EMPLOYER POWER AND EMPLOYEE SKILLS, INVESTMENT SCAN: FEDERAL AND PHILANTHROPIC WORKFORCE

ISSUE BRIEF BY **SUZANNE KAHN** AND **ANNA N. SMITH** | FEBRUARY 2021

INTRODUCTION

The Roosevelt Institute recently released *Employer Power and Employee Skills: Understanding Workforce Training Programs in the Context of Labor Market Power*, a report by Suresh Naidu and Aaron Sojourner. The report illustrates how economists have diverged from policymakers, philanthropists, and the popular press as they have begun to produce research that counsels skepticism of a skills gap as a major driver of persistent inequality. Naidu and Sojourner further argue that to design effective workforce training programs, we have to understand how they operate relative to (and might even affect) employers' labor market power. They suggest a range of paths forward for workforce investments. Broadly speaking, these recommendations fall into three categories: (a) redirecting workforce investments away from training programs and toward other institutions that more reliably build worker power, (b) accompanying any skills training with a suite of other services, and (c) ensuring that training and employment programs serve participants as well as they serve businesses.

In conjunction with the release of Naidu and Sojourner's paper, the Roosevelt Institute conducted this landscape scan with the aim of showing how the federal government and philanthropists understand their workforce investments, if these investments are aligned with the most up-to-date economics research, and where there is space for better alignment. Here, we examine where current investments are being made and how existing training and job placement programs measure up against Naidu and Sojourner's recommendations. We find that overall, federal workforce programs are more likely to pair skills training with other services than programs backed by philanthropic investments; however, many of the largest investments in workforce development programs do focus on programs that also include wraparound services. Importantly, we also find that both federal and philanthropic training programs should do more to center worker voice and emphasize job quality.

CREATIVE COMMONS COPYRIGHT 2021

This landscape scan is not focused on the success and/or failure of the specific programs we examine. The accompanying literature review by Naidu and Sojourner looks closely at randomized control trials of a variety of philanthropic and federal programs. Delving further into those studies is beyond the scope of this paper. Instead, we focus here on the populations reached by workforce development programs, the theory of change behind these programs, and the standards used to measure their success. To provide this analysis, we examined both a proprietary data set culled from the 1,000 largest philanthropies' 990 forms and publicly available data on federal programs. To supplement this data, we conducted a series of interviews with eight of the largest and/or longest-standing philanthropic donors in the space, including both independent foundations and corporate foundations.[1]

This scan proceeds in three parts:

1. A brief review of Naidu and Sojourner's key conclusions;
2. An overview of the state of play in workforce investments by the federal government and philanthropies—for example, who these investments are reaching and in which industries; and
3. An investigation of the metrics the federal government and philanthropies use to measure their own success.

We conclude by offering our thoughts on where investments are misaligned with the conclusions of *Employer Power and Employee Skills* and how those gaps present opportunities.

KEY TAKEAWAYS FROM *EMPLOYER POWER AND EMPLOYEE SKILLS*

Naidu and Sojourner place employers' and policymakers' claims of a skills gap within the context of different theories of the labor market. They examine these claims from two perspectives: First, they ask if the evidence supports the claims. Second, they ask if the prescription confirms the diagnosis. In other words, are training programs reducing inequality and persistent unemployment? In this section, we review the key takeaways each examination yielded so that we can then assess if existing workforce investments align with Naidu and Sojourner's conclusions.

[1] We interviewed representatives from the Annie E. Casey Foundation, Citi Foundation, Ford Foundation, Harry and Jeanette Weinberg Foundation, Hewlett Foundation, James Graham Brown Foundation, New York Community Trust, and Walmart.

The idea that the nation faces a skills gap became widely popular over the last decade, proliferating in the wake of the Great Recession. Corporations and the business press looked to a skills gap as an explanation for the persistence of inequality and unemployment in the recovering economy. In response, economists began to look for evidence of such a gap.

An important 2014 analysis by Peter Cappelli introduced nuance to the concept of a skills gap by breaking it into three possible categories (Cappelli 2015):

- *Basic skills gap* (Cappelli himself simply calls this a "skills gap"): A widespread shortage in basic skills that ought to be taught in the K—12 system and that most employers demand.
- *Skills shortage*: A narrow shortage of people with the training necessary to serve in specific high-demand professions and occupations.
- *Skills mismatch:* When, in a pair of markets defined geographically or on the basis of skills, improvements could be made by shifting workers or employers between markets, but some friction prevents this.

Naidu and Sojourner's review of the literature turned up little evidence for any of Cappelli's categories. Regarding a basic skills gap, there is scant evidence of a change in US relative education quality since the 1960s, when the first international tests were administered. Over the last six decades, US wage growth and labor market tightness have varied, but widening inequality and mediocre performance in international educational testing have been constant.

Evidence is also scant for a skills shortage or skills mismatch in most fields. If such a shortage existed, economists would predict rising wages, but that has not occurred. A pair of compelling papers by Alicia Modestino and co-authors show a cyclical "upskilling" and "downskilling" of skill requirements in job postings (Modestino et al. 2015, Modestino et al. 2016). As the labor market became slack during the Great Recession, employer skill requirements increased as employers realized they could get high-productivity workers more cheaply. As the labor market tightened, the skill requirements on job postings fell. While the degree of persistent skills mismatch in different US markets is difficult to gauge, there is evidence of, for example, decreased geographic mobility among workers, which economists predict would create the sorts of labor market friction that lead to mismatches. Similarly, there are clearly moments when there is a sudden need to fill new kinds of jobs—for example, contact tracing during a pandemic—and not enough workers with the skills to fill them.

When Sojourner and Naidu flipped from examining the diagnosis to testing the efficacy of the prescription, the evidence for any kind of skills gap driving inequality and unemployment was also relatively limited. Studies of workforce training programs narrowly targeted at imparting skills do not offer the returns we would look for if the skills gap were a major cause of low-wages, unemployment, and inequality. For example, Jobs Corps—the largest federally run, US training program—has disappointingly small results.

We see more success in sectoral programs that not only offer skills training, but also offer significant wraparound supports. Randomized control trials (RCTs) have shown many of these programs to have impressive results when it comes to raising the wages of participants. Naidu and Sojourner, however, raise the question of whether the skills training component of these programs deserves the credit or if other program components—e.g. prescreening, wraparound services—which can be understood as reducing market frictions, actually account for their success.

The limited number of RCTs of workforce training programs makes it difficult to compare the results of US training programs across demographics, regions, and market conditions. (This is an area in which more research should be done). Using the limited information available to us, however, we can usefully compare the effects of training programs in different countries with diverse labor market institutions. New analysis reported in *Employer Power and Employee Skills* shows that the effects of job training on wages are higher where workers are represented by stronger unions. On the flip side, Naidu and Sojourner ask whether in markets where employers have disproportionate power, employers might be capturing the productivity gains that result from skills training programs instead of raising workers' wages.

While Naidu and Sojourner's review of existing research casts doubt on a skills gap as a driver of inequality, there are clearly situations where training is needed. In these cases, Naidu and Sojourner's research can help guide the structure of these programs. Their work suggests that training programs are most effective at improving workers' well-being and reducing inequality under a particular set of conditions connected to employer market power. Successful training programs fix labor market frictions for workers and impart new skills to participants. To that end, Naidu and Sojourner offer a number of recommendations for funders and program designers to consider when investing in and building new workforce training programs. These include:

- Conditioning employer participation in training programs on commitments to certain wage scales and pay increases over time;

- Ensuring training programs have institutionalized and equitable input from worker representatives;
- Emphasizing training programs that are linked to opportunities at more than one employer;
- Investing as much in job search assistance as in training; and
- Investing in wraparound services that reduce frictions workers have in finding and maintaining employment while credit-constrained, including resources for transportation, childcare, criminal-record expungement, health, and food security.

In the landscape scan that follows, we both describe the programs where philanthropic and federal investments are concentrated, and measure these investments against Naidu and Sojourner's recommendations. The gaps between the latest research and recent investments suggest places where there is room to improve our workforce training systems.

WORKFORCE DEVELOPMENT INVESTMENTS—THE FEDERAL AND PHILANTHROPIC STATE OF PLAY

The ways in which US workforce training programs are funded have changed significantly over the last three decades. Here, it is worth noting how we are defining the scope of "workforce development" in this scan. We are using the term to describe federal and philanthropic programs focused on preparing participants specifically for employment and excluding the traditional education system (K-12 and non-vocational post-secondary). Arguably, the traditional education system is the country's primary workforce development system, but, for better or worse, both federal and philanthropic programs have more often than not treated the education system and the workforce development system as separate.[2]

Public investment in "active labor market policies"—policies designed to promote workforce participation, including both workforce training and job placement services—has declined substantially in recent decades. Measured as a percentage of GDP, US spending on active labor market policies is less than half of what it was in the

[2] That said, we believe that the conclusions in Naidu and Sojourner's literature review have much to offer more traditional practitioners and philanthropists in the post-secondary space, but including these investments would have made this landscape scan unwieldy.

1980s.[3] Of OECD countries, the US ranks very near the bottom in terms of spending on active labor market policies (Council of Economic Advisers 2016). At the same time, US employers' investments in workforce training have also decreased substantially. Both employer-paid-for training and employer-provided training fell substantially from the 1990s to today (Fitzpayne and Pollack 2018).

In contrast, in the last decade, philanthropy has moved in the opposite direction, increasing its investment in workforce training. Using a data set collected from the 1,000 largest philanthropies' tax returns between 2007 and 2017, Roosevelt tracked the increase in philanthropic investments in workforce development over time. We found that the amount given in the space has grown significantly faster than both the number of grantmakers and the number of recipients. While the total amount invested in workforce development grew by over 50 percent over 10 years, the number of grantmakers only increased by 11 percent. In contrast, the number of grants and the number of recipients grew at similar paces, 28 percent and 25 percent, respectively. This suggests that the size of individual workforce development grants grew substantially over the last decade.

