

Advancement for
Low-Wage Workers:
Old Issues, New Possibilities

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Outline

Labor Market: Demand v. Supply of Skills at
Middle and Upper Ends of Skill Spectrum

Effective Policies: The Ideal vs. the Reality

How to Go Forward: Federal and State Policy

Trends in the Labor Market

- Shifts in Nature of Labor Demand: Good Jobs in Key Economic Sectors Require More Skills
 - Labor Supply Responses: Education and Training Adjustments Incomplete
 - Results: Inequities and Inefficiency for Workers and Firms
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Labor Demand Shifts

- Main Development: Disappearance of Good-Paying Jobs for Less-Educated Workers in Past Few Decades
 - Due to Technology, Globalization;
 - Also Weakening Institutions: Minimum Wage, Collective Bargaining, HR Policies
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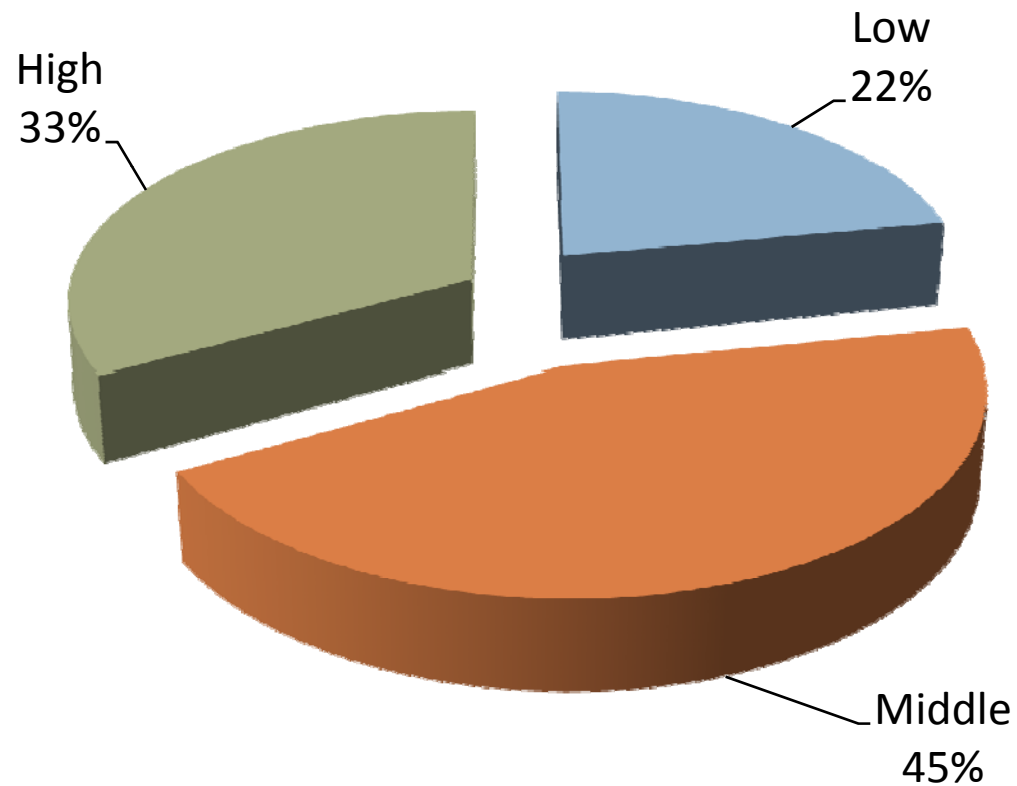
Middle-Skill Jobs

- Good-Paying Jobs in High Demand: Now Mostly Require Post-Secondary Education
 - Notion of “Hourglass” or “Dumbbell” Economy Oversold – Substantial Demand Remains in the Middle Skill Sectors/Jobs
 - Key Sectors: Health Care, Construction, Manufacturing, Legal/Protective Services
(“Green” Jobs/Infrastructure)
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Examples of Mid-Skill Jobs

- Construction: Supervisors, Electricians, Plumbers
 - Engineering: Technicians
 - Healthcare: Dental Hygienists, Radiation Therapists, Sonographers, Radiologic Technicians, Respiratory Therapists, OT and PT Assistants
 - Manufacturing: Supervisors, Machinists, Welders/Cutters
 - Legal/Protective Services: Detectives, Paralegals/Legal Assistants, Police/Fire
 - Installation/Maintenance/Repair Jobs
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Job Openings by Skill Level, 2004-2014



