

Reimagining the Workforce Development and Employment System

How a More Connected System Can Support Students, Workers, and Firms

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*Reimagining the Workforce Development and Employment System:
How a More Connected System Can Support Students, Workers, and Firms*
Testimony of Melanie A. Zaber and Lynn A. Karoly¹
The RAND Corporation²

Before the Committee on Education & Employment
Florida House of Representatives

January 26, 2021

Chairman Latvala, Ranking Member Williams, and members of the Committee—thank you for the opportunity today to present on how the integration of education, workforce development, and employment systems can improve outcomes for workers, students, and firms. The views we share today are largely based on a peer-reviewed report published by the RAND Corporation as part of an internally funded effort to reimagine the workforce development and employment system to better meet 21st-century needs.³

In December 2019, shortly *before* the onset of the COVID-19 pandemic and accompanying recession, 72 percent of Americans with a four-year postsecondary degree and 63 percent of Americans with an associate’s degree were employed. In contrast, just 45 percent of those who had not completed high school were employed.⁴ Simultaneously, firms reported being unable to find workers for open positions, due partly to skill shortages and partly to changes in the amenities that a job offers.

Now, the number of open positions has been decimated by the pandemic recession. Many businesses have closed permanently—one estimate placed the total at 420,000 nationwide as of July 2020.⁵ Of the businesses that remain, some are replacing full-time employees with

¹ The opinions and conclusions expressed in this testimony are the author’s alone and should not be interpreted as representing those of the RAND Corporation or any of the sponsors of its research.

² The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest.

³ Melanie A. Zaber, Lynn A. Karoly, Katie Whipkey, *Reimagining the Workforce Development and Employment System for the 21st Century and Beyond*, Santa Monica, Calif.: RAND Corporation, RR-2768-RC, 2019, www.rand.org/t/RR2768.

⁴ Federal Reserve Bank of St. Louis, chart on employment-population ratio, by education, Federal Reserve Economic Data, 2020, <https://fred.stlouisfed.org/graph/fredgraph.png?g=Ag4H>.

⁵ Steven Hamilton, *From Survival to Revival: How to Help Small Businesses Through the COVID-19 Crisis*, Brookings Institution, Policy Proposal 2020-14, September 17, 2020.

temporary contract workers to save money and increase agility.⁶ These forces are acting on a system that was already insufficient to support American workers and employers.

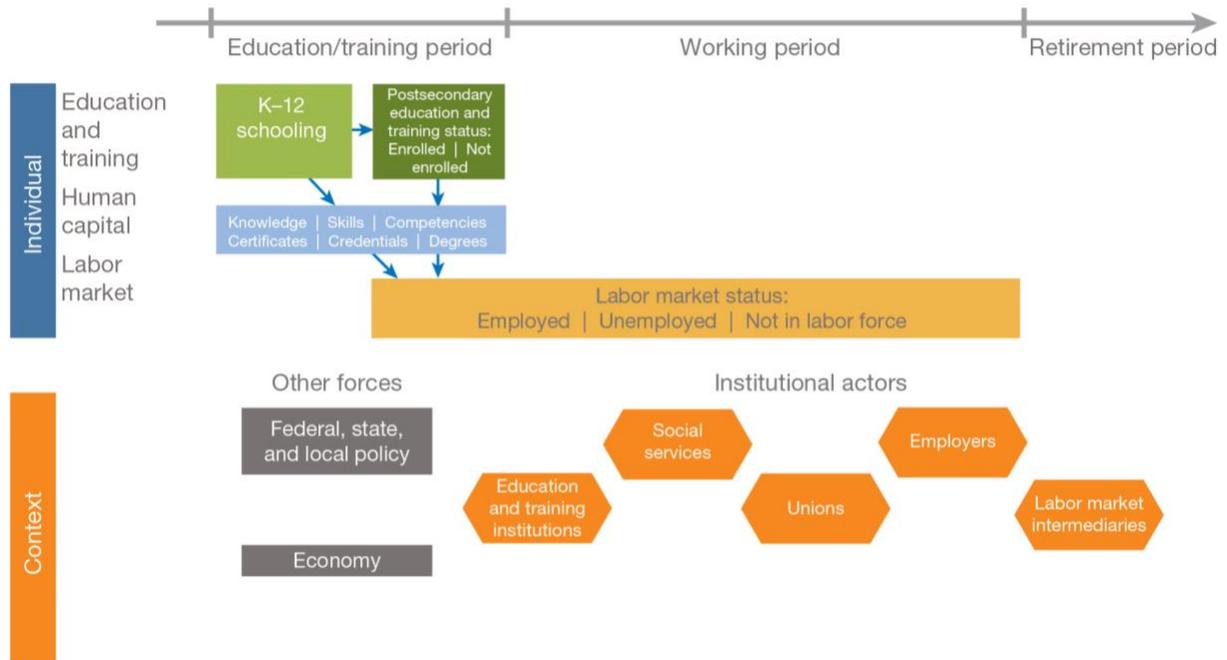
In spite of demographic shifts, technological advancement, and globalization transforming how people work, the linear pipeline approach to workforce preparation in the United States looks much the same as it did several decades ago. This fragmented system does not readily support the reality of current career paths. Rather than staying in one field with one skill set for an entire working career, today’s workers may need to reskill as labor market needs evolve, thus requiring multiple highly accessible on-ramps to the education and training system. In this testimony, we will discuss (1) the workforce development and employment system as it exists now, in contrast to an idealized system; (2) how an integrated system can better support students, workers, and firms; and (3) how U.S. states are approaching this issue.

