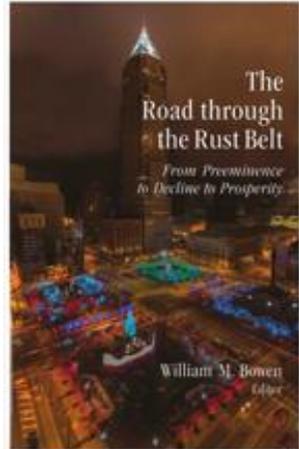

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Stop Shovelling: A New Workforce Development Strategy to Promote Regional Prosperity

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Federal Reserve Bank of Cleveland



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the Rust Belt**

**From Preeminence
to Decline to Prosperity**

William M. Bowen
Editor

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5

Stop Shovelling

A New Workforce Development Strategy to Promote Regional Prosperity

Joel A. Elvery
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Workers laid off in the declining industries of Rust Belt cities are often targets of the nation's workforce development system. Additional training, it is thought, will help these workers find new jobs requiring their newly acquired skills. However, this is a "needs-based" approach; those workers perceived to have the greatest need are offered training. Perhaps, instead, the system should target displaced workers who are most likely to advance in occupations (those possessing interest and aptitude), thereby eventually creating openings for lower-skilled workers, i.e., job chains.

Workforce development policy in the United States has been driven by goals, rather than by what is achievable. The main focus has been to help people with few skills enter or reenter the labor market. The programs implemented to achieve those goals, however, have had limited success. The simple truth is that many low-skilled workers have a difficult time finding work because they cannot keep up with advances in the economy. This has been especially problematic in the manufacturing centers of the Rust Belt, where many jobs have been lost to automation and competition from other regions. Even if low-skilled workers could be trained for in-demand occupations, the number of openings at any time is much smaller than the number of people who are unemployed or working for low wages (Lafer 2002). This means that job training for the least skilled has limited ability to reduce poverty.

As an analogy, the labor market for each skill group is like a bucket. The bucket for the lowest skills is large, but it is completely full and

shrinking relative to the other buckets. Workforce development organizations have historically focused on helping individuals enter this portion of the labor market. This emphasis continues today with the tiered service system of the Workforce Investment Act (WIA), where people are only eligible for intensive training if they have proven to be unable to find work at pay near that of their prior position. Consequently, training resources are targeted to people who have difficulty finding work and, except during recessions and their aftermath, these individuals are typically low skilled. The training available is generally too little to move these participants beyond entry-level positions. While a lucky few find a way to stay in the labor market, most spill over the side of the bucket. This effect discourages the many unlucky training participants who remain unemployed and wastes public resources.

It is time to stop shoveling more individuals into low-skilled markets. We must recognize that poverty reduction is only one potential goal for workforce policy; increasing the efficiency of labor markets and the level of individuals' earnings are also good objectives. The most effective way to achieve these aims is to orient our workforce system toward facilitating advancement into occupations in which the vacancies outnumber the applicants. Job training dollars should be targeted to individuals based on interest and aptitude, not need. While this strategy would not directly assist the poorest individuals, it would have the potential to create job openings for them. As people advance in their careers, their prior positions will open up, which could create a job chain that results in openings for low-skilled workers. In addition, the productivity and income increases connected to job advancement would create economic growth. This means that an advancement-centered workforce system could better achieve the goal of the current system: to increase the number of low-skilled individuals who are working.

Reorienting the workforce system to promote advancement into open positions is especially important for metropolitan areas (metros) in the Rust Belt. In the last 50 years, the growth of regions has been closely tied to the education level of their population (Shapiro 2006) and there is every reason to believe that this will remain true (Moretti 2012). The Rust Belt has suffered large, long-lived manufacturing job losses both from 1970 to 1985 and again from 1998 to 2003. These losses have generated a negative cycle that is difficult to interrupt. First, population declines; one estimate finds a metro's population declines by

1.8 people per job lost from the auto or steel industries (Feyrer, Sacerdote, and Stern 2007). The population decline reduces unemployment rates to typical levels, but it also alters the composition of the workforce. Declines in population lead to declines in housing prices and the poor, who are low-skilled on average, are disproportionately attracted to inexpensive housing (Glaeser and Gyourko 2005). As a result, Rust Belt metros, whose residents were less educated than other metros with similar income levels and house prices before the decline in manufacturing jobs, saw slower increases in education levels than regions that did not suffer catastrophic job loss.

Numerous programs have been put in place to increase state education levels, but evidence of their effectiveness is lacking (see Groen [2011] for a review of the literature). The challenge is that skilled people choose to live in regions where they can find work. As a result, for every 10 additional bachelor's degree holders a state graduates, it only gains three more degree holders than it would have otherwise (Bound et al. 2004). By focusing on the jobs that are available, programs that help people advance into open positions are likely to be an effective way for the Rust Belt to increase its skill level.

This chapter argues that we need to reorient our workforce development system to focus on advancement and describes policies and programs that fit that orientation. The first section presents an informal model for thinking about how labor markets function. Then, the discussion documents the limited success of the workforce development system created in WIA, describes the kinds of programs that would facilitate career advancement, and presents recent successful initiatives that demonstrate the value of advancement-centered workforce development.

