

WORKFORCE **NARRATIVE PROJECT**

Wanted!

A Narrative for Investing in Workforce Development

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The rationale for investing workforce development is no longer evident. Paul Osterman forcefully makes this point in a 2005 paper on strengthening the federal employment and training system when he states, “What is missing in the discussion is a broader vision and a compelling mission for the system. In the past, the Employment and Training system for all of its weaknesses was connected in the public mind to important national concerns. That is not true today.”¹

The absence of a clear narrative to both justify and guide federal, state and local, and philanthropic investments potentially contributes to a very unstable environment for employment and training policy within the United States. The environment at the federal level is illustrative of the issue. Recent years have resulted in some disquieting changes in the federal system.

First, there has been a continuous assault on federal funding. The AFL-CIO reports that the FY 2007 proposed budget will cut inflation-adjusted investment in training and assistance programs to help unemployed and underemployed workers by 31.3% (\$2.4 billion) since 2001. This includes cuts in WIA programs for adults and dislocated workers and youth as well as cuts in the Employment Service.² Even praiseworthy efforts to focus on new strategies such as the community college initiative are subject to concern since they were financed from cuts from other programs. Also of note are recent proposals to drastically cut the federal Adult Education program, despite the fact that 25 million U.S. adults do not have a high school degree or its equivalency.

Second, there is concern about the focus of federal employment and training policy, particularly as it applies to addressing the needs of low-skilled workers. Many understandably applauded the idea in the 1998 Workforce Investment Act that the program should have a dual customer focus to address the needs of both workers and employers. How that approach plays out in today’s economic environment is somewhat unclear.

On the one hand, the U.S. Department of Labor has moved to better connect workforce development and economic development through efforts such as the WIRED and High Growth Training initiatives. Similarly, the Department has given visibility to business’s call for the need for more scientists, technologists, engineers and mathematicians (so-called STEM workers) to help address global competitiveness issues at both the national and regional level. On the other hand, this new focus has raised questions about the

1 Paul Osterman, “Employment and Training Policies: New Directions for Less Skilled Adults”, MIT Sloan School, October 2005, p. 35.

2 <http://www.aflcio.org/issues/bushwatch/2007budget.cfm>

historical commitment to addressing the needs of low-skilled workers and the chronically unemployed. This concern is exacerbated through seemingly minor administrative policy changes such as the alteration of the WIA performance measurement on adult earnings. This change eliminated the requirement to measure post-WIA service earnings against pre-WIA service earnings, which required WIA services to generate a significant gain in earnings for participants (approximately \$6,000 annualized). The new earnings measure now only looks at post-service average earnings. This change opens the door to serve more mid-level, incumbent workers rather than workers with low or even no income. Local programs will no longer be accountable for increasing worker earnings and instead will be judged solely on the average earnings of a worker.³

The above issues are raised within the fairly narrow confines of the programs and policies of the U.S. Department of Labor's Employment and Training Administration. The breadth of employment and training is potentially much larger if one considers investments under such programs as Pell grants, vocational rehabilitation, Food Stamp employment and training, welfare-to-work⁴, adult education, training for ex-offenders, etc. Congress, through the General Accounting Office, has produced numerous studies calling for some integration and consolidation of these and other disparate employment and training programs. To date little has been done and these programs potentially are part of the unstated rationale for federal investment. The resources supporting these programs are not inconsequential, particularly when considered in relation to the modest \$5 to \$7 billion dollars available under the Department of Labor for employment and training activities.⁵ No one would argue that altogether these resources are sufficient given the labor market challenges at hand although some would say that the questioned effectiveness of employment and training programs justifies recent cuts in resources and raises important questions about the return on investment.

Similar concerns exist relative workforce development funding at the state and local level. The push within states to link workforce and economic development has led to the desire to meet the needs of dual customers, workers and businesses. These efforts, however, sometimes are not firmly embedded with clearly articulated goals and missions, thus raising questions as to their purpose and value. Similarly, a number of states have given attention through high-level gubernatorial commissions of the need to generate more college graduates. In Michigan, for example, the Cherry Commission called for doubling the number of citizens with postsecondary degrees and credentials over the next ten years. A similar call in Ohio led to the formation of the Ohio Business Alliance for Higher Education and the Economy. The primary focus of the Alliance is increasing the number of STEM graduates in Ohio.

³ It can be argued that the prior earnings change performance measure encouraged anti-creaming as it is easier to achieve a substantial earnings increase with an adult worker with no prior wages rather than one with prior wages.

⁴ Recent changes in TANF regulations represent another example where federal actions raise concerns about the commitment to training as the regulations place new limits on educational and training activities.

⁵ The amount of resources committed to workforce development depends on what is counted. The \$5-7 billion identified under DOL encompasses such key programs as WIA, Wagner-Peyser, Trade Adjust Assistance and Job Corp. Factoring in the unemployment insurance infrastructure, claims and other programs could escalate DOL's investment to approximately \$10 billion annually.

