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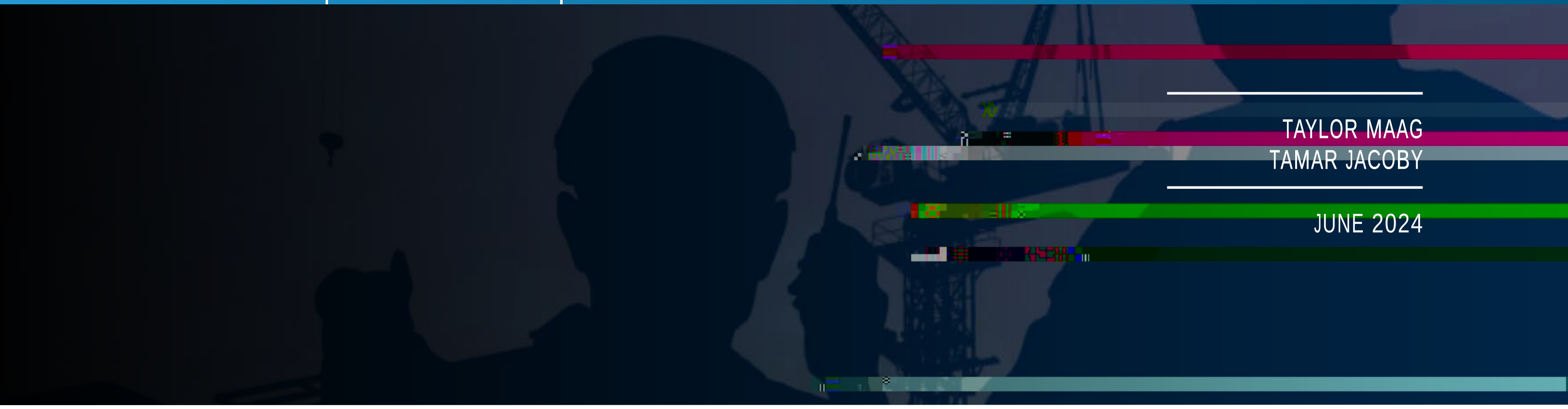
Executive Summary

America's labor market presents a paradox. Although the unemployment rate is just 3.9%, there are more jobs open than people who can fill them. Nationwide, there are roughly 68 workers for every 100 open jobs. Many factors contribute to this workforce shortage, but one of the most significant is a growing skills gap — millions of workers across the economy are unprepared for in-demand employment opportunities.

In construction and other industries, employers are hurting, desperate for talent, and looking for innovative ways to attract people to open positions. Recent data from the Bureau of Labor Statistics (BLS) show that the construction industry currently has 407,000 job openings. This shortage is expected to grow, with a projected need for



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INTRODUCTION

America's labor market presents a paradox. Although unemployment is just 3.9%, there are more jobs open than people who can fill them. Nationwide, there are roughly 68 workers for every 100 open jobs.[1]

Many factors contribute to this workforce shortage, including a lagging labor force participation rate, with 2 million workers missing from the labor market compared to February 2020.[2] Another important reason is a growing skills gap — workers are unprepared for in-demand employment opportunities.

Much of the skills gap is attributed to rapid economic transitions that workers are having difficulty keeping pace with. These transitions are due to the rise of automation and the use of technology, shifting the skills needed for jobs across the board. McKinsey research found that during the pandemic, the U.S. labor market saw 8.6 million occupational shifts, 50% more than in the previous three-year period, and estimates an additional 12 million occupational shifts may be needed by 2030.[3]

In addition to these changes, over the past two years, the Biden administration has made large national investments in landmark legislation such as the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the CHIPS and Science Act (CHIPS). These initiatives address multifaceted aspects of national recovery and security while also carrying profound implications for our nation's workforce, creating even more highly skilled jobs without people to fill them.

