

Re-tooling Our Workforce to Meet the Nation's Economic Priorities



Investing in Our Greatest National Asset

By the Council for Adult and Experiential Learning (CAEL)

November 2008



CAEL

The Council For Adult & Experiential Learning



Re-tooling Our Workforce to Meet The Nation's Economic Priorities

Investing in Our Greatest National Asset

President-Elect Barack Obama's solutions to the current economic crisis include creating jobs by investing in Green Technologies and sorely-needed infrastructure improvements.

Both of these efforts will require increases in the number of skilled workers. In addition to the President-Elect's proposed American Opportunity Tax Credit, the Council for Adult and Experiential Learning (CAEL), a 35-year old national non-profit organization, recommends the following specific strategies for making some of the most urgent economic priorities a reality.

Strategy #1: Address the financial barrier to learning. In addition to Obama's proposed American Opportunity Tax Credit, which would cover the first \$4,000 of a college education for those who serve the country, we will need to do much more to reduce the financial burden of education.

- ▶ **Lifelong Learning Accounts for All Workers.** These employer-matched savings accounts leverage co-investment in education and training from employers, workers and the public sector. Incoming Chief of Staff Rahm Emanuel introduced the Lifelong Learning Accounts Act of 2008 (H.R. 6036) that would establish partially refundable federal tax credits for employer and worker contributions to a LiLA. CAEL supports Rep. Emanuel's proposal and recommends LiLAs as the model for Obama's proposed Flexible Education Accounts.
- ▶ **Full Funding of Pell Grants.** The newly-passed Higher Education Act raised the minimum and maximum amounts of Pell Grants, while offering "success grants" to increase student persistence and making the grants available year-round. These are great steps forward, but they must be fully funded to meet their objectives.
- ▶ **Increased Employer Investment in Education and Training.** Section 127 of the IRS code currently makes the first \$5,250 of employer educational assistance non-taxable. Currently set to expire in 2010, Section 127 should be made permanent and amended to increase the annual cap on tuition benefits to at least \$8,000.
- ▶ **Incentives for States to Provide Financial Aid to Less Than Half Time Students.** Currently fourteen states do not offer state financial aid to part-time students and another seventeen states devote less than 10 percent of their aid to part-time students, even though part-time students make up an increasing proportion of all students. Most working adults are part-time students—many less than half time. There should be incentives for states to provide more financial assistance to less than half time learners.

Strategy #2: Help Individual Workers Navigate the System and Identify Learning Opportunities. Our current system of education and training is very complex, and most workers do not understand what career and educational options are available to them.

- ▶ **Incentives for States to Provide Education and Career Advising.** In addition to continuing current efforts to forge partnerships between employers and education providers, it is also critical that employer needs and career options are communicated to the workforce. We must provide tools and guidance to help workers determine where to enroll, what to study, and what pathways will help them access high-skilled jobs - and thrive - in this churning economy. We propose an Innovation Fund for Navigating Career Pathways to which states can apply to support their efforts to create new ways to provide career and education advising to workers as they navigate career pathways and educational systems, and seek new skills and opportunities.

Knowing that pathways to high-skilled jobs can mitigate income inequality while supporting the nation's economic priorities, we urge the new administration to focus on improving access to learning opportunities for low-income, front-line and mature workers.

Re-tooling Our Workforce to Meet the Nation's Economic Priorities

A Closer Look at Strategies for Investing in Our Greatest Asset

This is a critical time for the United States. We are facing a financial crisis the size of which we have not seen since the Great Depression. And yet, this is also a time for historic change and leadership. The new Obama Administration is already showing great promise in thinking through solutions to our nation's problems and setting priorities designed to get the nation back on track. Obama's economic solutions, in particular, are inspired and take us in ambitious new directions.

The focus on investing in green technologies is an exciting new policy direction for our country. It helps us tackle our energy crisis and moves us as a nation towards the energy independence we need for a secure national future. Growth in green industries has an equally great promise for our economic future. These are industries with significant growth potential, and this growth will create new jobs that are highly skilled and pay good wages. Similarly, investment in our nation's infrastructure is also a multi-benefit strategy. It helps us prevent future tragedies such as the New Orleans levee failure and the Minneapolis bridge collapse, it helps us modernize and expand our electrical grid, and it, too, creates new jobs that pay well in industries such as construction and energy.

These efforts to jump-start our economy and re-build for the 21st Century, however, **require large numbers of semi-skilled and highly-skilled workers.** Our skilled workforce has long been a source of pride for our country. But our educational attainment has slowed in recent years, and we have now fallen behind countries like Korea, Ireland and Japan in the percentage of younger workers with an associate's degree or higher. For President-elect Obama's economic strategies to work, we need to invest more of our resources in workforce education and training, particularly training that leads to postsecondary degrees and credentials. At a minimum, this could be targeted to training for jobs that are critical for green technologies, utilities and construction. But for broader economic impact, it could also support training for other industries that need large numbers of knowledge workers to grow and thrive - industries such as information technology, biotechnology, healthcare, advanced manufacturing, and others.

