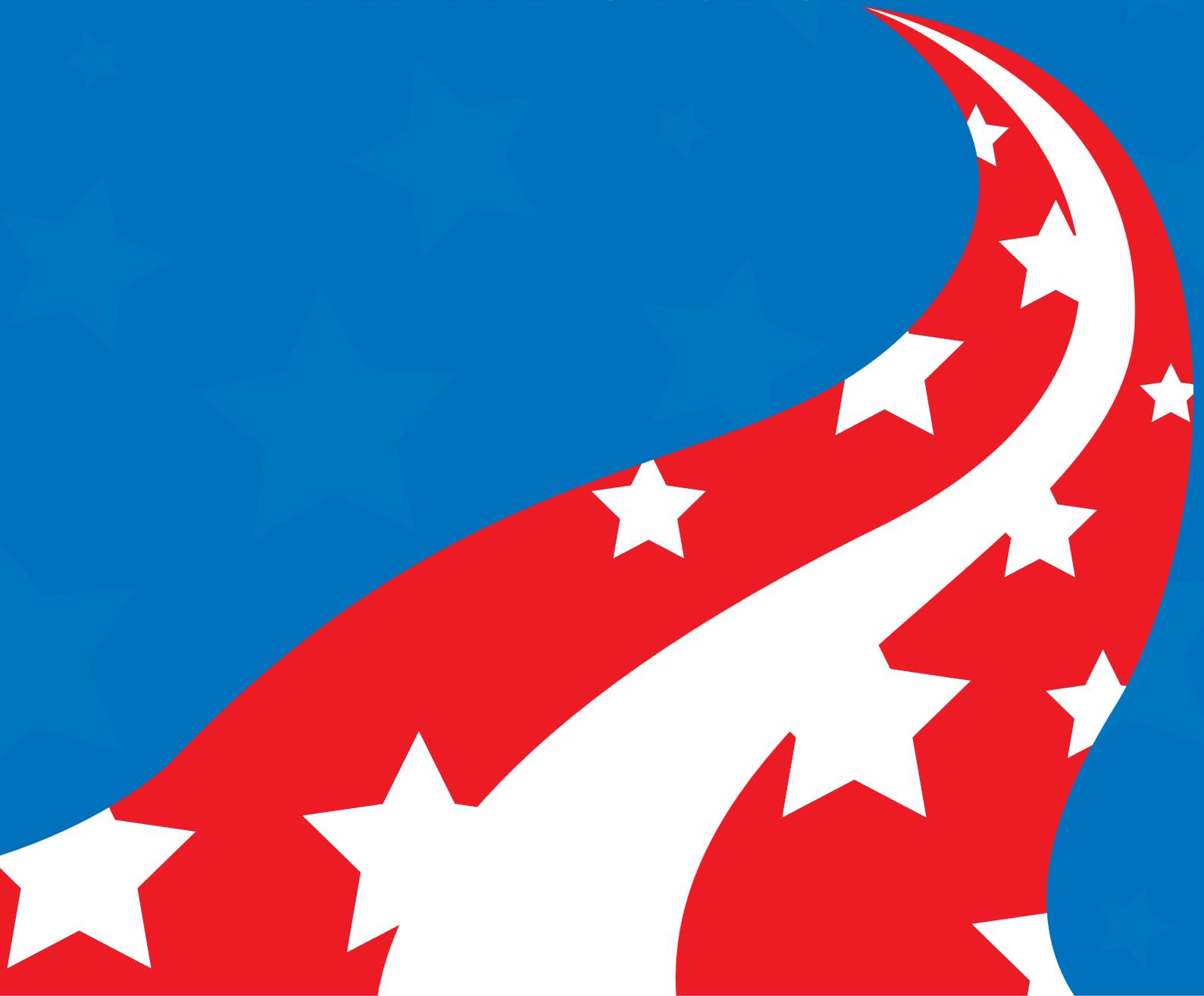


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TOWARD A NATIONAL WORKFORCE EDUCATION AND TRAINING POLICY



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**TOWARD A NATIONAL
WORKFORCE EDUCATION
AND TRAINING POLICY**



TABLE OF CONTENTS

TOWARD A NATIONAL WORKFORCE EDUCATION AND TRAINING

EXECUTIVE SUMMARY

INTRODUCTION AND BACKGROUND

Introduction and Background — The Value of a Skilled Workforce in the New Millennium	1
The Value of Education and Training: The Employer’s Perspective	2
The Value of Education and Training: The Worker’s Perspective	3

BUILDING A BETTER WORKFORCE EDUCATION AND TRAINING SYSTEM

A Vision for a National Workforce Education and Training System	7
Existing Assets for Workforce Education and Training	8

RECOMMENDATIONS

1. Invest in training on a scale that supports the well-being of the nation’s economy and so that it is not just a privilege for the lucky few	13
2. Expand the scope of federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages	13
3. Use federal resources to leverage state, local and private investment in education and training	19
4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials	21
5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector	24

CONCLUSION	28
------------	----

ABOUT THE AUTHORS	30
-------------------	----

ACKNOWLEDGEMENTS	33
------------------	----

REFERENCE	33
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APPENDIX	36
----------	----

ANNOTATED SUMMARY OF ALL TRAINING POLICY RECOMMENDATIONS	39
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EXECUTIVE SUMMARY

Toward a National Workforce Education and Training Policy

By Ray Uhalde, National Center for Education and the Economy

Marlene Seltzer, Jobs for the Future

Pamela Tate, Council for Adult and Experiential Learning

and Rebecca Klein-Collins, Council for Adult and Experiential Learning

Revised June 30, 2003

EXECUTIVE SUMMARY

This is a critical time in our economic history. Demographers are projecting severe shortages in skilled workers in the next ten years. While the skills gap will be a crisis in 2010, the lack of basic skills, technical skills and competencies is an issue for industry right now. To meet this challenge, we need to invest in worker education and training.

In the next two years, the federal government will be reauthorizing a number of programs that affect workforce education and training: the Workforce Investment Act, the Higher Education Act, Temporary Assistance for Needy Families, the Vocational Rehabilitation Act, the Adult Education and Family Literacy Act, and the Carl D. Perkins Vocational and Technical Education Act. Incremental changes in current programs and services are needed but are not enough. Now is the time to take a more strategic approach to workforce education and training and create a seamless, dynamic and sufficiently-funded system for advancing the skills and credentials and productivity of our entire workforce. In order to meet the current and future demand for skilled workers, a strong, national system for workforce education and training requires us to:

- 1. Invest in training on a scale that supports the well-being of the nation's economy and so that it is not just a privilege for the lucky few**
- 2. Expand the scope of all federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages**
- 3. Use federal resources to leverage state, local and private investment in education and training**

4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials

5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector

To do this, we can build on a number of assets already in place, such as:

- ▶ *A strong community college system*
- ▶ *A One-Stop Career Center infrastructure*
- ▶ *A burgeoning distance learning field*
- ▶ *Existing employer-provided training programs and those offered through labor-management partnerships*
- ▶ *Training provisions of Temporary Assistance for Needy Families (TANF)*
- ▶ *A strong network of private, non-profit, community-based education and training providers*
- ▶ *Innovative models for serving employers, including strategies that focus on identifying or building career ladders within sectors or industries and modular training that provides flexibility in scheduling and a focus on outcomes rather than seat time*
- ▶ *Workforce intermediaries who bring together key partners and functions to advance careers for all workers, increase business productivity, and improve regional competitiveness*
- ▶ *Federal income tax incentives such as Section 127, the Hope Scholarship Credit and the Lifetime Learning Tax Credit*
- ▶ *Federal student financial aid*
- ▶ *State level support for incumbent worker training*

The assets listed above are all key elements of a strong and productive workforce education and training system, but by themselves they are not enough. Changes are needed to bring them together and build a system that works — for employers, for incumbent workers, for the unemployed, and for the future workforce.

In this paper we are putting forth a series of recommendations to help move the various building blocks toward the creation of a national system for workforce education and training. In addition to recommendations for incremental change, we are also including several innovative reforms that we call “system renovations” — ideas for new and dramatic ways of configuring programs and services that would result in a system that is more streamlined, easier to navigate and more focused on providing training opportunities for higher skills and credentials.

1. Invest in education and training on a scale that supports the well-being of the nation’s economy and so that it is not just a privilege for the lucky few

and

2. Expand the scope of federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages

The following recommendations are designed to increase the amount of education and training that is offered through WIA, Temporary Assistance for Needy Families, the Higher Education Act, and the Adult Education and Family Literacy Act and to increase training that is offered to low income workers.

- ▶ *Increase Funding Allocation for Individual Training Accounts (WIA)*
- ▶ *Increase Education and Training Opportunities Under TANF (TANF)*
- ▶ *Amend Pell Grants to Better Serve Low Income Students Who Work (Higher Education Act)*
- ▶ *Increase Funding and Build Capacity for ABE Programs (Adult Education and Family Literacy)*
- ▶ *Relax the Sequence of Services That Lead to Training (WIA)*
- ▶ *Simplify Performance Measures While Encouraging Training (WIA)*
- ▶ *Eliminate the “Student Aid Disregard” and clarify the sequence of Pell Grants vs. ITAs (WIA, HEA)*
- ▶ *Provide Separate Funding Stream for One-stop Career Center Infrastructure and Wagner-Peyser (WIA)*

- ▶ *Build Capacity of One-Stop Career Centers to Serve Incumbent Workers (WIA)*
- ▶ *System Renovation: Reinvent the ITA Program According to Pell Grant Model*

3. Use federal resources to leverage state, local and private investment in education and training

Besides the federal government, other beneficiaries — states, employers and individual workers — also have stakes in the health of the labor market and can be expected to shoulder some of the cost. The following recommendations are designed to leverage investments from some of these other stakeholders.

