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‘This is a crisis point’: Inside the battle to fix workforce development as inflation surges

The U.S. spends far less on workforce development than most other wealthy nations, which has made it difficult for its workforce and supply chain to meet the challenges of the pandemic.

BY: **ELEANOR MUELLER** | 05/23/2022 09:56 AM EDT | UPDATED 05/23/2022 10:55 AM EDT

A "Help Wanted" sign is posted in the window of an automotive service shop.| Justin Sullivan/Getty Images

As inflation continues to spike, the White House and Democrats in Congress are turning their attention to one of its least-talked-about causes: lagging workforce development.

For years, the U.S. has spent far less on training its workers and done so much less effectively than most other wealthy nations, which is contributing to the supply chain woes caused by the pandemic.

With two job openings for every worker seeking employment in March, economists say one reason for the mismatch is a failure to effectively prepare workers for in-demand roles. Many of the shortfalls are in sectors particularly crucial to a healthy supply chain, including trucking, manufacturing, railroads and ports.

If policymakers can't remedy the situation, labor and education experts warn that it could permanently hobble the U.S. economy and impede its ability to compete with other economic powers like China — particularly given how long it can take for changes to produce results.

"This is a crisis point," said Boston University professor Scott Solberg, vice president of research for the Coalition for Career Development Center. "We have to have a national conversation about how we're going to elevate career readiness, because it's all about economic competitiveness."

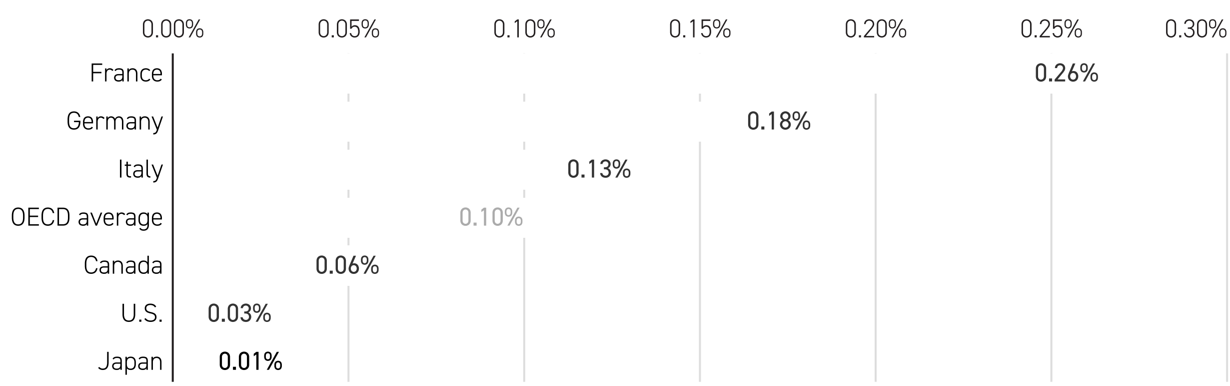
Labor Secretary Marty Walsh and congressional Democrats are scrambling to reinforce the supply chain's little-known Achilles heel before inflation can spiral further. Prices have risen 8.3 percent over the last year — well above the 5.5 percent hike in average hourly earnings in the same period.

"Industries are having troubles getting workers right now; a lot of that is that they're not skilled up or are trained to do work in those industries, because they've left and gone to other industries," Walsh said recently in a classroom at The Apprentice School in Newport News, Va., which trains shipbuilding workers. "Right now is the time to make sure we continue to make investments in workforce development [and] job training."

Prior to the pandemic, the U.S. spent just 0.03 percent of its GDP on worker training, a POLITICO analysis of the most recent data from the Organization for Economic Cooperation and Development found. That's less than a third of what OECD nations spent on average, or 0.10 percent.

U.S. lags wealthy nations in spending on training workers

Spending on training unemployed workers as a percent of GDP, 2019 .



G-7 countries shown except for the U.K., for which data is only available through 2011.
Source: OECD
Eleanor Mueller/POLITICO

“We have let our workforce strategy atrophy, because we thought it was just going to be the engineers — the graduate-degree holders — that were going to solve our competitiveness posture,” said Andy Van Kleunen, CEO of the nonprofit National Skills Coalition. “We need to be investing in folks at all layers of our workforce if we're going to be actually able to pull this off.”

Even what is spent doesn’t always have the best return on investment. Critics of the current system say it is disjointed, inconsistent and ineffective. By Walsh’s own admission, “some of our workforce development programs have not been as successful as they need to be,” he told House appropriators Tuesday.

The shortfall has contributed to an employer-reported shortage of workers who possess the skills they need. Seventy-four percent of hiring managers said in 2020 that there is a skills gap in the current labor market, according to the U.S. Chamber of Commerce Foundation. Forty-eight percent said candidates lack the skills needed to fill open jobs.

“It's not just that there aren’t enough workers, it’s that the workers that they do have don't have the skills that they need to fill these positions,” said Rachel Greszler, a labor economist at the right-leaning Heritage Foundation. “And a lot of that has to do with [how] the U.S. is not teaching people the things that they need to go out into the workforce.”

