

Workforce Development and the Disadvantaged

New Directions for 2009 and Beyond

Harry J. Holzer

The Workforce Investment Act (WIA) was passed by Congress and signed into law by President Clinton in 1998, replacing the Job Training Partnership Act (JTPA). It remains the primary vehicle through which the U.S. Department of Labor funds a range of labor-market services, including job training, for workers. The services provided include some that are universally available, while others are more targeted to particular groups, including the disadvantaged. The legislation formally expired in 2003 and has not been reauthorized since then, but it continues to operate (albeit at reduced levels of funding almost every year).

With a new administration and Congress due in place at the beginning of 2009, this year is a critical time to rethink the nature and extent of services funded under WIA, and especially how they serve disadvantaged workers—both adults and youth.¹ What are the primary limitations of the current approach? Are funding levels adequate for the required goals of the system? How might the many other federal, state, and local sources of funding for workforce development be used more effectively? In a tight budgetary environment, what can be realistically expected?

This brief addresses these questions. It begins with a brief overview of the need for a public workforce system, followed by some discussion of how well WIA meets these needs. Then it outlines what a new system might look like, and what changes in WIA are needed to get there.

Rationale and Goals for a Public Workforce Development System

Most provision and financing of job training in the United States occur in the private sector. Private employers' estimated direct expenditures alone on employee training are \$100 billion a year or more, easily dwarfing whatever additional public funds are expended in this area (Lerman, McKernan, and Riegg 2001). Private individuals invest many billions more in college education, at least some of which can be viewed as occupational.²

If so much of training is privately chosen and financed, then what role should the public sector play? There are two rationales for public financing of education and training: (1) On its own, the private market might cause underinvestment, by both workers and firms, due to various market failures that impede labor market *efficiency*; and (2) Disadvantaged youth and adults might have less access to education and training, thus reducing *equity*.³

The U.S. labor market clearly requires and rewards higher levels of education and skills among workers than it did in the past. As employer “demand” for skills has risen, and as the premium paid for those with these skills have risen as well, the “supply” of worker skills has risen, with both workers and employers investing more resources in education and training. Postsecondary enrollment at both two-year and four-year institutions has increased in the past few decades, as has employer support for train-

ing. But these increases over time have clearly been insufficient to keep pace with growing labor market demand, as suggested by the persistence and continued growth in pay gaps between more- and less-educated workers (Goldin and Katz 2008).

The notion that too little private education and training occurs for some occupations and in certain labor-market sectors might also be observed in the perpetual job-market tightness of those sectors and the apparent difficulties that employers have finding skilled or semiskilled workers in certain sectors. In recent years, these difficulties have been observed not only in science/engineering or information technology (IT), but also in health and elder care, construction, and certain parts of skilled manufacturing. While various labor-market adjustments should occur with time to eliminate “shortages” of skilled workers in these sectors, the tendency of very tight markets to persist or recur over time suggests that these adjustments occur sluggishly and incompletely in many cases.⁴

The pending retirements of millions of baby boomers might generate even tighter labor markets in many sectors, and not only in jobs requiring higher education (i.e., bachelor’s degrees or higher) but also those requiring “middle skills”—that is, some postsecondary education or training but less than a four-year college degree (Holzer and Lerman 2007).⁵ Indeed, many states now see workforce development as critical to their *economic development* efforts, in that key industries will only locate and grow there when they are confident that both kinds of skilled labor will be readily available to them when needed.

Of course, disadvantaged workers get too little education and training in general. While poor basic skills might account for some of the lack of higher education and training among these workers (Carneiro and Heckman 2003), it also appears that high tuition costs and a lack of liquid savings contribute to this problem (Bowen, Kurzweil, and Tobin 2004). A substantial skewing of on-the-job training in the United States (relative to other countries) to highly educated employees in professional and managerial jobs has been demonstrated as well (Lynch 1994), as employers seem reluctant to invest in those with weaker general skills and credentials.

Disadvantaged workers’ lack of access to employers that provide on-the-job training and promotion opportunities—due to discrimination, inadequate transportation, and a lack of informal contacts and effective networks—likely compounds their difficulties in gaining adequate skills as well as the kinds of “good jobs” that offer higher pay and advancement opportunities (Andersson, Holzer, and Lane 2003). And, even when these jobs are obtained, weak job retention and high turnover often result from low wages and other problems (like poor health or inadequate child care and transportation) that cause instability in the lives of poor workers. Indeed, this expected instability gives employers one more reason not to invest in training the disadvantaged where and when they are hired.

