

Can Workforce Development Help Us Reach Full Employment?

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Characteristics of US Workforce Development

1. No Single System – Mix of Programs, Providers, Funding Sources
2. Funding Asymmetry – Higher Education v. Other

Table 1: Workforce Development in the U.S.

Categories	Sub Categories	Providers	Federal Funding	State/Local Funding	Other Funding
Higher Education	<ul style="list-style-type: none"> •Degree Programs •Certificates •FC/NFC •Short/Long Term •Micro-Credential •Non-Credential 	<ul style="list-style-type: none"> •Accredited Colleges •Public 2-Year •Private NFP •Private FP 	<ul style="list-style-type: none"> •Higher Education Act (esp. Title IV) 	<ul style="list-style-type: none"> •Institutional Subsidies 	<ul style="list-style-type: none"> •Students
Non-HED Training & Workforce Services	<ul style="list-style-type: none"> •Services: Core, Intensive •Training: Classroom, On The Job 	<ul style="list-style-type: none"> •American Job Centers •Community-Based Organizations/NFP •Industry-Related 	<ul style="list-style-type: none"> •Workforce Innovation & Opportunity Act •Other Federal Programs 	<ul style="list-style-type: none"> •Varied 	<ul style="list-style-type: none"> •Workers
Incumbent Worker Training & Work-Based Learning	<ul style="list-style-type: none"> •Apprenticeship •Internship •Other 	<ul style="list-style-type: none"> •Employers 	<ul style="list-style-type: none"> •American Apprenticeship Grants 	<ul style="list-style-type: none"> •Varied 	<ul style="list-style-type: none"> •Employers •Workers
Career & Technical Education		<ul style="list-style-type: none"> •High Schools •Community Colleges •FP/NFP 	<ul style="list-style-type: none"> •Perkins Act 	<ul style="list-style-type: none"> •K-12 Funding 	

Key:

FC/NFC = For Credit / Not for Credit

HED = Higher Education

FP/NFP = For-Profit / Not-for-Profit

Strengths of US Workforce Programs

1. Many Options and Choices
2. Many Credentials with Market Value
3. Sectoral Programs: Large and Lasting Impacts
4. Some High-Quality CTE and Work-Based Learning Models

Weaknesses of US Workforce Programs

1. Not All Have Market Value
2. Federal Funding Outside of Higher Education is Too Low for Impact
3. Community Colleges – Limited Funding, Weak Outcomes
4. CTE and Work-Based Learning: Limited
5. Employers: Little IWT
6. Fragmentation

Strongest Impacts

1. AA/AS Degrees & Certificates: Hi-D Sectors, Technical
2. Best Sector-Based Training: Per Scholas, PQ, YU
3. Career Academies, Tech High Schools, P-Tech
4. Apprenticeship (?)

Major Questions Remain

1. Scaling the Best Programs
2. Accessibility for Disadvantaged
3. General Equilibrium Issues

Full Employment: Trends

1. Declining Unemployment/NAIRU
2. Declining Labor Force Participation –
esp. Less-Educated Men
3. Rising Inequality in Earnings

