

Can Workforce Development Help Us Reach Full Employment?

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The Ambition & The Argument

- **Goal**: To assess the potential of workforce development programs to help bring the US to “full employment”
- **Argument**: raising the labor force engagement of high school dropouts and high school completers to those of workers with some college would do little to reduce labor market inequality and move the US to full employment (decrease in unemployment 0.5pp and LFP by 3 pp)

Summary of the Problem

1. US spends too little on work force development 0.1% of GDP as compared 0.2-0.5% in OECD countries
2. Federal workforce program underfunded + not a lot of evidence on their effectiveness + no income support while retraining
3. Workers face barriers to work e.g. criminal records, discrimination, childcare obligations, low levels of on-the job training for workers who do not have bachelor's or professional degrees
4. Weak active labor market policy
5. Cultural stigmatization of CTE programs and tracking of minorities to them
6. Weak apprenticeship program (600k of 160M in active labor force)
7. Sectoral program focusing on STARs small and haven't scaled
8. Community colleges have uneven impacts on wages

Recommendations

- 1) Invest more heavily in workforce programs and services with strong evidence of effectiveness;
- 2) Experiment with efforts to scale these successful programs while evaluating efforts to do so;
- 3) Address a range of other barriers and costs associated with rising labor force inactivity in the US – including a prevalence of criminal records, disability and substance dependence, as well as the high cost of childcare and family care in the US; and
- 4) Consider subsidizing employment in the private or public sector as a means of raising earnings or employment (at least during the period of subsidy for the hard-to-employ groups).

Comments On Recommendations

Rec #1: “ Invest more heavily in workforce programs and services with strong evidence of effectiveness;”

- How will this scale? Need more ideas on this. One is to allow folks to apply Pell grants to programs that work
- Pell threshold ~\$7000, formerly incarcerated individuals access to Pell, make financial aid available to people who do not want to go to traditional college
- Promoting Employment and Lifelong Learning (PELL) Act attempt to do this.
- Caveat: estimates by [Urban institute](#) suggest that criteria too restrictive would screen out 75% of vocation programs and most health certificates
- Good idea need to shape program implementation ideas

Rec #2: “Experiment with efforts to scale these successful programs while evaluating efforts to do so”

- I agree estimates in paper of cost of effective programs like Perscolas ~\$10,000
- Add to paper discussion of what the frictions are to expanding these program + where are we on the average cost curve?
- Recently release Harvard Workforce Almanac identifies 17,000 workforce training providers across us:
workforcealmanac.com

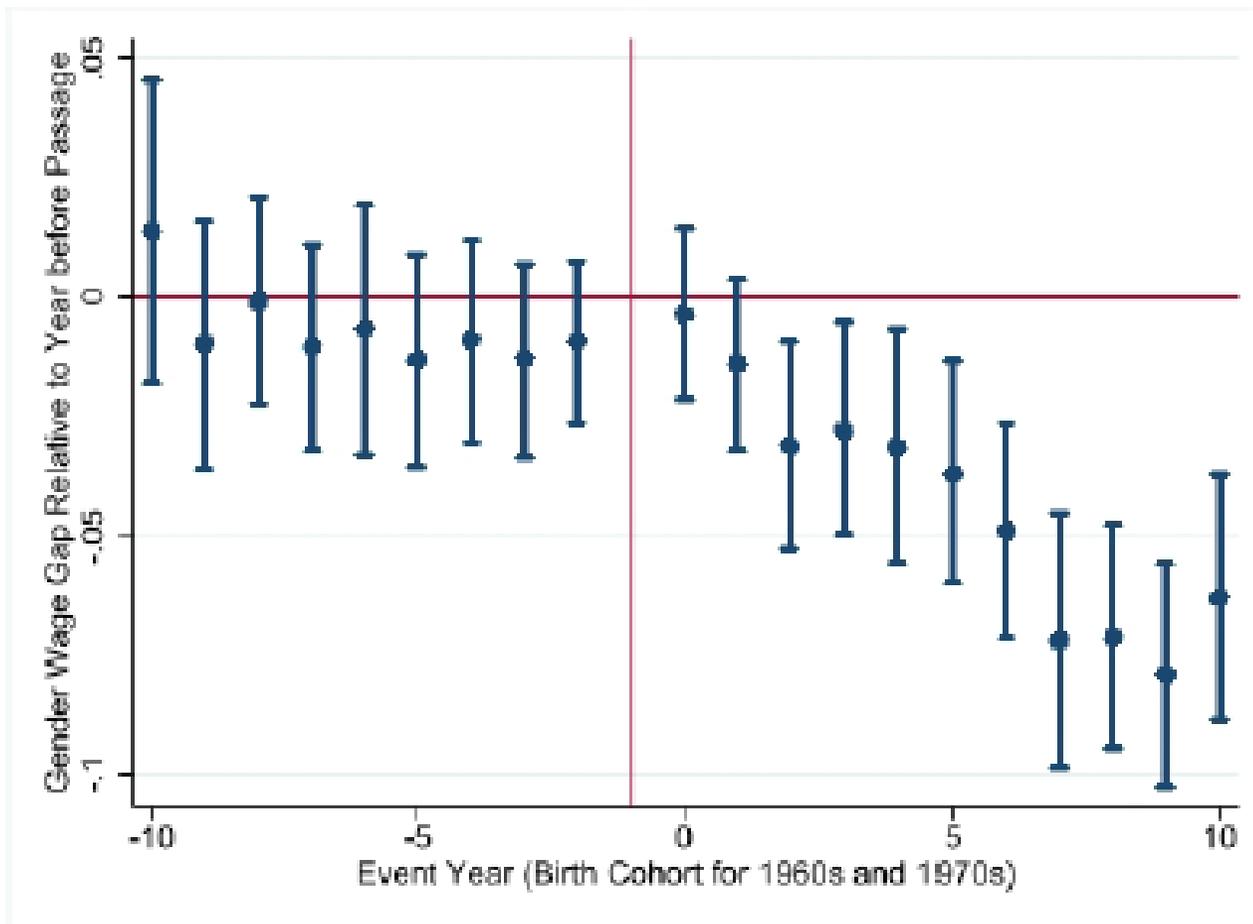
Rec #3: Address labor force barriers e.g. criminal records, disability and substance dependence, high cost of childcare & family care