The Pipeline System

In Figure 1, we illustrate a simplified version of the pipeline for the current workforce development and employment system that begins with *individuals* (represented in the top half of

Figure 1. Traditional Paradigm of the Workforce Development and Employment System

21st-century paradigm: A linear, segmented system



NOTE: Blue arrows show movement across education and training, human capital acquisition, and the labor market.

⁶ Gartner, “Gartner Identifies Nine Trends for HR Leaders That Will Impact the Future of Work After the Coronavirus Pandemic,” press release, May 6, 2020.

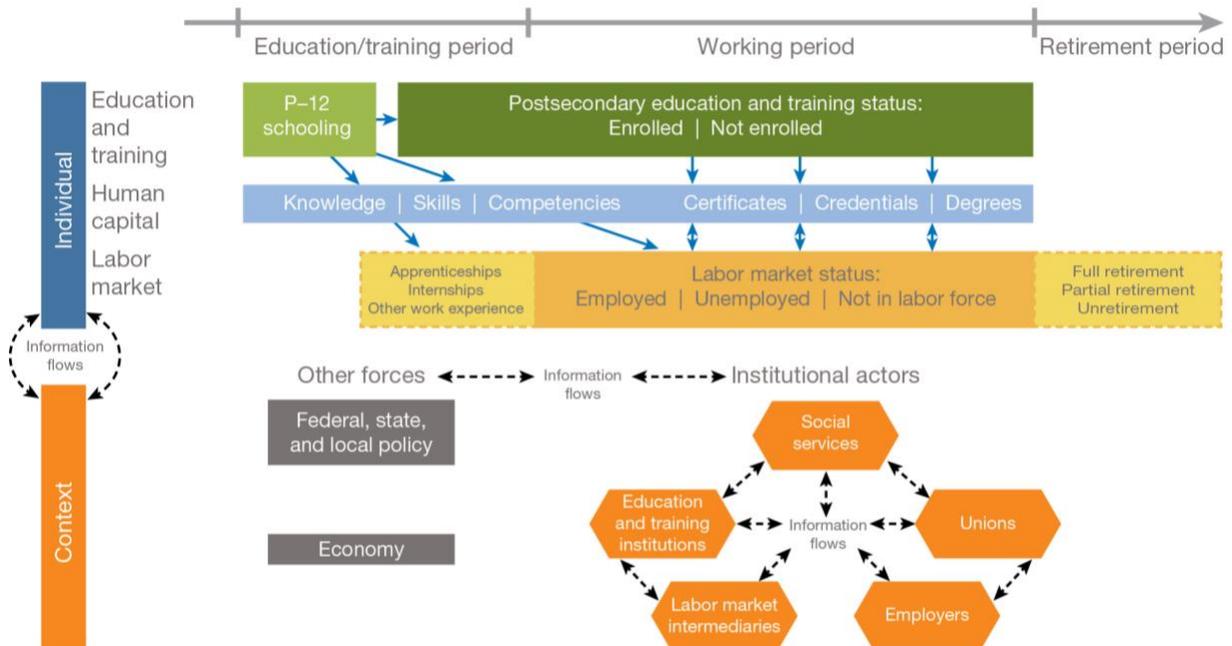
the figure) who make decisions about education and training (green boxes) and employment (gold boxes). Their education and training experiences affect their acquisition of what economists would call human capital (blue arrows to the blue box). Human capital consists of the knowledge, skills, and competencies that individuals develop, some of which may be very general and some of which may be specific to a given occupation, function, or job. These elements of human capital are often formalized and documented in certificates, credentials, and degrees.