Of course, the preceding discussion clearly indicates that the lines between “education” and “job training” have increasingly blurred over time. A fair amount of “occupational training” occurs in public high schools—not only through career and technical education departments but also in various newer formats, like career academies and “tech-prep” programs.⁶ Increasingly, occupational training for both youth and adults, especially the disadvantaged, occurs in public community and technical colleges around the country as well as private proprietary schools (Bailey and Morest 2006; Carnevale and Desrochers 2001). Programs serving the disadvantaged in these areas now include Pell grants and others provided through the U.S. Department of Education rather than the Department of Labor.

But many kinds of education and training—including various forms of adult basic education or occupational training (e.g., in the construction crafts)—are often not provided at community colleges. And many other labor-market problems limit the ability of workers to gain both the kinds of training and the jobs needed for them to succeed and for the labor market to operate efficiently, as noted above.

Therefore, an effective public workforce system is still needed to address both the inefficiencies and inequities that occur in the private sector. A public system of “labor exchange” (Balducci, Eberts, and O’Leary 2004), along with various private forms of job placement assistance (including temporary agencies),

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should augment available information and facilitate the ability of workers, especially the disadvantaged, to find training as well as jobs. Access to publicly available financial supports for low-income workers, like the earned income tax credit (EITC) and child care subsidies, should be enhanced by this system. And financing for various kinds of education and training (as well as income support for families during the period of training) should be available so disadvantaged workers can get better credentials and find better jobs, especially in sectors where labor markets are tight and remain so for extensive periods. Assisting employers in upgrading the quality of their jobs, as well as the workers to fill them, might be useful as well.⁷ Such a public system would benefit employers and the economy as a whole as well as the disadvantaged.

But, before proceeding, some cautionary notes are in order. For one thing, a public workforce system facilitates effective labor exchange and training in the private sector but does not replace it. Given the very limited resources that will always be available in the public sector relative to the private one, it is important that these resources do not generate “windfalls” (or “free riders,” in the language of economists) for private employers or workers who would otherwise finance their own investments.

Further, there can often be tension between the goals of improving equity and efficiency in the private sector. As noted above, employers are often skeptical about the basic skills and trainability of disadvantaged youth and adults, and about how long they will remain in their jobs; this often accounts for employers’ reluctance to even hire, much less train, the disadvantaged for positions requiring significant skills. Programs known to focus primarily on the disadvantaged might tend to stigmatize those they are intended to help, in the eyes of the employers.

Indeed, these perceptions by employers are somewhat accurate. Occupational training may be relatively ineffective if trainees’ basic skills are too weak or if their motivation to complete training programs is low. For low-income parents—especially single parents—the financial and time pressures of generating incomes and raising families might make it difficult to remain in training

programs for very long, especially without additional supports.

Effective “intermediaries” can also help in these situations (Giloith 2003) by screening workers to ensure that those referred to training are capable of successfully completing this training, and by identifying supports (like child care) that might enable them to do so. And, for those for whom training might not be effective, ensuring quick access to jobs—even low-paying ones—and appropriate work supports (like tax credits and child care subsidies) makes some sense as well.

More broadly, choices must be made about the extent to which limited public resources for education and training are invested in the disadvantaged versus those higher up the income and educational ladder already, where the latter might need additional help after a job disappears or simply to further advance in their careers. For instance, focusing primarily on those with high school diplomas only (or very limited postsecondary attainment), rather than only the poor, might strike a sensible balance between these efficiency and equity issues. Assistance must also be tailored to meet the needs of the currently employed as well as those out of work.

WIA: Original Goals, Limited Attainment

When WIA was signed into law in 1998, and then implemented over the next few years, it included several features to distinguish it from the laws that preceded it (such as the Comprehensive Employment and Training Act [CETA] and JTPA) that were also intended to help the workforce system better meet the labor-market needs of workers and employers described above. These features include the following five:

- Creating a single system that provides both universal services to all workers (in the form of “core” services) and more specific ones (“intensive” services and training) to those who need them and can benefit from them.⁸
- Providing different funding streams for services to adults, youth, and displaced workers to meet their different needs.