- ▶ *Support the Expanded Financing of ITAs Combining Federal Funds with Other Sources (WIA)*
- ▶ *Provide Incentives for States to Use TANF for Low Income Workers (TANF)*
- ▶ *Support State Funding of Private Sector Training Programs*
- ▶ *System Renovation: Lifelong Learning Accounts (LiLAs)*

4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials

In addition to the financial barrier, access to training for workers dependent on WIA has been limited in terms of provider choice because the burdensome eligibility requirements have driven many providers away. In addition, access for adult workers can be highly dependent on the ability of educational institutions to meet this population's needs in terms of skill level, scheduling and flexibility in program offerings. We offer the following recommendations to help expand access and otherwise support the success of working adults pursuing new skills and credentials:

- ▶ *Amend the Hope Scholarship Credit for Low Income Workers (Taxpayer Relief Act of 1997)*
- ▶ *Amend the Lifetime Learning Tax Credit for Low Income Workers (Taxpayer Relief Act of 1997)*
- ▶ *Provide Information and Referral on Tax Credits Through One-Stop Career Centers (WIA)*
- ▶ *Institute Employment-Based Accountability Standards for Higher Education (HEA)*

- ▶ Amend Section 127 to target low income workers more specifically
- ▶ System Renovation: Tax Credit Consolidation
- ▶ Provide Greater Flexibility in the Requirements for Eligible Training Providers (WIA)
- ▶ System Renovation: Targeted Programs within the Higher Education Act for Adult Learners (HEA)

5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector

The role of workforce intermediaries is distinct from but complimentary to that of the publicly funded workforce education and training system. Intermediaries fill some of the gaps in service and also link many of the elements of the system together to serve better the needs of employers and individual workers. Essentially, workforce intermediaries function as the “mortar” for the system’s building blocks. The following recommendations are designed to provide more regular funding for workforce intermediaries that will encourage their growth and development and further their work in linking the various building blocks into a dynamic and responsive workforce education and training system.

- ▶ Expand and Regularize Existing Federal Demonstration Programs for Workforce Intermediaries
- ▶ Establish a State-Run Workforce Intermediary Investment Fund
- ▶ Fund Grants to Encourage Linkages Between Welfare-to-Work Programs and Employers

Given the changes in skill demands and the dramatic demographic shifts in the next decade, the need to increase the skills and credentials of the nation’s workforce has never been as urgent as it is today. Although the programs, services and resources that currently exist for workforce education and training are a good start, they do not yet make a fully functioning and dynamic system. We urge lawmakers to think broadly about the various components of the workforce education and training system and about how all of these different programs, services and incentives work together — or fail to work together — in the common goal of helping the nation meet skill and labor needs of today and the future.

INTRODUCTION AND BACKGROUND

TOWARD A NATIONAL WORKFORCE EDUCATION AND TRAINING POLICY

By Ray Uhalde, National Center for Education and the Economy

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Revised June 30, 2003

INTRODUCTION AND BACKGROUND — THE VALUE OF A SKILLED WORKFORCE IN THE NEW MILLENNIUM

This is a critical time in our economic history. Corporations are starting, growing and folding at faster rates than ever before. According to the New Economy Index, almost one third of all jobs are now in flux; they are either being born or dying, added or subtracted every year (Weinstein 2003). At this moment, we are experiencing a relatively high unemployment rate that is due in part to this churning. But an even bigger challenge is on the horizon. Demographers are projecting severe shortages in workers, particularly those with higher skill levels, in the next ten years.

To meet this challenge, we need to invest in worker education and training. In 2000, Federal Reserve Board Chairman Alan Greenspan told the National Skills Summit that:

“The rapidity of innovation and the unpredictability of the directions it may take imply a need for considerable investment in human capital.... Workers must be equipped not simply with technical know-how but also with the ability to create, analyze, and transform information and to interact effectively with others. Moreover, that learning will increasingly be a lifelong activity” (Greenspan 2000).

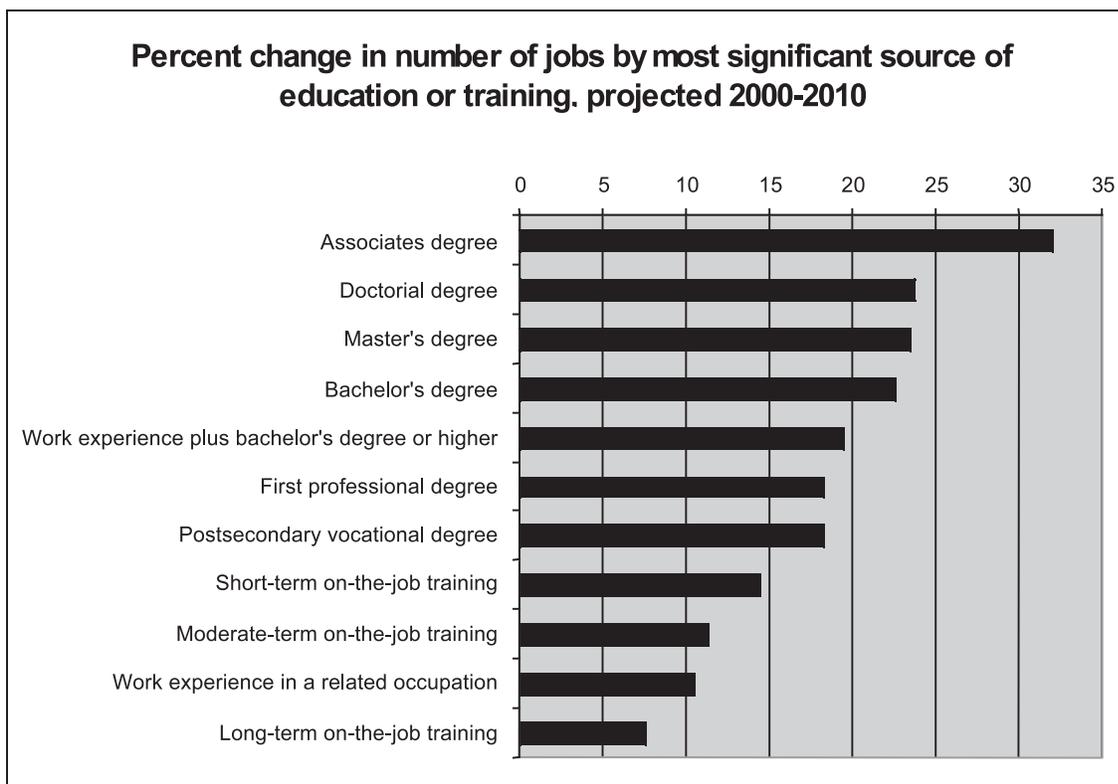
In the next two years, the federal government will be reauthorizing a number of programs that affect workforce education and training. Attention to these programs comes, therefore, at an important time. Never before has “investment in human capital” been as critical to employers, to workers and to the economy as a whole as it is right now.

THE VALUE OF EDUCATION AND TRAINING: THE EMPLOYER’S PERSPECTIVE

In recent years, there has been growing evidence that education and training has an impact on worker productivity. One study showed that increases in educational attainment were responsible for an estimated 11 to 20 percent of growth in worker productivity in the US in recent decades (Decker et al 1997). Because of this link with productivity, education and training has been promoted in the private sector as a way to get the most out of workers at all levels of the workforce.

However, as we learn more about the demographic changes that are looming, it is clear that new investment in workforce education and training will have a more important function: to meet the demand for higher skilled positions. For the past 20 years, we have experienced extraordinary productivity in the private sector, and the increases in productivity have been supported both by technology improvements and a better educated workforce.

The demand for higher skills is still growing. The Bureau of Labor Statistics reports that employment in all seven employment categories that generally require a college degree or other post secondary award is projected to grow faster than the average across all occupations (see chart below). While these categories accounted for 29 percent of all jobs in 2000, they will account for 42 percent of projected new job growth, 2000-2010 (Bureau of Labor Statistics, Occupational Outlook Handbook, 2002-2003 Edition).



Yet while our need for skilled labor continues to grow, the gains in education are beginning to slow down. We are about to experience a very serious skills gap. The Aspen Institute reports that the fraction of the labor force with a college degree will rise much less in the coming decades than in the past. Some 21.6% of the labor force had a college degree in 1980; by 2000 the figure had risen to more than 30.2% — an increase of almost nine percentage points. But over the next twenty years, by 2020, it is expected to rise a mere three percent to 33.6% (Aspen Institute 2002). This growth in educational achievement is not enough to match the pace of the demand.