Well intentioned policies, need to think about unintended consequences in policy design arising from increased statistical discrimination

- BTB policies: negative impacts on black workers Agan & Starr (2018), Doleac & Hanson (2020), Blair and Chung (2018)
- Family leave policies: Bailey et. al (2019), Antecol et. al. (2018), Kamal et. al (2020), Blair and Posmanick (2023)

Family Leave Policies caused widening of gender wage gap between men and women

Figure 5: Event Study: Gender Wage Gaps for the Child-Bearing Cohort



Rec#4: Consider subsidizing employment in the private or public sector as a means of raising earnings or employment (at least during the period of subsidy for the hard-to-employ groups).

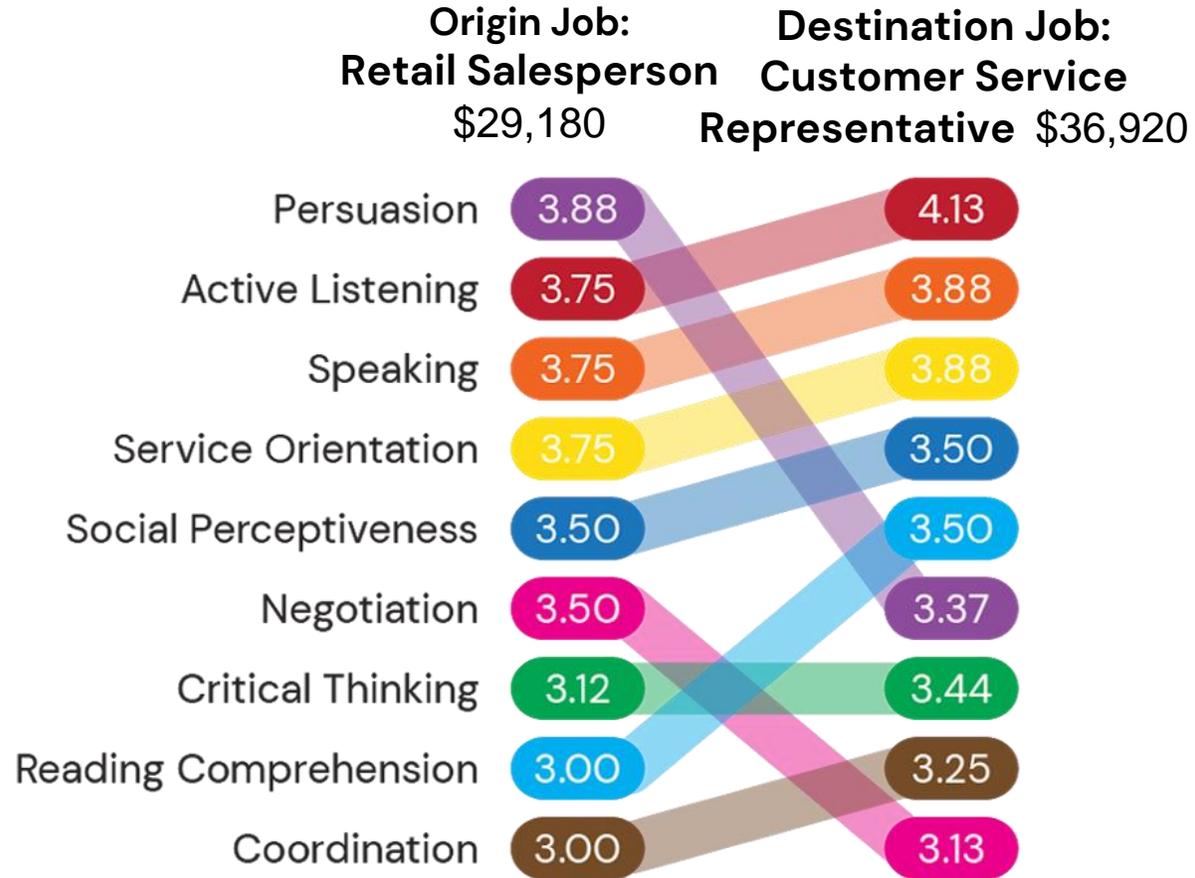
- Does this create perverse incentives for companies not to create good jobs?
- What does phase out look like?
- “Power and Progress” Acemoglu and Johnson: role of unions and entrepreneurs with a mindset of stakeholder capitalism to drive good jobs

