



Delivering Greater Opportunity

Public Policy Recommendations For A Modern Workforce Development System That Serves American Workers And Employers

America's workforce has always been the great strength of the U.S. economy. The productivity, innovation, and skill of American workers have been critical to our country's sustained growth and leadership in the global economy.

To ensure that America continues to lead economically, the United States needs a world-class, modern workforce development system that fosters productivity and innovation and helps employers and workers navigate a rapidly changing economy. There are few challenges—or opportunities—more important for our country than growing and sustaining a skilled workforce.

Too often, however, the federally funded workforce development system has failed to meet the needs of workers and employers. Too few workers are able to access high-quality training to develop new, in-demand skills. And employers often struggle to utilize the outdated, inflexible, and complicated system to recruit and develop workers.

Close to \$2 trillion was spent in 2017 alone on education and training by American educational institutions, employers, federal grantees, states, and the military.¹ Yet, U.S. businesses persistently struggle to find talent with the skills they need. As part of these investments, federal workforce development funds need to be refocused and targeted to train American workers—particularly those who are displaced or unemployed—for high-demand, high-quality careers.

Recent labor market dynamics illustrate the need for a modernized, high-quality workforce development system. As of July 2022, the United States is facing unprecedented job openings—over 11 million unfilled positions—with 6 million unemployed individuals currently looking for work. Nearly two positions exist for every person actively searching for a job. Another almost 6 million individuals are not in the labor force but want a job.³ Efficient and effective workforce development and job training will be key to bridging the gap between employer's acute workforce needs and workers who are seeking greater economic mobility.

A modernized workforce development system that delivers high-quality job training is also particularly important in the aftermath of COVID-19. Due to increased technology-based shifts in business operations accelerated by the pandemic, employers will increasingly require a workforce that is trained with more advanced technological skills. In light of these changes to the nature of work, the McKinsey Global Institute predicts that nearly 15 million Americans may need to switch to different occupations by 2030.⁴

These types of changes and technological shifts can also bring new opportunities. Experts predict that high-tech industries emerging in the wake of the pandemic could create some 18 million new jobs over the next five years, or one in every six jobs by 2026.⁵ Preparing qualified workers to support these new high-tech employment opportunities—including through a modern, high-quality workforce development system—can help position the American workforce and the U.S. economy to lead globally.

At the same, individuals facing barriers to opportunities are more likely to be adversely affected by economic changes and technological shifts in the workplace. For example, analysis by the Brookings Institution's Hamilton Project shows that Black and Latino workers were hardest hit by layoffs during the pandemic, given that they are disproportionately employed in roles that cannot be performed remotely; moreover, they are at greatest risk of job disruption by technological advancements and new skills requirements in the post-pandemic economy.⁶ Without a concerted national effort to train individuals who are most at risk of falling behind, the skills and wealth gaps that predated the pandemic will only continue to widen.

Policymakers should consider reforms to the workforce development system that ensure that the United States remains globally competitive. They have a critical opportunity to narrow the skills and wealth gaps and respond to employers' and workers' evolving needs through policies that create a flexible, efficient, and effective system. **To do so, reforms to the system should promote bold and innovative workforce strategies and be guided by the following principles:**

1. Make reskilling and upskilling programs more accessible for workers seeking greater economic mobility

2. Invest in community colleges and high-quality, non-traditional training programs

3. Modernize the system to ensure a stronger return on investment for workers, employers, and taxpayers

The specific policy recommendations that follow build on these three principles. Through these recommendations, Business Roundtable CEOs urge policymakers to work together to modernize the nation's workforce development system to better serve U.S. workers and employers, ensure our country's sustained economic growth, and deliver greater opportunity for all Americans.