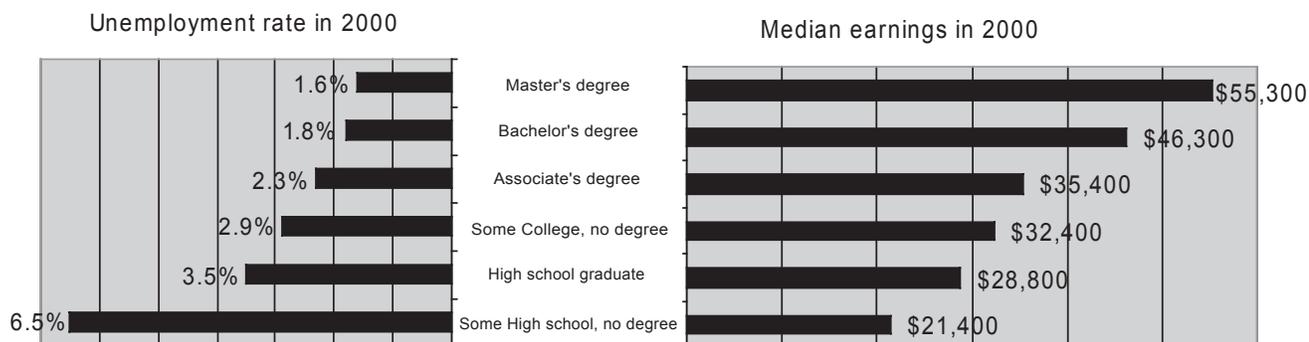
The future slowdown in attainment of degrees and other credentials is certainly problematic, but the lack of basic skills, technical skills and competencies is an issue for industry right now. In a survey of employers, the National Association of Manufacturers found that 80 percent of respondents believed a severe shortage of qualified job candidates exists now, despite the economic downturn. Most companies (60 percent) responded that the lack of available skilled workers is directly affecting the ability to produce goods and services necessary to meet market demand (Employment Policy Foundation 2001). In another survey of 1,500 employers in 2000, 73% reported “very severe” or “somewhat severe” conditions when they tried to hire qualified workers; 24% indicated they could not get enough applicants to meet their needs (Workforce Academy Model Project 2001.)

Unfortunately, we cannot rely on new labor market entrants from the K-12 system to solve the skill gap problem. Data from the Bureau of Labor Statistics shows that there will also be a worker gap. At least 58 million job openings will be available by 2010. This job growth, the result of both new job creation and the retirement of workers, cannot be matched by the number of those who will be entering the labor market during that period. In fact, the labor force may fall more than 4.8 million workers short of meeting demand in this short a time (Employment Policy Foundation 2001). In the long term, the situation could potentially be much worse: over the next 30 years, 76 million baby boomers will be retiring, with only 46 million “Gen Xers” entering the labor force (Eisenberg 2002). What this means is that corporate America is facing a very large shortage of talent, which will be most severely felt in the need for higher skilled workers. We will need to find ways not only to help workers gain new skills, credentials and degrees, but also get more yield out of the skilled workers we have in order to meet future labor demands.

THE VALUE OF EDUCATION AND TRAINING: THE WORKER’S PERSPECTIVE

While workforce education and training is becoming increasingly important to business and industry, it is equally valuable to individual workers. The more education and training a person has, the higher the salary and the greater the employability. To illustrate, a Census Bureau

survey released in July 2002 shows that in 1997-1999, workers with bachelor’s degrees earned an average of \$52,000 annually, compared to \$30,400 for high school graduates and \$23,400 for those with less than a high school diploma (U.S. Census 2002). Similar data from the Bureau of Labor statistics, detailed in the chart below, shows that workers with higher levels of education benefited from both larger annual salaries and lower unemployment rates in 2000.



And while education that leads to degrees and credentials is valuable, other skill training investments are as well, both to employers and to workers. The American Society of Training and Development and Saba Software have found that training investments can yield “favorable financial returns for firms and their investors.” Specifically, they found that “an increase of \$680 in a firm’s training expenditures per employee generates, on average, a six percentage point improvement in total shareholder return in the following year. Firms in the top quarter of the study in terms of training investment had higher profit margins and higher income per employee than those in the bottom quarter (Bassi et al 2000).

In addition to improving income and employability, studies also show that higher education levels are positively correlated with healthier lifestyles, as well as behaviors that help prevent adverse health conditions. For example, individuals with higher educational levels are more likely to live longer, regularly exercise, visit the dentist, and be aware of what kinds of foods are associated with higher rates of cancer and hypertension. Higher educated individuals are less likely to smoke cigarettes and less likely to be more than 20% overweight. Higher educated women are more likely to have professional breast exams, pap smears and mammograms. They experience a lower infant mortality rate, they are less likely to smoke cigarettes during pregnancy or have low birth-weight babies, and they are more likely to breast-feed their babies (“Why College?” 1999).

In addition, higher levels of parent educational attainment have a strong positive impact on educational and other benefits to children — the future workforce — such as school readiness and educational achievement, health and health-related behaviors including smoking and binge drinking, and pro-social activities such as volunteering (see Parental Education, www.childtrendsdatabank.org).

BUILDING A BETTER WORKFORCE EDUCATION AND TRAINING SYSTEM

BUILDING A BETTER WORKFORCE EDUCATION AND TRAINING SYSTEM

At the same time that businesses need skilled workers more than ever and that the benefits of educational attainment to individuals and their families are becoming better understood, the government is facing a perfect opportunity to build a national workforce education and training system that provides the skills that are needed for today's — and tomorrow's — workplace. In the next two years, the Congress will be reauthorizing a number of programs relevant to workforce education: the Workforce Investment Act, the Higher Education Act, Temporary Assistance for Needy Families, the Vocational Rehabilitation Act, the Adult Education and Family Literacy Act, and the Carl D. Perkins Vocational and Technical Education Act.

The first of these programs up for reauthorization is the Workforce Investment Act (WIA). The Bush Administration has proposed a series of reforms to WIA, and the U.S. House of Representatives has passed its own set of recommendations as H.R. 1261. As Secretary Elaine Chao testified before both the U.S. House of Representatives and the U.S. Senate, the proposed reforms were designed to “improve accountability; eliminate duplication through program consolidation; enhance the role of employers in the national workforce system; and increase state flexibility” (Chao 2003). The goals of these proposals are essentially to tweak, or incrementally improve, the publicly-funded workforce education and training infrastructure.

The tweaking of WIA is needed, and incremental changes are a step in the right direction. But given what we now know about the importance of our workforce's contribution to economic growth and its projected challenge in meeting future employment demands, it is critical that we also begin to think more broadly about the larger system of training and education for the workforce. As Chairman Greenspan said to the National Skill Summit:

“It is not enough to create a job market that has enabled those with few skills to finally be able to grasp the first rung of the ladder of achievement. More generally, we must ensure that our whole population receives an education that will allow full and continuing participation in this dynamic period of American economic history” (Greenspan 2000).

While making needed modifications to existing programs like WIA, the Higher Education Act and others, we need also to think about what happens to workers who are not currently a priority of federal workforce and education programs, for example, low income incumbent workers. We also need to recognize that there is currently not enough funding in workforce education and training programs both to build the infrastructure and to provide the amount of training necessary to meet the growing needs of the business community. Furthermore, funding is not equitably distributed. For some incumbent workers, there are ample training opportunities provided by employers or by labor-management partnerships. For others, there

is little or nothing. Some employers are located in states that support incumbent worker training to help meet skill needs. Many employers are not. Another failing is that with all the many funding streams that go to workforce education and training programs, very little of it leverages private sector investment in education and training, and there is virtually no connection between publicly-funded training and privately-funded training.

In short, as we think about needed changes to specific workforce education and training programs, we need to consider the context of the broader system of education and training for the entire workforce. We need to think about how the current programs, as they exist right now and as they might be reformed, should ideally interact with other workforce education and training and adult education resources to create a dynamic system that is responsive to employer needs, seamless to individuals in need of skills and credentials for employment, ripe with high quality and flexible learning opportunities, and affordable to both employers and workers.

A VISION FOR A NATIONAL WORKFORCE EDUCATION AND TRAINING SYSTEM

We believe that making incremental changes in current programs and services is needed but is not enough. Now is the time to take a more strategic approach to workforce education and training and create a seamless, dynamic and sufficiently-funded system for advancing the skills and credentials and productivity of our entire workforce.

In order to meet the current and future demand for skilled workers, a strong, national system for workforce education and training requires us to:

- 1. Invest in training on a scale that supports the well-being of the nation's economy and so that it is not just a privilege for the lucky few**
- 2. Expand the scope of all federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages**
- 3. Use federal resources to leverage state, local and private investment in education and training**
- 4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials**
- 5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector**

EXISTING ASSETS FOR WORKFORCE EDUCATION AND TRAINING

We do not need to start from scratch in building a workforce education and training system. Right now, there are many resources already in place that can be seen as assets, or building blocks, to the creation of a new system that meets our nation's needs. These assets are in various stages of development. Some of these assets, such as student financial aid, are well established programs. Others, such as sectoral strategies for workforce education and training, are still works in progress but are promising in their innovation and contribution to the field.

THE ASSETS INCLUDE:

- ▶ **A strong community college system** — *In most states, there is high quality, inexpensive training to be found in the community college system. Many community colleges cater to the needs of working adults by providing evening and weekend courses, self-paced degree completion, and strong ties to local employers. Changes to the Higher Education Act can help to promote more progress, particularly in serving the needs of incumbent workers. The infrastructure that already exists provides a strong foundation on which to build new models for workforce education and training.*
- ▶ **A One-Stop Career Center infrastructure** — *While there are many critics of the One-Stop Career Center system, it must be acknowledged that the last seven years of building the One-Stop Career Centers across the country have resulted in an infrastructure that has a great deal of potential. The career centers are designed to engage employer and community involvement through a new system of local workforce boards, and they are poised to serve as the locus for information and referral — yet another building block for a truly dynamic and seamless workforce education and training system. To meet the needs of a national workforce education and training system, they will require additional funding, particularly a dedicated funding stream to support the infrastructure (beyond program dollars) and an infusion of new funding to build internal capacity to serve incumbent workers. There are also improvements that need to be made to make it more seamless in the eyes of those who seek assistance.*
- ▶ **A burgeoning distance learning field** — *Not too long ago, distance learning received little respect from the post-secondary education establishment. Today, distance learning has become almost a required element of degree programs at all institutions, from universities to community colleges, from technical schools to industry-sponsored certificate programs. The field has grown in sophistication and in stature, providing many options for skill development and education of adult workers. Many of these programs, however, are not eligible for some public training dollars and many skeptics still distrust programs*

that do not mandate a minimum amount of classroom “seat time.” For example, students attending schools that deliver all their programs through distance learning do not qualify for federal financial aid.

