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Let's Get Serious About Our Nation's Human Capital

A Plan to Reform the U.S. Workforce Training System

Stephen Steigleder and Louis Soares

June 2012

Center for American Progress



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Introduction and summary

The Great Recession rapidly accelerated two long-term challenges facing American workers. The first challenge is that middle-class jobs are increasingly out of reach for workers who lack education and skills training beyond high school. Income and unemployment data make that clear enough.

The second challenge is that finding a job is no longer as easy as opening the classified ads or going to monster.com. Today's labor market requires peer and professional networks and a better understanding of the opportunities available in our modern economy. This lesson applies to workers at all education levels—but it is particularly acute for low-skill workers, who are more likely to rely on public resources.

Put together, these challenges underscore why workers with low levels of human capital—such as education, skills, and peer and professional networks—are extremely disadvantaged in their efforts to achieve upward mobility in an increasingly knowledge-based economy.

Workforce training is part of the solution

Historically we have solved these challenges by expanding our federal investment in postsecondary education. As a result of successful federal initiatives such as the Morrill Land Grant Acts—which established land-grant colleges across our nation over the course of the past 150 years—and investments such as the G.I. Bill and the Pell Grant program, postsecondary education is generally considered to be the most effective vehicle in history for building a strong middle class and a skilled workforce.

But postsecondary education is not limited to a four-year bachelor's degree. As President Barack Obama outlined in his American Graduation Initiative,¹ postsecondary education includes many forms of education and training, including:

- Community colleges
- Vocational training
- Registered apprenticeships

Each of these options offers the potential for increased economic mobility and access to a stable middle-class livelihood.

Arguably the most underutilized route to achieving a valuable postsecondary education is through our nation's workforce training and counseling system. Our adult workforce includes 80 million to 90 million full-time workers who lack sufficient skills, human capital, or personal interest to pursue a bachelor's degree.² Many of these adult workers would benefit from a high-quality hybrid workforce program that combines the educational rigor of postsecondary education with the flexibility and labor-market focus of workforce training. Such a hybrid program for adult workers is most effectively implemented through the workforce system.

It is also increasingly important to our economy to boost educational attainment among adults. Economists predict a growing shortage of skilled workers that cannot be filled through the traditional education pipeline. According to the Aspen Institute, for instance, two-thirds of our expected workforce in 2020 is already beyond our elementary and secondary education systems.³ In other words, it will not be enough to solve the problems in our elementary and secondary education systems since two-thirds of our workforce will be unaffected by those changes—it is equally crucial to boost the education and training of adult workers who are currently aged 25 to 55.

For these adult workers, the workforce system needs to provide a dependable way to attain a postsecondary education. It should offer a more flexible option for adult workers to acquire associate's degrees, technical certificates, and industry-recognized credentials with documented value in the labor market. It's time for the workforce system to take its place alongside preschool, kindergarten, elementary school, high school, and traditional four-year college as an institution for promoting education and developing human capital throughout our lives.

The existing workforce system is out of date

Unfortunately our workforce system is not meeting its potential to help adult workers build their human capital. It is excessively focused instead on providing short-term crisis intervention to unemployed workers. The core services most

often provided to unemployed workers—such as basic labor market information and job search assistance—do little to boost the underlying human capital of these workers, who need the skills, credentials, and networking capabilities that should serve as the foundation for their future economic mobility.

This is because the most recent congressional update to the workforce system was in 1998 through the Workforce Investment Act under substantially different economic circumstances. At that time our economy was experiencing significant economic growth and across-the-board wage gains. The unemployment rate stood at 4.5 percent. Private employers wanted a workforce system that provided basic work readiness skills so that millions of workers could immediately enter the labor force. Congress thus chose to design a system around “work-first” policies—to help workers take advantage of plentiful job opportunities and high wages—instead of human capital development policies.

Almost 15 years later our economy has undergone significant changes. Our primary labor market challenge is no longer the need to connect millions of low-skill workers with plentiful job openings in a booming economy. Instead, our new challenge is to develop millions of low-skill workers into a highly skilled workforce that will continue to drive economic growth and upward mobility for decades to come. And the message from the private sector is clear: Employers are now looking for skilled workers with hands-on experience who are ready to make an immediate contribution in the workplace.

The reality is that our current workforce system—and its emphasis on “work-first” policies—is woefully out of date. Among the workforce system’s defining features are its failure to help workers build human capital, its chronic underfunding in comparison to the economic challenge, and its systemic complexity spanning multiple cabinet departments and numerous agencies. The workforce system is badly in need of reform.

Getting serious about human capital

In this paper we propose a plan to overhaul and reform the workforce training and counseling system. Our plan drastically simplifies this system in an effort to highlight its most important mission—human capital development.

Our plan
restructures the
workforce system
according to
the premise that
workers should
receive education,
training, and
career-planning
services based
on their unique
human capital
needs.

Our plan is guided by five basic principles:

1. Most workers need some type of education or skills training beyond high school.
2. The workforce system should prioritize training partnerships leading to degrees, certificates, and credentials.
3. The workforce system should provide professional career navigation services to all workers seeking assistance to help them build human capital over time.
4. The existing workforce system is chronically underfunded.
5. The existing workforce system is unnecessarily complex.

We embrace views from both sides—supportive and critical—in an effort to bridge the longstanding impasse that is blocking reform and modernization of the workforce system.

The purpose of our plan is to shift the top priority of the workforce system to long-term training and human capital development. This is a departure from the existing system's overemphasis on short-term job search activities and rapid re-employment at any cost. In reality, however, it should not be a controversial change in policy since legislators across the political spectrum have acknowledged the need for a more skilled workforce. There is a general consensus among experts that placing long-term human capital development at the center of the workforce system will be mutually beneficial for workers, employers, and our nation's long-term economic growth. Now it is a matter of designing a new system to accomplish those broadly recognized goals.

Our plan restructures the workforce system according to the premise that workers should receive education, training, and career-planning services based on their unique human capital needs. Under our proposal, individuals would enroll in college-level training, career pathways, or contextualized basic education depending on a standard assessment of their skills and need for support services—as opposed to the current system that determines an individual's eligibility for services according to a potentially unrelated list of legislative criteria. Our proposal to accomplish this shift in eligibility and implementation is briefly outlined below.

To focus on building long-term human capital, we propose restructuring much of the existing workforce training and counseling system into two distinct agencies with independent budgets. These agencies are designed to address the two core competencies of the workforce system—workforce training and career services. We believe that separating these core competencies will create a dedicated fund-

ing stream for each activity, thereby increasing transparency about how funds are being spent and whether those funds are achieving results. (At this point, it is worth noting that our proposal targets only adult-serving programs and does not address workforce training programs focused on youth, including Job Corps, YouthBuild, and WIA Youth.)

The first agency, which we would call the Workforce Investment Bank, would be responsible for developing an additional 2.5 million skilled workers annually—leading to an additional 1 million credentials. These workers would complete education and training programs through:

- Sector partnerships
- Registered apprenticeships
- “Learn and earn” training models
- Career pathways
- Contextualized education and training programs

Programs would be implemented with private-sector partners and linked to projected job openings in high-growth regional industries. Participants would earn associate’s degrees, technical certificates, and industry-recognized credentials.

The second agency, which we would call the Career Navigation System, would be responsible for upgrading our nationwide system of existing One Stop Career Centers to ensure that long-term career navigation services—including skills assessments, career counseling, and individual case management—are available to all workers seeking assistance. It would also develop a more integrated self-help system for individuals to track their human capital investment through online portfolios.

To maintain safeguards for vulnerable populations, we suggest establishing strict requirements so that all states, regions, and training partnerships report disaggregated data by sex, race, ethnicity, socioeconomic status, disability, and English-language proficiency. Results should be integrated into longitudinal data sets, including both education and workforce training programs. In addition, regions should be required to develop performance-based funding incentives to reward programs that help disadvantaged populations to complete training programs.

It is important to note, however, that our proposal does not resort to combining all workforce programs into a monolithic block grant. In our plan, reform is predicated on a core objective—developing human capital—and all policy recom-

mendations flow from this core objective. In a block-grant proposal, by contrast, reform is based on a different goal—holding down costs.

Obviously these approaches are very different. On one hand, our plan begins with the premise that workers need to increase their education and skills, which leads us to create two agencies dedicated to workforce training and professional career services, respectively. On the other hand, plans to consolidate the workforce system into a block grant begin with the premise that our system spends too much money on workforce training, which leads to proposals to cap funding. Our approach is a means to develop a more skilled workforce; a block-grant approach is a means to manage long-term stagnation.⁴

We believe our more thoughtful approach, combined with a commitment to fully fund a reformed workforce system, is a better way to address the serious challenges facing our workers, our business community, and the long-term competitiveness of our economy.

The following sections offer a brief overview of our proposed new agencies.

Workforce Investment Bank

The Workforce Investment Bank would focus exclusively on developing more than 2.5 million skilled adult workers at all levels and would be funded at \$10 billion a year. It would include three programs:

- **College for Working Adults** would help 1.5 million college-ready adult workers to enroll in community college, technical college, and registered apprenticeship programs leading to associate's degrees and technical certificates.
- **Career Pathways for Working Adults** would help 1 million low-skill adult workers to enroll in career pathway programs, integrated basic education and skills programs, or preapprenticeship programs that lead to industry-recognized credentials.
- **Targeted Communities Workforce Investment Fund** would help 150,000 disadvantaged workers in specific communities—such as Native Americans, migrant farmworkers, and ex-offenders—who do not have access to traditional workforce training and counseling programs. This program would also fund coordinated outreach efforts to military veterans.

The Workforce Investment Bank would be overseen by the Department of Education, thereby emphasizing the program's focus on postsecondary credentials. The majority of funds would be allocated to regional authorities, which would be responsible for developing, implementing, and overseeing public-private training partnerships in their regions. These regional authorities would, in turn, be held accountable to the Workforce Investment Bank through performance measures that would track both progression and completion of postsecondary credential-bearing courses of study.

With regard to vulnerable populations, performance measures would ensure that public-private training partnerships are working with the hardest-to-serve groups and are being rewarded for working with adults who face multiple barriers to employment.

Career Navigation System

The Career Navigation System would be responsible for combining labor market information and career services for all adult workers seeking assistance. This new system would be funded at \$2.25 billion a year and would redefine universal services to include comprehensive skills assessments, individual career counseling, case management, and prevocational training services. All job seekers would be assisted in creating an online career development account, or a "Career GPS," to facilitate long-term career planning and communication with employers. This system would continue to offer basic services such as job-search assistance and work-test assessments for unemployment insurance as part of its comprehensive services.

The Career Navigation System should be overseen by the Department of Labor, thereby emphasizing the program's mission to deliver high-quality career services. The system would be based on the existing network of 2,800 One Stop Career Centers and also would create connections to Educational Opportunity Centers located on community college campuses. The Department of Labor would support these bricks-and-mortar centers by developing and maintaining online tools and infrastructure that would be available to all career navigation centers, as well as providing technical assistance to develop the skills of professionals who provide career services.

Regional authorities

Evidence suggests that skilled workers, investors, and infrastructure tend to come together at the regional level—crossing political boundaries—as opposed to the local or state level. But the existing workforce system is managed locally by more than 600 workforce investment boards. We believe this proliferation of local administrative bodies contributes to the overall complexity of the workforce system.

Our reform plan supports a regional governance structure for the Workforce Investment Bank—substituting regional authorities for local workforce investment boards. Regional authorities should cut the number of administrative bodies in half—reducing the number to about 300. More importantly, it would align workforce development activities with natural labor markets and economic growth models, which would improve coordination and effectiveness.

These regional authorities would act as fiscal agents for the Workforce Investment Bank and would take the leadership role in developing training partnerships. By combining multiple funding streams and emphasizing human capital development, regional authorities would become primary stakeholders in the education and training systems—able to bring together workers, employers, education and training providers, and public officials to implement long-term economic development plans for their regions.

Regional authorities would continue to be led by private-sector business leaders, with additional expertise coming from sector experts, workforce system professionals, local elected officials, community college and technical college representatives, and labor representatives. Their efforts would focus on developing partnerships between community colleges and industry sectors leading to associate’s degrees and credentials; expanding the use of registered apprenticeships; supporting “learn and earn” training models; and using career pathways strategies and contextualized basic skills programs to help low-skill workers earn credentials. In addition, regional authorities would be responsible for overseeing implementation and data reporting of training programs to ensure quality and results.

Budgeting for a workforce system that solves our challenges

Our proposed budget for a reformed workforce system is designed to address the challenges confronting American workers in the modern, innovation-based economy. Our economy is already suffering a shortage of skilled workers, and it is only getting worse. Closing that gap will require new priorities—outlined in the preceding sections—and the resources to develop an additional 1 million skilled workers annually.