The timing of the growth in workforce investments is telling. When the US government and employers began reducing workforce training funding, philanthropies did not immediately fill the gaps. Rather, as we can see from the chart below, after slightly increasing their workforce investments in response to the Great Recession, the largest philanthropies embarked on a sustained spike in giving to workforce development programs five years after the Great Recession. Investments began at a moment when employment rates were stagnating above their pre-recession levels despite the overall economic recovery (McCorkle et al. 2019).

[3] Importantly, this does not include student debt and Pell Grant investment, both of which should be understood as labor market policy.

FIGURE 1. CHANGE OVER TIME IN WORKFORCE INVESTMENTS

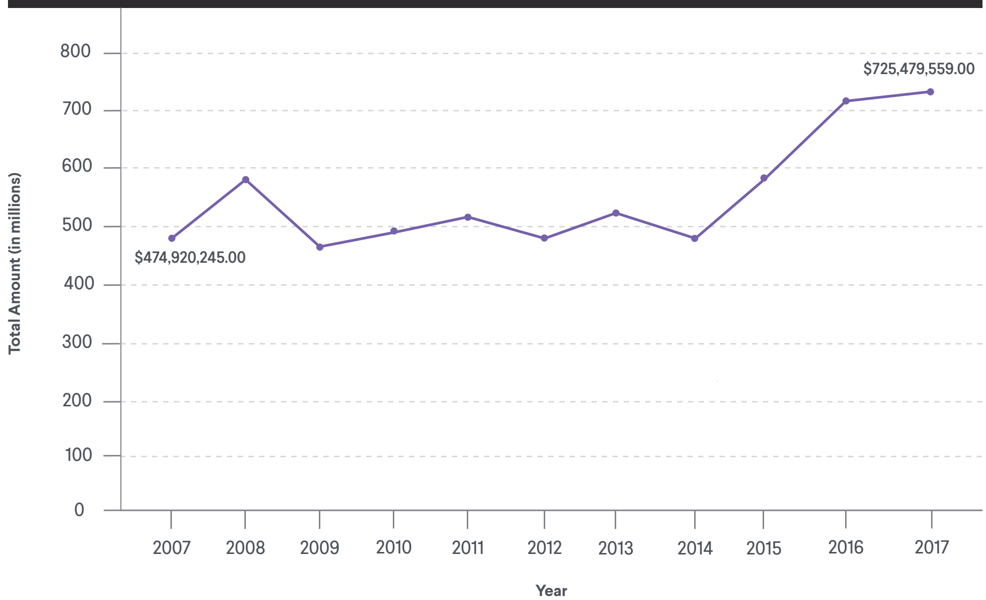
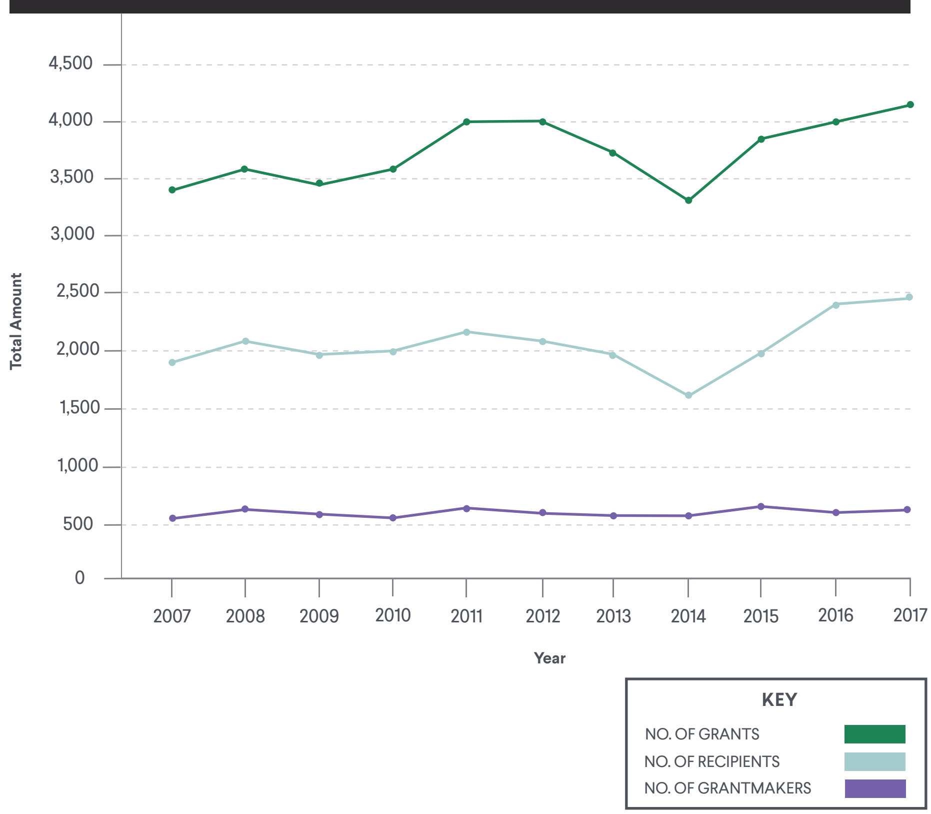
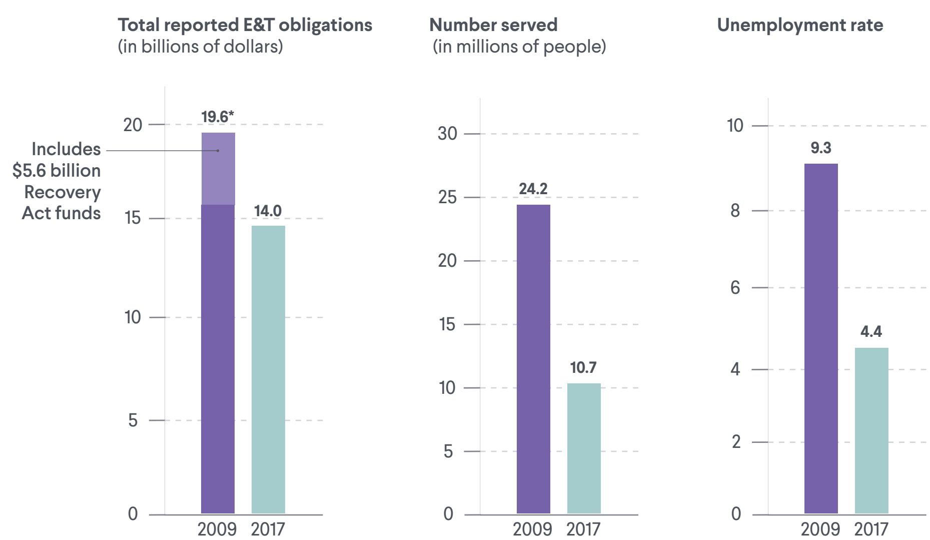


FIGURE 2. CHANGE OVER TIME IN WORKFORCE INVESTMENTS (GRANTS, GRANTMAKERS, AND RECIPIENTS)



Interviews with philanthropic donors suggest that there was particular interest in youth workforce development in the wake of the Great Recession. This focus emerged as it became increasingly clear that young people, particularly young people of color, were experiencing a slower recovery than others. Many funders—for example the Rockefeller Foundation—made this shift in part due to the Obama administration's focus on this issue.[4] Despite this Obama-era investment in youth, in general, federal investment in workforce training has fallen since the Great Recession (at least until COVID-19), as can be seen in the chart below. Nevertheless, in absolute numbers, federal investment in workforce development remains far larger than philanthropic investment.

FIGURE 3. FEDERAL EMPLOYMENT AND TRAINING OBLIGATIONS, EMPLOYMENT AND TRAINING PROGRAM PARTICIPATION, AND UNEMPLOYMENT RATE, FISCAL YEARS 2009 AND 2017



**2009 numbers adjusted for inflation in fiscal year 2017 dollars. Recovery Act = American Recovery and Reinvestment Act of 2009. Source: GAO analysis of survey data as confirmed by agency officials and Bureau of Labor Statistics data. | GAO-19-200.*

In addition to following different trajectories in terms of level of investment, federal and philanthropic investments in workforce training look different in terms of program content. In what follows, we detail how federal and philanthropic investments have been targeted and structured. A few general conclusions emerge:

---

[4] In 2012, the White House Council on Community Solutions issued a report on "Opportunity Youth," which began by noting that unemployment for young adults was at a "historic high" (White House Council for Community Solutions 2012).

First, federal programs are significantly more focused on job placement and less focused on skills development than their philanthropic counterparts.[5] Second, on paper, federal programs appear to have many of the lessons of successful sectoral programs. Third, federal and philanthropic programs, although not built around affirmatively advancing racial equity, nevertheless serve a disproportionately large number of Black people. (In both cases, it is unclear whether the services offered are successfully supporting the goal of advancing racial equity.) Fourth, across federal and philanthropic programs, too much focus has been placed on programs that promote soft skills. All of that said, the interviews we conducted also suggested a field that has been developing rapidly—for example, philanthropists in the workforce development space have become more attentive to racial equity in recent years.

FEDERAL EMPLOYMENT AND TRAINING PROGRAMS

In 2017, the federal government spent 14 billion on employment and training programs serving 10.7 million people. These funds went to over 40 different programs, about half of which were run by the Department of Labor (DOL). The Department of Health and Human Services (HHS) and Department of Education also ran a significant number of programs; a smaller number were run by the Department of Agriculture, Department of Defense, Department of Veterans Affairs (VA), Department of Agriculture, Department of Justice, and Environmental Protection Agency (EPA).