- ▶ **Existing employer-provided training** — Most employers today acknowledge how important skill development is, and many are investing heavily in workforce education and training. In industries with significant union representation, labor-management partnerships frequently take the lead in the design and delivery of workforce training. Total in-house training provided by employers has been estimated at more than \$56 billion in 2002 (Galvin 2002), and in 1994, employers spent more than \$690 million in educational assistance (tuition reimbursement) to employees (U.S. General Accounting Office 1996). An increasing network of employers are willing to invest in education and training because many are having difficulty finding new hires with the requisite skills, and they wonder how they will fill skilled positions being vacated by retirees. But although many are willing to step up and support education and training to some degree, they are not able to do it alone and would welcome a viable system in which to participate and invest. Further, most of their resources are being spent on their managers, technical professionals and executives and do not currently reach many of those who could fill the entry level skilled jobs that are in such high demand.
- ▶ **Temporary Assistance for Needy Families** — The TANF program, which provides services and training to families moving off of welfare and into the workplace, is an often overlooked asset for education and training of low income workers. Its regulations offer great flexibility, which some states, such as Oregon and Washington, have been used to allow employed workers with household incomes of up to 200 percent of the poverty rate to participate in TANF-funded services. However, there are no incentives in place for other states to take advantage of this flexibility in the same way.
- ▶ **Strong network of private, non-profit, community-based education and training providers** — Assisting federal and state agencies in the delivery of adult education and literacy, job training, and employment services is a strong network of small, private non-profit organizations. This group of providers is an important infrastructure component upon which to build. This is especially true in the area of Adult Basic Education, whose participants often have multiple challenges and succeed best in environments that are community-based and which are less intimidating than more formal educational institutions or government agencies. Adult Basic Education, however, is in need of revitalization and additional funding to address the critical basic skills needs of the workforce.

- ▶ **Innovative models for serving employers** — In recent years, there have been many new approaches to workforce education and training in the private sector, including strategies that focus on identifying or building career ladders within sectors or industries and modular training that provides flexibility in scheduling and a focus on outcomes rather than seat time. These approaches are helping to enhance the quality of service delivery in education and training and to connect workforce education and training with community and economic development efforts. These programs, being relatively new, are primarily demonstrations funded through foundations and other sources of “soft” money. The next step is to find a way to build these approaches into the infrastructure of the workforce education and training system.
- ▶ **Workforce intermediaries** — The 102nd American Assembly, held February 6–9, 2003, produced a paper promoting “Workforce Intermediaries,” which were defined as organizations that “bring together key partners and functions to advance careers for all workers — recognizing the special needs of low-skilled, low-wage workers — increase business productivity, and improve regional competitiveness” (American Assembly 2003). There are many organizations already acting as intermediaries, including non-profit organizations, employer associations, labor-management partnerships and community colleges. These organizations help the various stakeholders make the connections, navigate the educational and public sector systems, and identify the best educational solutions to meet business and worker needs. It is important to note that these workforce intermediaries, rather than competing with One-Stop Career Centers, offer unique and complementary services. While they are often very locally focused and funded through private or soft money, they fill an important role in helping labor markets function and thrive. A national workforce education and training system needs to find ways to expand the reach of workforce intermediaries, integrate them more formally within the system, and provide them with regular sources of funding.
- ▶ **Federal income tax incentives** — Currently there are a variety of tax incentive programs for low income individuals and employers that encourage post-secondary education and training, including Section 127 (which makes employer-provided educational benefits tax exempt), the Hope Scholarship Credit (a tax credit for the first two years of post-secondary education), and the Lifetime Learning Tax Credit (a tax credit for learning beyond the first two years of post-secondary education). Unfortunately, these are largely hidden assets because they are not well known to those who could most benefit from them and to those in the One-Stop Career Center system who could advise workers about them. Further, eligibility requirements for these programs generally eliminate those who could most benefit: low income workers who do not earn enough to pay taxes.

- ▶ **Federal student financial aid** — Pell Grants are a resource for low income individuals who pursue post-secondary education opportunities — and a valuable building block for a national workforce education and training system. As currently designed, however, Pell Grant formulas eliminate many low income students who are studying less than half time — the working poor who could most benefit from assistance. And, even when less-than-half-time students would qualify, student financial aid officers do not publicize the program or make it available to them. Finally, many educational programs specifically designed for working adults — which include shorter credential programs, modularized courses, and open entry/open exit programs — are rarely eligible for the Pell Grant program because of outdated requirements.
- ▶ **State level support** — When it comes to the training of incumbent workers, the states have taken the lead in recent years. Much of their focus in the past has been on providing training that helps attract and retain employers in their state. However, many states have gone beyond that to providing incentives and matching dollars for training that helps employers reach specific business goals such as adapting to changes in technology or cultivating internal talent for promotion. These kinds of programs can serve as models for replication and as yet another foundation on which to build something new. With budget crises in many states, however, these programs are quietly being sacrificed in order to balance budgets. This is of great concern, considering that these state programs are often the only financial support available for incumbent worker training.

The assets listed above are all key elements of a strong and productive workforce education and training system, but by themselves they are not enough. At this time, each of these separate infrastructure elements have been built, but they have not been organized into a system. There are few connections between each of the elements, making it difficult for any one individual or employer to navigate through the various options and know exactly what resources are available. They are building blocks that lack the mortar. Changes are needed to bring them together and build a system that works — for employers, for incumbent workers, for the unemployed, and for the future workforce.

RECOMMENDATIONS

RECOMMENDATIONS

In this paper we are putting forth a series of recommendations to help move the various workforce education and training building blocks toward the creation of a working system for workforce education and training — one that is seamless for the user and that makes efficient and effective use of all available resources, including the leveraging of new sources of public and private support wherever possible. Most of the recommendations are incremental in nature — building on the various existing training policies to ensure better access to training for the unemployed and low income workers. While these modifications are needed, we do not believe that it will be possible to meet our goals for the system simply through incremental changes.

To achieve significant improvements in outcomes that help meet the skill and credential needs of employers, workforce education and training programs will need an infusion of new funding as well as dramatically different ways of delivering training programs and services to the unemployed and to incumbent workers alike. In addition to recommendations for incremental change, therefore, we are also including several innovative reforms that we call “system renovations” — ideas for new and dramatic ways of configuring programs and services that would result in a system that is more streamlined, easier to navigate and more focused on providing training opportunities for higher skills and credentials. Because they are a significant departure from the status quo, these system renovations may require additional time to build political will to make them permanent elements of the national workforce system.

With these recommendations, we hope to illuminate the many different ways in which the various programs can and should interact with each other as well as the different ways that individual programs can be improved or restructured to serve the nation’s workforce education and training needs better. These recommendations are not presented in order of priority. Rather, they are organized around the overall goals for a national workforce education and training system to help policy-makers begin to think about current programs in a larger context. A summary matrix of all the recommendations, organized by federal legislation or program, is offered in the appendix.

1. Invest in training on a scale that supports the well-being of the nation’s economy and so that it is not just a privilege for the lucky few

and

2. Expand the scope of federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages

Three of the key federal programs for workforce education and training are the Workforce Investment Act, Pell Grants and Adult Basic Education (ABE). At this time, all of these programs are inadequately funded to meet the needs of employers and workers. In particular, given the significant basic skill needs of many working adults, the funding of ABE programs (which includes literacy, English as a Second Language and adult basic education) is abysmally low and its services are only weakly connected to higher education or workforce education and training programs (Liebowitz et al 2003).

WIA and Pell Grants need to undergo changes in order to be more effective in serving the needs of larger numbers of incumbent workers. Of great concern, at this time of skill shortages, is that WIA has not produced large numbers of trained workers. A recent study published by the Center for Law and Social Policy found that in the first years of WIA implementation, the number of individuals receiving training through WIA was only one-third of the number that had been trained under the previous system, JTPA (Frank et al 2003). While this trend does little to alleviate skill shortages for employers, it also fails to alleviate the problem of the growing numbers of people now called the “working poor” — people who could potentially move into jobs that pay family-sustaining wages if they could access education and training opportunities.

There are a number of reasons that WIA has not trained many workers in recent years. First, there were new directives that emphasized “work first.” Second, in the tight labor market of the late 1990s, employers’ demand for job candidates outweighed the need for training first. Finally, WIA has always been underfunded, given its scope. Because the creation of one-stop career centers was part of WIA, a large portion of program delivery dollars had to be diverted in order to support the development of the one-stop career center infrastructure. More recent cuts in WIA funding have exacerbated the problem of inadequate funds for training.

A fourth program, Temporary Assistance for Needy Families (TANF), plays an important role in providing education and training to low income workers. However, access to education and training has been limited by Congress in order to make quick entry into employment the highest priority. As a result, TANF often does not provide education and training at the level that is appropriate for individual circumstances. Many of the current restrictions on TANF dollars need to be loosened in order to meet individual needs for training.