Individuals then take this human capital to the labor market (continuation of the blue arrows), choosing to participate if they find a job that they prefer to being unemployed or out of the labor force. Their family context, health or disability status, and other personal factors may influence this decision. Note that these arrows flow in only one direction. Because the current pipeline-style system presumes that education is completed once an individual enters the workforce, postsecondary education students who already have significant labor market experience are characterized as “nontraditional” and are relatively rare.

In contrast, Figure 2 depicts the idealized system. Here, the education and training choices extend throughout the working career, allowing individuals to freely move between employment and education, sometimes combining the two in apprenticeships, co-ops, and other job-based learning. Workers can also choose to only partially retire, pursuing a reduced-scope role or potentially engaging in “encore entrepreneurship.” Some may also un-retire, finding that they would like to continue to use their skills in the labor market for personal or financial reasons.

Figure 2. A Reimagined Workforce Development and Employment System

21st-century paradigm: *An integrated, multipath system*



NOTE: Blue arrows show individuals' movement across education and training, human capital acquisition, and the labor market. Black dashed lines indicate information flows across actors in the system or across parts of the system. P-12 = preschool to 12th grade.

In both models, these decisions do not happen in a vacuum. Individuals react to information about current economic conditions, and they are both constrained and supported by policy at the local, state, and federal levels. In addition to individuals, there are several other key stakeholder groups:

- **Education and training institutions:** Public or private providers of education and training across the spectrum—including early learning, kindergarten to grade 12 (K–12) schooling, higher education, and vocational training—make decisions about learning objectives, curricula, and pedagogy, as well as the features of their programs (e.g., class sizes, teacher qualifications) that affect costs, quality, and learning outcomes.
- **Employers (or firms):** Representing different industries, employers make decisions about the goods and services to produce and how many workers to hire into which roles to achieve those outputs. They also make choices about the nature of the work environment, the structure of compensation, and how much to invest in further developing the skills and competencies of their workers.
- **Unions and other worker organizations (e.g., guilds):** These organizations are intermediaries between firms and workers and help negotiate compensation and working conditions. In some sectors with nontraditional employment arrangements, such as construction or the arts, trade unions or guilds provide access to continuous benefits (e.g., health insurance), opportunities for skill advancement (e.g., apprenticeships), and other workforce-related services.
- **Social services and labor market intermediaries:** Social welfare programs (e.g. food assistance or unemployment offices) and local workforce investment boards (such as CareerSource Florida) provide targeted job-search services and job-training supports for individuals and for the workforce more generally.

In our idealized model, these stakeholder groups share information in real time. The system features strong connectivity, flexibility, and responsiveness, as well as multiple on-ramps to education, training, and employment for displaced and transitioning workers. An ideal system also features aligned incentives, data-driven decisionmaking, and open dissemination of new evidence.

However, in many communities, stakeholder groups act more as independent silos. We next discuss three examples of the challenges facing today’s students, workers, and firms and how system connectedness—and disconnectedness—influences the paths they can take.

An Integrated System Can Help Meet Today’s Challenges

Example 1: New Skill Needs Driven by New Sectoral Investment in a Region

As industries evolve and employers relocate, a region may find a skill set in high demand with low supply. For example, the construction of a \$6 billion ethane cracker plant in the Pittsburgh region was expected to bring more than 380,000 jobs to the area, including middle-skill jobs in petrochemical processing and advanced manufacturing. Leveraging an initial grant from the U.S. Department of Labor, a group of employers, community colleges, employment centers, and industry associations formed a sustainable partnership to establish clear career

pathways for these new jobs.⁷ The partner community colleges continue to provide an industry-aligned system of stackable credentials, allowing a worker to take a single course at one college, build that to a certificate at another college, and add additional courses to obtain an associate's or bachelor's degree, all while working in the industry.

Example 2: Continuous Monitoring and Data-Driven Decisionmaking

The integration of data across system stakeholders can support better decisionmaking. Combining education and employment data in a statewide longitudinal data system facilitates analyses of the performance of educational sectors (e.g. community colleges, public universities, private universities, vocational and technical schools), institutions, and even individual programs.⁸ Having a fully developed statewide system allows states to easily share metrics with prospective students and transitioning workers.