Labor Supply: Education and Training Lag Behind

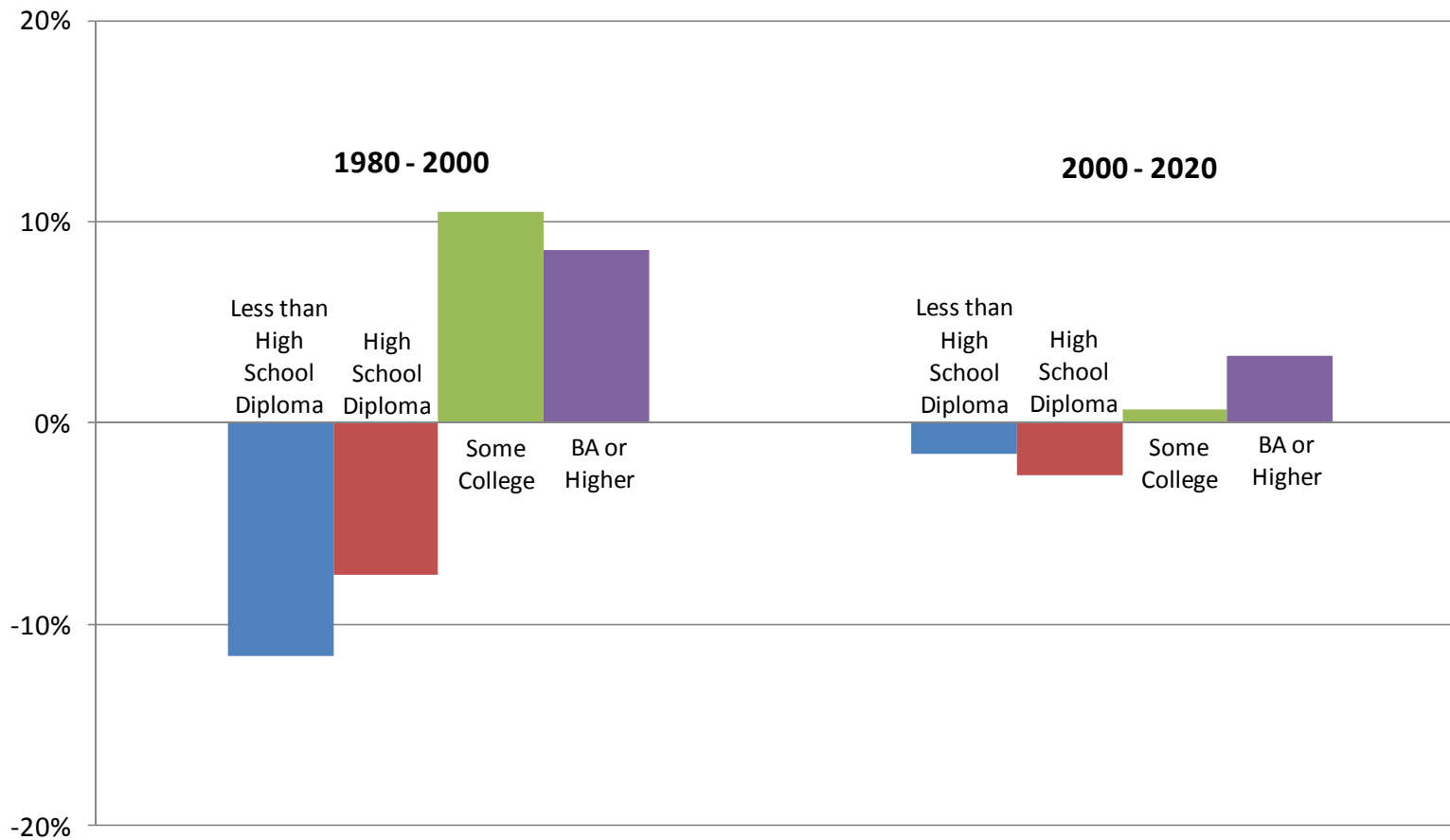
- $\frac{1}{4}$ of All Ninth Graders Drop Out of HS
 - Another $\frac{1}{4}$: Graduate but No Postsecondary
 - College Enrollees: High Rate of Noncompletion
 - Post-School Training for Youth and Adults: Very Limited
 - Why??? Basic Skills, Costs, Responsibilities
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Demand-Supply Imbalances Will Likely Grow Over Time

- Baby Boomer Retirements
- Replacement by Immigrants: Concentrated Mostly at Lowest (and Highest) Levels of Education
- Outsourcing of Jobs: Maybe Weaken Labor Markets Overall But Not in These Sectors

(H. Holzer and R. Lerman, America's Forgotten Middle-Skill Jobs, The Workforce Alliance, 2007)

Actual and Projected Changes in Shares of Worker Supply by Level of Education



Sources: U.S. Bureau of Labor Statistics, *Occupational Projections and Training Data*, February 2006; and Aspen Institute, *Growing Together or Growing Apart*, 2003

Effects on Labor Market Outcomes

- Poverty and Low Earnings Among the Disadvantaged – High Costs to US Economy! (4% of GDP....)
 - Inequality in the Labor Market Broadly
 - Inefficiency in Key Sectors, as Employers Report Difficulty Meeting Skill Needs in These Sectors
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What Would an Effective Education and Workforce System Look Like?