The following recommendations are designed to increase the amount of education and training that is offered through WIA, TANF, the Higher Education Act, and the Adult Education and Family Literacy Act and to increase training that is offered to low income workers. Some of the recommendations help to clarify existing regulations that are currently unclear and open to wide interpretation — and, to some extent, confusion — at the state and local levels.

› Increase Funding Allocation for Individual Training Accounts (WIA)

Since 2002, the budget for WIA has been cut by \$678 million (The Workforce Alliance 2003). This is at a time when business and industry are sorely needing skilled workers. We propose that Congress not only restore funding to WIA, but also consider raising the allocation of funding that is earmarked specifically for training activities, including training that can be offered to low income workers as well as to unemployed jobseekers.

› Encourage Education and Training Opportunities Under TANF (TANF)

Currently, the restrictions on TANF participants are so strict that participation in education and training activities is very limited, even when skill development can lead to jobs with family-sustaining wages. As a result, a number of welfare-to-work participants land in dead-end jobs with no hope of additional skill development or advancement opportunities. The TANF program needs to be amended in order to offer more opportunities for skill development and earning of credentials. One proposal to consider is to change the 12-month limit on vocational educational training to 24 months (also proposed by Senate Bill 327). Another is to give states the authority to establish undergraduate post-secondary or vocational educational programs under TANF that are an alternative to immediate employment for participants who could benefit. Participation in these programs would count toward TANF participation rates, and the time spent in the programs would not count against TANF time limits (See Senate Bill 603) (Patel et al 2003). In addition, participation in adult basic education, English as a Second Language, or post-secondary education should be considered acceptable work activities under TANF.

› Amend Pell Grants (Higher Education Act)

Pell Grants provide up to \$4,050 per school year for support of post-secondary students who show “exceptional need.” These grants are ideal for helping low income students pursue post-secondary learning opportunities. However, to qualify for the grants, students must have an estimated “cost of attendance” of at least \$800 per year. Research shows that working adult parents enrolled less-than-half time may only show a “cost of attendance” of \$500 because individual institutions can choose not to include certain living expenses in calculating that total — yet \$500 may be more than some low income workers can afford to pay on their own (Bosworth and Choitz 2002).

We recommend that the eligibility barriers for less-than-half-time working adult students with dependents be modified to include more living expenses in their cost of attendance calculations. This will then require a higher funding allocation to the Pell Grant program because of higher

volume of eligible participants. Further, we support modifying some of the eligibility requirements with regard to the kind of educational program the individual is pursuing with the support of a Pell Grant so that they may be allowed to pursue shorter credential programs, modularized courses, open entry/open exit programs, and distance learning.

▶ ***Increase Funding for Adult Basic Education and Build Capacity for ABE Programs to Link More Effectively With Other Education and Training Programs (Adult Education and Family Literacy)***

The results of the National Adult Literacy Survey showed that more than 40 percent of the labor force posted literacy scores within the lowest two levels (out of five), and that less than 5 percent of the labor force had received any recent training in literacy-related skills (Sum 1999). These statistics bode poorly for meeting higher skill needs of American employers. We recommend that funding for Adult Basic Education be increased to more adequately address the scale of the need for basic skills training and literacy programs for adults. In addition, funding must begin to address the great and growing demand for English as a Second Language programs. In 1980, for example, ESL participants made up 17 percent of all adult education enrollees; this percentage grew to 48 percent in 1998 (Fix and Zimmerman 2000).

We also recommend targeted funding to increase the capacity of adult basic education programs to create better links with labor exchange programs, with higher education and with education and training programs. This capacity would help move workers from basic skills, literacy and English language programs upward into learning programs that lead to degrees, certificates and higher paying jobs in demand.

▶ ***Relax the Sequence of Services That Lead to Training (WIA)***

The U.S. Department of Labor has acknowledged that many local areas have misinterpreted the language of WIA, specifically the “sequence of service” strategy, how a participant moves from core to intensive to training services. Many local areas interpret it as requiring individuals to spend a specific amount of time in one tier of service before moving onto the next. The DOL has recommended that WIA provide greater flexibility in the delivery of services, saying that “Individuals should have the opportunity to receive the services that are most appropriate for their unique needs.” (U.S. Department of Labor 2003). New legislation should ensure that the sequence in services stipulation is eliminated, along with any required periods between services (Van Kleunen and Spence 2003).

The language in H.R. 1261 does not adequately correct the problem. H.R. 1261 would authorize governors to deny training to workers if they can obtain “suitable employment.” But

“suitable employment” is a term of art used for unemployment insurance and Trade Act purposes usually to mean work of a substantially equal or higher skill level than the worker’s previous employment, and wages for such work at not less than 80 percent of the worker’s average weekly wage. If we are to promote movement up career ladders and meet the skill demands of employers, WIA cannot limit training for low wage workers based on this type of restrictive definition.

▸ ***Simplify Performance Measures While Encouraging Training (WIA)***

A concern for many WIA operators has been the laundry list of performance measures that were imposed through WIA legislation. Seventeen performance measures were seen as overly burdensome. The Administration and H.R. 1261 both propose a new set of four performance measures for the adult programs under WIA:

1. *Entry into unsubsidized employment*
2. *Retention after six months*
3. *Earnings after six months*
4. *Efficiency*

We support the effort to simplify and establish common performance measures and reporting requirements. However, the current list does little to encourage training activities and may, in fact, discourage them. The efficiency measure is particularly problematic because it would discourage spending on more expensive training programs, even when those programs are the best approach for meeting the needs of local employers or regional economic development goals (in addition, it has the strong potential of encouraging “creaming” — providing services only to those with the best chance of success.) We recommend that efficiency be dropped as a performance indicator and instead be made a required reporting element to be used in managing system costs. Or, alternatively, limit the use of the efficiency measure as a performance indicator to only core and intensive services.

In addition, the current list of four measures omits the skill attainment performance standard. We recommend keeping this measure in the legislation so that WIA encourages employment through skill acquisition. An alternative might be to substitute a new performance indicator on

obtaining employment through skills acquisition that places a high value on a degree, certificate, license or other documentation that has value for local employers.

‣ ***Eliminate the “Student Aid Disregard” (WIA, HEA)***

Currently, Section 479B of the Higher Education Act stipulates that Pell Grants may not be taken into account in determining eligibility for assistance, or the amount of assistance, under other federal programs — in other words, Pell Grants should not be the first source of education and training dollars. To maximize the impact of WIA training dollars, a technical amendment to WIA should be added to clarify that the HEA limitation does not apply to the WIA provision. Pell Grants can thus be used in partnership with WIA funds, creating a stronger link between HEA and WIA in that Pell Grants can be legitimately used for employment training purposes even if the individual is also eligible for WIA.

‣ ***Provide Separate Funding Streams for One-stop Career Center Infrastructure and Wagner-Peyser (WIA)***

As we acknowledged earlier, the One-Stop Career Centers are an important element of a workforce education and training infrastructure. However, the costs of developing them and maintaining them have, in the past, limited the resources available for program delivery and training. Currently, under WIA, One-Stop Career Centers are funded through cost-sharing agreements by partners. H.R. 1261 proposes that One-Stop Career Center infrastructure funds be drawn from each of the participating mandated partner agencies. A more effective solution, however, would be to create a separate funding stream specifically for One-Stop Career Center infrastructure, that would ensure that the maximum possible training dollars stay with the WIA program to help build the skills of the unemployed and low income workers (Van Kleunen and Spence 2003). Similarly, we acknowledge that core services need to be fully funded in order to support a high quality labor exchange function. For that reason, we strongly recommend that funding for the Wagner-Peyser Program be kept distinct from WIA.

‣ ***Build Capacity for Serving Incumbent Workers and Employers (WIA)***

One-Stop Career Center staff is trained to serve primarily unemployed jobseekers. In order to expand the scope of services to reach low-income workers as well, it will be necessary to ensure that One-Stop Career Centers have the capacity to serve them as well as employers. We propose that One-Stop Career Centers be provided with funding to build capacity to have a better understanding of the education and training marketplace (who the various providers are, what programs they offer and what their requirements and schedules are), to understand the needs and skill requirements of employers and targeted industry sectors, to provide career counseling and referral, and to allow different populations (e.g. low income workers) access to ITAs.

› **System Renovation: Reinvent the ITA Program**

Incremental changes to the ITA program and the way they are administered through the One-Stop Career Center system are needed, but a better solution may be to reinvent them. One plan to consider, proposed by the Progressive Policy Institute, is to structure ITAs similar to Pell grants. Workers seeking retraining would apply for this aid directly from certified training providers rather than government agencies. This would reduce red tape and help to “mainstream” WIA participants in that they access funding just as other students do (Weinstein 2002).

3. Use federal resources to leverage state, local and private investment in education and training

The above recommendations require significant new investment of federal resources, but it is an investment that we cannot afford not to make. At the same time, we recognize that there are budget considerations. While workforce education and training must be a national priority, it should not be an investment that comes solely from the federal government. All other beneficiaries — states, employers, and individual workers — also have stakes in the health of the labor market and can be expected to shoulder some of the cost. The following recommendations are designed to leverage investments from some of these other stakeholders.