Some additional policies to consider

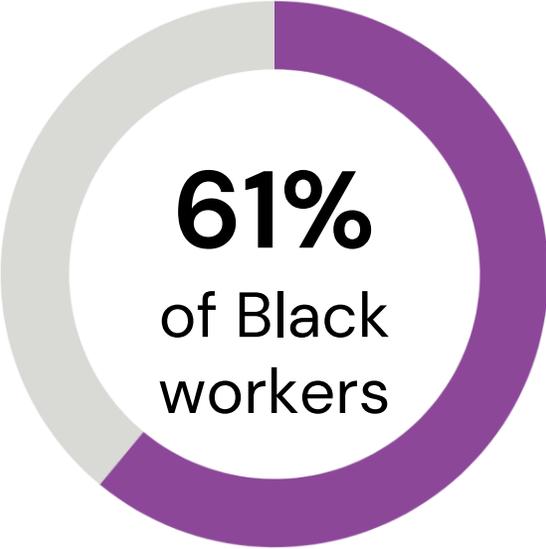
Recognize that workers with out BA degrees are Skilled Through Alternative Routes (STARs)

- 60% of job postings require BA degrees
- Fewer 40% Americans have BA degrees
- Impossible to mint enough BA degrees to satisfy demand for “skilled” labor if we look at stock or flow + capacity of colleges
- Develop algorithm to measures skills of workers w/ HS diplomas who are Skilled Through Alternative Routes (STARs) based on current work experience
- Of 70M STARs in US Labor Market 30M have skills for higher wage work Opportunity@Work (2020)
- Additional Benefit racial and gender equity
- 16 States have removed degree requirements (Blair et. al 2020)

