

CONNECTING WORKERS TO GOOD JOBS

Funding Workforce Development Can Boost North Carolina's Economy

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Introduction

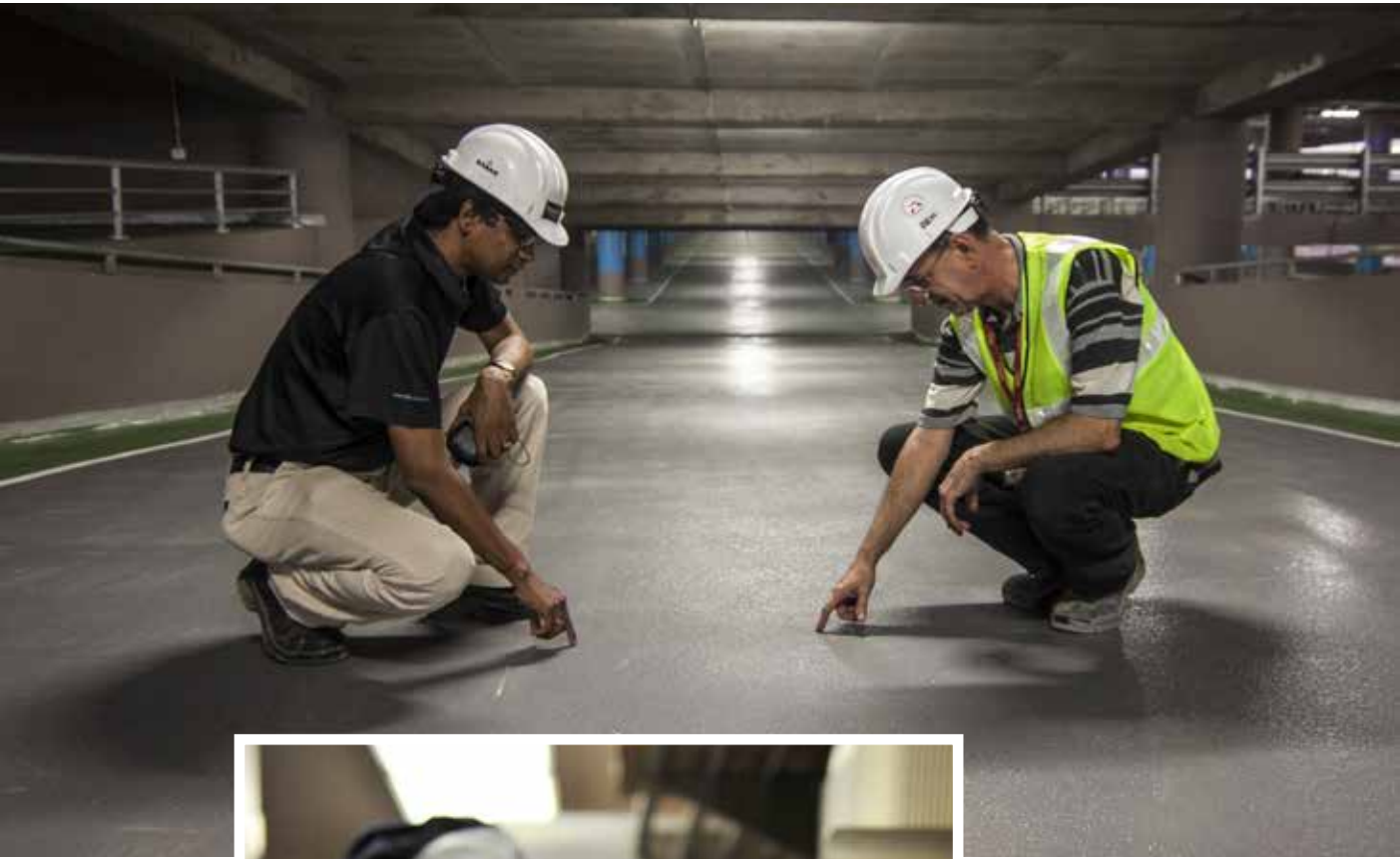
North Carolina can strengthen its economy and create thriving communities by boosting the skills of workers and connecting them to career pathways. Workers and businesses alike benefit when the workforce is trained for the jobs available and able to grow into new roles in an industry. This takes nothing less than a major boost to state investments in North Carolina’s job training systems.