Make reskilling and upskilling programs more accessible for workers seeking greater economic mobility

The skills needed to succeed in today's economy are changing at an astounding rate. A recent Harvard University study found that, between 2007-19, 29 percent of jobs required at least one new skill; for computer science and mathematical jobs, that figure rose to 47 percent.⁷ **The workforce development system can enable greater mobility for workers by providing more affordable access to skills training and credentials tied to in-demand jobs through policies that:**

1. Promote worker training accounts

Authorized under the Workforce Innovation and Opportunity Act (WIOA), individual training accounts (ITAs) enable eligible adults and dislocated workers to select programs and courses from states' Eligible Training Providers Lists (ETPLs). However, the bulk of WIOA funds cover intake, referral, and other services as well as administrative costs associated with operating a one-stop career system. Only a small proportion of funds directly support ITAs, reflected in the fact that, in 2020, just 66,000 adults and dislocated workers nationwide received training through an ITA.⁸ Comparatively, roughly seven million low-income individuals receive Pell Grants on an annual basis. **To address this issue, as well as to enable ITAs to be used for a more expansive set of training programs and circumstances, federal policymakers should:**

- a. Require that at least half of all local WIOA funds be directed toward ITAs;
- b. Amend WIOA to allow ITAs to be used for upskilling by incumbent workers if their current job is in jeopardy due to technology or automation shifts, or if the worker otherwise lacks opportunity for upward mobility;
- c. Promote or require state ETPLs to include high-quality "online-only" education options; and
- d. Allow ITAs to be used for work-based learning programs for training providers otherwise not on ETPLs, in cases where the employer agrees to cover a portion of the training cost.

2. Support training for occupations in high-demand fields

Congress should ensure that federal funds are used to support training for occupations in high-demand fields through programs that will successfully prepare individuals with skills

to succeed in that field. Specifically, Congress should require that all workforce training providers supported by federal investment demonstrate and document that their training programs align with employer demands—based upon state and local workforce data—and that participants are able to obtain employment in high-demand jobs. Additionally, state and local grant recipients—including ETPL providers—should be required to demonstrate that they have user-friendly data systems in place that provide real-time, localized information on specific, high-demand jobs.

3. Invest in employer-based training models

Employer-based training models, such as apprenticeships, on-the-job training, and incumbent worker training, can be effective approaches for building skills among new and existing workers. **To expand access to these types of training, federal policymakers should:**

- a.** Continue investments to increase the number and quality of apprenticeships and other earn-and-learn programs—particularly in non-traditional, high-demand occupations;
- b.** Modernize the Department of Labor’s Registered Apprenticeship Program by streamlining and simplifying application processes and providing flexibility in program standards to promote more participation in registered programs and expand to new industries and occupations; and
- c.** Remove current caps that limit the percentage of WIOA Adult and Dislocated Worker funds that may be used for incumbent worker training, on-the-job training, and transitional employment.

4. Expand Pell Grants to cover short-term programs

Currently, Pell Grants may only be applied toward programs of at least 15 weeks in duration. This stipulation excludes many short-term programs, which have been found to create successful pathways for individuals to secure well-paying jobs or to further their careers. To address this restriction, Congress should pass the bipartisan Jumpstart Our Businesses by Supporting Students (JOBS) Act. The legislation would allow Pell Grants to be used for short-term programs, while also ensuring that programs are held to high standards and focused on the skills needed for in-demand occupations.

5. Promote digital literacy skills

The COVID-19 pandemic has vastly accelerated our nation’s digital transformation, making digital literacy a necessity for most individuals seeking a job or online learning

opportunities. Yet, the National Skills Coalition estimates that one-third of the current workforce lacks basic digital skills.⁹ **To address this issue, federal policymakers should:**

- a. Amend WIOA to encourage states and local workforce boards to expand the availability of digital literacy programs;
- b. Support the expansion of current programs by libraries and other intermediaries to provide free, hands-on computer literacy training through the help of volunteers; and
- c. Support community colleges in making stand-alone digital literacy classes more accessible to the public.

