

# U.S. Workforce Development in the COVID–19 Era: American Jobs Plan and Future Directions for a More Effective and Inclusive Labor Market

Sehun Oh (The Ohio State University College of Social Work)

Amid continued labor market restructuring, the widening skill gaps in the U.S. requires our immediate attention. In response, the Biden administration proposed the American Jobs Plan and its workforce development strategy in early 2021, hoping to create millions of jobs in high-demand sectors and train vulnerable job seekers and workers (including female and racial/ethnic minority populations) to alleviate the labor shortage problem in the high-demand sectors. While the American Jobs Plan will offer a temporary solution to the labor market challenges faced by the vulnerable individuals, a long-term, fundamental overhaul of the public workforce development system must be ensued to establish a more effective and inclusive labor market in the COVID–19 era. This article discusses several empirically supported suggestions to improve the current public workforce development system in the U.S.

## 1. U.S. Labor Market Restructuring and Needs to Reskill Vulnerable Workers

Technical progress and international trade continue to drive labor market restructuring in the United States (U.S.). According to the 2017 McKinsey report, nearly 30% of total jobs, especially in manufacturing and services, are anticipated to disappear across the nation by 2030 (Manyika et al., 2017). This ongoing transition in the labor market is expected to fall hardest on low-income job seekers and workers with limited marketable knowledge and

job skills—especially, female and racial/ethnic minority populations (hereinafter referred to as *vulnerable workers*)—raising concerns about equity in the future economy (Arntz, Gregory, & Zierahn, 2016; Broady, 2017; Firtzpayne, Pollack, & Greenberg, 2017). In fact, the COVID-19 pandemic not only reduced employment opportunities the most for vulnerable workers, but also the recovery has not been uniform. That is, vulnerable workers face persistently greater risks of frequent and long-term unemployment since the economic shutdown in the Spring of 2020 (Hershbein & Holzer, 2021).

The U.S. labor market restructuring, at the same time, poses opportunities for the workforce. Primarily driven by technological shifts and increasing health care needs for aging populations, more jobs have been created in industries, such as advanced manufacturing, health care, information technology, and transportation/logistics (Holzer, 2015a; Manyika et al., 2017). According to the latest estimate, over 3 million additional jobs in health care and up to 2 million jobs in construction are expected to be created between 2016 and 2030 (Manyika et al., 2017). These high-demand sectors often require workers to exhibit a range of general and occupation specific skills that can be obtained through longer-term, intensive education and training activities with at least some postsecondary education.

Despite the growing opportunities in the high-demand sectors, employers have had a hard time to fill vacancies for a short supply of qualified workers in the U.S. (Katz & Krueger, 2019; Weil, 2019). According to the Programme for the International Assessment of Adult Competencies (PIAAC) survey, nearly 36 million Americans were estimated to lack basic skills in terms of literacy, numeracy, and problem-solving in technology-rich environments<sup>1)</sup> (OECD, 2013). On the other hand, adequate education, job training, and employment opportunities have not been readily available to disadvantaged, working-aged

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1) Problem-solving in technology-rich environments (PS-TRE) is an assessment domain of the PIAAC. PS-TRE evaluates an individual's ability to conduct tasks (i.e., commands and functions) performed in the email, web pages, and spreadsheets (National Center for Education Statistics, n.d.).

populations, including over six million young adults living in high poverty areas (Bird et al., 2014). The growing shortage of the workforce in high-demand sectors has drawn much attention to the importance of reskilling the vulnerable job seekers and workers by revamping the existing public workforce development system to be more effective and inclusive.

## **2. The Existing Workforce Development System for Vulnerable Workers in the United States**

In the U.S., the public workforce development system for vulnerable workers consists of (1) mandatory welfare-to-work programs for individuals receiving public assistance (e.g., Temporary Assistance for Needy Families [TANF] cash assistance) and (2) voluntary employment training programs for a broader group of low-income individuals with employment barriers (e.g., Workforce Innovation and Opportunity Act [WIOA] programs<sup>2)</sup>, Registered Apprenticeships,<sup>3)</sup> Job Corps<sup>4)</sup>). Administered by the U.S. Department of Health and Human Services and respective state agencies, welfare-to-work programs require TANF assistance recipients—mostly parents or caregivers of children living in extreme poverty (i.e., with monthly household income of \$800 or less in most states) to engage in job search and other work-related activities (Hahn, Klassianbian, & Zedleswki, 2012). On the other hand, a series of voluntary programs, administered by various federal and state agencies, such as U.S. Department of Labor and Department of Housing and

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2) The WIOA (Public Law 113–128), replacing the Workforce Investment Act on July 1, 2015, became the major federal legislation that stipulates workforce investment activities designed to meet the employment and skill needs among disadvantaged youth/adults, dislocated workers, and employers.

