



## An Opportunity Account To Help All Workers Identify and Pay For Effective Training

As the nation debates stimulus legislation to help the economy recover, it is critical to put in place policies that will create an equitable recovery. Raising overall economic activity will not equally distribute opportunity nor provide the relief needed for communities hit hardest by the crisis. The jobs that are created must be good jobs, and workers need support to secure those jobs, including increased access to effective education and training. To position the economy for an equitable long-term recovery, ambitious public investments are needed to create jobs with good wages and benefits, and major complementary investments in adult education and training are necessary to provide the support workers need to emerge from the crisis equipped for high quality jobs.

### Helping workers identify and pay for effective training is a critical component of an equitable economic recovery

As economic activity resumes over time, workers will return to a labor market that has permanently changed. Many of the jobs that have been lost will not come back. The jobs that return from this crisis will require new training and digital skills to be successful. Direct investments in job creation in sectors like infrastructure, green energy, and public health will lead to high-skill jobs that also require training.

Workers know that training will be an important ingredient to getting new good jobs. There has been a significant increase in demand for education and training since the crisis hit, particularly non-degree options and online learning. Yet today's systems for funding education and training are not designed to help the tens of millions of people impacted by the economic downturn access and succeed in effective rapid, accessible and affordable training programs that lead to a good career.

- ◇ First, many people cannot access funding to pursue training due to limited eligibility and chronic underfunding. The federally funded workforce system is only resourced to provide training for a fraction of those who are unemployed. For example, in 2009-2010, while 15 million people were unemployed, only 270,000 people received any funding for training. The Pell Grant program, which provides tuition assistance for higher education, is not designed to easily provide support to those that experience a steep decline in earnings due to job loss.
- ◇ Second, those who do receive public support find that they cannot pursue programs that will best meet their needs. Many of the most effective career-oriented programs—such as career readiness programs for apprenticeships or shorter digital skills training—are not eligible for public support, while many approved programs do not improve career outcomes.

\*The ideas presented here are still in development and are designed to generate feedback and inform the discussion of how America might build a strong and inclusive recovery. We will continue to refine the proposals based on feedback.

## Policy Recommendation

### The Idea

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Create a new Opportunity Account—A new education and training financing strategy dedicated to helping all unemployed and low wage workers pursue effective programs of their choosing that will help them succeed in good jobs.

### Key Elements

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- ◇ Focus this new funding stream on programs that have a meaningful impact on employment and wages gains for participants, particularly people with lower levels of formal education and people of color.
- ◇ Create a tiered funding structure that provides more funding for the programs with the greatest impacts on wage outcomes.
- ◇ Expand eligibility and funding levels to make sure all unemployed and low-wage workers can afford to pursue programs that meet their needs.
- ◇ Empower people to use available funding flexibly to cover both tuition and some supportive services like childcare, housing, transportation, and other basic needs.

### Proposed Design

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The opportunity account should create two tiers of funding, with more funding available for the programs that have the greatest impacts on long-term outcomes.

**Policymakers should work together to identify effective programs where people can choose to use their funding.** Rather than rely on proxies like the length of the program to determine value, each program should be evaluated by the employment and wage outcomes of its participants. To do so, federal and state policymakers should leverage state longitudinal data systems, with information on education enrollment and wages, to assess the impact of programs ranging from short-term credentials to bachelor's programs. When determining the most effective programs, data on program outcomes should be disaggregated by race, gender, and education attainment to ensure that programs are leading to strong outcomes for underserved populations. The Federal Government should make complementary investments in data systems and infrastructure to enable state workforce agencies to accurately determine program effectiveness, even retroactively for programs that have not been previously evaluated. There is huge potential for information on effective programs to impact people's decisions. In the last recession, the Department of Labor sent guidance to states asking them to let unemployment insurance recipients know about state-approved education and training programs. States that sent these letters saw a 40 percent increase in enrollment. Impacts on completion and earnings could be very strong if people were given information about the most effective programs.

**The proposed opportunity account is structured to encourage people to pursue programs that will help them achieve economic security.** The larger the expected impact of the program on earnings, the more funding should be available. For the most effective programs, funding levels in the Opportunity Account would be more generous than are currently allowable under workforce and higher education programs. This structure is also likely to increase funding for programs with features known to improve employment and wages, including apprenticeships, work-based learning, coaching, and supportive services like childcare.

