of good-paying jobs now require either two- or four-year college degrees (Autor 2010). These jobs are especially prevalent in the growing service sectors of the economy, particularly in fields such as health care, education, and finance; jobs for non-college graduates in these fields also expanded dramatically, though they paid much lower wages (Carnevale, Smith, and Strohl 2010). Compensation for jobs requiring more than a bachelor's degree (BA) have grown even more dramatically over time, and even in the years since 2000 when average compensation for those with only a BA has stagnated (Mishel 2010).

At the same time, the numbers of good-paying production and clerical jobs for those without higher education have diminished, as their wages and benefits declined or they were eliminated due to the growing power of new technologies and globalization. Institutional changes,

such as declining unionism and declining relative values of statutory minimum wages, reinforced the changes generated by these market forces (Autor, Katz, and Kearney 2008; Card and Dinardo 2007). Though some fields—notably construction—continued to provide such opportunities (at least until the Great Recession began), those in manufacturing, mining, and many other traditional sectors have declined dramatically in number (Autor 2010).

Under these circumstances, students have been flocking to two- and four-year colleges. Though enrollments declined initially during the 1980s, they eventually rose quite substantially. Unfortunately, the numbers of new college graduates did not rise as rapidly as the numbers of new enrollees, as completion rates fell. Most economists believe that the supply of new college graduates has failed to keep pace with the growing demand for these skills in the economy, and therefore the premium paid to college graduates has stayed very high (Goldin and Katz 2008).

For disadvantaged workers, college is now viewed as the best route to higher-paying jobs, rather than more traditional job training. A range of programs in two-year colleges, including certificate programs as well as those for associate's (AA) degrees, provide options for advancement for those whose academic skills are perhaps not strong enough for four-year colleges and universities. Though the official price tags on higher education have risen quite dramatically over time, so did a number of forms of financial assistance, including Pell Grants, whose maximum values and numbers rose sharply after 2000. Indeed, federal expenditures on Pell Grants now total about \$36 billion per year—and it now constitutes the largest source of public funding for workforce development in the United States today—since up to half of Pell Grant recipients are also older and independent students, who are often seeking shorter-term vocational training rather than BA (or even AA) degrees (College Board 2013).

The importance of college education as preparation for the job market has grown for one additional reason: the lack of high-quality career and technical education (CTE) options for students in high school. Traditionally, vocational education in high schools provided some direct training for non-college-bound students. But, beginning in the 1960s, such education faced criticisms over the “tracking” of low-income and minority students away from college, and over its low quality more

broadly. Efforts to generate other “school-to-work” pathways were attempted in the 1990s under the School to Work Opportunities Act (Neumark 2007) but fizzled afterward due to weaknesses in that legislation (with a modest amount of federal money spread very thinly over almost all public school districts in the nation), ideological opposition (from conservatives who claimed that the program amounted to federal bureaucrats planning the future lives of children), and indifference from the program’s primary constituents (such as the business community).

While the quality of CTE students and curricula appears to have improved since 2000, as the federal Perkins Act has encouraged state and local reforms, enrollments remain limited. Most students and their families continue to see CTE as a less preferred substitute for college rather than as a source of potential preparation for college (as well as careers); in reality, too many such programs at the high school level remain substitutes for “college prep” rather than complements or alternative pathways to getting there. And U.S. employers continue to view (perhaps correctly) high school graduates who have no specific technical training or work experience as bringing little skill and value to their workplaces, while those in Germany and other EU countries where high-quality CTE is more widely available and more heavily utilized are viewed much more positively by their employers (Hoffmann 2011; Symonds, Schwartz, and Ferguson 2011).

THE STRENGTHS AND LIMITATIONS OF HIGHER EDUCATION AS WORKFORCE PREPARATION

With its high enrollment rates, higher education in the United States offers a very wide range of both youth and adults an opportunity to earn credentials that should prepare them for well-compensated jobs. A very diverse set of institutions—public and private, two- and four-year, for-profits and nonprofits—gives students an enormous range of options from which to choose. For those completing a degree, the average economic returns on their investments remain very strong, even though the costs of the investments have risen substantially over time. And, as noted earlier, many sources of aid are provided to students so they often don’t have to pay the “sticker price” as advertised (Dynarski and

Scott-Clayton 2013). In response to these incentives, the rates of college graduation have finally risen in the United States, especially during the Great Recession of the past six or seven years.

But major problems remain. As noted earlier, completion rates among enrollees remain quite low. In particular, completion rates among minorities and low-income students at four-year colleges lag dramatically behind those of whites and/or middle- and upper-income students (Holzer and Dunlop 2013). For those at two-year colleges, fewer such gaps exist, but overall completion rates are very low. A number of sources of the completion gap have been identified by researchers, including the weak academic preparation of so many students (combined with very ineffective remediation programs), poor information regarding their college options (and underenrollment by strong low-income students in the higher-quality schools whose graduation rates are substantially higher), the pressures of providing income for their families among older students or those who became parents at early ages, and the rising cost of higher education (Bound, Lovenheim, and Turner 2010; Haskins, Holzer, and Lerman 2009).

On the last issue, state appropriations for public colleges and universities have not been rising sufficiently in recent years to keep tuition there from rising as well (Baum, Kurose, and McPherson 2013). This is especially problematic for families with limited financial assets (whose housing values no longer provide additional wealth to pay for college, as they did during the housing boom years [Lovenheim 2011]). As a result, many students pile up substantial debt while in college. For those who do not complete their degree programs, or whose labor market earnings will be limited even when completing the degree (due to the continuing weakness of the U.S. job market for young workers at all education levels), paying off this debt can be quite burdensome.

This raises another issue: in addition to low completion rates and a weak job market, some college students also face limited job market success because they experience such a paucity of workforce development services. Many students who effectively received no exposure to labor market information or career guidance in high schools also get very little in college. Most colleges themselves provide little in the way of career counseling (or even academic counseling, in some cases), and little information on national, state, or local labor markets is available to students there. Thus, most have fairly little information on the fields

of study that will prepare them for work in economic sectors where employment is growing and demand will be strong, or those that offer relatively better compensation for a particular degree level. While one could obtain such information (and personal counseling about the kind of education needed and one's aptitude for it) in a One-Stop (or Jobs Center) office, very few students receive such services (Jacobson and Mokher 2009); and the capacity of these offices would likely not be sufficient to handle a much larger inflow if more students were interested (Heaney 2011).

In many cases, students do not necessarily enroll in fields that are well-compensated. Of course, there are many determinants of these choices, including the relative strengths of their preparation for and interest in math and science relative to other fields. In the private liberal arts colleges, students are explicitly choosing fields of study for their academic interests and broad intellectual preparation rather than their ultimate rates of market compensation, and this is true to a lesser extent at public institutions as well. This strategy is particularly well-suited for those intending to pursue a postgraduate degree, who will obtain more career-specific skills later on, though not for those who hope for more immediate employment-related skills and jobs.

Still, for those seeking strong employment opportunities immediately after graduation, more guidance could be quite helpful. Thus, in a market where the variance in returns to college degrees across fields is extremely high, the choices made are not necessarily financially optimal, and many students choose fields that are not particularly well-compensated (Jacobson and Mokher 2009). Furthermore, most students get too little job search information to help them connect with employers when they finish, and institutional linkages between colleges and employers remain quite weak, so students' abilities to find the best-paying jobs for which they have prepared are also limited.

Even students' completion rates might be impaired in many cases by the lack of clear perceived links between their classroom schooling and the needs of employers, since motivation and understanding are often enhanced when academic schooling is provided *contextually* rather than abstractly. Models of work-based learning provide this context automatically, and this might contribute to their higher success rates in many cases, as we note below. Additionally, the contrast between the structure and guidance provided to students in proprietary

occupational colleges, as opposed to unstructured community colleges, might well contribute to the higher rates of graduation and employment rates afterward at the former relative to the latter, as has been noted by a number of analysts (Davis and Cho 2013; Rosenbaum 2001; Scott-Clayton 2011).

WHAT WOULD IMPROVE EDUCATION AND WORKFORCE OUTCOMES AMONG U.S. STUDENTS?

Based on the discussion above, I believe that we could improve both the education and workforce outcomes of workers in the United States, especially the disadvantaged, by undertaking the following:

- an expansion of high-quality CTE and work-based learning,
- an expansion of sectoral training models involving employers and community colleges,
- reforms in financial aid and remedial education that would improve college completion rates as well as workforce outcomes, and
- other efforts to better integrate higher education and workforce services and make both more responsive to the U.S. economy.

In each case, efforts to maintain quality and at least some focus on the disadvantaged are important, while avoiding the creation of windfalls for the business community.

Expanding High-Quality CTE and Work-Based Learning

As the European experience noted earlier suggests, a more effective and higher-quality system of CTE in high school might raise the earnings of those who do not enroll in college and improve high school graduation rates. Indeed, empirical evidence suggests that CTE has had such effects in the last few decades (U.S. Department of Education 2004). In the best such systems, though, CTE would no longer be seen as a substitute for college and would enroll those preparing for college as well. Contextualizing academic learning might improve academic

performance among those who learn better when material is presented in applied manners rather than purely abstractly; and, since large fractions of students bound for college are interested in career preparation rather than liberal arts, such a CTE curriculum might improve the college performance of these students as well.

Recent evidence suggests that the quality of curriculum has already improved for CTE students, with many more taking math and science courses in high school than in earlier decades. Changes in the Perkins Act, through which the federal government provides some modest financing of state and local CTE programs, have also generated pathways from high school CTE to “career clusters and related pathways” in every state (Holzer, Linn, and Monthey 2013).

Still, a range of potential improvements in CTE would further the goal of creating high-quality CTE systems in secondary schools around the nation. These improvements (Holzer, Linn, and Monthey 2013) would include

- high-level academic material, including advanced placement work for the highest performers;
- a curriculum that teaches occupational and general employability skills as well as academics;
- work-based or project-based applied learning across a range of traditional academic disciplines;
- engagement with employers and industry associations, to make sure curricula are relevant to the needs of growing industry sectors;
- supports for disadvantaged students who might struggle with more rigorous curricula;
- faculty and staff development to support the skills of teachers and counselors in these areas; and
- assessment tools to measure student skills in these areas and allow for accountability.

A number of academic models around the nation have incorporated these characteristics and achieved some scale. For instance, High Schools That Work is a model that has been implemented at dozens of high schools in several (mostly southern) states, which generates high

achievement scores, graduation rates, and college attendance through its CTE curricula. Linked Learning is a model that has been implemented districtwide in some California school districts, providing high-quality CTE instruction to all students.

While no rigorous evaluation evidence exists for these two models, such evidence does show that Career Academies—a model of industry-focused instruction within broader high schools that has been implemented in several thousand high schools across the nation—can generate very large improvements in earnings for students, especially at-risk males, for many years beyond graduation without any loss of academic performance (Kemple 2008). Newer versions of the Career Academies are trying to improve the college preparatory curricula in these models; and rigorous evaluation of newer teaching models (Castellano et al. 2012) show that math and science instruction at high levels can be integrated into CTE curricula.

