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Chairman Cole, Ranking Member DeLauro, and members of the subcommittee, thank you for inviting me to testify on this important topic.

My name is Douglas Besharov, and I am a Senior Fellow at the Atlantic Council, where I conduct research on international competitiveness and comparative domestic policy. I am also a professor at the University of Maryland School of Public Policy, where I teach courses on poverty alleviation and program evaluation. I also direct our Welfare Reform Academy (WRA) and our Center for International Policy Exchanges (CIPE).

Today, I would like to discuss:

- The skills American workers need to remedy “skills mismatch” and, more ominous, their growing “skills deficit”;

- The limited ability of federal programs to provide training and other services capable of raising employment and earnings; and

- What can be done to improve current programs, particularly through the use of more market or market-like mechanisms.

This is a giant topic, of course. Today, my testimony focuses largely on the Workforce Innovation and Opportunity Act (WIOA) and its predecessor, the Workforce Investment Act (WIA). I start with a short discussion of skills mismatch and the skills deficits of the American workforce.

Skills mismatch and the skills deficit

The US economy and, hence, the US labor market, is changing before our eyes. Jobs and industries that for decades provided steady and well-paying opportunities are disappearing—or pay much less under pressures from global competition and automation. This shifting labor market means that, to see their earnings rise, American workers need to be able to move not just to new employers, but also to entirely new industries.

Many American workers have not been able to make this shift, as shown by the large number of unfilled jobs even in the face of historically high levels of long-term unemployment and underemployment. There is, as you know, disagreement between many academics[1] and the large segments of the business community[2] about the existence and size of a "skills mismatch." This is not the place to settle that argument, but there seems to be reasonably wide agreement that a lack of requisite skills keeps hundreds of thousands, if not millions, of Americans from getting a job or getting a better job.

Professor James Bessen of Boston University makes this larger point: "Today's unemployment is largely a cyclical matter, caused by the recession and best addressed by macroeconomic policy. Yet although skills are not a major contributor to today's unemployment,

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[1]See, for example, Gary Burtless, "Unemployment and the 'Skills Mismatch' Story: Overblown and Unpersuasive," https://www.brookings.edu/opinions/unemployment-and-the-skills-mismatch-story-overblown-and-unpersuasive/ (accessed March 24, 2017); Patricia Buckley and Rumki Majumdar, *A Growing Skills Mismatch? Not Necessarily* (Washington, DC: Deloitte University Press, April 2015), https://dupress.deloitte.com/dup-us-en/economy/behind-the-numbers/us-skills-mismatch.html (accessed March 24, 2017); Peter Cappelli, *Skill Gaps, Skill Shortages and Skill Mismatches: Evidence for the US* (Cambridge, MA: National Bureau of Economic Research, August 2014), http://www.nber.org/papers/w20382.pdf (accessed March 24, 2017); and Sophie Quinton, "Why the 'Skills Gap' Doesn't Explain Slow Hiring," *Stateline*, November 14, 2016, http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2016/11/14/why-the-skills-gap-doesnt-explain-slow-hiring (accessed March 24, 2017).

[2]See, for example, Martha Laboissiere and Mona Mourshed, *Closing the Skills Gap: Creating Workforce-development Programs That Work for Everyone* (New York: McKinsey and Company, February 2017), http://www.mckinsey.com/industries/social-sector/our-insights/closing-the-skills-gap-creating-workforce-development-programs-that-work-for-everyone (accessed March 27, 2017); and Manpower Group, *Human Age 2.0: Future Forces at Work* (Milwaukee, WI: Manpower Group, 2016), https://manpower.com/wps/wcm/connect/3f1fa392-c7f8-4e77-94f6-090c88430307/Human+Age+2+Future+Forces+at+Work.pdf?MOD=AJPERES (accessed March 27, 2017).

the longer-term issue of worker skills is important both for managers and for policy."[3] He explains:

> [Although] technologies eliminated some jobs for clerks and warehouse laborers, they also created new jobs by creating new capabilities. However, these new jobs require specialized skills among both the managers and technicians, who typically have college degrees, as well as among the less educated operational occupations. Workers who have these skills, often learned on the job, are actually in short supply. . . . As with weaving and other nineteenth-century technologies, automation of some tasks increases the value of the remaining tasks, even as new or deeper skills are needed. But workers with those skills are not readily available, nor do robust labor markets initially provide the right incentives for workers to acquire those skills.[4]

If, as many expect, the pace of economic change continues to accelerate, the need for retraining (perhaps more accurately "uptraining") will grow in importance for an even larger proportion of unemployed and underemployed Americans.