A LABOR MARKET FRAMEWORK

A great deal of evidence shows that labor markets in industrialized countries are imperfectly competitive (well summarized in Manning [2003]). It is best to think of U.S. labor markets as made up of many submarkets, where each one covers a particular skill level and a metropolitan area or nonmetropolitan region. Due to chance, people

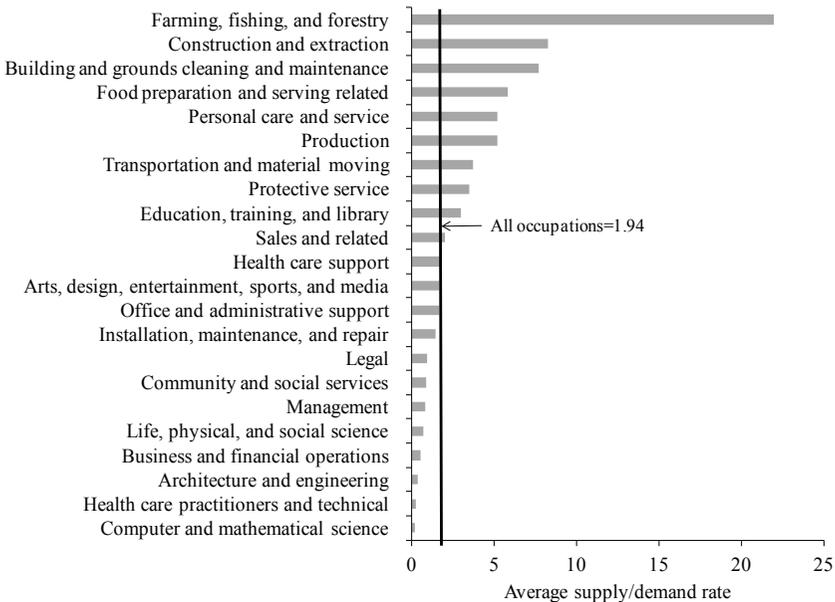
with the same skills can earn different wages, depending on which job they find. A worker with the good fortune to find a high-paying job is less likely to leave. People can only take jobs that are available, and most submarkets have about as many open positions as job seekers. The least-skilled submarkets are the largest; the more skilled the submarket, the smaller it is. Movement between different submarkets can be done in several ways. If individuals lose a job and cannot find one at the same skill level, they eventually fall to a lower-skill submarket. People can also advance from one level to the next, but only with an investment of time and usually money.

There are two types of unemployed workers in our labor markets. Some jobless individuals have worked before or have recently completed college or other substantial training. The other group consists of people who are hoping to enter the labor market either for the first time or after a long spell of unemployment.

The degree of balance between the number of jobs and the number of people at each skill level has important ramifications. In submarkets with more people than jobs, unemployment persists and employers face little pressure to increase wages. In submarkets with more jobs than people, employers increase wages to attract the available workers. There are large differences in the numbers of jobs and people in low-skilled submarkets (where people outnumber jobs) and submarkets that require specific technical skills but not a college degree (where jobs sometimes outnumber people). This can be seen in Figure 5.1, which shows the average from May 2005 to November 2007 of the number of unemployed individuals by most recent occupation and the number of openings advertised online in the occupation.¹ The occupations where there were more than five unemployed workers for every advertised position are less skilled: farming, fishing, and forestry; construction and extraction; buildings and grounds cleaning and maintenance; food preparation and serving related; personal care and service; and production. The occupations with less than one unemployed worker per each opening are all highly skilled: computer and mathematical science; health care practitioners and technical; architecture and engineering; business and financial operations; life, physical, and social science; management; community and social services; and legal.

The least skilled submarkets have many more seekers than jobs. Most individuals enter the labor market at this stratum. Some people

Figure 5.1 Average of the Help Wanted Online Supply/Demand Rate, by Occupation, from May 2005 to November 2007



NOTE: Average supply/demand rate is the average from May 2005 through November 2007 of the number of unemployed persons divided by the number of online help-wanted ads. “All occupations” is the total number of unemployed divided by the total number of ads. The occupation-specific rates are based on unemployed persons’ occupations in their prior occupations and the number of ads specific to that occupation. SOURCE: Author’s calculations from Help Wanted OnLine (Conference Board 2013), accessed through Haver Analytics on March 6, 2013.

quickly move on to more skilled work, but others stay in these submarkets for their whole career. There are two major reasons that these low-skilled markets have more participants than positions. First, workers of any skill level can compete in this market if they need to do so. Second, the demand for labor in the least skilled submarkets has been declining as a share of overall demand; as a proportion of employment, the number of workers who specialize in manual tasks or routine cognitive functions has steadily declined since 1970 (Autor, Levy, and Murnane 2003).