- Better meeting the labor demand needs of local employers through their representatives on local workforce boards (WIBs).
- Giving workers more information and choice, through access to information and their ability to use individual training accounts (or ITAs).
- Making all services and work supports offered through the Labor Department more accessible and better coordinated, through delivery at local one-stop offices (O’Leary, Straits, and Wandner 2004).

But have the goals of WIA’s designers been attained, and how well does the system meet the labor-market needs described above? At least a few of the system’s original goals have been partly achieved. By providing core and then intensive services before training, WIA encourages at least some individuals to seek and accept available jobs in the private sector more quickly. The quality of local “labor market information” available at these one-stops has also improved with time.⁹ Having separate funding streams for youth and displaced workers ensures that each group gets specific attention in each local area. At the same time, little is known about how WIBs and ITAs have affected service delivery and use, though it is likely that one-stops have improved coordination and access for those who walk through the door.

And the WIA system suffers from several very clear limitations, especially in its ability to serve disadvantaged adults and youth.

Limited Funding

The most obvious of these limitations is that the system is **overstretched** and **underfunded**. Since the system is now supposed to provide both a broader set of services universally and more intensive ones to select groups, the potential demands for funding are great.

Yet, in reality, appropriated resources for the system have diminished greatly over time. Total funding for adult and youth services are each under \$1 billion (current dollars), while that for displaced workers is just over \$1 billion. Including the Job Corps and other services funded under Title I of WIA, total expenditures are now just over \$5 billion. This is less than a third of total funding that was available in CETA at its peak in 1980 (Holzer

forthcoming). Even since the Reagan years, real spending on Title I has declined modestly, and relative spending—that is, spending relative to the size of the economy—has fallen dramatically.¹⁰

In the meantime, the economy has more than doubled in size, and the workforce has grown by nearly half. And, of course, employer skill demands have grown dramatically in this time, while the disadvantages associated with having few skills have grown. Under the circumstances, one might have expected the resources devoted to workforce development to have risen substantially. Instead, the opposite has occurred.

Indeed, in a \$14 trillion economy, the \$5 billion or so provided under Title I is a paltry sum, and it cannot possibly have much impact on the economy overall—or even on the prospects of disadvantaged workers within that economy. The very small numbers of workers currently served by the WIA system in any significant way, relative to a labor force of 150 million, tell the same story.¹¹ Further, funding for the administration of one-stop offices (under the Wagner-Peyser Act, now Title III of WIA) is insufficient to cover these costs; so, these impose an additional obligation on Title I funds and leave even less available to meet the employment and training needs of disadvantaged workers.

Of course, there are other funding sources at the federal level for workforce development. The U.S. Government Accountability Office (GAO 2003) reports that over 40 federal programs provide some funding for employment and training. But total expenditures of these programs still add up to just about 0.1 percent of GDP—the lowest spending on “active labor market policy” of virtually any industrial nation in the world (O’Leary et al. 2004; Heckman, Lalonde, and Smith 1999). Federal expenditures in other key areas—such as career and technical education and welfare-to-work programs—have also fallen over time in real terms (Spence and Kiel 2003).

There are a few exceptions to this picture—notably, the growth of funding for Pell grants over time for low-income youth or adults attending college. Pell grants are now the largest funder of occupational training for the poor, mostly occurring at community colleges. But even Pell grants have failed to keep up with inflation in

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tuition costs over time. They cover only limited categories of training and for limited groups of students who are eligible—leaving out any type of training in a nonaccredited college and for anyone attending less than half time.¹²

Fragmentation of Workforce Development Efforts

In addition to being overstretched and underfunded, the federal workforce system is highly **fragmented** along several key dimensions.

As already noted, federal expenditures on employment and training are scattered among too many agencies with disparate agendas. No doubt, there is some waste, duplication, and a lack of coordination in such a situation. And the supports available to disadvantaged workers who need help are often lodged in “silos” that are disconnected from one another. For instance, workers visiting one-stops run by the Department of Labor will likely have incomplete access to resources available for child care (from the Department of Health and Human Services), Pell grants (from the Department of Education), or employment tax credits (from the Department of the Treasury). Funding for many training programs must often be patched together from private sources, like foundations, as well as WIA and Pell grants.