6. Expand tax incentives leading to portable skills

Employers are a major source of investment for upskilling and reskilling our nation's workforce. Tax incentives should promote the expansion of these and other investments, especially for programs that provide increased mobility for workers and that help them keep up with changing workforce needs. **To do so, federal policymakers should:**

- a. Pass the bipartisan Upskilling and Retraining Assistance Act, which would increase the amount of tax-free educational assistance that employees in workforce development programs can receive from their employers and would modernize the program to cover expenses for tools and technology that are required for educational programs;
- b. Allow tax credits for employers that increase spending on worker training programs, such as apprenticeships, compared to prior years; and
- c. Update Coverdell Education Savings Accounts in order for individuals to receive a tax benefit when participating in a broader range of workforce training.

Invest in Community Colleges and high-quality, non-traditional training programs

Community colleges and non-traditional programs provide training that leads to a wide variety of credentials for high-demand jobs. These programs are critically important as employers are increasingly placing more emphasis on job candidates' skills, rather than just degrees. The shift toward skills-based hiring and employment practices enables employers to meet their workforce needs while also putting more Americans on pathways to high-quality careers. **The federal government can help increase the number of individuals attaining credentials that demonstrate their skills by supporting community colleges and non-traditional training programs through policies that:**

1. Increase capacity of community colleges to focus on workforce skills

Community college students represent over 40 percent of all undergraduates in the United States, and a significant proportion of their students are from underrepresented populations. Community colleges have the potential to play an even greater role in meeting the skills demands of the 21st century by offering more short-term and high-tech programs designed to meet the specific needs of both workers and employers. **Federal policymakers should support efforts to enhance community college programs and improve graduates' job prospects by:**

- a. Providing investments for facility upgrades to enable more community colleges to modernize their technology, equipment, and capabilities to serve more individuals through short-term programs (utilizing short-term Pell Grant funds, as previously recommended), as well as funds to create or expand, for example, cyber-security programs that benefit from dedicated labs to provide virtual or real-life scenario simulations;
- b. Funding partnerships between employers and community colleges to develop certification programs for in-demand skills, building upon the current Strengthening Community Colleges Training Grant program;
- c. Promoting transfer-of-credit policies, particularly within state higher education systems, to encourage four-year institutions to accept credits earned at community colleges, thereby decreasing the time and cost associated with obtaining a credential or degree; and
- d. Providing additional resources to support career and technical education (CTE) skills-based programs, especially for occupations experiencing a shortage of skilled trade

workers, such as electricians, welders, and green energy jobs. These resources should also expand pathways, such as dual enrollment, between high school, community colleges, and entry-level positions.

2. Expand the use and development of recognized credentials that demonstrate competencies

Skills and credentials acquired outside of higher education often are not accepted toward traditional degrees. As a result, individuals pursuing a degree may be forced to spend time and money on college courses in subjects in which they have already achieved mastery. Policymakers should ensure that federal higher education policies allow students and workers to receive college credit for skills and credentials obtained through a range of experiences (e.g., military service). In addition, policymakers should direct a portion of federal workforce funds toward the development of employer-recognized credentials for high-demand skills that are portable across industries.

3. Leverage non-traditional training providers

Millions of individuals benefit from free, online training courses leading to recognized certifications for specific skills, offered by a variety of providers, including leading technology companies. Many states and local workforce systems have begun to encourage enrollment in these programs by highlighting offerings on their workforce portals. Federal policies should promote and expand these collaborations by encouraging all states to leverage these free resources and include these types of providers on their ETPLs.

4. Reform the Federal Work-Study program

Congress should reform the Federal Work-Study program by removing current limitations on the percentage of Federal Work-Study funds allowed to support students working and gaining real-world experience in off-campus, private-sector employment opportunities.

