

THE WORKING POOR FAMILIES PROJECT

POLICY BRIEF
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Strengthening State Policies to Increase the Education and Skills of Low-Wage Workers

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States recognize the importance of creating and maintaining a competent workforce, as nearly all states invest their own revenues in worker training programs. These programs are intended to positively impact workers, individual businesses, and overall state economic growth and development.

Research shows that low-skill, low-wage workers can gain from additional education and training.³ In fact, educational attainment, particularly postsecondary education and training, is often cited as a key factor contributing to increased worker earnings and career advancement.⁴ While higher education and skills can benefit workers, employers today are increasingly calling for workers with higher level skills.

Studies project that almost half of the fastest-growing occupations through 2014 will require an occupational credential or a postsecondary degree; lower-skill positions will also grow but will continue to offer correspondingly low wages and few prospects for meaningful advancement.⁵ Despite a growing demand for skilled labor, low-skill, low-wage workers often find few opportunities either within or outside of their workplace to access much-needed skills training.⁶ This problem is compounded by the reality that too few states design worker training programs with an eye toward this population.

The Working Poor Families Project (WFPF) supports state nonprofit organizations' efforts to strengthen state policies that can help low-income workers achieve economic security and become productive participants in the local economy. WFPF encourages states to focus their workforce and economic development policies and programs to better serve low-skill, low-wage workers. Too few states, however, target their resources to benefit this population. Even more alarming, some programs restrict the uses of training resources so that businesses wanting to address the needs of these workers are precluded from doing so. Fortunately, some states have developed policies and programs to help businesses raise the skill levels of workers. This report will briefly describe those initiatives and offer recommendations for strengthening state training policies.

THE WORKING POOR FAMILIES PROJECT Strengthening State Policies for America's Working Poor

Millions of American breadwinners work hard to support their families. But, despite their determination and effort, many are mired in low-wage jobs that provide inadequate benefits and offer few opportunities for advancement. In fact, more than one out of four American working families now earn wages so low that they have difficulty surviving financially.²

Launched in 2002 and currently supported by the Annie E. Casey, Ford, Joyce, and Mott foundations, the Working Poor Families Project is a national initiative that works to improve these economic conditions. The project partners with state nonprofit organizations and supports their policy efforts to better prepare America's working families for a more secure economic future.

For more information:
<http://www.workingpoorfamilies.org>

THE NEED FOR TARGETED STATE TRAINING PROGRAMS

Researchers forecast that the coming years will likely lead to an increased shortage of skilled workers; demographic projections suggest these concerns will intensify in the near future.⁷ Employers are already expressing serious concerns about both the size and, particularly, the quality of the current workforce. For example, the Indiana Chamber of Commerce has found that one-third of Hoosier workers – roughly one million workers – lack the skills necessary to help businesses compete in the 21st century economy.⁸

Current data support these concerns. Nationally, 25 million workers aged 18 to 64 lack a high school diploma or equivalent. Another 52 million adults have no postsecondary experience. *This constitutes almost one-half of the adult workforce in the United States.*⁹ This situation is exacerbated by the fact that one of the fastest growing segments of the labor market is the immigrant population, many of whom lack the language and occupational skills to contribute to higher level tasks increasingly required by many businesses. And despite wishful thinking, there are not enough students in the current K-12 system to meet projected labor market demands. In fact, “demographers tell us with certainty that as the population gets older, if just the same proportion of students completes high school as today, the percentage of working-age adults with a high school education will actually decline by four percentage points by 2020.”¹⁰

Without educated and skilled workers, U.S. businesses will find it increasingly difficult to be productive or globally competitive. But make no mistake, without a sufficient supply of qualified local labor, American businesses will find other options to remain competitive, including importing labor, outsourcing, or technology innovations.

Unfortunately there is little reason to think that the federal government is sufficiently prepared to address this situation. Resources for workforce training have declined dramatically over past decades¹¹ and the funds to address literacy and language issues have increasingly fallen behind the growing demand for such services.