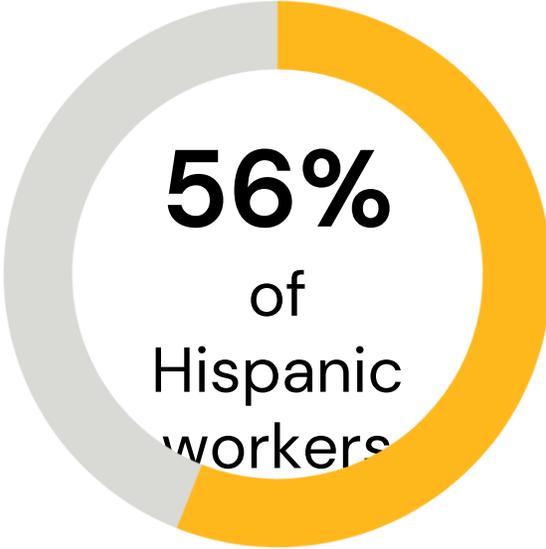
Low Wage Does Not Mean Low Skill



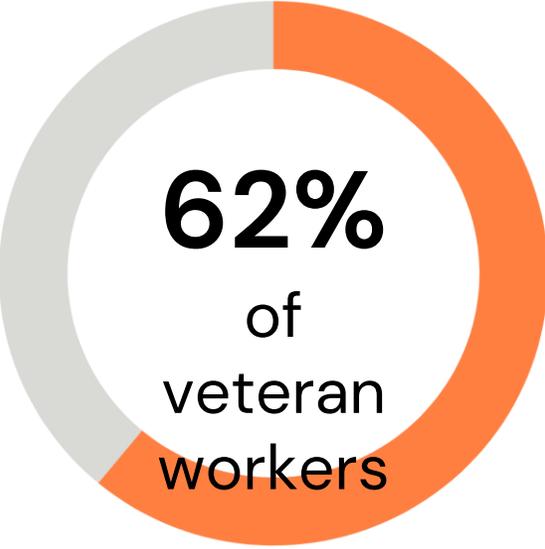
When employers screen out STARs with bachelors degree requirements, they exclude:



10.2 million
Black STARs



14.3 million
Hispanic
STARs



4.6 million
veteran
STARs



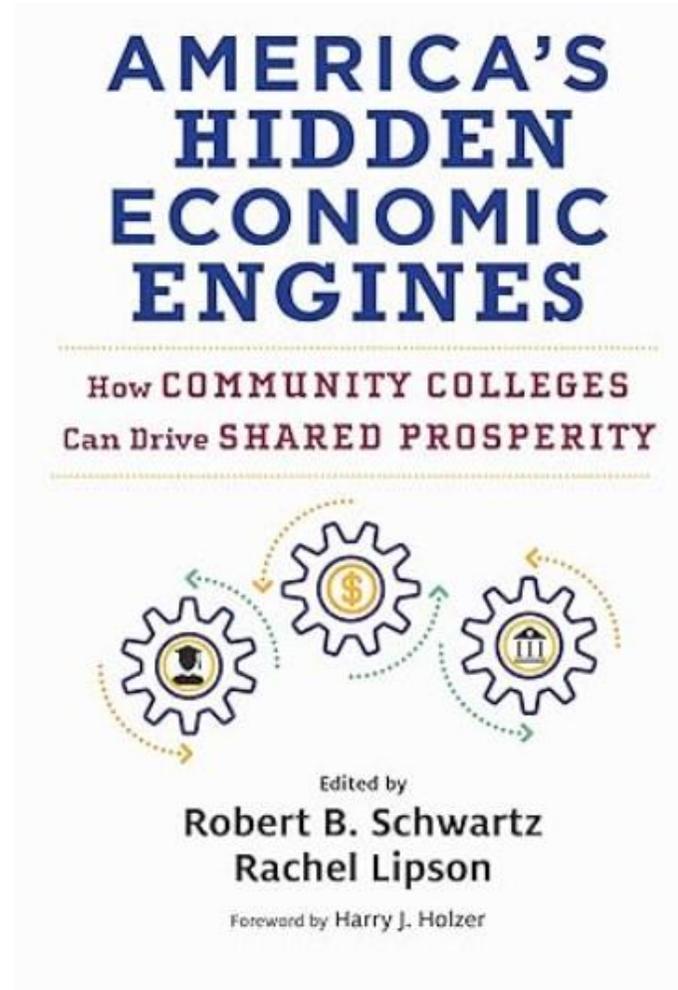
10.4 million
rural STARs

TEAR THE PAPER CEILING.ORG

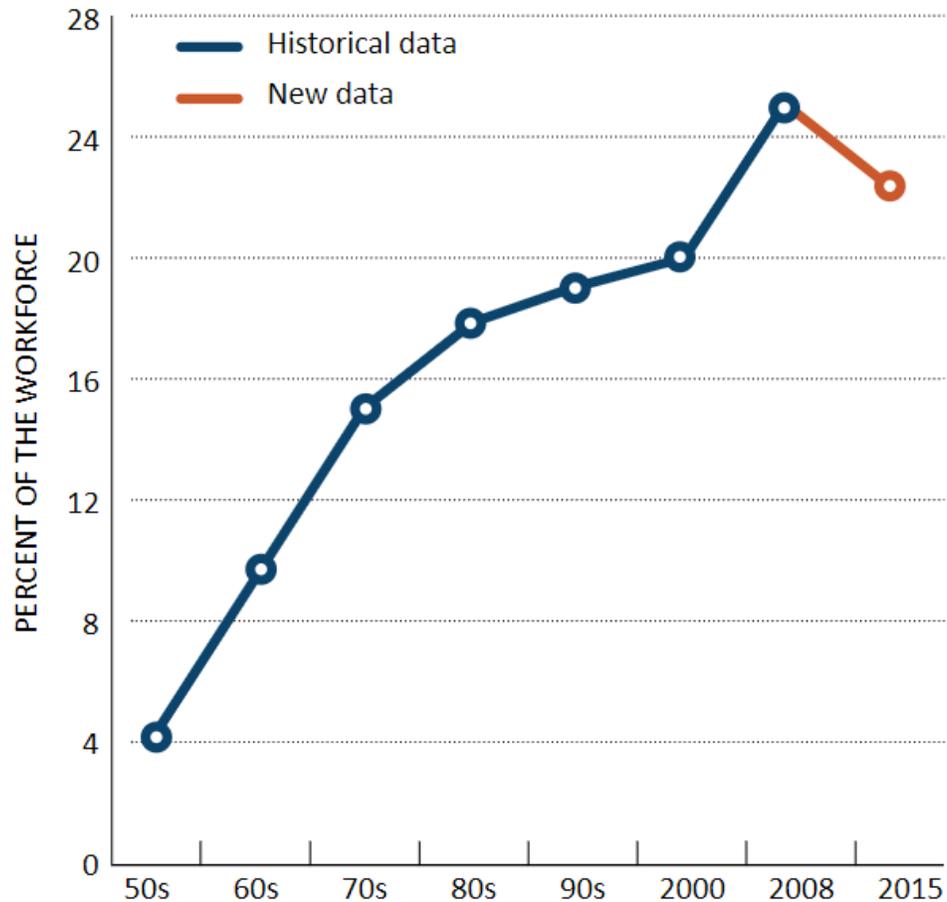
Join us in tearing the paper ceiling.