Figure 1: Labor Force Participation Rates, Prime-Age Men

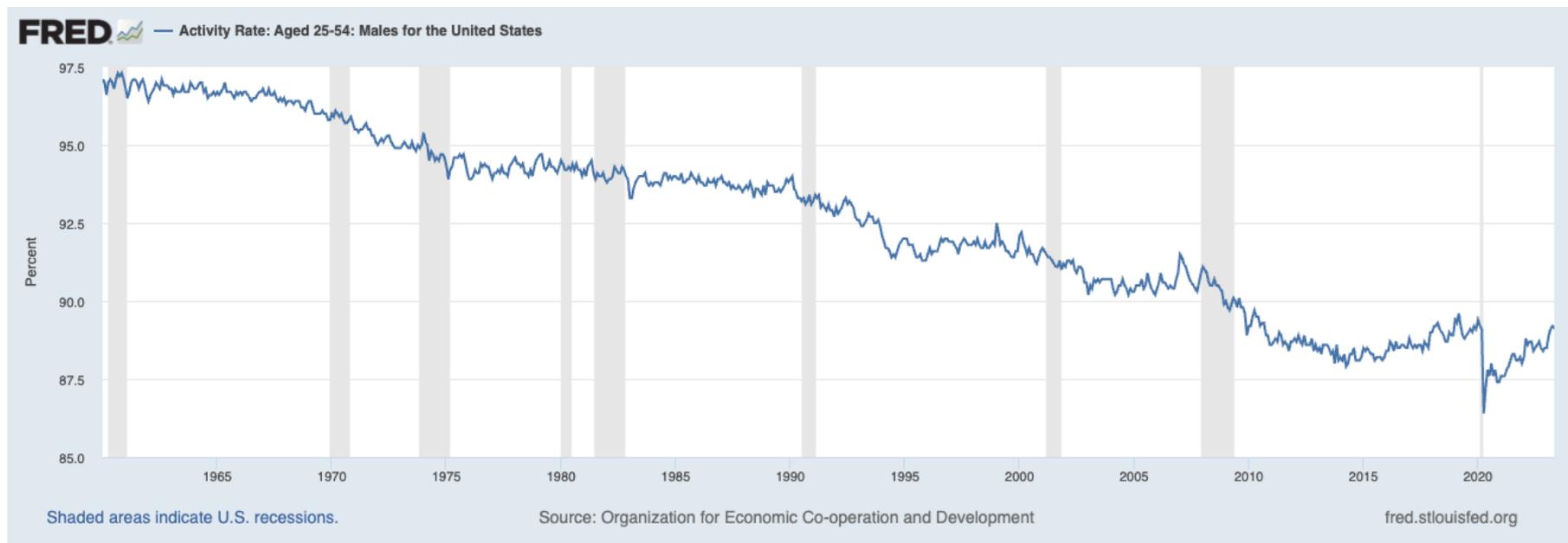


Figure 2: Labor Force Participation Rates, Prime-Age Women

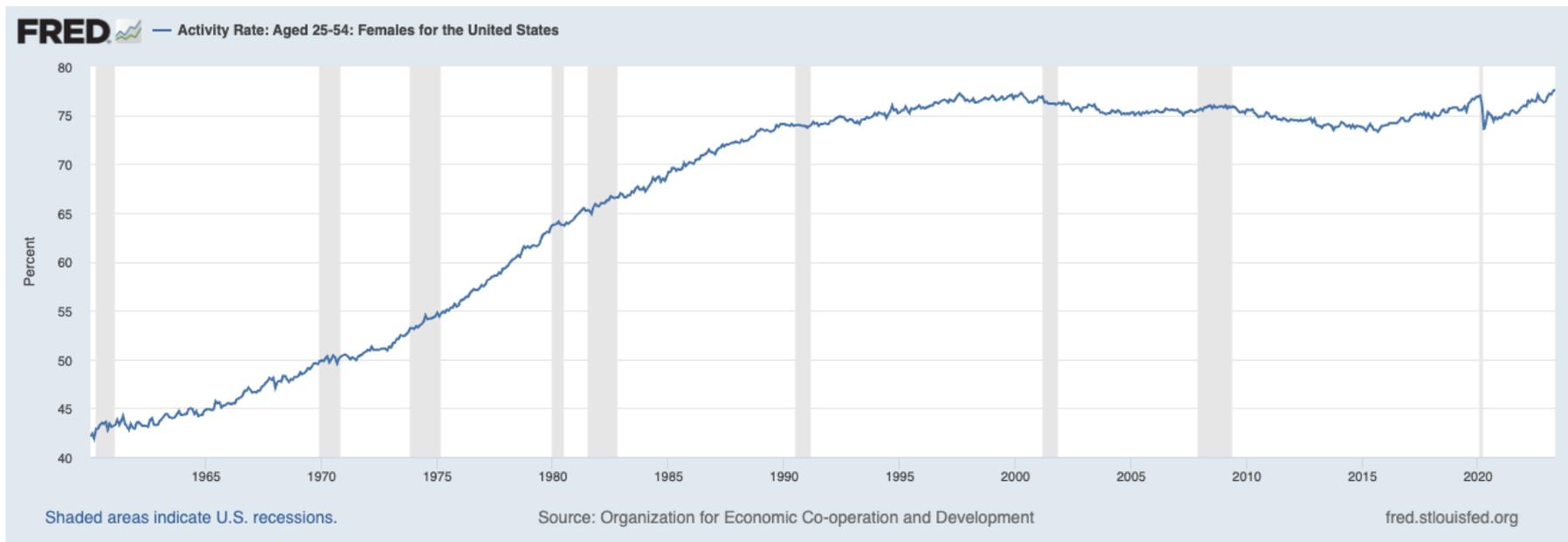
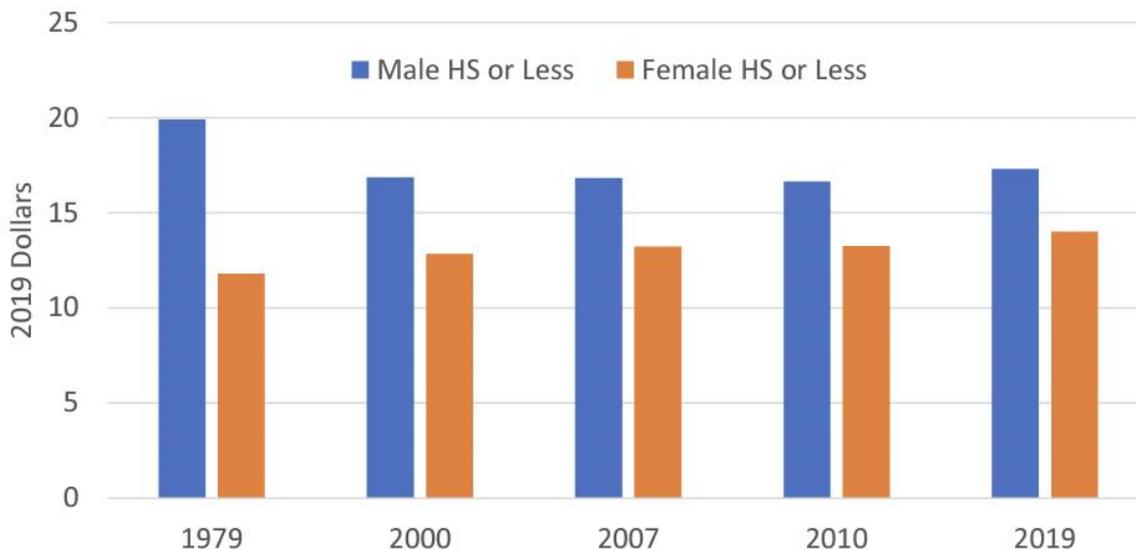