More broadly, CTE and work-based learning need not be limited to secondary schools in the United States. A range of “career pathway” models that begin in community colleges and combine classroom instruction and academic credential attainment with paid work experience are also being developed around the nation (Choitz 2014; Fein et al. 2013) to generate occupational training for a range of postsecondary students, including the disadvantaged.

Other forms of work-based learning show promise as well. For instance, apprenticeships focus primarily on occupational learning through paid work experience on the job. Many new forms of apprenticeship now combine such learning with community college curricula that generate AA degrees. In this way, students can obtain real work experience—which young people have had great difficulty attaining in recent years, especially since the beginning of the Great Recession—with the attainment of valuable postsecondary credentials. Paid internships and various forms of incumbent worker training could be encouraged as well (Hollenbeck 2008).⁸

Evaluation evidence suggests high returns over time to workers who participate in apprenticeship programs (Lerman 2010). Worker persistence in these programs is high, even among the disadvantaged, since paid work experience is very appealing to this group. Wisconsin, Georgia, and South Carolina have taken major steps to expand such programs, at only modest public cost (Holzer and Lerman 2014).

Sectoral Models

In sectoral training models, training providers target key industries with high-demand growth and good-paying jobs (especially for those without BAs) while preparing individuals for work in these industries. Intermediaries generate partnerships between these providers (who increasingly are community colleges) and employers in these industries. The intermediaries treat both the employers and the trainees as stakeholders, and they must gain the confidence of the former by sending them well-skilled workers. But the workers themselves are also highly motivated, as they know the training prepares them for existing jobs that they can clearly see at the end of the training period.

Rigorous evaluation evidence shows that, at their best, sectoral models can generate very large impacts on worker earnings among both adults and youth (Maguire et al. 2010; Roder and Elliott 2011). These models generally do not serve those with weak basic skills or other characteristics of the “hard-to-employ.” Questions also remain about their long-term impacts, especially if and when workers change jobs or their industries restructure, and whether the strong results from a small number of sites in those evaluations can be replicated and scaled.

Still, the evidence to date has been strong enough that many states are trying to scale up these models by building partnerships between local industries, community colleges, and workforce boards for high-demand sectors (National Governors Association 2013). Indeed, these states now see sectoral training as the basis of their workforce and economic development programs, but whereas many such partnerships are being developed, we have very little evidence on numbers of participants or completion rates in these efforts.

Reforming Counseling, Financial Aid, and Developmental Programs for College

Given the very low completion rates among low-income or minority students in both two- and four-year colleges, are there reforms in practices in these sectors that might improve these rates as well as subsequent labor market success for these individuals? Undoubtedly, greater availability of high-quality early childhood programs and reforms in elementary and high school systems would improve the academic prep-

aration and therefore the success rates of those attending college; however, assuming that this will not happen quickly or fully, what else can we do for college enrollees to improve rates of success?

One possibility is in the area of financial aid. Despite our growing expenditures in this area, rigorous evidence that Pell Grants actually raise higher educational attainment (as opposed to enrollment) is quite thin (Long 2013). To address this issue, a recent report from the College Board (2013) suggests a range of reforms in the Pell Program, both for younger students and those who are older (e.g., 25 and older) who are primarily part-time students in more vocational tracks. The reforms are based on evidence that such aid is more accessible when it is simplified and more transparent, but also that having clear academic performance standards and supports can improve completion rates (Dynarski and Scott-Clayton 2013). It also reflects the recent evidence that providing information about college quality to college applicants can raise the tendency of low-income but high-performing students, who now overwhelmingly apply to very local colleges, to instead apply to and attend more highly ranked schools, where completion rates are much higher (Hoxby and Turner 2013).

Accordingly, the College Board report (2013) calls for more simplified and transparent income eligibility requirements, where students would be easily able to determine their own eligibility; clearer academic performance standards, which would provide stronger incentives for students to perform well and therefore to graduate; and individually tailored guidance and support systems, with somewhat different services provided for dependent and independent students, and including mandatory career counseling for the latter (see also Baum and Scott-Clayton [2013]).

Another area where reforms are clearly in order is in developmental (or remedial) education. Large fractions of students, especially at community colleges, now enroll and begin to attend without having the necessary academic preparation to do college-level work, and they are often assigned to (noncredit) developmental classes at the outset. But, to date, most evidence suggests that such classes rarely have positive effects on academic outcomes of students, and sometimes have negative ones (Clotfelter et al. 2013). Many colleges, even at the two-year level, require that students pass Algebra 1 before taking for-credit classes in

many fields, even though it is not clear that such math skills are required for many majors.

We are beginning to find clear evidence of developmental education programs that have more positive effects on postsecondary education outcomes. This seems to occur when these programs are more accelerated, and more integrated into material for credit rather than being “stand-alone” (Bettinger, Boatman, and Long 2013). Integrating the remedial material directly into skills training or at least into the context of labor market information appears particularly helpful. Examples of successful acceleration include the Accelerated Study in Associated Programs approach at the City University of New York, while integration with labor market training or information can be found respectively in the Integrated Basic Education and Skills Training approach in the state of Washington or the GED Bridge Program at LaGuardia Community College in New York. Efforts to reform the placement methods that colleges use for remediation, and even their requirements for successful completion, are starting to be considered as well.

Integrating Higher Education and Workforce Services with Labor Markets

Though cooperation between local higher education agencies or institutions and workforce boards has been rising over time, the two sets of agencies remain fairly “siloeed” in most locations around the country. The extent to which both are really responsive to the labor demand needs of the local economy is largely limited.

The limited effects of the labor market on higher education in particular reflects a problem of too little labor market *information* among students and too few *incentives* to be responsive to that market among institutions. Given the paucity of career counseling and information for students, it is not surprising that students pay so little attention to labor market trends when making their choices of major (Long, Goldhaber, and Huntington-Klein 2014). With administrative education and labor market data as well as real-time job vacancy data becoming more available over time, our ability to remedy this problem seems to be growing. Though the colocation of Job Centers and college campuses appears to be growing (with as many as one-fourth of all centers now located on college campuses), the majority of U.S. students still appear to have little access to (or take too little advantage of) such services.

Many public institutions of higher education also have little incentive to be responsive to these forces. State subsidies for higher education in both two- and four-year colleges usually reflect student “seat time” and are rarely tied to either academic or subsequent labor market success. In addition, instructor and equipment costs in high-demand sectors (such as health technology or advanced manufacturing) are often high, further diminishing the financial incentives or abilities of colleges to expand instructional capacity in these areas. As a result, anecdotes abound of students flocking to colleges at the trough of the recession and seeking to take courses in health care and health technology, only to find these classes oversubscribed and thus unavailable to them on a timely basis.

Of course, this is not to say that there is no role for liberal arts majors at public institutions, especially at the flagship four-year schools. But incentives to be at least somewhat more responsive, especially at institutions where many or most students are seeking vocational certifications, could be made by tying state education subsidies at least partly to average credit attainment and program completion rates.⁹ Where this is being done—and at least half of the states are beginning to move in this direction—care must be taken not to generate unintended consequences at schools, which might now have an incentive either to “cream-skim” with higher admissions requirements or to lower graduation requirements in high-demand fields. But some attempts to improve these incentives, especially in the labor market, seem to be in order.¹⁰

CONCLUSION: GETTING FROM HERE TO THERE

I have argued in this chapter that our public system of workforce services and training has diminished over time and has largely been replaced by rising enrollments in higher education (with Pell Grant financing for low-income students). But education completion and the subsequent earnings of students are both limited for a variety of reasons, at least some of which reflect the separation of higher education from workforce services and an underdevelopment of course work and curricula that are relevant to the job market. Thus, the separation of higher education and workforce services from each other and from the

labor market is at least partly responsible for the weak outcomes we observe in both.

How might this situation be remedied? States need to take the lead in encouraging more development of their higher-quality CTE systems in secondary schools, work-based learning models, career pathways, and sectoral initiatives involving partnerships between business, workforce boards, and community colleges. These partnerships are, in fact, growing across the nation (National Governors Association 2013), though more needs to be done to encourage broad participation in them. The states should implement performance standards for their subsidies to publicly funded higher education institutions, both two- and four-year; these performance incentives should be based on the subsequent earnings of students in the labor market as well as academic performance and program completion (with incentives being roughly split between these two sets of outcomes). The provision of labor market information about job opportunities and career counseling more broadly should be made more readily available on college campuses. States should also consider technical assistance and financial incentives for employers implementing apprenticeship programs or other forms of incumbent worker training (Holzer and Lerman 2014).

To monitor both the scale and the quality of these developments, states should make better use of their administrative higher education and earnings data, as Zinn and Van Klunen (2014) propose. They should actively monitor the outcomes associated with any such programs created above, and do at least modest evaluations of their impacts on educational attainment and earnings, especially among the disadvantaged.¹¹

The federal government can do more to encourage this process in two ways. First, the U.S. Departments of Education and Labor have developed a wide range of competitive grants programs in recent years to encourage the kinds of partnerships described above and greater responsiveness of higher education to workforce needs and the labor market. These grant programs have included the Workforce Incentives for Regional Economic Development grants of the more recent Bush Administration; and the Trade Adjustment Assistance Community College and Career grants, Workforce Innovation grants, and Career Connect grants of the Obama administration. But many of these grants have

themselves led to small-scale and fragmented programming, rather than state-level innovation and systems development.

Accordingly, a program that targets states and encourages large-scale implementation of the approaches described above should be used, perhaps modeled after the Race to the Top grants from the Department of Education that had such large impacts on state-level programs in the K–12 years. Holzer (2011) describes what such a program would look like and how it would be administered.

Furthermore, the federal government should use its upcoming authorizations of several major federal programs, such as the Higher Education Act, the Perkins Act, and WIA to encourage these trends as well. For instance, the Pell Grants authorized under the Higher Education Act could be reformed along the lines suggested above, Perkins could be made more of a competitive grant to encourage state-level development of high-quality CTE and work-based learning (as both the recent Bush and Obama administrations have proposed), and workforce programs could do more to encourage sector partnership and career pathway development while improving performance measurement (as the recently enacted Workforce Innovation and Opportunity Act of 2014, with widespread support in both houses of Congress, would encourage).

It is also important to mention some important caveats to these ideas. As noted earlier, any efforts along these lines should be carefully monitored to encourage not only high-quality education and workforce programs (in terms of impacts on outcomes), but to maintain at least some focus on the disadvantaged while avoiding large windfalls for employers. Doing so while maintaining employer interest is a difficult balancing act; swinging too far in one direction (toward the needs of the disadvantaged) or the other (kowtowing to employers) should be carefully avoided. Careful monitoring of student and worker outcomes in these efforts, and rigorous evaluations of any programs implemented, are needed to achieve and maintain this balance.

