

# Investments in the Workforce

## How States Create Skilled Labor

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May 2017

An important component of effective economic development is ensuring that a skilled workforce exists to support business and economic growth. The primary goal of workforce development is to build the skills and credentials of workers and connect them to jobs with family-supporting wages and benefits. That can advance and align with economic development because it provides a supply of labor that meets existing employers' needs and spurs the growth of new businesses. Workforce development programs are typically federally funded with pass-through grants that are administered by the state and implemented by local workforce agencies.<sup>1</sup>

### Occupational and Job Training

Occupational and job training is one area where state and local governments can help build the skilled labor pool necessary for a thriving community. Governments offer a variety of avenues for job training that do not require a four-year degree.

- **Sector strategies** focus on training workers for a particular industry sector, cultivating industry relationships to identify well-paying jobs in high-demand occupations. For example, career pathways are public-private collaborations that identify education and training steps for workers to advance in a particular industry. Both adults and youth, especially those who may be disadvantaged, may benefit from

career pathway programs that provide guidance and support for completing postsecondary education and training.

- **Certification of job skills** is another way states can help employers identify qualified workers and reduce hiring costs to businesses of all sizes. By using recognized certification programs, prospective hires can show an employer that he or she meets certain criteria for specific jobs or occupations. Certifications or other industry-recognized credentials can be included in a career pathway program, sometimes in lieu of a postsecondary degree.
- **Apprenticeships** are another form of career training in which employers

*The VIDA (Valley Initiative for Development and Advancement) program in Texas coordinates programs with business partners and economic development organizations to identify effective approaches for training low income adults.*

hire unskilled workers and train them on the job in specific trades or occupations. Traditionally used in construction and building trades, apprenticeships in the service sector are becoming more common.

- **Career and technical education**, formerly known as vocational education, is funded by the Carl D. Perkins Vocational and Technical Education Act of 1984, and administered by K-12 school districts and postsecondary institutions. The goal of career and technical education is to help students obtain the academic and technical skills necessary to succeed in the workforce.

## Customized Training Programs

Existing companies are best situated to train new hires in house, and state programs and incentives to encourage training can include

- **reimbursing companies** for their own training programs,
- **setting up custom programs** through colleges, and
- **providing financial assistance for employees** to acquire training related to employer needs.

The benefits of grants for customized job training are difficult to assess. In many cases, the grant is a subsidy, similar to a job creation credit. Some programs provide grants to the trainers rather than employers but still remain responsive to employer needs. It is not clear how much of this training benefits the workers beyond their current employment.

## Workforce Intermediaries

Workforce intermediaries serve as a coordinator in a community to better match job seekers with employers. Nonprofits, educational organizations, union groups, or public agencies could all act as an intermediary. Workforce intermediaries align strategies to

- **build strategic partnerships** with employers to identify the skills, credentials, and level of experience they need for available jobs; and
- **coordinate services with providers** in a community to help job seekers connect to employment and training services they need to qualify for available jobs. The goal is to improve the competitive stock of the industry (by having a ready pool of skilled labor) and offer more opportunities to low- and middle-income or displaced workers.



## Federal Support for Apprenticeship Programs

Evidence suggests that apprenticeships are cost-effective ways to increase productivity and skills. There are active apprenticeship programs, run by either the federal government or state agencies, in every state. The Department of Labor is the primary federal agency that provides funding for registered apprenticeships, although the Departments of Education, Veterans Affairs, Agriculture, Transportation, and Housing and Urban Development also provide some resources to support apprenticeship programs.

For example, apprentices who qualify for federal Pell grants through the Department of Education can use that funding to cover the cost of enrollment in technical education programs. Veteran apprentices can receive a tax-free housing stipend as part of their GI Bill benefit through the Department of Veterans Affairs. The Federal Highway Administration provides grant funding to states for on-the-job-training and supportive services, which can include registered apprenticeship programs. Though apprenticeships have expanded into the service sector, the most popular federally funded ones tend to be for occupations in trades, such as electrician, plumber, carpenter, or construction laborer.

### DEPARTMENT OF LABOR APPRENTICESHIP FUNDING, 2006-15

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Funding (millions)	25	24	25	25	28	32	29	28	32	34

Source: US Department of Labor, Agency Financial Reports 2010-16.

<sup>1</sup> For more information, see Norton Francis and Megan Randall, *State Economic Development Strategies: A Discussion Framework* (Washington, DC: Urban Institute, 2017). <http://www.urban.org/StateStrategies>.