Figure 3: Median Real Hourly Wages Among Employed Individuals with a High School Diploma or Less Education, Ages 25-54, by Gender



NOTE: Wages are adjusted for inflation (here and in all data presented below) using the chain-weighted GDP deflator for personal consumption expenditures.

SOURCE: Authors' calculations from Current Population Survey's Outgoing Rotation Groups.

Why Has Unemployment Declined Over Time?

1. Demographics
2. Better Search Technology
3. Declining LFP of High-Unemployment Groups

Why Has Labor Force Participation Declined?

1. Declining Wages and Labor Supply Response
2. Declining Demand in Specific Industries and Regions
3. Other Barriers – Disability, Incarceration
4. Work-Family Balance Issues

How Much Can More Education/Training Matter?

- Unemployment: .5 pp
- Labor Force Participation: 3 pp

Table 2: Employment Outcomes by Education: How Much Might More Education/Training Help?

	UR	LFPR	EPOP
HS Dropouts	.060	.466	.438
HS Graduates	.039	.570	.547
Some College	.031	.625	.605
Bachelor's or Higher	.020	.734	.729
All	.036	.626	.603

If HSD and HSG had outcomes equal to SC:

	UR	LFPR	EPOP
Difference	-.005	.028	.031
All	.031	.654	.634

Key:

UR = Unemployment Rate

LFPR = Labor Force Participation Rate

EPOP = Employment to Population Ratio

Data Source: Bureau of Labor Statistics, June 2023

Table 3: Estimated Impacts of Workforce Development on Employment

Categories	Study	Data	Methods	Estimated Impacts on Employment
WIA Training	<ul style="list-style-type: none"> • Fortson et al. (2017) • Andersson et al. (2022) • Heinrich et al. (2009) 	Survey and Administrative Quarterly Earnings Quarterly Earnings	RCT Inverse Propensity Score Weighting Propensity Score Matching	No significant Impacts Positive Impacts: .02-.03 Positive Impacts: .05-.06
WIA Services	<ul style="list-style-type: none"> • Fortson et al. • Heinrich et al. (2009) 	As Above As Above	As Above As Above	No significant Impacts Positive Impacts: .06-.07
Community College Certificates (For Credit)	<ul style="list-style-type: none"> • Baum et al. (2020) • Jepsen et al. (2014) 	BPS, ATEs Surveys Quarterly Earnings (KY)	Completer v. Non-Completer Completer v. Non-Completer	Positive Impacts: .09 Positive Impacts: .02 Males, .08 Females
Sectoral Training	<ul style="list-style-type: none"> • Roder + Elliot, 2021 (Project Quest) • Fein et al., 2022 (Year Up) • Katz et al., 2020 (Per Scholas, Work Advance) 	Quarterly Earnings Quarterly Earnings Quarterly Earnings	RCT RCT RCT	Positive Impacts: .03 in Years 3-8, .09 in Years 9-11 Positive Impacts: .10, Full-Time Employment Positive Impacts: .25 months employed (out of 8), .56 for Per Scholas

NOTE: All training impacts are measured beyond the first year after training/services are received and are averaged across quarters.

How Much Does Workforce Development Affect Employment?

- Very Mixed Impacts
- Subsidized/Public Employment?

What Can We Learn from ALMP in EU and Elsewhere?

From Card et al.:

Categories:

1. Training
2. Job Search Assistance / Mandates
3. Subsidized Employment

Impacts:

1. Training Impacts Rise Over Time
2. JSA impacts are Modest
3. Private Sector Subsidies Rise Over Time

Why Larger Investments and Impacts Elsewhere Than Here?

- More Investment
- Stronger Traditions, Institutions, Public Support
- Less Inequality in Basic Skills

Conclusion

- Workforce Development Can Play a More Positive Role
- Other Major Barriers Remain (Labor Force v. Unemployment)
- What We Should Do:
 1. Invest More in Effective Programs
 2. Experiment and Evaluate Efforts to Scale
 3. Address a Range of Other Barriers and Costs
 4. Consider Subsidized Employment as an Alternative