

EFFORTS TO ENCOURAGE SELF-SUFFICIENCY AND IMPROVE THE WELL-BEING OF VULNERABLE FAMILIES confront a range of challenges, which were discussed at the Building Human Capital and Economic Potential conference in Madison, Wisconsin, on July 16-18, 2014. There is widespread agreement that work must be central to any strategy, but also that the low-wage and often part-time, variable-hours work that many low-income families rely on (with support from the Earned Income Tax Credit and Supplemental Nutrition Assistance Program), does not provide enough income to cover a family's basic needs. Conference contributors and attendees sought to identify the most cost-effective ways to build skills and earnings potential among both current and future workers. Some of the most promising ideas are featured in this policy brief.

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ON THE HEELS OF THE GREAT RECESSION, unemployment is nearing its pre-recession level and long-term unemployment is falling, with fewer discouraged workers.

Promising Training and Education Systems

Build Robust Apprenticeship Systems

Increase demand for and supply of valuable skills and matching.

Raise skills and employability; provide natural mentors.

Enhance conceptual and hands-on skills with using what is learned.

Foster innovation through imparting in-depth skills.

Increase workers' skills, which produces a sense of pride and occupational identity.

Give firms a competitive advantage.

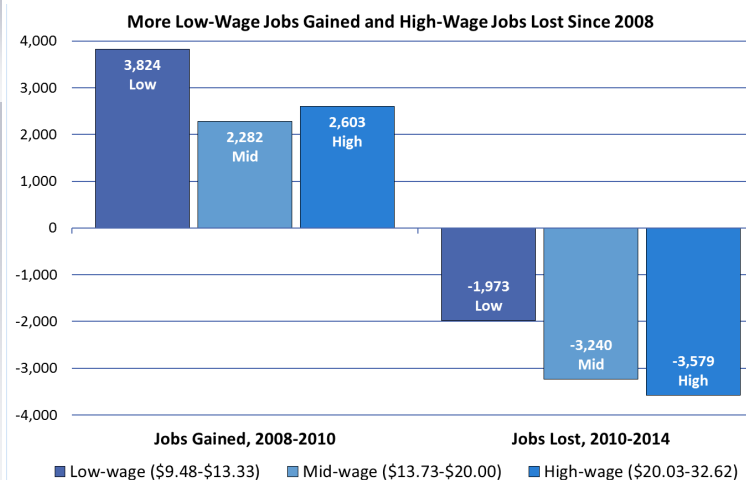
Improve Information and Incentives in Community College Systems

Postsecondary students often don't choose wisely in course-taking due to both poor information and poor incentives faced by postsecondary institutions. Therefore, institutions should be given incentives to:

Build more partnerships with industry associations.

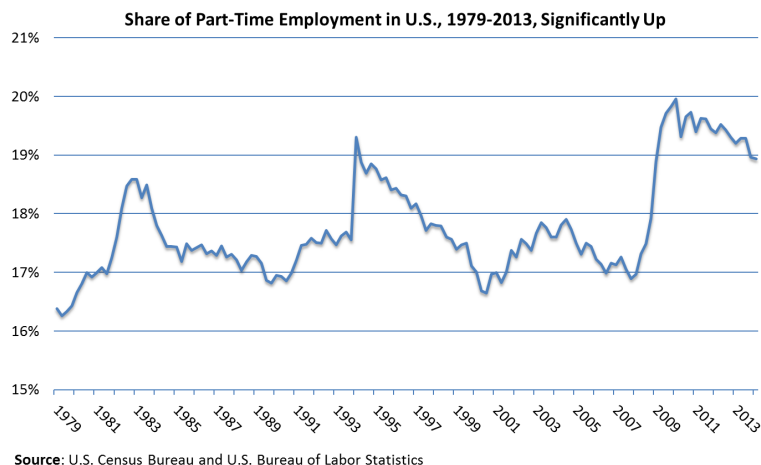
Arrange sectorial and career pathway programs.