The delivery of workforce services is also fragmented geographically. Within any large metropolitan level, multiple WIBs (at the county or municipal level) might be providing different services to their respective populations, and the abilities of one-stops to provide information and services about available jobs and training opportunities across these boundaries remain unclear. Since local labor markets are often regional (or metropolitan-wide), it makes little sense for workers in any part of the region to have no access to job training or employment options in any other part. Differences between state and local WIBs, especially over control of funds, can also limit the ability of states to fashion coherent strategies for their overall workforces. Yet, it might be difficult to provide these services on a broader geographic level, given that the jurisdictions for school systems and other sources of services might be very local.

Most important, the key groups of players at the local labor market level are often fragmented and fail to form a coherent workforce system (Osterman 2007). Low-income workers are often disconnected from service providers, employers, and other available sources of support; they lack access to these jobs and training providers, because of transportation difficulties or limited time and information. The employers and service providers themselves are also often disconnected from one another. And, while intermediaries can help pull these groups together, local financial support for them is often haphazard and patched together with funding from foundations rather than WIA. Even within WIA, funding for adult basic education in Title II, which helps fund language acquisition for immigrants, is treated differently from the various strands of funding in Title I; this makes it difficult to combine the two into coherent programs.

Promising Efforts That Lack Scale

Around the country, workforce practitioners have developed diverse approaches that cut down on some of the fragmentation described above (Holzer and Martinson 2008; Martinson and Holcomb 2007). For instance, sectoral approaches to training bring together employers (or their industry associations), community colleges, and workers to ensure that any training provided prepares workers for jobs in key sectors in the local area. Career ladder or career pathway initiatives also help train workers through a progression of jobs within one or more companies that ultimately provide workers with credentials that ensure higher earnings. Incumbent worker training targets entry-level workers in existing jobs and supports efforts to train them for higher-level jobs in the same company. The latter two efforts can improve the quality of jobs available within firms as well as the quality of workers to fill those jobs.

All these efforts link training of workers to the demand side of the local labor market and to providers of the relevant training (often, but not always, community colleges). Workers frequently obtain certifications that give them some opportunity for mobility in the labor market. In many cases, intermediaries also help provide additional

financial supports and services, such as transportation and child care, as well as job placements during and after the training.

Further, these approaches are embodied in some well-known local or state programs, and at least some of these have achieved significant scale. For instance, important sectoral programs have been developed in San Antonio (Quest), Philadelphia (Local 1199C training for health care jobs), Massachusetts (the Extended Care Career Ladder Initiative, or ECCLI), and Wisconsin (the Wisconsin Regional Training Partnership), among others. Citywide or statewide career pathway programs in various industries can be found in Arkansas, Kentucky, and Portland, Oregon. Major incumbent worker training programs have been developed in California, New Jersey, and Pennsylvania.¹³

But many other promising examples remain very small, and even most of those described above are too small to affect average earning levels in the region or state. The inability of these programs currently to go to scale no doubt reflects diverse factors—including lack of available funding, the administrative difficulties of patching together these funding sources, and WIA performance measures that encourage short-term training. Indeed, many sponsors of these programs choose to forgo WIA support altogether because the administrative costs of complying with required paperwork on performance often exceed the benefits of the meager funds available, in their view.

Limited Evidence on Cost-Effectiveness

The evidence of what works in this area is somewhat mixed (e.g., Heckman et al. 1999; Holzer 2007). The evaluation of programs for adults under JTPA—the closest thing researchers have to a rigorous evaluation of WIA—show positive impacts that are modest in magnitude but very impressive per dollar spent. But whether these impacts apply to training under WIA is unclear, as are the returns per dollar spent on core versus intensive services and training (and for whom).

There is also relatively little strong evidence to date on some of the most promising approaches for adults, such as incumbent worker

training and sectoral programs. But a year or more of community college seems to pay off for the disadvantaged, as do more intensive efforts that emphasize work experience plus supports and services for the “hard to employ.”¹⁴ Evaluation results for youth indicate some success for in-school youth in high-quality career and technical education programs (like career academies) and more generally for those that provide paid work experience, while programs for out-of-school youth have been more disappointing.¹⁵ But results do not yet exist for some of the most promising programs, such as YouthBuild and the Youth Service and Conservation Corps.

And, the combination of very few resources plus the performance measures created under WIA induces local program operators to spend resources mostly on short-term training that will quickly get program participants back in the workforce. These performance measures are subject to clear manipulation and generate some perverse incentives. And, their impact to date likely reinforces the tendency of local managers to avoid more costly programs that likely have larger impact on worker outcomes.¹⁶

Researchers clearly need more evidence on exactly what works and for whom. Performance measures need to be reformed and new evaluations implemented. Incentives for states to identify and develop cost-effective measures and bring them to scale need to be strengthened as well.