Many submarkets for skilled technical workers with less than a college degree have more positions than eligible job seekers. These mid-skilled occupations account for a large share of our labor markets (Holzer and Lerman 2009). However, the number of people pursuing skilled technical degrees and certificates is predicted to grow more slowly than the number of positions requiring those skills (Aspen Institute 2003). This is already leading to fast-rising wages for some midskilled jobs. For example, while overall real wages grew by 5 percent from 1997 to 2005, the real wages of radiological technicians rose by 23 percent, and those of electricians rose by 18 percent (Holzer and Lerman 2009). Because many such jobs require both specialized training and related experience, it takes time for people to enter these submarkets. People qualified for skilled technical jobs are less likely to migrate for a job than are people in occupations that require a college degree or higher (Borjas, Bronars, and Trejo 1992). Therefore, employers usually find themselves searching for someone with a narrowly defined set of skills within the local region, which can be difficult. This has been true even during the slow recovery from the 2007–2009 recession.

How does the workforce development system fit into this framework? In an ideal world, workforce programs would help people move from submarkets with more seekers than openings to those with more openings than seekers. This means facilitating the transition of people into skilled technical submarkets and out of the least skilled submarkets. However, the workforce development system created by WIA allocates occupational training services to people who cannot find work. Except during recessions, much of the money goes to the least skilled job seekers, who are unlikely to have the basic skills required for midskilled jobs. This means that public money is focused on training people to enter low-skilled labor submarkets. Without job growth in the least skilled submarkets, this is like adding sand to a bucket that is already full. Some of the new entrants may find jobs, but only at the cost of displacing other people who are already working or looking for work.

This is why we need to refocus workforce development toward advancement in the labor force, which would start with increasing the flow of people into skilled technical occupations. Typically, individuals with some skills and work history can move into technical work more easily than people who have been out of the labor force or in the least skilled jobs. This implies that the people most eligible for advancing

into skilled technical work are those who have been or are currently employed in the next tier down. While helping such individuals would not directly assist those who are disengaged from the labor market, it could produce substantial benefits for people in less-skilled submarkets by beginning a string of advancing workers, called a job chain. Persky, Felsenstein, and Carlson (2004) estimate that 10 new jobs with hourly wages of \$16.75 to \$26.15 create 8.6 vacancies in lower-wage positions.² Job chains provide real opportunity to low-skilled individuals, in contrast to the false promise of training that does not lead to employment.

THE TRACK RECORD OF THE CURRENT WORKFORCE SYSTEM

Many readers may be disturbed by the proposition that the workforce system should abandon its almost exclusive focus on reducing poverty by assisting the least skilled. I am not arguing that we should give up the goal of assisting the poor—indeed, I believe our nation should be doing more to that end—but I do believe that the current public job training system is not a good way to achieve this mission.

It is not at all clear that the present approach to workforce development helps the poor in a meaningful way. Harry Holzer, a supporter of job training programs, acknowledges the limited success of the public job training system (2009). Unfortunately, there has not been a rigorous evaluation of the benefits of the WIA system, but the system that was in place from 1986 to 1998, created by the Job Training Partnership Act (JTPA), was evaluated using a classical randomized experiment. Holzer (2009) reports that the average annual earnings gain for disadvantaged adults found by the National JTPA Study was about \$100 per month in real dollars, with these effects appearing to dissipate over time. While these programs have net benefits, the fact remains that \$100 per month in gross benefit per participant is a minor gain. The results for youths are even weaker. These figures cover the program under the JTPA, when classroom-based occupational skills training was the main service individuals received from workforce agencies. Because evaluations have shown that occupational skills training have the largest and

longest sustained effects, it is likely that the typical effect of WIA services on individuals' earnings is well below that of the JTPA. In 2007, only 13.6 percent of people assisted through the federal WIA received training services (Social Policy Research Associates 2010).

In his book, *The Job Training Charade*, Gordon Lafer (2002) makes a compelling case that the limited labor market success of low-skilled individuals is due as much to the lack of openings as to the lack of skills. The majority of entry-level jobs in the United States essentially require that a worker be on time, learn to do three-to-five simple tasks, and have a good attitude and basic motor skills. The challenge for low-skilled individuals is not that they are unable to do the work, but that there are too many people eligible for the same jobs.

This explains why most job training efforts have had limited success: they do not address the root problem. Even more than skills, workers on the margin need job openings. The most obvious way to create these is through government programs that provide work opportunities and income. There are four major difficulties with this approach. First, it is unsustainable because the individuals only have jobs as long as the government pays for them. Second, it is unlikely that these individuals would be efficiently employed. Third, such a program would most likely need to continually grow as there has been a 40-year trend of low-skilled work declining as a share of employment (Autor, Levy, and Murnane 2003). Furthermore, even if this were an efficient use of resources, it has proven to be politically infeasible.

Sadly, federal workforce development programs have not achieved their goal of decreasing poverty, nor have they made labor markets more efficient. In 1982, the occupations that employers described as important and difficult to fill with qualified candidates included "computer programmers, systems analysts, word processors, data processors, medical and laboratory technicians, machinists, and electricians" (Lafer 2002, p. 53). Today, only word and data processors can be removed from that list. This inability to address the needs of employers hurts regional and national economies. For example, Microsoft has opened offices in Canada in order to take advantage of that nation's skill-favoring immigration policies (Gohring 2007). When firms select work sites, the availability of a suitable workforce is usually a top consideration. Regions that are adept at training individuals for more skilled work are attractive to employers. This is illustrated by the subsidized,

custom training programs provided by North Carolina's community college system, which have been credited for playing an important role in the strong growth of the state's Research Triangle region (Schmidt 1997).

