

Job Training is Key to Success of Jobs Bill

Analysis and Recommendations

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Introduction

The United States is still suffering the effects of the most severe recession since the Great Depression. The *official* unemployment rate exceeds ten percent, while the *effective* unemployment rate, which captures workers disconnected from the labor market as well as those experiencing forced underemployment, is probably closer to twenty percent.¹ Perhaps even more troubling, nearly forty percent of the unemployed have been jobless for more than six months.²

While policy initiatives already enacted have lessened the severity of the economic crisis, it is almost certain that unemployment will remain unacceptably high for months, if not years, to come. Even if hiring does pick up, we would need to create nearly eleven million jobs to return to pre-recession employment levels.³ While there is growing evidence of an economic recovery, these gains do not seem to be translating to the labor market.

In response to these challenges, Congress and the Obama Administration have announced plans to develop job creation legislation (a “jobs bill”) in the coming months. In the short-term, Congress will take steps to continue policies such as extended Unemployment Insurance and COBRA benefits. The President on December 8th announced a range of proposals for accelerating job growth, including:

- New investments in infrastructure, including highway, transit, bridge, and other construction projects;
- A new tax credit to encourage small business to increase hiring; and
- Incentives to homeowners and businesses to invest to energy efficiency retrofitting and upgrades in homes and other buildings.

Congress will likely consider these and other proposals such as fiscal relief to state and local governments to target public sector employment, and increasing the availability of credit for small- and medium-sized businesses in the coming weeks. U.S. workers and businesses will benefit from these efforts, but it is important to note that policies to create jobs will only succeed if the following are true:

- Workers must have the skills—or be able to quickly obtain the skills—to do the jobs that are created;
- Any jobs that are created must offer the potential for real careers (and long-term employment even after federal investments end) by ensuring people have opportunities to continue to skill up even after they are employed; and
- Workers at all skill levels must benefit from investments in job creation.

¹ <http://www.bls.gov/news.release/empsit.nr0.htm>

² Economic Policy Institute, [Jobs Crisis Fact Sheet](#)

³ *Ibid*

Workforce Development and Job Creation

Although investments in workforce development do not create jobs, job training policies should not be regarded independently of job creation and job quality initiatives—training is integral to the success of both, and skills and knowledge are important drivers of economic growth. There is a strong positive correlation between the education composition of a state’s workforce and its economic vitality. A recent study in Michigan showed that a five percent increase in the share of college-educated adults would boost the state’s overall economic growth by 2.5 percent over ten years and the real wages of all workers by 5.5 percent.⁴

A very high share (75 percent) of the rise in total unemployment between May 2008 and May 2009 was attributable to permanent job losses rather than to temporary layoffs or new entrants / re-entrants into the labor force. A high fraction of these permanently displaced workers were formerly employed in industries (construction, manufacturing, transportation, finance) and occupations that are now in substantial surplus in U.S. labor markets.⁵ Many of these newly jobless workers are structurally unemployed, lacking the education and occupational skills to become re-employed in the absence of new initiatives to retrain them for jobs that are expected to be created as the economy begins to recover or that might be created through new legislation.

Simply put, job creation strategies cannot work if individuals do not have the skills they need to get and keep new jobs and if businesses cannot find the skilled workers they need to compete and grow. This is especially true when considering the kinds of workers most likely targeted by a jobs bill:

- **Dislocated workers transitioning to new industries.** Dislocated workers may have significant job experience, but lack the skills to transition to new industries. For example, a recent Michigan report found that one-third of all working-age adults in the state—including many displaced autoworkers—“lack the basic skills or credentials to attain family-sustaining jobs and contribute to the state’s economy.”⁶ With many recent job losses structural rather than cyclical, a number of dislocated workers will need both basic skills and occupational training in order to find new careers in high-growth and emerging industries.
- **Dislocated workers returning to their industry.** Even workers going back to jobs in industries they have worked in will need training to remain current. For example, many “green-collar” jobs are existing white- and blue-collar jobs upgraded to take advantage of new, environmentally-friendly technologies and techniques. With major federal legislation on the horizon that will impact the energy, health care, and transportation and construction sectors, we need to make sure that these workers have the skills that employers will be looking for.