Our redesigned workforce system is intended to enroll more than 2.5 million workers in long-term education and training programs leading to associate’s degrees, technical certificates, and industry-recognized credentials, along with universal access to career navigation services. The increased enrollment in education and training programs should result in more than 1 million credentials earned annually. The Workforce Investment Bank would support:

- One million workers training in sector partnerships
- One million workers training in career pathways and contextualized programs
- Half a million workers training in registered apprenticeships

To ensure a sufficient level of funding to train an additional 2.5 million workers while expanding access to career navigation services, we combine workforce programs currently managed by the departments of Labor, Education, Agriculture, and the Interior, along with the Lifetime Learning Tax Credit, and direct those resources to our new workforce system. But simply reorganizing existing funds will not be enough to resolve our looming shortage of skilled workers. Therefore we incorporate a pending proposal from the Obama administration—the Community College to Career Fund—into our reform plan as well.⁵ (see Table 1 on next page)

TABLE 1
Reforming the American workforce system

Our plan takes more than 20 federal workforce system programs and streamlines them into two agencies to improve our nation’s human capital and job-creation capabilities (dollars in millions)

Current workforce programs		Proposed workforce system	
Discretionary spending			
Department of Labor		Department of Education	
Employment Service	\$702	Workforce Investment Bank	
Office of Apprenticeship	\$28	College for Working Adults	\$4,500
WIA Adult Program	\$771	Career Pathways for Working Adults	\$5,000
WIA Dislocated Worker Program	\$1,008	Innovation and Evaluation—non-add	(10%)
WIA Innovation Fund	\$50	Targeted Communities Training Fund	\$500
Reintegration of ex-offenders	\$80		
Indian and Native American programs	\$48	Department of Labor	
Migrant and seasonal farmworkers	\$84	Career navigation system	
Veterans Employment and Training Service	\$265	Career navigation centers	\$2,225
Women in Apprenticeship	\$1		
Pilots, demonstrations and research	\$7	Total	\$12,225
Workforce Data Quality Initiative	\$6		
Evaluation	\$10		
Department of Education			
Adult Education	\$607		
Perkins Career and Technical Education*	\$350		
Tribal Vocational/Technical Institutions	\$8		
Hawaiian Career and Technical Education	-		
Projects with industry	-		
Incarcerated individuals	-		
Employment opportunity centers	\$50		
Department of Interior			
Indian Employment Assistance	-		
United Tribes Technical College	-		
Department of Justice			
Second Chance Act Prisoner Reentry Initiative	-		
Department of Agriculture			
Supplemental Nutrition Assistance Program	\$381		
Employment and training			

Current workforce programs		Proposed workforce system
Mandatory spending		
H-1B Grants	\$125	
Trade Adjustment Assistance—Training	\$575	
Trade Adjustment Assistance Community	\$500	
College and Career Training Grants (TAACCT)		
Tax code		
Lifetime Learning Tax Credit	\$3,900	
Administration proposal		
Community College to Career Fund	\$2,667	
Total 2012	\$12,223	

Source: Consolidated Appropriations Act, 2012; President Obama’s fiscal year 2013 budget proposal for existing programs; and authors’ calculations for the new workforce system.

Of course, we recognize that such a significant overhaul of the workforce system will be difficult to enact—serious reform is never easy. But we also know it is possible.

A recent opinion piece in *The New York Times* demonstrates that political ideology should not be a barrier to reforming the workforce system. Two leading economists—Dean Baker, a liberal, and Mark Hassett, a conservative—joined forces to highlight the human and economic costs of long-term unemployment. They listed a number of impacts of long-term unemployment—including higher rates of suicide, higher incidence of serious illness, and future earnings losses of children whose parents experienced job losses—and issued a call for serious policies to resolve the crisis.

According to Baker and Hassett, “A policy package that as a whole should appeal to the left and the right should spend money to help expand public and private training programs with proven track records.”⁶

We couldn’t agree more. Increasing support for job training that builds human capital and leads to stable middle-class employment is a wise investment that should appeal to policymakers across the ideological spectrum. The only remaining question is how to do it.

In the pages that follow, this report presents our plan to overhaul and reform the federal workforce system. We start by highlighting the looming shortage of skilled workers and the importance of postsecondary education and training to developing a skilled workforce. We then discuss the deficiencies in the current workforce system that are preventing it from focusing on human capital development. Finally, we outline in detail our plan to reform the workforce system.

Human capital

To set the foundation for our reform plan, we need to define two terms: human capital and human capital investment. For our purposes, human capital is the knowledge, skills, abilities, and networks that a worker uses to add value in different workplaces.⁷

Human capital investment is the different ways that workers build their own human capital. These ways include work experience, formal education and skills training, skills assessment, network building within industries, and researching occupations and labor-market trends. There is also evidence that building one's stock of human capital works a lot like compound interest does with savings—a small foundation can build up nicely if you add to it incrementally.⁸

With these definitions in place, let's take a look at some of the challenges facing the nation regarding human capital—or more precisely, the shortage of human capital.

The problems we need to solve

A shortage of skilled workers

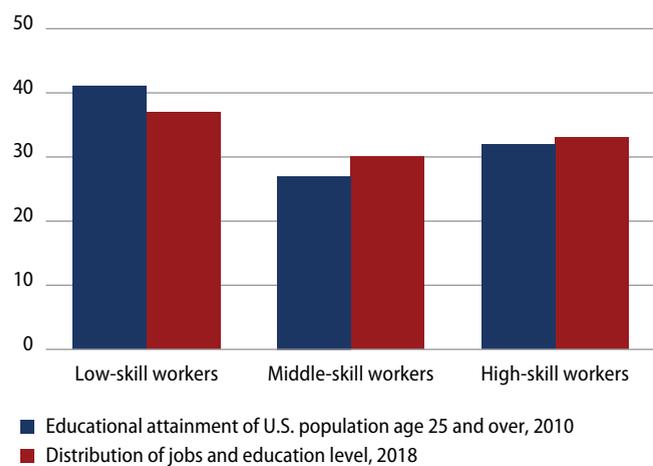
According to the Georgetown University Center on Education and the Workforce, nearly two-thirds of jobs will require some postsecondary education or skills training by 2018. On one end of the spectrum, that means developing highly skilled workers such as engineers, doctors, and technology entrepreneurs. But only one-third of the workforce will need a four-year bachelor's degree or advanced degree. An additional one-third of the workforce will need associate's degrees or technical certificates to fill the growing number of middle-skill job openings in the country.⁹

But our education system is falling short. Georgetown researchers estimate that our economic needs will require an additional 3 million workers with associate’s degrees or higher and 5 million workers with technical certificates and credentials by 2018—above and beyond our current pace of development.¹⁰ For our purposes, we focus on middle-skill workers who tend to have the type of education and skills—often linked to associate’s degrees, technical certificates, and credentials—that are developed at the community-college level. (see Figure 1)

FIGURE 1

The education gap

Educational attainment in 2010 versus projected distribution of jobs by education level in 2018



Source: U.S. Census Bureau; Georgetown University Center on Education and the Workforce.

Only 27 percent of American adults between ages 25 and 54 have an associate’s degree, technical certificate, or some type of postsecondary training—while 30 percent of jobs will require that level of education and skill within the next few years. And approximately 41 percent of American adults between ages 25 and 54 have a high school diploma or less—while only 37 percent of jobs will be available to those workers within the next few years.

As a result, job opportunities available to workers with only a high school education or less will stagnate. But opportunities for workers with associate’s degrees, technical certificates, or industry credentials will grow. To maintain our economic competitiveness, we need to provide better opportunities for workers to advance from low-skill and middle-skill jobs into middle-skill and high-skill careers.

And yet despite this growing demand for skilled workers, as many as 75 million adults between the ages of 25 and 54 do not have any postsecondary education or skills training. These workers compete against each other for low-wage positions with declining prospects. But many of these adult workers could improve their skills in a reasonable amount of time—if offered a flexible program leading to increased wages—since 37 million of them already have a high school diploma or GED, and an additional 22 million of them have spent some time in a college program without earning an associate’s degree or technical certificate. This is a huge pool of untapped potential—and we cannot continue to ignore it.¹¹

The disconnection is obvious—and the solution is readily apparent. To close this projected shortfall in middle-skill workers, we need to help an additional 1 million low-skill workers per year earn associate’s degrees, technical certificates, or industry-recognized credentials.

Evidence shows, however, that we underinvest in education and training for low-skill workers. In his book *Good Jobs America*, noted Massachusetts Institute of Technology professor Paul Osterman illustrates this underinvestment by showing the disparity in employer-provided training investments. Between 1995 and 2001, the percentage of low-skill workers receiving employer-provided training dropped from 22 percent to 20 percent, while the percentage of training resources that went to those with a bachelor’s degree increased from 50 percent to 54 percent.¹² This “training differential” exacerbates the divide by concentrating resources on workers with high levels of human capital at the expense of low-skill workers.

We believe it is shortsighted to underinvest in training programs for low-skill workers while there will be millions of middle-skill job openings becoming available in the next decade. Without an expansion of education and training, our existing workforce will not be able to fill these middle-skill positions, and innovative employers will be unable to find qualified workers here in the United States.

It isn’t just about a credential

One way to develop this necessary human capital, as we have noted thus far, is formal education and training. Classroom and academic studies provide a foundation of knowledge, while postsecondary credentials offer a useful signal to employers that a worker has specific skills, competencies, and qualifications.

But in addition to credentials, employers are now demanding that new hires have hands-on experience as well. Call it a demand for expertise. Employers are increasingly seeking individuals with both technical knowledge in their field and practical experience solving workplace problems.¹³ Of course, employers have always valued experience in more seasoned veterans; what is changing is the emphasis on applied problem-solving skills in newer workers.¹⁴

This trend is being driven by the automation of work processes, as well as the competitive pressure to reorganize work practices on the front line for an ever-

changing consumer demand. Noted global competitiveness expert and Harvard Business School professor Michael Porter describes the necessary skills this way:

*competitive workers must have the ability to apply academic or technical knowledge to solve real-world problems ... and to work effectively with other people as customers, coworkers and supervisors.*¹⁵

The answer, in this case, is that job training programs need to combine academic coursework and applied learning to develop skilled workers with a foundation of knowledge and hands-on experience. In other words, our workforce system needs to evolve into a hybrid model that combines the educational rigor of higher education with the flexibility and labor-market focus of industry-based workforce training—resulting in postsecondary degrees, certificates, and industry-recognized credentials.

A growing body of evidence suggests that sector partnerships, career pathways, and registered apprenticeship training are the best models for this type of hybrid workforce training system. Such a hybrid system also would offer the advantage of significantly increasing the prevalence of “learn and earn” training models. These models combine skills training with paid job experiences and are particularly beneficial to workers who cannot afford to drop out of the labor market to attend school full time. They would also lead to an increase in access to contextualized instruction programs, which combine adult basic education and occupational training so students learn basic literacy and workplace skills at the same time.

In many cases these hybrid models would resemble a traditional apprenticeship. Participants would split time between classroom learning, on-the-job training, and hands-on work activity. The workforce system would cover academic and training costs, while employers would provide real-world experience, a tangible link to the labor market, and compensation for productive time in the workplace.

In Germany, for example, more than half of the adult workforce has received credentials through their “dual system” of vocational education and training. The “dual system” is a public-private partnership that enables participants to enroll in two-year to four-year training programs that combine classroom coursework funded by the government with on-the-job training and paid work experience in the private sector. Approximately 500,000 private employers—representing 350 different occupations across a wide range of industry sectors—offer these paid workplace-based training programs.

Successful examples of public-private partnerships have been proliferating around the United States for decades. States as diverse as California and South Carolina have adopted sector strategies as the solution to their economic development needs, while private firms such as United Parcel Service Inc. and Northrop Grumman have embraced the partnership model and invested significant resources in developing a skilled workforce. It is time for federal policymakers to catch up to regional innovation and update the workforce system to reflect our new economic realities.

Our workforce system is not meeting its potential

By any reasonable measure, however, our workforce system is not helping to develop a sufficient number of skilled workers. According to the Department of Labor, fewer than 200,000 adults earn a degree, certification, or credential each year through Workforce Investment Act programs. In this section of our paper, we detail what's wrong with the existing system so that we can make sure we do it better.

Focus on work-first policy is shortsighted

The most obvious reason our workforce system is not developing more skilled workers is that postsecondary education and training is not its top priority. The workforce system's top priority, instead, is to provide short-term re-employment services to unemployed workers.

Programs funded under the Workforce Investment Act provide three tiers of services: core services, intensive services, and workforce training. Core services such as resume assistance, job listings, job search assistance, and workshops are offered to all participants. These services are primarily meant to return unemployed workers to any available job as quickly as possible. And while rapid re-employment is a valuable goal—and appropriate for many participants—it does little to build human capital.