Thanks to the pandemic, the need is greater now than ever. Covid-19 accelerated automation — and with it, workers’ need to acquire new skills. As a result, companies estimate that four in 10 workers will require reskilling of six months or less.

The U.S. workforce development system “is actually fairly broken, and it’s not super responsive to industry need,” said Cheryl Oldham, vice president of education policy at the U.S. Chamber of Commerce. “We’re in this crazy dynamic economy; jobs are changing faster than ever before … and yet we have this system that continues to do things the way it always has.”

Nearly six in 10 workers said a lack of skills prevented them for applying for a job they wanted in the last two years, a new poll for Goodwill by PerryUndem found.

"In fact, 84% of our respondents who are unemployed stated that they would like help gaining the skills, training and support they need to enter the workforce," Steve Preston, President and CEO of Goodwill, said.

The organization is partnering with Google and other employers on a newly launced initiative focused on workforce development.

Things have gotten so bad that it’s united some of Washington’s most unlikely allies in calling for a fix. In addition to the U.S. Chamber of Commerce and Republican lawmakers like Rep. Kevin Brady (R-Texas), unions are also urging a change.

"Employers have actually been putting less and less money in training over the course of time, and offloaded onto the government," AFL-CIO President Liz Shuler said. "The government has been under-resourcing it; they offloaded it onto the individual. And so that means that they're taking on more of the risk."

Democrats are scrambling to address the issue before it can exacerbate the existing strain on the supply chain — and to do so without much cash. According to the National Skills Coalition, workforce development spending has declined by two-thirds over the last four decades — while the labor force has grown by 50 percent.

The pandemic was no exception to the trend: Of the $5 trillion the federal government has spent so far in response to the coronavirus, lawmakers have allotted just $345 million to the Labor Department's primary workforce development agency, the Employment and Training Administration. That's less than a 10th of the nearly $6 billion it appropriated to respond to the Great Recession.

"You don't spend money you don't have," Walsh said. "What you do is you make the programs you have impactful as best you can."

The Labor Department is working to expand apprenticeships in careers along the supply chain, including by its recent creation of a pilot program to recruit and train more truck drivers.

And House Education and Labor Chair Bobby Scott (D-Va.) is leading a push to reauthorize the Workforce Innovation and Opportunity Act, which funds the bulk of the federal government's 43 employment and training programs.

"Job training — people producing more, more effectively — deals with the supply side of supply-and-demand," Scott said. "We're doing something about the inflationary pressures."

The House passed Scott's legislation, which would boost funding to $74 billion over six years, this week. What happens next is less certain: Republicans are unhappy with the measure, which Democrats rolled out on their own following a failure to reach agreement on funding levels and union sway, among other things.

"I was Charlie Brown, and [Scott] was Lucy with the football," Rep. Virginia Foxx (R-N.C.), the top Republican on the House Education and Labor Committee, said. "He just pulled it right away from us."

Should her party win control of the House in November, Foxx is already planning to take up an alternative WIOA reauthorization "very early on in the session" that would allow employers “to be more involved with what’s happening in preparing their employees for these jobs,” including by tweaking state and local workforce boards to give the private sector more say.

“Everybody in this country knows, if their eyes are open, every employer has a ‘help wanted’ sign out,” Foxx said. “There are jobs everywhere. Every sector of the economy, there are jobs.”

“What we need to be doing is making sure that workforce development programs will ensure that workers have the skills employers are looking for,” she added. “Having a one size fits all from Washington is not the way to do it.”

Before it collapsed, Democrats’ $1.7 trillion "Build Back Better" package contained $20 billion for workforce development. Almost $14 billion would have gone to the Labor Department for programs like apprenticeships. More than $6 billion would have been reserved for Education Department efforts, including $5 billion to run community college programs that partner with businesses.

Talks have restarted on how to resuscitate the legislation in some form before lawmakers trickle back to their home states ahead of midterms. But it’s unclear whether workforce development cash would make the cut — which would leave Scott and Walsh to make do without.

“Just because the job training piece of Build Back Better hasn’t passed, doesn’t mean we don’t continue to do our job,” Walsh said. “We get creative.”

Walsh pointed to employer-bankrolled initiatives like The Apprentice School. “This facility we’re in today is funded by the industries," he said. "An industry can create something like this.”

As for a legislative path forward, Democrats are pushing to include workforce development provisions in the final version of a multibillion-dollar package — known in the House as the COMPETES Act — intended to improve the U.S.’ ability to compete with China on tech manufacturing. That language would expand Pell Grant eligibility to include accelerated programs to provide workers with industry-based credentials and ultimately employment, among other things.

“Build Back Better may or may not ever happen, but it’s not the only bill,” Scott said. “It’s not the only way we can fund job training.” Along with WIOA and the appropriations process, “there are significant opportunities in COMPETES.”

But that could be cut as House and Senate negotiators wrangle a compromise, leaving advocates like Van Kleunen concerned that the U.S. will end up spending billions through COMPETES only to fall short of its economic goals.

“If we don't have skilled workers in the plan, we don't have a supply chain strategy,” Van Kleunen said. “The components won't make themselves; they won't transport themselves."

CORRECTION: An earlier version of this report misspelled the name of the firm which conducted a poll for Goodwill. It is PerryUndem.