

JOB SKILLS, SMALL BUSINESSES, AND THE WORKFORCE DEVELOPMENT SYSTEM

**Statement of
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**before the
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Committee on Small Business,
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**THE ROLE OF WORKFORCE DEVELOPMENT
AND SMALL BUSINESS REHIRING**

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* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders or to the George Washington University.

Chairman Crow, Ranking Member Balderson, and members of the Committee, I appreciate the opportunity to testify before you on the workforce development system and small businesses. My testimony is based on research and evaluations on the nation's workforce development system. The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders or to the George Washington University.

I focus on two questions: What is the role of the nation's workforce development system, particularly during the current economic crisis? And, how might small businesses maximize services available through the workforce system?

Public Workforce Development Support for Workers and Employers

The nation's public workforce development system is a partnership of federal, state, and local governments charged with providing employment-related services to two customer groups: workers and employers. Through more than 2,000 local one-stop career centers, also called American Job Centers, the system, authorized under the Workforce Innovation and Opportunity Act (WIOA) and the Wagner Peyser Act, operates a free labor exchange nationwide; it offers job search and job matching services and provides access to a range of services to improve the employability of Americans, including reemployment for the unemployed and skills training to meet current and future in-demand jobs.

One goal of the system is to help anyone find a job, especially the unemployed and underemployed, dislocated workers, and veterans. Employment services and job training are also provided to workers with disabilities, older workers, youth and other workers entering the job market, and people lacking skills that employers in their community demand. Another goal is to help businesses by matching skilled job seekers to businesses hiring, intervening early to help reemploy workers who may be laid off; most local Job Centers make space available to businesses to conduct interviews, offer workshops to job seekers, and perform occupational assessments and counseling.

In addition, since its establishment by Congress in 1933, the workforce development system is regularly called upon to mobilize during economic recessions and in local areas where unemployment rates or economic dislocation is particularly high. The system facilitates the processing of unemployment insurance claims, administers transitional or subsidized jobs when authorized, retrains workers whose regular occupations or industries have disappeared, and assists workers, businesses, communities, and regions affected by disasters, such as the COVID-19 pandemic.

What Works in Skills Training?

Local Job Centers facilitate access to—and often can pay for--skills training. Evaluation evidence suggests four points.

Public investment in training fills a gap. Employers provide most job training in the United States. One Urban Institute study conducted several years ago, but that probably still holds true, estimated that the private sector spends two to three times as much as the public sector (federal and state combined) each

year on training, with most of the investment going to mid- and high-level employees.¹ Small businesses, though, are less able than large corporations to invest in training, even in good economic times. The public workforce development system can help fill the training gap by focusing on smaller businesses and low-to-mid-level workers. The public system's very limited funding, though, covers only a small fraction of the 150 million or so workers in the nation. The public system also tends to serve smaller businesses and newer businesses by identifying available workers and training them.

Training connected to work has the most positive evidence.² Not all training is the same, and not all training, whether public or private, is effective. But evaluations over many years show that the most effective job training is that which is connected directly to work, rather than stand-alone training not aligned with jobs in demand. Several formal evaluations have found positive impacts on earnings and employment from work-based and work-integrated training models, including registered apprenticeships with particular employers, sectoral and industry-specific training, career pathways, and on-the-job training where local workforce investment boards subsidize a portion of employees' wages for a set period (e.g., six or nine months). Findings from recent evaluations of integrated education and occupational instruction also show promise.

Counseling and customer-focused career services are important. Several different evaluations suggest that the types of staff-assisted coaching and services offered in one-stop career centers, and sometimes virtually, are important for job seekers and trainees.³ Trainees who receive assistance in selecting their training do better than those who make their own choices without any career coaching.⁴

Comprehensive and integrated models work for youth. Young people, especially those out of school and not working, face more challenges than adults in returning to work or getting retrained. Fewer formal evaluations of job training for youth have been done than for adults. However, growing evidence indicates that the programs showing the most positive outcomes for youth have a comprehensive set of integrated services, including education, occupational training, coaching, and support services. As with adults, there is evidence that industry-focused training is important for youth. Career academies, for example, where high schools prepare students for particular industries and sectors, have positive and long-lasting impacts on

¹ Kelly S. Mikelson and Demetra Smith Nightingale, "[Estimating Public and Private Expenditures on Occupational Training in the United States](#)" (Washington DC: Urban Institute, 2004).

² US Departments of Labor, Commerce, Education, and Health and Human Services, "[What Works in Job Training: A Synthesis of the Evidence](#)" (Washington, DC: US Department of Labor, 2014); and Lauren Eyster, Theresa Anderson, Robert I. Lerman, Daniel Kuehn, Burt S. Barnow, Maureen Conway, Ranita Jain, and Marcela Montes, "Findings from the Accelerating Opportunity Evaluation" (Washington, DC: Urban Institute 2018).