An even more serious problem, however, is looming in the background: A deep "skills deficit" between American workers and those of our major global competitors that threatens to undermine a much larger share of our economy. Let me give you just one indicator.

Starting in 2011, the Organisation for Economic Co-operation and Development (OECD) fielded its Programme for the International Assessment of Adult Competencies (PIAAC), a study of cognitive and workplace skills of adults between the ages of sixteen and sixty-five in twenty-three developed countries (including the United States).[5] PIAAC assesses proficiency in three skill areas—literacy, numeracy and problem solving in technology-rich environments—and presents the results by demographic and socioeconomic characteristics.[6]

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[3]James Bessen, "Employers Aren't Just Whining–The 'Skills Gap is Real," *Harvard Business Review*, August 25, 2014, https://hbr.org/2014/08/employers-arent-just-whining-the-skills-gap-is-real (accessed March 24, 2017).

[4]James Bessen, "Scarce Skills, Not Scarce Jobs," *The Atlantic*, April 27, 2015, https://www.theatlantic.com/business/archive/2015/04/scarce-skills-not-scarce-jobs/390789/ (accessed March 28, 2017).

[5]Countries that participated in the first round of PIAAC: Austria, Australia, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Japan, Korea, the Netherlands, Norway, Poland, the Slovak Republic, Spain, Sweden, the United Kingdom (England and Northern Ireland), and the United States. See OECD, *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills* (OECD Publishing, 2013), http://dx.doi.org/10.1787/9789264204256-en (Accessed April 5, 2016).

[6]OECD defines literacy as "the ability to understand, evaluate, use and engage with written texts to participate in society, to achieve one's goals, and to develop one's knowledge and potential," numeracy as "the ability to access, use, interpret and communicate mathematical information and ideas in order to engage in and manage the mathematical demands of a range of situations in adult life," and problem solving in technology-rich environments as "the ability to use digital technology, communication tools and networks to acquire and evaluate information, communicate with others and perform practical tasks." See OECD, *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills* (OECD Publishing, 2013), 59: http://dx.doi.org/10.1787/9789264204256-en (Accessed April 7, 2016).

PIAAC's findings are sobering for what they say about the future US workforce. Decades ago, the United States was widely seen as having the most highly-skilled workforce in the developed world.[7] Now, when compared to the rest of the developed world, the U.S. is below the median country on all of the PIAAC measures. The U.S. ranks sixteenth out of twenty-three in literacy, twenty-first out of twenty-three in numeracy, and seventeenth out of nineteen in problem solving in technology-rich environments.[8]

The reason for this relative decline? Older Americans (ages 55-64) are still among the most skilled in the world; they ranked toward the top on two of the PIAAC measures (literacy and problem solving) and about the middle for numeracy. But younger American adults (ages 16-24) are far less skilled than their counterparts in other developed countries; they ranked either last or second-to-last on all PIAAC measures. Assuming the validity of the PIAAC measures, as these younger people become a larger part of the workforce, the overall US ranking will fall further—unless something changes to raise their skill levels,

Additional analysis of the PIAAC data reveal significant discrepancies in scores across race, ethnicity, and migrant status. For all ages and in all competencies, black and Hispanic adults had scores that were substantially lower than US whites and also lower than any other developed country. Because minorities make up a greater share of those ages sixteen to twenty-four, this age group had the lowest rankings on all measures. White youth do better than minority youth, but not nearly as well as older white Americans. They ranked ninth out of twenty-three on literacy, nineteenth out of twenty-three on numeracy, and eleventh out of nineteen on problem solving.