In a perfect world, announcing the need for more construction workers trained in green technologies would trigger a series of responses: educational providers would offer training programs adapted to meet the new need, unskilled workers would seek out those learning opportunities, and sometime later the supply would meet the demand. But we know from experience that even if training programs arise to meet the need, **two significant barriers are in the way: the cost of education and training and the lack of knowledge about which educational pathways to pursue.**

Barrier #1: The Cost of Education and Training. Every year, the College Board publicizes the cost of postsecondary tuition, and every year, we see that it is increasing. For the 2008-2009 school year, tuition at two-year public institutions (which include community colleges, the type of institution serving the largest proportion of adult learners) increased by 4.7 percent from last year. Robert Shireman, Executive Director of the Project on Student Debt, recently released the following statement in response to this new study of college tuition trends:

“The College Board’s 2008 Trends reports (Trends in Student Aid and Trends in College Pricing) are the latest reminder that paying for college is getting even harder for American students and families. From 2006-07 to 2007-08, in-state students at public universities saw the biggest increase in tuition and fees at 6.4 percent, with room and board up 5.2 percent. While these jumps look much smaller after adjusting for inflation, that’s because inflation grew so much (5.6 percent) and wages are not keeping up with that increase. Students at all types of colleges still faced higher prices than they did the year before, and student debt levels are rising as families try to keep up.” (Retrieved from http://projectonstudentdebt.org/files/pub/College_Board_08_STA.pdf.)

Adults who need to go to school find that tuition takes an increasing proportion of wages. Further, compared with traditional-aged students, adults are supporting themselves and their families, with many competing financial demands for extra wages they may earn. Fitting the cost of education and training into an already-strained family budget is more than many workers can afford.

If we are to rely on the strength of our workforce as a key asset for getting us out of our economic free-fall, we cannot expect workers to be able to finance education and training on their own. While the federal government supports learners in many ways, much more can and should be done.

Barrier #2: The Lack of Knowledge About Educational and Career Pathways. One of the biggest challenges we face is that the U.S. does not have a well organized and seamless system for career development, workforce development and adult learning. To be sure, we have excellent training organizations, state-of-the-art colleges and universities, and a publicly-run system in place to help the unemployed find jobs. But there are still too few strong connections between K-12 education, postsecondary education, and the workplace. Figuring out where to go and what to study can be a monumental challenge. Getting the education needed for a job, for a career, for advancement, or for maintaining employability requires the ability to navigate a disjointed array of options and opportunities.

Since 1984, CAEL has managed employer tuition assistance programs in a variety of industries. In many of these programs, we offer career and educational advising. Trained advisors help individual workers plan for their futures, determine what kind of education and training is needed to reach their goals, and identify learning

opportunities that are right for the career path they have chosen. The workers tell us that this advising is invaluable to them, as many of them know they need to go back to school but have no idea what to study or how to get started. Employers benefit as well, since they know that employees will be better able to make good decisions about how to use the benefit.

Both of these barriers need to be addressed so that our workforce has access to the resources needed to go back to school and learn what will be needed for new green technology, construction and utilities jobs. They will need more financial support, and they will need advice and guidance to learn about these new career opportunities, determine whether these new career pathways are a right fit for them, identify learning opportunities, and understand what they need to do to make it happen.

Strategy #1: Address the Financial Barrier to Learning.

The federal government already provides some financial support to adult learners, but it is mostly directed to low income students and the unemployed. Few working adults qualify for grant-based assistance (as opposed to loans that need to be paid back), and those who do qualify find that aid such as Pell Grants does not cover enough of the total cost. On the whole, federal investment in workforce development declined 29 percent between 1985 and 2003 (Spence & Kiel 2003) and according to The Workforce Alliance, there have been continuing declines ever since (see more at www.workforcealliance.org). We are simply not investing in our greatest asset in a way that will support our economy at this time of crisis.

If we are to jump-start the economy by investing strategically in new industries, the federal government must do more to help workers afford education and training.