According to data from the Department of Labor, the vast majority of job seekers accessing the employment service receive only core services.¹⁶ In addition, the majority of job seekers using Workforce Investment Act Adult and Dislocated Worker programs are limited to core services.¹⁷ (see Table 2 on next page)

TABLE 2
Most workers using Workforce Investment Act programs only receive core services

WIA services, program year 2010

	Total	Core	Intensive	Training	Credentials
Adult	1,824,257	1,057,662 (58%)	460,456 (25%)	306,139 (17%)	94,033 5.2%
Dislocated workers	1,196,242	569,581 (48%)	346,051 (29%)	280,610 (23%)	71,363 6.0%
National emergency grants	58,794	2,420 (4%)	20,389 (35%)	35,985 (61%)	6,929 11.8%
Total	3,079,293	1,629,663 (53%)	826,896 (27%)	622,734 (20%)	172,325 5.6%

Source: U.S. Department of Labor

Intensive services, however, include skills assessments, career counseling, and case management. These services are important because they begin to develop human capital by emphasizing long-term planning and career skills. Intensive services can help a low-skill worker identify a career goal and determine the necessary steps it will take to reach that goal. But while these services are crucial to developing human capital, they are available to less than one-half of overall participants in the workforce system.

Workforce training, in contrast, is the most effective strategy used by our workforce system to build human capital—especially if training leads to an associate’s degree, technical certificate, or industry-recognized credential. But workforce training reaches the smallest number of participants in our workforce system. In program year 2010 approximately 3.1 million adults received some level of service from the workforce system through the Workforce Investment Act’s Dislocated Worker and Adult programs. Of those adults receiving services, only 623,000—or 20 percent—received any level of workforce training, and only 172,000—or 5.6 percent—earned a credential.

The workforce system lacks sufficient funding to train millions of workers

The second reason our workforce system is underperforming is that Congress has allowed its budget to stagnate for the past few decades. A report by the W.E. Upjohn Institute shows that funding for the employment service has decreased in nominal dollars (not including inflation) since 1984.¹⁸ Their graph, which we’ve updated to include the past four years of congressional appropriations, depicts the

historical budget of the employment service—in comparison to funding levels that would be necessary to keep pace with inflation. (see Figure 2)

The simple reality is that few programs could be expected to maintain their effectiveness for 30 years with the same nominal budget. Take the Department of Defense, which operated on \$228 billion in fiscal year 1984. Since then its budget has risen to more than \$700 billion—more than tripling since its peak during the Cold War.¹⁹ Any suggestion that our military could maintain its current strength and effectiveness on its 1984 budget is nonsense. Supporters and critics alike would concede that many defense programs would be eliminated—and the strength of our troops reduced—if the Pentagon still had a budget of \$228 billion. But the workforce system is held to a different standard. It is expected to maintain its effectiveness over 30 years while working with fewer nominal dollars than a generation ago.

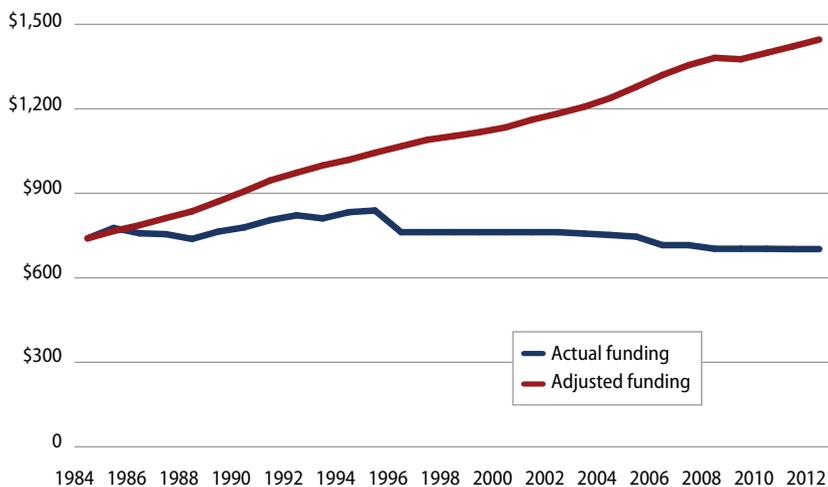
The New York Times also highlighted the fact that the workforce system receives significantly less funding than it did a decade ago: “At the peak in 2000, the federal government was spending more than \$2.1 billion a year in today’s dollars for training programs aimed at dislocated workers under the Workforce Investment Act ... but now annual spending has receded to about \$1.2 billion²⁰—a cut of approximately 43 percent before adjusting for inflation.

Congress has continued to cut funding for workforce training in recent years. Since the 2010 congressional elections, Congress has cut 15 percent in discretionary appropriations for targeted workforce programs funded by the Department of Labor. (see Table 3 on next page)

FIGURE 2

Congress underfunds our workforce system

Employment service funding, fiscal year 1984 to fiscal year 2012 (dollars in millions)



Source: W.E. Upjohn Institute for Employment Research

TABLE 3
Recent cuts to federal workforce programs

Cuts by categories of jobs or programs (in millions)

Department / Agency	FY 2010	FY 2012	Difference	% change
Department of Labor				
WIA Adult Training	\$861.5	\$770.9	-\$90.6	-11%
WIA Youth Training	\$924.1	\$825.9	-\$98.2	-11%
WIA Dislocated Worker Training	\$1,183.8	\$1,008.4	-\$175.4	-15%
WIA Dislocated Worker National Reserve	\$229.2	\$224.1	-\$5.1	-2%
WIA Innovation Fund	\$0.0	\$50.0	+\$50.0	NA
Career Pathways	\$125.0	\$0.0	-\$125.0	-100%
Green Jobs	\$40.0	\$0.0	-\$40.0	-100%
Transitional Jobs	\$45.0	\$0.0	-\$45.0	-100%
Native Americans	\$52.8	\$47.7	-\$5.1	-10%
Migrant and Seasonal Farmworkers	\$84.6	\$84.5	-\$0.1	0%
Reintegration of Ex-offenders	\$93.5	\$80.4	-\$13.1	-14%
Total, ETA	\$3,639.5	\$3,091.9	-\$547.6	-15%

Source: Authors' calculations based on the *Consolidated Appropriations Act of 2010*, Public Law 117, 111th Cong.; *Consolidated Appropriations Act of 2012*, Public Law 74, 112th Cong.

A related budget cut in the fiscal year 2011 appropriations bill was the short-sighted decision to eliminate federal student aid for students without a high school diploma or GED. Previously a student could prove their “ability to benefit” from student financial aid, including Pell Grants, by completing at least six credits of postsecondary education. Alternately, a student could pass a federally approved exam to demonstrate enough proficiency to benefit from college coursework. But those options were eliminated in 2011.

This cut will eliminate Pell Grants for approximately 90,000 college students who are disproportionately Hispanic or black. That means an additional 90,000 students who are trying to improve their circumstances will be denied assistance or pushed into the workforce without needed skills or education. The loss of access to Pell Grants will only increase the strain on workforce training programs.

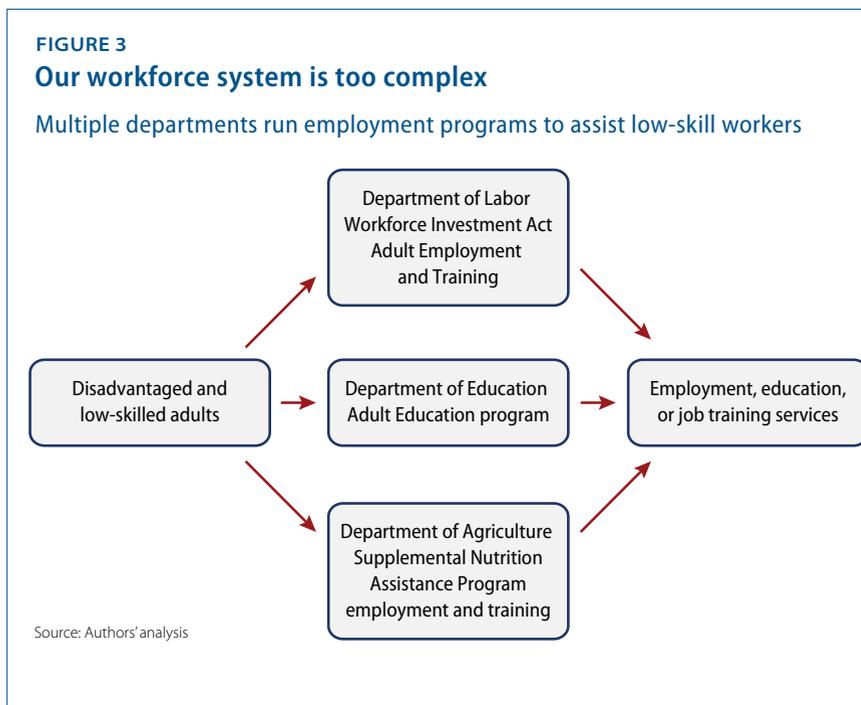
It should go without saying that cutting workforce programs—especially training funds—is not a realistic or effective strategy for developing a skilled workforce. The most likely outcome of further budget cuts is a permanent shortage of skilled

workers, which would serve as a continual drag on economic growth. For the workforce system to become a successful partner in our education system, these shortsighted funding policies should be reversed.

The workforce system is unnecessarily complex

Finally, the third reason the workforce system does not maximize its potential is because it is too complex. Instead of a single system whose mission is to improve the competitiveness of our workforce—which would focus on increasing our nation’s supply of skilled workers—the Workforce Investment Act knits together a collection of loosely affiliated programs that separate participants according to criteria unrelated to their human capital needs.

The Department of Labor’s Workforce Investment Act Adult Employment program, for example, is designed to support employment and training services for disadvantaged and low-skill adults. The Department of Education’s Adult Education program, in contrast, is designed to support literacy and skills training for disadvantaged and low-skill adults. The Department of Agriculture’s Supplemental Nutrition Assistance Program is designed to support employment and training services to recipients of food stamps, who are primarily disadvantaged and low-skill adults. (see Figure 3)



Put simply, the workforce system uses different funding streams to serve similar populations who should benefit from similar services. In some cases, that probably means some participants who would benefit from skills training are placed in the Adult Education program—or vice versa—depending on availability of funds. Or more likely, a disadvantaged worker is forced to enroll in sequential programs

that should be offered simultaneously—increasing the time to completion and reducing the likelihood of persistence. (A related complexity is that performance measures are not consistent across these programs. In the case of Adult Education versus worker-training programs, for instance, the former emphasizes educational outcomes while the latter emphasizes employment outcomes. A key element in redesigning the system would be alignment of performance measures, but that topic is beyond the scope of this paper.)

The workforce system also has multiple programs to serve workers who are ready to enroll in college-level education or technical training. One case in point: The Department of Labor is responsible for using fees raised through the H-1B visa program—which enables companies to bring skilled foreign workers to the United States—to educate and train American workers in technical occupations and industries. In addition, the Department of Education funds the Perkins Career and Technical Education program, which also is responsible for educating and training students in technical occupations and industries. Both of these programs fund education and training programs at the community college or technical college level.

Unfortunately this complexity has turned into a polarizing issue. On the one hand, critics cite the proliferation of targeted employment and training programs to suggest the system is inefficient. These critics focus their attention on separate administrative procedures in each program that lead to unnecessary barriers and paperwork. On the other hand, supporters of the workforce system suggest that combining all programs into a block grant goes too far. It would eliminate safeguards for the nation’s most vulnerable workers and would lead to “creaming,” a strategy that artificially elevates training program outcomes by directing services to the participants who need the least assistance.

Our own opinion is that a good workforce system must ensure that vulnerable communities of workers continue to be the focal point of employment and training services. A reformed workforce system must collect disaggregated data by sex, race, ethnicity, socioeconomic status, disability, and English-language proficiency. It must also focus on integrating longitudinal data between education and workforce training programs. And finally, it should adopt performance-based funding incentives to reward programs that help the most disadvantaged individuals.

It is also important to note that complexity is not the same as redundancy. Cutting funds for workforce training programs, without reinvesting those funds in the overall workforce system, would simply result in millions of real individuals losing access to crucial services. (see Box)

Therefore we believe the overall solution involves increasing funding for the workforce system while streamlining the number of programs in it. Efficient services will come from a simpler federal system with more overall resources whose fundamental mission is tied to increasing the number of workers earning degrees, certificates, and credentials, while maintaining safeguards for the most disadvantaged populations.

Misinformation about workforce training is not helpful

Critics of the workforce system often mistake complexity for “duplication” or “redundancy.” They cite the Government Accountability Office’s report on federal workforce programs, which identifies 47 programs that offer some sort of employment or job-training services. These critics either misunderstand or miscommunicate the report’s findings.²¹

Government Accountability Office Director Andrew Sherrill clarified this point during oral testimony to the House Committee on Education and the Workforce. His testimony stated that the office did not find any duplication of services in its analysis of federal job-training programs. Instead, he said it was more accurate to say that it identified multiple programs that offer similar job-search and job-training services, but those services are provided to different individuals.²²

The report, in fact, accurately portrays this situation. The report explains that, “Even when programs overlap, they may have meaningful differences in their eligibility criteria or objectives, or they may provide similar types of services in different ways.”²³ In other words,

eliminating funding for an overlapping workforce program would not result in more efficient service delivery—instead, it would result in a tangible loss of services for individuals who need them.

While it is important to reduce complexity in the workforce system, those arguments should not be used as a fig leaf to justify the elimination of services. As the Government Accountability Office has shown, there is no evidence that workforce programs are duplicating each other’s efforts. Critics should stop cherry-picking the report in their attempts to undermine the workforce system.