This staggering skills decline of the American workforce has been a long time in the making. Thirty years ago, the right-of-center Hudson Institute issued a report titled: *Workforce 2000: Work and Workers for the 21st Century*.[9] In relation to the subject of today's hearing, it predicted a "workforce [that] will grow slowly, becoming older, more female, and more disadvantaged."[10] Its specific recommendations included:

> *Integrate Black and Hispanic Workers Fully into the Economy:* The shrinking numbers of young people, the rapid pace of industrial change, and the ever-rising skill requirements of the emerging economy make the task of fully utilizing minority workers

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[7] Jacob F. Kirkegaard, *The Accelerating Decline in America's High-Skilled Workforce: Implications for Immigration Policy* (Washington, DC: Peterson Institute for International Economics, 2007).

[8] The assessment on problem solving in technology-rich environments was optional, and four countries (France, Italy, Spain, Cyprus) chose not to participate. See OECD, *Time for the U.S. to Reskill?: What the Survey of Adult Skills Says*, (OECD Publishing, 2013), http://dx.doi.org/10.1787/9789264204904-en (Accessed April 5, 2016).

[9] William B. Johnston and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-first Century* (Indianapolis, IN: Hudson Institute, June 1987), http://files.eric.ed.gov/fulltext/ED290887.pdf (accessed March 27, 2017).

[10] William B. Johnston and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-first Century* (Indianapolis, IN: Hudson Institute, June 1987), xiii, http://files.eric.ed.gov/fulltext/ED290887.pdf (accessed March 27, 2017).

> particularly urgent between now and 2000. Both cultural changes and education and training investments will be needed to create real equal employment opportunity.
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> *Improve the Educational Preparation of All Workers:* As the economy grows more complex and more dependent on human capital, the standards set by the American education system must be raised.[11]

That call to action, widely applauded at the time but largely not acted upon, seems prescient.

How large is this skills mismatch? And how large is the skills deficit? There are estimates, of course. But no one knows for sure. The simple point is that both are too large for the good of the nation—and require urgent remediation. Just recently, the papers reported on a new Brookings study that attributed the increased mortality among middle-aged white males to "progressively worsening labor market opportunities."[12]

The limited ability of federal programs to provide training and other services capable of raising employment and earnings

Preparation for work happens at many times during a person's lifetime, in many different ways, and through various social institutions—from parents and other family members, to pre-school and K-12, to college and post-secondary education, and to post-school public and private workforce development and job training programs. Starting with the family, all these institutions face serious challenges.

According to the US Government Accountability Office (GAO), in 2011, there were forty-seven federal job training and workforce development programs,[13] since reduced to about thirty-two by WIOA. In that year, the largest were the Workforce Investment Act (WIA) ($5.9 billion for dislocated and disadvantaged adults and youth), Vocational Rehabilitation ($2.9 billion for individuals with disabilities) Job Corps ($1.8 billion for disadvantaged at-risk youth),

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[11]William B. Johnston and Arnold E. Packer, *Workforce 2000: Work and Workers for the Twenty-first Century* (Indianapolis, IN: Hudson Institute, June 1987), xiv, http://files.eric.ed.gov/fulltext/ED290887.pdf (accessed March 27, 2017).

[12]Anne Case and Angus Deaton, *Mortality and Morbidity in the 21st Century* (Washington, DC: Brookings Institution, March 2017), https://www.brookings.edu/wp-content/uploads/2017/03/6_casedeaton.pdf (March 27, 2017); see also Joel Achenbach and Dan Keating, "New Research Identifies a 'Sea of Despair' Among White, Working-class Americans," *Washington Post*, March 23, 2017), https://www.washingtonpost.com/national/health-science/new-research-identifies-a-sea-of-despair-among-white-working-class-americans/2017/03/22/c777ab6e-0da6-11e7-9b0d-d27c98455440_story.html?utm_term=.7512abcd97e3 (accessed March 27, 2017).

[13]U.S. Government Accountability Office, *Multiple Employment and Training Programs: Providing Information on Colocating Services and Consolidating Administrative Structures Could Promote Efficiencies* (Washington, DC: U.S. Government Accountability Office, February 2011). Although not explicitly a job training program, the Federal Pell Grant Program provides tuition assistance to low-income undergraduate students, including those at community colleges and professional schools.