Furthermore, the tension between general and specific skill development needs to be acknowledged. The evaluation evidence suggests that sector- or occupation-specific programs generate some of the strongest outcomes for disadvantaged youth and adults. But, over the long term, some general (or portable) skill development is very important, espe-

cially since many workers will change employers and even sectors over time. Furthermore, sectors that today show strong employment growth might show much less tomorrow, in a dynamic labor market where technology and globalization can cause rapid shifts in the locus of labor demand. The more general the skill development, however, the more reluctant employers will be to pay for it (Becker 1996), and this must be taken into account as well by program developers and administrators.

Finally, sectoral programs and others centered around community colleges will likely not be successful with the hardest-to-serve students—in other words, those reading well below the 9th- or 10th-grade level, or those with very poor work experience or physical or emotional disabilities. While our knowledge of what serves to boost employment of these groups is much more limited, our workforce policies should not forget them. Accordingly, experimentation with and evaluation of efforts to meet their needs should proceed as well.

Notes

1. Expenditures under CETA in 1980 were approximately \$17 billion (Holzer 2009), or roughly \$40 billion in today's dollars.
2. Title I includes the three funding streams above and the Job Corps, as well as other smaller programs; Title II funds Adult Basic Education; Title III encompasses the former Wagner-Peyser Act funding for One-Stop Offices; and Title IV contains miscellaneous expenditures.
3. Funding for WIOA currently totals about \$5 billion, which is down nearly 90 percent in real terms from its peak in 1980. But the U.S. Government Accountability Office (2011) reports total funding in 2010 of about \$18 billion for workforce services in 47 different federal programs, the largest of which are the various streams of WIA plus Temporary Assistance for Needy Families (TANF) and state vocational rehabilitation programs.
4. The average value of an ITA today is just a bit over \$2,000, according to Andersson et al. (2013).
5. The funding listed in the U.S. Government Accountability Office report constitutes just 0.1 percent of GDP and might rise to 0.2 percent if Pell Grant funding of vocational education is included. According to O'Leary, Straits, and Wandner (2004), this total lags behind expenditures by most countries in Europe on such services.
6. See Andersson et al. (2013) and Heinrich et al. (2011) for evidence on WIA and summaries of evaluations of JTPA.
7. The ratio of BA to high school earnings increased from roughly 0.35 in 1979 to 0.70 in 2000.

8. Hollenbeck (2008) describes state investments in incumbent worker training before the onset of the Great Recession, though some states have cut back on these expenditures since that time.
9. See the National Conference of State Legislatures (2014).
10. Though most states now are focusing only on measures of average academic performance and completion of their students for determining subsidies to colleges, Holzer (2014) argues that labor market outcomes of students through the first five years after they leave, such as their average earnings or employment rates (especially among disadvantaged or minority students), should also be used. Colleges and universities would face stronger incentives to expand teaching capacity in areas of high labor demand, even though the costs of equipment and instructors in such fields might be higher.
11. States could, for instance, do evaluations using difference-in-difference analysis of employment outcomes of young or disadvantaged workers in different counties or metropolitan areas based on the timing of introduction and implementation of new programs or procedures.

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6

The Future of the Public Workforce System in a Time of Dwindling Resources

Stephen A. Wandner

Urban Institute and W.E. Upjohn Institute for Employment Research

This chapter looks into the future of the public workforce system by examining the system's long-term federal funding and program trends. The most important change in the public workforce environment over the past three decades has been a downward trend in federal funding for the basic workforce programs: the Wagner-Peyser Act Employment Service (ES) and federal training programs, including both the Job Training Partnership Act (JTPA) and Workforce Investment Act (WIA) programs. The effects of the decline in funding are much worse in real terms than in monetary terms because most workforce services are provided by workforce professionals whose pay generally increases yearly.

At the same time that funding has declined, the demand for public workforce services has increased. Two factors contribute to the rising demand for services. First, the percentage of U.S. workers permanently laid off has increased. Employers have been less likely to lay off employees temporarily, especially during recessionary times. As a result the temporary layoff rate has remained flat over recent business cycles (Groschen and Potter 2003). Thus, workers on temporary layoffs who generally do not need reemployment services have been replaced by workers on permanent layoffs who cannot expect to be called back to their former jobs. These dislocated workers must seek new jobs and perhaps new occupations. Most of them have been employed for many years and have no recent work search experience, so they need help finding their next jobs. Second, in recent years, permanently laid off workers who want to return to work have tended to remain unemployed for longer periods of time and need greater assistance than previous permanently separated workers.

The cuts in federal funding and the continuing high demand for public workforce services has led to a decline in per person expenditures for those seeking workforce services. This decline in per person expenditures has been evident for many years. The addition of one-time funding for workforce programs during the Great Recession of 2007–2009—authorized by the American Reemployment and Reinvestment Act (ARRA, or the Recovery Act) of 2009—provided only a brief respite from the continuing decline in per person expenditures.

State workforce agencies have had to adapt to a reduction in resources, and if the trends continue, they will have to respond to an even more difficult fiscal environment. One aspect of their response has been to shrink the basic programs' infrastructure. State workforce programs have sharply reduced the number of frontline workers who serve the public, as well as the number of local workforce offices providing services to the public. At the end of 2003 there were almost 3,600 such offices, but today there are just over 2,500—a decline of about 30 percent (U.S. Department of Labor 2014; Wandner 2013, p. 8).¹ The steady decline in program resources continued at the same time that administrative costs needed to support large numbers of local Workforce Investment Boards (LWIBs) remained high. More recently, state agencies have responded by reducing their administrative overhead, such as decreasing the number of LWIBs that oversee the local workforce programs and increasing the role of the governors and the states in workforce program administration.

State workforce agencies also have responded to funding cuts by changing both the way that they provide services and the mix and number of services that they provide. By far the most expensive service provided is job training. The amount of training offered has thus declined, with only 200,000–300,000 WIA Adults and Dislocated Workers receiving training each year—this is only 1–2 percent of workers seeking assistance from the public workforce system. Instead of training, job seekers receive less expensive employment services, often in the form of automated services in computer resource rooms with little staff assistance. Job seekers see fewer and fewer frontline workforce professionals and instead have to make their own way through the computer-based job-seeking process. Thus, there has been a gradual but profound change in the mix of services that job seekers receive, and, responding to a national survey, state workforce administrators say that they

believe the change generally represents a degradation of the quality of services (Wandner 2013).

The outlook is for continued decline in resources and continued strong demand for employment services. As a result, we can expect that infrastructure will further deteriorate, and as a result, the quality and number of in-person services will also continue to decline.

This chapter relies on historical data about the public workforce programs and their funding. These data were assembled and organized in the Public Workforce System Dataset (PWSD) from U.S. Department of Labor (USDOL) reporting data (Eberts, Wandner, and Cai 2013). The chapter also makes use of responses to a survey of workforce administrators that was designed by the author and the staff of the National Association of State Workforce Agencies (NASWA). The survey, conducted by NASWA in late 2012, asked the administrators how their states had responded between 2010 and 2012 to the end of the one-time supplemental federal funding made available through the ARRA. Most states had exhausted this funding by the end of 2010 and were struggling with funding levels at or below the level preceding the onset of the Great Recession (Wandner 2013).

THE ENVIRONMENT

Declining Funding

Over the past 30 years, the funding (in current dollars) for workforce programs has declined or remained stagnant. However, the pattern of funding for the three major programs for adult workers has varied greatly. Funding for the Wagner-Peyser Act Employment Service programs has been in decline for nearly two decades, reaching a high of \$839 million in 1995, and dropping to a low of \$664 million in 2014. The JTPA/WIA Adult program has declined dramatically and steadily, from \$1.89 billion in 1984 to just less than \$800 million in recent years. By contrast, permanent worker displacement has been a persistent and growing labor force problem since the 1970s. As a result, the funding for the JTPA/WIA Dislocated Worker program increased steadily until it reached a peak of \$1.27 billion in 2000, declining only slightly and

remaining fairly steady at above \$1.1 billion until 2010, but declining to \$1.0 billion in 2014.

The Great Recession did not change the downward trend in workforce program funding—it simply added an overlay of a one-time supplemental increase in program funding from the Recovery Act that was obligated or expended quickly, starting in mid-2009 and largely exhausted by late 2010. Thus, by the end of 2010, states found that their total workforce resources in current dollars had declined to below pre-recession levels (see Table 6.1).

The reduction in federal funding meant that state workforce programs had to either supplement it or reduce the number of workers served, change the mix of services participants received, or alter the methods of providing services. Most states did not supplement funding; rather, the effect of the decline in federal funding fell most heavily on program participants, who now generally receive fewer one-on-one services and instead receive automated, group, or less intensive services. Overall, the federal funding cuts and the states' responses led to fewer clients receiving services and less intensive services for clients who did receive assistance. On net, expenditures per participant declined.

The Career and Technical Education and Adult Basic and Literacy Education (Adult Education) programs also serve individuals in need of training for work. They provide competitive grants, evaluation contracts, innovative programs, and other national activities. The Adult Education state grants assist adults without a high school diploma or the equivalent to become literate and obtain the knowledge and skills necessary for postsecondary education, employment, and economic self-sufficiency. Career and Technical Education programs enroll students at nearly 1,300 public high schools and 1,700 two-year colleges. They are organized by 16 career clusters and 79 career pathways, offering a broad range of career options.

These two programs provide limited overlap with WIA and Wagner-Peyser Act programs, and recently they have been funded at roughly the same level as those workforce programs. Since the mid-1980s, they have not suffered the same early and continuous funding reductions as have the Wagner-Peyser Act and JTPA/WIA Adult programs (see Table 6.1.) Rather, like the WIA Dislocated Worker program, they reached a peak later and have since not declined substantially. Career and Technical Education and Adult Education, however, can only supplement the

Table 6.1 Workforce Program Budgets, Program Years 1984–2014 (\$000)

Year	Wagner-Peyser Act	WIA Adult	WIA Dislocated Workers	CTE state grants	Adult Education grants
1984	740,398	1,886,155	223,000	742,731	100,000
1985	777,398	1,886,151	222,500	842,148	101,963
1986	758,135	1,783,085	95,703	813,113	97,579
1987	755,200	1,840,000	200,00	881,967	112,881
1988	738,029	1,809,486	215,415	888,243	134,036
1989	763,752	1,787,772	227,018	918,404	162,210
1990	779,039	1,744,808	370,882	936,723	192,795
1991	805,107	1,778,484	421,589	1,008,488	240,777
1992	821,608	1,773,484	423,788	1,152,848	282,260
1993	810,960	1,015,021	413,637	1,173,727	299,808
1994	832,856	988,021	894,400	1,180,477	299,808
1995	838,912	996,813	982,840	1,107,847	273,843
1996	761,735	850,000	878,000	1,084,896	254,860
1997	761,735	895,000	1,034,400	1,136,195	349,828
1998	761,735	955,000	1,080,408	1,144,047	355,828
1999	761,735	954,000	1,124,408	1,150,147	385,000
2000	761,735	950,000	1,271,220	1,188,150	470,000
2001	796,736	950,000	1,162,032	1,237,500	560,500
2002	796,735	945,272	1,233,688	1,314,500	591,060
2003	791,557	894,577	1,150,149	1,325,826	587,217
2004	786,887	893,195	1,171,408	1,327,846	590,233
2005	780,591	889,498	1,184,784	1,326,107	585,233
2006	715,883	864,199	1,189,811	1,296,306	579,552
2007	715,883	826,105	1,112,046	1,296,306	579,563
2008	703,377	861,540	1,183,840	1,271,694	567,468
ARRA	396,000	495,000	1,237,500	0	0
2009	703,576	861,540	1,183,840	1,271,694	639,567
2010	703,576	861,540	1,182,120	1,271,694	639,567
2011	702,169	769,576	1,061,807	1,131,503	607,443
2012	700,842	770,811	1,008,151	1,130,857	606,295
2013	664,184	730,624	955,591	1,071,866	574,667
2014	664,184	766,080	1,001,598	1,125,000	577,700
2015	664,184	766,080	1,001,598	1,125,000	597,700

NOTE: Budget numbers are all in current, non-inflation-adjusted dollars.