In 2017, the vast majority of the funding to federal employment and training programs was divided among just eight programs:

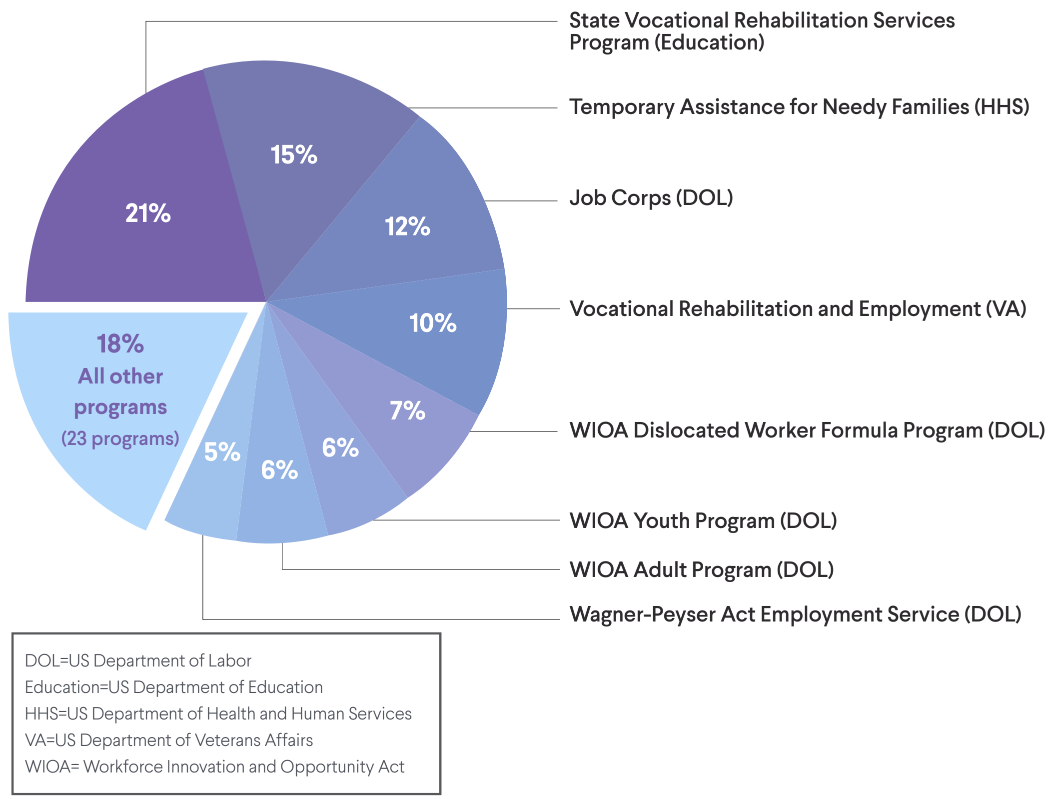
- State Vocational Rehabilitation Services, run by the Department of Education;
- the training programs attached to Temporary Assistance for Needy Families (TANF), run by HHS;
- the VA's Vocational Rehabilitation and Employment Services; and
- five programs run by the DOL—Job Corps, the Workforce Investment and Opportunity Act (WIOA) Dislocated Worker Formula Program, the WIOA Youth Program, the WIOA Adult Program, and the Wagner-Peyser Act Employment Service.

We have focused our analyses on these eight programs.

---

[5] Here, we again note that this conclusion does reflect how we cut the data. If we consider Pell Grants or student loans a workforce investment—which one could sensibly do—this conclusion would change. Nevertheless, it seems important to note that the programs most explicitly understood and structured as labor market interventions are less focused on education and more focused on placement than the equivalent philanthropic investments.

FIGURE 4. EIGHT PROGRAMS ACCOUNTED FOR MAJORITY OF FEDERAL EMPLOYMENT AND TRAINING OBLIGATIONS, FISCAL YEAR 2017



Source: GAO analysis of survey data as confirmed by agency officials. | GAO-19-200.

Even as overall funding to federal employment and training programs decreased between 2009 and 2017, the distribution of funds across agencies remained fairly consistent. The DOL has long run the largest number of programs, including its adult, dislocated worker, and youth training programs, as well as Job Corps. The largest change to the distribution of federal funds for workforce development between 2009 and 2017 was the introduction of significant funding for veterans rehabilitation services managed by the VA.

Despite the fairly steady distribution of federal workforce training funds across agencies, a major change in federal workforce programs did occur between 2009 and 2017. In 2014, Congress passed WIOA, the most recent iteration of federal workforce development legislation. Since the 1960s, the federal government has passed numerous laws to help guide and expand local workforce development programs, which, overtime, have broadened federal oversight of state and local programs (Sutter 2016).[6] WIOA particularly aimed to address the misalignment of federal programmatic goals and the administration of programs at the state and local levels.

To better align local and state workforce development programs with federal goals, WIOA established Workforce Development Boards (WDBs), which grew out of Workforce Investment Boards (WIBs) under the Workforce Investment Act.[7] WDBs function much like boards of directors, guiding the investment in trainings and services provided by core WIOA programs to reflect the demands of local industries (Bradley 2015). The composition of these boards raises some red flags regarding Naidu and Soujourner's concern that employers, not workers, might be the major beneficiaries of workforce training programs; the majority of local WDB members are required to be representatives of businesses in the local area, while only 20 percent of the members must be workforce representatives (20 CFR § 679.320).

Most federal workforce programs are administered at the state level with formula and block grants from the federal government. Under WIOA, every four years states must submit plans outlining their workforce development strategy for approval by the DOL, Department of Education, HHS, Department of Housing and Urban Development (HUD), and Department of Agriculture (USDA). Thus, despite the consolidation and increased coordination under WIOA, the program allows for a tremendous amount of variety across and within state programs. This is important to recognize as we delve more deeply into who federal employment and training programs serve and how. The federal data we share here can only provide us with some of the picture.

HOW IS FEDERAL WORKFORCE TRAINING FUNDING SPENT?

WIOA attempted to push federal workforce training programs to focus more on what Cappelli would call skills mismatches by enlisting local employers to guide the programs. Nevertheless, a sizable amount of federal workforce funding still goes to programs that focus on what Cappelli would term basic skills gaps and skills shortages—the skills gaps upon which the economics literature casts the most doubt.

---

[6] The Manpower Development and Training Act (1962), the Comprehensive Employment and Training Act (1973), the Job Training Partnership Act (1982), the Workforce Investment Act (1998), and the aforementioned Workforce Investment and Opportunity Act (2014).

[7] Additional reforms in WIOA included: improved regional collaboration between the state and localities; improvements to American Job Centers (AJCs), the centralized local offices that provide job training and placement services; increased emphasis on credential attainment; improvement of services to those with disabilities; and increased funding to youth program services.

For example, TANF's training programs and WIOA adult and youth programs are heavily focused on imparting basic and/or "soft" skills. The VA programs, the Department of Education's Rehabilitation Services program (which offers services to individuals with disabilities), and Job Corps offer a mix of soft/basic skills training and training addressing specific, perceived skills shortages.

While the focus of the training components offered under these federal programs does not align with what Naidu and Sojourner's findings would recommend, other aspects of the federal employment and training programs do. None of these programs exclusively provide skills training. Almost all also reduce labor market frictions by offering wraparound services such as childcare and by offering job placement services in coordination with employers.

The emphasis on job placement is promising, but its implementation raises questions about whether the programs are better serving employers or participants. With the exception of some dislocated worker programs, none of the programs have a job guarantee upon completion. Moreover, the programs do not include explicit requirements for potential employers regarding job quality (e.g., wage requirements, career ladders, worker representation). Thus, while WIOA significantly increased emphasis on coordination of workforce programs with businesses, more research is needed on who is capturing the productivity gains of any training provided—employers, reflected in increased profits, or workers, reflected in increased compensation (Duncan and Perez 2014).

While casting doubt on the existence of a basic skills gap or a skills shortage, the economics literature suggests there may be some sectors of the economy at certain times or in certain regions that may experience skills mismatches. These are cases where the availability of workers with needed training does not align with the jobs in demand. The federal government's WIOA Dislocated Workers program and Wagner-Peyser programs are directly designed to address this problem. As a result, these programs function more like the private sectoral workforce programs that have shown some of the most success according to *Employer Power and Employee Skills*. These programs coordinate more closely with employers than the other large federal programs, which focus more on job applicants. WIOA's dislocated worker program also offers significant wraparound services such as childcare and transportation.

WHO DO FEDERAL WORKFORCE TRAINING PROGRAMS SERVE?

To get a sense of populations served by federal workforce training programs, we looked specifically at the demographics of DOL programs, which are more broadly accessible than the programs run by the VA (only for vets), HHS (only TANF-eligible recipients), or the Department of Education (primarily for people with disabilities).

Core WIOA programs prioritize making services available to "vulnerable populations," including low-income individuals, individuals with disabilities, ex-offenders, migrant and seasonal farm workers, and English language learners. Interestingly, the only ethnicity or race explicitly identified among the vulnerable populations is "Indians, Alaska Natives, and Native Hawaiians." Black and Latinx workers are not included in the list of priority populations. Veterans are given priority for WIOA and Wagner-Peyser programs, although, as we have seen, they also have access to another set of employment and training programs run by the VA (Bird et al. 2014).

Overall, the demographics of WIOA programs and the Wagner-Peyser program, which serves a substantially larger pool of people than WIOA, were strikingly similar. About half of participants in both programs were women. Relative to the overall population, white people were disproportionately under-enrolled in both programs and Black people were over-enrolled. Latinx participation was roughly proportional to their demographic representation throughout the entire population.