3) Registered Apprenticeship is a federal program that trains individuals (aged 16 or higher) with employment barriers primarily in skills trade (e.g., carpentry, electricity, plumbing) and other (e.g., childcare, health aids, transportation) occupations. Apprentices engage in on-the-job training along with technical instruction in their chosen sector to obtain nationally recognized certificates (U.S. Department of Labor Employment and Training Administration, 2014). As of 2019, over 630,000 apprentices were enrolled in 26,000 programs nationwide (U.S. Department of Labor Employment and Training Administration, 2017).

4) Job Corps is a federal employment and training program for disadvantaged youths of ages 16–24. This program offers employment/training and other support services (including monthly allowance) primarily in residential settings (Schochet, Burghart, & McConnell, 2008). Approximately 50,000 youth joins Job Corps programs annually and remain for about 9.6 months on average (U.S. Department of Labor, 2019).

Urban Development, target disadvantaged (i.e., low-income, displaced, and public assistance recipient) youth and adults and offer career and training services. The services generally include adult basic education, job search and career counselling, and employment/training opportunities (e.g., job search, classroom/on-the-job training, subsidized employment) although there exists a wide variation across programs (Hahn et al., 2016).

Evidence suggests that the existing public workforce development system overall has not been effective in improving long-term labor market outcomes among vulnerable workers for several reasons (Holzer, 2021a). First, the funding level has been inadequate and declining over time. The combined federal funding—excluding direct public expenditures on higher education—constitutes only 0.1% of the U.S. Gross Domestic Product, less than one fifth of the average rate other OECD countries spend (Brown & Freund, 2019). Even worse, the funding has also been declining over time, including a 40% cut in state grants for the WIOA programs since 2001 (Fitzpayne & Pollack, 2018). The limited financial support reflects the major shift of the workforce development agenda in the early 1990s from the pre-employment human capital development approach (i.e., longer-term education and training) to the immediate employment approach (Greenstein, 2015; Negrey et al., 2000). Especially for the welfare-to-work and WIOA programs, most participants received only job search and/or other basic services without postsecondary education or intensive job training, limiting their chance to acquire marketable job skills needed to obtain more stable and modest-paying jobs (Oh, DiNitto & Powers, 2020a; 2020b).

Programs focusing job skills development, such as Registered Apprenticeship and Job Corps, showed some promises, but access to those programs has been limited for individuals with significant barriers to training and employment. In 2010, for instance, less than 10% of new enrollees of Registered Apprenticeship were female while over 90% of the new apprentices had completed high school or higher education (Reed et al., 2012). Furthermore, adequate childcare support and other accommodations have been lacking.

Consequently, female apprentices, on average, received fewer hours of training and were less likely to complete the training compared to their male counterparts (Reed et al., 2012). As we witness adverse impacts of the COVID-19 pandemic on employment and economic conditions among female and racial/ethnic minority individuals, quality training and robust support system for vulnerable workers are needed more than ever to establish a more effective and inclusive workforce development system.

### **3. The American Jobs Plan and Workforce Development for Vulnerable Workers**

As part of his plan to revitalize the U.S. economy and create a more effective and inclusive workforce development system following the COVID-19 recession, the Biden administration proposed a total of \$2 trillion investment plan on the U.S. infrastructure over the next eight years. The initial proposal from the early 2021 included public investment in physical infrastructure (e.g., transportation [\$621 billion], clean energy infrastructure [\$100 billion]), ‘home’ infrastructure (e.g., construction or improvement of 2+ million houses and public housing [\$253 billion]), and ‘care economy’ (e.g., expansion of home- or community-based care for older adults and people with disabilities [\$400 billion]) (The White House, 2021). This so-called “Green New Deal” is anticipated to create millions of jobs primarily in construction and advanced manufacturing, which have been already in a short supply for qualified workforce in the past 10 years (Holzer, 2021a).