SOURCE: Wagner-Peyser Act, WIA Adult, and Dislocated Worker Data include only formula funding and come from USDOL budget documents. WIA and Wagner-Peyser Act supplemental funding from the American Recovery and Reinvestment Act was a one-time increment that was available for two years and was largely expended in second half of 2009 and 2010. Adult Education and Career and Technical Education data come from the Department of Education historical data at <https://www2.ed.gov/about/overview/budget/history/edhistory.pdf> (accessed September 5, 2014) and from the Department of Education Budget Background and Summary for FY 2015 at <http://www2.ed.gov/about/overview/budget/budget15/summary/15summary.pdf> (accessed September 5, 2014).

training needs of some workers to a limited extent, and can do little to support the tens of millions of workers in need of staff-assisted employment and reemployment services.

The Pell Grant program provides financial aid to low-income undergraduate students to ensure access to postsecondary education. The program currently provides nearly \$33 billion in aid to students, helping to make college available to nearly nine million students, providing maximum grants of \$5,730 to full-time students. Most workers served by public workforce programs, however, attend training programs part time or for limited periods, and they are not enrolled in undergraduate degree-granting programs (D'Amico 2006).

Limited Supplemental State Funding

With the end of Recovery Act supplemental funding, the need for state supplementation of federal funding became acute in 2011 and 2012. Yet, despite the shortage of federal funds to serve the flow of unemployed workers to local workforce offices, states generally did not do any supplementation. Of the 45 state workforce agencies responding to the workforce agency survey, 29 (64 percent) provided no supplemental funding, even as overall federal funding declined. In the 16 states that did supplement federal funding, Wagner-Peyser Act programs were by far the most frequently supplemented programs, with 11 states supplementing these programs. Five states supplemented WIA programs.

The source of supplemental funding included state general revenue, Reed Act funds (funds required to be distributed to the states when there is an excess of funds in the Unemployment Trust Fund), UI Penalty and Interest funds, and state special funds. Such funding, however, was limited. In the case of Reed Act funds, few states had any remaining funds from a 2002 \$8 billion Unemployment Trust fund distribution (Wandner 2013).

Continuing High Demand for Public Workforce Services

Demand for public workforce services has increased in recent years because greater numbers of workers have been permanently laid off and find it more difficult and time consuming to find their next jobs. Over the past three decades, worker dislocation has been a significant problem

in the United States. By 1984, the problem had become widely recognized, and the Bureau of Labor Statistics (BLS) responded by initiating a biennial series of special dislocated worker surveys as supplements to the Current Population Survey in order to estimate the magnitude of the problem and to discern any trends in worker dislocation. These surveys have shown that each year during the 1980s approximately two million long-tenured workers were dislocated. While the numbers of dislocated workers increased during periods of recession, they remained high in all years, even those with relatively low unemployment. In the 1980s, worker dislocation was concentrated in the goods-producing sector of the economy, but there also was significant dislocation among workers in the service sector and white-collar workers (Congressional Budget Office 1993).

The nature of worker dislocation has changed since the 1980s, however, and the problem has become more pervasive. In the 1990s, the percentage of worker dislocation among service-sector and white-collar workers increased, narrowing the gap relative to goods-producing industries (Hipple 1999). While the rate of worker dislocation remained higher in manufacturing and construction than other industries, in 2002, the actual number of white-collar dislocated workers (1.194 million) was almost twice the number of dislocated blue-collar workers (0.646 million) and nearly 10 times the number of dislocated workers in service occupations. The number of long-tenured dislocated workers in 2002 was 2.0 million (Helwig 2004).

In the seven fiscal years between 2006 and 2012, the number of unemployed workers collecting a first payment from the UI program has ranged between 7.4 million and 14.4 million. In July 2013, USDOL projected the number to remain steady at over eight million over the next five years (USDOL 2013). At least half of these UI recipients, or approximately four million of them, are likely to be permanently separated from their jobs and likely will benefit from receiving reemployment services. In addition, reemployment services might be needed by workers who do not collect UI, including by reentrants into the labor force.

The total number of dislocated workers has followed a cyclical pattern. Thus, the numbers of dislocated workers grew sharply during the Great Recession. The total number of dislocated workers rose during

the 2007–2009 BLS survey period to 15.4 million, up from 8.5 million during the 2005–2007 period (Bobeley 2011).

For over three decades, the permanent layoff rate has been much greater than the temporary layoff rate. In addition, the permanent layoff rate was, and continues to be, highly cyclical, increasing sharply in recessionary periods. On the other hand, the percentage of workers who were temporarily laid off was once also highly cyclical, spiking upward during recessions. After a period of time many workers were rehired, having collected UI during the business slowdown, but then were brought back as demand began to climb again. That pattern has been largely eliminated. In good times and bad, the temporary layoff rate is now steady and low.

With permanent layoffs becoming more important, more unemployed workers need assistance in returning to work. Studies have shown that dislocated workers experience substantial earnings loss when they return to work (Kletzer 1998). Based on the BLS survey data, it has been estimated that, between 1985 and 1995, dislocated workers experienced wage losses of 13 percent, comparing their wages before and after unemployment (Farber 1997). Losses relating to dislocation also take place with respect to employment: for the 2001–2003 BLS survey, 35 percent of job losers were still not employed at the survey date, and 13 percent of those who had lost full-time jobs were only employed part time (Farber 2005). Dislocated workers also experienced longer durations of unemployment before they returned to work.

The demands on the public workforce system can be expected to remain high in future years, with relatively high levels of unemployment and continuing long durations of unemployment. Since 2002, the total number of Wagner-Peyser Act participants has varied between 13.3 million in 2005 and the Great Recession high of 22.4 million in 2009. For the foreseeable future, absent a major recession, the number of workforce participants in need of staff-assisted services is likely to remain in the range of 15–20 million. Those participants will almost all be permanently separated unemployed workers. Most of them will be in need of staff-assisted services and job search assistance, but as can be seen from Table 6.2, fewer of them are receiving these services. The provision of staff-assisted services has declined from about three-quarters of all participants in the early 2000s to less than two-thirds in recent years. Similarly, job search assistance has declined over the

Table 6.2 Active Job Seekers Participating in Wagner-Peyser Act Programs, in Millions (and Percent), PYs 2002–2012

Program year	Total participants	Received staff-assisted services	Received job search activities	Referred to employment
2002	14.9	11.6 (78%)	8.2 (55%)	5.8 (39%)
2003	15.2	11.4 (75)	8.0 (53)	6.0 (39)
2004	14.2	10.5 (74)	7.2 (51)	5.6 (39)
2005	13.3	10.5 (79)	4.5 (34)	5.4 (41)
2006	14.7	9.4 (64)	4.4 (30)	4.7 (31)
2007	17.8	9.7 (54)	4.8 (27)	4.7 (26)
2008	19.7	11.9 (60)	5.8 (29)	4.8 (24)
2009	22.4	14.2 (63)	7.7 (34)	5.8 (26)
2010	21.8	13.4 (61)	6.2 (28)	5.2 (24)
2011	19.1	12.1 (63)	5.9 (31)	4.8 (25)
2012	18.4	12.0 (65)	6.1 (33)	3.9 (21)

SOURCE: USDOL, Employment Service ETA 9002 reports.

same period from provision to more than half of all participants to less than one-third. A decline in the percentage of participants referred to employment is also apparent, but that decline is, in part, due to higher levels of unemployment and fewer job openings per job seeker during and after the Great Recession. What Table 6.2 does not reveal, however, is that even those who are getting staff-assisted services are getting less help. Instead of receiving one-on-one assistance, they are likely to be searching for work on computers in local workforce office resource rooms, receiving occasional answers to questions that they have asked about using the automated services (Wandner 2012).

Declining Expenditures per Participant

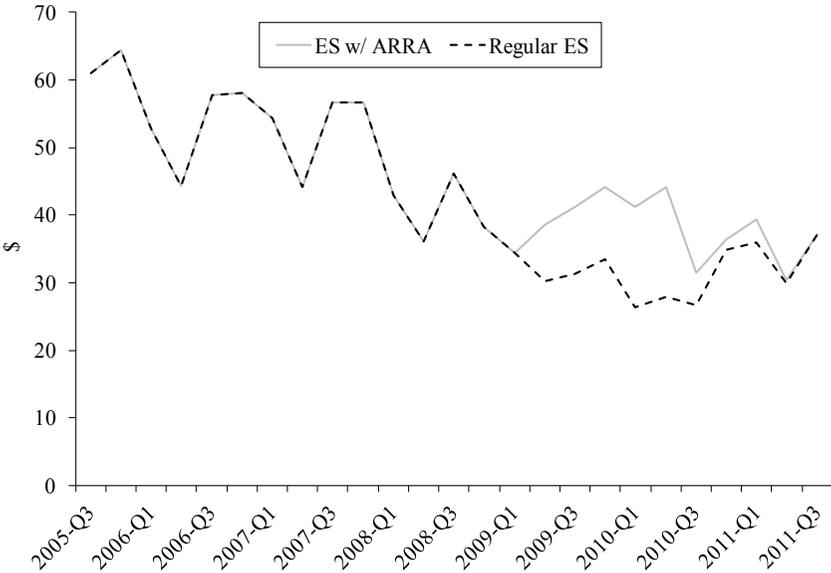
The decline in expenditure per participant in the WIA and Employment Service programs is the net effect of the cuts in funding and the increase in the need for services. The reduction in per participant expenditures has been substantial and occurring for some time, although it was temporarily halted by the availability of the one-time ARRA funding. For example, Employment Service expenditures per participant in current dollars were approximately \$60 in early 2006 but declined to approximately \$35 in early 2009; ARRA supplementation raised ES

expenditures per participant to above \$40, but the expenditures dropped again to close to \$30 by the beginning of 2011 (see Figure 6.1).

As shown in Figure 6.2, a similar reduction in per person expenditures also took place for WIA Dislocated Workers, where expenditures per person had been as high as \$1,700 in early 2006 but fell to approximately \$700 in early 2009. With ARRA funding, WIA Dislocated Worker per participant expenditures increased briefly to above \$800 but declined to approximately \$600 as ARRA funding was exhausted.