Wagner-Peyser Employment Services ($1.2 billion for all individuals seeking employment), Vocational Rehabilitation for Veterans ($900 million for disabled veterans), Senior Community Service Employment Program ($688 million for unemployed low-income individuals who are older than fifty-five), and Trade Adjustment Assistance ($686 million for individuals who lost jobs due to international trade).[14]

Among these programs, the most studied is WIOA, formerly the Workforce Investment Act (WIA) and, before that, the Job Training Partnership Act (JTPA).[15] As summarized by Burt Barnow of George Washington University and Jeffrey Smith of the University of Michigan: "Most employment and training programs have either no impact or modest positive impacts. Many do not pass careful social cost-benefit tests, though some that fail may be worth doing on equity grounds."[16] (The mention of "equity" is a reference to the fact that trainees may gain some benefit from the program, but the cost to taxpayers exceeds that benefit.)

The one exception to even these modest positive results are the troubling findings concerning WIA's program for dislocated workers. For dislocated workers, the predominant finding across studies is that the training program is not helpful and may actually be harmful to those who participate. As Paul Decker, president of Mathematica Policy Research, writes, "At best, the evidence suggests that impacts on dislocated workers are not large, and they may be zero or perhaps even negative."[17] (The WIA Gold Standard fifteen-month follow-up also found no significant differences for dislocated workers, although the authors note that these findings may be premature as many members of the program group were still in training or receiving

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[14]Dianne Blank, Laura Heald, and Cynthia Fagnoni, "An Overview of WIA" in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings* (Kalmazoo, MI: W.E. Upjohn Institute for Employment Research, 2011): 49–78.

[15]Fredrik Andersson, Harry J. Holzer, Julia I. Lane, David Rosenblum, and Jeffrey Smith, *Does Federally-Funded Job Training Work? Nonexperimental Estimates of WIA Training Impacts Using Longitudinal Data on Workers and Firms* (Cambridge, MA: National Bureau of Economic Research, September 2013), http://www-personal.umich.edu/~econjeff/Papers/Andersson%20et%20al.%20(2013)%20WIA%20NBER%2019446.pdf (accessed March 28, 2017); Howard S. Bloom, Larry L. Orr, Stephen H. Bell, George Cave, Fred Doolittle, Winston Lin, and Johannes M. Bos, "The Benefits and Costs of JTPA Title II-A Programs: Key Findings from the National Job Training Partnership Act Study," *The Journal of Human Resources*, 32, no. 3 (Summer 1997): 549-574; Paul T. Decker and Jillian A. Berk, "Ten Years of the Workforce Investment Act (WIA): Interpreting the Research on WIA and Related Programs," *Journal of Policy Analysis and Management* 30, no. 4 (Autumn 2011): 906–926; Carolyn Heinrich, Peter R. Mueser, Kenneth R. Troske, Kyung-Seong Jeon, and Daver C. Kahvecioglu, "Net Impact Estimates for the Workforce Investment Act Program" in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2011); and Kevin Hollenbeck, Daniel Schroeder, Christopher T. King, and Weo-Janh Huang, *Net Impact Estimates for Services Provided Through the Workforce Investment Act* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, October 2005). Also, see generally, James J. Heckman, Carolyn J. Heinrich, Pascal Courty, Gerald Marschke, and Jeffrey Smith, eds., *The Performance of Performance Standards* (Kalamazoo, MI: Upjohn Institute, 2011).

[16]Burt S. Barnow and Jeffrey A. Smith, "What We Know About the Impacts of Workforce Investment Programs," (paper prepared for Strategies for Improving Economic Mobility of Workers, Chicago, November 15–16, 2008), 13.

[17]Paul T. Decker and Jillian A. Berk, "Ten Years of the Workforce Investment Act (WIA): Interpreting the Research on WIA and Related Programs," *Journal of Policy Analysis and Management* 30, no. 4 (Autumn 2011): 919.

intensive services.)[18]

Experts and advocates will glom onto these findings as further evidence that "job training works" (because of the modest but consistently positive results) or "job training does not work" (because the modest impacts are not large enough do not meet a cost-benefit test). The broader point is that none of programs that have been evaluated make the kinds of "transformative changes" we would hope for. Jacob Klerman, Senior Fellow, Abt Associates, and editor, *Evaluation Review*, explains:

> Studies of some training programs, though, find moderate impacts—in the range of $500 to $1,000 per quarter for those offered training relative to those not offered the training. For a full-time worker, this would be about $1 to $2 more per hour. Because earnings for the population targeted for job training are low to start with, in part because work is not always full-time and full-year, a $1 to $2 increase is a fifth to a third of earnings. These are not transformative impacts, but they are meaningful.[19]

Even with this low bar, it is most troubling that no one really knows even roughly how many programs fall into each category, and which they are.

