

Priorities for Federal Workforce and Higher Education Policy

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The Current Federal Landscape

Over the past several decades, federal workforce policy in the United States has centered on programs administered by the US Department of Labor. The primary legislative vehicle for defining and funding these programs is the Workforce Innovation and Opportunity Act (WIOA), reauthorized in 2014 and differing modestly from the earlier Workforce Investment Act (WIA) and its predecessors.¹

WIOA funds a wide range of efforts and activities at the state and local levels, including Adult, Dislocated Worker, and Youth training; the Job Corps for disadvantaged youth; Adult Education; Vocational Rehabilitation; and more than 3,000 One-Stop Centers (now called American Job Centers) around the country. But its total funding has declined substantially and continuously in real terms since 1980—when it peaked at about \$50 billion in 2017 dollars—and is now about \$9 billion. Other smaller workforce programs and spending can be found in a range of other federal programs.²

Yet the largest sources of current public funding for job training run through the federal and state departments of *education*, rather than departments of *labor*. This is because most job training today—whether for disadvantaged, dislocated, or other workers—occurs at public community and technical colleges. Though drawing the line between academic studies and occupational training can be arbitrary, associate degree programs that prepare students for occupations (e.g., nursing and health technology, or business) and various certificate programs (for academic credit or not) can be considered workforce training, even though they are offered by colleges. These degrees and programs are heavily funded by federal Pell grants for low-income students and federal loans (as authorized in the Higher Education Act), as well as state subsidies to public institutions. Occupational training also occurs—and is federally subsidized by federal grants and loans—at for-profit colleges.³

There are some negative consequences caused by the fragmentation of federal and state support for workforce policy across these programs and agencies. Most students in high school and community college receive little labor force information or career counseling. Their choices about which institutions to attend, programs of study, and the courses they take are often not supported by information about later job prospects, and they receive few services to help them enter the labor market successfully. A range of other problems among students and institutions limit outcomes, as noted below.

Outcomes at Community Colleges: Low Completion and Labor Market Value

Two major problems characterize community colleges. Completion rates in degree programs are low, and too often students choose fields and obtain credentials with little labor market value. These

outcomes partly reflect the disconnection between community colleges and labor market services, as well as other problems plaguing the students there and the institutions themselves.

At community colleges, completion rates in degree programs average about 30 percent for students entering shortly after high school and 20 percent overall (Holzer and Baum, forthcoming). And large fractions of students either never choose a degree program or end up in fields such as “liberal studies” or “general studies,” with little market value.

Completion rates are low for several reasons. On the *student* side, those who enroll in community colleges are disproportionately minority, from low-income families, and often first-generation college-goers.⁴ Among the challenges that limit academic success for these students are weak academic achievement, pressure to work full time when they attend college, and inadequate information on how to succeed in their studies.

But, in addition to these student circumstances, characteristics of community college *institutions* hurt many students, impeding progress toward degree completion. These institutional problems include the following:

- Limited resources (as measured by per student hour subsidies) from the states
- Limited incentives to improve student performance or respond to the labor market
- Limited supports and services for students, including academic or career counseling

Community colleges get lower subsidies per student hour from the states than do four-year institutions. Moreover, community college students often need greater supports and services—including academic and especially career counseling—that the institutions cannot afford to make more available. We expect the community colleges to provide both traditional academic and workforce programs and to do both equally well with limited resources.

But institutions also face little incentive to use their resources most effectively. In the past few years, an increasing number of states have begun using *outcome-based funding* for some of their subsidies to higher education institutions.⁵ But most states base their subsidies on academic outcomes, such as average credit attainment and completion, rather than subsequent employment and earnings. Using academic outcomes carries risks of unintended consequences, such as raising admissions standards or lowering standards for credit and degree attainment (Deming and Figlio 2016; Holzer 2014). Putting more weight on employment outcomes reduces the risk of the latter outcome, since employers will not value credentials as much if they are watered down, and earnings of students would then suffer.

Regarding academic and career counseling, survey evidence suggests that as many as 80 percent of students who enroll at community colleges expect to transfer to a four-year institution and receive a BA, but only 12 percent accomplish this goal. This gap between student expectations and reality suggests that students are receiving too little information and guidance and that more should be aware of promising alternatives to the liberal arts, such as occupational associate degrees (which are better

rewarded in the labor market than liberal arts associate degrees) and certificate programs in high-demand fields.

In addition, subsidies have been mostly independent of what students major in and their earnings afterward. Because many workforce programs, especially in technical fields, require expensive equipment and instruction by adjuncts from industry, it is often not cost-effective for the colleges to provide enough capacity to meet student demand.

Workforce Programs: Encouraging Prospects and Limitations

There is some positive recent news about workforce programs at community colleges that confer certificates. In recent years, partnerships between industry, community colleges, and intermediary organizations (e.g., Per Scholas in New York City or Project Quest in San Antonio) have created *sector-based training* programs, where students are trained for well-paying jobs in specific industries and are often hired into those jobs when the training is completed. Rigorous evaluations have shown much stronger impacts on the earnings of disadvantaged workers than we have traditionally seen in other job training programs (Hendra et al. 2016; Maguire et al. 2010).

