



WORKFORCE DEVELOPMENT

ECONOMIC EMPOWERMENT

DEFINITION

Workforce Development is the field dedicated to preparing low-skilled workers to gain and retain employment in industries that provide opportunities for advancement but do not require a postsecondary degree. This report focuses on job training for adults facing multiple barriers to employment, including but not limited to lack of work experience, past criminal record, and homelessness.

SOCIAL ISSUE REPORT SUMMARY

Investment in job training programs that aim to improve the employment status of low-skilled workers presents a significant opportunity for impact:

- High unemployment has significantly increased competition for jobs that lower-skilled workers have historically filled. Additional training is critical to enable low-skilled workers facing multiple barriers to employment to compete for jobs in today's economy. **For more on why workforce development matters, see page 2.**
- High-performing programs prepare participants for high-demand positions through technical training, employment preparation and placement, and social services. **For more on approaches to workforce development, see page 3.**
- Economic costs due to unemployment could be reduced and recuperated over time, with studies showing a social return on investment as high as \$9.10 per dollar invested in high-performing programs.¹ **For more on investment, see page 5.**

FACTS: WORKFORCE DEVELOPMENT IN THE UNITED STATES

Individuals in lower income deciles are significantly more affected by unemployment and underemployment.²



Number of unemployed adults in the U.S.³

14.9 million
January 2011

	Unemployment	Underemployment
Bottom Decile	31%	20.6%
Top Decile	3%	1.6%

March 2009

Welfare funds spent on workforce-related activities⁴

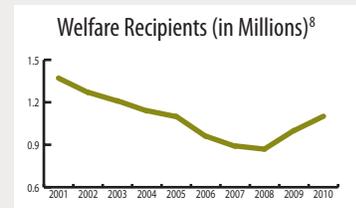
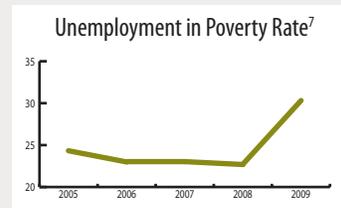
\$1.8 billion
Fiscal Year 2009

% of welfare funds spent on workforce-related activities allocated to education and training activities^{5,6}

13%
Fiscal Year 2009

SOCIAL ISSUE INDICATORS

Social Impact Research (SIR) identified two indicators to assess the short- and long-term progress towards helping adults facing multiple barriers to employment obtain and retain jobs with opportunities for advancement. **Unemployment in Poverty Rate** refers to the unemployment rate among adults living below the poverty line. **Welfare Qualifying** refers to the number of adults who are qualified to receive Temporary Assistance for Needy Families (TANF) benefits, more widely known as welfare. Because eligibility criteria regarding factors such as income level, family assets (e.g., car, home), marital status, and age vary by state, aggregate data are not available for this indicator; SIR therefore uses the number of TANF recipients as the best available indication of the number of individuals who are eligible for the program nationally.



HOW TO USE THIS REPORT

SIR reports are a resource to help donors learn about a variety of social issues affecting at-risk populations and identify high-performing organizations that are addressing those issues. SIR believes that rigorous information on a targeted social issue provides the best starting point for measuring nonprofit

performance. Drawing on current research, SIR's reports analyze a social issue to provide donors with a recommended approach and criteria for evaluating nonprofits based on that approach. The reports also provide our own list of recommended high-performing organizations.

INCREASED COMPETITION FOR LOW- AND MIDDLE-SKILLED WORKERS

In 2010, unemployment in the United States hovered around 9.6%.⁹ This high unemployment rate has created increased competition, especially for jobs that require fewer specialized skills. The current labor environment presents a particularly grim picture for low-skilled workers who are now competing with higher-skilled workers for the same jobs; the Facts section earlier in this report highlights some outcomes of this increased competition in terms of unemployment and underemployment.

Opportunities for low-skilled workers to obtain employment that would help them move out of the bottom income deciles are scarce. To compete for jobs in today’s labor market, low-skilled workers need the additional preparation and training required for stable jobs in high-demand industries and functions. These high-demand positions provide the opportunities for advancement, benefits, and family-supporting wages that temporary placements cannot, and workers’ ability to compete for these jobs is a critical factor in their ability to rise out of poverty. Moreover, many workforce development studies have argued that middle-skills jobs—those that require less than a Bachelor’s degree, but some specialized postsecondary training—will grow faster than the population that is qualified to fill those jobs over the coming decades. As seen in Figure 1 below, nearly half of all job openings by 2014 are expected to require middle skills.¹⁰ Thus, training for low-skilled workers not only enables them to compete for scarce jobs today, but also prepares them to benefit from this anticipated opportunity in the future.