States have an important role and opportunity to help address this situation. Most states already invest in some type of worker training programs.¹² The program model varies from state to state, but generally provides financial assistance to individual employers or a consortia of employers to train new hires or upgrade the skills of existing workers. The training is typically provided by organizations with specific competencies for training and often includes local community colleges or public educational institutions. These programs are financed in various ways. These include general fund appropriations, funds tied to the unemployment insurance program,¹³ the sale of bonds or other debt instruments, or a combination of resources including federal workforce training dollars.

States have significant latitude in how they design and target their worker training programs, as there are few constraints with most state funding sources. Unfortunately, a common feature of most state training programs is their failure to target funds to address the training needs of low-skill, low-wage workers.

Ohio is an example of a state without explicit provisions for low-income workers in the two major state-funded training programs, the Ohio Investment Training Program (OITP) and the Ohio Training Tax Credit Program (OTTCP). The OITP reimburses employers for up to half of their costs of training new and incumbent workers, while the OTTCP provides tax credits of up to \$100,000 in value to businesses to support training for full-time incumbent workers who have been employed with the company for at least 180 consecutive days. Both programs grant a relatively substantial amount of training dollars—\$12.3 million in training funds were provided through the OITP in 2003, and \$20 million in OTTCP tax credits are allocated annually. The OITP requires base hourly wage rate commitments for employees receiving training, and the OTTCP cannot be used for executive and management staff training; however, neither program requires that training benefit low-income or low-skilled workers. OTTCP funding is targeted at training activities designed to remediate skill deficiencies in order to improve the job performance of incumbent workers and increase their potential for continued employment.

Maryland is another example where two key state training programs (Maryland Industrial Training Program and the Partnership for Workforce Quality), with a total budget approaching \$3.7 million, also fail to give strong consideration to the needs of low-skill workers. Perhaps more significantly, the programs actually preclude key services such as literacy training for incumbent workers. These programs are administered by the state's business and economic development agency, which has resisted suggestions to strengthen the program to address the needs of low-skill workers. In contrast, the state workforce agency, at the urging of the WFPF state partner in Maryland (Job Opportunities Task Force) and one of the largest employers in the state did modify its incumbent worker training program to allow adult education, including GED and English as a Second Language, as an eligible activity.

It can be argued that although many programs do not target low-skill workers there is nothing in the law or regulations to specifically prohibit using such resources for low-skill workers. Unfortunately, given that most states do not track and account for the types of workers who benefit from these expenditures, it is difficult to know for sure whether low-skill and low-wage workers are being served. And one can reasonably question who is benefiting from these expenditures when programs such as Missouri's Community College New Jobs Training initiative reports earnings averaging \$19 an hour, hardly the average wage of low-skill or low-income workers.¹⁴

There is ample reason to suggest that states can meet an important workforce need by directing training resources to low-skill workers. Paul Osterman in a recent Urban Institute Press book notes that businesses tend to invest minimally in their low-skill workforce:

“The problem, however, is that training in private firms is biased away from low-skilled front-line workers. There is a substantial labor economics literature documenting that people with higher levels of education receive disproportionately more training (Lerman, McKernan, and Riegg, 2004 review the

literature). One representative finding is from the National Household Education Survey of 1995 in which 22 percent of workers in the bottom quintile of earnings reported receiving employer supported education compared to 40 percent in the top quintile (Ahlstrand, Armbruster, Bassi, McMurrer, and Van Buren, 2001, p. 329). International comparisons make the same point. In the International Adult Literacy Survey of the United States, Canada, Germany, Sweden, and the United Kingdom the relative participation in occupational training of those with a less than a high school degree compared to those with a university degree was far less in the United States than in the other nations (Kletzer and Koch, 2004, p. 255).”¹⁵

Economists note that there are many rational explanations why employers do not invest more in lower level workers. But the Conference Board (a preeminent business membership and research organization) found that “employers overwhelmingly report increased profits and other bottom-line benefits when their employees gain basic skills that enable them to work more effectively”.¹⁶ The report calls for state government to increase their support for workplace training program for low-skilled adult workers.¹⁷

State-sponsored worker training programs can be designed to target low-skill, low-wage workers to facilitate their full participation in the economy of tomorrow. And businesses will support investments in these programs as evidenced by the Conference Board report and the Maryland experience noted above. In addition, as will be illustrated below, there are numerous ways that states can finance these initiatives, including non-traditional sources.