WIA's tiered service system limits the ability of its programs to benefit employers because training is directed to the clients with the least skills. Data on the skills of those who receive training are not available. However, intensive training is reserved for people who are unable to find work for an extended period of time, and it is reasonable to assume that training participants are less skilled than the people who find work through Workforce Investment Board (WIB) postings. A Government Accountability Office survey (2006) of firms that posted positions with one-stop centers operated through WIA found that two-thirds of the people hired from these postings were low skilled. Given the weak fundamental skills of people who are unable to secure even the most basic entry-level work, the hard-to-employ people that the workforce system focuses on are unlikely to succeed in midskilled careers. In order to address employers' needs, the workforce system would have to target training resources away from the least skilled and toward people with strong basic skills.

The U.S. workforce development system spends an overwhelming majority share of its resources on people who are not employed. However, it lacks mechanisms for helping people with jobs, or those who are able to find their own jobs, to advance in their fields or to change careers. This would not be a problem if our economy were made up of nothing but large employers; such entities can hire people for entry-level positions, learn about their aptitudes, and provide training for them to progress within the organization. However, 34.9 percent of employees at for-profit firms in the United States work at companies with fewer than 100 employees; another 14.1 percent work at firms with 100–499 employees (U.S. Bureau of the Census 2010). For these people, advancing often requires changing employers.

The system of one-stop centers operated through WIA does provide a variety of training, but most clients either are not given access to these resources or they choose not to use them. Of the 3.1 million people served under WIA throughout the United States from October 2007 to September 2010, only 382,626 (12.4 percent) received training services, and 15.9 percent of these were provided on-the-job or cus-

tomized training.³ This means that less than 2 percent of the adults and dislocated workers served by the WIA system during this time span received on-the-job or customized training, the forms that are most connected to the vision of refocusing the workforce development system on advancement.

The primary public mechanisms in place to help people advance are community colleges and career centers.⁴ These are vital institutions, which deserve continued support and growth, but are insufficient in terms of capacity, affordability for students, and services offered. Unlike that provided by the WIA, individuals must pay for community college and career center training. As will be discussed in more detail, it is difficult for people who have the goal of becoming more skilled to get the information they need about employment opportunities and options for training. This uncertainty about how to move up and the clear upfront costs of training are part of the reason that there is an imbalance between job seekers and openings for midskilled occupations.

When someone advances to a higher-paying career, society as a whole benefits. The individual has more disposable income and consumes a portion of the incremental funds, causing economic growth. Such workers also pay more taxes. Importantly, one person advancing can start a chain of other people progressing, too. Suppose Jane has been working on the Geek Squad at Best Buy and becomes a computer programmer. Best Buy may promote a customer service worker into the Geek Squad and then hire a new customer service worker. Presumably, Jane's advancement has led to wage increases for one or two other workers and created an entry-level opening, which people who want to enter the labor market most need. These benefits are not just hypothetical; Persky, Felsenstein, and Carlson (2004) show that adding 100 midskilled jobs to a local economy creates 80 openings in lower-skilled positions.

POLICIES AND PROGRAMS TO PROMOTE ADVANCEMENT

Workforce development focused on advancement would play several roles lacking in our current system:

- identify occupations with the highest ratio of vacancies to eligible candidates;
- assess individuals interested in career change or advancement to determine their occupational aptitude;
- encourage people with high aptitude for an in-demand occupation and who earn less than they would in that field to pursue training to become qualified for the area;
- work with employers and educators to identify bottlenecks so that a larger portion of those pursuing in-demand occupations eventually become qualified.

There are a number of programs that could be introduced or expanded to facilitate advancement. To identify where public intervention would be effective, it is helpful to think about the stages of progression for an employed individual. Imagine Dave, a 20-year-old working at a “big box” retailer who wants to gain skills and increase his earnings. There are limited opportunities for him within the store because there are few supervisory positions, and much of the ordering and logistics is automated. Dave will find it easier to secure a promotion elsewhere. This means that his employer, even though it is large, has little incentive to invest in his advancement.

Dave’s first step would be to identify a new career. Ideally, he would base this decision on the number of openings, wage and employment trends, and knowledge of his own aptitudes. But where would he get such information about different fields? For people who are working, one-stop employment centers provide self-service assistance—essentially showing them how to use computer resources to look up information on jobs and training opportunities. He might go to the admissions office of a community college or a proprietary school (a for-profit technical or trade school), though many people only take that step after they have identified a career. Most likely, he will talk to friends and family and accumulate anecdotal evidence about what careers are secure, pay well, and suit him. Depending on whom he talks to, he may or may not make a good choice. This is the first opportunity for improvement: provide easy access to more and better information on advancement opportunities.