³ US Department of Labor, Chief Evaluation Office "[Women Veterans Who Get Employment Services for Veterans Specialists Earn More](#)," Evaluation Snapshot 4/24/2015 (Washington, DC: US Department of Labor, 2015).

⁴ Mathematica Policy Research, "Larger Training Awards and Counseling Improve Cost Effectiveness: Long Term Impacts of Individual Training Accounts" (Washington, DC: Mathematica Policy Research, 2012); Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Mastro, and Ronald D'Amico "[Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs](#)" (Princeton, NJ: Mathematica Policy Research, 2016); Theresa Anderson, Lauren Eyster, Robert I. Lerman, Maureen Conway, Ranita Jain, and Marcela Montes, [Implementation of Accelerating Opportunity: Final Implementation Findings with Lessons from the Field](#) (Washington, DC: Urban Institute, 2016).

labor market outcomes, particularly for young men. And recent reports from the YouthBuild evaluation find positive impacts of that industry-based comprehensive model.⁵

Opportunities for Small Businesses

There are at least three ways small businesses can avail themselves of services available in the workforce development system to hire workers as the economy improves and access skilled workers that will be needed in the future.

First, to stay abreast of shifts in high demand occupations and necessary skills, businesses should regularly refer to the federally funded labor market information and occupational projections the state workforce agencies maintain. State labor market information is updated at least annually and is available to the public down to the local level. Businesses, of course, know their own needs and their own sector intimately, but broader economic forces are also always at play that can inform future demand directions. For example, even before the pandemic—but now clearly accelerated by it—there was growing demand for technology and virtual skills across occupations and industries, from administrative and customer service jobs to delivery, transportation, and retail. Direct service jobs in health and professional services require more technological and computer skills than ever before. Telemedicine, virtual customer service, and online support needs are growing. New business opportunities may be arising, such as those related to contact and tracing activity, public and personal safety, and online retail sales. Training workers now can have longer-term payoffs for firms that are retooling. If businesses can invest in training their current workers, low-cost online and virtual courses make sense. Community colleges and many K–12 school districts offer free or low-cost short-term training or refresher courses, many of which result in certificates that workers can use to document their skills.

Second, small businesses can partner directly with the local workforce development system for training current and future employees. Every local workforce investment board has some resources to subsidize training at the workplace and it is possible that Congress may appropriate more supplemental funding to help recover from the current recession. Formal on-the-job training contracts, for example, provide businesses with a subsidy that covers a portion (e.g., 50–60 percent for up to a year) of a worker's wages, while the business agrees to train the individual. The workforce development system also administers federal tax credits that may encourage some businesses to train or hire new workers. Evaluations find that workplace-based training like OJT or apprenticeships improve the skills and wages of workers, and they may also have positive returns on the investment. The US Department of Labor has prioritized apprenticeship training and periodically issues grant opportunities that require business partnerships with local workforce boards or community colleges. The workforce system and community colleges often also partner to fully subsidize training, and that training can be effective if it is properly linked to a workplace. Small businesses can be that employer link with community colleges, often at no cost to the company.

Third, businesses should prepare for the possibility of a long-term period of high unemployment and potentially more federal stimulus funding that may include job training program. During the Great

⁵ MDRC, "Building a Future: Interim Impact Findings from the YouthBuild Evaluation" (New York: MDRC, 2016).

Recession of the last decade, Congress authorized large-scale supplemental funding to the workforce development system that allowed additional staffing in local Job Centers and more skills training and subsidized jobs (similar to OJT) in the private, public, and nonprofit sectors. Local Job Centers are currently overwhelmed with assisting in processing claims for unemployment insurance. The longer the recession continues, the more people will be looking for jobs and training and turning to the local one-stop centers. Businesses can stay alert to potential new funding for WIOA and Wagner-Peyser by, for example, maintaining close communication with local workforce boards and Job Centers about their interest in partnerships to expand training

Conclusion

The public workforce development system trains workers who might not otherwise receive it—namely, those with middle and lower skills and wages—and provides training resources for businesses that might not have the resources to do it on their own. However, the system’s very limited funding prevents it from reaching all workers and businesses that could use the services. The current economic crisis is placing extreme hardship on many businesses and unemployed workers who will need help becoming reemployed. The pandemic has also highlighted that jobs of the future are likely to change, with many, for instance, requiring workers in nearly all occupations to have more computer and internet skills. When unemployment is high, it is a good time for the nation to invest more funding in job training to upgrade the skills of workers for the future. Businesses can and do play a critical role in skills training, and small businesses can be prepared to expand their role by actively partnering with the local workforce development system and community colleges, particularly if more federal funding is appropriated.