North Carolina made an early commitment to skills training and workforce development through the establishment of the community college system immediately following World War II. In recent years, however, the state’s commitment to funding workforce development has been overshadowed by a focus instead on eliminating programs and aligning programs within a fewer number of agencies. The loss of state revenue from tax cuts has compounded this focus on structure over funding, resulting in an increased reliance on federal dollars. Taken together, this has translated into fewer workers accessing job training at a time when economic and demographic changes require the opposite.

Despite a national economic recovery, many communities across North Carolina are losing ground in the work to achieve a level of employment that sustains the local economy and ensure wages can provide for a family’s well-being. As states prepare their workforce systems for the next downturn, it is critical that North Carolina make the investments that will strengthen job-training infrastructure, connect workers to good jobs, and ensure that employers and workers alike benefit from aligning the workforce development system to meet key changes in the labor market.

Without additional investment in job training, our state’s economy will struggle to reach its full potential, promote broadly-shared prosperity, and ensure thriving communities in every corner of North Carolina. This report makes a case for workforce development in today’s economy, the importance of public funding for job training, and an assessment of the current effort in North Carolina to drive skills and training outcomes for workers that benefit the economy as a whole. The report reviews specific funding tools and innovative programmatic investments that have proven effective in other states and considers the ways the state can leverage its own dollars to implement such programs to the benefit of all North Carolinians.





Workforce development is necessary to make a changing economy work for workers

The power of job training

Job training is increasingly important for helping businesses, workers, and communities adapt and thrive in a rapidly changing economy. Over the past 20 years, North Carolina's economy has experienced a significant shift from creating manufactured goods like furniture, tobacco, and textiles, to delivering services, like food, healthcare, and education. While many manufacturing jobs required just a high school education or on-the-job training and provided workers with stable middle-class wages, service jobs are different—they either pay decent wages but require advanced education and training (which can often be expensive), or require little in the way of training but pay a whole lot less.¹

There are four main economic trends that require an adaptive and innovative workforce development system: rapid technological change; a disrupted link between productivity and wages; the changing nature of employer-employee relationships; and the divide between where people live and where jobs are concentrated.

- **Technology is changing rapidly**, disrupting both manufacturing and service industries, and changing the nature of jobs, careers, and even entire occupations. Computerized automation continues to eliminate existing jobs while requiring new skills and training to carry out the jobs that remain. Given how rapidly one technology replaces another on and off the assembly line, ongoing training and education has become essential for businesses and workers alike to upgrade workforce skills to keep up with these changing demands.
- **Workers are no longer benefitting from rising business productivity.** Productivity is the value of goods and services produced by every employee. The more efficient the employee, the lower the costs associated with producing goods and services, and generally, the more profitable the business. Historically, businesses passed some these profits along to their employees in the form of better wages. However, business productivity has almost doubled in North Carolina since 1979, while wages have essentially remained flat. Economists found that that productivity savings are instead going to investor income, corporate executive compensation, and companies buying their own stock to inflate their earnings on Wall Street, rather than invest in new plants or workers' wages.²
- **The basic relationship between employer and employee is changing.** The explosion of labor subcontracting, temporary employment, and Uber-style gig-economy independent contractors is transforming the basic concept of what it means to

have a job. There are both benefits and drawbacks to this new reality, which has implications for the level of private sector investment in their workforce, the need for transferrable skills across industries, and supportive policies we need to ensure workers can make ends meet, absent a consistent and single employment relationship.

- **There is a mismatch between where people live and where jobs are located.** Across the country and North Carolina, jobs are increasingly concentrated in a few major employment centers and whole communities are struggling to provide good jobs to their residents. In North Carolina, nearly two-thirds of the job growth in the expansion has happened in the state’s three large metro areas. To train people for jobs, it is increasingly necessary to look beyond the immediate community as well as consider the myriad ways that barriers to access to training and jobs—transportation and child care for example—matter for those who won’t be working right where they live.