⁴ [Lt. Governor’s Commission on Higher Education and Economic Growth, *Final Report*](#)

⁵ [The Great Recession of 2007-2009: Its Post-World War II Record Impacts on Rising Unemployment and Underutilization Problems Among U.S. Workers](#)

⁶ [Transforming Michigan’s Adult Learning Infrastructure](#)

- **Low-skilled workers trying to enter the labor market.** Low-skill workers often face significant barriers to employment even in good economic times, and have been especially hard hit during the current recession. The national unemployment rate for individuals with a bachelor's degree or higher is 4.9 percent; by contrast the rate for individuals without a high school diploma is fifteen percent,⁷ while the overall incidence of labor underutilization among adults with no high school diploma / GED certificate was nearly 34 percent.⁸ These individuals will remain at the back of the employment line unless they have access to significant education and training opportunities, including access to adult education for the 93 million Americans who lack the literacy skills to succeed in postsecondary education and training.⁹
- **Young workers, particularly those with weak labor market attachment.** Young workers have felt the effects of the current recession more than any other category of workers. Younger workers (under age 30) have borne nearly one half of the net employment losses since November 2007, while underutilization rates were highest among teenagers (37 percent) and 20-24 year olds (26 percent).¹⁰ These trends were particularly pronounced among Blacks and Hispanics, low-income households, men, and the very young (16-19 years old).¹¹

Given such a wide diversity of workers, all with different needs for workforce services and supports, it will be especially important that any job creation bill support multiple pathways for workers to obtain the skills they will need to get a job initially and, ultimately, move up a career ladder.

Recent Data Underscores Value of Training in Economic Downturns

Two recent reports underscore the importance of job training and education as part of our nation's economic recovery efforts.

The Springboard Project's American Employer and American Worker Surveys

The Business Roundtable's (BRT) Springboard Project conducted two surveys in July 2009 to gauge employer and worker attitudes toward job training and competitiveness.¹² Despite the fact that the economy lost a quarter of a million jobs that month, both businesses and workers surveyed emphasized the need for skills and job training. For example, more than sixty percent of employers responding to the survey indicated that they were having difficulty finding qualified applicants to fill *current* vacancies, and almost half indicated that there was a moderate

⁷ Bureau of Labor Statistics, "[Table A-4. Employment Status of the Civilian Population 25 Years and Over by Educational Attainment](#)"

⁸ [The Great Recession of 2007-2009: Its Post-World War II Record Impacts on Rising Unemployment and Underutilization Problems Among U.S. Workers](#)

⁹ [Reach Higher, America](#)

¹⁰ [The Great Recession of 2007-2009: Its Post-World War II Record Impacts on Rising Unemployment and Underutilization Problems Among U.S. Workers](#)

¹¹ PowerPoint presentation by Andrew Sum at the NAWB Conference in Minneapolis, June 2009

¹² PowerPoint presentation by The Business Roundtable's Springboard Project, "[Lifetime Learning: An Essential Factor in Workforce Success and Global Competitiveness](#)"

or large gap between the skills of their current workforce and company requirements. These persistent skill gaps limit the capacity of U.S. companies to compete and grow in an already tough economy, while unemployed and underemployed workers cannot take advantages of existing job opportunities because they lack the necessary training.

Businesses that are able to invest in worker training see meaningful returns on their investment, with 23 percent of such organizations planning to expand their workforce in the months ahead, compared to only 13 percent of companies that did not offer training to their workers. Unfortunately, while the payoff from training can be significant, it is difficult for many employers to address the up-front costs, particularly in tough economic times; indeed, for those employers who felt that their emphasis on training and continuing education was inadequate to meet company needs, nearly sixty percent stated that the cost was the most important obstacle to increasing their investments in training. These findings underscore the value of public investments in training to complement private sector investments and assure employers that they can access the qualified workforce they need to grow their businesses.

Similarly, workers also recognize the value of training and education in achieving short- and long-term career goals. Eighty-one percent of workers surveyed by the BRT said that they would be willing to participate in skills training and education outside the workplace, with nearly sixty percent of all respondents saying that they had taken such courses and that the skills gained had paid off. However, workers often face hurdles in pursuing training opportunities, with more than half of workers making less than \$50,000—the ones who might benefit the most from further education and skill development—indicating that cost is an obstacle, and more than forty percent of all workers citing inconvenience as an issue. A majority indicated that they would be very likely to seek training if there were opportunities for tuition reimbursement and flexible scheduling that allowed them to balance work and family responsibilities. Federal policy should support workers in their pursuit of educational opportunities, particularly those who cannot easily participate in “traditional” postsecondary settings and sequences, to ensure all workers are able to take advantage of emerging job opportunities.