We believe that streamlining the system will produce very modest administrative savings—which should be reinvested in targeted workforce programs to offer more opportunities to enroll in education and training. The value in reforming the system is not to produce short-term savings, which would be penny-wise and pound-foolish, but rather to reorient the workforce system toward programs that build human capital and produce long-term benefits.

The Workforce Investment Act of 1998 was enacted during a period of fundamental change in our economy. At the time the combination of low unemployment and rapid economic growth convinced policymakers and employers to support “work-first” policies to return all workers to the labor market instead of investing in long-term human capital development.

Our economic environment is much different now. The labor market increasingly requires education and training beyond the high school level; private-sector employers are looking for skilled workers who possess a combination of knowledge and hands-on experience.

Congress needs to move away from its penchant for following the path of least resistance on workforce issues—demonstrated by decades of stagnant funding and 14 years without reauthorizing the Workforce Investment Act—and commit to redesigning and supporting a reformed workforce system that directly addresses our modern economic challenges.

Fortunately we know this is possible. In 1998 Congress set aside its partisan differences—during an election year with looming impeachment charges for then-President Bill Clinton, no less—and worked together to modernize the workforce system. The Workforce Investment Act of 1998 passed with large majorities in the Senate (91 to 7) and the House of Representatives (343 to 60)—both controlled by Republicans at the time—and was signed into law by President Clinton.

Bipartisan support was evident as recently as 2010, when the House of Representatives overwhelmingly passed the SECTORS Act (H.R. 1855) to expand support for sector partnerships—a promising strategy to develop skilled workers for multiple employers in the same high-growth industry cluster. The SECTORS Act would authorize grants to public-private partnerships whose training programs were directly linked to openings in the labor market—one of the central strategies included in our proposal as well. The SECTORS Act had so much support that it passed on the “suspension calendar,” a parliamentary procedure reserved for noncontroversial items with at least two-thirds support in the House. It passed easily on a voice vote with no objections. Unfortunately this example of bipartisanship was short-lived, as the popular bill never received a vote in the Senate due to political factors unrelated to the substance of the bill.

Assuming that members of Congress believe their own rhetoric about the importance of workforce training, this history of bipartisan support suggests that strengthening our workforce system could be a rare opportunity for genuine bipartisan reform. In the remainder of this paper, we outline our proposal for such a reformed workforce system.

Five principles to reform the workforce system

We propose fundamentally changing the priorities of the workforce system. But it will take a clear focus and a concerted effort to shift the system away from short-term interventions toward more intensive programs that increase educational attainment, occupational skills, and overall human capital. Therefore we highlight five principles that should guide a much-needed overhaul of the system.

1. Most workers need some type of education or training beyond high school

Income and employment data make it clear that middle-class jobs increasingly require a degree, certificate, credential, or formal on-the-job training. Labor economists estimate that nearly two-thirds of jobs will require college-level education or training within the next few years.²⁴

2. The workforce system should prioritize training partnerships leading to degrees, certificates, and credentials

The workforce system is finite. Therefore limited education and training funds should be used for two purposes: to train college-ready workers for careers in high-growth industries that pay middle-class wages; and to support low-skill adult workers through career pathways and integrated basic education and skills training.

3. The workforce system should provide professional career navigation services to all workers seeking assistance to help them build human capital over time

The labor market is increasingly complex. Therefore all workers—employed, recently dislocated, and the long-term unemployed—deserve access to high-quality career navigation services, including skills assessment, career counseling, and job search assistance.

4. The existing workforce system is chronically underfunded

The workforce system needs to be an integral partner in our education and training system. But existing resources are not sufficient to develop millions of skilled workers each year. The workforce system should be supported at the funding level necessary to meet our economic needs.

5. The existing workforce system is unnecessarily complex

As critics frequently point out, the workforce system is spread across too many programs. Simplifying the system and emphasizing long-term human capital development would improve overall results and make the system more cost-effective.

Using these five basic principles, our plan redesigns the workforce system to prioritize human capital development as the key to building a skilled workforce.

A plan to reform the workforce system

At the outset of this paper we identified two long-term challenges facing American workers. The first challenge is that middle-class jobs increasingly require some type of education or training beyond high school. The second challenge is that navigating an increasingly complex labor market requires peer and professional networks and a better understanding of the opportunities available in our modern economy.

Put simply, we believe the best way to prepare workers for middle-class jobs and the complex labor market is to help them build human capital throughout their lives. Building human capital will enable adult workers to acquire valuable workplace skills and increase their economic mobility over time. Therefore, we have redesigned the workforce system to focus on two missions:

1. Developing a competitive workforce by training an additional 2.5 million skilled workers annually through sector partnerships, registered apprenticeships, “learn and earn” models, career pathways, and integrated basic education and skills training. These long-term training programs would result in more than 1 million additional degrees, certificates, and credentials annually.
2. Upgrading career centers to ensure that long-term career navigation services—including skills assessments and career counseling—are available to all adult workers seeking employment services.

Our plan would separate the workforce system’s two core competencies—skills development and career services—into distinct federal agencies. This separation would simplify the system, thereby enabling each agency to concentrate on excelling at its core competency. The separation would also provide greater transparency in determining how workforce funds are being spent and whether those funds are achieving results.

We propose merging the workforce system’s myriad responsibilities into these new agencies. The first agency, the Workforce Investment Bank, would be responsible

for developing a competitive workforce. The second agency, the Career Navigation System, would be responsible for expanding access to intensive services such as skills assessments, career counseling, and case management—while continuing to provide assistance for job search, job referral, and re-employment services.

To ensure a sufficient level of funding to educate and train an additional 2.5 million workers while expanding access to career navigation services, we combine workforce programs currently managed by the departments of Labor, Education, Agriculture, and the Interior, along with the Lifetime Learning Tax Credit, and direct those resources to our new workforce system. But we also recognize that reorganizing existing funds is insufficient to address our looming shortage of skilled workers. So we incorporate a recent proposal from the Obama administration—the Community College to Career Fund—into our reform plan as well.

It is possible, unfortunately, that opponents of the federal workforce system will embrace some of our ideas for restructuring the system while ignoring (or rejecting) the need for more funds. That would be a mistake. Simply restructuring the system into a block grant will not produce savings large enough to educate and train millions of workers. The point of our proposal is not to save a few dollars in the short term but rather to develop a competitive workforce that will expand the middle class, improve economic mobility, and support economic growth for another generation of American workers.

In addition to reorganizing the federal structure of the workforce system, our plan transfers governance and oversight responsibilities to a modified system of regional authorities that would better align with natural labor markets and regional economic development. Regional authorities would be in charge of allocating job training funds, developing and implementing partnerships, minimizing the administrative burden on partners, and overseeing programs to ensure quality.

They would, in turn, be held accountable to a redesigned performance measurement system that encourages progression and completion of postsecondary credentials. These performance measurement systems should be designed along the lines of models emerging from states such as Washington, with its Student Achievement Initiative, and from the Complete to Compete Campaign, promulgated by the National Governors Association.²⁵

We believe this proposal takes a thoughtful approach to reorganizing the workforce system. It is designed around the core tenet of building human capital throughout

a worker's lifetime—aiming to train another 2.5 million workers annually—as opposed to other plans, which are shortsightedly designed around the primary goal of reducing costs. The following sections further outline our proposal.

Designing a hybrid education and training system

One way that working adults can obtain a college-level education is by enrolling in a two-year or four-year university program. But working adults lead very busy lives—often with children and full-time jobs—and very few can afford to stop working to become full-time college students. For these individuals, the workforce system should offer a more flexible option to obtain a college-level education and skills at their own pace.

The Workforce Investment Bank would focus exclusively on providing options for adult workers at all levels to acquire college-level skills and training. That would include:

- Helping college-ready adult workers retrain in community colleges, technical colleges, and registered apprenticeships to learn new skills being sought by high-growth industries in their regions
- Enrolling adult workers who need remedial coursework into career pathway programs that will eventually lead to postsecondary credentials
- Assisting very low-skill adults enroll in education and training programs that provide adult basic education while simultaneously introducing participants to entry-level occupational training that will help them build a foundation for economic mobility

These examples illustrate the broad spectrum of education and training needs that exist across our adult workforce. In other words, education and skills vary dramatically, which is why it's important to redesign our workforce system with the specific purpose of addressing those needs—not creating arbitrary distinctions that are unrelated to building human capital.

As discussed earlier, we believe the workforce system needs to transition into a hybrid model that combines the educational rigor of higher education with the labor-market focus of workforce training. A hybrid model would emphasize educa-

Education and skills vary dramatically, which is why it's important to redesign our workforce system with the specific purpose of addressing those needs—not creating arbitrary distinctions that are unrelated to building human capital.

tion and training programs with both an academic component and an applied learning component—leading to an associate’s degree, technical certificate, or credential.

These two components would produce workers who have the preferred combination of theoretical knowledge and hands-on experience necessary to secure a middle-class career in our constantly evolving economy. The Center for American Progress highlighted a few of these models in its issue brief for the White House Summit on Community College in October 2010.²⁶ The most promising hybrid models are listed below.

Sector partnerships

These programs are collaborations between training providers—typically community colleges, technical colleges, labor-management agreements, or other training providers—and a group of businesses in the same industry or service sector. The programs combine public and private resources to create alternative education and training models intended to build a skilled workforce for a particular industry.

Registered apprenticeships

These programs are long-term, formal training contracts between an employee and employer. During the course of a registered apprenticeship, apprentices are employees enrolled in a structured training program that alternates between on-the-job training, classroom training, and hands-on work experience.

“Learn and earn” training models

This is a broad category consisting of programs that recognize the need for participants to earn an income while increasing their skills. Examples include on-the-job training, paid internships, and work-study programs, among others. Registered apprenticeship is also a “learn and earn” model. Programs can be work-place-based with a training component such as on-the-job training or classroom-based with a workplace component such as paid internships and work-study.

Career pathways

These programs offer clear sequences of coursework to move from lower skill levels all the way to associate’s degrees or other professional credentials with multiple entry and exit points along the way.

Contextualized instruction

These programs combine adult basic education with occupational training so students learn literacy and workplace skills at the same time.

It is important to note that all five of these hybrid training models and partnerships would vary across different regions of the country. The strength of the auto industry in the Midwest and the South, for example, has given rise to the Auto Communities Consortium, a training partnership between community colleges and the auto industry in Michigan, Ohio, Indiana, Iowa, Illinois, Wisconsin, Kentucky, and Tennessee. South Carolina—with its tourist hubs of Hilton Head, Kiawah, and Myrtle Beach along the Atlantic coast—has developed registered apprenticeships to train new workers in the hospitality industry. In Seattle, a staffing crisis at the Seattle-King County Hospital prompted a public-private partnership to train health care workers.

Overall there is potential for hybrid training models and partnerships in a multitude of sectors, including energy, information technology, construction, advanced manufacturing, transportation, hospitality and tourism, and health care, among others. These industries offer future job openings that pay middle-class wages and include career ladders for low-skill workers to improve their circumstances as they acquire new skills and credentials. (see Box on next page)

In the next two sections, we will outline the contours of our proposed new agencies, the Workforce Investment Bank and the Career Navigation System.

Government Accountability Office study offers evidence for training partnerships

The Government Accountability Office released a report earlier this year documenting the success of 14 promising collaborations between workforce systems and industry sectors. The study, called “Innovative Collaborations between Workforce Boards and Employers Helped Meet Local Needs,” reported that these collaborations led to increased development of skilled workers and high placement rates in their fields of training. The success of these collaborations also expanded the pool of employers interested in partnering with the workforce system.²⁷

According to the study:

[V]irtually all of these collaborations grew out of efforts to address critical work needs of multiple employers, typically in a specific sector, rather than focusing on individual employers. Additionally, the partners in these initiatives made extra effort to understand and work with employers so they could tailor services such as jobseeker assessment, screening, and training to address specific employer needs. In all cases, the partnerships included workforce boards, employer, and education and training providers, and in some cases, they also included local school districts, regional organizations that promoted economic development, state agencies, or labor unions.

FIGURE 4 Why some training partnerships saw success

Certain factors facilitated collaboration between workforce systems and industry sectors

Factors that facilitated collaboration in selected initiatives



Source: GAO analysis of interviews.

The study found six common factors that contributed to the success of these collaborations:

- **Focusing on urgent needs:** According to the Government Accountability Office, “virtually all of the initiatives focused on ways to supply workforce skills that were commonly needed by multiple employers in a specific sector.” In addition, collaborations that spanned an entire sector instead of a single employer led to an overall increase in skilled workers—instead of a zero-sum game between companies competing for a scarcity of qualified workers.
- **Leadership:** The report highlighted the need for an honest broker to build trust among competitors and to focus on opportunities for systemic change.
- **Leveraging resources:** The study found that all 14 partnerships received cash or in-kind contributions from participating employers.
- **Employer-responsive services:** Some employers provided direct input into training curricula, and some training programs led directly to industry-recognized credentials.
- **Minimizing administrative burden:** Workforce system staff handled administrative responsibilities, enabling other partners to focus on training activities.
- **Demonstrating results:** Training programs led to an increase in skilled workers, high placement rates for participants, and increased participation by employers in the workforce system.²⁸

Workforce Investment Bank

Our reform plan envisions a single agency, the Workforce Investment Bank, funded at \$10 billion annually, whose mission it would be to develop a skilled workforce through this hybrid system of higher education and workforce training. The system would emphasize training programs that combine academic knowledge and applied learning—moving adult workers further along an education and training continuum throughout their lives.