After Dave selects a career, he has to choose a route for training. Some avenues are self-evident, such as community colleges and proprietary schools. Other paths do not have such clear entry points and, particularly in the case of on-the-job training (OJT), can require finding a supportive firm. Suppose Dave decides to become a chef. The general consensus is that proprietary culinary schools are not worth their cost and it is better to learn through on-the-job experience (Hallock 2011). But how would Dave know this? How would he judge which restaurant jobs will provide valuable OJT? How would he know whether a community college or a proprietary school has a program that is respected and valued by employers? Again, there is a critical lack of information available to guide people on their paths to better jobs.

Another factor in advancing is finding a program that accommodates Dave's work schedule and has slots available. Community colleges and proprietary schools have made great strides in accommodating working students' schedules, but community college programs that lead to careers in high-demand fields, such as nursing and radiography, often have long waiting lists. These programs could be expanded. While it is generally easy to borrow money for college, Dave may require assistance with child care or transportation. Help may also be needed to avoid predatory school loans, especially for students at proprietary schools.

If all goes smoothly and Dave does manage to get the training he needs to advance, he then has to search for work. If he chose a career well, this should be the easy part because he would be moving into a field where there are more openings than people. If not, he may need further assistance in identifying job opportunities. This is an area where help is usually readily available, either through local one-stop centers or the placement offices of individuals' alma maters.

This hypothetical case demonstrates four clear areas in which government policies and programs could facilitate advancement for Dave and others like him: first, improving information and available counseling to help people choose careers that are in demand and for which they have an aptitude; second, producing necessary information about community colleges, career centers, and proprietary schools; third, making it easier to get training through cost savings, convenient scheduling, and support services; and finally, matching individuals to the best available job through placement assistance.

Career Counseling

The first program that could facilitate advancement is one that devotes resources to making career counseling more broadly available. Workers need to know where they can turn to get guidance about how and where to advance. This could be achieved by refocusing WIA spending in order to make substantive career counseling available to everyone who is interested. Any such expansion of services needs to be paired with a comprehensive marketing campaign so that people are regularly reminded of the opportunity. The WIA route is attractive because it could be paid for by redirecting funds from existing WIA programs, rather than by finding new money to allocate to workforce development. Of course, more could be accomplished with additional resources, particularly since public spending on job training has been declining as a share of gross domestic product since the 1980s (Holzer 2009). The challenge would be overcoming public perception of the WIA-funded one-stop centers as places that help the unemployed.

Teenagers might feel more comfortable using the career services available at their local high schools. Even if they only serve their current students, counselors in high schools can make a large impact on students' career decisions. However, counselors are spread thin and have limited time available to give career advice. In 2006 there was one counselor for every 285 high school students in the United States (Barton 2006), and the number of students per counselors has most likely risen because of budget cuts during the recession (Flaherty 2013). Where counselors do remain, they primarily advise students how to find the right college, not the right career. This leaves students who would be well suited for skilled technical jobs without advice on that option. The lucky ones find their way to community colleges, where they may get better career direction. Many others will enter the workforce with no guidance about preparing for a career.

Information about Training Programs

One of the reasons that career counselors are so crucial is that there is little public information that can guide individuals toward job openings and training programs. Unlike four-year institutions, community colleges are not featured and compared in guides to finding the “best”

program. Good career counselors become experts on local employers and training options. Therefore, the second option would be to give the public access to information about different career training options.

At a minimum, there are five pieces of information that need to be available to help individuals choose a career path and training program: 1) the proportion of people completing the program who are employed in a related field a year later, 2) the median monthly earnings of people a year after their completion of the program, 3) the average weekly hours the completers worked a year after finishing, 4) the percentage of people who start the program who also finish, and 5) the number of completers. This information should be gathered on a two- or three-year rolling basis so that it is up to date and also robust to idiosyncratic fluctuations. Such material would tell individuals how likely it is that the program would lead to a job, what they can expect to earn, and the probability of finishing the curriculum.⁵ The data would come from annual surveys of students who have completed programs, which are currently used at some community colleges. These statistics would have to be collected for all the major types of training providers: proprietary schools, career centers, community colleges, and Internet-only schools.

Supporting the Training Process

The third way to facilitate advancement would be to provide support services while individuals are in training. Many such services have been put into place in the last couple of decades, but it would be worthwhile to expand them further. Policies that make training more affordable for individuals, such as repealing the automatic reduction of Pell Grants for students attending low-tuition schools and expanding the number of seats in community colleges, could also help people advance (Kazis et al. 2007). Working adults would especially benefit if subsidized student loans were extended to part-time students. Offering a complete set of courses when working people find it convenient has become more important with the increased need for lifelong learning and growth in single-parent and dual-earner families. People who go to school at night have difficulty finding child care, so expanding these programs is also important.

Community college is one of the best mechanisms we have in place for facilitating advancement. These institutions are usually lower

in cost, and their students have higher earnings and employment rates five years after entering school than observationally similar proprietary school students (Deming, Goldin, and Katz 2012). Many are highly responsive to the requirements of local employers, which helps them prepare students for occupations with available openings. Community colleges welcome students who take one or two classes of their choosing, enabling people to get just the training they need, so continuing to improve and expand these institutions is essential. Three areas stand out as opportunities for development: 1) enlarging programs with waiting lists and strong placement records, 2) assessing students to ensure that those enrolling in high-demand programs are likely to succeed, and 3) steering students to programs that have high placement rates.