► **Lifelong Learning Accounts.** LiLAs are a new account-based strategy designed to leverage investment in learning from multiple sources. Similar in concept to a 401(k), a worker's investment in his or her own learning is matched by the employer - the other party that directly benefits from worker education and training. An optional third party contributor in a larger scale initiative could be a government or other entity, which would also benefit from the cumulative skill-building of LiLA participants. In this way, LiLAs promote joint responsibility for worker education and training among the various beneficiaries. From a variety of foundation and state-funded demonstration sites for LiLAs, CAEL has learned that LiLAs are easy to use and administer, that workers do save and do use their LiLA savings for education and training, and that employers and workers alike find them valuable (Klein-Collins and Sherman 2007). Many policy leaders—including governors and federal and state legislators - are already working to advance LiLAs as an important economic development strategy for regions, states and the nation. In May 2008, President-elect Obama's newly-named Chief of Staff Rahm Emanuel introduced the Lifelong Learning Accounts Act of 2008 (H.R. 6036) that would establish federal partially refundable tax credits for employer and worker contributions to a LiLA - part of Representative Emanuel's New Deal for the New Economy. LiLAs are urgently needed not just for workers in their thirties and forties, but also for mature

workers aged 50+, many of whom will be working well into their 60s and even 70s. We recommend LiLAs as the model for President-elect Obama's proposed Flexible Education Accounts.

► **Full Funding of Pell Grants.** Pell Grants offer federal financial assistance to low-income workers, and are an important source of support that could be tapped to build skills for the key industries in Obama's economic recovery plan. The newly-passed Higher Education Act made some critically-important changes to Pell Grants: the new bill raised the minimum and maximum amounts of Pell Grants, it established "success grants" to increase student persistence, and allows students who study year-round to receive two Pell Grants per year rather than just one. These are great steps forward for the Pell Grant system, but they must be fully funded. According to a September report by the Center for Law and Social Policy, the current authorized Pell Grant maximum is \$5,800 but the actual maximum grant funded by Congress is just \$4,731. The Pell Grant system needs to be funded at a level that supports the authorized maximum grant maximum, while also anticipating increased demand for grants.

► **Increased Employer Investment in Education and Training.** According to the latest research from the Bureau of Labor Statistics' National Compensation Survey (September 2007), 49 percent of all employers offer tuition assistance to their workers, but this is limited to \$5,250 per year, and it is clear that the benefits are not distributed equally:

- Benefits are more likely to reach higher-paid workers and management. The NCS data shows that 74 percent of management-level employees and 74 percent of workers earning \$24 per hour or higher have access to employer educational assistance, compared to only 56 percent of workers earning \$15 per hour or less.
- Benefits are more likely to be offered by larger employers rather than smaller ones. Individuals who work in companies with 500 or more employees are more likely to have this benefit (74 percent) than those who work in companies with less than 100 employees (55 percent).

Section 127 of the IRS code, which makes employer educational assistance benefits non-taxable to the worker (in other words, the tuition reimbursement is not treated as taxable income), has long been only a temporary provision, subject to periodic threats of expiration. Currently the provision is scheduled to expire in 2010. Section 127 should be made permanent and amended to increase or remove the annual cap on tuition benefits (it was \$5,000 back in 1983 and still only \$5,250 today—it should be increased to at least \$8,000). Further, there should be tax benefits to employers who offer educational assistance to two key groups: low-skilled and frontline workers who need educational assistance in order to advance to high-demand jobs, and mature workers who may need retraining in order to be economically productive in the next stage of their work lives.

► **Incentives for States to Provide Financial Aid to Part-Time Students.** As noted earlier in this report, the newly-passed Higher Education Act expanded benefits under the Pell Grant program. Even before these newer expansions, Pell

Grants provided an important resource for low-income working adults because it is one of the few programs that can support the learning of individuals attending school less than half-time. So, for example, someone who is working and who has family responsibilities may only have time to take one three-credit course per term. Under many programs, this person would not be eligible for assistance without taking at least 6 credit hours at one time. In CAEL's recent study, *Adult Learning in Focus: A Look at National and State-by-State Data*, we report that fourteen states do not offer state financial aid to part-time students – much less 3-credit learners – and another seventeen states devote less than 10 percent of aid to part-time students. This is the case even as part-time students make up an increasing proportion of all students. The federal government could help leverage more state resources to support low-income adult learners by offering incentives for states to provide more financial assistance to part-time and less-than-part-time learners – typically, the working adults who are juggling work and school.

Strategy #2: Provide Education and Career Advising

There is a lot of focus in current workforce development initiatives to open lines of communication between employers and education providers, so that the education and training programs meet the needs of business and industry. These efforts must continue, particularly those that result in robust sector strategies and career pathways. In addition, however, communication about what employers need and what training is available must find its way to the individual worker. Our current system of education and training is very complex, and pathways to higher-skilled jobs are often difficult to find and understand. In CAEL's experience, most workers recognize that they need more skills and knowledge to advance and succeed, but few know the full range of career and educational options that are available to them.