The program would prioritize all workers who have not yet earned some type of degree or occupational credential beyond the high school level. Programs would cover the full spectrum of education and training needs—including low-skill workers with multiple barriers to employment; minimally skilled workers who need remedial coursework; and college-ready workers who possess the skills to enroll immediately in a community college or technical college program.

The Workforce Investment Bank would need to include safeguards to guarantee that our most vulnerable communities of workers continue to receive services. The system should require states, regions, and partnerships to collect disaggregated data by sex, race, ethnicity, socioeconomic status, disability, and English-language proficiency. It should also focus on integrating longitudinal data systems across education and workforce training programs. A single system of performance measures built around this level of data collection would ensure that regional authorities are kept accountable for building the human capital of all the workers they serve.

The Workforce Investment Bank should also adopt performance-based funding incentives to reward programs that help the most disadvantaged individuals to complete training programs. For example, in *Tough Choices or Tough Times*, the New Commission on the Skills of the American Workforce recommended a weighted formula that starts with a base level of funding per individual enrolling in a program—and then provides additional funding for students with more extensive needs. We believe this type of “weighted student funding” or “disadvantage uplift” policy should be a prerequisite for access to federal funds.²⁹

The Workforce Investment Bank would have three main programs:

- College for Working Adults
- Career Pathways for Working Adults
- Targeted Communities Workforce Investment Fund

Let's take a look at each program—and its associated long-term training strategies—in further detail in the remainder of this section.

College for Working Adults

The first program, College for Working Adults, would serve adult workers who are ready for college-level education and training. Participants would receive training through partnership-sponsored programs such as sector partnerships, registered apprenticeships, and “learn and earn” models. Programs receiving public subsidies would be required to lead to an associate's degree, technical certificate, or industry-recognized credential.

The program would have an ambitious goal of enrolling 1.5 million adult workers in education or training programs annually. Such a substantial increase in human capital would help to eliminate our shortage of skilled workers—leading to a stronger middle class, increased economic mobility, and faster economic growth. We'll now detail how our proposed workforce training strategies would work in this program.

Sector partnerships

Arguably the centerpiece of our hybrid workforce training system would be a significant expansion of sector partnerships. As the Center for American Progress outlined in a previous proposal, the purpose of these partnerships is to develop alternate pathways to postsecondary credentials that are explicitly linked to the labor market.³⁰ Primary partners include education and training providers—such as community colleges or technical colleges—and a group of businesses or an industry sector. Additional partners can include labor organizations, trade associations, and the workforce system. Partners contribute direct funding, human resources, facilities, equipment, and expertise to the programs. Our plan would support up to 1 million adult workers enrolling in these sector-based models annually.

As we highlighted in our previous paper, one of the best examples of the sector partnership model is found at Macomb Community College in Macomb County, Michigan. An article in *Businessweek* outlined the general framework:

Because of its location, the college has long had a symbiotic relationship not only with GM—Macomb Community College President James Jacobs estimates that 40 percent of the designers there studied at Macomb—but with most of the local manufacturing sector, providing companies with graduates while drawing on them for funding, faculty, and even state-of-the-art equipment. Haas Automation, the country’s largest machine tool maker, supplies the college with CNC mills and lathes. All of the Big Three have outsourced training for their own employees to the college over the years, collaborating to design curricula and tests. Macomb has a deep familiarity with the workforce needs of those companies and connections with the people who do the hiring. The result is an informal system that quickly matches workers with the labor needs of companies.³¹

By partnering with the auto industry, Macomb Community College ensures that its academic credentials are directly linked to current job requirements, and that graduates are top contenders for immediate job openings in the industry. This type of public-private partnership is beneficial for workers, employers, and the regional economy. We believe the federal government should redirect its investment in workforce training to replicate this model across the country.

A related option is to expand the role of technical colleges. Tennessee Technology centers, for example, offer no-frills technical training programs that lead to middle class jobs. Tennessee has 27 technology centers offering technical certifications and industry-recognized credentials through more than 50 programs—including health care, information technology, advanced manufacturing, and a series of traditional trades. These programs also serve a large portion of nontraditional students—the average age is 32.

Tuition is low, ranging from \$2,400 for a three-trimester program to \$4,000 for a five-trimester program, plus expenses for labs, books, and materials. But success is high. All 27 centers reported graduation rates above 50 percent for the past five years, with an average graduation rate of 70 percent. Graduates also do well in comparison to their peers. In 2008 nearly 1,500 practical nurses took the licensure exam, and 91 percent passed—compared to a national average of 86 percent.

Moreover, training slots at Tennessee Technology centers are closely aligned with existing demand for workers in a particular occupation—leading to a systemwide placement rate of 83 percent for students entering employment in their field of training.³² Although programs are not formally aligned with a group of businesses or an industry sector, the system operates on a similar philosophy and could serve as a model for other technical colleges responsible for developing a skilled workforce.

Engineering systemic change through sector partnerships

Equally important, sector partnerships forged by the new Workforce Investment Bank are intended to be transformative. Partnerships should be established to address the long-term needs of the regional workforce and regional employers. Programs should not be constrained by traditional requirements such as semester schedules or seat-time conditions.

One policymaker who already is embracing sector partnerships as a model for systemic change is the mayor of Chicago, Rahm Emanuel. A recent article in *The Economist* reports:

Under a plan produced for the mayor in December last year, each of the city's community colleges is to be tailored for training in a specific

sector of industry, such as health care, transport or logistics. Large numbers of these kinds of jobs are expected to be created locally in the next decade. (In health care alone, the city expects 84,000 openings in the Chicago area.) The mayor wants to make sure that local young people, rather than new arrivals from outside the city, have a shot at these positions. Malcolm X College, for example, will get a \$251 million campus and its courses will be redesigned to match the needs of its new partners, such as the nearby Rush University Medical Center.³³

Other regions have been pursuing similar strategies for years, which means it is past time for the federal government to catch up to local and regional innovation. The workforce system needs to place its full support behind public-private partnerships and sector strategies.

Apprenticeship programs

Another promising college-level training model is the registered apprenticeship—arguably the most underutilized form of postsecondary education and workforce training in the country. We believe there is substantial room for growth in the apprenticeship model, particularly in industry sectors that have not traditionally used it to train their workforce. Our plan calls for an additional 500,000 apprentices across the country.

Registered apprenticeship is a particularly successful training model that combines an academic component with a hands-on component. Academic instruction is often provided through a partnership with the local community college or technical college and can result in credit that leads to an associate's degree. Structured

on-the-job training is workplace-based and is overseen by experienced instructors provided by the sponsoring company or labor union.

Apprenticeships include a minimum of 144 hours in the classroom alongside an additional 2,000 hours of formal on-the-job training or hands-on work experience. Traditional apprenticeships can last two years to four years and can provide a comparable amount of training on an annual basis. Upon completing the program an apprentice receives a nationally recognized certification in their industry. According to the Department of Labor, apprenticeship completers earn an average starting salary of \$50,000 and make as much as \$225,000 more than comparable job seekers in their lifetimes. (see box)

Many states are rapidly learning the value of apprenticeships. Since the creation of Apprenticeship Carolina in 2007, South Carolina has quadrupled the size of its registered apprenticeship program. South Carolina also achieved its success with a fairly modest public investment—by offering companies a \$1,000 annual tax credit for each registered apprentice. As South Carolina expanded its registered apprenticeship program, it added apprenticeships in a variety of sectors, including advanced manufacturing, construction, energy, health care, transportation, information technology, along with tourism and hospitality.

But there are only 400,000 registered apprentices in the United States—approximately 0.25 percent of the overall labor force. In comparison, between one-half and two-thirds of the German labor force receives occupational training through their formal apprenticeship system. Germany’s dual system of apprenticeship supports 1.8 million apprentices and includes approximately 500,000 private companies sponsoring apprenticeship training programs. If the United States training system reached a similar level of per-capita participation, it would equal approximately 7 million apprenticeships.

Other countries are expanding the use of apprenticeships, too. Scotland has doubled its Modern Apprenticeship program over the past few years to approximately 1 percent of its overall labor force. If the United States reached the same per-capita level, it would mean 1.5 million apprentices—an increase of more than 1 million from current levels.

Our plan would more than double the current apprenticeship system. We believe a federal investment of \$1 billion could lead to as many as an additional 500,000 apprentices. Our plan would incorporate the Office of Apprenticeship within the

The benefits of registered apprenticeships

The U.S. Department of Labor lists six benefits of registered apprenticeships.

- **A paycheck:** Apprentices earn hourly wages—typically starting at 50 percent to 60 percent of their eventual professional wages and progressively increasing throughout the duration of the program.
- **Hands-on career training:** Apprentices receive practical on-the-job training in a wide variety of programs such as health care, information technology, and advanced manufacturing.
- **An education:** Apprentices can earn college credit, even an associate’s degree.
- **A career:** Apprentices are on their way to a successful long-term career with a competitive salary and little or no educational debt.
- **National industry certification:** Apprentices earn a certification that is portable and valuable anywhere in the United States.
- **Recognizable partners:** Many of the nation’s most recognizable companies such as CVS Caremark Corp./Pharmacy, United Parcel Service Inc., and General Electric Co., have registered apprenticeship programs.³⁴

Workforce Investment Bank to work closely with regional authorities to conduct outreach to the private sector, develop relationships with employers, and allocate financial aid to promote registered apprenticeships. In addition, the Office of Apprenticeship would continue to handle administrative responsibilities and provide technical assistance to sponsoring companies or industries.

Financial aid could take two forms. Regional authorities could offer:

1. Scholarships of \$1,000 to \$3,000 per registered apprentice to offset academic costs or on-the-job training costs. The size of the scholarship would be linked to the apprentice's eventual professional wage. As South Carolina has demonstrated through its \$1,000 tax credit for registered apprentices, a well-designed subsidy with minimal administrative burdens can be a successful incentive for companies to invest in training a skilled workforce.
2. Seed money for a small or medium-sized company to begin an apprenticeship program. Studies show that as many as 95 percent of companies using the apprenticeship model are happy with the results and continue to support it.³⁵

Although registered apprenticeships offer a time-tested model for developing skilled workers, many challenges still remain. For instance, many industries have not embraced the model yet—approximately half of existing apprenticeships are linked to construction trades. On the one hand, construction trades are not a likely source for future expansion; on the other hand, however, there is significant room for expansion in high-growth industries such as health care, information technology, and advanced manufacturing.

“Learn and earn” training models

This category includes training programs that recognize the need for participants to earn an income while increasing their human capital. Examples include on-the-job training, paid internships, and work-study programs, among others. Programs can be work-place-based with a training component (on-the-job training) or classroom-based with a workplace component (paid internships and work-study).

The important aspect behind “learn and earn” training programs is that each component should be directed toward long-term human capital development. For classroom-based programs, paid internships and work-study should be related to a

student’s major or field of concentration. For workplace-based programs, academic courses should provide college credit that leads to a recognized credential linked to increased responsibility or higher wages in the workplace.

Along those lines, the Bill and Melinda Gates Foundation outlined four design principles for “learn and earn” programs.

- **Strategic alignment:** Synchronizes colleges and employers, resulting in structured, clear, and flexible credentialing pathway
- **Rigor:** Anchors in clearly defined learning competencies for acceleration and quality
- **Career relevancy:** Accelerates portable career rewards by including interim certificates/certifications that are recognized by employers through wage increases and/or promotions
- **Financial and nonfinancial supports:** Leverages employer benefits and student services so both are aligned for working students³⁶

Our plan would provide regional authorities with the discretion to develop innovative “learn and earn” models with private employers in their areas. These programs would include formal contracts to document training curricula and desired outcomes—including links to college credit, licenses, recognized competencies, or credentials.

Career Pathways for Working Adults

The second program, Career Pathways for Working Adults, would serve adult workers who need remedial education and training to prepare for college-level coursework. According to the National Commission on Adult Literacy, as many as 80 million to 90 million adults have basic education deficiencies.³⁷ But our adult education and workforce programs assist only a small fraction of that population.

In this new program participants would receive training through programs that offer “stackable credentials” along a chosen career path—indicating increasingly advanced professional skills and competencies. The program would set a goal of increasing enrollment in long-term career pathways and contextualized instruction programs by more than 1 million adults annually. This investment in improving basic skills among

low-skill adults would provide a second chance for millions of workers to grab the bottom rung of the economic ladder and begin their climb to attain the American Dream.