What a New Workforce System Should Look Like

If legislation is passed to create a new public workforce system in 2009 or beyond, it should build on the more successful features of the current system while addressing the limitations in that system. In particular, funding should be higher, and at least some of the small federal programs scattered around different agencies might be consolidated. State and regional workforce systems should be built that are less fragmented and more coherent, enabling intermediaries to pull together the many strands of funding for education and training into a more systematic package that is better aligned with the private sector. It should promote partnerships among education providers, employers in key industries, and finan-

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cial supports that improve access to education and training as well as good jobs in growing sectors for a range of less-educated workers. And performance measures and evaluation should ensure that the services provided are cost effective. Overall, the system should seek to enhance the workings of the private-sector labor market but not replace them.

These systems should systematically identify labor-market opportunities in various growing sectors of the economy in each state, where education and training (especially for less-skilled workers) seem underprovided and where appropriate packages of training and supports would enable less-educated workers to obtain the needed skills to fill jobs in these sectors. These systems should also provide opportunities to workers in different situations, ages, and skill levels so “pathways” can be accessed by workers in various circumstances.

To build such a system, it would probably make sense for each state to develop an “inventory” of targets and opportunities on both the demand and supply sides of the labor market. On the demand side, the state would use available labor-market information to identify the key sectors with likely unmet demands for semiskilled or skilled labor. On the supply side, it would identify the various sources of education and training for these jobs and potential funding sources that might be available to different groups of workers—including federal workforce funds, Pell grants, TANF or Perkins funding, and funds from state, local, and private sources. This infrastructure would thus pull together existing sources of jobs and skill development and better align them with one another.

For any given sector, a range of pathways should be developed that would enable workers of different education levels to obtain jobs. Different educational pathways, leading to different credentials and jobs, might be appropriate for adults without or with high school diplomas, with stronger or weaker basic skills, or with two-year or four-year college degrees, as well as for those currently employed and not employed. The currently employed would have greater access to funds for incumbent worker training at their firms or more general training that would enhance their mobility into other firms or sectors.

For the hard to employ, options for transitional jobs plus intensive supports and services might be available. For youth, separate pathways might be identified for those in school versus those out of school; some pathways would extend down to high schools (through career academies and other forms of career and technical education) while others focus more on community or technical colleges. Programs that combine paid work experience with the provision of educational credentials would be favored. In all cases, plans to recruit and retain trainees would be developed as well.

Representatives of industry associations would help develop the pathways for their respective industries. But it would be understood that *direct federal funding for education and training will go primarily to the currently disadvantaged and the less educated*, in whom these industries generally invest relatively less of their own training dollars. Greater funding would also be provided for training that leads to higher-wage jobs in growing sectors of the economy for these workers. The available financial or other supports (including stipends for trainees or job placement, child care, and transportation) for these workers would also be identified.

While the states would develop these overall plans, they would be implemented locally by existing WIBs. Some local WIBs might either be consolidated or required to better coordinate the provision of services with one another to meet regional (or metropolitan-wide) needs. One-stop offices and other intermediaries would screen applicants for the appropriate training and services. Core and intensive services would thus still be available, though these would not necessarily be preconditions for receipt of training. Funding for adult basic education would also be better integrated with other services, and it should be easier to combine them at the programmatic level.

The states must also face appropriate incentives to develop effective systems and to bring them to scale. Performance measures should allow for short-term as well as long-term outcomes, and the ability of states to manipulate exits from as well as entries into workforce programs should be more limited. To reduce incentives for “creaming,” some performance measures

Legislation to create a new public workforce system should increase funding, build more coherent state and regional workforce systems, and promote partnerships among key providers and services.

should be based on the overall populations of disadvantaged workers in a state, and not just those who enter the program.

To prevent states and local areas from substituting federal funds for their own expenditures—and especially to prevent private employers from doing the same—it might be appropriate to provide some matching federal funds, which would only be used to supplement others. Some funds should continue to be available to states on a “formula” basis, while others could be provided through “competitive” grants to states that build more innovative advancement systems and evaluate them, as described below.