These partnerships are also developing new *career pathways*, in which disadvantaged students begin with developmental education programs and can quickly progress to complete certificates in high-demand fields. The certificates are usually *stackable*, so they can be combined into associate degrees. Many certificates are awarded for the mastery of particular tasks that firms in high-demand fields need and are beginning to be awarded for competency rather than just specified classroom time.

Although these developments are promising and sector training and career pathway programs are spreading around the country, these programs remain small in scale in most states. If the certificates are not for academic credit or involve too few hours, low-income students may not be eligible to use Pell grants to fund such training.

And, although local employers often participate in the sector partnerships, most—especially those that are smaller or medium sized—are not engaged in any such efforts. In industries with high worker demands that require specific skills, such as health care, advanced manufacturing, and information technology, employers often struggle to recruit or train sufficiently skilled workers. But many are reluctant to provide substantial training on the job, for reasons that make sense, especially if the skills might be rewarded at nearby firms or the workers do not appear to be promising for investments. Various “market failures” might also impede such training.⁶

Work-Based Learning

After decades of decline, the apprenticeship model has begun to spread once again in the United States, with specific efforts by the Obama and Trump administrations (through American Apprenticeship Grants and a new executive order, respectively) to expand their use. Apprenticeship is one of several

models of work-based learning, creating opportunities for students to “earn while they learn”—which tends to raise student motivation and persistence in job training—and to learn skills in a contextualized and applied setting that may increase student ability to master them.

Under registered apprenticeship, firms provide on-the-job training for workers who are paid (though often at submarket wages to help pay for the training). The workplace training is often complemented by coursework at a local community college, leading to a certificate or even an associate degree at the completion of the program. But despite efforts by the Obama administration to spread their use and those of key states to promote them, most employers remain disengaged from their local community colleges or workforce boards and fail to provide opportunities for work-based learning to potential workers.⁷

Policy Recommendations

Given the problems and their causes outlined above, what policies might improve the performance of disadvantaged students at community colleges, especially in occupational or workforce training programs?

I suggest the following five proposals be made top priorities for federal workforce and higher education policy:

- To address limited funding for community colleges and their limited incentives to respond to the labor market, provide targeted funding increases to expand teaching capacity in high-demand occupational degree and certificate programs plus related supports and services in return for states imposing more accountability on community colleges based on students' earnings outcomes.
- To address the lack of career counseling provided to community college students, generate stronger integration of Department of Labor programs and services with community colleges, including more American Jobs Centers on campuses.
- To improve the ability of low-income students in workforce programs to receive and use financial aid, allow the use of Pell (and other Title IV programs) for shorter or not-for-credit certificate programs at higher education institutions, as long as the latter can demonstrate clear labor market value and meet other safeguards.
- To expand employer provision of apprenticeship and their participation in training partnerships with community colleges, provide more rewards and technical assistance to employers who expand their participation in sector-based training or their use of apprenticeships that are linked to community college credentials.

- To improve the flow of labor market information to students, support state efforts to link administrative higher education and earnings data and make them available to prospective students and career counselors.

Targeted Funding plus Accountability: A New Race to the Top for Community Colleges

The federal government could inject new resources into community colleges, targeted to what is most needed to improve student completion of credentials with labor market value—namely, an increase in teaching capacity in high-demand programs that are currently constrained (perhaps because of high instructor and equipment costs), along with supports and services that disadvantaged students need to complete those programs. The latter should include substantial academic and career counseling and labor market information, along with tutoring and other support.⁸

Rigorous evaluation of the Accelerated Studies in Associate Programs (ASAP) program in the City University of New York (CUNY) demonstrated that a strong and comprehensive package of such services can raise completion rates among students in need of remediation. Although the full package of services and the requirement of full-time attendance of ASAP participants in CUNY might not be possible or advisable everywhere, experimenting with the package that works for different students in different settings should proceed.⁹

Students should also be more informed about transfer rates and completion rates of BAs by those with academic characteristics and records similar to their own, which would likely lead more to enroll in occupational certificate or associate programs that have clearer and more immediate payoffs in the labor market.

In return for federal funds, states would need to allocate their own subsidies to community colleges at least partly on the basis of completion of high-demand programs or future earnings of their students. These outcomes should be adjusted for disadvantaged or minority students, and other safeguards should be put in place to avoid “cream skimming” in admissions and other unintended consequences.

Evidence on the cost-effectiveness of performance-based funding is limited (Dougherty et al. 2016), so willingness to perform rigorous evaluations should be a condition for states to receive these federal funds.

Integrating Labor and Education Programs

The career counseling and job search assistance that workers receive at American Job (One-Stop) Centers should be made more easily available to community college students. At a minimum, there should be a major push to colocate more centers (or at least some satellite offices) on community college campuses. Funding for the administration of these centers within the WIOA budget would need to increase to ensure staff quality and preparation while expanding their reach into community colleges.