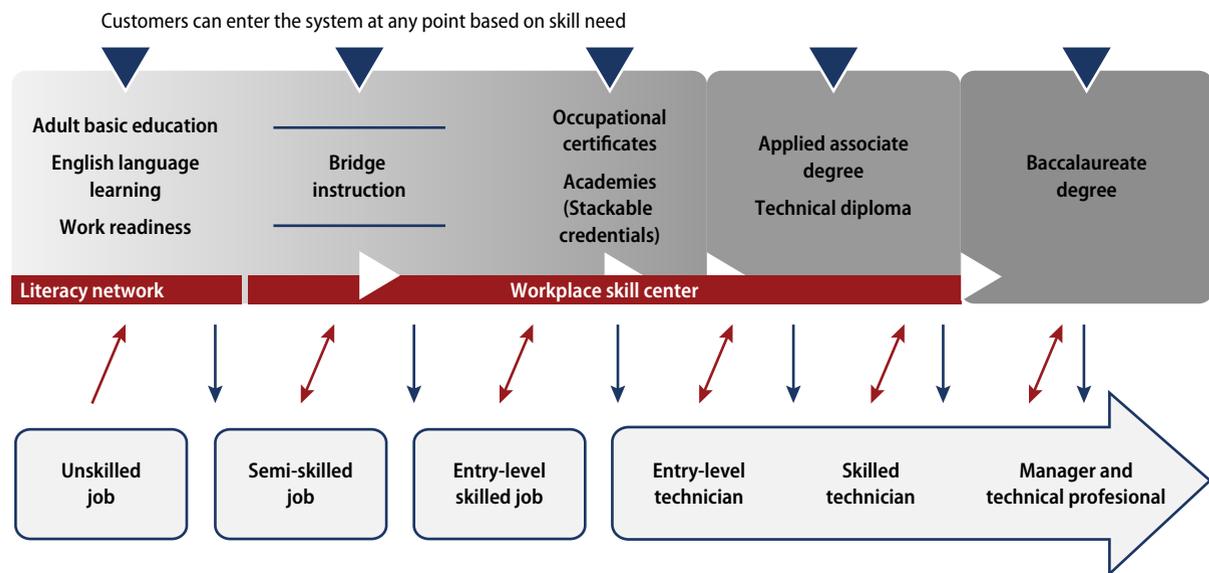
To be clear, we expect the Career Pathways for Working Adults program to continue to support basic literacy and numeracy programs for very low-skill adults. According to the Department of Labor, approximately 87 percent of 2.2 million participants in adult education in 2009–2010 were enrolled in adult basic education programs or English literacy programs. It is imperative that millions of very low-skill adults continue to gain the fundamental reading and quantitative skills that will enable them to benefit from career pathways and contextualized instruction programs.

Career pathways programs

The Department of Labor defines career pathway programs as “clear sequences of coursework and credentials that help individuals of varying skill levels earn credentials valued by employers, enter rewarding careers in in-demand and emerging

FIGURE 5
Wisconsin RISE career pathways model

Model is representative of the Department of Labor’s definition of career pathways



Source: Pat Schramm, Executive Director of the Workforce Development Board of South Central Wisconsin, and Dr. Betsy Barhorts, President of Madison College, Testimony before the Senate Subcommittee on Employment and Workplace Safety, February 16, 2012.

industries and occupations, and advance to increasingly higher levels of education and employment.”³⁸ Wisconsin’s RISE career pathways model is representative of the Department of Labor’s definitions. (see Figure 5)

Similarly, the 1199C Training and Upgrading Fund in Philadelphia is a labor-management partnership that has been using career pathway programs to create a pipeline of skilled health care workers for almost 40 years. The program is a partnership between 54 Philadelphia-area health care employers and the American Federation of State, County, and Municipal Employees-related national union of hospital and health care employees. It provides high-quality training for more than 3,000 students annually.

Training offerings range from “GED/adult diploma programs to health care contextualized English, mathematics and English as a second language classes as well as a variety of technical training programs resulting in an industry recognized credential that articulates with college credits and degree programs.” In other words, the 1199C Training and Upgrading Fund helps adult workers acquire incremental skills and credentials that can propel them from being unemployed and needing remedial education to earning an entry-level position in the health care sector to advancing to a professional career that pays middle-class wages.

Students can continue onto professional programs in a variety of health care fields, including health information technology, child development, multiple skill levels in the nursing profession, and multiple types of allied health careers such as long-term care and home-based care. In addition, participants acquire college credit that can be applied toward associate’s degrees in nursing or behavioral health at local community colleges.

Contextualized instruction

Central to the idea of implementing career pathways is the concept of contextualized instruction. Two pioneers in this field of career pathways and adult education are Washington state’s Integrated Basic Education and Skills Training, or I-BEST program, and Minnesota’s FastTRAC. These programs are recognized for pairing occupational training with adult basic education so students learn literacy and workplace skills at the same time. In addition to offering education and training simultaneously—reducing the amount of time needed to achieve proficiency—contextualized instruction programs also provide support services such as academic advising, mentoring, and tutoring, along with financial assistance for child care and transportation.

Despite service participants with extremely low education and skill levels, contextualized instruction programs have been successful in increasing completion at the postsecondary level, including credential attainment. According to the Center for Law and Social Policy:

Recent data from the statewide program shows that I-BEST students are 56 percent more likely than regular adult education students to earn college credit, 26 percent more likely to earn a certificate or degree, and 19 percent more likely to achieve learning gains on basic skills tests.”³⁹

Investing in workforce training funds to help low-skill adults is crucial for two reasons. The first reason is that higher educational attainment leads to an abundance of positive outcomes such as increased wages, improved employment rates, and increased access to health insurance. The second is that higher educational attainment leads to a decrease in need for safety-net programs such as unemployment benefits, food stamps, and Medicaid and also results in lower incarceration rates. This combination provides strong evidence that career pathways and contextualized instruction programs are cost-effective investments.

Serving at-risk communities

One of the most important priorities for the Career Pathways for Working Adults program would be to continue serving at-risk communities such as recipients of supplemental nutrition assistance and participants in adult basic education. We believe these groups would benefit from a shift to career pathways and contextualized instruction that leads to industry-recognized credentials. Unfortunately many training programs offered to supplemental nutrition assistance recipients are limited to low-cost services such as job-search assistance. But a recent report by the National Skills Coalition demonstrates there are innovative programs to serve these individuals as well. For example:

- South Seattle Community College has served nearly 11,000 supplemental nutrition assistance recipients since 2005 by providing short- and long-term training. Participants completed more than 75 percent of training programs, and 70 percent found employment.
- Capital Community College in Connecticut has trained more than 300 of these recipients to become certified nursing aides since 2009.

- Kirkwood Community College in Iowa has helped more than 400 of these recipients obtain occupational training and credentials since 2007. More than 90 percent of students have successfully found employment.⁴⁰

The success of these innovative programs—from Philadelphia to Minnesota to Seattle—proves that our low-skill adult populations are a pool of untapped talent. Maximizing the potential of our workforce and boosting economic growth will require increased support for education and training programs that help low-skill and at-risk individuals develop a self-sufficient career path.

The Targeted Communities Workforce Investment Fund

There are exceptions to every rule. The third program, the Targeted Communities Workforce Investment Fund, focuses on certain communities that are not well-served by state or regional workforce systems. These groups are generally served by national grantees, who reach out to them to provide education and training services. Our plan recognizes that it would be counterproductive to incorporate these groups into programs managed by regional authorities. Therefore our reform plan sets aside a workforce training fund to serve targeted communities such as:

- **American Indian and Native American programs:** The Workforce Investment Act includes a separate funding stream for Native American tribes and Alaska Natives. Approximately 178 tribes or tribal nonprofits receive competitive grants to deliver employment and training services. In addition, the Department of the Interior funds employment and training programs to benefit this population. The Targeted Communities Fund would combine these programs and continue to provide biannual competitive grants to serve American Indian and Native American programs.
- **Migrant and seasonal farmworkers:** The Workforce Investment Act also provides a separate funding stream for the National Farmworker Jobs program. The Department of Labor awards competitive grants to “state agencies, local workforce investment boards, faith-based and community organizations, institutions of higher education, and other entities capable of delivering services on a statewide basis.” The Targeted Communities Fund would continue to support biannual competitions to these entities.

- **Ex-offenders:** Formerly incarcerated adults face additional barriers to acquiring postsecondary education, training, and employment. Congress has traditionally recognized these barriers and provided separate funds for organizations with experience serving ex-offenders. Programs are funded through competitive grants from the Department of Labor and Department of Justice. The Targeted Communities Fund would continue to support multiyear competitive grants to serve formerly incarcerated individuals.
- **Veterans:** The Department of Labor has a separate agency, the Veterans Employment and Training Service, to provide services to the veteran community. Approximately two-thirds of the agency’s funding is allocated to state workforce agencies and support specialists to conduct outreach and offer services to veterans. The next-largest expenditure is a federal program to provide employment and training services to homeless veterans. The Targeted Communities Fund would maintain a separate funding stream to ensure that veterans continue to receive priority services.

These communities are not distributed evenly across the country and would not be served well by incorporating them into larger programs funded through a general formula or block grant. Therefore our plan reserves a separate funding stream within the Workforce Investment Bank—which we call the Targeted Communities Workforce Investment Fund—that would continue to fund national grantees so they can provide direct services to each of these disadvantaged populations.

Case study: Utah's workforce training system

A recent scientific study of workforce training in Utah offers substantial support for our emphasis on using the workforce system to pursue associate's degrees, technical certificates, and industry credentials to build human capital. The Utah study followed 32,475 workers for a total of four years and compared outcomes of workforce interventions—including degree programs, occupational training, GED programs, paid internships, unpaid internships, and life skills. The length of the study period is important because it more accurately reflects the accrual of employment and earnings benefits over time.⁴¹

The study demonstrated that degree programs, occupational training, and “learn and earn” training strategies provided substantial employment and earnings benefits.

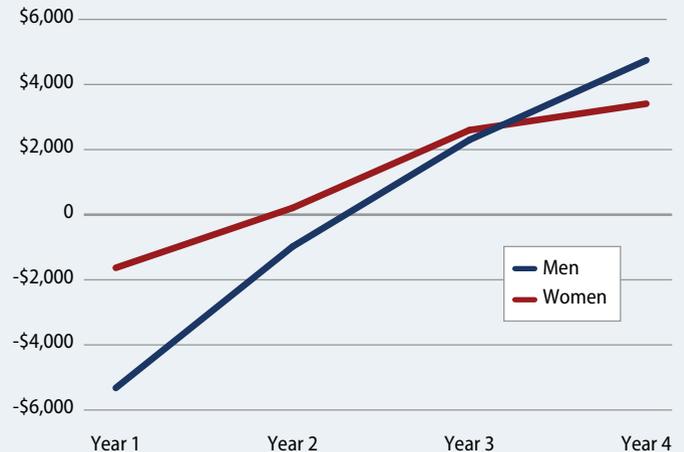
By the fourth year of the study, male participants who enrolled in two-year degree programs were earning an additional \$4,700 per year, while female participants who enrolled in two-year degree programs were earning an additional \$3,400 per year. Both groups had employment rates 9 percentage points higher than nonparticipants. According to the authors of the study, “the total sum of four-year earnings differences for all degree program trainees, both male and female, minus the total expenditures for these services produces a net positive amount of \$3,145,000.”

In other words, these degree programs more than paid for themselves within four years. The study also notes that annual earnings were still moving upwards for all groups of participants—which means degree programs would likely pay even larger dividends through wage increases and additional earnings in future years. (see Figure 6)

Participants in occupational skills programs also demonstrated substantial returns. According to the study, “Occupational skills training focuses mainly on short-term certificate programs, such as certified nursing assistant, commercial driver’s license, and various medical assistant programs, and the training typically takes place at technical colleges, community colleges, or universities.”

FIGURE 6
Utah's workforce training pays dividends

Four-year earnings increases for participants in the state's workforce training programs leading to degrees



Source: Utah Department of Workforce Services

By the fourth year, male participants in occupational training were earning an additional \$2,100 per year, while female participants were earning an additional \$1,200 per year. Employment rates for males and females were 7 percentage points and 8 percentage points higher than nonparticipants, respectively.

According to the study, “Occupational training leads to earnings improvements that are significantly larger than the total amount of federal funding dollars spent on these services.” More specifically, earnings for men in occupational training exceeded program costs by \$12 million, while earnings for women exceeded program costs by \$10 million.