Even with limited information available, many people are able to find training that leads to jobs. As a result, many of the community college programs with the best placement records have waiting lists. This is especially true in health careers. For example, nursing and radiological technology programs often have one-to-two-year waiting lists.⁶ If these programs could expand capacity, it would help individuals advance and assist hospitals in coping with the shortage of nurses and radiology techs. Of course, this is a difficult task, and two major factors that limit the growth of programs have proven hard to address: the lack of instructors (Yordy 2006) and the scarcity of opportunities for clinical training. Both stem in part from the choices of local employers: people qualified to be instructors can earn more practicing than teaching, and most clinical training happens at local hospitals. Partnerships between educational institutions and employers, such as Cincinnati's Healthcare Career Collaborative, are the most likely way to address these problems.

Until programs with waiting lists and strong placement records grow, we can facilitate advancement by doing a better job of allocating the limited spots available. Particularly in health career programs, a substantial minority of students drop out of training programs. Some community colleges now allocate seats in health sciences programs with wait lists based on students' academic aptitude (Moltz 2010). This should become standard practice for community colleges across the country.

Providing information and counseling to help people choose occupations and training programs is crucial to reorienting our workforce

development system toward advancement. Improving student advising at community colleges is a relatively easy way to do this. In the last 10 years, tremendous gains have been made in creating longitudinally linked wage record files from the unemployment insurance system. Some states and community colleges are using these data to produce rich information about the employment and wages of students who have earned credentials. Many community colleges survey recent graduates as another way to learn about the career outcomes of their students. However, this knowledge is often not conveyed to students. Advising tends to focus on student desires, which may or may not include an awareness of the job prospects associated with different training paths. If advisers consciously direct students to programs that lead to employment, both students and the local economy will benefit.

Of course, advisers can only steer the students with whom they meet. According to the 2013 Community College Survey of Student Engagement, 50.8 percent of community college students never or rarely use career counseling; 20.2 percent responded “Don’t know/not applicable” (Center for Community College Student Engagement 2013). Career counseling is needed by more than the scant 29 percent of community college students that sometimes or frequently use it.

Placement Assistance

The last strategy that can help promote advancement is placement assistance. Not everyone knows the importance of finding a job that also offers a career. Placement support needs to help people find employers and also determine whether the employer will assist them in advancing further. Continuing to provide job readiness training, which has proven to be a cost effective way to help people retain their jobs (Holzer 2009), is also worthwhile.

PROGRAMS THAT HAVE SHOWN PROMISE

The Cleveland/Cuyahoga County Workforce Investment Board

Some exciting new workforce development programs have been implemented that also demonstrate how to facilitate advancement. The

Cleveland/Cuyahoga County Workforce Investment Board (CCCWIB) completely reinvented itself in 2010 because of a combination of budget cuts and disappointment with the share of participants who were unable to find work after completing training. Under the direction of Larry Benders, the agency shifted roles from that of a traditional WIB, which views itself as an organization that provides training for hard-to-employ individuals, to one more like an employment placement agency. Essentially, because of the 2007–2009 recession, the number of people with job skills coming into the CCCWIB’s employment centers dramatically increased. This meant that the challenge was finding openings for them, not making them employable.

To find positions, the CCCWIB combines cold-calling employers with a sales force similar to that of a for-profit employment agency. The CCCWIB matches the openings to a database of people looking for employment. Qualified individuals receive calls informing them of an opportunity and its application procedure. Positions for which the number of qualified prospective workers is insufficient are targeted for job training. Individuals with an interest and aptitude for the opening are hired by the employer, who receives a grant to defray the cost of training the clients. This hews to the idea of advancement in that it focuses job training resources on cases in which qualified workers are hard to find and on those individuals who show strong potential for success.

The CCCWIB’s new demand-facing approach has only been in place since July 2010 and has not been rigorously evaluated. However, the available evidence suggests that the strategy is producing better outcomes. Compared to the rest of Ohio in the program years since the new approach was implemented (2010 and 2011), the CCCWIB saw more improvement in the outcomes of exiters than did the rest of the state. The results are reported in Table 5.1. In 2011, the entered employment rates (the percent of exiters who were unemployed at the beginning of their program who were employed one quarter after exiting from the program) for both adult and displaced worker exiters were above the comparable rates in 2007, while for the rest of the state these two indicators were well below their 2007 levels. Similar patterns hold for the average earnings of adult exiters, but for displaced worker exiters the CCCWIB and the rest of the state had similar changes in earnings. The CCCWIB also had larger increases in the number of adults and displaced workers served during 2010 and 2011 than did the rest of the state.

