# Introduction

## Investing in America's Workforce

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Skills are critical to an individual worker's labor market success, and, at a broader level, they are critical to the competitiveness of a business or enterprise. Importantly, they are often associated with the growth prospects of a region or metro area. In recent years, the U.S. economy has shifted toward one that demands additional skills and consequently rewards workers who have higher skill levels. Wage premiums for workers with high levels of education have increased, partially driving inequality between higher- and lower-skilled workers (Goldin and Katz 2008). The Great Recession seems to have shifted hiring and job creation toward occupations that require additional education and are fundamentally knowledge-based, further increasing the importance of workers acquiring skills in order to be competitive in the modern labor market (Hershbein and Kahn 2018).

Yet while skills remain incredibly important, there is quite a bit of nuance in the current economy. Many middle-skill jobs—typically requiring education and training beyond high school but less than a four-year college degree—continue to provide significant opportunities to sustain a family. However, the jobs that provide these opportunities are not the same as those in the industrial- and manufacturing-based economy of the mid-twentieth century (Holzer et al. 2011). The new grouping of middle-skill jobs demands more training and education than before, and most of these jobs require some postsecondary education, which varies widely—from a short training and certification course to a much longer program like an associate's degree.

Educational institutions may not always effectively provide these types of training programs. They also may not be marketed or considered as potential career pathways for students considering their educational options or experienced job seekers looking for new opportunities. When positions requiring middle-skills training remain unfilled,

firms miss out on business opportunities. Similarly, when workers do not attain the requisite skills for these positions, they are not prepared to advance their careers, sustain their standard of living, and build wealth. Developing technical skills and knowledge in this evolving economy is an investment opportunity for workers and firms alike.

## THE RECENT STATE OF WORKFORCE DEVELOPMENT INVESTMENT

Despite the increasing importance of skill and knowledge advancement for employee opportunity and for firm productivity, federal government spending on workforce development has declined for several decades, with the exception of a surge in the immediate aftermath of the Great Recession. This trend has been driven by a number of factors. Since the early 1980s, policymakers' focus on vocational and technical training has been secondary to four-year college preparation (Symonds, Schwartz, and Ferguson 2011). We are not suggesting college completion is not of significant importance. In fact, a section in Volume 1 of this book explores strategies to help level some of the disparities between white and African American college graduates, particularly those graduating from historically black colleges and universities. However, many of the chapters do explore the benefits of expanding training and education options for students and job seekers, particularly by broadening technical training programs and apprenticeships.

Policymakers often regard the workforce development system as a "second chance" system that is more aligned with the social safety net than with policies that promote local and national economic development (Wolf-Powers and Andreason 2012). Similarly, broad national evaluations of workforce development programs have shown only modest results (Bloom et al. 1996; McConnell et al. 2016). These evaluations have disadvantaged workforce development programs in federal appropriations discussions and led to significant federal declines in budgets for the Workforce Innovation and Opportunity Act and its predecessors (Holzer 2008). In contrast, federal spending has expanded in programs that enable students to attend postsecondary institutions on a full-time basis, including through Pell Grants and federal student loan programs (McCarthy 2014).

Fragmentation of services also has been a challenge for the workforce system. The multiplicity of organizations and funders makes coordination among workforce development providers more difficult, and it likely affects the level of business engagement with the workforce development community. Business engagement is an important part of effective workforce development programs—employers use talent in the workforce development pipeline and provide critical voices in technical training curricula. Fragmentation has limited the amount of coordination in the workforce development system, making it difficult not only for organizations to find synergies and identify priorities, but also for the end users—both job seekers and employers—to assess the quality of training offered by programs. As such, workforce development programs have not often been aligned enough with economic development organizations, business development entities, or employer networks like chambers of commerce, all of which play critical roles in connecting workers to employment opportunities (Andreason and Carpenter 2015).

## INNOVATIONS IN PROGRAMMING AND ORIENTATION OF WORKFORCE DEVELOPMENT

The conditions listed above combine to make the workforce development system difficult to understand and navigate. But in recent years, there have been notable improvements in the range of programs offered through workforce development organizations as well as policy changes that encourage better alignment between the workforce development system and economic development organizations.

Program evaluations have shown that taking a dual customer approach and focusing on both job seeker and employer needs increases the efficacy of workforce development programs (King and Heinrich 2010; Maguire et al. 2010). Reorienting programs is difficult work, especially for staff who may be concerned about the impact of program changes on their original mission of building opportunities for workers. However, once these transitions are completed, organizations have better connections and are more effective at serving job seekers (Schrock 2013).