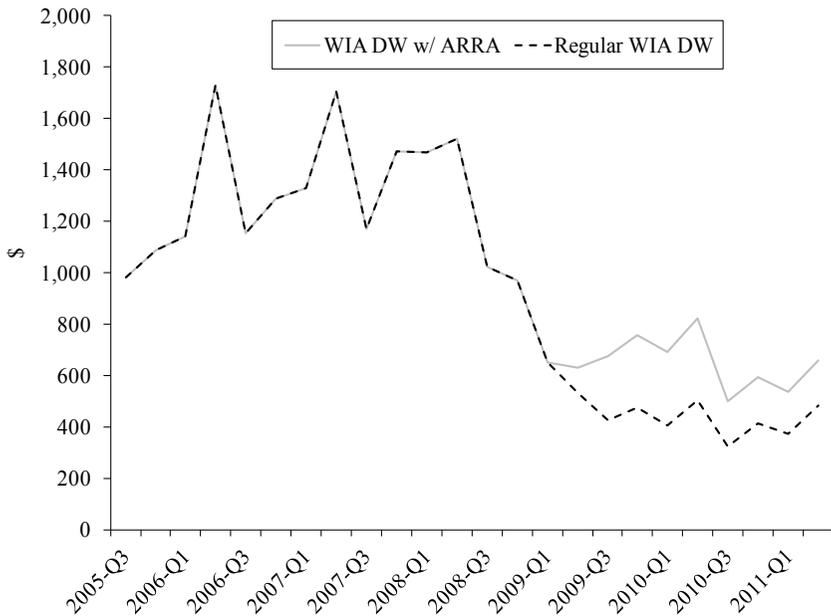
WIA Adults also experienced a sharp decline in per person expenditures from nearly \$1,000 per participant in 2006 to approximately \$350 before ARRA supplementation took effect (see Figure 6.3). The ARRA funding raised expenditures per participant to \$400 in late 2009 but fell to approximately \$325 by the beginning of 2011 (Eberts, Wandner, and Cai 2013).

Figure 6.1 Wagner-Peyser Act Employment Service (ES) Expenditures per Participant, with and without Recovery Act Funding



SOURCE: Eberts, Wandner, and Cai (2013).

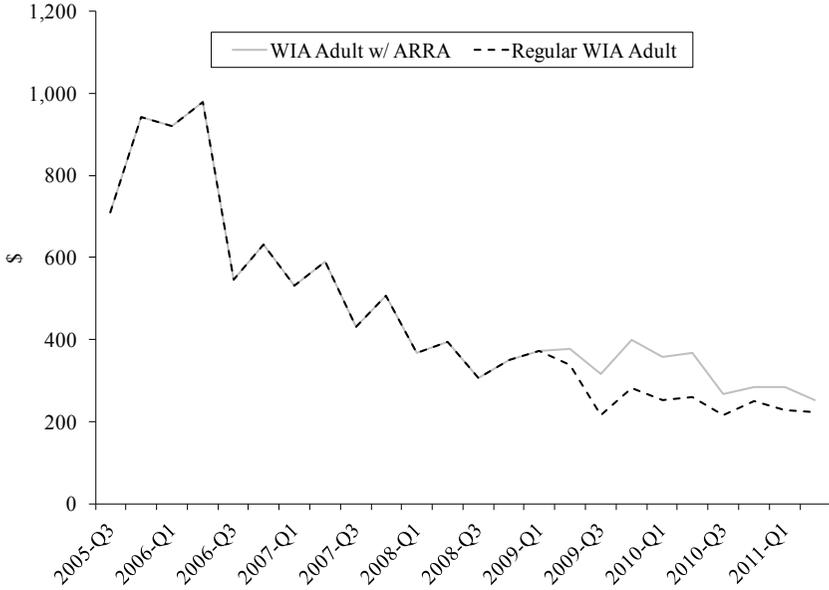
Figure 6.2 WIA Dislocated Worker Expenditure per Participant, with and without Recovery Act Funding



SOURCE: Eberts, Wandner, and Cai (2013).

For each of these three workforce programs, the effect of ARRA funds was limited and of short duration. Annual appropriations and expenditures for the three workforce programs were mostly flat before and after the Recovery Act funding period. For example, FY2009 funding for the three programs amounted to \$3.09 billion compared with FY2011 funding of \$3.00 billion, a reduction of 3 percent. Recovery Act funding provided additional resources for all three programs during a time of increased program participation, which was more than enough to raise expenditures per participant for the first year of Recovery Act funding. However, the Recovery Act funds remaining for the second year were not enough to offset the continued increase in the number of participants in each program, and expenditures per participant fell in the second year of the Recovery Act funding period. Despite increased total funding, the per participant funding for the three workforce programs

Figure 6.3 WIA Adult Expenditure per Participant, with and without Recovery Act Funding



SOURCE: Eberts, Wandner, and Cai (2013).

was lower (in current dollars) by the end of the Recovery Act period than it was before the recession. Recovery Act funds made up a small portion of this difference, but appropriations were not sufficiently long lasting to keep up with the increase in enrollments and allow a return of per participant expenditures to prerecession levels (Wandner and Eberts 2014).

Thus, with the exhaustion of the ARRA funding, state workforce agencies were faced with continuing high workloads for their workforce programs, but without the supplemental funding to serve the continuing increase in demand for services. In contrast, UI funding continued at recessionary levels as Congress repeatedly extended the Emergency Unemployment Compensation program. As a result, state workforce administrators had to decide how to manage their programs with reduced resources.

It is not likely that per participant expenditures will increase significantly in the future; rather, the downward trend will likely continue. The result will be increased pressure to reduce the public workforce infrastructure and employment service costs. There will be fewer LWIBs, fewer local workforce offices, and fewer frontline staff. Job seekers will receive less training and fewer staff-supported services. All remaining services will be highly automated.²

The remainder of this chapter examines how the WIA and Employment Service programs responded and adapted to reduced resources. Much of the information on responses is taken from the survey of workforce program administrators that asked how the administrators responded between July 2010 and June 2012.

RESPONSES OF STATE WORKFORCE AGENCIES TO DECLINING RESOURCES

Twenty years ago, the Clinton administration initiated a One-Stop Career Center initiative with the expectation that the state workforce system and its partners would provide extensive employment and training services throughout the nation. This plan depended on the assumption that federal workforce resources would expand. Federal funding did not increase, however, after the Republicans swept both houses of Congress in 1994, and the expected resources for the One-Stops never materialized.³ In the ensuing 20 years, there has been a long downward trend in federal funding of the public workforce system and, more recently, a sudden sharp decline that occurred following the exhaustion of Recovery Act monies at the end of 2010. As a result, there have been two types of responses:

- 1) infrastructure changes: reductions in the number of LWIBS, the number of local workforce offices, the staffing of the local offices; and
- 2) changes in the nature of services provided to workers and employers.

INFRASTRUCTURE CHANGES

Operating the public workforce system is expensive, with over 500 LWIBs, over 2,500 local offices, and tens of thousands of workers (USDOL 2014; Wandner 2013). States have not been able to maintain the same infrastructure that they had maintained before federal funding was reduced. They have reacted by cutting the costs required to provide services to workers. These cuts consist of reducing administrative costs by reducing the number of LWIBs, reducing the cost of local office operations by reducing the number of local offices, and reducing the number of frontline workers providing services to workers and employers.

Local Workforce Investment Boards: Eliminating or Reducing Numbers

The administrative structure of the WIA program is twofold, consisting of state WIBs and LWIBs. State WIBs set broad workforce policy. They develop state workforce plans and develop and improve state workforce systems. Members of state WIBs include the governor, members of the state legislature, representatives of business and labor, local elected officials, organizations delivering services, and state agency representatives. The governor selects the chair of the state WIB. The state WIB can perform the LWIB function in a single WIB state.

LWIBs are designated by the governor. The LWIBs' functions include developing local workforce plans, selecting One-Stop operators and providers, identifying eligible training providers, developing budgets, and conducting administration and oversight. Its members must include representatives of business, educational institutions, community-based organizations, economic development agencies, and One-Stop partners. LWIBs are expensive to operate. As federal workforce funding declines, states are closing local workforce offices and reducing staff, the quantity of services provided, and the number of LWIBs that oversee the operation of local workforce offices. By late 2013, the number of LWIBs had declined to 565 for an average of only 10 per state. However, states have responded in different ways—most have tried to maintain LWIBs (and local offices) in local communities,

keeping a considerable number of LWIBs in each state. For example, Massachusetts has 16, Illinois has 23, and California has 49. LWIBs are spread throughout these and many other states, and, in those states, the governance of the WIA system is indeed local (USDOL 2014).

Maintaining this local governance structure, however, has become increasingly untenable over time. Increasing numbers of states are substantially reducing the number of LWIBs or eliminating them altogether. Nine states have only a small number of LWIBs—five or fewer: Alabama (2), Hawaii (4), Kansas (5), Maine (4), Mississippi (4), Nebraska (3), Nevada (2), New Mexico (4), and Rhode Island (2). In general, these states have called upon a small number of LWIBs to administer fairly large areas of the states, foregoing local administration in many areas of the states (NAWB 2014).

A number of states have taken yet more drastic action (see Table 6.3). Nine states have given up on local WIA administration altogether and have become “single WIB” states where there are no LWIBs and program administration has been transferred to the state capital where it is conducted by the state WIB: Alaska, Delaware, Idaho, Montana, New Hampshire, North Dakota, South Dakota, Utah, and Wyoming. In these states, statewide administration of the WIA program is similar to that of the two other workforce programs—the Wagner-Peyser Act Employment Service and the Unemployment Insurance programs—giving the governor much greater control over the entire workforce system.

For example, on July 1, 2005, Idaho became a single WIB state. The main reason for this change was the state’s desire to eliminate administrative costs so that it could maintain services to individuals after Idaho’s WIA funding was reduced by 37 percent between 2002 and 2004. At the time, the Bush administration issued WIA planning guidelines requiring states to submit new WIA state plans for the program year starting

Table 6.3 States with Five or Fewer Local Workforce Investment Boards

Number of LWIBS	States and number of LWIBs
Five or fewer	Alabama (2), Hawaii (4), Kansas (5), Maine (4), Mississippi (4), Nebraska (3), Nevada (2), New Mexico (4), Rhode Island (2)
None	Alaska, Delaware, Idaho, Montana, New Hampshire, North Dakota, South Dakota, Utah, Wyoming

on July 1, 2005; reduce administrative costs and overhead; and increase the number of individuals participating in training. In response, then Governor Kempthorne approved a WIA state plan to consolidate the six Idaho LWIBs into a single WIB, after getting a waiver from USDOL to make this change. The state estimated that consolidation allowed Idaho to save \$1 million annually in administrative costs, which could be redirected to operate training services. Idaho estimated that without this change WIA would have served 400 fewer Idahoans. Under the new structure, the percentage of Idaho's WIA budget being spent on direct participant services increased from 36 percent to 50 percent.⁴

The pressure to reduce the number of LWIBs appears to be greatest in states with low population densities, small populations, and small geographic areas. The reduction is highly concentrated in the geographically large, sparsely populated states of the northern Rocky Mountain area. Nonetheless, the pressure to reduce the number of LWIBs is likely to continue and expand to other states if federally provided resources remain stagnant or continue to decline. The ratio of administrative to program costs has been increasing, and there are limits to how great it can get.