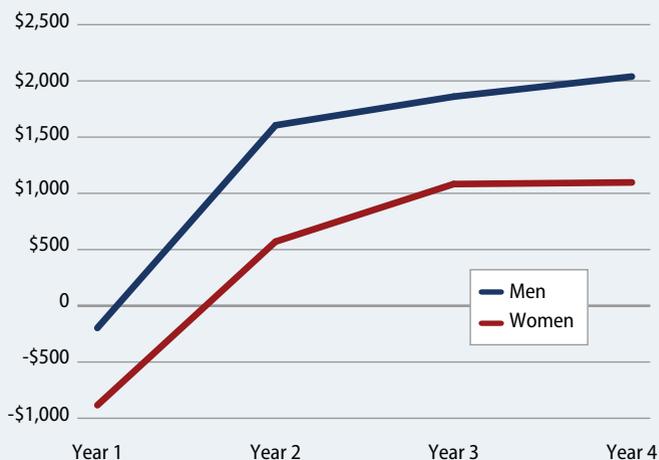
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Once again it is important to note that occupational training more than paid for itself within the four-year period studied. Moreover, participants receiving occupational training and credentials would be expected to continue to earn higher wages for the indefinite future—their training and credentials likely serve as a foundation for future training and lifelong advancement. (see Figure 7)

The Utah study also looked at “learn and earn” training strategies, including apprenticeships, on-the-job training, and paid internships. Over the course of four years, male participants in “learn and earn” strategies earned an additional \$4,900, and female participants earned an additional \$3,300 in comparison to individuals who were not enrolled in these programs. Adjusted for training costs, the typical participant received a net benefit of \$3,100 from their “learn and earn” program. Employment rates for males and females were 7 percentage points and 5 percentage points higher than nonparticipants, respectively.

FIGURE 7
Utah’s workforce training pays dividends

Four-year earnings increases for participants in the state’s occupational training programs



Source: Utah Department of Workforce Services

Regional authorities

Five years ago the New Commission on the Skills of the American Workforce released a report, “Tough Choices or Tough Times,” which recommended moving to a system of regional councils to oversee the workforce system and economic development.⁴² According to the report:

[I]t is at the regional level that where most experts agree that U.S. competitiveness will be determined. It is there that supply chains, complementary industries, investors, university-based and other research efforts, and skilled people can join forces to achieve the critical mass necessary to stimulate economic activity and innovation.⁴³

Our plan adopts this argument and seeks to shift hands-on governance of the workforce system to the regional level. The reality is that Workforce Investment Act governance is well-intentioned but its proliferation of 600 local workforce boards, based on local political jurisdictions, is potentially inhibiting economic development.

The “Tough Choices or Tough Times” report identified regional economic development districts as a better foundation for regional governance. Shifting to these new regional districts would cut the number of workforce boards in half to approximately 300. The change would not be a radical overhaul of local governance. On the contrary, it is a reasonable component of our overall proposal to more closely align the workforce system with our nation’s economic needs. The report proposed to use these regional authorities to align workforce programs, economic development programs, and community colleges into a comprehensive regional economic development strategy.

Our plan follows this general template by streamlining the existing amalgam of workforce programs into a comprehensive workforce system and then placing this system into a regional context. We believe this proposal will improve coordination, maximize resources, and direct more resources to education and training programs that will help to develop millions of skilled adult workers across the country.⁴⁴

Investing in proven training strategies

These regional authorities would act as fiscal agents for the Workforce Investment Bank and would take the leadership role in developing training partnerships. That means regional authorities would be able to invest \$10 billion annually in all levels of education and training for adult workers. Regional authorities would use their resources and expertise to bring together workers, employers, education and training providers, and public officials to expand proven training strategies that serve the long-term economic development efforts in their regions.

Regional councils would continue to be led by private-sector business leaders, with expert assistance from sector experts, community college and technical college leaders, local elected officials, workforce professionals, and labor representatives. Their efforts would focus on:

- Developing partnerships between community colleges and industry sectors leading to associate’s degrees and credentials
- Expanding the use of registered apprenticeships
- Supporting “learn and earn” training models
- Using career pathways strategies
- Establishing contextualized basic skills programs

In addition, regional authorities would be responsible for overseeing implementation and data reporting of training programs to ensure quality and results. Regional authorities would, in turn, be held accountable to federal agencies through a performance measurement system that encourages progression toward and completion of postsecondary credentials. These performance measurement systems can be built on the foundation of emerging initiative similar to those already mentioned in Washington state and the broader Complete to Compete Initiative supported by the National Governors Association.

Promoting high-performance workplace practices

Regional councils should also include business leaders with experience in talent development. Firms that exemplify talent development practices for workers include Southwest Airlines Co., health care provider Kaiser Permanente, and motorcycle maker Harley Davidson Inc., as each of these firms uses high-performance workplace practices to engage its workers.⁴⁵ The term high-performance workplace generally refers to a workplace that develops and leverages an employee's knowledge and abilities to create value through practices including training, mentoring, knowledge-sharing, incentives, partnership-based labor-management relations, and other shared decision making mechanisms.

In addition to business acumen, these private-sector representatives understand the best practices for building a workforce based on knowledge and skill. For local workforce development areas that lack business leaders with this type of experience, we recommend creating a partnership with the Manufacturers Extension Program—a Department of Commerce program that develops the management and production capacities of small and midsize companies. A partnership with the Manufacturing Extension Program would develop the capacity of small businesses and other employers to meet high-performance workplace standards to facilitate participation on boards.⁴⁶

“Growing evidence shows that firms embedded in regional clusters supported by institutions providing education, training, finance, and marketing services experience higher rates of job and wage growth than comparable firms not embedded in such clusters.”⁴⁷

—Thomas Kochan, co-director of the Institute for Work and Employment Research at the Massachusetts Institute of Technology Sloan School of Management

Career Navigation System

Our reform plan envisions another agency, the Career Navigation System, whose mission would be to empower workers to build their own human capital assets over time.⁴⁸ Many of us remember our first savings account. Our parents or grandparents gave it to us around age 10 with \$50 already deposited. The idea was to see the money appreciate, to deposit more from allowances, birthday gifts, or paper routes, to learn the value of compound interest over time, and to understand how assets are created. This understanding of asset accumulation over time is a principle that works for human capital as well.

The Career Navigation System is meant to be user-driven and fully interconnected with the workforce system, including with private employers. It is also designed to guarantee access to professional assistance—including skills assessments, individual career counseling, case management services, job search assistance, and labor market information. In this section of our report we'll demonstrate the importance of career navigation services and then detail our proposals to implement them on a national scale.

Understanding career navigation services

To apply these principles to the workforce training system, we need to start with a basic understanding of three terms: career, career development, and career navigation services.

The National Career Development Association defines career as “the sum total of one’s life experiences, including education, paid and unpaid work, and community, volunteer and family activities.”⁴⁹ The Canadian Standards and Guidelines for Career Development Practitioners defines career as “a lifestyle concept that involves the sequence of work, learning and leisure activities in which one engages throughout a lifetime ... Careers include how persons balance their paid and unpaid work and personal life roles.”⁵⁰

Career development is defined as “the lifelong process of managing learning, work, leisure, and transitions in order to move toward a personally determined and evolving preferred future.”⁵¹ Career development is made up of multiple factors—educational, sociological, economic, physical, and chance—that influence the nature and significance of work throughout an individual’s lifetime.⁵²

Career navigation services are activities intended to help individuals of any age and at any point in their lives make educational, training, and occupational choices and manage their careers. Such services may be found in secondary schools, colleges, universities, training institutions, employment services, the workplace, the volunteer or community sector, and the private sector. The activities may take place on an individual or group basis or may be in person, on the phone, or via the Internet. Specific services could include the provision of career information, assessment and self-assessment tools, counseling interviews, career education programs, internships, work-search programs, and transition services.

Three things are clear from these definitions:

1. Career and career development are unique to each worker and both require a strong sense of where one has been and where one would like to go in work and life.
2. All workers—young or old, employed or unemployed, skilled or unskilled—are always developing their human capital. Human capital development is not limited to a classroom or a period of unemployment.
3. At some point in their career, most workers will need some professional assistance because few individuals understand all of the complex options available to them.

Our reform plan builds a Career Navigation System around these realities. The foundation of the system would be our existing 2,800 One Stop centers, Educational Opportunity centers on community college campuses, the online tool Career One Stop (www.careeronestop.org), and other online tools such as the recently activated Healthcare One-Stop (www.vcn.org/healthcare). This foundation would be leveraged to ensure that any worker at any time in her or his career could access information and resources that would help him or her make smart career decisions. The assistance could be self-directed or guided by support from a credentialed professional, depending on individual needs.

Expanding universal services

Our plan also expands the list of universal public services to include career navigation. We believe that skills assessments and individual career counseling should be available to any adult worker seeking assistance—whether employed, recently dislocated, or long-term unemployed. As outlined above, services should include a slate of online tools to improve outcomes for self-motivated workers, enabling them to access and manage their online profiles from home or on a smart phone. It should be designed as an iterative process that makes it easy for adult workers to continuously update their career plans and objectives.

President Obama took a step toward universal career navigation services in his FY 2013 budget proposal for the fiscal year beginning in October. He proposed to take the comprehensive suite of career services currently available to workers who qualify for Trade Adjustment Assistance and extend those services to all dislocated workers—regardless of the reason for job loss. According to the administration, “The Budget proposes a universal core set of services where the focus is on helping all dislocated workers find new jobs.”

The administration’s proposal goes on to list an extensive set of services that it plans to extend to all dislocated workers, including:

- Comprehensive and specialized assessments of skill levels and needs
- Individual employment plans for each impacted worker
- Short-term prevocational services
- Individual career counseling
- Employment statistics information (labor-market information)

While we applaud the administration’s recognition that all dislocated workers should have access to these services, we believe the approach is too limited. Career navigation services should be extended to all adult workers seeking assistance. In fact, the new system should redefine services previously categorized as “intensive services”—including skills assessments, career counseling, and case management—as universal “core services.” Here’s how we would do that.

Career GPS

The key to Career GPS is that it is not designed to help one look for work but to manage one's human capital assets to build a career.

The hub of our proposed Career Navigation System is that any worker seeking assistance would create a Career GPS account—an obvious play on the ubiquity of global positioning systems in finding our way around today via cell phones and our cars.⁵³ This online account would provide a platform for each worker to track their human capital investment over time—including employment history, education, skills, and peer and professional network development. It would allow for self-directed, as well as professional-assisted, career navigation services. Individuals could create a Career GPS account on a voluntary basis upon graduation from high school, orientation at a new job, transition from an old job, application for unemployment insurance, or other contact with the Career Navigation System.

A Career GPS account would include access to skills assessment and self-assessment tools to help workers develop a better understanding of their strengths, weaknesses, skills, and interests. It would also supply information about a broad range of career options via multimedia tools—ranging from videos of workers in various occupations to clearly explained data about specific jobs such as local labor-market demand, education and skills requirements, and compensation. Workers exploring specific education and training programs could find information on providers in their region, course offerings, graduation rates, and financial aid.

The accounts would be designed for the worker to share them—again on a voluntary basis—with workforce professionals such as career coaches, advisers, and counselors. (see next section for an explanation of the differences) Workers could also share their accounts with potential employers for job search or recruitment purposes, as well as training partners in the workforce system such as community college counselors, apprenticeship programs, community-based organizations, unions, and employer-based models.

This functionality could also be used to develop an interface with public financing resources such as workforce training accounts, Pell Grants, and student loans so a worker could track their human capital investment. Moreover, Career GPS accounts would need to be interoperable with leading social media tools such as LinkedIn, GitHub, and emerging Digital Badges resources so that each worker would benefit from those peer networks as well.

The key to Career GPS is that it is not designed to help one look for work but to manage one's human capital assets to build a career. The best metaphor again

comes from the financial sector. E-trade and Motley Fool provide web tools for their clients to manage everything—from their checking account to mutual funds to retirement savings—on easy-to-use interfaces. With this interactive capability, individual investors are able to manage their portfolios for optimal returns. Much of this is done in a self-service fashion, while the investor also has access to professional assistance as needed. Our Career GPS would provide a similar user-driven platform with access to a variety of technological and human resources.

User-driven engagement—the hallmark of Career GPS—is a strategic pivot intended to engage each worker in their own human capital development. This shift is important because the Department of Labor’s current suite of web tools is designed, unfortunately, for job search instead of for engaging the worker in building their human capital assets over time. The system also follows the original spirit of the Workforce Investment Act and its goal of equipping workers with information to make good training decisions.

Professional career assistance

Although our platform is designed to promote user engagement, it also recognizes that many individuals will need more personalized assistance such as career coaching, advising, or comprehensive counseling. So our Career GPS system would also include access to face-to-face and interactive services at 2,800 One Stop centers around the country, which would be staffed by professionals qualified to provide career navigation services.⁵⁴

It is important to note that counseling, coaching, and advising are terms closely related to different skill levels that indicate the professional has certain competencies to assist each worker to navigate their career. To ensure that workers seeking assistance receive high-quality services, our proposal would structure the system around accepted standards in the field and a minimum level of credentialing for all providers:

- Career counseling is provided by a professional with a master’s degree in counseling.
- Career coaching, an emergent field that has arisen in recent decades, is provided by a professional who has taken a course from a certified education provider and earned a certificate in career coaching.

- Career advising, a term coined by the Council For Adult and Experiential Learning, is often provided by individuals with a college degree and on-the-job experience in human resources and workforce development.

