

Testimony of Harry J. Holzer Before the Committee on Education and Labor, Subcommittee on Higher Education and Workforce Development, US House of Representatives, on May 11 2023

To Chairman Owens and Ranking Member Wilson:

I would like to make the following main points in my testimony today:

- 1) Many millions of Americans without postsecondary education or credentials would benefit from additional skills training, especially low-income workers in very low-wage jobs.
- 2) Relative to the great need for skill enhancement in the US, and to other industrialized countries now and earlier decades in the US, our levels of federal public funding levels for workforce training are extremely low.
- 3) The impacts of such training in raising participant earnings are dramatically limited by the small funding levels available.
- 4) Besides increasing funding for training, our top priorities should be to: a) expand highly effective sectoral training models to scale, as well as research and evaluation into what makes them effective; b) support state-led efforts to expand work-based learning models like apprenticeship; c) expand guidance and support services for students/trainees; and d) improve labor market data and those on training outcomes. Passing some version of “short-term Pell” – with appropriate safeguards against funding for weak programs – would help more workers gain funding as well.

1) Millions of US Workers Would Benefit from Additional Skills Training

Economist continue to debate how to define and measure “skills shortages” or “skills gaps” in the US. What cannot be denied is that overall educational attainment and worker skills in the US need to be improved, especially among low-income Americans with low earnings.¹

Nearly half of all Americans over the age of 25 still have no postsecondary education or training credential.² These workers, on average, earn low hourly wages and have low weekly and annual earnings. For instance, median hourly wages for high school graduates and dropouts working year-round and full time are approximately \$18 and \$15 per hour respectively, and those working less than year-round or full time have even lower wages.³

¹ Barnow et al., *Occupational Labor Shortages*, Upjohn Institute for Employment Research, See2013.

² US Census Bureau: <https://www.census.gov/newsroom/press-releases/2022/educational-attainment.html>. See also Holzer and Baum, 2017: <https://www.brookings.edu/book/making-college-work/>. The latter shows that, while postsecondary enrollments are quite high, low completion rates and low labor market value of many credentials earned limits the earnings of many students who enroll, especially at community colleges.

³ Bureau of Labor Statistics: <https://www.bls.gov/emp/chart-unemployment-earnings-education.htm>; also National Center for Education Statistics: <https://nces.ed.gov/programs/coe/indicator/cba/annual-earnings>.

But earnings are lowest for millions of low-income workers – those prioritized by the WIOA Adult programs – now working in lowest-wage sectors of the US service economy. Workers of Color are heavily over-represented in this group. Median hourly wages of workers in personal care and services, building maintenance, food services or healthcare support are \$14-17 per hour, while those at the 25th percentile of these occupations earn just \$12-15 per hour (generating \$24-30,000 in annual earnings for full-time workers).⁴ Their earnings would no doubt rise with significantly more education or job training.

2) Federal Funding for Workforce Education and Training in the US is Extremely Low

The core programs in Titles I and II of the Workforce Innovation and Opportunity Act (WIOA) – the formula funding streams for adult, displaced worker and youth services plus adult basic education - receive just \$4B in federal funding per year. Total funding levels for Titles I and II are now about \$6B. In an economy whose Gross Domestic Product (GDP) is \$25T, and with over 150 million adult workers, these levels are extremely low.

While there are many other federal employment and training programs – 43 in all, according to the General Accounting Office – their total funding levels remain below \$20B, or less than .1% of GDP.⁵ If one were to include other federal funding for training – such as the share of Pell grants spent on certificate programs at community or for-profit colleges – that fraction would remain about the same; and Pell funding is not now available for short-term and/or not-for-credit training programs that are important to working adults. In contrast, most other industrialized countries spend up to .5% of GDP on such “active labor market policies.”⁶

Over time, our federal spending has become much more stringent. Spending on the Comprehensive Employment and Training Act (CETA) peaked at over \$17B in 1980 – which, in current dollars, would be about \$60B today. Comparing such expenditures to all those tabulated by GAO, federal government spending for workforce services and training have dropped by two-thirds – despite the fact that the labor force has grown by about 50% since that time.

3) The Effectiveness of Job Training is Limited by Low Funding Levels

Of the \$4B in Titles I and II of WIOA, only about \$.5B is actually spent on training for about 220,000 people per year, or just over \$2,200 per trainee.⁷ In contrast, Pell grants provide up to \$6,000 per year for 6 million students in higher education.

How effective is WIOA training? The rigorous evidence is somewhat mixed, but the most plausible estimates suggest training impacts reach \$1,500-2,000 per year for adult workers but

⁴ Bureau of Labor Statistics, Occupational Employment and Wage Statistics: <https://www.bls.gov/oes/tables.htm>.

⁵ Government Accountability Office, 2019: <https://www.gao.gov/products/gao-19-200>. These data don't include state subsidies for higher education, including certificate programs.

⁶ OECD: <https://www.oecd.org/employment/activation.htm>.

