

## **Testimony of Harry J. Holzer before Subcommittee on Higher Education and Workforce Training, Committee on Education and Workforce, U.S. House of Representatives**

February 26, 2013

Chairwoman Foxx, Ranking Member Hinojosa and Subcommittee Members:

I am very pleased to be here today and to have the opportunity to address important questions about the future of our nation's workforce system.

I'd like to make the following points:

- 1. The need for effective education and workforce services that would improve the skills of American employees and thus serve the interests of workers, employers, and the overall economy has never been greater than it is today.*

Having the educational levels and occupational training valued by employers is clearly a precondition for any worker who wants to achieve family-sustaining earnings in our current economy. But large percentages of American workers lack such education and skills.<sup>i</sup> The fact that many millions of workers today suffer long-term unemployment that further erodes their skills and labor market information (because of the Great Recession) only exacerbates this problem. And, even with today's high levels of unemployment, many employers seem to have difficulty finding sufficiently skilled workers to fill vacant jobs.<sup>ii</sup> Employers who face or anticipate these difficulties have incentives to create fewer jobs in America, and fewer good-paying ones at that.

- 2. Ironically, we continually invest fewer resources in workforce services over time to meet this need, and we invest much less than do most other industrial nations. Program consolidation and budget sequestration both threaten to aggravate this disturbing trend.*

By almost any measure, funding for workforce programs in the U.S. has fallen dramatically over time, and especially in the past few years. Such expenditures now constitute less than .1% of GDP, which is less than what virtually any other industrialized country spends on such services.<sup>iii</sup> The capacity of our One-Stop offices to provide needed services to millions of workers under current budgets is often limited, and longer-term training funded within this system has become almost nonexistent. An ongoing budget sequestration, which threatens to further reduce discretionary spending of many kinds, could severely exacerbate this trend; and consolidation might exacerbate it as well, since it is often used as justification for cutting budget appropriations in the workforce area.<sup>iv</sup>

- 3. Consolidation of many small employment and training programs into one clearly has potential benefits, in terms of savings on administrative costs, as well as potential costs, in terms of particular populations being less well-served than they are today. Both the*

*benefits and costs of any approach to program consolidation should be carefully considered before it is implemented.*

As the recent report by the U.S. Government Accountability Office (2011) indicated, there are potential savings that could be achieved by consolidating administrative structures and collocating some workforce services between the many small employment and training programs now in existence.<sup>v</sup> But the report also points out that *we currently have virtually no evidence on how large these potential benefits of consolidation really are.* Furthermore, merging such programs might make services less accessible to many groups considered hard-to-serve, such as ex-offenders or disconnected youth, than they are today. The adage “one size does not fit all” applies very strongly to different demographic groups with different levels of skill deficiency and different kinds of barriers to participation in the workforce, and it is important that our programs recognize these differences and account for them.

4. *It is very important that we institute reforms to better integrate and coordinate our nation’s education programs with our workforce systems, and make both more responsive to the needs of the U.S. labor market and economy. But a simple consolidation of many programs into one does not necessarily help us achieve this goal.*<sup>vi</sup>

Our nation’s career and technical education, higher education and workforce programs should operate together to better enable workers to gain the credentials valued by employers. Industry-specific partnerships between employers, education providers and workforce agencies are a proven way of achieving this goal, while the existence of clear “career pathways” for students and workers to gain these credentials seems critical as well. Using available data to inform students and educators of which sectors and jobs are in high-demand, and incenting our education and workforce agencies to better meet this demand, is important as well. In my view, the proposed Workforce Investment Act of 2013 contains several key provisions that would move us towards achieving these goals, though it is less clear that the recent consolidation proposals would do so as well. This should be the primary goal of any new workforce legislation in the coming years.

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<sup>i</sup> Claudia Goldin and Lawrence Katz, *The Race Between Education and Technology*, Harvard University Press, 2008; Harry Holzer and Robert Lerman, *America’s Forgotten Middle-Skill Jobs*, The Workforce Alliance, 2007.

<sup>ii</sup> Michael Elsby et al., “The Labor Market in the Great Recession,” National Bureau of Economic Research Working Paper, 2010; Harry Holzer, Testimony before the Joint Economic Committee of Congress, July 2011.

<sup>iii</sup> Chris O’Leary et al. eds., *Job Training Policy in the United States*, W.E. Upjohn Institute for Employment Research, 2004.

<sup>iv</sup> For example, Budget Committee chair Rep. Paul Ryan frequently uses consolidation as justification for cutting funding for WIA and other workforce programs in his proposed federal budgets.

<sup>v</sup> *Multiple Employment and Training Programs: Providing Information on Collocating Services and Consolidating Administrative Structures Could Promote Efficiencies.* United States Government Accountability Office, 2011.

<sup>vi</sup> For a new proposal to promote more such integration and coordination see Harry Holzer, *Raising Job Quality and Skills for American Workers: Creating More-Effective Education and Workforce Development Systems in the States*, the Hamilton Project, Brookings Institution, 2011.