TRAINING PROGRAMS THAT TARGET LOW-INCOME WORKERS

In a recent report, Jobs for the Future stressed the following point: “Rapid economic changes challenge the ability of states to be competitive. Linking postsecondary education and sophisticated skills

training with lower skilled workers and their employers is both critical and immensely challenging.”¹⁸

A handful of states—California, Kentucky, Minnesota, New Jersey, and Texas—have addressed this challenge by implementing worker training programs that target low-income and low-skill workers in some meaningful way. These programs use a variety of mechanisms to target and otherwise ensure the participation of low-income, low-skill workers in state-funded training programs.

Because there are so few targeted programs, there is a scarcity of evaluation documenting the benefits to low-skill workers. Poppe et.al. note that “job training and other postsecondary education can produce substantial employment and earnings gains, even for those with lower skills, if basic education and training are closely linked”.¹⁹ A specific evaluation of the California’s Employment Training Panel program (described below) found that the program “improved the wages of workers who participated in training, particularly low-wage workers. Those who completed training experienced an increase of \$4,647 over those who did not complete the program. Trainees with the lowest pre-training earnings experienced the largest earnings gains. Training also appeared to improve employment stability.”²⁰

Detailed descriptions of the relevant programs are found below, and Table 1 highlights key details about each program including responsible state agency and budgets. These programs are funded through a variety of sources, none of which prohibit targeting resources to low-skill workers.

PROGRAMS SUPPORTED BY UNEMPLOYMENT INSURANCE RELATED FUNDS

California’s Employment Training Panel (ETP) is among the oldest and largest incumbent worker training programs in the nation. The program has an annual budget of \$70 to \$80 million which comes from the Employment Training Fund, where revenues are generated from one-tenth of one percent of subject unemployment insurance wages paid by every private, for-profit employer and some non-profit employers in the state. Training grants are made to employers to train new and existing workers, with a special

focus on production and other front-line workers and industries that are experiencing substantial technological advances and/or competition from other states and abroad. Ten percent of training funds (about \$7 to \$8 million annually) are set aside for “special employment training projects, including programs that serve low-income workers.” This past year, ETP reinstated an initiative that focuses on current or former CalWORKS (TANF) recipients. Projects emphasize training for entry-level (pre-apprenticeship) positions in the construction, healthcare, hospitality, services, and other targeted industries. As noted above, evidence suggests that participants at all wage levels experience wage growth after participating in an ETP-sponsored training program and low-income workers see the greatest income gains.

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The state of **New Jersey** operates a Workforce Development Partnership Program with a \$100 million dollar budget funded through Unemployment Insurance revenue. One goal of the program is to allocate 15 percent of training funds to programs in which the primary beneficiaries are former cash assistance recipients. Under this initiative, the state operates a Customized Training program which provides financial and other support to individual employers; labor, employer and community-based organizations; and partnerships of education institutions and employers or organizations to offer training, particularly in the manufacturing industry, but also in any industry with demonstrated growth or a critical worker retention issues. Another program within the Workforce Development Partnership Program is the Literacy/Basic Skills Training Program to which one-fifth (about \$20 million annually) of the overall budget is allocated. This program awards grants to individual employers and other interested organizations, alone or in partnership with training providers to provide training to qualified displaced, disadvantaged, and employed workers in the areas of reading comprehension, basic math, basic computer literacy, English proficiency, and work-readiness skills.