Table 5.1 Exiter Outcomes for Cleveland/Cuyahoga County Workforce Investment Board (CCCWIB) and the Rest of Ohio, 2007–2011

Program year	Exiter's entered employment rate (%)				Average earnings (2012\$)			
	Adults		Displaced workers		Adults		Displaced workers	
	CCCWIB	Rest of Ohio	CCCWIB	Rest of Ohio	CCCWIB	Rest of Ohio	CCCWIB	Rest of Ohio
2007	80.1	78.2	84.7	87.5	14,702	16,264	18,479	18,629
2008	75.5	75.3	82.6	85.1	19,118	16,085	20,005	18,833
2009	53.1	65.6	62.3	68.6	14,755	15,472	17,405	18,038
2010	79.8	66.4	79.5	73.1	14,889	14,965	18,885	19,519
2011	91.2	72.9	91.1	79.1	18,244	15,585	19,564	19,487

SOURCE: Author's calculations from data included in State of Ohio Workforce Investment Act Annual Reports for program years 2007–2011(Ohio Department of Jobs and Family Services 2013); Consumer Price Index for All Urban Consumers (U.S. Bureau of Labor Statistics 2013a).

At the same time that the outcomes of CCCWIB's exiters improved more than those for the remainder of the state, the Cleveland area was experiencing slower employment growth than the rest of Ohio. Table 5.2 gives the percentage change in employment during each program year for the Cleveland Core Based Statistical Area (CBSA)—which has the county served by the CCCWIB as its core—and for the rest of Ohio.⁷ In each program year from 2007 to 2009, the Cleveland CBSA lost a larger share of its employment than did the rest of Ohio. In 2010 and 2011, the Cleveland CBSA had less growth than did the rest of the state. This is especially true in program year 2011, when employment grew by 0.51 percent in the CBSA and 2.31 percent in the rest of the state. The fact that the Cleveland area was growing less than the rest of the state during the implementation of the demand-facing approach makes the larger improvement in the outcomes of the CCCWIB's exiters all the more impressive.

The experience of the CCCWIB also gives hope that the public job training system can be radically transformed without additional funding. Due to the formulas for allocating WIA dollars, the CCCWIB saw its budget cut in half from 2007 to 2011. This means that the WIB served more clients and improved their outcomes at the same time it was cutting staff and services. Other WIBs may also find it possible to achieve better results without increasing budgets by focusing on finding open positions, matching workers to those jobs, and training people when there are not enough qualified applicants.

While the CCCWIB's new approach has only been in effect since July 2010, this innovative program has performed exceptionally well in a difficult time. More people are being placed into jobs (Perkins 2011), and those individuals are earning more than in the past. Anecdotally, employers are finding it valuable to partner with the WIB. People are receiving training that actually leads to jobs, and firms are getting help preparing people for hard-to-fill positions. This is a leading example of how the workforce system could promote advancement and make labor markets more efficient.

Other Workforce Development Initiatives

A pilot program that has shown promise is the Frontline Decision Support System (FDSS), which was a partnership between the W.E.

Table 5.2 Percentage Change in Employment in Cleveland Core Based Statistical Area (CBSA) and the Rest of Ohio, 2007–2011

Program year	Cleveland CBSA	Rest of Ohio
2007	-1.31	-1.12
2008	-6.43	-6.13
2009	-0.64	-0.22
2010	0.57	0.97
2011	0.51	2.31

NOTE: WIA program years run from July of the indicated calendar year through June of the following year. The employment percentage changes are calculated from June of the indicated calendar year to June of the following calendar year.

SOURCE: Seasonally adjusted Current Employment Statistics June 2007 to June 2012 (U.S. Bureau of Labor Statistics 2013b).

Upjohn Institute for Employment Research and the Georgia Department of Labor.⁸ The Upjohn Institute has developed a methodology that takes advantage of aggregate labor market and administrative data from the unemployment insurance system and the Georgia Career Centers. For individuals served, the FDSS determines job prospects using advancement-oriented criteria: the chance of finding work in the client's most recent industry, the likely pay in the client's next position, and the occupations related to, growth prospects of, and available job openings in the client's most recent occupation.

The job counselors at Georgia Career Centers have been able to use this information to help clients target their job searches or pursue training that will help them secure a job. The FDSS also assisted with this task by giving counselors data on which class of service was most effective for prior clients who were similar to the current client. This helped counselors guide individuals to the type of training that has the best prospects for success. The two pilot implementations of this program have received positive feedback from both staff and clients (Eberts and O'Leary 2009), but the state of Georgia has cancelled the program.

The FDSS has promoted advancement in three ways. First, it has helped individuals to develop realistic expectations about their job prospects, which prevents them from declining positions that pay less than what they want but more than they should expect. Second, it has given individuals a sense of the prospects for their occupation, which helps people in fading fields choose to train for another career. Finally, it has

provided guidance on which services are most likely to lead to employment. Giving counselors more relevant information should increase the number of job seekers who pursue training that helps them advance.

In the arena of workforce development, programs that focus on specific sectors and on developing career pathways are seen as the most promising route forward (Holzer 2009). Sectoral initiatives with a successful track record, such as the Wisconsin Regional Training Partnership and Jewish Vocational Service of Greater Boston, combine close relationships with employers and, relative to most WIA-funded activities, long and intensive training that addresses basic skills (8th grade-level math, reading, and critical thinking), field-specific skills, and job readiness (Maguire et al. 2010). Participants also have substantially larger earnings increases than do those in the typical WIA program. The average earnings gain was \$4,000 per year for participants in the most successful sectoral program (Maguire et al. 2010), versus only \$1,200 per year for WIA participants (Holzer 2009).