To meet the increasing needs for qualified workers, the American Jobs Plan also included a \$100 billion investment plan for workforce development with special emphasis on training individuals permanently laid off or been out of labor market (Holzer, 2021a). Specifically, the initial proposal allocated (1) \$40 billion on sector-based training programs<sup>5)</sup>

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5) Sector-based training is a “demand-driven” model to train disadvantaged youth/adults and dislocated workers for high-demand sectors in the local or regional economy. In close partnerships among employers, training providers (e.g., community colleges), and local workforce development boards, this training model aims to help vulnerable workers to acquire job skills in line with local employers’ needs (Holzer, 2015b).

and new dislocated worker programs, (2) \$12 billion on subsidized jobs and other assistance for individuals with employment barriers (e.g., justice-involved individuals), and (3) \$48 billion on promoting the delivery of education and job training opportunities, such as Apprenticeship, career pathways and other technical education opportunities in high schools and community colleges (Holzer, 2021a; The White House, 2021).

The American Jobs Plan's investment proposal for the public workforce development system has received positive responses from key stakeholders. First, the expansion of evidence-based training approaches is critical to support vulnerable workers' transition to high-demand sectors in the COVID-19 era. Evidence showed that sector-based training programs led to higher employment rates and earnings gains among vulnerable workers compared to their control groups. Per Scholas (New York, NY) and Wisconsin Regional Training Partnership (Milwaukee, WI)<sup>6</sup>, for instance, resulted in annual earnings gains of \$2,449 and \$4,003 in 2018 US dollars, respectively (Oh, DiNitto & Kim, in press). The gains were sufficient to help the participants exit poverty within two years following their program participation. Furthermore, creation of additional one to two million Apprenticeship slots are expected to boost employment and earnings among vulnerable workers. A cost-benefit analysis study estimated that apprentices would earn \$98,718 (and \$240,037 for apprenticeship completers) in 2000 U.S. dollars more than nonparticipants over a career (Reed et al., 2012).

More importantly, an acknowledgment of the underrepresentation of female and racial/ethnic minority individuals in employment and training programs as well as of targeted support for the hardest-to-serve populations make an important step towards a more inclusive public workforce development system. Pre-apprenticeship programs (e.g., the Women in Apprenticeship, Non-Traditional Occupations Grants) and new career

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6) Per Scholas offers technical training to certify program participants (mostly immigrants with high school education) (Maguire et al., 2010). The Wisconsin Regional Training Partnership offers short-term technical training in medical/nursing assistant or construction occupations to former public assistance recipients (Maguire et al., 2010).

pathways programs<sup>7)</sup> are anticipated to increase women's representation in government-sponsored training programs and employment in non-traditional, high-demand sectors, which have been predominantly male professions (Holzer, 2021a; The White House, 2021).<sup>8)</sup> Furthermore, prioritizing workforce development and employment support for underserved communities as well as investment in subsidized work and assistance for at-risk individuals (especially, justice-involved youth and adults) will help to reskill more racial/ethnic minority populations, narrowing the racial/ethnic gaps in employment and economic inequalities in the U.S.

#### **4. Future Directions for the Public Workforce Development System in the COVID-19 Era**

The American Jobs Plan, if passed, would provide much-needed resources to reskill and employ additional vulnerable workers over the next eight years. However, a more long-term, fundamental overhaul of the existing public workforce development system must be ensued to establish a more inclusive labor market in the COVID-19 era. In the midst of the continued labor market restructuring and widening skill gaps among vulnerable job seekers and workers, several proposals are discussed below.

First, an adequate level of public funding needs to be secured for effective workforce development programs focusing on to serve vulnerable populations. Following a prolonged period of the lowest government expenditures on workforce development among the OECD countries, the American Jobs Plan's temporary funding allocation would not be

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7) Career pathways is a workforce development model that emphasizes an identification of employer-validated work readiness and competency in partnerships with local employers of high-demand sectors, development of articulated education and training steps to meet such demands, and provision of the curriculum to diverse vulnerable populations to promote their employment (Else, Lanier, & Stadd, 2015; Sarna & Strawn, 2018).