What can be done to improve current programs?

Too often, the argument here in Washington is over whether existing job training programs "work." But I think that is the wrong question. Regardless of whether existing programs meet a minimal cost-benefit test, they are simply insufficient to remedy the problems of skills mismatch and skills deficits facing American workers.

In 2015 (the last year for which data are available), WIA served about 1.3 million individuals in the Adult[20] and Dislocated Worker programs (with some duplication).[21] Of these, about 58 percent received only "core" services (such as job listings, computer access, and workshops on resume writing), about 30 percent received "intensive" services (such as skill assessments, individual employment plans, counseling, and, in some instances, work experience

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[18]Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, and Annalisa Mastri, *Providing Public Workforce Services to Job Seekers: 15-month Impact Findings on the WIA Adult and Dislocated Worker Programs* (Princeton, NJ: Mathematica Policy Research, May 2016), 65, https://www.mathematica-mpr.com/our-publications-and-findings/publications/providing-public-workforce-services-to-job-seekers-15-month-impact-findings-on-the-wia-adult (accessed March 27, 2017).

[19]Jacob Klerman, e-mail message to author, March 31, 2017.

[20]For the Adult program, although all adults are eligible, priority is given to individuals who are receiving public assistance, who are low-income, or who have basic skills deficiencies. *Workforce Innovation and Opportunity Act of 2014* sec. 134(2)(3)(E)

[21]The calculation is based on those served and exiting in that year.

placements), and only about 12 percent received "training" services.[22] That's about 160,000 receiving job-related skills instruction.

The U.S. used to spend much more on WIOA-type job training. In 1978, the Comprehensive Employment and Training Act (CETA), a precursor of WIOA, spent about $28 billion in current dollars (about $5.8 billion on training programs, about $16.7 billion on public employment service programs, and about $5.2 billion on other programs).[23] But years of disappointing evaluation results have dulled the appetite for this kind of spending, as has the growth of other providers—such as, for example, community colleges. (In 2014, community colleges spent about $85 billion[24] to enroll about 5.7 million students, although only about 35 percent of those who start as full-time students at these two-year programs graduate after four years.)[25]

I think that a more successful WIOA would garner more support—from all levels of government as well as the private sector. The question, of course, is what can be done to improve and invigorate WIOA and related work force development programs?

Congressional oversight. First, of course, the Congress should continue its oversight activities—through, for example, hearings, GAO reports, and staff research.

The operational weaknesses of WIA that WIOA seeks to address are deeply troubling, and I fear that much, much more is needed. One example will illustrate. Under WIA, individuals could receive vouchers for training services, but they were supposed to choose a provider from the state's Eligible Training Provider List (ETPL). States were able to grant new providers automatic eligibility to be on the ETPL but, to ensure quality, states were required to use more stringent standards when determining subsequent eligibility. At the time WIOA was passed, thirty-nine states had received DoL waivers exempting them from doing so. In other words, there

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[22]Social Policy Research Associates, *PY 2015 WIASRD Data Book* (Oakland, CA: Social Policy Research Associates, January 2017), https://www.doleta.gov/performance/results/WIASRD/PY2015/PY2015-WIASRD-Data-Book.pdf (accessed March 30, 2017).

[23]Congressional Budget Office and National Commission for Employment Policy, *CETA Training Programs—Do They Work for Adults?* (Washington, DC: Congressional Budget Office, July 1982), https://www.cbo.gov/sites/default/files/97th-congress-1981-1982/reports/doc25-entire.pdf (accessed March 30, 2017).

[24]Author's calculations from Scott A. Ginder, Janice E. Kelly-Reid, and Farrah B. Mann, *Graduation Rates for Selected Cohorts, 2007–12; Student Financial Aid, Academic Year 2014–15; and Admissions in Postsecondary Institutions, Fall 2015* (Washington, DC: U.S. Department of Education, February 2017), https://nces.ed.gov/pubs2017/2017084.pdf (accessed March 30, 2017); and National Center for Education Statistics, *Digest of Education Statistics* (Washington, DC: U.S. Department of Education, 2016), table 304.80, https://nces.ed.gov/programs/digest/d15/tables/dt15_304.80.asp?current=yes (accessed March 30, 2017).