Alternatively, funding for community college career counselors and “navigators” could also expand independently of the Job Centers, though it would be useful to have the former coordinate with the latter and be trained to use data about the local labor market (and the performance of the schools’ graduates within that market) when advising students.¹⁰

Evaluation evidence suggests that Job Center services can improve worker outcomes in a cost-effective manner (Heinrich et al. 2011; McConnell et al. 2016).

Expanding Pell Eligibility

Allowing students to use Pell funds for short-term and noncredit programs would make it easier for low-income students to pursue workforce preparation in high-demand fields. Senators Kaine (D-VA) and Portman (R-OH) have proposed a bill called Jumpstarting Our Businesses by Supporting Students, under which eligibility would be expanded along these lines. But it is important that safeguards exist to make sure the funds are used only in high-demand, high-value fields, based on existing labor market data. Given how well for-profit colleges have recently attracted Title IV funds in programs that do not always serve students well, caution is in order before we open the spigots of more federal money to a range of for-profit institutions and programs. Experimentation and evaluation of pilot programs of this type are important before such funding is brought to scale.

Engaging Employers More

Enabling community colleges to engage with more local employers remains important for improving student completion of programs with market value. State and local workforce boards might be given more funds for marketing and employer outreach. Alternatively, states can provide tax credits to employers for apprenticeships and other training that link workplace education with higher education credential programs.

South Carolina provides firms a \$1,000-per-new-apprentice tax credit, though we have no data on how well these credits have generated more apprenticeships. The state also has a strong marketing campaign aimed at employers. Evaluation of the efforts by South Carolina, using tax credits, as well as policies other states designed to expand employer provision of apprenticeships, is warranted so efforts to engage employers are cost-effective.

Protecting and Expanding Administrative Higher Education and Earnings Data

Many states have been making administrative data on higher education enrollments and subsequent earnings available to inform students about completion rates and labor market returns in different academic programs (Zinn and Van Kluenen 2014). The data are also critical for anyone on college

campuses or in American Job Centers who provides career counseling and labor market analyses to students.

These efforts were supported during the Obama administration by the Departments of Education (through the State Longitudinal Data Systems grants) and Labor (through the Workforce Data Quality Initiative grants). But these developments have been threatened by potentially large cutbacks in federal funding as well as legal and political challenges in several states. To provide accurate information to students and help them make the most appropriate education and career choices, it is important that these data sources be maintained and expanded. Making them more available to online student users should be a high priority as well.

Conclusion

The United States relies on institutions of higher education—especially community colleges—for a great deal of its workforce preparation. Yet, despite some growing partnerships, there remains a great deal of fragmentation between institutions of higher education and the workforce. Funding on both sides of this divide is often too limited, as are incentives to make sure the funds are well spent and to ensure employer engagement more generally. And workforce programs in general seem undervalued at colleges, relative to more traditional academic programs. These problems frequently result in low completion rates among community college students and in their choosing programs that do not serve them well in the job market.

The policies outlined above seek to remedy these problems by injecting more federal and state funds into community college occupational and workforce programs and providing additional services that would help students choose and succeed in programs that are more valued in the workforce. But the institutional incentives also need strengthening, as does the reach of federal financial aid for workforce training and employer engagement in the process.

Notes

1. These include the Comprehensive Employment and Training Act and the Job Training Partnership Act.
2. Other federal programs in which significant funds are spent on workforce development include the Supplemental Nutrition Assistance Program (formerly known as Food Stamps) and Temporary Assistance for Needy Families (or welfare). The US Government Accountability Office (2011) identified 47 federal workforce programs in several agencies at a cost of \$18 billion a year. With the passage of WIOA, that number was reduced to 30 programs, at a total current annual expense of approximately \$12 billion.
3. There have been several competitive grant programs administered jointly by the federal Departments of Education and Labor in recent years. The largest of these was the Trade Adjustment Assistance Community College and Careers Training grants during the Obama administration.
4. Such students are also disproportionately concentrated in for-profit institutions, which are more expensive and generate larger debt loads (Holzer and Baum, forthcoming).
5. See “Performance-Based Funding for Higher Education,” National Conference of State Legislatures, July 31, 2015, <http://www.ncsl.org/research/education/performance-funding.aspx>.
6. Employers are usually unwilling to pay for training that is general, because workers may leave before the firms can earn a strong return on it. Workers with poor basic skills or job readiness might also not be good investment prospects, especially if the firm regards them as being likely to have low productivity or high turnover. Also, certain market failures, such as imperfect information or an inability to coordinate training (and spread the fixed costs of starting or administering training across firms), might impede its provision as well.
7. There are only about 500,000 registered apprentices in the United States today, which is a small fraction of the workforce compared with many European countries.
8. My proposal overlaps significantly with one by Goldrick-Rab and coauthors (2009) at the beginning of the Obama administration that was not implemented at that time.
9. Students at CUNY were required to attend full time to participate in ASAP. It roughly doubled completion rates for this population, from about 20 to 40 percent. Efforts to apply the model elsewhere are under way in Ohio, with encouraging early results, even for students attending part time.
10. We discuss the need to create and maintain state-level administrative higher education and labor market data below.

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