8) Pre-apprenticeship programs will help vulnerable female workers' successful transitions into Registered Apprenticeship and subsequent job skills development for the occupations (e.g., advanced manufacturing, constructions) that will be created as part of the infrastructure bill. On the other hand, the career pathways programs will prioritize women's access to Science, Technology, Engineering, and Mathematics (STEM) field by building on partnerships with local employers and training service providers.

sufficient to close the skill gaps, originating from the persistent structural changes in the U.S. economy. The current ‘immediate employment’ approach is no longer a viable option to meet the increasing needs in high-demand sectors that require at least some postsecondary-level education and job training (Oh, DiNitto, & Powers, 2020a; 2020b). Instead, a consistent stream of adequate investment in effective employment and training programs (e.g., sector-based training, apprenticeships, some career pathways programs) is essential to reskill vulnerable workers and facilitate their labor market success. The public investment in workforce development may be also used to subsidize employers to offer worker retraining (Holzer, 2021b). Since the mid-1990s, drastic reductions in employer-sponsored education and training opportunities have been reported, including a 36-42% fall in the percentages of workers receiving employer-sponsored training from 1996-2008 and 20% fewer employers offering tuition assistance for their employees’ education from 2008-2017 (Council of Economic Advisers, 2015; Society for Human Resource Management, 2017). Incentivizing employers to retrain and retain their employees while serving disadvantaged job seekers and dislocated workers through a more inclusive public workforce development system will promote vulnerable workers’ successful adjustments to the ongoing labor market shifts.

Second, income and other support services must accompany quality training to ensure vulnerable workers’ successful program participation and completion. As reskilling for high-demand sectors generally require significant time commitment and resources beyond their reach, vulnerable workers’ various needs (e.g., income, affordable childcare, transportation, social support) need to be properly addressed as part of core service components (Snyder, de Brey, & Dillow, 2016; Oh, DiNitto, & Kim, in press). However, stipends or subsidized wages, for instance, are not generally available during training with few exceptions, such as Job Corps. Because a majority of the welfare-to-work and WIOA program participants are low-income youth or single mothers in care of children, provision of self-sufficient wage to meet their basic needs is essential. Another critical need for



program participants, especially parents, is childcare. Job training in skills trade has not been family friendly, limiting disadvantaged parents' training access and completion. For Registered Apprenticeship, many participants, especially in construction or correctional services, tend to have a long commute to worksites and/or have classes after work, which complicate their childcare arrangements (Reed et al., 2012). However, childcare support is rarely provided by Apprenticeship and thus leave childcare responsibilities solely onto parent participants (Reed et al., 2012). Contrary to these public programs, effective job training programs often included income assistance, childcare support, transportation, life coaching/mentoring, and retention services in addition to sector-specific education and training opportunities (Oh, DiNitto, & Kim, in press).

Third, an institutional support for workers to obtain new skills over the course of their career needs to be available. With the ever-changing labor market and job skills in demand, many workers will be asked to acquire new skillsets for new occupations as well as update their skills for their existing jobs over time (Fitzpayne & Pollack, 2018). To help workers to meet ever-changing skill needs during their careers, resources to pursue educational and training activities must be readily available under worker's control, especially for vulnerable workers. Lifelong Learning and Training Account (LLTA) is one of such examples. While different program designs have been proposed (e.g., the Lifelong Learning Accounts Act of 2008, The Skills Investment Act of 2013, the Lifelong Learning and Training Account Act of 2018), LLTA is essentially an employer- and/or government-matched, portable account that can be used to fund education/training activities at any time during workers' careers (Firtzpayne & Pollack, 2018; The Council for Adult and Experiential Learning, 2007). While scientifically rigorous evaluations of LLTA demonstrations are needed, an economic modelling by Fitzpayne and Pollack (2018) estimated 23 million Americans' participation in the program over the next ten years, with most of the expenses going towards low-income workers, helping them to acquire new skills over their careers.

## 5. Conclusion

The COVID-19 pandemic has accelerated the transition in the U.S. labor market, requiring immediate action to close the skill gaps. If the public workforce development system continues to rely on the immediate employment approach, the shortage of qualified workers in high-demand sectors is likely to grow over time. The American Jobs Plan, if successfully and timely passed and implemented, will offer opportunities to millions of vulnerable job seekers and workers to acquire marketable job skills following one of the worst economic recessions in the U.S. history. However, the passage of the initial proposal is less than optimistic or timely as the negotiations at the Congress have been stalled. In addition to a swift passage of the American Jobs Plan including its workforce development proposal, fundamental and long-term changes in the public workforce development system must be pursued for moving towards a more effective and inclusive labor market. Such changes need to include an adequate and consistent stream of public funding for effective job training programs (e.g., sector-based training and Apprenticeship programs), income and other support services to increase participation and completion rates among female and racial/ethnic minority workers, and institutional support to allow educational/training pursuit over the course of vulnerable workers' careers. With a more accessible and inclusive public workforce development system, the U.S. labor market will become more productive and resilient despite the persistent economic restructuring.

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