[25]American Association of Community Colleges, *Enrollment Trend* (Washington, DC: American Association of Community Colleges, February 2017).

seems to be a minimal effort to screen out poor performing providers.[26] (Under WIOA, all WIA waivers were ended, but states were allowed to keep providers on their ETPLs until June 2016 without determining eligibility.[27])

Job Centers and career services. Second, WIOA's "career services" (that is, its core and intensive job finding and job readiness services) should be enhanced by energizing the American Job Centers (formerly the One-Stop Centers). Some states are bringing all career services under one roof. As WIOA encourages, there should be, for example, even closer coordination between WIOA and TANF's work-related activities—as well as similar activities being considered for the Supplemental Nutrition Assistance Program (SNAP) and other safety-net program.

Job Center operators should also be encouraged to offer more services that are attuned to employer needs. One of the best ways to do that would be to allow them to make more money when they successfully serve clients. A number of observers have complained that for-profit firms have been effectively excluded from operating the Jobs Centers by the imposition of caps on both profits (typically between 6 and 8 percent) and on administrative costs that the provider can charge, while failing to limit possible losses.[28]

Demand-driven training. Third, closer coordination should be fostered with employers (sometimes even "employer-led" training programs and apprenticeships), which seems to have support on both sides of the aisle.

Noteworthy is the relative success of some sectoral programs,[29] which match employers to training providers so that trainees are taught the specific skills needed by the employers. They

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[26]Amy K. Selzer and Lauren Eyster, *How States Manage Eligible Training Provider Lists: Findings from a State Survey* (Columbia, MD: Impaq International, June 2015), https://wdr.doleta.gov/research/FullText_Documents/ETAOP-2017-10%20EPTL%20Report%20(Accessible%20PDF).pdf (accessed March 30, 2017).

[27]U.S. Department of Labor, Employment and Training Administration, "Workforce Innovation and Opportunity Act (WIOA or Opportunity Act) Title 1 Training Provider Eligibility Transition," (guidance letter, U.S. Department of Labor, Washington, DC, November 24, 2015), https://wdr.doleta.gov/directives/attach/TEGL/TEGL_41-14_Change1.pdf (accessed March 30, 2017).

[28]David Heaney, "One-Stop Management and the Private Sector," in *The Workforce Investment Act: Implementation Experiences and Evaluation Findings*, eds. Douglas J. Besharov and Phoebe H. Cottingham (Kalamzoo, MI: Upjohn Institute, 2011): 141–152.

[29]Richard Hendra, David H. Greenberg, Gayle Hamilton, Ari Oppenheim, Alexandra Pennington, Kelsey Schaberg, and Betsy L. Tessler, *Encouraging Evidence on a Sector-Focused Advancement Strategy: Two-Year Impacts from the WorkAdvance Demonstration* (New York: MDRC, 2016), http://www.mdrc.org/sites/default/files/2016_Workadvance_Final_Web.pdf (accessed March 28, 2017); Sheila Maguire, Joshua Freely, Carol Clymer, Maureen Conway, and Deena Schwartz, *Tuning in to Local Labor Markets: Findings from the Sectoral Employment Impact Study* (New York City: Public/Private Ventures, 2010); Anne Roder and Mark Elliott, *Sustained Gains: Year Up's Continued Impact on Young Adult Earnings* (New York: Economic Mobility Corporation, May 2014), https://economicmobilitycorp.org/uploads/sustained-gains-economic-mobility-corp.pdf (accessed March 28, 2017).

have been the subject of three major evaluations in eight selected sites, with some sites showing gains in earnings of between 14 and 32 percent and gains in full-time employment of between 17 and 21 percent in full-time employment—although some sites experienced no significant differences in employment.[30] Clearly, implementation and the population served matters a lot.

At the present time, we know relatively little about the extent of instructional content in current training programs, let alone how well they address local labor market demands. Many hope that WIOA's added provision for reporting measurable skill gains (toward a credential or employment) will help inform administrators and policymakers about how well current programs are meeting the demand for more skilled workers. The worry, however, is that it will prove to be more of yet another administrative burden than a source of useful information.