FIGURE 1: PROJECTED JOB OPENINGS BY SKILL LEVEL BETWEEN 2004-2014

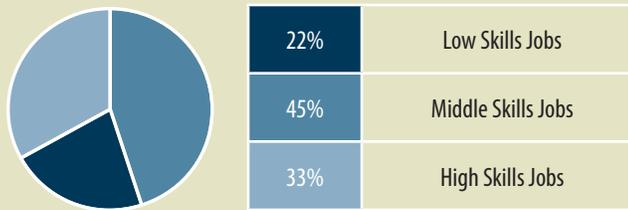


FIGURE 2: CRITICAL BARRIERS TO EMPLOYMENT

- Lack of credentials and work experience
- Lack of childcare and/or transportation
- Lack of English proficiency
- Past criminal record
- Multi-generational poverty
- Individual and family health problems
- Mental health issues
- Homelessness and housing instability
- Substance abuse
- Discrimination

BARRIERS TO EMPLOYMENT

While government investment in workforce-related activities has increased since TANF began in 1996, it maintains a “work first” mentality that rewards rapid job placement rather than longer-term skill-building. This has led to most funding being directed to temporary and subsidized jobs, rather than to the types of programs that have proven to be the most effective in helping adults with multiple barriers to employment gain and retain jobs with opportunities for advancement.

In addition to the lack of relevant skills for high-demand job opportunities, a number of other barriers further impact an individual’s employment prospects. Figure 2 shows some of the barriers to employment that are most commonly cited in research on workforce development. While the lack of credentials or work experience is a barrier that is clearly related to workforce development, other personal barriers may be less obvious. For example, rehabilitated individuals with a past criminal record still face enormous legal hurdles to obtaining employment in a number of industries. Racial discrimination also creates a significant barrier to entry, with multiple studies showing that Hispanic and African American candidates receive fewer invitations to interview and, ultimately, fewer job offers than white candidates.^{11,12} Furthermore, homelessness and housing instability create logistical barriers to job retention or even training program completion.

SIR conducted a comprehensive literature review of existing research and interviewed 12 issue experts, including government officials, academics, practitioners, and funders to determine the best approaches for improving employment outcomes for adults facing multiple barriers to employment. Based on the information collected, SIR determined that **industry-focused job training programs**, described below, have the most promise for assisting low-skilled workers with multiple barriers to gain employment in high-demand industries that also enable them to become self-sustaining and progress along a career ladder.

There are many approaches to improving the employment prospects of populations facing multiple barriers, most of which focus only on one aspect of workforce preparedness or access. The primary approaches undertaken by nonprofits include:

- **Soft skills and basic skills training:** Many programs seek to equip participants with soft skills (e.g., communications, professionalism) and basic skills (e.g., ESOL, math) that are needed to succeed in the workplace. However, they do not provide industry- or position-specific skills.

- **Transitional jobs:** These programs primarily serve individuals who have little to no work experience by placing them in jobs that will strengthen their employment history. Most of these programs are not built around a particular labor market and do not aim to prepare participants for long-term employment and progression in a specific industry.
- **Placement support and access to resources:** Many workforce development initiatives center on providing job searchers with a one-stop shop for placement resources. These programs typically do not involve training, although they do tend to offer support in finding job openings and developing application materials.
- **Industry-focused job training programs:** These initiatives, also referred to as sector-focused initiatives, train potential employees to work in high-demand industries. Such initiatives provide workers with viable options for placement in a job with strong growth prospects, and they provide employers with qualified candidates to fill critical functions.

CHARACTERISTICS OF HIGH-PERFORMING ORGANIZATIONS

SIR's research showed that the industry-focused approach is most effective in helping individuals facing multiple barriers to employment gain and retain stable jobs. Additionally, high-performing programs have three essential program components that comprise effective job training programs that provide relevant skills. High-performing initiatives incorporate technical training and education, employment preparation and placement services, and complementary social services in order to provide participants with foundational knowledge, skills, abilities, and personal resources for employment success.