start 

Study what successful community colleges do

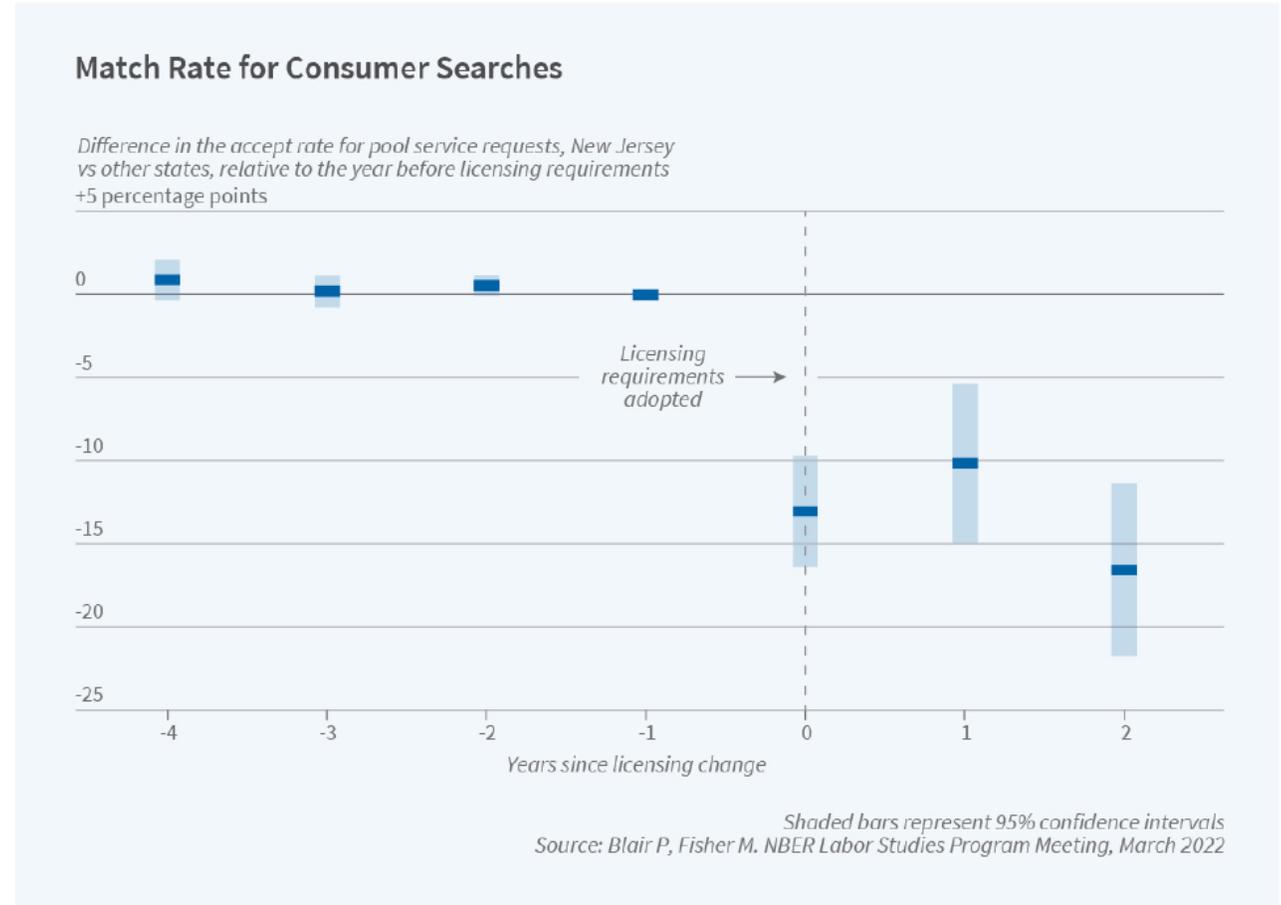


Occupational Licensure as a Pathway



Note: Estimates for 1950-2008 are for workers with state licenses; estimates for 2015 include state, federal and local licenses.

Source: The Council of State Governments (1952); Greene (1969); Kleiner (2006); and Kleiner and Krueger (2013), Westat data; Bureau of Labor Statistics (2015); Council of Economic Advisers calculations



Thank-you!

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Goal

- How to move the labor market outcomes of workers without high school diplomas and STARs with just high school to those of workers with some college
- Community college – underfunded and weak outcomes [reference Rachel's book and some good practices from this]

- Sectoral program targeting high demand industries for high wage jobs for workers with out BA effective but small, how do we scale them?
- [Bring in stuff about Almanac ?]
- Apprenticeships – promising but low employer take-up [question does this idea of bad wages by education level look better in Germany]

- we need to have a clear definition of that concept and how it might have changed over time.
- “automation scare” in the US during the late 1950s and early 1960s lead to war on poverty, not first rodeo
- The categories of workforce development in the US include:
 - Various programs in higher education – which can be for academic credit or not for credit, and shorter-term or longer-term in length;
 - Other kinds of pre-employment training and workforce services (including career guidance and job search assistance) that are funded through the Workforce Innovation and Opportunity Act (WIOA) and other federal sources;
 - Career and technical education, beginning in high school and connected to higher education certificate or degree programs (through a range of state-level “career pathways”); and
 - Work-based learning (including apprenticeships and internships) and other forms of incumbent worker training.
- A few characteristics of workforce development in the US immediately stand out. First, there is no single “workforce development system” → is market and federalism good or bad for workforce development (pro – allows a lot of experimentation, never get large scale impact on plus or minus side
- Decline in prime age male LFP: Richard Reeves policy prescription to focus on boys
- He does: “I present a few suggestive calculations on this topic. Using recent data from the Bureau of Labor Statistics, I present different labor force and employment outcomes for the US population by education; then I calculate by how much unemployment would decline and labor force participation (and the employment-to-population ratio) would rise if high school dropouts and graduates in the US had similar labor force outcomes to those with *some college* (but no BA degree).” pitch STARs work as in the same vein as his work. If high school dropouts and graduates had the same labor force outcomes as those with some college, their unemployment rates would be .5 percentage points lower, while labor force participation and employment rates would each be about 3 percentage points higher. In other words, more education or training could make a difference – but it would not fully eliminate the large declines in labor force participation in recent decades or cause a dramatic drop in unemployment.
- Best sectoral programs increase employment by 3 -12 percentage points

- Favors subsidized employment programs in private and public sector:
[do these create perverse incentives? What we need is a job ladder]
- Most countries in the EU and elsewhere spend more ALMP [active labor market policy] than does the US. Indeed, countries frequently spend .2-.5 percent of GDP on such programs (where the US spends about .1 percent);
- On average, employers also accept a much higher rate of labor market mandates and regulation by the government, and are likely more positively disposed to and engaged with government training efforts (Freeman, 2008). → cultural
- adafs