Florida was a pioneer in this area, and the Florida Department of Education has already integrated K–12, postsecondary, technical education, and workforce data. The Launch My Career web portal gives users access to some of this information, such as data on the average wages and employment rates of some programs' graduates.⁹ However, the portal could be made even more useful to prospective students and workers by making program completion rates and statistics by demographic subgroup readily available. This missing dimension may make it harder for prospective students from under-represented groups to see themselves within available averages, given the known variation by race, gender, and ethnicity in who completes education pathways, who is hired in an occupation, and how much workers are paid.¹⁰

Example 3: Paying for Postsecondary Education

States can financially incentivize students and institutions to align on high-demand skill pathways. Michigan funds the Talent for Tomorrow Scholarship to assist low-income residents with the cost of obtaining a qualifying degree or credential in growing fields.¹¹ Utah has a similar program called the Talent Development Incentive Loan Program.¹² These programs can support individuals in pursuing relevant training (with relevance determined by current data), encourage employers to remain in states with promising talent pools, and help education and training institutions develop and fill high-demand programs.

⁷ The TEAM Consortium, "About," webpage, undated, <https://www.connect2team.org/about>.

⁸ National Center for Education Statistics, "Statewide Longitudinal Data Systems Grant Program," webpage, undated, <https://nces.ed.gov/programs/slids>.

⁹ Launch My Career, homepage, undated, <http://launchmycareerfl.org>.

¹⁰ See, for example, Lisa Catanzarite, "Race-Gender Composition and Occupational Pay Degradation," *Social Problems*, Vol. 50, No. 1, February 1, 2003, pp. 14–37; and Joy Gaston Gayles and Frim Ampaw, "The Impact of College Experiences on Degree Completion in STEM Fields at Four-Year Institutions: Does Gender Matter?" *Journal of Higher Education*, Vol. 85, No. 4, 2014, pp. 439–468.

¹¹ Michigan Student Aid, *Academic Year 2018–19 State Programs Procedures Manual: Overview of Operations for Financial Aid Professionals*, Lansing, Mich.: Michigan Department of Treasury, January 2019.

¹² Utah Administrative Code, Rule 765-615, Talent Development Incentive Loan Program, January 1, 2020, <https://rules.utah.gov/publicat/code/r765/r765-615.htm>.

New State Governance and Oversight Models

In light of these challenges and opportunities, states have begun to modify their governance systems and oversight structures to achieve improved flexibility, responsiveness, information flows, and data-driven decisionmaking, among other objectives.

The 2014 federal Workforce Innovation and Opportunity Act encouraged state workforce boards to bring together all relevant stakeholders—employers, public sector agencies, educational institutions, and community nonprofit organizations—for partnership and collaboration. Some state legislatures have gone beyond this provision, adopting varied strategies for further integrating their workforce development and employment system.¹³ One approach has been to combine two or more state agencies, as in Missouri’s Department of Higher Education and Workforce Development, which united the Division of Workforce Development, the Economic Research and Information Center, and the Department of Higher Education under a single office.¹⁴ Another strategy is to create a new cross-cutting entity, such as the Mississippi Office of Workforce Development or the Indiana Governor’s Workforce Cabinet.

In addition to integrating labor and education agencies, states have aimed to foster collaboration with other departments that serve special populations, such as those receiving aid from the Temporary Assistance for Needy Families program, youth involved with the juvenile justice system, or individuals with work-limiting disabilities. For example, Vermont’s State Workforce Development Board is tasked with collaborating with the state Department of Labor, as well as other agencies focusing on commerce and community development, education, human services, agriculture, food and markets, natural resources, and transportation.¹⁵

Because these models are relatively new, they provide a view of potential options rather than a proven blueprint for reimagining state governance. By better integrating stakeholders and institutions across education and labor systems, states can enhance their ability to support workers across their many career and educational transitions. This integration and close collaboration enhance the system’s ability to provide stability, flexibility, and growth for all involved.

¹³ National Conference of State Legislatures, “Workforce Development,” webpage, December 21, 2020, <https://www.ncsl.org/research/education/workforce-development.aspx>.

¹⁴ Missouri Department of Higher Education and Workforce Development, “MDHEWD Transformation,” webpage, 2019, <https://dhewd.mo.gov/initiatives/department-transformation.php>.

¹⁵ Lexi Anderson and Tom Keily, *Approaches to State Workforce Development Systems*, Education Commission of the States, October 2018.