Of course, many states are doing this already, to varying degrees. For instance, the Workforce Development Department in Pennsylvania has identified a set of “high-priority occupations” and “careers in demand,” along with industry-specific plans for generating the necessary skills in the population. And the Workforce Board of Washington State generates a strategic plan every two years to help generate the skills needed for growing sectors in the state’s economy. The U.S. Labor Department’s Workforce Innovations in Regional Economic Development (or WIRED) initiative has also provided 36 grants to substate regions to do so, while its Community-Based Job Training Grants for community college partnerships likely help as well. In fact, there is some limited evidence of one-stops and community colleges building stronger local links around the country.¹⁷ But, to date, it is unclear how disadvantaged workers in these areas have benefited from these developments.

The melding of workforce and economic development in these states and elsewhere has already proceeded to an impressive degree. The goal of a new federal workforce system would be to encourage each state to develop such a system and to ensure that the disadvantaged benefit from these developments as much as possible.

Getting There: WIA Reauthorization?

In light of the above considerations, what should be done regarding reauthorization of WIA in 2009 and beyond? How can we build on the strengths of the current system but still generate a

larger and lasting impact on disadvantaged youth and adults?

I would argue either for a reauthorization of WIA, or its replacement with new legislation, along the following lines:

- Overall funding for Title I services should rise significantly, to at least offset the declines in real and relative levels that have occurred since the late 1990s and earlier.
- Some formula funds should go directly to the states in the form of planning grants, which would be used to prepare their analysis of workforce needs and opportunities and then build some of the required partnerships and links between industries, training providers, and intermediaries at the state and local levels.
- Local WIBs and especially one-stops within large metropolitan areas would either be consolidated or required to better coordinate their services with one another and with state plans.
- One-stops would continue to provide core and intensive services but would have greater flexibility in assigning clients to training.
- Somewhat greater flexibility to state and local WIBs should also be allowed to mix funding streams across adults, youth, and dislocated workers, and to better integrate basic education with occupational training.
- Performance measures should be amended to allow for longer-term impacts and to disallow manipulation of who exits the program. Rigorous nonexperimental evaluation should be required of all states, while some experimental evaluations are undertaken as well. Substantial bonuses should be awarded to states that make progress in youth and adult outcomes overall (beyond just direct program participants).

In addition to the formula funding, I would create a new competitive grant program within WIA. This would be along the lines of what I have proposed elsewhere (Holzer 2007; Holzer and Martinson 2008). It would provide matching funds to states to develop advancement/support systems that provide a range of complementary approaches, including training and other financial supports (like stipends during training and

Since direct funding of WIA or its successor will likely remain limited, funding for complementary services—Pell grants, career and technical education, and child care—should be expanded.

expanded child care assistance afterwards). The federal government would provide states with substantial oversight and technical assistance, and it would provide bonuses for impressive statewide performance in improving employment outcomes for the disadvantaged. Significant evaluation would be required. And renewal of grants to states in subsequent years would be conditional on the incorporation of lessons learned through evaluation.

Since direct funding of WIA or its successor will likely remain limited relative to need, funding for various complementary services should be expanded—especially Pell grants, support for career and technical education, and funding for child care. In addition, Congress might consider separate legislation for youth, to directly address the severe challenge of reducing high school dropout rates and to help “reconnect” those young people who have already dropped out.¹⁸ Separate legislation might be provided for dislocated workers as well, to reform the unemployment insurance (UI) system and expand “wage insurance.”¹⁹ Thus, while both groups would remain within the workforce system and benefit from pathways generated through this legislation, they might each have access to a broader range of funding and services provided through these other legislative mechanisms.

Finally, if significant new funding becomes available in 2009 or afterwards for job creation in the building of infrastructure or a “green economy,” such legislation should create funding for apprenticeships and other forms of training that would be accessible through the new workforce system. Those administering that system would also be required to incorporate mechanisms for accessing these funds into their planning.

Together, these actions would help generate state workforce systems that provide stronger, more effective services to disadvantaged adults and youth and are more likely to positively affect their labor market outcomes.

Notes

1. Dislocated workers are also currently covered by WIA and other legislation (like Trade Adjustment Assistance), but I do not focus on them in this brief.
2. The arguments for public education, including the two-year and four-year colleges and universities, are well

known and have mostly focused on the fact that education is a “public good” that affects the nation’s prosperity and civic life as well as the private fortunes of workers. The notion that the state should try to ensure equal opportunity in schooling is also widely accepted, even if how to best do so remains heavily debated.