- \$ 20B on workforce (on \$0.5B on training) but \$30B on Pell Grants – is this too little?
- the estimated returns for disadvantaged adults are reasonably positive though less so for dislocated workers → workforce program good for disadvantaged but not displaced folks
- “But American employers provide little training to incumbent workers who are not professional or managerial – perhaps because employers too often feel that their non-college education workers lack the skills or likely future tenure with the firm to merit such investments. Employer engagement with the public educational or workforce systems is low by most accounts. “ → highlights the problem that maybe the labor market inequality is demand driven?
- The US does not have a well-developed apprenticeship system linked to our public education system, as do Germany and other EU countries (160k out of 160m Work force): bring in work on licensing and picture!
- But a history of tracking poorer and/or minority students into CTE rather than college preparation, and a reputation for low academic quality in the past, continue to limit CTE’s appeal to many students with college aspirations (Stern, 2017). → can we think of rebranding the trades with information e.g. wages and job vacancies
- And, while all examples of sector training are not necessarily effective, the best models – such as Project Quest, Year Up, Per Scholas, the Wisconsin Regional Training Partnership, Jewish Vocational Services and others – have generated large and lasting impacts on worker earnings in rigorous evaluations (Maguire et al., 2010; Katz et al., 2020). Indeed, despite concerns that earnings impacts in industry-specific skill training programs might fade over time, the best programs show little sign of such fadeout.
- On the other hand, these very successful programs have remained fairly small, even while being replicated in multiple sites; and attempts to scale them have been challenging (Holzer, 2015). Also, these programs tend to screen out many candidates whose basic skills and work readiness are limited – to maximize completion rates and maintain employer confidence – thereby limiting their ability to serve many low-income individuals. The costs of the best stand-alone programs often average or exceed \$10,000 per trainee, which impedes scaling. Per Scholas and Year Up both limit program entry to applicants with strong work-readiness; and Per Scholas, which provides IT training, insists on fairly strong numeracy and science literacy. → idea why not allow people to use Pell grants to apply to they well operating program and offer as an alternative to college?

- Looking to the EU and other countries, we find more encouraging evidence on the impacts of “active labor market policy,” especially over longer time periods. But these other countries are more willing to invest more substantial resources in workforce programs than the US, and have much stronger institutions of career and technical education in the public school and work-based learning. They have a very different tradition of centralization and public regulation of the labor market, and their workers likely suffer less from a lack of work readiness or support for childcare.
- 1) Invest more heavily in workforce programs and services with strong evidence of effectiveness;
 - How will this scale? John List book about scale
- 2) Experiment with efforts to scale these successful programs while evaluating efforts to do so;
- 3) Address a range of other barriers and costs associated with rising labor force inactivity in the US – including a prevalence of criminal records, disability and substance dependence, as well as the high cost of child care and family care in the US; and
 - Barrier is a good idea need to think about unintended consequences BTB, family leave show figures
- 4) Consider subsidizing employment in the private or public sector as a means of raising earnings or employment (at least during the period of subsidy for the hard-to-employ groups).
 - What will this look like EITC? What about tax policy that makes human capital a form of balance sheet capital

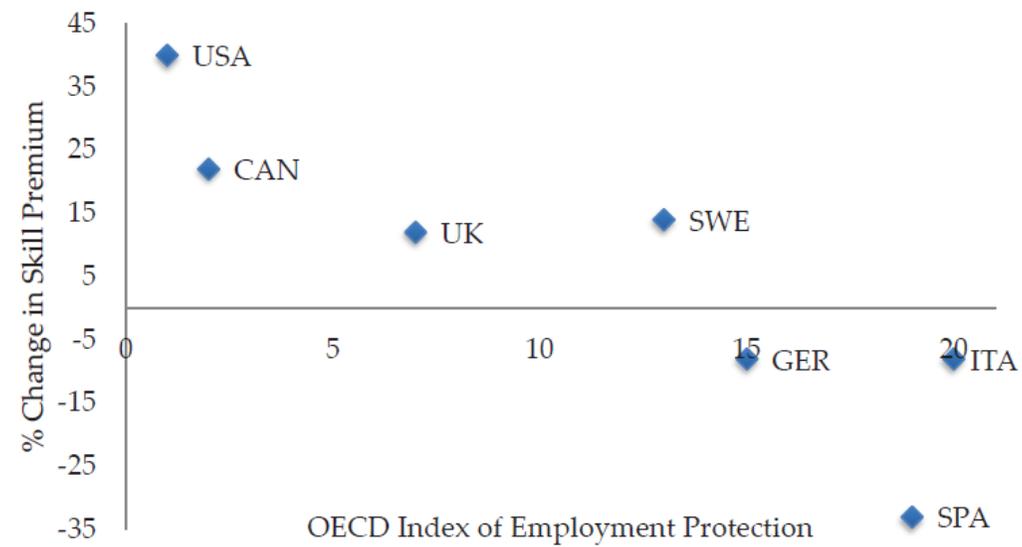


Figure 2: Labor protection in the early 1990s and the change in the education premium from 1980 to 2006. Data from Krueger et al. (2010) and Nickell (1997).