Modernize the workforce development system to ensure a stronger return on investment for workers, employers, and taxpayers

To ensure that federal workforce development investments provide individuals with the skills demanded in today's economy, investments should be targeted to programs that use high-quality labor market information and be driven by rigorous metrics of success. It is also critical that federal agencies coordinate new and existing training programs to reduce duplication.¹⁰

A 50-state analysis of CTE programs found that, overall, only 18 percent of the credentials earned in those programs are in demand among employers, while many certifications that could open doors to good careers go undersupplied.¹¹ The federal government must play a critical role not only in investing in our nation's workforce, but also by ensuring funds are targeted toward programs that lead to high-quality careers and meet the needs of both employers and participants. **Policymakers can ensure a return on investment for all stakeholders in the system through policies that:**

1. Provide flexibility to states, employers, and workers for the use of workforce development funds

To improve the efficiency and impact of federal workforce development investments, policymakers should increase flexibility for states in implementing innovative workforce strategies. This effort could include such strategies as allowing states to operate ITAs, while maintaining local responsibility for career navigation and supportive services. In exchange for such flexibility, states would need to demonstrate the ability to increase the number of individuals served and would be accountable for performance outcomes related to completion, placement, and wage gains.

2. Ensure multi-agency coordination

The federal government invests in multiple workforce development programs across nearly every federal agency. Although many of these programs are highly targeted and address specific sectors, there must be more coordination across agencies to ensure more efficient use of existing funds. **In order to improve coordination, federal policymakers should:**

- a. Ensure that any new programs addressing workforce needs—for example, in infrastructure, transportation, green jobs, and broadband deployment—are coordinated across federal agencies and subject to high-quality evaluation; and

- b. Convene a multi-agency taskforce, with employer representation, to spearhead the development and implementation of a national workforce strategy based on high-quality evidence. This strategy should build upon prior efforts, which have identified individual programs for reform but have failed to propose how such programs should work together to create greater efficiencies.

3. Build the workforce system around high-quality labor market data

To maximize the efficiency and effectiveness of evidence-based investments, states, in coordination with federal government, should create and maintain high-quality, integrated state and local workforce data systems. **The federal government's role in making this possible includes:**

- a. Harnessing the potential of modernized Unemployment Insurance (UI) data systems to inform workforce investments. UI employment and claims systems should gather additional data that the Department of Labor's Bureau of Labor Statistics (BLS) can use to provide timely and granular labor market indicators and forecasts. This effort will improve the ability of the workforce development system to match the supply of skills to demand, as well as to track wage and employment outcomes by program and provider;
- b. Ensuring that states and localities have the best available public- and private-sector labor data to help stakeholders make well-informed career and training decisions. Because of the rapidly changing nature of job skills, time-tested data sources such as O*NET are often not fast or granular enough to be actionable. Modern labor-market information should combine information from UI records (see above) with newer data sources such as big-data analyses of job postings and skill demands for use by training providers and workforce agencies;
- c. Increasing transparency of outcomes, including by providers of training services and for the individuals who participate in training programs. Modernized UI system data must be tapped to make program evaluations more timely, comparable, comprehensive, and cost-effective;
- d. Improving the comparability of labor market information and reducing the reporting burden on employers by encouraging public-private collaboration to develop and adopt interoperable schema for employment and learning records; and
- e. Expanding partnerships between BLS and relevant federal agencies, as well as private-sector partners, to improve the collection and reporting of real-time labor-market data and data on the supply and demand for specific skills. This would require legislation to lift barriers to sharing administrative data among statistical agencies. Legislation

should include a provision for the co-development of an open data infrastructure that enables broader data sharing so as to better assess the skills needed within specific sectors, industries, and geographies.

4. Support improved accountability through expansion of pay-for-performance models

Through “pay-for-performance” models, training providers are paid based on their success in helping students complete their program and gain related employment. The Virginia New Economy Workforce Credential Grant Program, for example, focuses on a pay-for-performance model that provides payments for costs to institutions only when an individual completes training and when an individual completes a credential. The program reported a 96 percent completion rate for training in 2021.¹² **To advance pay-for-performance models, federal policymakers should:**

- a.** Remove WIOA restrictions on the amount of grant funds (currently 10 percent) that local workforce development boards may use for pay-for-performance models, and instead, require workforce boards to use pay-for-performance models to the greatest extent possible;
- b.** Promote the use of pay-for-performance models by providing incentives, such as matching funds, for states and local workforce development boards to implement such strategies; and
- c.** Require evaluation of the impact of all training programs to inform operational and allocational decisions.

Endnotes

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