TABLE 1. DEMOGRAPHICS OF WIOA AND WAGNER-PEYSER PROGRAMS

	WIOA Programs	Wagner-Peyser
Total Participants	821,073	3,480,826
% Women	51%	47%
% Latinx	17%	18%
% Black	26%	29%
% White	55%	51%
% Participants identify as having a disability	7%	5%
% Veterans	5%	7%
% Ex-Offenders	7%	4%
% Low income	43%	18%

Source: https://www.doleta.gov/performance/results/WIASRD/PY2018/PY_2018_WIOA_and_Wagner-Peyser_Data_Book.pdf

The only major difference in demographics of the WIOA and Wagner-Peyser programs was the percentage of program participants classified as low-income.[8] Since low-income people are designated as a priority "vulnerable population" under WIOA, it is unsurprising that this population makes up a significantly larger percentage of participants than in the Wagner-Peyser program. Notably, however, Wagner-Peyser is the federal program most closely aligned with Naidu and Sojourner's recommendations to focus on reducing labor market frictions; WIOA programs offer some coaching and job placements services, but they also focus more on soft skills than Wagner-Peyser. The difference in populations served does raise questions about whether WIOA programs focused on low-income individuals should be doing more to emphasize programming that reduces labor market frictions.

Although an investigation of the success rate of these programs across demographics is beyond the scope of this paper, in broad strokes, we can see similar trends across demographic groups for both WIOA and Wagner-Peyser programs. White men have slightly worse employment rates than women and people of color at the end of the programs, but for those who do find a job, they have higher earnings.

Overall, the picture that emerges when we examine WIOA training programs and Wagner-Peyser against Naidu and Sojourner's recommendations is of a set of programs that, at least on paper, have learned many of the lessons of successful sectoral programs. Nevertheless, evaluations continue to raise questions about their long-term effectiveness (Mathematica 2017). Further research should examine the internal budgets of each program to better understand the relative weight given to wraparound services, job placement services, and narrow skills training.

It is worth noting again that our scan of federal programs is at a necessarily high level. These programs are implemented at the state and local level. Thus, the details of who they serve, how they coordinate with employers, what wraparound services they offer, and even the kinds of training and sectors served vary substantially. For example, in California, WIOA funds have been directed to the California High Road Training Partnership, an impressive sectoral program that coordinates closely with employers and worker organizations to build career ladders from training to job placement and create family-sustaining jobs. The partnership also centers racial equity concerns and includes a focus on careers in mitigating climate change (California Workforce Development Board 2018). Notably, it does all this while focusing on many of the same sectors as federal programs: transit, hospitality, health care, and renewable resources.

[8] Under WIOA, "low-income" is defined as any of the following: (a) receiving cash assistance through an income-based public assistance program, (b) having an income in the past six months that fell below the poverty line, or (c) having an income in the past six months that fell below 70 percent of the Lower Living Standard Income Level.

The California High Road Training Partnership is also of interest because of its focus on worker voice. Even on paper, federal investments do not measure up to Naidu and Sojourner's recommendations regarding worker voice. The evidence shows that training programs work better in labor markets where workers have more representation and power, and that training programs can be structured to build this power. At the federal level, however, government programs have no institutionalized mechanisms to amplify worker voice and rebalance market power away from employers, and in the case of WDBs, explicitly give employers more voice.

The High Road Training Partnership program began in California in 2017. It is being actively studied, and those interested in how DOL programs can best serve workers and reduce labor market frictions should watch these studies closely. Of particular interest will be the High Road Training Partnership's scalability.

TABLE 2. PHILANTHROPIC FUNDING

	Grants	Spending	% of Money	% of Grants
US Based Workforce Grants	3,932	$669,983,471	2% (of overall spending among 1,000 largest grantmakers)	
Skills-Specific Grants	153	$22,917,343	3% (of US workforce spending by 1,000 largest grantmakers)	
Who Is Giving in Workforce Development?				
Independent Foundations	2,015	$493,242,164	74%	51%
Community Foundations	816	$62,794,395	18%	21%
Corporate Foundations	1,075	$111,118,148	6%	27%
Operating Foundations	26	$2,828,764	2%	1%
Who Do Workforce Development Grants Support?*				
Ethnic and racial groups	117	$32,064,585	10%	6%
Low income people	658	$164,777,027	50%	35%
Students	391	$92,111,458	28%	21%
Nonstudent youth	314	$53,516,537	16%	17%
What Types of Organizations Are Receiving Workforce Funding?*				
Public charities	2,750	$520,783,674	81%	79%
Local government agencies	118	$23,732,089	4%	3%
Educational institutions	67	$15,444,155	2%	2%
Religious institutions	280	$23,816,106	4%	8%
What Skills Do Skills-Specific Grants Focus On?				
Soft skills	64	$8,695,688	38%	42%
Skill shortage	66	$11,273,325	49%	43%
Skills mismatch	22	$3,174,746	14%	14%
Which Industries Do Skills-Specific Workforce Development Grants Target?				
Tech	13	$1,110,000	5%	8%
Manufacturing	8	$3,172,331	14%	5%
Health Care	10	$3,062,390	13%	7%
Culinary	7	$513,500	2%	5%
Not specified	26	$1,746,746	8%	17%

**Numbers are out of those grants where information was reported.*

PHILANTHROPIC INVESTMENTS

Roosevelt evaluated data culled from the 1,000 largest philanthropies' 990 tax forms in 2017 to get a clearer picture of philanthropic investments in workforce training. Each philanthropy's 990 tax form lists every discrete charitable grant made, the organization it was made to, the amount donated, and a brief description of the purpose of each grant. Candid (formerly the Foundation Center and Guidestar) compiles this information into a database and then has researchers add further detail—for example on population serviced—to each grant in the database. The data used in this landscape scan was pulled according to Candid's Philanthropy Classification System's (PCS's) subject codes. We looked at all grants made by the 1,000 largest philanthropies coded as related to vocational postsecondary education, adult education, employment, job counseling, job training, job retraining, and/or job creation and workforce development.[9] Each grant was further categorized by type of foundation making the grant, type of organization receiving the grant, the strategy that the recipient organization employs, the population the recipient organization serves, the specific population to be served by the grant, and the specific grant strategy, among other things. For example, in 2017, the Bill and Melinda Gates Foundation made a $500,000 grant to the National Skills Coalition. The PCS coded it as a "job creation and workforce development" grant. The population served by the organization was identified as low-income people and the working poor; the population served by the grant specifically was identified as students and low-income people. The grant strategy was program support and advocacy.

To deepen our analysis of workforce development grants specifically focused on skills training, we created a data subset of 153 US-based grants that used the term "skill" in their grant description. This is an imperfect method of identifying all the skills-focused grants in the data set—the true broader universe of 'skills-focused' grants is likely larger—but this methodology isolates those funders using the language of skills directly, which is central to understanding how funders are thinking about the "skills gap."

Based on our data set, in 2017, a little over half of the foundations (549) made 3,932 discreet investments over $10,000 in US-based workforce training programs.[10] The total amount invested in US-based programs by these top foundations was

---

[9] Here we note that the way we cut the data means we did not look at grants made in nonvocational, postsecondary education. Just as we did not include Pell grants or student loans in our assessment of federal workforce funding, we are not considering funding for traditional undergraduate programs in our philanthropic data (for example, we did not pull grants with the PCS codes for undergraduate education or university education).

[10] The total invested in workforce training for US and non-US programs was $725,479,559.00.

$669,983,471—just under 2 percent of overall philanthropic spending among the largest 1,000 philanthropies and just under half of what the federal government spent on employment and training programs that year. For comparison, in 2017, among the top 1,000 philanthropies, 27 percent of overall giving was invested in health related grants, 8 percent was invested in the arts and 6 percent in human rights. Education programs received 24 percent of overall giving, and community and economic development received 12 percent. The workforce categories we looked at were spread across these two larger categories (Mukai 2020). The 153 grants that specifically targeted "skills" training in the US—a total of $22,917,343—were made by 63 foundations. They made up approximately 3 percent of total US workforce investments.

The average workforce development grant in the 2017 data set was $174,345, and the median was $50,000. Only two grants made to US-based organizations were over $10 million—one by the J. Willard and Alice S. Marriott Foundation (to the Marriott Foundation for People with Disabilities), the other by the Bill and Melinda Gates Foundation (to the New Venture Fund). The skills-specific grants were very similar to the overall workforce grants in terms of average size, but were much smaller at the high end. Only six skills-specific grants over $1 million were made to US-based organizations in 2017. The largest of these was a $3 million grant from the James Graham Brown Foundation to the Jefferson Community and Technical College in Kentucky. The average workforce grant was for around 16 months; for skills-specific grants, it was slightly lower at 15 months.

WHO IS GIVING IN WORKFORCE DEVELOPMENT?

By amount given, the Bill and Melinda Gates Foundation (BMGF) was the largest investor in workforce development, but in 2017, workforce investments (again defined to exclude traditional education spending) only made up 1 percent of BMGF's total giving. Furthermore, while Gates was the largest investor in terms of total dollars given to workforce programs, if we look specifically at workforce dollars spent in the US, Gates was only the third largest investor. The largest investor in US workforce development programs was the W.K. Kellogg Foundation, which made 11 percent of its investments in US workforce development programs, followed by JPMorgan Chase, which made 23 percent of its investments in US workforce development programs. Other large donors in this space included the Ford Foundation (5 percent), the Citi Foundation (23 percent), The Harry and Jeanette Weinberg Foundation (13 percent), and the Robert

Wood Johnson Foundation (4 percent).[11] The largest workforce donors overall were not necessarily the largest donors to define their work around skills development. The top five philanthropies to fund skills-specific grants in the US were, in order, the James Graham Brown Foundation, the New York Community Trust, the William and Flora Hewlett Foundation, The Harry and Jeanette Weinberg Foundation, and the W.K. Kellogg Foundation.[12]

Notably, corporate foundations play a disproportionate role in workforce and skills-specific investments. Among the largest 1,000 philanthropies, corporate foundations did 6 percent of the total giving in 2017 but 18 percent of the giving directed at workforce development and 11 percent of the skills-specific giving.

FIGURE 5. TYPES OF GRANTMAKERS

[11] In addition, the J. Willard and Alice S. Marriot Foundation made a single but very large ($34,383,971) grant in 2017, to the Marriot Foundation for People with Disabilities.