In the face of these changes, the workforce development system must be able to adapt. Policies and systems that allow such adaptation include:

- ▶ **Providing more short-term and stackable credentials and on-the-job training opportunities**
- ▶ **Promoting industry-recognized training in high-demand fields and strengthening connections between employers and their workforce**
- ▶ **Intentionally removing barriers to training programs for workers earning low-wages and workers of color so that all workers can connect to good, quality jobs.**

As Manuel Pastor and Christopher Benner note in their recent writing on workforce development for a 21st century economy:

Workforce development is now actually being asked to do much more than it ever did. If “Job One” in an earlier era involved connecting workers to a vibrant and more or less self-sufficient industrial economy, the new task involves not just overcoming spatial and social mismatches but actually trying to change the underlying nature of an economy which is actually generating subpar employment opportunities. This is why we think it is important to categorize workforce development as needing to go beyond meeting the market – that is, linking up employers with job seekers, perhaps by improving human capital acquisition and transit connections. There also needs to be concerted efforts to both improve job quality and generate employment – what we call molding and making markets. And this is why we find the most hope in new efforts that try to understand the emerging economy, improve the conditions in new sectors, and, quite critically, offer explicit pipelines to less advantaged workers.³

Without ensuring the workforce development system responds to these changes, workers with low incomes can be *locked out* of higher-paying jobs and careers that require more expensive

credentialing and *locked into* a lifetime of low-wage, low-skill work that they cannot afford to leave. Moreover, persistent barriers to skills training for workers of color will continue undermining the state's progress towards reaching its full potential.

Skills training can play an essential role in improving the skills of workers, boosting the profitability of businesses, and creating economically thriving, competitive communities—especially when training is adapted the needs of the local economy and intentionally seeks equitable economic outcomes.

Training boosts business profits

At its most basic level, training improves a business' bottom line by making it more productive, with the goal of generating wealth that can support working families and stabilize communities.

Productivity is the value of goods and services generated by each individual worker, and growing productivity is the key to increasing business profitability. Economists have long recognized that investing in a firm's human capital—the skills, knowledge, and experience of its employees—increases business productivity by boosting worker efficiency and lowering the costs associated with producing goods and services.⁴ For example, a trained copy machine repair specialist will be able to repair more copiers more effectively and quickly than an employee in the same job without the same training. The copy machine repair company that employs the trained worker is thus seeing higher productivity—and ultimately higher profitability—than the firm employing the worker without this skill training.

Additionally, investment in human capital has become increasingly important at helping businesses adapt to technological change. Firms need workers with the appropriate skills to use these new technologies, and job training is increasingly the tool to ensure their employees have the right skills.⁵ Unfortunately, many employers are reporting that they cannot find workers with the skills needed to fill available job openings. For example, a 2018 survey of 2,000 employers by the NC Department of Commerce found that lack of technical skills and appropriate, industry-specific credentials were a major barrier to hiring mid-level and senior-level employees, especially in non-metro areas.⁶

One important approach for addressing this challenge involves increasing the amount of workers trained for so-called “middle-skill jobs”—e.g., those jobs that require completion of high school and some post-secondary education but no four-year degree. According to a recent National Skills Coalition analysis, 55 percent of jobs in North Carolina require middle-skill training, but only



44 percent of the state's workforce are trained to this level. This 11-point difference represents the additional training North Carolina's workforce needs to meet the demands of businesses and secure living wage jobs.⁷

Another consequence of this middle skill challenge involves the impact on career mobility. Businesses and employees alike benefit when workers can move to higher paying occupations or higher-paying jobs within the same occupation. These credential and skills challenges block workers from climbing these career ladders and employers from recruiting them and integrating their skills into their business model.

New employees entering the workforce could benefit from on-the-job training or formal apprenticeship programs to improve their general job readiness and preparation for the workplace, while more experienced workers need access to ongoing technical training that can build their skills to meet firms' hiring needs for mid- and senior-level employees. This can be met through stackable credential programs that workers can enroll in and attend at community colleges while remaining on the job.

In various ways, job training and occupational post-secondary credentialing can be designed to connect workers to the training they need to achieve upward mobility and businesses to the skilled workforce they need to remain profitable and even potentially expand. By aligning training programs as tightly as possible to the needs of both businesses and workers, North Carolina can ensure increases in business productivity redound to families and communities and support a thriving state. Although many private employers provide some level of training to their workers, the past 30 years have seen a large-scale shift towards reliance on the public sector to provide the bulk of workforce development services.⁸

Training strengthens employees' capacity and earnings

Job training builds the human capital of workers, strengthens their capacity to benefit from their labor, and ultimately provides one of the few meaningful pathways to upward career mobility and higher wages over the long term. Because training makes businesses more productive, employers typically reward those skills with higher wages.⁹