When CAEL works with employers to develop and administer employee learning programs, an important feature we promote is career and education advising for the program participants. Trained advisors can provide workers with a range of important services in which the advisors:

- Facilitate decision-making: identify key issues, present relevant data (e.g. information on internal and external career advancement options, labor market information, etc.), use advising resources and present options. Advisors are familiar with the region's education and training resources and the admissions processes for educational institutions in order to help individual select the best educational options to meet their needs.
- Provide support and encouragement: recognize individual needs; listen to concerns and challenges; identify strategies and resources to address barriers; and emphasize opportunities for success.
- Encourage employee ownership of the development process: direct employee toward action steps; demonstrate respect for employer guidelines; assist employee in making decisions that are practical, cost efficient and time effective.

This is a very different approach than the case management services offered through programs like the One-Stop Career Center system under the Workforce Investment Act. Because such programs primarily serve the unemployed, the intent of the advising is to determine the reasons why an individual is unable to find employment and to develop a plan of action to eliminate those obstacles and barriers to employment. WIA counselors, for example, administer a comprehensive assessment of strengths, obstacles, barriers, needs, aptitudes and skills. The outcomes of the assessments then help to guide the action plan for moving the person toward re-employment, which may or may not include educational solutions.

In a more robust career and education advising model, the focus is on career development and the exploration of career pathways, advisors are equipped with information about career paths within specific companies and industries, and the goal is to encourage steps toward postsecondary learning and improved skill sets for high-demand jobs. Advising is important because it ensures that limited resources for education and training are used wisely and in ways that best serve local industries and the individual worker's own career plans.

As more funding becomes available for worker education and training, it is critical that we provide tools and guidance to help workers make good decisions about what to learn, where to enroll, and what pathways will help them maintain their employability – and thrive – in this economy. The federal government should establish an **Innovation Fund for Navigating Career Pathways**. States would be encouraged to apply for support to create new ways to provide career and education advising to workers as they navigate these systems and seek new skills and opportunities.

A Note on the Mature Workforce

As new strategies are developed to address education and training needs, it is important to keep in mind that our mature workforce is a very valuable resource. In the past, workforce development initiatives generally have not targeted the mature workforce, since spending limited resources on training a 58-year-old that would presumably retire at age 65 was not seen as a worthwhile investment. However, that view of mature workers is rapidly changing, given what we are now learning about this population. For example, the Merrill Lynch (2006) New Retirement Study reports that adults in the U.S. are expecting to retire later than the traditional 65 year milestone age. Today, the average age at which people expect to stop working completely is 70 or beyond, and almost half (45%) say they do not plan to ever stop working. While the “mature worker” was already a growing phenomenon prior to the economic crisis, today we can bet that many more workers nearing retirement age are now thinking about how to continue working – either in the same job or in an “encore career.” For some of these workers, this change in retirement plans will be aided by additional education and training.

Now, more than ever, there is a need to provide financial assistance and advising services to mature workers and other working adults who need to return to learning – learning that will help them improve their positions in the labor market, continue working for as long as they need to, and weather this financial crisis – all while strengthening the vital economic asset that is our workforce.

About CAEL

The Council for Adult and Experiential Learning (CAEL) is a 35 year old national non-profit organization which creates and manages effective learning strategies for working adults through partnerships with employers, higher education, government, and labor. CAEL is recognized for its experience in designing and implementing programs that address skill shortages, help workers improve their employability, and remove barriers to lifelong learning. CAEL is also committed to examining new strategies and public policies that make learning opportunities more accessible to adults, particularly low wage and mature workers.

Cited Sources

CAEL and NCHEMS. 2008. *Adult learning in Focus: National and State-by-State Data*. <http://www.cael.org/adultlearninginfocus.htm>

Duke-Benfield, Amy Ellen and Julie Strawn. 2008. *Congress expands student aid and supports innovation in student success, basic skills, and workforce partnerships*. Center for Law and Social Policy. September 24. http://www.clasp.org/publications/hea_expandsstudentaid.pdf

Klein-Collins, Rebecca and Amy Sherman. 2007. *Lifelong Learning Accounts: a strategy for co-investment in education and training*. http://www.cael.org/lila_pdf/PolicyBrief_0707.pdf

Merrill Lynch. 2006. *2006 Merrill Lynch New Retirement Study*. May 18, 2006. Retrieved on January 25, 2008 from http://askmerrill.ml.com/ask_merrill_2006/5_total_merrill/retirement_illustrator/retirement_main.asp

Spence, Robin and Brendan Kiel. 2003. *Skilling the American workforce “on the cheap”: ongoing shortfalls in federal funding for workforce development*. The Workforce Alliance. <http://www.workforcealliance.org/atf/cf/%7B93353952-1DF1-473A-B105-7713F4529EBB%7D/twa-funding-analysis-09.pdf>