- Greater Support for Post-Secondary Education and Training for Disadvantaged Youth/Adults
 - Alignment between Education/Training and Demand Side of Labor Market: Good Jobs in Growing Sectors with Unmet Demand (Workforce and Economic Development)
 - Supports and Services
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Post-Secondary Education

- Preparation at Secondary School Level: High-Quality Career and Technical Education (Career Academies, etc.) as well as College Prep
 - Community and Technical Colleges, Proprietary Colleges, 4-Year Colleges and Universities
 - Certificates and 2-Year Degrees (Lou Jacobson)
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Alignment with Demand-Side of Market

- Both General and Specific Skills; Academic and Occupational
 - Models: 1) Sectoral Training; 2) Career Pathways; 3) Incumbent Worker Training
 - Intermediaries who work with Employers, Workers and Providers
 - State-Level Analysis to Identify Sectors and Develop Pathways (Using Labor Market Data)
 - Beware of Free Riders and Other State Interests!
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Supports and Services

- Guidance on Jobs/Training from Intermediaries
 - Child Care
 - Transportation
 - Stipends During Training/Transitional Jobs
 - Income/Benefit Supplements for Low-Income Workers and Their Families
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Current System: Falls Short

- Funding Too Low: Dramatic Declines over Time in Federal Funding
 - Fragmented System: Across Agencies, Geographic Units, and Key Participants
 - Promising Examples at Too Small Scale
 - Evidence: Does It Work???
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Federal Funding

- WIA, Title I: <\$5B in \$14T Economy
 - Decline by Over 70% since 1979, 90% in Relative Terms
 - Lowest Share of Any Industrial Nation
 - Other Programs (e.g., Pell) Do Not Offset Declines
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Fragmentation

- By Agencies: Labor, HHS, Education, Treasury (“Silos”)
 - By Geography: Urban/County WIBs within Metro Areas
 - By Participants: Employers, Workers and Providers
Disconnected from Each Other – Few Pipelines
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Promising Efforts that Lack Scale

- Local: Quest (San Antonio), Focus: Hope (Detroit), PHI (Bronx), Local 1199c (Philadelphia), JVS
 - Statewide: ECCLI (MA), Incumbent Worker Training (CA, NJ, PA), Pathways to Work (KY, AK,...)
 - National Intermediaries: Goodwill, STRIVE, YouthBuild....
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Rigorous Evidence on Cost-Effectiveness: Does it Work?

- Heckman Critique: Accurate???
 - Why Cost-Effectiveness Might Be Limited:
 - 1) Poor Basic Skills/Remediation Difficulties;
 - 2) Family Responsibilities
 - Results: Low Take-up, Low Completion, Employer Skepticism
 - Economic Development v. Antipoverty Goals
 - Different Populations: Adults v. Youth, Workers v. Hard-to-Employ
 - Different Services for Different Populations: Advancement v. Income Supplementation
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Does It Work?? (Cont'd)

- Evaluations: Working Poor Adults - JTPA, National Evaluation of Welfare to Work Strategies (Portland), CET (San Jose v. Replication), Sectoral Employment Impact Study, Mixed Models (ERA, Jobs Plus)
 - Evaluation: Hard to Employ Adults – National Supported Work, Center for Employment Opportunities
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Does It Work?? (Cont'd)

- Evaluations: Youth (In v. Out of School) – Career Academies, Opening Doors; Job Corps, Youth Service and Conservation Corps, National Guard Challenge
 - Statistical Evidence: Community Colleges (≥ 1 year, Credential);
 - Need More Evaluation...And Better Understanding of What Works for Whom and How to Scale Up/Replicate!
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Going Forward: What to Do (Federal Level)

Workforce Investment Act Reauthorization

- More Funding!
 - Data Analysis: Identification of Sectors/Pathways at State Level
 - Partnerships with Employers, CCs and Intermediaries
 - Better Performance Measures: Longer-Term Education and Earnings, Population-Wide Measures, Consistency across Systems, Incentives to Scale (Leveraging Other Systems/Programs)
 - Competitive Grants for “Advancement Systems”
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Going Forward: What to Do (Federal Level) – Cont'd

- Youth: Career and Work-Based Learning Models for In-School and Out-of-School Youth; Dropout Reduction/Reconnection and Access to Postsecondary (AVID; Gateways)
 - Other Policies: Pell Grants, Community College Initiatives (HEA, Perkins)
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What About the Downturn???

- Severe and Persistent?
 - Less-Skilled Populations: Hard Hit! Little Access to Safety Net
 - Good Time to Educate/Train....
 - Importance of Paid Work Experience! Stipends for Work
 - Opportunities in Recovery Package – Infrastructure/“Green” Jobs, etc. – How Will Money Be Allocated?
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What States/Locals/NonProfits Can Do

- Identify Growing Sectors/Pathways
 - Build Partnerships between Industry, Training Providers (Secondary and Beyond), Relevant Agencies and Intermediaries
 - Combine Funding Streams
 - Generate Knowledge of “Best Practices”
 - Evaluate!
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