3. The market failures would include imperfect information among both workers and firms about returns to education and training, and capital market imperfections (especially “credit constraints”) that impede the ability of either to finance such training—especially for smaller employers without formal human resource departments and lower-income workers. Wage rigidities likely keep some workers from financing their own general training; and employers will generally resist financing these investments, given the uncertainty over whether trained employees will remain with the firm long enough for employers to realize the return on their investments (Becker 1975; Lerman et al. 2001).
4. Markets with shortages of particular kinds of workers should eventually clear as wages are bid up (attracting more workers and reducing employer demands) and as employers recruit more aggressively and train more on their own. See Holzer, Raphael, and Stoll (2006). But market failures, including wage rigidities, might prevent these adjustments from occurring, even over long periods.
5. While some analysts (e.g., Freeman 2007) dispute the notion that baby boomer retirements will have much impact on the labor market, it seems likely that these departures will generate tight markets in particular sectors (especially those where outsourcing of labor will not likely occur). See Holzer and Lerman (2007).
6. Career academies are schools within comprehensive high schools that train young workers for careers in particular sectors of the economy, like health care or financial services. Tech Prep merges the last two years of high school with two years of community college in providing occupational training. See Lerman (2007).
7. Indeed, Osterman (2008) points out that policies like higher minimum wages and more collective bargaining might incent employers to invest more in training by forcing them to pay higher wages on available jobs, thus leading them to also upgrade worker skills.
8. “Core” services generally include staff-assisted job search activities in one-stop offices, while “intensive” services include career counseling and testing. WIA now requires individuals to participate in core services before intensive ones and intensive services before receiving training.
9. For instance, the Local Employment Dynamics program now generates very detailed quarterly information for most counties in the United States on employment flows and earnings within industry and for various demographic groups. See <http://lehd.did.census.gov/led/index.html>.
10. Real GDP has roughly doubled since 1985. Real spending on Title I of WIA was roughly \$6 billion annually from 1985 to 2003 but has fallen in real terms since then. See O’Leary et al. (2004).

11. Currently, about 100,000 adults receive training every year, as do a similar number of dislocated workers. See <http://www.doleta.gov/performance/results/PY2006AdultSummaryReport-2-4-08.pdf>.
12. Pell grants generally do not cover classes taken by students attending less than half time, those not in accredited colleges, and remedial courses that are not in a degree program. In addition, students with felony drug convictions are excluded from receiving Pell grants.
13. See Holzer and Martinson (2008) for more information on these programs.
14. Among sectoral programs, the Center for Employment Training has been rigorously evaluated; impacts for the initial program site in San Jose were very strong, but those in the national replication effort were not. Promising outcomes from nonrigorous evaluations in Project Quest and other sectoral programs have been observed. Combinations of financial incentives and other employment services have been successful in some sites of the Employment Retention and Advancement project as well as Jobs Plus in low-income housing projects. The benefits of “supported work” for hard-to-employ women was most clearly demonstrated in the National Supported Work (NSW) demonstrations of the 1970s, while reductions in recidivism for men with criminal records were also observed in NSW (at least for older men) and the Center for Employment Opportunity in New York City. See Holzer (2007, forthcoming).
15. See Lerman (2007).
16. See Barnow and Smith (2004) and Jacobson (2008).
17. See GAO (2008) for some innovative examples of collaborations between one-stop offices and local community colleges.
18. Potential legislation to fund programs and systems to reduce dropout rates, “reconnect” youth who have dropped out, and generally to promote career-based education and employment for disadvantaged youth is outlined in Edelman, Greenberg, and Holzer (2008).
19. Rep. McDermott has recently proposed legislation to expand UI coverage and to provide wage insurance for a broader range of dislocated workers.

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About the Author



Harry J. Holzer is a professor of public policy at Georgetown University and a senior fellow at the Urban Institute. Dr. Holzer is a former chief economist for the U.S. Department of Labor.



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This report is part of the Urban Institute's Low-Income Working Families project, a multiyear effort that focuses on the private- and public-sectors context for families' success or failure. Both contexts offer opportunities for better helping families meet their needs.

The Low-Income Working Families project is currently supported by The Annie E. Casey Foundation and The John D. and Catherine T. MacArthur Foundation.

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This brief was written with the support of the Low-Income Working Families project. The author thanks Allegra Baider, Evelyn Ganzglass and Margaret Simms for helpful comments.

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