

After Covid-19: Building A More Coherent and Effect Workforce Development System in The U.S.

A Hamilton Project policy proposal by Harry J. Holzer of Georgetown University suggests several reforms to the US workforce development system. These would expand credential completion rates at higher education institutions and in on-the-job settings and improve employment outcomes among the disadvantaged. The reforms would also aid those at risk of being displaced due to the anticipated permanent changes in the labor market following the COVID-19 recession.

Specifically, Holzer’s proposal would:

- Reform the Higher Education Act to expand high-quality workforce training and other programs at postsecondary institutions for disadvantaged students.
- Increase funding for displaced worker retraining through a modest tax.
- Create more funded partnerships between community colleges, workforce training institutions, and states by establishing a permanent version of the Training Adjustment Assistance Community College and Career Training (TAACCCT) grant program.

Issue Overview

- **Workforce development is critical to improving economic productivity, income mobility, and equity among American workers.** In the U.S., workforce development is spread across higher education institutions – primarily two-year and for-profit colleges – labor market institutions, and workplaces. Better coordination, incentives, and funding of workforce development would improve outcomes, especially financially disadvantaged students and displaced workers.
- **The ability for workers to secure employment in different occupations and industries will be an increasingly critical factor in the current economic recovery.** This is due to the anticipated slow recovery of some industries and permanent changes in the labor market from the COVID-19 recession. Many workers previously employed in industries hardest hit by the pandemic have felt compelled to switch industries. As certain industries continue to face lower demand and other industries expand, both workers and industries would benefit from broad workforce training reform to help smooth these transitions.
- **Greater equity in opportunities for workers to improve their skills would reduce income inequality and improve labor force activity.** Worker skills and education are key components of personal income growth. Access to better workforce development opportunities would reduce the earning gaps between workers with higher and lower levels of skills and education.

The Challenge

Displaced workers and, more broadly, postsecondary students often have poor labor market outcomes. While some cost-effective workforce training programs and services exist, and state subsidies and funding from the federal Higher Education Act are available in some instances, they are insufficient to meet the demand. These insufficiencies in the US workforce development system are due to the following challenges:

- Too little public assistance is available for students enrolling in workforce training programs.
- The institutions that provide workforce training programs and services also receive insufficient funding, and they lack robust incentives to invest in effective programs.
- Employers provide inadequate work-based learning in general and too little retraining when their workers face displacement by automation.
- Fragmentation between higher education and employers creates delays in effective responses to current workforce needs.

The Path Forward

Building a stronger and more coherent workforce training system in the US will require addressing the shortcomings of the current system. Specifically, Holzer's proposal would:

- **Expand high-quality workforce training programs.** Students with financial disadvantages need access to a broader collection of high-quality workforce training programs to improve their employment outcomes. By reforming and increasing funding for the Higher Education Act, postsecondary institutions can provide occupational training for these students.
- **Impose a modest tax on employers displacing workers through automation, which would increase firms' incentives to retrain workers rather than displacing them and would generate more funding to retrain those workers who are displaced.**
- **Create a permanent version of the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program** to fund partnerships between community colleges, workforce institutions and states.

Under this proposal, students and workers with the greatest need for reskilling, the disadvantaged and displaced, will have access to more high-quality workforce training opportunities.

About the Author

Harry J. Holzer is a Nonresident Senior Fellow at the Brookings Institution and the John LaFarge Jr. SJ Professor of Public Policy at Georgetown University McCourt School of Public Policy.