- **Technical Training and Education** provides participants with concrete skills to improve their eligibility for employment in a particular industry. Effective job training programs provide a comprehensive occupation-driven curriculum that includes practical application of skills learned, pre-graduation internships and work opportunities, and training to obtain licenses or certifications required for employment. These programs maintain strong ties with the industry on which they focus and involve employers in program design to ensure participants are equipped with skills that will be valuable in the labor market. Furthermore, many training programs have solidified partnerships with community colleges to enable participants to simultaneously earn college credit and train for a high-demand job.
- **Employment Preparation and Placement Services** aims at improving participants' understanding of and ability to meet employer expectations regarding professionalism, their effectiveness in preparing resumes and cover letters and interviewing, and their preparedness to

address workplace topics such as advancement and salary negotiation. Furthermore, placement refers to the resources and systems that are in place within the program to help participants identify and apply to potential job opportunities.

- **Complementary Social Services** connect participants to the comprehensive social services that help them address and overcome their individual barriers to employment (e.g., childcare, transportation, housing stability, substance abuse). Effective programs have a dedicated staff member who works individually with participants to develop a support plan and who refers participants to partner organizations or other internal services, as needed.

In addition to the three core components above, SIR considers an organization's activities aimed at advancing the field of workforce development and creating systemic change. Systemic change activities that investors might look for in direct-service workforce development organizations include: working with employers to remove barriers to employment for the most vulnerable populations; advocating on behalf of populations with particularly high barriers to employment (e.g., individuals with a criminal record); providing employers with technical assistance, such as incumbent worker training; increasing public awareness of both the barriers that adults face and the most effective practices available in order to inform policy makers and other programs in the field; taking a leadership role on boards, committees, or professional associations working to advance the field of workforce development.

RETURN ON INVESTMENT

Investing in workforce development for low-skilled individuals facing multiple barriers to employment presents investors with a significant opportunity for impact. Effective industry-focused training programs have the potential to impact the livelihood and wellbeing of individual workers and their families, produce benefits to society and government by reducing and reversing the high direct and indirect costs of unemployment, and enable industries to thrive by supplying a pool of qualified workers.

The direct costs of unemployment are high. The potential payout per person in unemployment compensation, barring case-by-case extensions, is \$15,600.^{13,14} However, unemployment has also been shown to correlate with other negative individual outcomes, such as incarceration, which costs more than \$22,000 per person per year.¹⁵ For example, a study that evaluated population trends between 1983 and 2001 found a strong correlation between incarceration, unemployment, and wages for black men who are not college educated. Specifically, when the unemployment rate of black men without a high school degree increased by 7%, prison admission rates among that same population increased by 13%; a 13% increase in incarceration was also observed when average weekly wages for that population decreased by \$44.¹⁶ Investment in effective workforce development programs can provide a large net benefit by decreasing recidivism and related costs.

One study published by the New York City Center for Economic Opportunity (CEO) in 2010 found strong results when evaluating program outcomes of its Workforce1 Transportation Career Center. This initiative exhibits all components of SIR's recommended approach, providing training in a high-demand industry, placement services, and complementary social services. CEO commissioned an independent analysis, which evaluated the program by comparing program costs to the benefits to taxpayers

of increased individual earnings, increased tax contribution, welfare savings, and unemployment insurance savings. The study acknowledges that it did not consider many other potential benefits, such as savings from reduced incarceration, increased employer output, and benefits associated with health insurance. The cost-benefit analysis showed a net benefit to date of over \$37 million and net return on investment is \$9.10 per dollar invested.¹⁷

In addition to the benefits described above, recent studies have documented significant benefits at the individual level as well. Another study, conducted over two years by Public/Private Ventures and focusing on job training programs, found positive employment outcomes for participants in three training programs versus a control group of individuals that did not participate in the programs (shown in Figure 3, below). Benefits to program participants do not begin to accumulate significantly until the second year of the study because of the short-term cost of being unemployed or underemployed while attending an intensive training program. However, once they begin to accumulate in the second year, the benefits to program participants were significant, totaling nearly \$4,000 in just one year.¹⁸ The gains would likely be even greater if participants were tracked over a longer period of time.

FIGURE 3: EMPLOYMENT OUTCOMES OF JOB TRAINING

	JOB TRAINING PARTICIPANTS	NON-PARTICIPANTS
TOTAL EARNINGS	\$28,934	\$24,509
HOURS WORKED	2,334	2,089
JOB PAY \$11/HOUR	59%	45%
JOB PAY \$13/HOUR	37%	29%

RETURN ON INVESTMENT

Government and Society:

- Federal spending on unemployment in fiscal year 2009 totaled \$119 billion,¹⁹ a major expense that could be reduced by investing in effective training programs that connect low-skilled workers facing multiple barriers to stable, higher-wage jobs.
- Studies have shown the social return on investment of an effective training program is as high as \$9.10 per dollar invested,²⁰ making the initial investment in workforce development training a smart decision in the longer term.