[12] None of these donors spent the majority of their budgets on workforce development, and only the James Graham Brown Foundation and New York Community Trust spent the majority of their workforce-related spending on skills-specific grants. These two philanthropies were joined by seven others in spending the majority of their workforce dollars on skills-specific grants. Only the James Graham Brown Foundation spent over 10 percent of its total budget on skills-specific grants; it spent 22 percent. Only six philanthropies spent over 2 percent of their budget on skills.

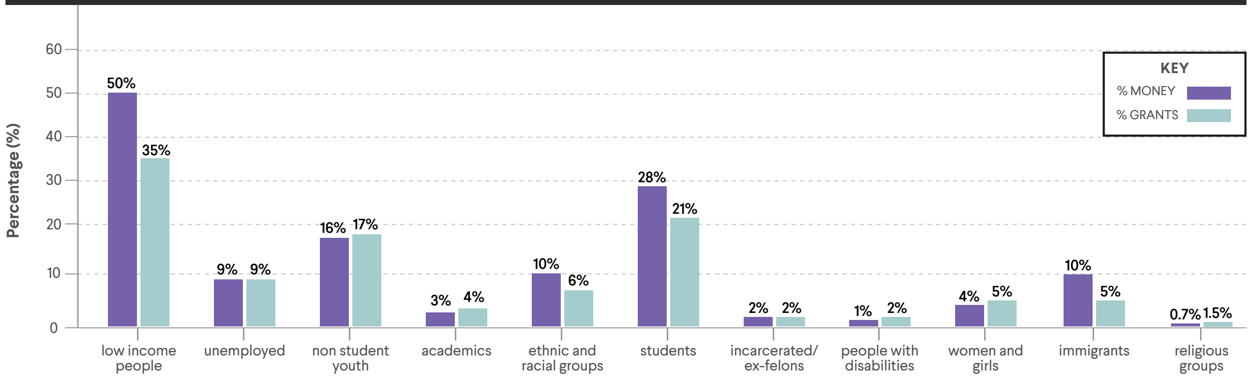
While independent foundations make up the majority of the largest givers in the workforce space in terms of total amount given (matching their dominance in philanthropic giving overall), corporate foundations notably dominate the list of the largest donors in terms of number of discrete grants given to workforce investment programming. In 2017, the top four donors in workforce development by number of discrete grants made were the JPMorgan Chase Foundation, the Bank of America Charitable Foundation, the State Street Foundation, and the Wells Fargo Foundation. Together, these four foundations made 561 discrete workforce development grants in the US in 2017. It's interesting to note that it is specifically banks dominating this list; banks have obligations under the Community Reinvestment Act to donate in locations where they take deposits, which may explain why banks with large geographic footprints are giving more discrete grants instead of larger grants (Meeks 2012).

WHO DO WORKFORCE DEVELOPMENT GRANTS SUPPORT?

The philanthropies in the 2017 data set underreported the populations their grants were intended to serve. Out of the 3,932 grants made to US-based organizations, the grant recipient population was left unreported in just over half of the grant descriptions. The data that was reported does allow us to draw a few conclusions.[13] First, workforce development grants generally seem not to be targeted toward addressing racial equity concerns. Only 117 of the 1,881 grants with reported grant populations (or just over 6 percent of grants, and 10 percent of money) targeted racial and ethnic minorities as a recipient group. In contrast, over 35 percent of grants and 50 percent of the funding was targeted at low-income people. Forty-eight workforce development grants focused specifically on research and evaluation; only one of the 48 was specifically focused on ethnic and racial groups. As such, this may help account for the significant lack of data available regarding race and the outcomes of workforce training programs.

[13] It's important to note that these can be overlapping categories so, for example, a grant's recipient population might be both "ethnic and racial minorities" and "academics."

FIGURE 6. GRANT RECIPIENT POPULATIONS



Source: Candid, 2020. Candid's Foundation 1000 set includes all of the grants of $10,000 or more reported by 1,000 of the largest US independent, corporate, community, and grantmaking operating foundations by total giving. This set accounts for approximately half of giving by active US-based private and community foundations in a given year.

Our interviews with philanthropists suggest this lack of specific focus on racial equity may have started to shift in the last three years. Many program officers described an increasing race consciousness in their education and workforce giving in recent years.

The 2017 data also suggests a tight connection between youth education funding and workforce development funding—indeed, significantly more of a linkage than one finds between workforce investments and adult training. A significant minority of the workforce investment funding was tied to schools and students: 391 of the 1,881 grants with identified recipient populations targeted students (28 percent of the money and 21 percent of the grants). An additional 314 grants targeted nonstudent youth (17 percent of grants and 16 percent of the money).

Our interviews confirmed this connection. Two of the bigger donors in the skills space, Hewlett and the James Graham Brown Foundation, locate their workforce development programs within their education programs. A program officer from the James Graham Brown Foundation explained that the foundation pairs its education and workforce programs together because "we recognize that our educational institutions are helping to shape our workforce." He continued, "It does not make a lot of sense to have a community and economic development program focused on place and a higher education program focused on people that are working in silos." Other programs' investments in workforce development, for example Citi Foundation's, grew out of a prior focus on college access and success.

In contrast to this focus on youth education, only 13 workforce development grants in the US were explicitly described as focused on adult education; none of these were tied to traditional educational institutions. Only one of the skills-specific grants was explicitly described as focused on adult education; it too was not tied to a traditional educational institution. This suggests that despite the deep connection between workforce investments and the educational system, very little of this investment is about making the educational system more accessible to nontraditional, adult learners, although it is important to note that community college investments in particular reach these learners without explicitly saying so.

Of the 153 skills-specific grants made in the US in 2017, the grant population was reported for just over 70 percent (111) of the grants. Here again, we see surprisingly little focus on racial inequality. Only 5 percent of the skills-focused grants reporting grant population and 1 percent of the money invested in these grants was specifically targeted at ethnic and racial groups. (Again, this may have started to change in the last few years.) Students and nonstudent youth again made up a significant minority of the giving. A slightly higher percentage (11 percent) of skills-specific workforce development grants targeted the unemployed than targeted the general workforce pool (9 percent).

A few other notable categories that received small shares of workforce funding included 4 percent of funding targeting women and girls, 2 percent of funding targeting the currently or formerly incarcerated, and 1 percent of funding targeting people with disabilities. Among the skills-specific grants, far less funding went to women and girls, but a much larger percentage (7 percent) went to programs for people with disabilities.

WHAT TYPES OF ORGANIZATIONS RECEIVE WORKFORCE FUNDING?

In addition to breaking down the target populations, we can also cut the 2017 data according to the types of organizations funding went to. Our data set reports the recipient type for about 80 percent of US-based recipient organizations. The majority of the funding went to the organizations under the broad category of public charities. Among the grants reporting recipient type, $15,444,155 (2 percent of funds with reported organization types) went to educational institutions, the majority to higher education institutions. Another $23,732,089 went to state and local government agencies (4 percent)—a category that has some overlap with educational institutions (see chart below). Religious institutions received another 4 percent ($23,816,106) of workforce training funding. The five largest recipients of funding by amount—the Marriott Foundation for People with Disabilities, the New Venture Fund, the National

Employment Law Project, Third Sector New England, and Living Goods—were all classified as public charities.

Among 153 skills-specific grants in the US, 18 (or roughly 11 percent) did not report the type of organization the grant was made to. Of those that did report, public charities again received the vast majority of money. State and local government agencies received 15 percent of skills-related funds where grant type was reported; all of those funds went to colleges and universities, predominately community colleges. Religious institutions received another 8 percent of this funding. The five largest recipients of skills-specific funding by amount were Jefferson Community & Technical College, Jobs for the Future, the Michigan League for Public Policy, the Consortium for Worker Education, and the Workforce Development Corporation—three direct-service organizations, including one community college, and two policy-focused nonprofits.

The James Graham Brown Foundation

The single largest skills-based grant made in the US in 2017 was from the Kentucky-based James Graham Brown Foundation to Jefferson Community & Technical College. The $3 million grant was made "for the development of the Advanced Manufacturing & Information Technology Center, which will train JCTC students in skills required for high-wage advanced manufacturing jobs throughout the region."[14] A conversation with a program officer at the foundation provided some key insights into this grant.

The grant was the foundation's first to a community college and was driven by an opportunity to partner with the state on its Work Ready Skills Initiative, through which the state was providing funding to educational institutions to provide skills training with the requirement that those institutions raise private funds to match state funds. The program officer indicated that Louisville-based businesses sought out the community college as a partner to pursue these funds to help develop talent for thousands of IT and advanced manufacturing jobs they could not fill.

The program officer described an ongoing process to ensure that the money created programs that both imparted new skills to students and helped drive economic mobility. The foundation faced two challenges in that regard: First, despite identifying the need for skills training, corporations were hesitant to contribute toward the private matching funds needed to leverage state investment themselves. They were willing,

[14] Quote from Candid data.

to a certain extent, to invest in their employees, but less so in community colleges. To counter that, the foundation required that its philanthropic investments in the community college be matched by corporate dollars. It also asked the college to develop metrics that measured not just skills acquisition but economic mobility of participants.

This reflects a larger shift in the foundation's thinking. Recent grants to community colleges have been more strategically focused on identifying and addressing needed skills training on a regional basis. For example, the foundation is funding an ongoing collaboration between the Kentucky Community and Technical College System, the Kentucky Workforce Investment Board, the state's K—12 system, and the Kentucky Council on Post-secondary Education to build a GIS tool that maps the locations of training programs and job concentrations in the state so that programs can be developed where they are most needed. In another example, after realizing that skills trade training programs in community colleges in Eastern Kentucky were preparing students for jobs that may not exist locally, the foundation made an investment in helping build small businesses and develop the entrepreneurial ecosystem in the region. These shifts in focus bring the foundation closer in line with what *Employer Power and Employee Skills* recommends—focusing on growing the number of employers as well as the number of applicants for jobs.