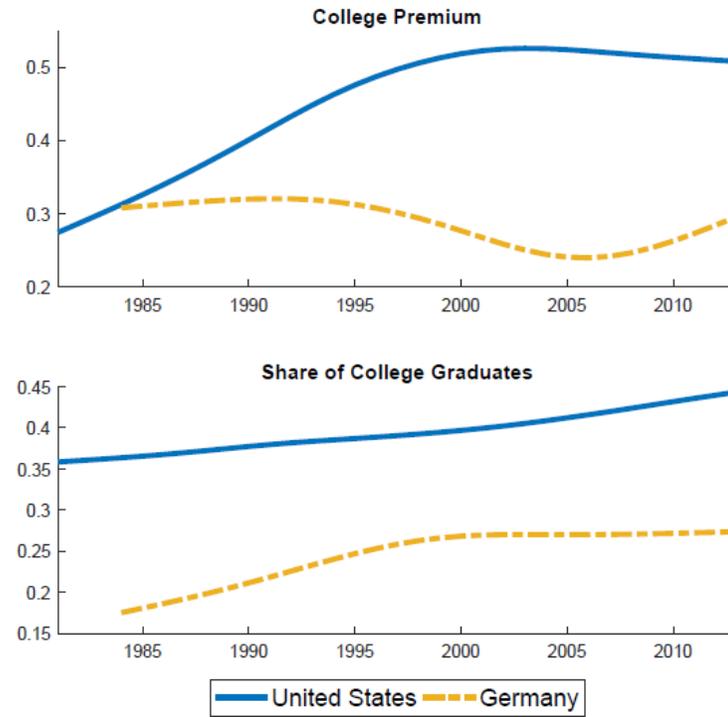


Figure 1: Top panel: The college wage premium in the United States and Germany among workers aged 25–64, 1981 to 2013. Bottom panel: Share of college graduates among workers aged 25–64, 1981-2013. The series represent five-year moving averages around the focal year, smoothed using a Hodrick-Prescott filter with a smoothing parameter equal to 100.

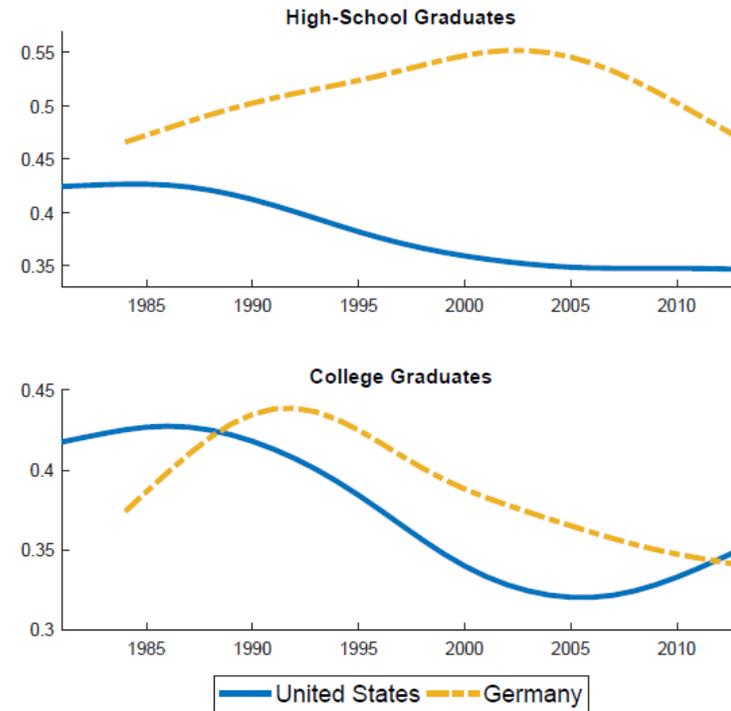


Figure 3: Share of workers aged 45–54 with tenure of over 20 years at their current employer in the United States and Germany, 1981–2013. Top panel: High-school graduates. Bottom panel: College graduates. The series represent five-year moving averages around the focal year, smoothed using a Hodrick-Prescott filter with smoothing parameter equal to 100.