Employers:

- Experts predict that employer demand for “middle skills” will grow more rapidly than the supply of qualified individuals over the next decade;²¹ training workers in the skills that employers are seeking will qualify them for jobs that can lift them out of poverty, as well as encourage industry growth and broader economic development by reducing the labor shortage.
- Population growth and job projections predict 5.0 to 5.7 million vacant jobs by 2018,²² presenting a significant opportunity for workers with some postsecondary training to obtain better paying jobs with advancement opportunities.

Individuals:

- In the first year after training, individuals who complete an effective training program can make \$4,000 more than those who do not participate in an industry-focused program;²³ the gap is likely to grow as benefits and earnings accrue over time.
- A \$44 weekly salary decrease and a 7% increase in unemployment each correlate with a 13% increase in risk of incarceration for black men without a college degree;²⁴ effective programs could prevent individuals who already face multiple barriers from further diminishing their job prospects by acquiring a criminal record.

For donors interested in ensuring that those most in need have the skills and training required to find and sustain jobs, SIR recommends supporting programs that focus on low-skilled adults facing multiple barriers to employment. SIR focused on organizations taking the **industry-focused approach** because they prepare individuals for jobs that are in-demand by the labor market and involve employers in program design to create a valued training curriculum. When supporting organizations using the industry-focused approach, SIR recommends those that provide technical training and education, employment preparation and placement services, and complementary social services, as outlined in Figure 4.

SIR recommends providing unrestricted or flexible funding to organizations that are implementing the recommended approach so that they may use funds for a wide range of activities, including delivering programs, building the organization's infrastructure, and spreading best practices in their field. Many organizations will use funds to support specific growth goals outlined in a strategic plan, perhaps seeking to increase the number of beneficiaries in their program or replicate their model to additional locations. Organizations may seek to implement a more rigorous data tracking mechanism to improve program effectiveness, or choose to engage in research, publishing,

and convening to spread information about a particularly successful program to others in their field. Other common quality improvements include hiring new staff or expanding the social service offerings available to program participants.

FIGURE 4: COMPONENTS OF THE RECOMMENDED APPROACH

- **Technical Training and Education:** Basic skills needed to gain and retain employment in a specific industry
- **Employment Preparation and Placement Services:** Education around employer expectations and professionalism, and job placement support
- **Complementary Social Services:** Access to services that address external (e.g., lack of transportation or childcare) and personal (e.g., mental health issues, substance abuse) barriers to employment

TAKE ACTION

Donors may also want to take additional actions to help support the organizations in preparing low-skilled workers facing multiple barriers to prepare and succeed in the workforce.

Strengthen or Create Ties to an Industry

- **Help connect** the organization to other training providers working to encourage alliances that align efforts, spread best practices, and complement one another's work
- **Help connect** the organization to other types of industry stakeholders (e.g., workforce investment boards, employers, worker unions) to align their efforts and increase each other's knowledge of and reach into the full workforce development landscape
- **Sponsor** internships at your company by becoming an employer partner to an organization that trains participants for jobs in your industry

Volunteer

- **Volunteer** with a local workforce development program, especially one that focuses on an area of personal expertise, and help with employability workshops, mock interviews, or resume critiques
- **Support** a program as a board or planning committee member in an area of personal expertise
- **Mentor** a program participant who is interested in a related career path, perhaps providing job shadowing or internship opportunities

Raise Awareness

- **Advocate** for increased access to industry-focused job training programs through additional government funding to subsidize program costs and/or provide incentives (e.g., childcare, transportation) to participants
- **Advocate** for legislation that removes or lessens barriers to employment for certain populations, such as those with criminal records

To learn more about workforce development, please refer to SIR's state and organization reports.

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Social Impact Research (SIR) is the independent research department of Root Cause, a research and consulting firm dedicated to mobilizing the nonprofit, public, and business sectors to work together in a new social impact market. SIR aggregates, analyzes, and disseminates information to help donors identify and support the most effective, efficient, and sustainable organizations working to solve social problems. Modeled after private sector equity research firms, SIR produces research reports, analyzes philanthropic portfolios, and provides educational services for advisors to help their clients make effective and rigorous philanthropic decisions.

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