FIGURE 7a. TYPES OF GOVERNMENT AGENCIES RECEIVING WORKFORCE GRANTS

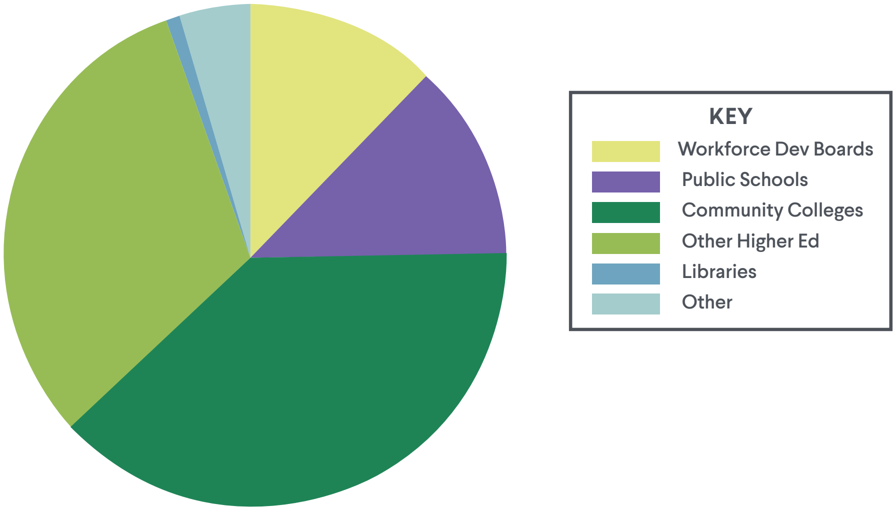


FIGURE 7b. TYPES OF GOVERNMENT AGENCIES RECEIVING WORKFORCE GRANTS		
Workforce Dev Boards	$2,922,008	12%
Public Schools	$3,019,719	13%
Community Colleges	$8,979,652	38%
Other Higher Ed	$7,529,878	32%
Libraries	$154,935	1%
Other	$1,125,897	5%

In contrast to the government agencies receiving skills-specific grants, among the broader set of workforce training grants, higher education institutions were not the sole government agencies receiving funds. Public school systems and workforce training boards also received significant percentages of funding. Notably, over a third of funding to government agencies for workforce training went specifically to community colleges.

HOW IS WORKFORCE FUNDING SPENT?

While cutting the grant data by organizational type gives us some insight into the kinds of programs workforce investments are flowing to, the data set also allows for some more detailed conclusions in this regard where recipients reported grant strategy. Seventy-five percent of US-based grants reported this information. Almost half of those reporting (45 percent) reported a grant strategy of program support or general support. Three percent of the grants that reported this information focused on research and/or evaluation; 5 percent focused on advocacy.[15] Only 1 percent of grants reporting a strategy were described as having a strategy focused on ensuring "equal opportunity

[15] Note: These can be overlapping categories.

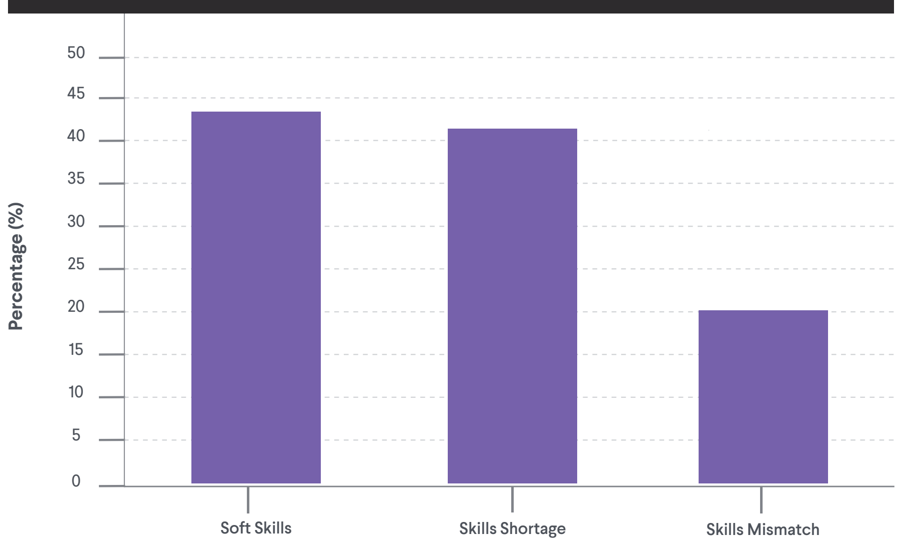
and access to services, resources, and advancement"—again suggesting a surprising lack of focus on racial equity within the workforce development space.

Among skills-specific grants, the vast majority of grants had a strategy focused on direct provision of training. A small minority (5 percent) focused on research and evaluation; another 4 percent focused on advocacy. Notably, as with the workforce development grants, a surprisingly small number of the skills-specific grants (2 percent) made creating equal access a part of their strategy.

Only 16 percent of the skills-specific grants focused on job placement, but this was still a far greater percentage than we saw in the full set of workforce development grants (roughly 2 percent of workforce development grants that described their activities included job placement in the description). Nevertheless, given Naidu and Sojourner's findings regarding the importance of job placement services as a means of reducing market frictions, the lack of philanthropic investment in these services suggests a potential opportunity.

Using the smaller data set of skills-specific grants, we also dug more deeply into the kinds of training being offered. We began by considering what kinds of skills gaps the grants could be said to be trying to address. Here again, we used Cappelli's skill gaps categories—soft skills gap, skills shortage, and skills mismatch—to describe program aims. Importantly, as we defined them, programs could try to target more than one of these at a time.

FIGURE 8. SKILLS GAPS TARGETED BY SKILLS-SPECIFIC GRANTS



As we found with federal workforce investments, most philanthropic skills investments focused on either soft skills or skills shortages, which notably are the two categories for which economists find the least evidence of a real skills gap.

Interestingly, the focus on soft skills seems distinct from a focus on basic education. Only 5 percent of all the skills training grants explicitly focused on adult basic education. This is a greater number than the 1 percent of grants we found to be doing so in the larger data set. It suggests that the "soft skills" targeted in skills gap grants are not those that participants would lack because of inadequate K—12 education, but instead perceived problems regarding presentation and communication that may actually be as much about a lack of cultural competency on the part of employers.

Among the philanthropists we interviewed, there was an interesting split between a focus on soft skills and skills mismatches, with less of a focus on generic skills shortages. The investment in skills mismatch programs was notable, but unsurprising from leading donors in the field. As noted in the literature review, the training programs generally considered most successful are sectoral programs that work closely with employers in specific geographic areas to develop training for jobs that have identified needs—skills mismatch programs. Since the 1990s, the Annie E. Casey Foundation has led in the development of this model, helping build regional, sectoral training models and ultimately spinning off the National Fund for Workforce Solutions, a funder collaborative that invests in regional, sectoral programs. The Harry and Jeanette Weinberg Foundation is now a major funder of the National Fund, as are Walmart, JPMorgan Chase, and the Bill and Melinda Gates Foundation.

Interestingly, the Ford Foundation, also an early leader in investment in sectoral programs, has moved away from workforce development investments entirely. A Ford program officer explained that in the late 2000s, Ford realized that following the sectoral model of "identifying where good jobs were and training people for them means that you are ignoring huge sectors of the population in industries like landscaping, restaurants, and homecare workers." Workers in these jobs tended to have language and immigration status barriers that prevented them from taking advantage of the workforce training system, but they also lacked career ladders in their own fields. These workers were, however, being reached by worker centers that provided legal services. Ford began to pivot toward investing in these centers' policy and power-building work.

Soft Skills at Hewlett

Naidu and Sojourner expressed skepticism about the existence of a soft skills gap, at least one that has grown in recent years. In our interviews, the most robust defense of investing in what might be called "soft skills" came from a Hewlett program director who is focused on investments in the education system to encourage what the foundation calls "deeper learning competencies"—an academic mindset, critical thinking, team work, communications, and the ability to transfer and apply something learned in one context to another. Hewlett hypothesizes, "If the education system could figure out how to deliver those competencies, the odds would go way up that students would make successful postsecondary transitions." The program director we spoke with said, "You can have all the skills you want, but if you can't think, communicate, work in teams, and apply things you learn in one context to another, then it is likely that you learn new things over time and succeed." This linking of "soft skills" to the possibility of not just getting a job but advancing within it was a notable and unique take on what building career ladders means.

When asked why Hewlett chose to focus on a set of competencies instead of more technical skills, the program director explained, "Our priority is preparing all kids, but especially kids of color and immigrant students to participate fully in the country's academic, corporate, and civic life. We want to see pathways to the professions open up for these kids." The program director acknowledged that as result of this focus, Hewlett gave less emphasis to noncollege careers. He concluded, "We think about it more as a question of giving students broad knowledge, transferable skills, agency and purpose. We are less motivated by whether or not people can find a job than by if we can create a generation of folks who are thoughtful and conscientious."

Hewlett's frank analysis helps locate where a focus on soft skills might make sense—although more research is needed to see if its hypothesis is correct—and emphasizes the importance of philanthropists and program designers being clear about what problem they are trying to solve. Trying to diversify the professions is a laudable goal, but very different from a goal of narrowing economic inequality overall or, for that matter, a goal of helping employers fill specific, needed jobs.

Available data on philanthropic investments does not let us draw conclusions about the structure of the actual programs, so we are unable to say much about worker voice in the programs. It does, however, appear that philanthropically supported programs are by and large more narrowly focused on training—as opposed to, say, job placement or wraparound services—than Naidu and Sojourner suggest is ideal. That said, the program officers at the leading philanthropies we interviewed were clear about the vital importance of wraparound services to effective training programs. They either supported programs with built in wraparound services or ensured that the training programs they supported worked closely with other organizations that provided such services. A program officer at the Annie E. Casey Foundation, for example, noted such services were even more essential to the success of workforce training programs targeting young people.