› **Support the Expanded Financing of ITAs (WIA)**

Existing language in WIA provides for other sources of funding to be combined in Individual Training Accounts (ITAs). While the combining of different funding sources within ITAs is explicitly permitted, there is no common practice of doing so. The Bush Administration has attempted to call attention to this feature of ITAs by renaming them “Career Scholarships.” We recommend that there also be funding to build the capacity of One-Stop Career Centers to combine resources from other funding streams (e.g., TANF or state grant programs) and work among and between multiple workforce and education programs. In addition, we would recommend providing financial incentives (for example, matching dollars) for states to contribute to ITAs beyond the current funding available through WIA. These two changes would serve to leverage state contributions to worker training and help build the capacity for local staff to know how to manage funding streams from different sources for the ITA program.

› **Provide Incentives for States to Use TANF for Low Income Workers (TANF)**

TANF is a potential resource for education and training of low wage workers. Because of its flexibility, some states have been able to use TANF funds to provide training to workers whose household incomes are as high as 200% of the poverty level. When TANF is reauthorized, we

recommend that there be federal provisions that explicitly encourage other states to do the same: to broaden eligibility for TANF-funded training to develop the skills of low-wage workers in order for them to move into jobs that pay family-sustaining wages. There should also be new incentives to encourage states to integrate TANF funds into a more seamless workforce development system, not only with the Workforce Investment Boards, but also with incumbent worker training programs. For example, states could use TANF dollars as matching funds for their incumbent and customized worker training funds (Workforce Innovation Networks 2002).

► **Support State Funding of Private Sector Training Programs**

In the past decade, states have been increasing their financial support for incumbent worker training. By 1998, over 47 states had invested over \$575 million, using funding from Unemployment Insurance diversion or a general state appropriation (Rubin et al 2003). As states have faced worsening budget crises over the past two years, we have noticed that many of the incumbent worker training funds are being sacrificed to help balance the budget. For example, the Texas Smart Jobs Initiative and Connecticut's customized training fund have both been discontinued and the California Employment Training Panel has placed a moratorium on certain parts of its funding program.

This is of great concern because states currently provide the primary third-party support for incumbent workers training in the nation. To stop this trend, we recommend that the federal government provide matching dollars to states that continue to invest in incumbent worker training programs. This will not only help to maintain current state investments in the short run, but it may also leverage new state resources.

► **System Renovation: Lifelong Learning Accounts (LiLAs)**

One way to reduce the cost of training to any one stakeholder is to structure a training program so that costs are shared across many different stakeholders. A new proposal currently being piloted by the Council for Adult and Experiential Learning (CAEL) is to establish Lifelong Learning Accounts (LiLAs). LiLAs are portable, tax-favored savings accounts for worker education and training so that workers can upgrade their skills to achieve their career potential. The vision is for any individual worker to be able to contribute to a LiLA account and be matched by his/her employer and, in some cases, third parties — and for both the individual's and the employer's contribution to receive tax credits or other forms of tax benefits. The combined contributions could then be used for education and training and related activities for these incumbent workers. Although LiLAs would be accessible to all employees, they are designed to provide an incentive to lower and middle-income employees to save and spend for education and training to improve their career related skills and knowledge. We recommend that the federal government fund a national tax demonstration

of LiLAs to test the model on a large scale (200,000 participants in ten states) as a way to leverage private investment in training.

4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials

Lack of funds is a major barrier to learning. In a 1998 review of research about barriers to education for adults, cost was consistently cited as a key barrier (U.S. Department of Education 1998). Increasing access to education is especially important for lower-income workers who are concerned about earning enough money just to support their families (John J. Heldrich Center 1999).

While federal financial aid is a key building block for a national workforce education and training system, it currently offers little help to working adults. In 1999-2000, about 280,000 working adult parents who earned less than 200% of the federal poverty level for a family of four (about \$35,000) were enrolled less-than-half-time. Only 7.7% of them received any federal, state or institutional aid (Bosworth and Choitz 2002).

Eliminating the financial barrier to post-secondary education could result in a large increase in skilled workers: A report on the 1995 National Household Education Survey adult education component indicated that there could be as many as 37 million adults who are interested in work-related adult education but are unable to participate, many because of financial barriers (Bosworth and Choitz 2002).

In addition to the financial barrier, access for workers dependent on WIA for training has been limited in terms of provider choice because the burdensome eligibility requirements have driven many providers away. In addition, access for adult workers can be highly dependent on the ability of educational institutions to meet this population's needs in terms of skill level, scheduling and flexibility in program offerings.

We offer the following recommendations to help expand access and otherwise support the success of working adults pursuing new skills and credentials:

› **Amend the Hope Scholarship Credit (Taxpayer Relief Act of 1997)**

The Hope Scholarship Credit provides a tax credit of up to \$1,500 for the first two years of post-secondary education. Working adults who take courses on a less-than-half-time basis are currently not eligible for this credit, and individuals with low incomes may not qualify for the credit since they may not pay enough taxes (Bosworth and Choitz 2002). We recommend that this credit be extended to any less-than-half-time students and that it become “refundable” so

that it is a real incentive for working adults to engage in post-secondary learning that leads to new degrees and credentials. We also recommend that this credit be marketed better so that more adult learners are aware of this source of financial assistance.

‣ ***Amend the Lifetime Learning Tax Credit (Taxpayer Relief Act of 1997)***

As a counterpart to the Hope Scholarship, the Lifetime Learning Tax Credit allows students beyond the first two years of undergraduate education, or those taking courses on a less-than-half-time basis, to claim a credit of up to \$1,000 by claiming 20% of the first \$5,000 of qualified educational expenses. The benefits of this tax credit currently are tilted in favor of middle income families with dependents in school full time. Low income adults taking courses less than full time receive less of a benefit (if they receive any at all) since they generally take less expensive courses and since their income may be too low to pay enough taxes to earn a credit (Bosworth and Choitz 2002). The tax credit should be restructured to provide incentives for low income workers in school part time by 1) increasing the percentage of qualified expenses to 50%, and 2) making it “refundable.” As with the Hope Scholarship, we recommend that this credit be marketed better so that more adult learners are aware of this source of financial assistance.

‣ ***Provide Information and Referral on Tax Credits (WIA)***

Data shows that although approximately 18 million adults were pursuing credentialed skill development in 1999, only 3 or 4 million applied for the Lifetime Learning Tax Credit that year, suggesting that this financial resource is underutilized (Bosworth and Choitz 2002). While we have recommended better marketing of the targeted tax credits, we also recommend that the One-Stop Career Center system play a role in making these financial resources better known to adult learners by providing information on and referral to these programs in group and individual counseling sessions.

‣ ***Institute Employment-Based Accountability Standards for Higher Education (HEA)***

Part of a well-functioning workforce education and training system is the availability of information on training options that allows individuals to make good decisions about their learning and skill development plans and to choose programs that will develop skills and credentials demanded by employers. To facilitate this, states should require that vocational programs of study at the certificate and associate degree levels meet minimum performance standards for employment, retention and earnings outcomes for their graduates. Programs of study that do not meet such standards for two or three years should not be eligible for students to use federal financial aid under Title IV. As with WIA, states should use state

unemployment insurance wage records to collect the outcome information for participating institutions.

▶ **Amend Section 127**

Some workers may have access to financial assistance for post-secondary learning from their employers. A special section of the tax code, Section 127, stipulates that up to \$5,150 of such assistance from the employer for undergraduate and graduate courses is considered tax exempt income for the individual. We support additional language that would allow employers to use tuition benefit programs to pay for literacy, ESL or other pre-undergraduate education that helps provide a bridge for low skilled workers to develop the required skills for more advanced learning opportunities.

▶ **System Renovation: Tax Reform to Finance Universal College Access**

With so many different kinds of tax credits, having different purposes and target populations, the system is currently complex and difficult to understand and navigate. Ideally, we envision a system that would be comprehensive without being piecemeal. We recommend considering an idea proposed by the Progressive Policy Institute which would reform the tax system to ensure universal access to college. This plan would consolidate six different tax programs into two new incentives — one to help families save and the other to help students pay the cost of higher education and/or training. The basic elements would be:

1. *A single, refundable Education Tax Credit worth \$1,500 per year to help students pay for college, graduate school and training (to replace the Hope Scholarship, the Lifetime Learning Tax Credit, and the higher education deduction)*
2. *A College Savings Account in which all families can save for their children's college education (to replace three different college savings tax incentives)*
3. *\$1,000 for every newborn to start saving for college tuition*
4. *Minimum service requirements (e.g., volunteering for social service agencies) for those who utilize the Education Tax Credit (Weinstein 2003).*

▶ **Provide Greater Flexibility in the Requirements for Eligible Training Providers (WIA)**

Currently, WIA requirements for eligible training providers are so burdensome that they are discouraging many educational providers from participating in the system, effectively reducing educational choices for individual trainee participants. H.R. 1261 proposes to give governors

the authority to determine eligibility requirements, which is designed to help alleviate the problem and bring more higher education programs back into partnership with WIA on skill development for the unemployed and low income workers.

► ***System Renovation: Targeted Programs within the Higher Education Act for Adult Learners (HEA)***

Our proposed changes to some of the financial assistance programs will likely create a booming market for education and training programs for working adults. The problem, however, is that many post-secondary education and training providers still cater to the needs and schedules of “traditional” students — young adults between 18 and 24 who are unmarried, have no dependents, and whose full time “occupation” is student. Furthermore, most higher education programming is focused on two- and four-year credentials, rather than on the development of more innovative, short-term, modularized programming that would be most accessible to working adults (Bosworth and Choitz 2003). Pockets of innovation do exist at many colleges, universities and other training providers who recognize the growing market in serving adult workers. However, widespread reform in post-secondary education will be slow in coming without a powerful driver.