Industries across the board are hurting, desperate for talent, and looking for innovative ways to attract people to their open positions. The construction industry will play a critical role in implementing the administrat

To address this challenge, employers in construction and other industries are investing in workforce development — working to ensure current and future workers have the skills needed to succeed in these high-demand careers. And to get the human capital they need, quickly, employers are looking for more rapid ways to train new workers or reskill existing ones.

Federal funding is available to support innovative approaches to skills development and ensure said they are looking at skills rather than degrees as they struggle to fill open positions.[12] Instead employers want proof of technical skill sets or a relevant credential to ensure an individual can succeed immediately on the job.[13]

The public also wants more career-driven options. For example, in a recent PPI survey, which

Of the 43 workforce programs identified by GAO, this research also includes a number of smaller spending streams dedicated primarily to increasing knowledge and improving skills. The rest of the 43 programs, those not included here, are small and designated for special populations that may pose challenges to employers.

Also, for the sake of comparability, this research looks exclusively at postsecondary investments, excluding state and local spending for high school programs and federal funding for youth-focused initiatives. Below is a list of programs we investigated, what they do, and who they serve:

Student loans are money borrowed from the federal government or a private organization to pay for college expenses, which an individual must repay later with interest. While the student loan model would suggest this investment is eventually repaid, the Biden Administration's Student Loan Forgiveness policy changes how much and if individuals will repay their loans. According to a January 2023 estimate by the Urban Institute, 89% of certificate and associate degree recipients will not fully repay their loans before the loans are forgiven, which is generally between 10 and 20 years from the date they were issued.[19]

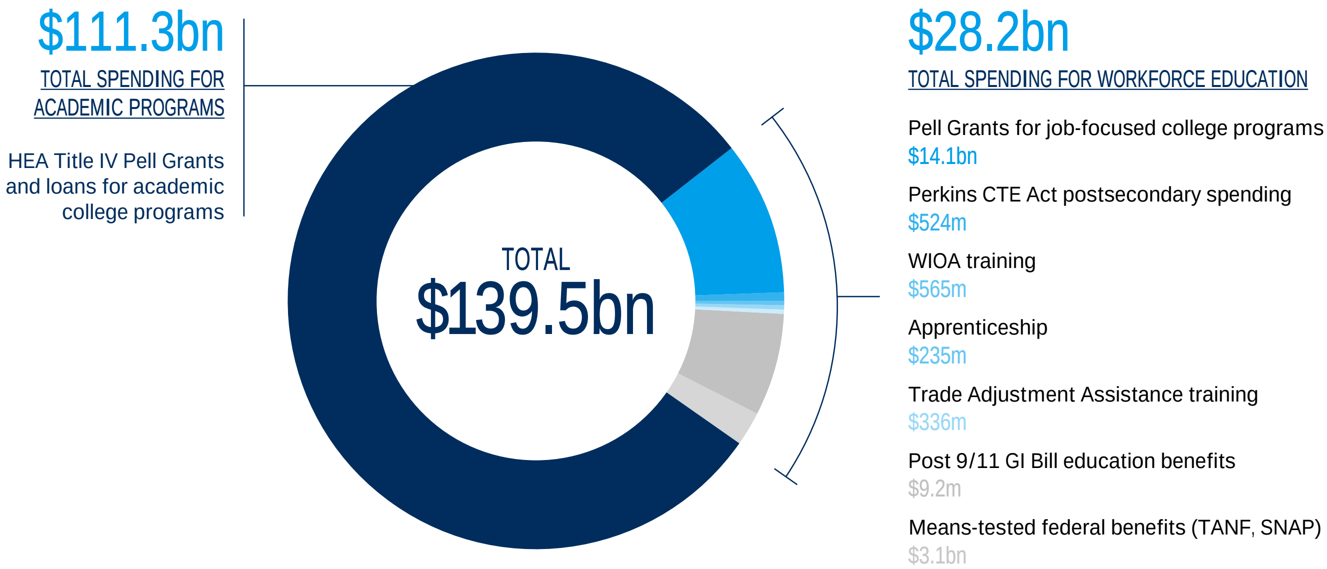
Federal Pell Grants are awarded to undergraduate students who display exceptional financial need and have not earned a bachelor's, graduate, or professional degree. Grants do not need to be paid back and can be used to pay for school-related expenses at eligible two-year community colleges, career schools, trade schools, online schools, and four-year colleges and universities. Currently, Pell Grants can only be used for programs that are at least 16 weeks or 600 clock hours.[20] Programs must also be credit-bearing or, if noncredit, they must be connected to a credit pathway.