STATE GENERAL REVENUES AND OTHER RESOURCES

The **Minnesota** Jobs Skills Partnership (MJSP) Program undertakes several grant activities to train the state's workforce, some of which are designed to target specifically the low-income, low-skill worker population. Chief among these are the Low-Income Worker Training Grants (\$1.8 million) which are designed to pay for training for individuals with low incomes in order to get skills that are in demand in the local labor market. Grants are given to state public, private, and non-profit groups, alone in or in partnership, which provide employment services to low-income individuals. The main goal is to pay for relatively short-term training for low-income individuals, both those who are currently unemployed and in low-wage jobs. Eligible trainees must have incomes at or below 200 percent of the federal poverty line and funded grants are typically one to two years in duration. In 2006, 15 awards were made that focused on short-term training for occupations such as health care, welding, manufacturing, medical administration, building maintenance and banking.

The state of **Texas**, through the Texas Workforce Commission, operates a number of worker training programs, including the Skills Development (not exclusively for low-income workers, however) and Self-Sufficiency Funds. Both programs provide grants to local community and technical colleges to develop training programs in partnership with local businesses and unions. The Self-Sufficiency Fund Program (\$6 million) is designed specifically to create new jobs and/or provide worker retraining to current or former TANF and Food Stamp clients. Here, the state partners with public community and technical colleges, higher education extension services, and community-based or faith-based organizations to design, finance, and implement customized job training programs for the creation of new jobs and/or worker retraining. The goal is to help trainees move into employment and off public assistance. Grants are provided only to those programs in which participants are prepared for jobs with specific employers and, therefore, employers must participate in the competitive application process. Often, employer consortia apply to achieve economies of scale and to increase

the likelihood for grant approval. In 2002-2003, \$12 million in TANF funds was appropriated to the Self-Sufficiency Fund. Since then, the program has faced budget cuts—now operating with close to half of the baseline funding. Because the program operates separately, data is available on outcomes related to low-income workers. During the three years from FY 2002-FY 2004, the Self-Sufficiency Fund provided training resources for 4,991 new jobs and 3,427 retained or upgraded jobs.

Kentucky through the Bluegrass State Skills Corporation (BSSC) operates a modest program (\$200,000) that specifically addresses the needs of employed low-skill workers. The program, Workplace Essential Skills, offers custom-designed training programs to eligible employers. The program must target trainees that are at least 16 years old, not enrolled in a high school, lack the basic educational skills to function effectively in society, not have a high school diploma or a GED or an equivalent level of education, or are unable to speak, read, or write English. Importantly, two other BSSC worker training programs – the Grant-In-Aid program and the Skills Training Investment Credit program – allow companies to use these resources to address the same objectives of the Workplace Essential Skills program. The WES is funded with federal adult education dollars while the other two initiatives are supported with state general funds.

Although the above programs intentionally serve low-skill and low-income participants, other state training initiatives have the opportunity to benefit this population because of the focus and design of their program. One notable effort is the **Massachusetts'** Extended Care Career Ladder Initiative (ECCLI). ECCLI is a program that is targeted to a specific industry, the nursing home industry. For the most part, the program focuses on continuous skill development and training for entry-level Certified Nursing Assistants (CNAs) and directs some resources to workers in even lower-level positions. Since CNAs are not required to have a high school diploma this program serves a population that is comprised primarily of workers with minimal education and low skills as well as low earnings. This initiative as well as other sector programs can benefit low-skilled workers if focused on sectors and businesses that are primarily comprised

of low-wage workers and if directly designed so that workers obtain the competencies and skills to advance to identified and available jobs within a career ladder framework.

The programs profiled are a representative sample of the types of programs that have been enacted by states to provide training dollars to serve low-income, low-skill workers. Some programs are directly targeted to such populations while others merely give high priority to training programs with this focus. In the end, too few states attempt to target training dollars to low-income, low-skills workers or include benefits to these populations as a stated program goal.