Reducing the number of LWIBs or eliminating them completely is also a policy choice that puts more decision-making authority in the hands of governors and other state officials. For example, the current Mississippi workforce system was launched by Governor Haley Barbour's 2004 decision to make workforce system changes that reduced the number of LWIBs from six to four and consolidated the workforce system—WIA and the ES—into a single statewide entity overseen by the Mississippi Department of Employment Security. The major goals of these changes were to reduce costs, increase program efficiency, and increase state control of workforce programs. This consolidation held Mississippi in good stead, allowing a rapid statewide response to Hurricane Katrina in 2005, but it also has been the basis for increasing WIA and ES program integration and the automation of the workforce system in the years since 2004.

The Mississippi WIA program is unusual. It is administered by the state Department of Employment Security. Local job center office managers are ES employees. The ES has been the primary service deliverer for WIA since the program started. Most local WIA contracts for service delivery are with the ES.

The Mississippi Department of Employment Security is the WIA state administrative body, and it exerts strong control over the system; it distributes WIA funds to the LWIBs. The LWIBs contract customer operations to the ES for the majority of local operations (except in northeastern Mississippi). The Department of Employment Security owns and manages the local offices and the equipment in them. While the LWIBs control the WIA funds and programs, they usually contract back to the Department of Employment Security to provide services.

Consolidation has been part of Mississippi's response to the decline in federal funding for WIA and ES programs. Equally as important has been a process to automate Mississippi's workforce and UI programs.⁵

Thus, the historical devolution of control of JTPA and WIA from state to local governments seems to be failing in the public workforce system. The starving of workforce programs has gradually made the local administration of these programs impractical. As time passes, these programs are likely to become increasingly state run, regardless of whether or not Congress reauthorizes a WIA-like program.

An illustration of the anomalies in LWIB policy is that Vermont with a population of over 600,000 has 12 LWIBs, whereas New Hampshire, its neighbor, with a population of 1.3 million, has none. The state WIB in New Hampshire oversees a program that has abandoned local control, whereas Vermont has very strong local control with one LWIB for every 52,000 people.

The number of single WIB states is likely to increase whether or not WIA is reauthorized.⁶ For example, in Iowa in 2014, Senator Jack Hatch made one of the planks in his gubernatorial political platform that he would reduce the number of LWIBs. He argued that the current governor, Terry Branstad, was tied to the past and was not "modernizing" the workforce system to make the Iowa government more efficient and effective.⁷

Closing Local Workforce Offices: Reduced Access

Reducing the number of One-Stops can yield substantial cost savings. As a result, 42 percent of state workforce administrators reported reducing the number of One-Stops in their states in the two years after mid-2010. The number of One-Stops also declined during the mid-2000s, from approximately 3,600 in 2003 and 2004 to below 3,000 by

the end of 2008 (see Table 6.4). The financial pressure on state workforce agencies was eased, however, toward the end of the Great Recession. Spurred by the additional 2009 ARRA funding, the decline in the number of One-Stops was arrested, and the number increased slightly in 2009 and 2010. With ARRA funding largely exhausted by September 2010, however, the decline resumed and reached 2,533 by the end of January 2014. Over 1,000 One-Stops closed between September 2003 and January 2014—a 29 percent decline in the number of One-Stops (see Table 6.4).

Most of the decline in the number of workforce local offices was in the smaller affiliate offices rather than in the larger comprehensive offices. Between December 2003 and January 2014, more than 800 affiliate offices (almost half) closed, while less than 250 comprehensive offices closed.

Under WIA, the comprehensive offices must be staffed by all partner programs, while the affiliate offices may have only one or a small number of partners in the office, most often the ES and at least one other workforce partner. Since affiliate offices are more likely to be located in

Table 6.4 Number of Local Public Workforce Offices in the United States, 2003–2013

Date	Comprehensive One-Stop Career Center	Affiliate One-Stop Career Center	Total
December 29, 2003	1,955	1,627	3,582
December 28, 2004	1,945	1,638	3,583
December 29, 2005	1,900	1,559	3,459
December 29, 2006	1,864	1,401	3,265
December 29, 2007	1,773	1,395	3,168
December 31, 2008	1,801	1,149	2,950
December 31, 2009	1,853	1,133	2,986
September 28, 2010	1,867	1,133	3,000
March 31, 2011	1,854	1,075	2,929
April 30, 2012	1,756	1,034	2,793
January 24, 2013	1,755	962	2,717
January 24, 2014	1,708	825	2,533
February 7, 2015	1,652	823	2,475

SOURCE: USDOL, Career OneStop Web site: www.servicelocator.org (accessed September 5, 2014).

rural areas, the availability of services in these nonurban areas declined substantially, although rural workers have been shown to need workforce services and to have difficulty getting these services at alternative locations. Rural workers generally have long trips to get to distant comprehensive workforce offices and are less likely to access One-Stops remotely than urban workers (Dunham et al. 2005).

Alternative Delivery Systems in Response to Declining Number of One-Stops

State workforce agencies tried to ameliorate the reduced access to local workforce offices by providing alternative methods of receiving workforce services. When workforce administrators were asked what alternative delivery systems they used to offset the decline in the numbers of One-Stops in their states, 80 percent reported that between July 1, 2010, and June 30, 2012, they implemented alternative service delivery approaches. The most frequently cited measure (14 states) was enhancing the capacity and accessibility of virtual services, generally through remote computer access without staff assistance. The other measures in order of the number of state responses were: providing services at libraries and other public facilities; using mobile One-Stop Career Centers; other; and increasing the number of satellite offices. Some of these alternatives, however, such as Internet virtual services, kiosks, and libraries depend on the ability of workers to engage in self-service job searches without trained staff-assisted service support. Others, such as mobile and satellite offices, provide limited and intermittent services. The loss of access to local offices thus has not been offset in all states, and when it has, it generally has been without in-person services or with limited access to in-person services.

To a limited extent, community-based and faith-based organizations can fill the gap created by declining public workforce offices. Operating as “job clubs,” the best and biggest of these organizations can provide a wide range of services. However, even the largest of these organizations frequently meet only once or twice a month and provide evening services working cooperatively with public workforce agencies. Most of these organizations supplement rather than substitute for public workforce agencies with their job matching, assessment, counseling, labor market information, and referral to training services (Trutko et al. 2014).

Other Cost-Cutting Measures

State workforce agencies have used a wide array of methods to reduce costs. Over 70 percent of all responding states reported other types of cost cutting measures. By far the largest number of states (13 responses) reduced staffing, including through attrition, hiring freezes, and staff reassignments. Other methods of cost reduction mentioned by two or more states included travel restrictions (Idaho, Missouri, Washington, Wyoming), reductions in staff training or online training (Massachusetts, North Dakota, New York), increased use of online services and technology (New Jersey, Ohio, Virginia), reductions in overhead and centralizing of administration (Florida, Pennsylvania, Washington) reductions in services or service options (Colorado, North Carolina) and reducing materials for clients or putting them online (Oklahoma, Wyoming).

Reducing Local Office Staff

State workforce programs generally have found that they cannot maintain the staffing structure that they had built when there was more funding, particularly after the loss of temporary ARRA funding by the end of 2010. In the two years after ARRA funding terminated, more than 80 percent of states reported significant staff reductions in each of the major workforce programs, including the WIA Adult, WIA Youth, ES, and Reemployment Services programs.

Of the states that reported staff reductions, there were four staffing strategies described by states to deal with the end of ARRA funding:

- 1) overhiring permanent staff with ARRA funding and then retaining through attrition (Alabama);
- 2) increasing the number of Wagner-Peyser Act and Reemployment Services staff throughout the state by hiring temporary staff into permanent positions that opened because of attrition, eliminating intermittent staff (Indiana);
- 3) voluntary retirement (Massachusetts); and
- 4) attrition of permanent (Virginia) and part-time (New Jersey) staff.

In the future, it will be more difficult to reduce staff if real funding does not increase. State agencies were able to anticipate the end of ARRA funding, and many were able to avoid layoffs. In the future, states will find it more difficult to downsize without layoffs.

CHANGING AND REDUCING SERVICES PROVIDED

There have been two main changes in the provision of workforce services: 1) changing the mix of services from more expensive to cheaper services, e.g., to job search assistance and away from training; and 2) transitioning from staff-assisted to more automated services.

Changing Mix of Services

The trend in providing workforce services is to reduce expensive training services and increase the use of cheaper employment services. The basic reason why so few unemployed workers receive publicly provided training is that the public workforce system has been inadequately funded, with funding declining over the past few decades both in real and in nominal terms. Although supplemental ARRA funding eased the shortfall somewhat, it was not nearly sufficient to fully deal with the need for training services. Another explanation for the decline in training, however, is related to the misperception of what local workforce offices do.

Training Services

The total funding of WIA programs greatly overstates their ability to provide education and training funds to workers because WIA funds must be used to cover other things as well. WIA and Wagner-Peyser Act funds are frequently the sole support of the over 2,500 state workforce offices that provide public labor exchange and other reemployment services, as well as offer training referrals to workers all around the United States. The vast majority of funds from these two streams are used to provide reemployment services and to maintain local workforce offices. Without funding devoted to nontraining services, the state workforce

offices would shut down, and the tens of millions of workers they serve each year would have nowhere to go for help in returning to work. That is part of the reason why, nationally, workforce programs expend only a small portion of their funds on training. A study for USDOL estimated that only between 18 and 27 percent of departmental workforce funds were expended on training in 2002 (Mikelson and Nightingale 2005). Of the \$6.5 billion appropriated to “training programs” in that year, only between \$1.1 and \$1.7 billion was actually expended on training. The small percentage of WIA funding spent on training is not surprising since WIA is a universal access, one-stop program that must serve all workers who walk through the doors of the local workforce offices and for which most workers only need WIA Core and Intensive Services. Providing limited training also is not surprising given that workers participating in local workforce office programs go through a triage process before they are referred to training.

Looking at the public workforce system at the local level, similar results can be seen. One LWIB in Montgomery County, Maryland, is an example. In recent years, 13,000–14,000 individuals looked to the county service provider for help in finding jobs. Montgomery County, like most areas across the nation, faces a severe budget constraint. For example, if it were going to provide training vouchers in the modest amount of, say, \$4,000 to half the individuals coming to their offices, the cost would be at least \$25 million per year. Yet, the county’s actual 2012 annual budget was less than \$3 million, out of which its operating expenses had to be paid. Dividing the annual budget by the number of program participants yields only about \$200 per visitor. Clearly, these local offices cannot afford to provide training to many individuals.