FutureWorks is proposing a plan to create a new title of the Higher Education Act. The new Title X of HEA would provide formula-driven grants to states to help develop and implement a plan to change entire systems — governance, formula financing, student aid, curricula and program development, accreditation, credentialing, and faculty development — in ways that would improve access and services to working adult students. With this new Title, states can essentially explore how to reinvent their higher education system to meet the skill development and credential needs of working adults and employers.

5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies, and fund interventions that engage the private sector

We noted earlier that workforce intermediaries are a key building block for a new workforce education and training system. In particular, they have helped to foster connections between the workforce education and training system and employers — and between workforce education and training and regional economic development efforts. The role of workforce intermediaries is distinct from but complimentary to that of the publicly funded workforce education and training system. Intermediaries fill some of the gaps in service and also link many of the elements of the system together to better serve the needs of employers and individual workers. Essentially, workforce intermediaries function as the “mortar” for the system’s building blocks.

One key function of a workforce intermediary is to aggregate the interests and demand of employers, job and skill seekers, and providers to ensure better labor market outcomes. Another function is to establish links among a variety of public and private resources, bringing them all together for single initiatives. In doing this, they can frequently design and deliver programs and services that are flexible, intensive and targeted to specific goals (such as the advancement of low wage workers) (Rubin et al 2003). They take advantage of all the different elements of the workforce education and training system and help them to work together to reach common goals.

Although the role of workforce intermediaries is important, they are at a relatively early stage of development and are therefore largely an unrecognized asset in the publicly funded workforce education and training system. Federal funds to support workforce intermediaries exist, but only through vehicles such as demonstration programs or Governor's discretionary grants. The following recommendations are designed to provide more regular funding for workforce intermediaries that will encourage their growth and development and further their work in linking the various building blocks into a dynamic and responsive workforce education and training system. In addition, we offer a recommendation that helps to link welfare to work programs with the business community in a stronger way.

› ***Expand and Regularize Existing Federal Demonstration Programs***

One of the problems with current funding for workforce intermediaries is that it is not consistent from year to year. In order to ensure more predictable and stable funding for building the capacity of intermediaries, we recommend a plan proposed by Jobs for the Future to create a longer-term or permanent annual competitive program to support intermediaries undertaking sectorally focused activities (Rubin et al 2003). These programs would be administered through state and local workforce investment boards in order to ensure their integration with WIA activities. This program should also include language that targets resources and activities to the career and skill advancement of low-wage workers.

› ***Establish a State-Run Workforce Intermediary Investment Fund***

As mentioned earlier, states have become a key funder of incumbent worker training. However, programs currently funded by states generally do not have a way to organize employer demand within a region, and they are not structured to support intermediary capacity. We recommend a plan proposed by Jobs for the Future for the federal government to provide an incentive for states to direct their resources toward building the capacity of local workforce intermediaries through a Workforce Intermediary Investment Fund (Rubin et al 2003). The federal government, through the state and local workforce investment boards, could provide an incentive to states (for example, a dollar-for-dollar match) to create a fund that would make available, on a competitive basis, operating support for effective

workforce intermediaries. This fund would thus leverage state workforce education and training resources for incumbent worker training activities and support “mortar” for the workforce education and training system: workforce intermediaries.

▶ ***Fund Grants to Encourage Linkages Between Welfare-to-Work Programs and Employers***

Often, welfare-to-work results in low income individuals taking on low-paying, low-skilled jobs with little hope of advancement. These dead-end jobs satisfy the requirements of Temporary Assistance for Needy Families, but not the spirit of the law, which is to help the poor become self-sufficient. One strategy to solve the problem of dead-end jobs is to leverage the involvement of employers in programs that provide “transitional jobs” to welfare recipients. These transitional jobs include skill development and other supports, and legislation such as Senate Bill 786, the Business Links Act of 2003, would allow participation in such programs to count toward the first 20 hours of work activities required under TANF.

CONCLUSION

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Given the changes in skill demands and the dramatic demographic shifts affecting the nation's workforce in the next decade, the need to increase the skills and credentials of the nation's workforce has never been as urgent as it is today. Although the programs, services and resources that currently exist for workforce education and training are a good start, they do not yet make a fully functioning and dynamic system. Much progress can be made by making some key incremental changes — for example, making WIA language clearer, funding training activities at a higher level, and changing tax incentives to benefit low income workers. More dramatic improvements in the current landscape can be made by reorganizing how ITAs are administered or by reforming the entire tax system to avoid confusion and duplication and to better assist low income workers. Above all, however, we urge lawmakers to think broadly about the various components of the workforce education and training system and about how all of these different programs, services and incentives work together — or fail to work together — in the common goal of helping the nation meet skill and labor needs of today and the future.

ABOUT THE AUTHORS

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Ray Uhalde, Marlene Seltzer, Pamela Tate, and Rebecca Klein-Collins together have a wide range of experience working in and studying the various systemic components of workforce education and training in the United States.

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- ▶ **Marlene B. Seltzer** is the President of Jobs for the Future. She is responsible for the overall direction and management of JFF's education and workforce research, policy development and consulting services for the organization. Ms. Seltzer is nationally recognized for her work in the workforce development field and has more than twenty years of practical experience in workforce development policy and program delivery at the national, state and local levels. She is the senior advisor for JFF's body of work that focuses on increasing economic opportunity for low-income workers and has provided system design support to a number of workforce development organizations at the state and local levels. Prior to joining Jobs for the Future, Ms. Seltzer held a number of prominent positions in the field of workforce development, including Commissioner of the Massachusetts Department of Employment and Training. As President of Seltzer Associates, a for-profit consulting firm, she provided policy development assistance to the US Department of Labor on workforce development initiatives. She also served as co-founder and President of Employment Resources, Inc., a non-profit, community-based, workforce development organization.

- ▶ **Pamela Tate** is the President and CEO of the Council for Adult and Experiential Learning (CAEL). Ms. Tate has become nationally and internationally recognized for her work in facilitating workforce education and training programs among educational institutions, business, labor, and government. She was a key advisor to the State of Indiana on the creation of its Department of Workforce Development, to the U.S. Department of Labor in the creation of the One-Stop Career Center system, to the State of Massachusetts in the design and implementation of its One-Stop Career Center system, and to the Chicago Mayor's Office of Workforce Development on its One-Stop Career Center system. Currently, she is leading CAEL's efforts to create Lifelong Learning Accounts as a new financing mechanism for adult workers and employers. In all of these efforts, Ms. Tate's focus has been on improving access to learning opportunities for both individual workers and employers.

- ▶ **Rebecca Klein-Collins** has worked as an employee of the Council for Adult and Experiential Learning and is currently an independent consultant under contract with CAEL. In her work for CAEL's corporate clients, she has managed employer-funded workforce education and training programs and worked to integrate public and private unemployment benefits in multiple states. She has designed and carried out research on the impact of training on key employer and worker outcomes, conducted studies of best practice by providers of workforce education and training programs, and assisted in the design and promotion of Lifelong Learning Accounts.

ACKNOWLEDGEMENTS AND REFERENCES

ACKNOWLEDGEMENTS

ACKNOWLEDGEMENTS

Valuable input to this paper was contributed by Mary Gardner Clagett of NCEE and Richard Kazis of JFF.

We would like to thank the Annie E. Casey Foundation for their support for organizations working to build a new workforce education and training system and for the development of this paper.

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APPENDIX

APPENDIX

Toward a National Workforce Education and Training Policy

By Ray Uhalde, National Center on Education and the Economy

Marlene Seltzer, Jobs for the Future

Pamela Tate, Council for Adult and Experiential Learning

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Revised June 30, 2003

The appendix provides a chart of all the recommendations presented that support the development of a national system for worker education and training. The chart organizes the recommendations by category, in the following order:

- ▶ *Recommendations related to the Workforce Investment Act*
- ▶ *Recommendations related to the Higher Education Act*
- ▶ *Recommendations for Tax Credits*
- ▶ *Recommendations for Adult Basic Education and Temporary Assistance for Needy Families*
- ▶ *Recommendations for Stronger Linkages with the Private Sector*

For each recommendation, we provide a brief description of the current program elements, our recommendations for change, and the benefits to making that change. In addition, we provide an analysis of how each recommendation fulfills the five goals that we outlined for the new system:

- 1. Invest in training on a scale that supports the well-being of the nation's economy and so that it is not just a privilege for the lucky few**
- 2. Expand the scope of all federal training and education programs to reach incumbent workers, particularly those with low skill and income levels, and to help them advance to jobs that pay family-sustaining wages**
- 3. Use federal resources to leverage state, local and private investment in education and training**

- 4. Create stronger linkages with higher education programs and help to improve access, retention and success for working adults pursuing skills and credentials***
- 5. Strengthen connections between workforce training and employers, as well as with economic and community development initiatives/strategies and fund interventions that engage the private sector***

ANNOTATED SUMMARY OF ALL TRAINING PRODUCTS

Annotated Summary of All Training Policy Recommendations

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access and Success	5. Link to Employers
WIA	ITA funding	Currently limited. Number of individuals trained under WIA much lower than under JTPA	Increase funding for ITAs, in combination with other reforms (see below).	Ensures that funding for infrastructure and incumbent worker training do not take away services and training opportunities for the unemployed. Those opportunities need to increase.	X	X		X	
WIA	Sequence of Services	Language suggests a strict sequence of services: core, intensive, then training, depending on availability of "suitable employment".	Relax the sequence of services – should be determined by individual circumstances.	Allows more individuals to qualify for training, based on individual circumstances, not on bureaucratic process.	X	X		X	
WIA	Performance Measures	Existing 17 performance measures are too burdensome. H.R. 1261 proposes four measure for adult programs: 1. Entry into unsubsidized employment 2. Retention after 6 mos 3. Earnings after 6 mos 4. Efficiency	Drop the efficiency measure. Keep in the skill enhancement performance measure.	The skill enhancement measure was all that existed that encourages training. "Efficiency" does not recognize that different job seekers need different levels of services.	X			X	
WIA	Conflicting language on Pell Grants and ITAs	WIA and the HEA have conflicting language on whether Pell Grants or ITAs should be used first.	Pass a technical amendment to give clearer direction and eliminate the "student aid disregard."	Clarity, rather than confusion, for those who administer Pell Grants and ITAs.	X			X	