CONCLUSIONS AND RECOMMENDATIONS

States have the flexibility to focus their workforce training programs on the needs of low-skill, low-wage workers. They also have a responsibility to do so if they want to provide employers with a sufficient supply of qualified local labor. And, of course, they have a civic obligation to ensure that all hard-working adults have an equal opportunity to gain the education and skills necessary to succeed in the labor market.

The states identified in the previous section have enacted programs that intentionally serve low-skill, low-wage workers. In some instances, the allocated resources are sizeable and in others more is likely needed. In some states (California, Minnesota and Texas) the initiative targets participants based on their income level or eligibility for another program, while in others (New Jersey and Kentucky) the program focuses on participants with minimal skills. States finance these programs from a variety of sources, including state general funds, tax offsets from the Unemployment Insurance program, and funding from programs dedicated to target populations, such as Adult Education, TANF, and WIA.

This policy brief does not address the issue of which program design elements make a targeted workforce training initiative successful. However, a recent Center for Law and Social Policy report entitled “Wising Up: How Government Can Partner with Business to Increase Skills and Advance Low-Wage Workers”²¹ is an excellent source of promising program practices and procedures. The report addresses the need for support services, on-site training, work

release time, training for certificates or credentials, and connections to postsecondary education. It also stresses the importance of developing effective training partnerships between government, business and training providers such as community colleges.

There is much work ahead if state policies are going to be sufficiently strengthened to address the education and skills needs of the 77 million adults who have no postsecondary experience.

Of course, any steps to implement these recommendations and refocus state efforts must start with helping state policymakers understand the immediate importance of addressing the needs of the adult workforce. This means building a strong case that the future economic success of the state is strongly influenced by the education and skill levels of today’s adult workforce.

WORKING POOR FAMILIES PROJECT RECOMMENDATIONS:

State groups can consider promoting the following:

- 1) Dedicate and target a significant portion of all state workforce training resources to the needs of low-skill, low-wage adults.
- 2) Redirect significant state economic development resources away from traditional business incentives (loans and grants, capital purchases, and general tax credits) to workforce training that is directly focused on low-skill, low-wage workers.
- 3) Involve employers in the design of training programs so that the training is linked to specific employer workforce needs.
- 4) Focus training on industry sectors with high demand and workforce career ladder opportunities.
- 5) Broaden the eligible program activities for all state training programs to include basic skills and literacy education for new and incumbent workers.
- 6) Track and measure the outcomes of all training expenditures and report on how workers benefit from these investments. These data should include:
 - 1) completion of skills training programs,
 - 2) whether participants obtained a credential, and
 - 3) income of participating workers before and after training.

Table 1: Features of Selected Training Programs that Target Low-Income Workers

State and Program	Administering Agency	Funding Source	Budget	Program Design
California: Employment Training Panel (ETP)	California Employment Training Panel	Unemployment Insurance Tax Off-set	\$70-\$80 million per year	Grants to companies to train new workers and retrain workers in danger of being laid off due to technological advancements and/or foreign and domestic competition.
Kentucky: Workplace Essential Skills (WES)	Bluegrass State Skills Corporation	State General Funds	\$200,000 per year	Grants to companies to address the lack of basic skills and literacy of existing workers.
Massachusetts: Extended Care Career Ladder Initiative (ECCLI)	Commonwealth Corporation	State Funds	\$1.5 million for 2007 and \$15 million total since 2000	Grants to consortiums of nursing homes, community colleges, and others to create career ladders and to address staff training, work environment and quality-of-care issues in nursing home industry.
Minnesota: Low-Income Worker Training Program	Minnesota Job Skills Partnership Board	State General Funds: State Workforce Funds	At the discretion of the MJSP board. \$1.8 million in grants made in FY 2006	Grants to pay for training for low-income individuals for skills that are in demand in the local labor market.
New Jersey: Literacy/Basic Skills Program	New Jersey Workforce Development Partnership Program	Unemployment Insurance Tax Off-set	About \$20 million per year	Grants to individual employers and other interested organizations, to provide training to qualified displaced, disadvantaged, and employed workers in the areas of reading comprehension, basic math, basic computer literacy, English proficiency, and work-readiness skills.
Texas: Self-Sufficiency Fund	Texas Workforce Commission	State TANF Funds	\$6 million in 2003	Partnerships with public community and technical colleges, and community-based or faith-based organizations to design, finance, and implement customized job training programs for the creation of new jobs and/or worker retraining, with the goal of moving trainees into employment and off public assistance.