Maximize participant returns via performance measures that determine state subsidies for postsecondary institutions.



BUT THERE IS STILL CAUSE FOR CONCERN:

- The labor force participation rate, at 62.8%, is still near its lowest level since the late 1970s, and the teenage unemployment rate remains stubbornly high at 21%.
- Much of the new hiring is concentrated in low-wage fields, while higher-paying sectors such as manufacturing and construction are lagging behind.
- Anemic wage growth, despite steady new hiring, also suggests underlying weaknesses in the economy that are holding down consumer spending and confidence levels.



FURTHERMORE, THE RECOVERY HAS NOT BEEN BROADLY SHARED:

- Low-income families are still dealing with job losses, benefit cuts, depressed wage growth, a lack of affordable child care, and a shift toward part-time, variable-hours jobs that hamper efforts to find full-time work.
- The labor market prospects for some hard-to-employ groups such as ex-offenders are dismal.
- Falling demand for the labor of low-educated men contributes to the decline in marriage and increase in children living in poor, single-headed households seen over the last several decades.

Promising Policy Ideas to Address Human Capital and Labor Market Challenges

THE POLICY IDEAS PRESENTED HERE are a selection of many that were discussed at the conference. A second policy brief showcases additional ideas. Conference contributors recognized that there will be trade-offs in pursuing these various policy options, and that rigorous cost-benefit analyses should be planned with their implementation.

Improve Vocational and Technical Education Systems and Their Connections to the K-12 Education System and Labor Market Opportunities

EVIDENCE

- High school students in career/technical education (CTE) programs designed through public-private partnerships have better graduation outcomes and higher rates of certificate completion than similar peers who do not participate. Technology/industrial and health care courses and programs with high-quality infrastructure and strong mentoring have particularly high returns.
- Research shows very high returns to some U.S. apprenticeship programs and demonstrates that expansion at low cost is feasible.
- Returns to vocational education at the community college level are generally substantial, in the neighborhood of 10 percent. Returns are highest for associate degrees awarded in health-related fields (pursued primarily by women).
- Economically disadvantaged students typically enter postsecondary education with more basic skill deficits and less support for making informed course choices than more advantaged students, and they often also fare less well.

POLICY RECOMMENDATIONS

- Provide more high-quality CTE and on-the-job training at the secondary school level. Consider adopting more broadly Massachusetts' successful regional vocational tech school model, which engages employers in developing program offerings that mirror labor market demand.
 - Extend Pell grants and other subsidies for postsecondary education and training to apprenticeship opportunities and invest more in marketing and technical assistance initiatives for apprenticeships.
 - Provide more useful information to community college students and advisors about the returns to educational choices, such as requiring counseling for financial aid recipients on college course-taking and program selection.
- Provide stronger incentives for educational institutions to generate information on program outcomes and make it available to students, and devise mechanisms that direct funding to the most effective programs.

Increase Employment and Labor Demand, Particularly for Those with Limited Labor Force Attachment and Other Barriers to Employment

EVIDENCE

- Slack labor demand threatens to impede human capital accumulation by limiting work opportunities for people who are least attractive to employers.
- Populations with the most significant barriers to work are not getting a toehold in the labor market or maintaining employment.
- Employers' use of part-time, temporary, and short-hours work arrangements also limits the accumulation of work experience and participation in employer-provided training, which in turn reduces many hard-to-employ workers' long-term earnings and growth potential.

POLICY RECOMMENDATIONS

- Increase the use of strategies that subsidize employers through hiring credits, especially state hiring credits that target the longer-term unemployed.
- Provide large, short-term wage subsidies to the hard-to-employ, such as single mothers and ex-offenders, to support their accumulation of work experience and greater labor force attachment.
 - Scale up programs with demonstrated success, such as New Hope, that encourage full-time employment through provision of earnings supplements and child care.
- Modify the Fair Labor Standards Act to provide protections for workers regarding work hour and schedule unpredictability.