Although fostering relationships with employers and supporting and screening job seekers for employability and stability may seem straightforward for workforce development programs, it is not always the case. Employers have customs and cultures that must be accommodated, and they often have specialized needs even within the same industry sector. For example, manufacturing programs may be different enough from one another so that training programs must be customized to meet each employer's human resource challenges. Workforce development organizations can also help employers integrate new workers into the existing workforce and improve their recruitment practices in order to promote stability for workers by reducing turnover. Several chapters in Volume 2 of this book discuss how workforce development organizations can invest not only in worker skills, but also in the quality of work that employers offer to help resolve many of the challenges in turnover and recruitment.

Similarly, working with job seekers differs widely depending on the type of work, the community, and the workers' educational background and personal experiences. Effective workforce development agencies help workers refine their job search strategies, obtain industry-valued credentials, and manage personal challenges such as securing child care and affordable transportation to and from work, if needed. Some programs specialize in preparing workers to overcome unique challenges in being ready for work and finding strong matches and placements with employers. Much of this work happens at a local level because the needs of labor markets and of workers are met on a very small scale.

High-quality workforce development programs in communities and regions have acted as intermediaries between employers and workers through so-called sector partnerships. The Workforce Innovation and Opportunity Act of 2014 recognized the value of these changes by urging stronger regional planning and business engagement. These practices and policies offer reason for optimism, but more investments and effective implementation will be needed to create opportunities at the scale and speed necessary to address the quickly changing labor market.

## BUILDING AN INVESTING FRAMEWORK

The term *investment* is used in this book in a number of different ways. In one sense, it means actual financial investment in workforce development programs—the act of expanding programs requires additional monetary resources—but this is far from the only type of investment. Workforce development programs need partners that are invested in the success of the program, which includes businesses and economic development organizations as well as community development and social support organizations. Community organizations also can help address existing labor market disparities and challenges that are not completely skill based. It is also critical that future evaluations of workforce programs include cost-benefit analyses that show benefits to workers, businesses, and society.

***Investing in America's Workforce: Improving Outcomes for Workers and Employers*** offers research, best practices, and resources for workforce development practitioners from more than 100 contributing authors. The book aims to reframe workforce development efforts as investments that can result in better economic outcomes for individuals, businesses, and regions. In the three volumes, we focus discussions of investments on three areas: 1) investing in workers, 2) investing in work, and 3) investing in systems for employment opportunity. Within each volume are discrete sections made up of chapters that identify specific workforce development programs and policies that provide positive returns to society, to employers, and to job seekers.

***Investing in Workers***, the first volume, discusses all job seekers—and particularly disadvantaged workers—as opportunities and assets rather than deficits. Workers left out of the recovery, such as the long-term unemployed or chronically unemployed youth, are important sources of new talent in a tight labor market. These workers also bring new and different perspectives at any point of the business cycle and can help drive innovation. Seeing these workers as opportunities to build new ideas and competitive advantage is important; it is also important for workers who are mired in poverty. It is vital to invest in core literacy and technical skills so these workers can create wealth and

build assets. Several chapters in Volume 1 explore both skill development and supporting workers who have particular barriers to work and economic opportunity.

***Investing in Work***, the second volume, explores the extent to which firms are able to address human resource challenges and difficulties for their workers by investing in the jobs, fringe benefits, and structure of employment that workers encounter with employers. Many firms have found that offering enhanced quality of work and benefits helps attract more productive workers, boosts the productivity of current workers, and produces other tangible benefits, such as reduced turnover. Investments in work structure also include considering how changes to the employee-employer relationship help build wealth, such as through different models of employee ownership of firms and planned succession of ownership. Finally, investing in work includes place-based and job creation efforts. Volume 2 explores these issues broadly and specifically in rural areas in an effort to better align workforce development and economic development efforts. Considering both the supply of and demand for labor likely will improve the effectiveness of both efforts.

***Investing in Systems for Employment Opportunity***, the third volume, explores the different ways organizations and policymakers deliver training and support worker and business productivity. The stakeholders involved in these efforts are multiple and varied, including governmental entities, businesses, philanthropies, and nonprofits. Finding ways to coordinate across these different sectors for collective impact is critical. In addition, several important factors and trends could influence the strategies of these programs, individually or collectively. Innovations in technology may change the type of work people do and the products firms create, while also providing a new and different delivery system for training. Access to these technologies is also vital, since many communities are not well connected. New finance models may help attract new players and investors in workforce development and help drive investments toward the most effective interventions. Aligning efforts and aiding them with new innovations and business models could significantly increase the scale and scope of workforce development programs.

As you read this book, we hope you find information that helps you advance initiatives, policies, and worker and employer opportunities in your community or state. Please reach out to the authors and editors if you wish to learn more. We hope that you will see the need to understand workforce development as an investment, and that you discover strategies that will help you make progress in your own organization or in your efforts on workforce policy. We believe this mind-set and further engagement and investment in the workforce development system are necessary to expand opportunity for workers and employers and to promote economic growth in the country.

## Note

1. See the section on Government Investment in Workforce Development in Volume 3 for a further investigation of federal and state government involvement in workforce development and some promising new practices.

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