But the problem is much worse, because the Montgomery County workforce offices cannot turn individuals away. They have to serve everyone who walks through their doors. If they provided all individuals with comprehensive in-person job search assistance at a cost of, say, \$300 per person, their cost would be nearly \$4 million without providing any training. The cost of providing training and reemployment services means that most individuals will receive limited services, and many services will be self-service instead of in-person services. Reemployment services require, among other things, staff and telephones for in-person services and computers for self-service.

Montgomery County's planned \$2.827 budget for July 2012 through June 2013 broke out as shown in Table 6.5.

The cost of providing basic employment services to 14,000 individuals consumes the lion's share of the annual budget. The major costs are employee salaries and benefits, as well as contractor costs, most of which are used to provide employment services. Computers and telephone service also are critical to providing reemployment services.

Since the great majority of expenditures are made to provide basic employment services and run the office, training in Montgomery County—and in other local workforce offices around the nation—has to be limited to what funds remain after paying for the basic expenses. Similar to the national average results seen above, available training funds were expected to be less than 20 percent of the total budget. Thus, the preponderant cost of running a local workforce office is providing services other than training, and the image of the WIA system as a pure training system is a myth. The local workforce office training “residual” could be much larger only if the WIA program were not starved for resources, but in reality, workforce funding is likely to decline rather than increase.

Limited funding for training under JTPA and WIA has meant that these programs supply only a small portion of the training received by American workers and a small portion of the funding for the training needed by unemployed workers. Historically, the JTPA and WIA programs have provided only modest amounts of training. In the years 1993–2012, between 142,000 and 291,000 JTPA/WIA Adults and Dislocated Workers received training, representing less than 3 percent of

Table 6.5 Summary of Budget of Montgomery County, Maryland, Workforce Offices, PY 2012 (\$ millions)

Cost category	Planned expenditures
Salaries and benefits	1.870
Contractors	0.223
Training	0.504
Computers	0.030
Telephone	0.026
Other	0.304

SOURCE: Workforce Solutions Group of Montgomery County.

those seeking help in finding jobs from the local workforce offices (see Table 6.6). Once the dislocated worker program was fully implemented in 1996, training for Adults and Dislocated Workers experienced a strong downward trend through 2008. While ARRA funding sharply increased training in 2009 and 2010, the downward trend resumed in 2011 with the exhaustion of ARRA funds. It can be expected that the decline in training participation will continue unless the public workforce budget increases. More likely, since the other costs of operating job centers and providing reemployment services also will continue to

Table 6.6 Number of Adults and Dislocated Workers Receiving Job Training, under JTPA and WIA, PYs 1993–2012

Year	Adults	Dislocated workers	Total
JTPA			
1993	126,100	80,800	206,900
1994	126,500	94,00	220,500
1995	118,400	130,500	248,900
1996	113,400	147,400	260,800
1997	110,800	143,700	254,500
1998	112,200	134,900	247,100
1999	83,100	110,000	193,200
WIA			
2001	75,963	66,192	142,155
2002	107,671	98,540	206,211
2003	102,950	102,415	205,365
2004	109,492	95,113	204,605
2005	105,457	83,699	189,156
2006	109,528	77,160	186,688
2007	109,676	66,662	176,338
2008	98,214	54,953	153,167
2009	129,914	84,969	214,883
2010	160,190	129,908	290,098
2011	133,640	120,452	254,092
2012	115,594	98,683	214,277

NOTE: No WIASRD data book was prepared for PY 2000.

SOURCE: WIA and JTPA program data from WIASRD and SPIR data books, various years. See www.doleta.gov/performance/results/pdf, various years, Tables II-11 and III-12 (accessed September 5, 2014).

increase, training levels will decline whether workforce program budgets remain static or decline. Thus, the current mix of services is unsustainable—cheaper employment services will displace more expensive training costs, and computerized employment services will replace in-person services.

The Department of Education CTE and Adult Education programs can supplement the training of some job seekers, but these programs also are small and cannot satisfy much of the unemployed workers' needs for training. By contrast, private businesses provide the bulk of training in the United States. It has been estimated that 85 percent of establishments with 50 or more employees and 70 percent of all establishments provide training to their employees each year. Estimates of workers receiving training is less exact, ranging between 26 and 65 percent (Lerman, McKernan, and Riegg 2004).

Reemployment Services

A number of experimental evaluations of reemployment services/job search assistance have shown its cost effectiveness, including experiments in the District of Columbia, Minnesota, Nevada, and New Jersey. Job search assistance has been shown to provide dislocated workers with the tools to find work more rapidly, thus reducing the duration of compensated unemployment. Other studies have shown that UI eligibility reviews also reduced the duration of compensated UI without providing job search assistance. While one study using Kentucky data concluded that the “threat” of job search assistance was more important than its provision, the small effect of the offer was found to be due to Kentucky's provision of very small amounts of job search assistance during the period analyzed (Wandner 2010, pp. 164–165). More recently, the Reemployment and Eligibility Assessment (REA) program has been implemented and evaluated. REAs provide both UI eligibility reviews and reemployment services. An experimental evaluation of the REA program demonstrated that both reemployment services and eligibility reviews reduce compensated UI durations (Benus et al. 2008).

Reviews of the use of job search assistance around the world have found it to be the single most effective public workforce intervention (Auer, Efendioglu, and Leschke 2005; Martin and Grubb 2001). Auer

et al. reviewed evaluated programs among all International Labor Organization members around the world, while Martin and Grubb reviewed programs in the industrial nations that belong to the Organization for Economic Cooperation and Development. Both analyses compared the entire range of public workforce services offered by member countries and assessed their relative effectiveness.

The positive net benefits of a New Jersey experiment were particularly influential in the enactment of the Worker Profiling and Reemployment Services (WPRS) initiative in 1993, which required states to develop a targeting mechanism (“worker profiling”) that identified dislocated workers most likely to exhaust their entitlement to UI benefits. These workers were to be provided with job search assistance (“reemployment services”) to the extent that states were able to fund these services. When enacted, the program was an unfunded mandate since Congress did not appropriate any funds for reemployment services. Between 2001 and 2006, however, Congress provided limited funding as Reemployment Service Grants. Much greater funding (\$250 million) was provided as Reemployment Services Grants by the ARRA in 2009, but these funds were exhausted by the end of 2010 (Eberts, Bartik, and Kline 2013).

Since the Great Recession, the WPRS system has continued to provide job search assistance services to dislocated workers in the form of orientations, assessments, counseling, placement services, job search workshops and referrals to training. The quantity of these services has declined sharply since 2010, with the loss of ARRA funds. Table 6.7 shows the decline in the WPRS system in the three years since 2010. The percentage of unemployed workers receiving UI benefits profiled and referred to services also has declined. Once referred workers report to receive services, there are few services to provide to them. This is true of all reemployment services, but it is particularly true of referrals to training. With limited training slots, WIA staff members have asked that fewer workers be referred (Wandner 2013).

Although WPRS has declined in the three years after 2010, it shows that as a system it can adapt to declining public workforce resources, serving fewer unemployed workers, but at the same time identifying those most likely to become long-term unemployed (and benefit from services) and referring those workers to reemployment services.

Table 6.7 Worker Profiling and Reemployment Services and Unemployment Insurance First Payment Data, 1994–2013

Year	First pays	Profiled	Referral	Reported	Orientation	Assessment	Counseling	Placement	Job search workshops	Training
1994	7,959,281	122,065	23,087	17,184	14,126	9,876	5,883	5,671	11,042	4,492
1995	8,035,229	4,061,731	456,533	453,005	283,508	246,655	140,301	267,281	213,512	74,292
1996	7,995,135	7,208,694	821,442	1,036,806	512,045	507,824	214,528	613,544	338,508	166,456
1997	7,325,093	6,985,048	745,870	990,041	474,891	455,914	194,818	630,760	336,959	160,741
1998	7,341,903	6,982,571	783,779	1,033,482	477,913	416,027	191,315	676,284	296,681	156,462
1999	6,967,840	6,483,514	803,401	990,737	447,032	403,195	198,571	668,496	253,451	141,398
2000	7,035,783	6,475,605	977,440	1,229,352	557,250	471,712	146,917	645,170	342,856	113,879
2001	9,868,193	8,952,312	1,154,743	1,499,364	666,610	531,020	129,136	506,172	452,439	120,093
2002	10,092,569	9,178,024	1,220,466	986,719	619,917	462,643	125,103	376,757	369,756	76,448
2003	9,935,108	8,238,485	1,147,448	919,450	595,564	423,977	114,142	378,180	400,245	70,295
2004	8,368,623	7,037,337	1,106,776	880,263	602,833	343,903	93,215	378,181	379,735	73,508
2005	7,917,301	6,441,561	1,128,710	845,789	607,905	350,443	109,697	376,342	355,843	77,915
2006	7,350,734	6,340,253	1,170,126	856,587	627,668	406,158	134,837	405,558	369,564	92,200
2007	7,652,634	6,586,553	1,230,093	911,055	644,797	425,711	149,101	437,744	390,454	100,780
2008	10,059,554	8,516,931	1,268,037	937,580	667,340	480,929	143,097	404,234	385,151	124,306
2009	14,172,822	12,252,030	1,906,088	1,400,553	1,075,837	658,200	214,673	537,908	557,746	199,230
2010	10,726,566	9,385,195	2,071,260	1,855,394	1,269,088	1,020,482	340,281	690,437	664,020	210,746
2011	9,474,531	9,276,794	1,834,026	1,848,467	1,118,276	757,079	302,995	871,116	576,356	157,767
2012	8,656,495	7,272,231	1,686,510	1,338,512	939,873	705,622	279,126	595,334	529,981	160,942
2013	7,879,212	5,525,609	1,252,607	945,306	657,377	521,184	203,353	459,570	399,456	71,425

SOURCES: USDOL ETA 5159 and ETA 9048 reports.

Fewer In-Person Services: Movement to Self-Service and Automated Services

Workforce administrators said that they adapted to the end of ARRA funding by increasing self-service and reducing in-person services. This trend is likely to continue in a workforce world of static or declining resources. Part of the system response consists of making use of alternative delivery systems and other cost-cutting measures, including introducing travel restrictions, reducing staff training or using online training, increasing the use of online services and technology, reducing overhead and support, centralizing administration, reducing services or service options; and reducing material for clients or putting them online.

An overwhelming majority of states (82 percent) reported increasing the automation of program administration and program services. Of these states, many reported that automation enabled them to serve more customers (70 percent) as well as improve quality for some customers (60 percent). But 30 percent reported that automation diluted service quality for some or all customers. Forty-three percent reported that automation reduced costs, and a quarter reported that it reduced the number of required staff. Many states (60 percent) reported resulting changes at the local or state level in the administration of workforce programs due to automation.

Automation of program services included UI claims takings, online UI Eligibility Reviews, job search and job matching (including providing information about job openings and job orders, career assessments, Reemployment Services orientation, providing labor market information, and operating virtual job fairs).