One example of this "skills premium" involves educational attainment. Workers with only a high school diploma earn \$25,900 per year, those with some college but no degree earn \$31,000 per year, and those with just a college degree earn \$45,000 per year, while those with some kind of advanced degree earn \$59,000 per year.¹⁰ (See Figure 1)

Beyond general educational attainment, workers increasingly need occupation-specific credentials to meet the skills needs of their particular industry. For example, workers who want to find a job in auto manufacturing plants are expected to have occupational credentials from an accredited institution of higher education to show they have the necessary skills for the job. Demand for these credentials is only growing — some economists have projected that more than 61 percent of all jobs will need some kind of credential by 2020.¹¹

The growing demand for credentials also creates an opportunity for workers to use training as a pathway to upward career mobility and wage growth over a lifetime of work. Just as employers rely on credentials to assess the skill level of potential employees at hiring, they also use these training certifications as a tool for promoting workers. As workers secure additional credentials that demonstrate

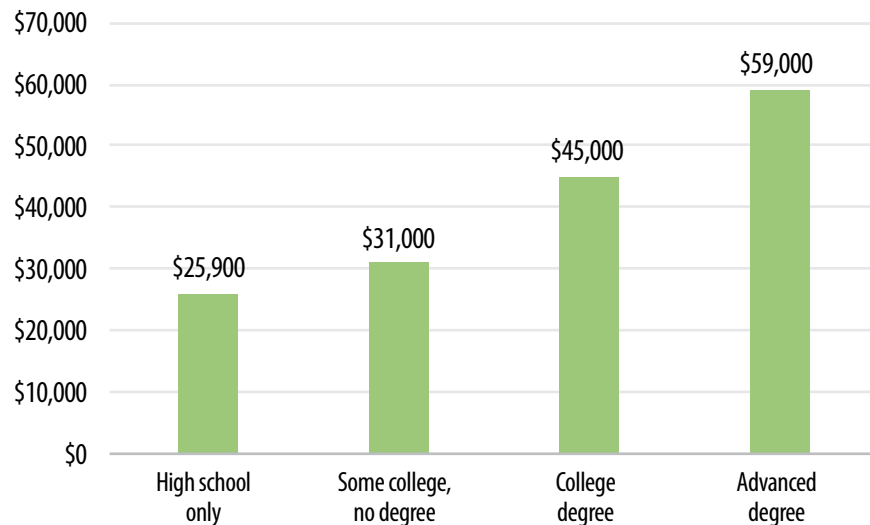
increasing levels of skill and mastery, they are able to climb the career ladder within their business or seek new, more senior positions in other businesses.¹² Given that greater skills typically yield higher wages, “stacking” these credentials—e.g. completing a sequence of credentials accumulated over time to demonstrate more knowledge—give workers a skills-based pathway to better wages over the long arc of their careers.¹³

These pathway-based, stackable credentials also provide workers with a skills premium. A recent Aspen Institute study found that participants in these programs earned almost \$5,300 more per year than similarly situated workers who did not participate.¹⁴

Training can support the goal of employment equity

Workforce development policy can play an important role in dismantling systemic barriers for communities of color, such as discrimination in labor markets, historic exclusion from industries and occupations, and inaccessible and unaffordable skills training opportunities.¹⁵ In so doing, job training that embraces a race equity lens can ensure workers of color can access good, quality jobs with career mobility as well as build assets and social networks that support family stability and wealth-building. This is critical for the future of the workforce and state as the demographics of the future workforce shift.¹⁶ A workforce development system that commits to connecting every worker to a good, quality job through job training, job matching, and career pathways can boost the economy, however, it’s important this connects to Black, brown, and white workers. Recent research by PolicyLink and the University of Southern California found that achieving employment equity, where every worker who wants a job has one, would deliver an \$11 billion boost to the state’s economy.¹⁷

FIGURE 1: Educational attainment improves earnings for working people



SOURCE: <https://statisticalatlas.com/state/North-Carolina/Educational-Attainment>

Yet federal workforce development legislation has historically been silent on race, failing to target dollars or address directly discrimination and occupational segregation that have persisted for workers of color in the labor market. In so doing, a system intended to build connections for workers nationwide to better jobs has perpetuated such exclusionary practices in programs and services. In the cases where workforce development systems at the state and local level have utilized a race equity lens to deliver programs and services, broad-based benefits have been achieved.¹⁸

In North Carolina, there are small-scale programs like the NC Community College System's Minority Male Success Initiative and its Hispanic/Latino initiative, both of which are seeking to increase the attainment of credentials and degrees by students of color. The broader work of the system to use disaggregated data wherever possible to evaluate and assess the effective delivery of programs alongside the development of an Equity Plan (by the NC Student Success Center, which partners closely with the NCCCS) to drive training and technical assistance through the community colleges hold promise in demonstrating the benefits of taking a racial equity lens to workforce development systems to achieve better outcomes.