The Strengthening Career and Technical Education for the 21st Century Act (also known as Perkins V) was passed in 2018, supporting career and technical education (CTE) programs for youth and adults. Perkins funds both secondary and postsecondary CTE programs, and it is up to each state to determine which system receives what percent of these dollars. As a result, funding varies for postsecondary CTE programs depending on the state and region. Funding that does exist goes toward a variety of programs that lead to industry-recognized credentials, certificates, and two-year degrees offered through community and technical colleges and other eligible institutions.

WIOA is legislation overseeing the nation's public workforce system with the dual intent of helping Americans get jobs and helping employers hire and retain skilled workers. While WIOA has five titles, the main activities of the system are covered by Title I, which serves adults, youth, and dislocated workers. A smaller funding stream within Title I of WIOA covers training for previously incarcerated people reentering the workforce. Allowable activities across these programs include training and other career services — helping to connect job seekers to in-demand employment in their regions.

Apprenticeship, a training model that is also a job, allows people to work and earn while they are learning the critical skills necessary for good jobs and careers. The curriculum must align with industry standards and enable apprentices

FIGURE 1: ESTIMATED FEDERAL SPENDING ON POSTSECONDARY EDUCATION AND TRAINING FOR FISCAL YEAR 2022



In 2020, Opportunity America analyzed federal spending for postsecondary education and training and found an imbalance in favor of traditional academic education rather than job training: just $26.7 billion out of a total $131.3 billion was devoted to workforce preparation.

PPI compared fiscal year 2022 spending to fiscal year 2020 spending to see if anything had changed. During this two-year time frame, PPI found that workforce education increased overall, yet so did spending for traditional academic college programs. From 2020 to 2022, the share of total postsecondary spending on workforce education remained at roughly 20%.

While there was some variation from fiscal year 2022, the overall picture remained the same. Noticeable changes included the rise in Pell grants being used for job-focused programs, increases in career and technical education at the postsecondary level, and general declines across every other program that was researched. Some of these declines were due to programs phasing out or ending completely, like the Trade Adjustment Assistance Act and the Health Profession Opportunity Grants (HPOG).

FIGURE 2: COMPARISON CHART BETWEEN FISCAL YEAR 2020 AND FISCAL YEAR 2022 SPENDING

PROGRAM	FY22 FUNDING (MILLIONS)	FY20 FUNDING (MILLIONS)
HEA LOANS & PELL GRANTS FOR TRADITIONAL ACADEMIC PROGRAMS (48% OF PELL)		
PELL FOR JOB-FOCUSED PROGRAMS (52% OF PELL)		
PERKINS POSTSECONDARY CTE		
WIOA TRAINING		
APPRENTICESHIP		
TRADE ADJUSTMENT ASSISTANCE TRAINING		
POST-9/11 GI BILL EDUCATION BENEFITS		
MEANS TESTED PROGRAMS (TANF, SNAP)		
TOTAL WORKFORCE SPENDING	**$28,200**	**$26,390**
TOTAL SPENDING FOR POSTSECONDARY EDUCATION & TRAINING	**$139,457**	**$131,300**

Methodology

To ensure the research represented fnal spending and not just expe₵o8r p

This investment is not partisan. Red and blue states alike are investing in innovative workforce initiatives to prepare workers for in-demand jobs.