The program officer we spoke to at Ford usefully placed the importance of these services in their larger context. She argued that wraparound services were necessary in part because of failed public systems. "Each individual program has to figure out childcare and fair scheduling, for example, because we don't have fair scheduling laws, and we don't have a functioning childcare system," she said. This, she explained, is part of what makes effective training programs very difficult to scale. The people who workforce training programs generally serve need lots of services to succeed, and workforce training programs become very expensive when they have to provide them all.

WHERE IS WORKFORCE FUNDING SPENT?

To understand the geographic distribution of workforce investments, we looked specifically at the geographic distribution of money that went to state and local government agencies. We believe this offers a better window into the distribution of funds across the US than looking at the geographic distribution of every grant because the organization receiving the grant in many cases may not spend the money in their home state (for example, grants to Jobs for the Future will show up in the data for Massachusetts, but JFF is operating in many states across the country). State and local agencies in 32 states received workforce training funding through a grant from one of the 1,000 largest philanthropies in 2017.[16] Six states drew over $1 million: Michigan, California, Kentucky, Illinois, Massachusetts, and Wisconsin—in descending order of amount received. With the exception of California and Illinois, these states are

---

[16] The 18 states that did not receive funding were diverse, ranging from Hawaii to New Mexico to New Hampshire. The two most noticeable patterns were: All but 4 of the 18 states to not receive funding had Republican governors (the 4 were Alaska, Delaware, Hawaii, and Montana). One-third of the 18 states to not receive funding were in the South (Alabama, Arkansas, Mississippi, Oklahoma, Tennessee, and West Virginia).

notably not in the top six in terms of population size. Rather than tracking population, workforce funding is flowing to the postindustrial Midwest. Only four state and local government agencies received skills-specific grants: Kentucky, Texas, Washington, and Oregon. Interestingly, these grants are far less geographically clustered.

WHICH INDUSTRIES DO SKILLS-SPECIFIC WORKFORCE DEVELOPMENT GRANTS TARGET?

In addition to identifying the kinds of skills gaps foundations sought to fill, we were also able to identify specific sectors of the economy where funding for skills-specific training is targeted. Seventeen percent of the skills-specific grants were for unspecified industries. The largest number of industry-specific skills grants were made in the tech industry, which received 8 percent of grants. Notably, programs focused on the tech industry received only 5 percent of the total philanthropic funding put into skills-specific, workforce training programs. The healthcare and manufacturing sectors received fewer total grants, but more total funding than tech. Healthcare programs received 7 percent of grants and 13 percent of funding; manufacturing programs received 5 percent of grants and 14 percent of funding.

We found that corporate foundations often dominated the giving in their own sectors in terms of number of grants (not in terms of total given). For example, CISCO's corporate foundation gave one-third of the tech-focused skills grants. The Newman's Own Foundation gave the largest number of skills-specific grants in the culinary sector. Our larger data set had much more limited information regarding the sector-specific grants targeted, but we could see similar patterns: for example, corporate foundations attached to tech companies funding skills development in tech, and corporate foundations attached to banks funding large numbers of financial literacy grants.

This was borne out by our interviews with corporate foundations. For example, the Citi Foundation, as part of its investment in municipal summer youth employment programs, worked closely with its city partners on embedding financial capability into the programs. Likewise, the Walmart foundation's investments have focused on building opportunity in the retail sector, whether that means building career ladders at Goodwill stores or funding English language programs for retail workers.

Both the data set and our interviews amplify concerns raised by Naidu and Sojourner about potential employer capture of productivity gains from training programs. In general, corporate philanthropies' focus on their own industries raises some red flags in this regard. To better understand the extent to which these corporations benefit from their own philanthropic investments, we recommend further case studies regarding program structure and investigating the relative gains of employers and program participants.

A conversation with a Senior Program Officer at the New York Community Trust offered further insight into program collaboration with employers. He argued that prior to the Obama administration, most workforce training programs relied on a "train and pray" model without paying enough attention to employers' labor force needs. During the Obama administration, there was a shift toward trying to ensure that programs met real job needs through a careful examination of workforce data and employer engagement. "If your organization is not focused on employers in the design of the sector program then that's a big problem, then you're a laggard in the sector," he said. At the same time, he did caution against workforce training programs working with a single employer: "You don't want to have one employer dictating the choices of job seekers." Naidu and Sojourner's work affirms the importance of programs having a job placement component but raises the question of whether workforce training programs have swung too far toward catering to employers.

The Annie E. Casey on "Credible Workforce Intermediaries"

A program officer from the Annie E. Casey Foundation shared a very specific take on the role that workforce training programs should play with employers. She explained that when they fund a program, they look for "credible workforce intermediaries," organizations that are "able to not just help meet employer needs but also help employers understand that the way they have been engaging with talent needs to change if they are going to retain talent and grow their talent pipeline."

The Casey Foundation has worked to "give our grantees permission to triage employers." It encourages workforce training programs to filter out employers not only on objective criteria—like charges of wage theft—but on more subjective criteria, such as how willing an employer is to work with the training program on structuring different schedules. The program officer noted that this work was eroded in the wake of the 2008 recession. When there were fewer employers to choose from, workforce training practitioners were less able or less willing to be selective among employers and push for better working conditions for their trainees. The Casey Foundation program officer noted concerns that this would reoccur in our new economic climate. Summing up, another member of the Casey Foundation team said, "All of this is a lot easier in a tight labor market. It makes the average employer more open to doing the right thing."

WHAT IS THE IMPORTANCE OF SCALABILITY IN WORKFORCE FUNDING?

One area the data can provide only limited insight into, but which our interviewees spoke to extensively, is scalability. Different theories about the role workforce investments should play and how scalable those programs should be deeply shaped how each foundation invested. For example, at one end of the spectrum of attitudes toward scalability, an Annie E. Casey Foundation program officer argued that the appropriate way to view workforce programs was as a sort of safety net for the safety net. The program officer explained, "Workforce training programs reach folks who other more universal systems haven't worked for. As a result, they need to be customized—that could happen through wraparound services, through skills development, or through job matching." For the Casey Foundation then, there is no one model of a successful workforce training program or a model for extensively scaling such a program because to succeed, workforce programs must be more microtargeted than most other social supports.

The Walmart Foundation offered a different approach. The director there said, "Whatever we fund, we want to scale." As a result, Walmart gravitates away from the high-cost programs and has instead begun to focus on workforce training programs for incumbent workers. The theory is that incumbent workers are more likely to have the stability in place to allow them to move up a career ladder. Notably, Walmart's decision to focus on this area was driven not only by a desire for scalability but also by a desire to better align with the company's values. According to the program officer, the company prizes being a place where workers do not need a college degree to succeed, but the philanthropic arm was investing in college completion programs and high-risk individuals. By pivoting to focus on incumbent workers, it is meeting its own needs.

In explaining its approach, the director at Walmart shared that she was very influenced by a 2014 paper by Maureen Conway and Steven Dawson, "Raise the Floor and Build Ladders: Workforce Strategies and Supporting Mobility." Walmart has focused on the ladder-building piece of this prescription. Notably, the program officer at the Ford Foundation cited the same paper, but located Ford's work as focusing on raising the floor. She said, "We need to bump up the floor to even reach the ladder. We can't just keep improving the rungs on the ladder." This belief has led Ford to focus in recent years on building worker power and shifting public policy rather than training. Ford believes this focus will have more widespread effects. Successful training programs, the Ford program officer explained, can have significant impact on individual trainees' lives, but "don't change structures in the economy as a whole."

EVALUATIONS AND METRICS

In the previous section, we analyzed how the federal government and philanthropies are spending their money. This allowed us to draw some conclusions about the populations they are trying to reach, the sectors of the economy they believe need support, and their theories of change. Another way to understand the goals behind workforce training investments is to consider how the federal government and philanthropic grantmakers evaluate the performance of their investments. What are the metrics of success they track? What are the indicators of change they look for?

FEDERAL EMPLOYMENT AND TRAINING PROGRAMS

National standards for federal jobs training programs were first implemented under the Job Training Partnership Act of 1982 (JTPA). Under JTPA, states had considerable flexibility in how they reported and used performance measures. The Workforce Investment Act of 1998 began to tighten this flexibility by requiring performance measures at the state and local level and by requiring that any adjustments be negotiated prior to the program start (Sutter 2016). WIOA sought to further standardize performance measures. While the WIOA requirements discussed in this section do not apply to all federal job training programs (for example, TANF), as both the broadest and most recent set of standards implemented by the federal government, they give us particularly good insight into what the federal government believes it is trying to achieve through its employment and training programs.

Under WIOA, states are required to report standardized performance outcomes on a quarterly basis for the six core WIOA programs.[17] Accountability measures are broken up into two components: performance indicators and performance levels. Performance indicators point to objective measures of programmatic performance. The standard indicators measured are:

- Employment rate of participants at the second and fourth quarters after completion;
- Median earnings the second quarter after completion;
- Credential attainment rates, measured as the percentage of exiters who attain a recognized postsecondary credential within one year of program participation;

[17] The six core programs are the Adult program, the Dislocated Worker program, the Youth program, the Adult Education and Family Literacy Act (AEFLA) program under the Education Department (ED), the Wagner-Peyser program, and the Vocational Rehabilitation program under the ED.

- Documented achievement of new skills, measured as the percentage of program exiters who during the program participation year are enrolled in a training program that leads to credential attainment or employment; and
- Effectiveness in serving employers.[18]

In addition to tracking performance indicators and levels, WIOA also requires programs to collect data on participants' race, age, educational background, and wage earnings, among others. Notably, the final performance indicator measuring effectiveness in serving employers is not yet required because the Department of Labor and Department of Education are still in the process of jointly establishing how to measure this. In the context of Naidu and Sojourner's work showing that sectoral programs have the greatest and longest-lasting effects on wages and employment when workers have more power relative to employers, it is important to closely track how this indicator is developed. Federal programs should not be overly deferential to employers.