Michigan’s No Worker Left Behind Program

Even before the recession, the State of Michigan was facing significant economic challenges, but the near collapse of the U.S. automotive industry last year helped push the state’s unemployment rate above fifteen percent in October 2009, the highest rate in the nation.¹³ Recognizing that Michigan workers needed the skills to help save declining industries and transition to new ones, Governor Jennifer Granholm launched the No Worker Left Behind (NWLB) Initiative, which provides up to \$10,000 over two years for any unemployed or underemployed worker seeking education or training that leads to a high-growth job in the state.

A new report from the Michigan Department of Labor, Energy, and Economic Growth shows that in its first eighteen months, NWLB has had profound impacts on the state’s economy.¹⁴ More than 60,000 workers entered some form of skills training, of whom 84 percent have either completed or are still engaged in training. Among those who have completed training, 72 percent have been able to obtain or retain employment across a broad range of industries, despite

¹³ <http://www.bls.gov/news.release/laus.nr0.htm>

¹⁴ http://www.michigan.gov/documents/nwlb/NWLB_Outcomes_Report_2009_10_23_298741_7.pdf

the fact that, as of September 2009, there were ten unemployed individuals for every job opening in the state—more than twice the national average. More than 1000 firms across the state—primarily in the manufacturing and health care sectors—were able to avert layoffs and revitalize their businesses through job retention training, which helped nearly 17,000 workers get the skills they needed to keep their jobs with these firms.

Based on these promising outcomes, Governor Granholm recently announced that NWLB will continue as Michigan’s permanent workforce development policy, serving as a national model for how states can connect workforce and economic development to save existing jobs and help workers and businesses transition to the 21st-century economy.¹⁵ That Michigan will continue to invest in NWLB despite a projected budget shortfall of \$2.8 billion in Fiscal Year 2010, underscores the tremendous value of training and education in job retention and creation efforts.¹⁶ Federal policy should encourage innovative state strategies like NWLB by ensuring that our nation’s workforce infrastructure has the capacity to meet growing demands from workers and businesses, and the resources to supplement state and local investments in skills.

Conclusion

Congress can turn today’s economic crisis into tomorrow’s opportunity by investing in a meaningful national skills strategy that ensures that every worker has the 21st-century skills they need and that employers in high-growth, high-demand industries have access to the skilled workforce that will drive innovation and economic growth. There are a number of steps Congress can take immediately to begin moving federal policy toward this goal:

- Ensure that job creation legislation includes meaningful access to and adequate investments in job training and education. Although the need to put people back to work as quickly as possible is clear, training is integral to the success of such efforts, and skills and knowledge are important drivers of economic growth. Without qualified workers, U.S. businesses will struggle to compete and expand, contributing to the “jobless recovery.” On-the-job training, customized training, transitional jobs, and subsidized work are all examples of policies that would allow individuals to obtain new workforce skills without delaying their entry into the labor market.
- Reauthorize the federal Workforce Investment Act (WIA) to ensure our nation has the workforce development infrastructure necessary to sustain our recovery and contribute to our economic competitiveness in the years ahead. According to a report written for The Workforce Alliance by economists Harry Holzer and Robert Lerman, the majority of jobs now and in the future are “middle-skill” jobs—requiring more than a high school degree, but not necessarily a four-year college degree. It is expected that jobs requiring at least an associate degree will grow twice as fast as jobs requiring only a high school education over the next decade. The current workforce system was created under vastly different economic circumstances—WIA has not been reauthorized in this century—and lacks the resources to meet growing demands for services from job seekers and businesses alike.

¹⁵ <http://www.michigan.gov/gov/0,1607,7-168--225162--00.html>

¹⁶ <http://www.cbpp.org/cms/?fa=view&id=711>

- Build on these and other efforts and begin a meaningful national conversation about investing in the skills of all of America’s workers. In the long run, no single program will be able to address the educational requirements of every worker and every industry. To remain competitive in the 21st-century economy, we must ensure that workers at all skill levels are able to access the training and supportive services they need to fill emerging jobs, and that businesses are able to find qualified workers in every part of the country. This means strategically aligning adult education, job training, higher education, economic development, and social services programs—at all levels of government—and making investments in proportion to our long-term needs. One step toward this would be a requirement that all federal agencies engage in cross-agency planning and collaborative administration of job training and related programs under their jurisdiction.