Below are case studies from states across the political spectrum — two established programs and two new initiatives that appear particularly promising for employers.

VIRGINIA'S NEW ECONOMY WORKFORCE CREDENTIAL GRANT (WCG)

WCG uses a pay-for-performance model to fund workforce training that leads to credentials in high-demand fields. Income-eligible individuals can draw down state grant dollars for short-term credential programs.[24] Also known as FastForward, the program is run by Virginia's Community Colleges, where all programs are codeveloped and signed off on by employers across the state. An eligible individual can use the grant money to enroll in a program, receive training at a local community college, and then go on to earn an industry-recognized credential.

Since participating colleges are drawing down state financial aid, institutions are required to submit student-level data to the state to better understand student demographics and their programmatic outcomes. The WCG program primarily serves nontraditional students, with a median age of 32. Prior to enrolling in the WCG programs, the median annual wage of these students was $24,877. Twelve months after completing the program, the median wage increases to $30,274, representing a $5,397 or 22% increase compared to pre-program wages.[25] This demonstrates the impact these types of postsecondary opportunities can have on today's students, who tend to be older, more diverse, and from lower income backgrounds.

INDIANA'S EMPLOYER TRAINING GRANT

More than one million jobs must be filled in Indiana over the next 10 years. To help Hoosier companies meet this need, in 2018, Indiana established the Employer Training Grant, which reimburses employers who train, hire, and retain new or incumbent workers to fill in-demand positions within recognized job fields. The Employer Training Grant is available for eligible occupations in six priority sectors, including building and construction, advanced manufacturing, agriculture, health and life sciences, IT and business services, and transportation and logistics. The grant reimburses employers up to $5,000 per employee who is trained, hired, and retained for six months, up to $50,000 per employer.

To date, nearly 30,000 Indiana workers have been trained for better jobs through the Employer Training Grant. But as is often the case with workforce funding designed to flow through business, uptake is not as robust as some policymakers had hoped and is not evenly distributed across industries.[26]

To do this, funding should be increased across the board. One place to start would be doubling the amount of federal investment for Perkins or career and technical education programs. While this would be a significant influx of funding to the system, it still wouldn't be enough to meet the workforce needs of today. Other supplemental action could remove barriers related to time and cost for individual businesses and instead move toward a more collective industry strategy. Policymakers should begin by exploring the value of these partnerships and then commit to supporting them.

CONCLUSION

The U.S. economy is facing a time of extreme transition. The changing nature of work and the creation of new jobs in infrastructure, energy, and semiconductor felds is exacerbating the workforce shortages plaguing industries across the country. Industries like construction are grappling with this challenge and looking for innovative ways to attract people to open jobs.

Yet policymakers, especially at the federal level, continue to undervalue the importance of workforce development and more fexible, affordable, and industry-responsive postsecondary programs and instead prioritize investments in degree programs — expensive, exclusive programs that often aren't needed to get a good job in today's labor market.

ABOUT THE AUTHORS

Taylor Maag is the Director of Workforce Development Policy at PPI and leads PPI's New Skills for a New Economy project. In this role, Taylor focuses on developing policy solutions that strengthen our nation's workforce, ensuring employers have the talent they need to remain competitive and people

Appendix

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The Progressive Policy Institute is a catalyst for policy innovation and political reform based in Washington, D.C. Its mission is to create radically pragmatic ideas for moving America beyond ideological and partisan deadlock.

Founded in 1989, PPI started as the intellectual home of the New Democrats and earned a reputation as President Bill Clinton's "idea mill." Many of its mold-breaking ideas have been translated into public policy and law and have influenced international efforts to modernize progressive politics.

Today, PPI is developing fresh proposals for stimulating U.S. economic innovation and growth; equipping all Ameuipx$•rj.5.23%pP/tdpH8 (r)-4.5(a)6 (r)-35.1 (tk)10.5 (0.7 (o)-2.3 8o)