To be sure, the fast changing technological and global economic environment begs for an answer to the question: *Is the U.S. committed, focused and well prepared to address the labor market challenges of today and tomorrow?* This in turn raises a set of additional questions: *What are the specific challenges, does government have a responsibility to address any or all of these challenges, and if it does, what are the best ways to do so?*

A 2003 report by the National Center on Education and the Economy looked at the issue of a national policy on workforce education and training. The report concluded that “we need to consider the context of the broader system of education and training for the entire workforce. We need to think about how the current programs, as they exist right now and as they might be reformed, should ideally interact with other workforce education and training and adult education resources to create a dynamic system that is responsive to employer needs, seamless to individuals in need of skills and credentials for employment, ripe with high quality and flexible learning opportunities, and affordable to both employers and workers.”⁶ The report outlined a number of challenges underlying its call for action and summarized them in stating that “never before has ‘investment in human capital’ been as critical to employers, to workers and to the economy as a whole as it is right now.”⁷

The reality, however, is that there are many different view points on whether and how to invest public resources to develop human capital. The complexities of the U.S.’s dynamic and increasingly global economy make it somewhat difficult to gain consensus on key labor market challenges and translate those challenges into the “important national concern” that Osterman calls for. Consider the following:

- Is the US headed toward a labor market imbalance that is reflected in a shortage or surplus? Though many write of the impending shortage due primarily to demographics, others point to the growing availability of qualified and inexpensive human resources globally, thus suggesting that U.S. firms will face no shortages as they access and utilize labor from abroad.⁸ The U.S. labor market policy consequences are potentially quite different for the two different situations. A shortage should generate efforts to educate and train every potential worker while a surplus situation should necessitate a significant focus on the needs of displaced workers.

- Will the U.S. maintain its lead position as the world’s most productive and competitive economy in the new global economy? One only needs to read so many stories and hear so many speeches about the number of graduating engineers and scientists in China and India to become concerned about the U.S.’s ability to sustain the growth and availability of high-skilled and high-wage jobs in this country. This leads some to suggest that we must refocus U.S. education and training policies to generate more high-skilled workers such as the call for focusing on STEM programs. This contrasts sharply with the

6 National Center on Education and the Economy, “Toward A National Workforce Education and Training Policy”, Washington, D.C. June 2003, p. 7.

7 Ibid., p. 1.

8 Richard B. Freeman, “Labor Market Imbalances: Shortages, or Surpluses, or Fish Stories”, Harvard University, June 2006.

historical perspective that the current federal workforce development system is primarily a “second chance system” for those who did not succeed in traditional schooling and have not moved into occupations where employers are willing to invest in further education and training.⁹ Can workforce policy effectively address both needs, particularly with the current level of resources?

- How can the U.S. best address the growing inequality of family income and the decline in wages for many workers? Recent Census data confirmed the continuing growing gap in family income between the top earners in America and those in the lower quintiles. Even Alan Greenspan while Chair of the Federal Reserve acknowledged this as a problem by noting that the increasing concentration of incomes in this country was not desirable. To what extent education and training can address this situation is a debated issue with many arguing it is the primary tool to increase incomes¹⁰ and others suggesting it has a much lesser role than promised. Complicating this situation is the continuing decline of good paying jobs for the non-college educated and continued growth of low-wage jobs, raising an overall question of whether there would be sufficient jobs to accommodate an increase in higher educated and trained workers.¹¹ Thus, what should be the priority when considering the issues of family income, worker’s earnings and jobs?

The above issues are buttressed by other perspectives that focus on the value of education and training for distressed communities, regional economies, and specific populations such as workers dislocated by trade, low-skilled adults and their children, or ex-offenders. Many committed to a strong workforce development system would argue that all of these challenges are important and should be addressed with a significant commitment of public resources. This would be followed by the admonition that the real discussion should be around the most effective approaches and means for addressing the problems (e.g., sectors, intermediaries, career pathways, etc.).

Unfortunately, today’s discussions do tend to focus more on the possibility of new approaches and means without a strong foundation or narrative underlying the proposed actions. The current political reality suggests that in the absence of a strong foundation or narrative as to why action is required, suggestions for new or more effective approaches gain little attention. Even more striking is the reality that the current level of resources will continue to be in jeopardy.

To address this situation, the Annie E. Casey Foundation is undertaking a modest initiative to examine the rationale for investing in workforce development policies and programs. The goal of this effort is to identify a salient set of ideas that provide a convincing narrative for investing in workforce development.

9 Tim Bartik and Kevin Hollenbeck, “The Role of Public Policy in Skills Development of Black Workers in the 21st Century, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI. August 2000.

10 See the works of Anthony Carnevale; for example, BusinessWeek July 17, 2006 “Hitting the Books Still Pays Off”.

11 Jared Bernstein, “The 21st Century Workplace: Preparing for Tomorrow’s Employment Trends Today”, Economic Policy Institute, May 2005.

The project will be organized around two primary tasks: 1) Commission national experts to produce 6 brief papers (5-10 pages) on differing rationales and narratives for investing in workforce development; and 2) Convene the authors and other experts to examine the ideas and potentially reach a consensus on a rationale and narrative. The work will commence in December 2006 and conclude with a one-day session in spring 2007.

This set of activities may set the stage for additional work to further develop the idea and to help it gain credibility within the broader workforce development community. Such efforts are dependent upon the outcome of this initial work.