⁷ Deming et al., 2023: <https://www.pw.hks.harvard.edu/post/publicjobtraining>.

less for displaced workers.⁸ Per dollar of federal spending, this is a strong return if it persists. Core and especially intensive services for workers at American Job Centers also appear quite cost-effective at raising wages.⁹ Many workers who complete WIOA services and training continue to have relatively low annual earnings – often at \$25,000 per year or less – though they are likely somewhat higher than they would be absent any workforce services and training.¹⁰

Certificate programs at community colleges, whether for-credit or not, also generate significant returns in terms of higher earnings on average, though their value varies a lot across fields.¹¹ Generally, *credentials requiring larger spending investments generate larger earnings gains* (longer-term certificates earn more than shorter-term, for-credit earns more than non-credit, etc.).

But the very best training programs in the US generate substantially higher average impacts on earnings. Sector-based training programs for adults like Per Scholas (or its Work Advance variant) and Project Quest raise earnings by \$5,000 or more per year, without any sign of fadeout over time; while Year Up – a program for young high school graduates – generates even larger impacts.¹² These programs also cost \$10,000 or more per year. Generally, they also require trainees to enter training with higher basic skills and no other major barriers to employment.¹³

4) Top Priorities for WIOA Reauthorization (or Other Legislative Vehicles)

Whatever the levels at which WIOA and other federal training programs are funded going forward, I would identify the following as top priorities for the program:¹⁴

⁸ Holzer et al., 2022: <https://jhr.uwpress.org/content/early/2022/07/06/jhr.0816-8185R1>; Heinrich et al., 2013: <https://link.springer.com/article/10.1186/2193-8997-2-6>; Fortson et al., 2017: <https://clear.dol.gov/Study/Providing-Public-Workforce-Services-Job-Seekers-30-Month-Impact-Findings-WIA-Adult-and-Dislocated-Worker>. Holzer et al. and Heinrich et al. use rigorous nonexperimental methods to estimate training impacts; Fortson et al. was based on a randomized controlled trial. But, unfortunately, the interpretation of Fortson's results is made difficult by the fact that workers in the control group got almost as much training on their own as did the treatment group. None of these studies address other issues, such as whether trained employees simply displace other workers with similar training or enable employers to create more such jobs, especially in the long run.

⁹ Heinrich et al. and Fortson et al., *ibid.*

¹⁰ Deming et al., *op. cit.*

¹¹ Baum et al., 2020: <https://www.urban.org/research/publication/should-federal-government-fund-short-term-postsecondary-certificate-programs>. See also Stevens et al., 2015: <https://www.nber.org/papers/w21137>.

¹² Katz et al., 2020: <https://www.nber.org/papers/w28248>; Roder and Elliott, 2021: <https://economicmobilitycorp.org/eleven-year-gains-project-quests-investment-continues-to-pay-dividends/>; Fein 2021: <https://www.abtassociates.com/projects/evaluating-year-ups-programs-for-young-adults>.

¹³ For instance, Per Scholas requires trainees to read and do math at least at the 10th grade level, in order to be able to complete their IT training.

¹⁴ Orrell et al., 2023: <https://www.brookings.edu/blog/up-front/2023/03/08/what-works-in-workforce-development-and-how-can-it-work-better/>.

- We should expand funding for the most effective sector partnerships and help them reach scale, while also establishing more partnerships to follow their examples. Currently, local workforce boards are mandated to establish such partnerships but receive no funding to do so, or to gain technical assistance in this effort. Support for building effective partnerships would likely improve the quality of the jobs for which workers are trained with federal funding, as would dedicated funding for training for good jobs (as in the Commerce Department’s Good Jobs Strategy). We also need research and rigorous evaluation into what makes some such training programs so effective. Local and state efforts to scale effective sectoral programs should be supported and evaluated.
- Apprenticeship and other forms of work-based learning and incumbent worker training appear promising, and their use by local workforce boards and employers with WIOA funding should be expanded. States are innovating a lot in this regard, and supports for and evaluations of their efforts should be a priority.
- More funds should be provided for career guidance and other support services for trainees, both at American Job Centers within WIOA but also for other training providers like community colleges.¹⁵
- Data on WIOA training providers and outcomes, and on labor market skill needs more broadly, could and should be greatly improved. The Employer Training Provider Lists data are plagued with many shortcomings, and are almost impossible for trainees to navigate at this point; these data need less specificity on small training providers and programs, and more focus on the occupations and industries in any region or state where training appears successful.¹⁶ BLS data on labor market trends are limited as well. Promising data improvements are occurring at the state level, and these should receive federal support.¹⁷

In addition to these priorities, passing some version of “short-term Pell” – that would expand Pell coverage at higher education institutions to shorter certificate programs and some that are not-for-credit – would be an additional way to finance more training. But it is important that safeguards be included to protect workers from ineffective programs; new Gainful Employment regulations would surely help in this regard.

¹⁵ Heinrich et al. and Fortson et al., op. cit. See also Dawson et al. 2020: <https://www.nber.org/papers/w28046>.

¹⁶ Deming et al., op. cit.

¹⁷ Lane, 2023: <https://www.aei.org/research-products/report/reimagining-labor-market-information-a-national-collaborative-for-local-workforce-information/>. See also the Coleridge initiative: <https://coleridgeinitiative.org/multi-state-data-collaboratives>.