Automation of programs administration included staff training, program and financial reporting, case management, approved training provider processing and listing, and Individual Training Account invoicing. States reported that the most significant impacts of automation were enabling them to provide services to more customers (26 states) and to improve the quality of services (22 states).

Clearly, automation was implemented to reduce costs and to reduce staff with the hope that more customers could be served without degrading service quality to customers. Several states (Georgia, Hawaii, Maryland, South Dakota, Tennessee) pointed out that the move

to automated self-service affects customers in different ways: technically savvy and more educated customers can do well with self-service, while other customers suffer a decline in the quality of services they receive, with some customers feeling alienated by the reduction in staff services. The less technically savvy and less educated workers tend to be older, minorities, and concentrated in rural areas and urban centers. Urban workers are likely to have greater skills and access to computers than rural workers (Dunham et al. 2005). Minorities are likely to have fewer skills and less access to computers.

The decline in in-person services has an adverse effect on the Unemployment Trust Fund that pays for unemployment benefits. Intense in-person job search assistance has been shown to speed the return to work of UI recipients. If reemployment services are not provided, workers stay on UI longer and the Unemployment Trust Fund is adversely affected.

Impact on the Quality of Customer Experience

Administrators were asked how the reduction in the number of local offices and other cost reduction measures affected the quality of the customer experience with workforce programs. Very few of the 45 responses indicate that cost reduction measures improved customer experiences. For the remainder, there was a split in responses between customer experience being either diminished or not significantly impacted. Examining the individual written descriptions of the impact on the customer experience, there is little to suggest any improvement for customers. One-on-one services were generally replaced with computer-delivered or group services. Intensive and training services generally diminished, and there were long waits until the local office staff members that remained were available to provide services. Exceptions were improved services from the opening of two new local offices in the District of Columbia and enhanced Reemployment Services activity in South Carolina. It is not likely an accident that these two jurisdictions were among the minority of states that were able to supplement funding for services.

LOOKING TO THE FUTURE

Impact on Workers and Employers

The anticipated future impact of declining funding for the public workforce system is generally negative. Job seekers and employers will receive less one-on-one assistance in finding jobs and finding workers to fill job openings. Because the remaining employment services will be highly automated, the effect of the change in service delivery will be uneven. The effect on the computer savvy—educated, younger, and prime-age workers—will be limited. These workers make greater use of automated methods in their daily lives and will have a greater ability to use automated, self-service tools.

On the other hand, less educated and older workers will have greater problems using automated tools. If they cannot receive in-person assistance, they may fall through the cracks, unable to make use of the complex job search tools that have become widespread.

All workers will find that there is a decline in the availability of WIA-funded training. The limited funding available for training will continue to be in short supply. Workers trying to build their job skills will have to find other sources of funding for training or do without training.

Job seekers will find that they have less access to the public workforce system. There will be fewer local workforce offices. Comprehensive offices will be maintained in major metropolitan areas, but the number of offices will continue to decline in small towns and rural areas, where the remaining access is concentrated in the smaller affiliated workforce offices. The decline in offices in rural areas and small towns will leave fewer alternatives for job seekers with less access to Internet services, particularly if distances to remaining local offices are great.

Changes Made by State Agencies

State workforce administrators have made changes in the operations of the public workforce system over the past two decades as public workforce funding declined. Between July 2010 and June 2012, the

funding decline continued. Twenty-seven states said that they had made major changes at the state or local level in the administration of their workforce programs, such as merging or reengineering business processes. Eighteen said no such changes had been made. Of the current or recent changes in program administration, the greatest number of changes described by 14 states were reorganizations, reassignments, mergers, and consolidations (Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Maryland, Massachusetts, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Wyoming), while Arizona merged WIBs and Ohio consolidated local services. Mergers with commerce or economic development agencies occurred in four states (Florida, North Carolina, Oklahoma, and South Carolina); business reengineering occurred in seven (Colorado, Massachusetts, Minnesota, Missouri, Nevada, Texas, and Washington).

Looking to future potential changes, 20 state administrators indicated that they were considering program and administrative changes. These changes included consolidating WIBs to make single statewide WIBs, and changes, streamlining, and consolidation to deal with current and possible future funding reductions.

CONCLUSION

There is no reason to expect increased public workforce funding in the short run. If funds remain constant or decline further, the quantity of services provided must decline as the cost of services increase. Thus, unless there is a major policy change, the workforce system is likely to continue in the direction that it has been heading. The result will be continuing declines in funding per participant. Despite the end of the Great Recession in 2009, the need for public workforce services will continue to remain high. Unemployment is higher than after recent recessions, workers are generally permanently displaced, and they tend to remain unemployed for longer periods of time.

State workforce agencies have experienced a decline in funding after the Great Recession. Most states did not supplement federal funding, and even those states that did only replaced part of the lost funding.

The majority of state supplementary funding went to Wagner-Peyser Act employment services.

Funding declines resulted in a wide variety of reductions in workforce programs. Further, the mix of program services changed sharply, and less intensive services replaced more intensive services, with training and intensive services declining substantially. States, however, tried to maintain core, employment, and reemployment services.

In addition, the great majority of states reduced staffing levels. Most states reduced one-on-one staff-assisted services, replacing them with automated services as well as with group services.

State workforce agencies are likely to respond by continuing to reduce the number of LWIBs and local workforce offices. These offices will be staffed by few frontline workers. In response to the decline in staffing, workers and employers will receive fewer in-person services. Job seekers and employers will face more automated services. As workers of all ages become more proficient in using computers, more automated services will be accessed remotely from home computers or satellite offices (e.g., libraries). Finally, more low-cost employment services will be provided by the public workforce system instead of training. Remaining workforce training will increasingly be low-cost and provided remotely.

As public workforce resources have declined, so has the quantity of in-person reemployment services. Similarly, training has been limited. But these reemployment services have been carefully targeted, other than those limited resources made available through the WPRS system.

At least eight things can be done to help the public workforce system cope with the decline in program resources:

- 1) While limited, the public workforce services can be improved with better targeting to serve those workers most in need of reemployment services and by providing them with the kinds of services that will help them the most. One approach is expanded use of WPRS for dislocated workers. Targeting services also can be done more broadly for all workers in need of job seeking and training services. This type of targeting can be conducted in local workforce offices as demonstrated in Georgia with its use of a Frontline Decision Support System. Similar systems can be developed for national programs such as the Job Corps (Eberts, O'Leary, and Wandner 2002).

- 2) Targeting is particularly important for training services, since they are by far the most expensive services that workers receive. Research has shown that there are a small number of high earnings/high-return training options that benefit workers and are cost effective for the public workforce system. This training is concentrated in the sciences, math, health services, engineering, as well as in specialized blue-collar fields such as auto mechanics (Jacobson, LaLonde, and Sullivan 2002). To gain reasonable rates of return on training, the national- and state-level public workforce systems need to more carefully evaluate demand occupations, and training should be restricted to high-wage/high-return occupations.
- 3) There is a lack of balance between the funding of administrative services and the funding for employment services. Administrative costs have remained high while funding for services has declined. In response, administrative costs have been reduced somewhat in recent years by decreasing both the number of local offices providing services and the number of LWIBs, but most of the cost savings have come from closing local offices. While cost savings make more room to provide services, the decline in the number of local offices makes it more difficult for workers and employers to receive services, especially in less densely populated areas. In the future, the public workforce programs can better serve workers and employers if emphasis is placed on decreasing the number of LWIBs rather than decreasing local workforce offices.
- 4) The private sector is likely to assume a greater share of the burden of providing workforce services, expanding current practices that substitute private for public workforce services for both employers and workers. Large employers currently are improving their search for workers to fill job openings. One example is the development of the National Labor Exchange, operated by the National Association of Workforce Agencies and DirectEmployers, an employer association that helps its large-employer members find workers to fill job openings using data from participating employers and from the state workforce job banks. Skilled workers can make use of headhunters. However, smaller

employers and lower-wage workers are less able to make use of private workforce services. In the future, low-wage job seekers and small employers are likely to have difficulty finding alternative private methods to compensate for the decline in public workforce services as they search for work and search for employees, respectively.

- 5) Local workforce offices already are making use of alternative sources of funding beyond formula-funded grants. Among the nontraditional sources of funding are USDOL competitive grants, as the department commits a substantial funding to non-formula-funded activities. (However, only a small number of LWIBs receive competitive grants, so there will be more losers than winners.) Local offices also can compete to find funding from non-USDOL sources. Examples are providing employment services to nonemployment public organizations, such as prisons and jails, and contractually screening potential new employees for the private firms.
- 6) The public workforce system also can be made more effective by improving system performance measures. Unadjusted measures of performance do not measure the system's "value added." Rather, unadjusted measures give credit to or punish state and local workforce agencies for issues outside their control, including labor market conditions in the areas in which they provide services and the relative difficulty of serving certain demographic groups. There should be greater use of regression-adjusted performance measures that account for these labor market conditions and the demographics of the populations served (Eberts, Bartik, and Kline 2009). The rewards for state performance similarly should be regression adjusted since unadjusted measures have been shown not to reflect value-added measures of performance (Wandner and Wiseman 2011).
- 7) Some use of this approach has been implemented in the past, but a boost has come from the Workforce Innovation and Opportunity Act of 2014. Section 116 of the bill would require regression adjustment of state performance measures. This approach should improve the outcomes of the WIA programs if properly implemented. The approach also could be extended to the local level

to assess the performance of LWIBs as they provide workforce services to workers who vary with respect to their demographics and to adjust for differences in economic conditions among LWIBs in a state.

- 8) The public workforce system should continue to be rigorously evaluated, especially using experimental methods. While the Congress and state legislatures do not always respond positively to rigorous program evaluations, such evaluations have helped to initiate new programs and saved well-performing programs from the chopping block.

Notes

1. The number of American Job Centers in the United States is available daily from the U.S. Department of Labor's Service Locator at the CareerOneStop Web site. The number of American Job Centers declined from 3,582 on December 29, 2003, to 2,694 on August 11, 2013 (Wandner 2013, p. 8). On May 28, 2014, the Service Locator indicated that there were 2,513 American Job Centers in the United States.
2. Of the 45 state workforce administrators responding to a 2012 survey, 26 indicated that automation allowed them to serve more customers. Twenty-two responded that automation improved service to some or all customers, while 11 responded that automation diluted quality for some or all customers (Wandner 2013).
3. Author interview with Lawrence Katz, August 14, 2007.
4. E-mail to David Balducchi from Rogelio (Roy) Valdez, deputy director, Field Services and Workforce Division, Idaho Department of Labor, January 31, 2014.
5. Author interview with Dale Smith, executive director, chief operating officer, Mississippi Department of Employment Security, February 11, 2014.
6. However, the Workforce Innovation and Opportunity Act would fix local workforce areas for two years after enactment.
7. E-mail from Jack Hatch to David Balducchi (March 7, 2014) in response to March 7 e-mail from Balducchi to Hatch presenting the WIA single WIB analysis from this chapter.

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