### Proposed Tiers

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- ◇ **Tier 1:** Up to \$16,000 should be available for people to pursue programs that demonstrate the ability to get people into jobs and bring about meaningful wage gains.
  - ◇ Up to \$8,000 would be made available to pursue programs with annual wage gains of \$2,000, which would be equivalent to increasing earnings by \$1 an hour. Up to \$16,000 should be made available for programs with gains of \$4,000, which is comparable to the annual wage gain of the most effective workforce training programs. In both cases, an individual's wage gains would pay off the program within four years.
  - ◇ Programs that would qualify based on existing evidence include most associate degrees and high return vocational certificates. Some sectoral training programs like Per Scholas and Year Up would also qualify, based on known evaluations. Many more programs could qualify when they provide data on participants, matched to state and federal data, and wage gains are known.

# An Opportunity Account

## To Help All Workers Identify and Pay For Effective Training



- ◇ **Tier 2:** Up to \$40,000—or the approximate cost of an average BA program at a public institution—should be available for people to pursue programs that have a positive impact on long-term economic security.
  - ◇ To be eligible, programs would need to show at least a \$4,000 annual wage gain, and a starting salary at a high enough level (e.g. \$50,000) to provide more long-term economic security.
  - ◇ Based on these outcomes, eligible programs would include both the highest return associate and bachelor's degree programs and the most effective short-term programs. For example, many apprenticeship readiness programs in building trades and other fields would likely qualify because a short-term training program results in good pay with steady wage increases.

### Costs and Benefits

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In the first year, an approximately \$20 billion investment would help an estimated 1.77 million people to go through training programs that lead to meaningful wage gains. The five-year costs are estimated to be \$92 billion with over 8 million people taking up training programs. As a result of the focus on programs' wage gains, the costs of this proposal would be outweighed by higher incomes for participants. This proposal is an investment in a more skilled workforce that is more resilient to economic shocks in the future.

### Implementation Options

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The proposed Opportunity Account could be administered in a number of different ways, including using existing systems or as a new program.

- 1. Modify WIOA Title I.** Congress could use the existing WIOA legislation with the following changes:
  - ◇ Expand eligibility for Individual Training Accounts to all unemployed and low-wage workers and distribute these funds to workforce boards based on numbers of unemployed and low-wage workers
  - ◇ Provide enough funding to cover the estimated number of unemployed and low-wage workers who would take up the program (see cost estimates above)
  - ◇ Restructure program eligibility requirements to programs that improve economic outcomes
  - ◇ Remove the ability of local boards to set limits for individual training accounts or time limits for training program. Allow a tiered structure that offers people more generous to pursue higher impact programs.

This approach builds on existing workforce infrastructure that includes counseling and other supportive services delivered through American Job Centers. It would also leverage the same administrative processes that currently administer ITAs.

- 2. Create a new financing stream, independent of current higher education and workforce systems, administered by states.** A program could use similar distribution methods to Pell Grants.
  - ◇ People could enroll in eligible programs directly.
  - ◇ A state agency would provide funding to the training provider once a student has enrolled.
  - ◇ Additional funding above and beyond program costs would be disbursed back to the student.

Implemented like this, the program could also build on successful state programs like Indiana's Next Level job grants, where state funding is used to provide people the resources to pursue a state-approved set of programs shown to improve wages for their participants.

### Strategies Key to Successful Implementation

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Regardless of the mechanism, the two most important ways to ensure program take up and success are: (1) generating awareness of this offering, particularly for people of color and other underrepresented groups, and (2) providing people access to support from a variety of organizations.

- ◇ **Unemployment insurance recipients:** For people that are receiving Unemployment Insurance, the state could make them aware of the program through their regular online platforms and mailings that are used to verify eligibility on a regular basis. As noted above, states had success with these outreach efforts in the Great Recession as a way to get people to enroll in postsecondary education, but there was no impact on completion or earnings. The key difference here would be providing information on which programs qualify for the two funding tiers above, helping to steer people to effective programs.
- ◇ **Low-wage workers:** To help enroll low-wage workers, local organizations community-based organizations, local governments, public libraries, local workforce centers, and others could receive small amounts of funding to promote this program. Additionally, all of the organizations receiving the proposed state funding for career coaching, complementary to this proposal, would also make people aware of the program.