Using Naidu and Sojourner's recommendations as a guide, we would recommend that employers working directly with federal employment and training programs be required to report the average and lowest wages of their workers and how many workers they hire directly from the programs. This would be a step toward ensuring both that employers are serving the programs and that the programs are serving employers. We would also recommend new indicators be introduced to distinguish between the training and wraparound services so that we can better see which pieces of each program are effective.

While the WIOA performance indicators standardize metrics across programs, the performance-level measurements allow for more flexibility across states. As part of the development of their four-year plans, states set their expected performance levels for each indicator. In setting their expected performance levels, states must apply the statistical model developed by the Secretaries of Labor and Education that adjusts for economic conditions and participant characteristics. The model adjusts performance levels to account for state-specific economic factors. Once approved by the Secretaries of Labor and Education, performance levels are reported on a quarterly basis in addition to annual reports that states are required to compile.

In addition to this regular reporting, the Secretaries of Labor and Education are required to provide ongoing evaluation of federal programs at the national level. These evaluations must involve "rigorous methodology and research design." Furthermore,

---

[18] The DOL assigns additional specific performance indicators to different programs that fall under the oversight of its core programs; for example, Job Corps has to report literacy and numeracy gains.

periodic independent evaluations must be carried out once every four years to evaluate the effectiveness of the six core programs (H.R. 803). These studies measure programs' effectiveness in increasing employment, delivering services through existing mechanisms, and meeting the needs of various demographics as well as programs' impact on the community, businesses, and participants.

The evaluation system for federal programs reaffirms our concerns that federal workforce training programs are overly deferential to employer partners.

PHILANTHROPIC EVALUATION

Our conversations with philanthropists confirmed our sense that evaluations of philanthropically funded workforce development programs are uneven and lack consistent standards across philanthropies. Few foundations have a robust internal apparatus or external partners that evaluate the programs they fund in a causal manner (using quasi-experimental designs or randomized control trials). Instead, evaluations tend to rely on qualitative survey responses from participants or program administrators.

A consistent message we heard from program officers was that they simply could not provide enough support to their grantees to ask them to do extensive evaluations or report data they were not already reporting. As a result, most program officers described designing very individualized reporting metrics with each grantee. In general, despite this customization, there are shared metrics of interest, including race and ethnicity of program participants, number of participants who find full-time work at the end of training, and length of time in a new position.

An Annie E. Casey Foundation program officer offered the interesting perspective that in the workforce space, metrics focused too much on the job seeker and not enough on the employer. Repeat business from an employer should also be understood as a sign of a successful program. Naidu and Sojourner's work suggests caution around this metric. Employers might consider programs successful if they are helping provide low-cost, trained labor or if they are providing high-quality labor. Employer satisfaction metrics must be paired with objective metrics regarding worker wages and regional economic mobility.

The Walmart foundation has spent a good deal of time thinking through the challenges of reporting and metrics. The director explained that the foundation often felt "stuck in between traditional metrics and more systems change metrics." For example, it has shifted from measuring job placement to measuring promotions. It is also trying to drill down on ways to measure changes in wages in the service sector that account for movement across companies within a region.

If there is one thing this landscape scan suggests, it is that philanthropically funded training programs need more support for consistent evaluation. In addition, there is room to work with organizations on the kinds of metrics they use so that we can get a better sense of whether employers or program participants are gaining more from the programs. Scholars and practitioners need better data to understand what makes a successful training program.

CONCLUSION

This scan of philanthropic and federal investments in workforce development shows a field that has changed significantly over the last decade, and especially in the last few years. Leading philanthropists seem to be increasingly focused on sectoral programs with wraparound services and increasingly attentive to racial equity in their programs. These are welcome developments. Yet it is also clear that both federally and philanthropically funded programs have developed over the years to emphasize soft skills more than the latest research suggests is warranted.

It would be useful to continue the research begun here with scans that dig more deeply into what funding and investments look like in specific states or among community foundations specifically. Given the flux the field is in, the open question seems to be if the best practices highlighted in the most recent research have percolated down to the level where most program participants actually benefit from them.

REFERENCES

Bird, Kisha, Marcie Foster, and Evelyn Ganzglass. 2014. *New Opportunities to Improve Economic and Career Success for Low-Income Youth and Adults: Key Provisions of the Workforce Innovation and Opportunity Act*. Washington, D.C.: CLASP. https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/KeyProvisionsofWIOA-Final.pdf.

Bradley, David H. 2015. "The Workforce Innovation and Opportunity Act and the One-Stop Delivery System." Washington, D.C.: Congressional Research Services. https://fas.org/sgp/crs/misc/R44252.pdf.

California Workforce Development Board. 2018. "High Road Training Partnership: High Road Overview." https://cwdb.ca.gov/wp-content/uploads/sites/43/2019/09/High-Road-ECJ-Brief_UPDATED-BRANDING.pdf.

Cappelli, Peter H. 2015. "Skill gaps, Skill Shortages, and Skill mismatches: Evidence and Arguments for the United States." ILR review 68, no. 2 (2015): 251-290.

Conway, Maureen and Steven L. Dawson. 2016. "Raise the Floor and Build Ladders: Workforce Strategies Supporting Mobility and Stability." Washington, D.C.: Aspen Institute. https://assets.aspeninstitute.org/content/uploads/2016/04/Raise-the-Floor-and-Build-Ladders-The-Aspen-Institute-2016.pdf?_ga=2.75613776.458514124.1600971075-1956451649.1597256907.

Council of Economic Advisers. 2016. "Active Labor Market Polices: Theory and Evidence for What Works." https://obamawhitehouse.archives.gov/sites/default/files/page/files/20161220_active_labor_market_policies_issue_brief_cea.pdf.

Department of Labor. 2020. "Workforce Innovation and Opportunity Act: About Page." https://www.dol.gov/agencies/eta/wioa/about.

Duncan, Arne and Tom Perez. 2014. "Empowering Today's Economy by Training Tomorrow's Workforce." Washington, D.C.: Department of Education Homeroom Blog. https://blog.ed.gov/2014/11/empowering-todays-economy-by-training-tomorrows-workforce/.

Fitzpayne, Alastair and Ethan Pollack. 2018. "Workforce Training Tax Credit: Promoting Employer Investments in the Workforce. Washington, D.C.: Aspen Institute: https://www.aspeninstitute.org/publications/worker-training-tax-credit-update-august-2018/.

Mathematica. 2018-2017. "Workforce Investment Act Adult and Dislocated Worker Programs Gold Standard Evaluation." https://www.mathematica.org/our-publications-and-findings/projects/wia-gold-standard-evaluation.

McCorkle, Lisa, Sara Hinkley, and Jesse Rothstein. 2019. "The Post Recession Labor Market: An Incomplete Recovery). Berkeley, CA: Institute for Research on Labor and Employment at UC Berkeley. https://irle.berkeley.edu/the-post-recession-labor-market-an-incomplete-recovery/.

Meeks, Jonathan. 2012. "An Introduction to the Community Reinvestment Act." Richmond, VA: Richmond Fed. https://www.richmondfed.org/~/media/richmondfedorg/conferences_and_events/community_development/2012/cra_intro_050212.pdf.

Modestino, Alicia, Daniel Shoag, and Joshua Ballance. 2015. "Upskilling: Do Employers Demand Greater Skill When Skilled Workers Are Plentiful?" Federal Reserve Bank of Boston, Working Paper No. 14-17 (January 30, 2015). http://dx.doi.org/10.2139/ssrn.2788601.

Modestino, Alicia, Daniel Shoag, and Joshua Ballance. 2016. "Downskilling: Changes in Employer Skill Requirements Over the Business Cycle." Labour Economics. 2016. https://scholar.harvard.edu/files/shoag/files/downskilling_paper_final.pdf.

Mukai, Reina. 2020. "Foundation Grants to Arts and Culture." GIA READER 31, no. 1 (Winter 2020). https://www.giarts.org/sites/default/files/31-1-vital-signs.pdf.

Sutter, Ryan. 2016. "A Methodology for Statistical Adjustment Under the Workforce Investment Innovation and Opportunity Act." Washington, D.C.: U.S. DOL. https://www.doleta.gov/performance/guidance/docs/WIOA_Statistical_Model_Methodology_Report-6-24-2016.pdf.

White House Council for Community Solutions. 2012. "Final Report: Community Solutions for Youth." https://assets.aspeninstitute.org/content/uploads/files/content/docs/resources/White_House_Council_For_Community_Solutions_Final_Report.pdf.

20 CFR § 679.320. (Cornell Law School, Legal Information Institute). https://www.law.cornell.edu/cfr/text/20/679.320.

Workforce Investment and Opportunity Act, H.R. 803, 113th Cong. (2014). https://www.congress.gov/113/bills/hr803/BILLS-113hr803enr.pdf.

ABOUT THE AUTHORS

Suzanne Kahn is the managing director of research and policy at the Roosevelt Institute and the Great Democracy Initiative.

Anna N. Smith is a Research Associate for the Roosevelt Institute's Education, Jobs, and Worker Power program and the Great Democracy Initiative. Anna supports the think tank's work on higher education and labor policy. Previously, Anna worked as a Senior Program Associate for the Roosevelt Network. Anna holds a BA from Temple University in Global Studies with a concentration in economics.

ACKNOWLEDGMENTS

The authors would like to thank Suresh Naidu and Aaron Sojourner for their comments and insight, as well as Roosevelt staff Matt Hughes, Tayra Lucero, and Sonya Gurwitt for their contributions to this project.

ROOSEVELT INSTITUTE

ABOUT THE ROOSEVELT INSTITUTE

The Roosevelt Institute is a think tank, a student network, and the nonprofit partner to the Franklin D. Roosevelt Presidential Library and Museum that, together, are learning from the past and working to redefine the future of the American economy. Focusing on corporate and public power, labor and wages, and the economics of race and gender inequality, the Roosevelt Institute unifies experts, invests in young leaders, and advances progressive policies that bring the legacy of Franklin and Eleanor into the 21st century.