Sectoral workforce programs share many of the features that an advancement-focused workforce system would need. First, they screen applicants and work only with those who are anticipated to succeed in training, which typically requires 6th-grade reading skills. This means that they are better targeting their services to people who are likely to advance than the WIA system does. Public/Private Ventures evaluated three of these programs and found that 7.0 percent of their participants did not have a high school degree or general equivalency diploma (GED), compared to almost 16.7 percent of people who received intensive services through WIA in program year 2005 (Maguire et al. 2010; Social Policy Research Associates 2010). This difference is statistically significant at the 0.1 percent level. Second, sectoral programs foster close relationships with employers, helping to focus training on occupations with available openings. Finally, these programs stress developing technical competencies related to specific occupations, rather than basic skills or job readiness. This emphasis on hard skills training is essential to advancement.

In fact, the success of these sectoral programs may make the best case for shifting to an advancement-focused workforce system. They all have a mission to serve disadvantaged workers, a pool of individuals that typically find it more difficult to succeed in training. It is likely that similar efforts would produce even more impressive results if they placed

less emphasis on socioeconomic status and more emphasis on aptitude. This is not to say that programs that serve disadvantaged workers and job seekers are unimportant. We should maintain and grow efforts like these while simultaneously introducing similar programs to promote advancement that serve a broader cross section of the workforce.

These notable workforce development programs all have a greater focus on advancement than is typical. Each of them has shown promise, although only sectoral training has been experimentally evaluated. Collectively, they suggest that reorienting our workforce development system toward advancement can be successful, both in theory and in practice.

CONCLUSIONS

Workforce development policy has two fundamental goals: to assist individuals who are struggling in the labor market, and to help employers find workers with the skills they need. The track record on helping individuals is mixed; the one on helping employers is even weaker. We could do better at both goals if we reoriented our workforce development system toward helping people advance into open positions. This would require redirecting resources away from individuals who are not working toward those who are and who have good potential for promotion. Given the small benefits disadvantaged workers typically get from government-sponsored training, it is important to not overstate the value of the existing programs for this group of individuals.

Promoting advancement is especially important in the Rust Belt for several reasons. Targeting resources to help people upskill into open positions would speed the process of adapting to further losses of manufacturing employment. Increasing the supply of workers eligible for midskilled jobs that manufacturers report having difficulty hiring, such as machinists and industrial equipment mechanics, may reduce employment losses by encouraging manufacturers to stay in the region. Finally, the incremental improvements in skills associated with advancements can add up and reduce the gap in skills between the Rust Belt and the nation as a whole.

It may be possible to reorient our workforce development system toward advancement without additional funding. This new approach would probably provide more intensive services, but it would also serve fewer people. This is because people would be trained for open positions; the best estimates are that there are usually 10 times as many people (employed and unemployed) looking for new jobs as there are available jobs (Lafer 2002). Both individuals and employers would be better assisted by a program that moves fewer people into open positions than by one that provides many people training that does not lead to jobs. In fact, the CCCWIB was able to greatly improve its placement results by becoming “demand facing” despite simultaneously suffering large budget cuts.

It is reasonable to hope that this strategy would also assist the disadvantaged people who are currently the focus of the U.S. workforce development system. Research and common sense suggest that the primary obstacle faced by these individuals is the chasm between the large number of people searching for low-skilled work and the smaller quantity of available positions. Helping people advance can lessen the gap by moving people from this market to more-skilled labor markets. Furthermore, it is likely that having more people progress to skilled employment will stimulate the economy because of increases in both productivity and earnings. As the experience of the 1990s showed us, sustained economic growth is the most reliable way to assist disadvantaged workers on a large scale.

Notes

1. These are averages of the occupation group-level Help Wanted OnLine data (Conference Board 2013) from the first month data are available to the beginning of the most recent recession.
2. Based on Table 5.2 in Persky, Felsenstein, and Carlson (2004) and adjusting wages for inflation from 1992 to 2012.
3. These figures are the author’s calculations from the Annual WIASRD Data Books for program 2007–2009 (Social Policy Research Associates 2010).
4. A career center is a Perkins Act vocational educational venue that serves high school students and adults. The centers provide classroom and cooperative training, usually for a smaller set of occupations than would a community college.
5. Completion can be hard to define because sometimes students get enough training

to be hired for a skilled technical job prior to finishing a program. Whether or not these people should be counted as completers is a difficult question. The premise here remains relevant: students need to know if the program leads to employment and the pay and hours associated with that work.

6. While there are not good aggregate data on the length of community college wait-lists, there are reports from the popular media, such as Korry (2010). Data are available on the number of eligible students turned away from entry-level baccalaureate nursing programs. In the 2010–2011 academic year, 101,060 students were accepted to these programs while 58,327 eligible students were turned away (American Association of Colleges of Nursing 2012). This implies that admissions would increase by more than half if there were sufficient capacity.
7. WIA program years run from July of the indicated calendar year through June of the following year. The employment percentage changes are calculated from June of the indicated calendar year to June of the following calendar year.
8. This description of FDSS summarizes Eberts and O’Leary (2002).

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