This is not as easy as it sounds. Besides the operational challenge of building an actionable knowledge base, being more attuned to the labor market is much more expensive than a one-size-fits-all approach, and the need to continually update offering as the market shifts further adds to costs.

Financing instruction for high-wage jobs. This brings me to my last point. Needed are more creative ways to pay for the kinds of higher quality and more extensive instruction that can lead to higher-paying jobs, and, thus, can more successfully address the problems of skills mismatch and skills deficits. Nursing assistants who successfully complete training to become licensed practical nurses, for example, can see their annual median earnings increase by more than 50 percent, from around $26,600 to around $44,100.[31]

One idea worth pursuing is the use of pay-for-performance contracts. WIOA authorizes localities to use up to 10 percent of their state allotments for such contracts with training and career service providers and with one-stop centers. (States may use non-federal funding to provide "incentives" [presumably supplemental funds] to localities to use pay-for-performance contracting.) Payments may be adjusted based on specific outcomes or impacts for different demographic groups as well as for those who are facing barriers to employment. (States are required to report on any pay-for-performance contracts in their state plans.)

While promising, these pay-for-performance contracts are not likely to generate the cash

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[30]Richard Hendra, David H. Greenberg, Gayle Hamilton, Ari Oppenheim, Alexandra Pennington, Kelsey Schaberg, and Betsy L. Tessler, *Encouraging Evidence on a Sector-Focused Advancement Strategy: Two-Year Impacts from the WorkAdvance Demonstration* (New York: MDRC, 2016), http://www.mdrc.org/sites/default/files/2016_Workadvance_Final_Web.pdf (accessed March 28, 2017); Sheila Maguire, Joshua Freely, Carol Clymer, Maureen Conway, and Deena Schwartz, *Tuning in to Local Labor Markets: Findings from the Sectoral Employment Impact Study* (New York City: Public/Private Ventures, 2010); Anne Roder and Mark Elliott, *Sustained Gains: Year Up's Continued Impact on Young Adult Earnings* (New York: Economic Mobility Corporation, May 2014), https://economicmobilitycorp.org/uploads/sustained-gains-economic-mobility-corp.pdf (accessed March 28, 2017).

[31]Bureau of Labor Statistics, "Licensed Practical and Licensed Vocational Nurses," https://www.bls.gov/oes/current/oes292061.htm (accessed April 7, 2017); and Bureau of Labor Statistics, "Nursing Assistants," https://www.bls.gov/oes/current/oes311014.htm (accessed April 7, 2017).

flow needed for greatly enhance training. Public and political support would not be there for such an increase in spending, and it is unlikely that government agencies could make sound and non-political decisions about such contracts. For real progress, there needs to be another means of financing high-quality and intensive programs.

Trainees are already permitted to use borrowed funds (from public or private sources) to pay for higher-cost educational and vocational courses under approved circumstances, and large numbers do.[32] Reports indicate that these loans can be extremely useful for appropriately screened trainees and programs. Restricting their impact are limitations (in order to protect trainees) on the amount that can be borrowed and the interest rates that can be charged.

These loans, moreover, must be paid back even if the instruction does not succeed in getting the trainee into a high-paying job. (Like college loans!) This can leave trainees in an even worse condition, having forgone wages to be in the training program and now also being burdened with debt. What if trainees could borrow the money—but were obligated pay off the loan only if they got a better paying job? The higher risk on nonpayment would mean that the pay-off to the lender would have to be larger than a simple interest rate, but, then again, so would be the opportunity for much higher earnings.

This is, of course, the basic way private recruiters (headhunters) are paid. Although there are many details to be worked out because of the somewhat different nature of the relationship, I sincerely believe that this is an idea worth exploring.

We need a more successful job training system—and the standard approach to funding (even if it were politically feasible) will not work.

Thank you again for inviting me to testify on this important topic. I would be happy to answer any questions.

[32]See generally Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, and Annalisa Mastri, *Providing Public Workforce Services to Job Seekers: 15-month Impact Findings on the WIA Adult and Dislocated Worker Programs* (Princeton, NJ: Mathematica Policy Research, May 2016), 61, https://www.mathematica-mpr.com/our-publications-and-findings/publications/providing-public-workforce-services-to-job-seekers-15-month-impact-findings-on-the-wia-adult (accessed March 27, 2017).