Category		Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access and Success	5. Link to Employers
WIA	One-Stop Infrastructure Funding	Currently, one-stops are funded through cost-sharing agreements by partners.	Provide direct federal funding and separate funding streams. Ensure that Wagner-Peyser is reserved for core services.	Reduce bureaucracy, allow for greater integration of services, potentially frees up dollars for ITAs	X				X	
WIA	One-Stop Career Center System	The one-stop system is a perfect building block for a comprehensive national workforce education and training system. However, one-stop staff do not have the skills and training to serve incumbent workers and employers.	Provide funding to build the capacity of one-stop career centers to serve incumbent workers and employers.	Builds the capacity of the one-stop system to help establish a new system for workforce education and training.	X	X				X
WIA	ITAs – System Renovation	Individual Training Accounts are vouchers issued by Workforce Investment Boards for job training.	A system renovation would reduce red tape by allowing workers seeking retraining to apply for aid directly from certified training providers rather than government agencies (like Pell Grants)	Makes access to training for dislocated workers as universally available as access to college. Minimizes bureaucracy and administrative costs of ITAs. Places ITAs in a mainstream institution which reduces stigma on the individual.	X				X	
WIA	ITA – Expanded Financing of ITAs	WIA currently permits ITAs to combine WIA training dollars with other resources to purchase training, however, doing so is not a common practice.	Provide funding for building the capacity of one-stop career centers to manage multiple funding streams within ITAs. Provide incentives to states to commit their own resources to ITAs.	Potential to leverage training funds from other sources.	X		X		X	

Category		Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access and Success	5. Link to Employers
WIA	Information Brokering	Provide more information to ITA participants and other one-stop career center users about tax code provisions that help to finance education and training.	Charge the one-stop system with a larger information brokering role to give information about Hope Scholarship Credits and Lifelong Learning Tax Credits.	Expands options for financing skill enhancement; gives one-stops greater role in link to training (not just job placement).					X	
WIA	Eligible Training Providers	Currently, burdensome reporting requirements for training providers.	Support H.R. 1261 which allows governors to determine eligibility requirements for training providers.	State flexibility in determining which providers are deemed eligible. More providers included in the system, giving ITA participants more learning choices.					X	

Category		Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
HEA	Pell Grants	Grants of up to \$3,125 per school year; students must show "exceptional need"; less-than-half-time students must have an estimated "cost of attendance" of at least \$800 per academic year.	Modify eligibility barriers for less-than-half time working adult students with dependents: <ul style="list-style-type: none"> • Include more living expenses in their cost of attendance budgets used to calculate Pell Grants • Allow and support shorter credential programs, modularization of courses, open entry-open exit programming and distance learning 	Benefits part-time students – adults – and the kinds of learning programs that they need to improve their skills while continuing to work full time.	X	X			X	
HEA	Pell Grants	See above. Currently, vocational education programs are not required to meet minimum performance standards with respect to outcomes for their students.	Establish minimum performance standards for vocational education programs in order to be eligible for federal student financial aid.	Ensures the highest quality vocational education programs that meet the needs of employers.					X	X
HEA	Targeted Learning Programs for Working Adults – System Renovation	A new title within HEA that addresses the needs of working adult students whose circumstances and course-taking patterns differ dramatically from those of the more "traditional" students for which Pell was designed.	Create a new title that is geared to working adults who need and pursue: <ul style="list-style-type: none"> - flexible schedules - self-paced programs - modularized courses - distance learning Provide planning grants to states to design programs based on state-determined needs.	Benefits adult workers needing financial assistance to pursue post-secondary learning opportunities. Must be given separate funding stream.			X			

Category		Program		Brief description		Recommendation		Benefits		1. Fund Training		2. Inclusion of Incumbent Workers		3. Leverage New Funding		4. Access to Higher Ed		5. Link to Employers		
Adult Education and Family Literacy	Adult Basic Education	Currently, ABE programs are seriously underfunded and do not have a clearly defined role and linkages to workforce education and training programs.	Increase funding for ABE and fund capacity building to create stronger links to higher education and workforce education.	Build the basic skills and literacy levels of adults, especially those in the workplace who would benefit from additional skills and credential programs.	X					X										X
TANF	Education and training for welfare-to-work.	Currently, TANF participants have insufficient access to education and training that will help them obtain jobs with family-sustaining wages.	Change the 12-month limit on vocational education to 24 months; establish postsecondary or vocational education programs under TANF; allow adult basic education, English as a Second Language, and postsecondary education to be considered acceptable work activities.	Build the skills and credentials of the poor so that they can find jobs will enable them to earn a family-sustaining income	X															X
TANF	Education and training for welfare-to-work.	Currently, many TANF participants end up in dead-end jobs with no post-placement opportunities for skill development.	Fund Business Links program (S. 786) that helps create "transitional jobs"	Provide post-placement opportunity for learning that enables TANF participants to meet work requirements while receiving skill and credential development to help them advance.	X															X
TANF	Education and training for welfare-to-work.	TANF funds are underutilized way to provide education and training for low income workers.	Provide incentives for states to use TANF funds for the training of low income workers and to use TANF as matching funds for incumbent workers programs.	Expands sources of potential funding for incumbent workers.	X															X

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
Tax	Hope Scholarship Tax Credit	Tax credit of up to \$1,500 for the first two years of post-secondary education. 100% of the first \$1,000 and 50% of the second \$1,000.	<ul style="list-style-type: none"> Eliminate the half-time enrollment requirement Make refundable Market it better 	<ul style="list-style-type: none"> Benefits part-time students – adults Benefits low income who may not have tax obligations sufficient to benefit from tax credit More adults will be aware of available financial benefit to learning 	X	X		X	
Tax	Lifetime Learning Tax Credit	Allows students beyond the first two years of undergraduate (or those taking courses on a less-than-half-time basis) to claim a credit of up to \$1,000 by claiming 20% of the first \$5,000 of qualified educational expenses. (Max increased to \$10,000 in 2003)	<ul style="list-style-type: none"> Increase the percentage of qualified educational expenses (while reducing the maximum) Make refundable Market it better 	<ul style="list-style-type: none"> Provides a larger benefit for those taking classes on a limited part-time basis Benefits low income who may not have tax obligations sufficient to benefit from tax credit More adults will be aware of available financial benefit to learning 	X	X		X	
Tax	Section 127	Section 127 of the tax code treats up to \$5,250 of employer assistance for undergraduate and graduate education as tax-free income for the individual.	Change language of 127 to award tax exempt the dollars spent by employers on basic skills training, literacy, ESL and other pre-postsecondary education and training.	<ul style="list-style-type: none"> More low income/low skill workers will have access to tuition benefits. 	X	X	X	X	X
Tax	Tax Credit	Currently, there are multiple tax	Combine six different tax credit	<ul style="list-style-type: none"> Reduces confusion of 	X	X			X

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
	Consolidation – System Renovation	credit programs to help individuals and families pay for postsecondary education, each having different target groups, eligible tuition amounts, etc.	programs into two. One would provide tax credits for postsecondary education, another would help families save for their children's future learning.	<p>current system</p> <ul style="list-style-type: none"> Eliminate barriers for low income workers to qualify for tax credits at the same time 					

Category	Program	Brief description	Recommendation	Benefits	1. Fund Training	2. Inclusion of Incumbent Workers	3. Leverage New Funding	4. Access to Higher Ed	5. Link to Employers
Private Sector	Support State Funding of Private Sector Training Programs	States are a large supporter of private sector training through tax credits, UI penalty and interest funds, etc. Those funds are drying up because of budget crises at state level.	Provide federal incentives in the form of matches of state dollars for these kinds of programs that help train the incumbent workforce.	Leverages state dollars, which in turn leverage private sector investment in incumbent worker education. Infrastructure for incumbent worker training is at the state level.	X	X	X	X	X
Private Sector	Lifelong Learning Accounts System Renovation	LILAs are portable tax-favored savings accounts for worker education and training. Contributions from individual are matched by employer — both contributions serve as tax credits.	Fund a national demonstration of LILAs for up to 200,000 participants in 10 states.	Leverages individual and corporate investment in education, reduces the burden for both. Portable, universal, individual choice.	X	X	X	X	X
Private Sector	Cluster-based and skills gap demonstration programs	Currently, there are sector-based intermediary and skills gap intermediary demonstration programs with short time lines.	Expand these demonstration programs — longer time line, more projects.	Leverage employer investment. More efficient use of training dollars.	X	X	X	X	X
Private Sector	Workforce Intermediaries	Currently, there is little operating support for workforce intermediaries	Provide incentives to states to establish a Workforce Intermediary Investment Fund that would make operating and program support available to workforce intermediaries on a competitive basis.	A way to support the needs of businesses who want to invest in worker skill development; helps to tie workforce development to economic development.	X	X	X	X	X