These resources—career counseling, coaching, and advising—are services based on a set of internationally-recognized standards that have been endorsed by America’s Career Resource Network and adopted by the National Career Development Association. These standards frame the career navigation development process so that credentialed professionals develop competencies in three key areas:⁵⁵

- **Personal and social development**, which focuses on individual career decision making to develop the interpersonal skills needed to access financial and educational resources and to integrate change into the career path of workers
- **Educational achievement and lifelong learning**, which focuses on skills to achieve the education levels needed to reach personal goals, to continue to reach personal goals, and to continue to learn and further the careers of workers in a changing economy
- **Career management**, which focus on skills to manage work, education, and life responsibilities on an ongoing basis.

Our proposed career navigation resources—both in-person and online—are designed to help workers produce two products in their Career GPS environment. One is a career plan for immediate implementation that will guide investment in training and education when needed. The other is the ongoing ability to update and view one’s human capital assets and the ability to look out into the future and plan for future asset building and career plan revisions.

Our proposal for a Career Navigation System is designed to be an outgrowth of the ways in which workers accrue human capital—which is incrementally over their whole working and learning lives. By using technology to its utmost, we can help workers optimize their human capital investment to promote success in work, education, and life. Similar to the parents’ or grandparents’ gift of the savings bond, these tools provide an asset-based approach to building the future.

Case study: The value of professional career counseling

A random assignment study by Mathematica Policy Research demonstrates the importance of intensive career counseling services to job seekers.⁵⁶ The study followed 8,000 customers of One-Stop Career Centers and sought to evaluate whether guidance from career counselors had an impact on training and employment outcomes. Researchers concluded that customers enrolled in training programs that placed the greatest emphasis on counselor guidance—and the least emphasis on individual choice—achieved the most cost-effective outcomes, including higher earnings and a greater likelihood of being employed in an occupation that matched their training program.

The study showed that participants in a Structured Choice training model—which offers higher levels of discretion to career counselors—would earn \$41,000 more than nonparticipants over the subsequent 20 years, and the government would save \$5,000 per person through reduced costs of social programs—for a total benefit of \$46,000. The Structured Choice training model enabled career

counselors to design customized training plans with higher caps on training costs for job seekers who participated in intensive counseling sessions covering the following topics:

- High-return training
- High-wage occupations in demand
- Training options in customer’s selected occupation
- Returns to training for prospective programs
- Feasibility of customer’s training selection

Mathematica’s researchers determined that shifting to higher-value job training programs with intensive counseling services “could substantially benefit customers and society as a whole without increasing net government costs, but could increase costs for the workforce system.” In other words, investing in higher-quality job training with intensive guidance from professional career counselors is cost effective and will save taxpayer money in the long run.

Conclusion

Budgeting for workforce system reform

One of the difficulties in redesigning the workforce system is that existing programs are funded through a variety of sources—including discretionary appropriations, mandatory spending, and the tax code—whose federal purse strings are spread across multiple congressional committees. Responsibility for authorizing these programs is also spread across multiple committees. Efforts to reform the entire workforce system will require cooperation between politicians on both sides of the aisle, as well as those policymakers in charge of drafting appropriations bills, authorization bills, and tax policy.

Further complicating reform efforts is the ongoing fight over the federal budget. In 2011 Congress passed the Budget Control Act of 2011, which set strict limits on discretionary appropriations for the next 10 years. It also established a sequestration process to cut an additional \$1.2 trillion over 10 years if Congress cannot agree on another way to reach that level of savings. But Democrats and Republicans are far apart in their budgetary priorities, and the impasse is not likely to be resolved prior to the 2012 election.

So we fully recognize the difficult environment for policy reform. It won't be easy. But if policymakers on both sides of the aisle believe their own rhetoric about the importance of workforce training, there could be a window of opportunity for bipartisan agreement. In this section we present the ingredients for such a meeting of minds.

Meeting our economic needs

In that context, we would submit that our plan is designed to meet the long-term needs of an innovation-based economy. Economists estimate that our workforce is going to experience a shortage of 5 million workers with postsecondary cer-

tificates and credentials by 2018. In order to close that gap, our education and training systems need to help an additional 1 million adults earn certificates and credentials annually.

Therefore, our redesigned workforce system is intended to enroll more than 2.5 million workers in education and training programs leading to associate's degrees, technical certificates, and industry-recognized credentials, along with universal access to career navigation services. The increase in education and training should result in more than 1 million additional credentials annually—thereby meeting our long-term economic needs. Here's how.

Workforce Investment Bank:

- Train 1 million adult workers in sector partnerships
- Train 500,000 adult workers in registered apprenticeships
- Train 1 million adult workers in career pathways and contextualized programs

Career Navigation System:

- Universal access to career navigation services such as skills assessments, career counseling, and case management

We believe that any plan to reform the workforce system should be judged by whether it leads to a more skilled workforce. If it does not result in more workers earning degrees, certificates, and credentials, then it is probably more focused on eliminating programs than on benefiting workers.

Paying for education and skills training

Funding for education and workforce training should be viewed as a long-term investment in America's middle class. Increasing educational attainment will boost incomes, raise overall employment rates, and drive macroeconomic growth.

Our reform plan would allocate approximately \$12.3 billion to the workforce system annually—primarily by simplifying the federal workforce system and shifting its primary responsibility to human capital development. Nearly \$10 billion of our proposed budget comes from existing workforce programs that would be

incorporated into a reformed system. We also include President Obama's proposal for a Community College to Career Fund. Many of the underlying goals in the president's proposal—including community college and industry partnerships and performance-based funding incentives—coincide with goals in our own plan.

Our plan also incorporates the Lifetime Learning Tax Credit. While reducing existing programs that support workforce training is not our first choice, we are skeptical that a nonrefundable tax credit that covers only 20 percent of a student's costs—capped at \$2,000 per year—is the best way to help a disadvantaged, dislocated, or long-term unemployed worker to enroll in postsecondary education and training. Our view is supported by a nonpartisan report from the Congressional Budget Office:

Education benefits administered through the tax system are poorly timed because families must pay tuition and fees before they can claim the benefits on their tax returns. In contrast, federal spending programs such as the Pell Grant program are designed to provide assistance when the money is needed—at the time of enrollment. Further, providing education assistance through various credits and deductions, each with slightly different eligibility rules and benefit amounts, makes it difficult for families to determine which tax preferences provide the most assistance.⁵⁷

In addition, a recent report by Education Sector, a nonprofit think tank, highlights the fact that education tax credits increasingly go to upper-middle income families, as opposed to low-income and middle-income families as intended. In 2009, \$2.5 billion worth of education tax credits went to families earning less than \$50,000, while \$3.9 billion worth of benefits went to families earning between \$100,000 and \$180,000. According to author Steve Burd, “All signs suggest that these trends will continue or even become more acute.”⁵⁸

Designing a reformed workforce system that lasts

As previously discussed, the Budget Control Act set strict caps on discretionary spending for the next decade, which means that discretionary spending increases will be extremely limited for the foreseeable future. Based on recent history—including three decades of funding atrophy and the 2011 attempt by the House leadership to cut \$4 billion from the workforce system—it is safe to assume that additional discretionary funds will not be directed to workforce programs.

Therefore any reform of the workforce system will likely have to be split between the discretionary and mandatory sides of the budget. Discretionary programs such as the Employment Service, Workforce Investment Act training programs, or Adult Education are funded through the annual appropriations process. Funding levels are determined annually. Mandatory programs such as H-1B training grants, Trade Adjustment Assistance training funds, and the Trade Adjustment Assistance Community College and Career Training grant program are funded through existing laws and do not require annual appropriations. (see budget table in the Introduction and Summary)

Normally it would be unrealistic to reform the workforce system through the mandatory side of the ledger since most workforce programs are funded through annual appropriations. But our reform proposal is a budget-wide plan that streamlines numerous programs funded through appropriations, while making significant changes to mandatory programs and tax policy. In our view it would be inappropriate to eliminate an education and training program on the mandatory side of the budget (such as H-1B training grants) or an education tax credit, and then place responsibility for supporting those services on the shoulders of appropriators, whose resources are shrinking over time as a share of the federal budget.

In this context, the next year will include a serious discussion about the entire federal budget—including taxes, spending, and entitlement programs. Opponents of social programs will push for trillions of dollars in tax breaks that disproportionately flow to the wealthy, while supporters of education programs will hold firm in support of early childhood education, elementary and secondary education, and Pell Grants. But we believe that workforce training is an important investment too. As policymakers spend the next nine months moving trillions of taxpayer dollars around the federal budget, it will be crucial to have budget negotiators who recognize the need for a strong and efficient workforce system.

Our workforce system as it is and as it could be

A comparison of the U.S. workforce system today and under our proposed reform plan

For the American economy to grow and to rebuild the middle class, the nation needs a workforce training system that provides all adult workers with the opportunity to obtain a postsecondary credential with labor-market value.

The reform proposal in this paper places 2.5 million adult workers in high-quality training programs that lead to degrees, certificates, and credentials. This influx in training would result in an increase of more than 1 million workers with credentials annually—thereby averting a shortfall of skilled workers that would cripple future economic growth.

Moreover, our proposed changes to the One-Stop system would enable more workers to access professional career counseling, advising, and coaching, while also taking advantage of online career management tools to track their progress over time. This service platform is critical to worker success in today’s chaotic labor market.

We achieved these results by redesigning the workforce system according to five straightforward principles. Let’s review our reformed system according to those principles.

1. Most workers need some type of education or skills training beyond high school.

- The existing system is overly reliant on short-term employment services, and it fails to enroll enough workers in high-quality workforce training.
- Our reform proposal places a higher priority on long-term job training programs and intensive career counseling services that build human capital over time.

2. The workforce system should prioritize training partnerships leading to degrees, certificates, and credentials.

- The existing system has a poor track record of partnering with the business community to develop high-quality training programs that build long-term skills.
- Our reform proposal outlines five major training strategies—sector partnerships, registered apprenticeships, “learn and earn” training models, career pathways, and contextualized instruction—that will lead to more training partnership models and increased completion of degrees, certificates, and credentials.

3. The workforce system should provide professional career navigation services to all workers seeking assistance to help them build human capital over time.

- The existing system focuses on core services such as resume assistance, job listings, job search assistance, and one-day workshops to return unemployed workers to any available job as quickly as possible.
- Our proposed system highlights the need for career counseling, advising, and coaching, alongside online tools to help adult workers plan their long-term careers.

4. The existing workforce system is chronically underfunded.

- The existing system has undergone decades of funding cuts that undermine its ability to fulfill its mission to workers.
- Our reform proposal invests substantial funds to ensure that workers receive the workforce training and career navigation services they need.

5. The existing workforce system is unnecessarily complex.

- The existing system includes a multitude of individual programs spread across a variety of federal departments.
- Our reform proposal streamlines workforce training and career navigation services into a limited number of programs located in two federal agencies.

All in all, our reform proposal is a good-faith attempt to build a new workforce system around the real needs of workers, employers, and regional economies. The plan embraces public-private partnerships as the most promising training strategy to develop a skilled workforce and prioritizes long-term human capital development as the solution for low-skill workers. It also invests in our middle class while ensuring the workforce system is simpler and more efficient.

Fortunately these principles and goals are not particularly partisan. Policymakers on both sides of the political aisle like to highlight workforce training as an important

tool for economic growth. Progressive policymakers tend to emphasize the benefits of education and training for individual adult workers, pointing to higher earnings and other related benefits. Conservative policymakers prefer to focus on the need for a skilled American workforce to support private-sector businesses. Regardless of ideology, workforce training is seen as an important part of the solution.

In this paper we have tried to embrace the bipartisan foundation that has supported the workforce system in the past. In the 1990s, for instance, policymakers set aside their differences to design a workforce system with a dual customer approach—serving workers and employers—that was appropriate for the economic circumstances. Since then our economy has undergone significant changes, primarily due to globalization, and it's once again time for policymakers to see that strengthening the workforce system is a rare opportunity for genuine bipartisan reform.

We recognize there are still large differences of opinion, and no proposal will satisfy every desire on both sides of the political spectrum. But we hope the principles, policies, and solutions outlined in this plan offer a platform for bipartisan discussion so we can move forward on a reformed workforce system that works for individuals, employers, and the nation.

In the months ahead, we look forward to a continued debate about the best ways to strengthen our middle class, improve economic mobility for all, and grow the economy for everyone.

About the authors

Stephen Steigleder is a Policy Analyst with the Postsecondary Education team at the Center for American Progress. Prior to joining CAP he served as a committee staffer on the House Appropriations Committee’s Labor, Health and Human Services, and Education Subcommittee. Stephen holds a master’s degree in public policy from Georgetown University and a bachelor’s degree in history from Santa Clara University.

Louis Soares is a Senior Fellow with the Center for American Progress and provides strategic guidance and policy expertise on higher education reform. He has more than 20 years of experience in postsecondary education and economic development policy. His research at the Center for American Progress includes community college reform, worker training, education and industry partnerships, career and education counseling, and technology-driven innovation in higher education. Soares’s papers, “Working Learners: Educating Our Entire Workforce for the 21st Century” and “Disrupting College: How Disruptive Innovation Can Bring Quality and Affordability to Postsecondary Education,” are widely cited as redefining the policy debate in worker training and online education respectively. Soares holds a master’s degree in public administration from Harvard University and a bachelor’s degree in business economics from Brown University.

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