ENDNOTES

¹ Thanks to Heath Prince, Jobs for the Futures; Barbara Baran, California Budget Project; Don Baylor, Texas Center for Public Policy Priorities; Carrie Thomas, Minnesota Jobs Now Coalition; Roberta Garber, Community Research Partners of Ohio; and Deborah Povich for their excellent advice and feedback in developing this policy brief.

² Tom Waldron, Brandon Roberts and Andrew Reamer. "Working Hard, Falling Short," Working Poor Families Project, October 2004, p. ii.

³ Nan Poppe, Julie Strawn and Karen Martinson. "Whose Job Is It: Creating Opportunities for Advancement," *Workforce Intermediaries in 21st Century*. Robert P. Giloth (Ed.) Philadelphia, PA: Temple. 2003, pgs. 41-50.

⁴ Education Testing Service. *America's Perfect Storm: Three Forces Changing Our Nation's Future*. Princeton, New Jersey, January 2007, pg. 4.

⁵ Ibid. p. 17.

⁶ Paul Osterman, "Employment and Training Policies: New Directions for Low-Skilled Adults," *Reshaping the American Workforce in a Changing Economy*, edited by Harry J. Holzer and Demetra Smith Nightingale. The Urban Institute Press, Washington, D.C., 2006, pg. 124.

⁷ Education Testing Service.

⁸ Future Works. *A Demand-Side Strategy to Meet Indiana's Workforce Basic Skills Challenge*. Indiana Chamber of Commerce Foundation, January 2005, pg.5.

⁹ American Community Survey 2004 as analyzed by the Population Reference Bureau.

¹⁰ James Mingle, Bruce Chaloux and Angela Birkes. *Investing Wisely in Adult Learning is Key to State Prosperity*. Southern Regional Education Board, Atlanta, 2005, pg. 1.

¹¹ The Center for Urban Futures reports that the U.S. is "spending an astonishing 10.7 percent of what we spent on these programs 28 years ago." See: http://www.nycfuture.org/images_pdfs/pdfs/FINAL%20MATRIX.pdf, pg. 3.

¹² Employment and Social Services Policy Studies Division, Center for Best Practices, National Governors' Association. *A Comprehensive Look at State-Funded, Employer-Focused Job Training Programs*. Washington, D.C., 1999.

¹³ The U.S. General Accounting Office conducted a study of UI financed state worker training programs in 2004 and found a total of 23 states with such programs. See: <http://www.gao.gov/new.items/d04282.pdf>

¹⁴ Heath Prince, Radha Roy Biswas and Jack Mills. *Building Skills, Increasing Economic Vitality A Handbook of Innovative State Policies*. Jobs for the Future, Boston, November 2005, pg. 28.

¹⁵ Osterman. pg. 124.

¹⁶ Michael Bloom and Brenda Lafleur. *Turning Skills Into Profits: Economic Benefits of Workplace Education Programs*. The Conference Board, New York. Research Report 1247-99-RR, 1999, pg. 4.

¹⁷ Ibid. pg. 10.

¹⁸ Heath Prince and Jerry Rubin. *Building New Labor Market Institutions: State Policies that Support Workforce Intermediaries*, Jobs for the Future, Boston, November 2006, pg. 1.

¹⁹ Poppe. pg. 43.

²⁰ California Budget Project. *Working Hard, Falling Short: Investing in California's Working Families*. Sacramento, California, December 2004, pg. 36.

²¹ See: <http://www.clasp.org/publications.php?id=9>

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