However, multiple variables continue to contribute to disparities in post-secondary attainment levels for people of color, including:

- The limited utilization of a race equity framework in the design and assessment of federal and state workforce development policy
- Persistently high costs to access training
- Low investment to remove barriers like child care and transportation to complete training and target programs effectively to workers of color
- The confluence with discrimination and other barriers to opportunity experienced by workers of color in their daily lives

According to analysis by the Working Poor Families Project, 26 percent of workers of color have completed at least an Associate's Degree, compared to 43 percent of whites.¹⁹ A focus on ensuring that workers of color attained Associate's Degrees at the same rate as whites would boost the number of workers of color with such degrees by over 350,000, holding everything else constant.²⁰

By proactively connecting workers of color to workforce development programs, including credential attainment, as well as to employers and good paying jobs, the workforce development system can serve a critical role in supporting stronger labor market matches, fully harnessing the state's human capital potential, and shaping the way in which the economy creates and sustains good jobs.²¹ While not the only tool needed to fix the differences in earnings across racial groups, in combination with addressing the earning cliff by educational attainment for Black and brown workers, North Carolina can achieve stronger outcomes.²²

Public funding is essential for achieving employment outcomes

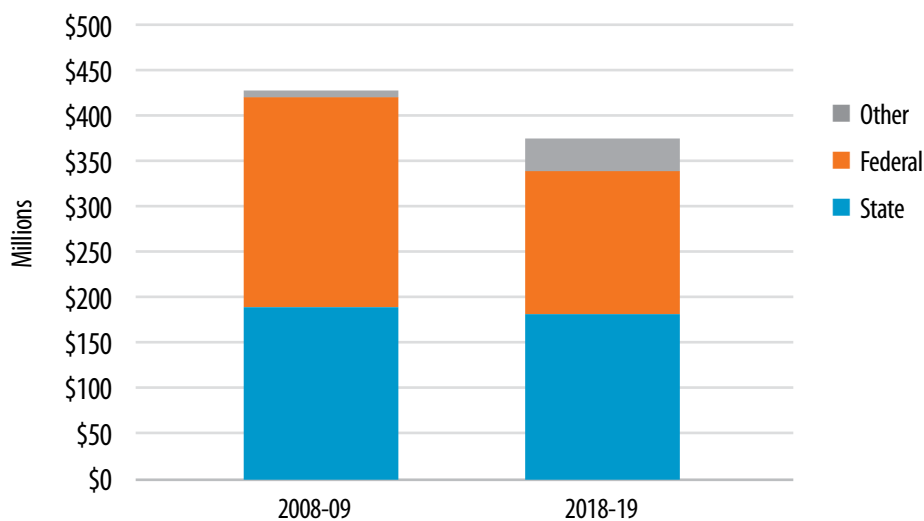
Adequately funding skills training is critically important for ensuring that North Carolina’s businesses, workers, and communities benefit from job training programs.

Job training doesn’t happen by itself or through private sector efforts alone. Research has shown that private companies have decreased their investment in professional development and engaged in public-private partnerships to meet the training needs of their workforce.²³ Public funding—and increasingly state funding—plays a critical role in meeting the demand and realizing the widespread benefits of a trained workforce.²⁴ Moreover, it is increasingly acknowledged that diversified funding streams are critical to strengthening a system that must serve people in the workforce as well as those entering the workforce from diverse backgrounds and seeking diverse skills and training.

Three trends in the public funding of North Carolina’s workforce development system are erecting barriers to achieving workforce development goals:

1. **Combined state and federal investments are declining even as the cost of delivering services increases and the state sets an ambitious goal for attainment**
2. **Existing funding doesn’t match the populations or needs for successful completion of training**
3. **Core state training programs with potential to connect workers to good jobs are now more reliant on shrinking federal dollars**

FIGURE 2: NC Workforce Development Funding (real 2018 dollars)



SOURCE: Special Data Request to OSBM, November 2018

State and federal investments are declining, despite persistent need

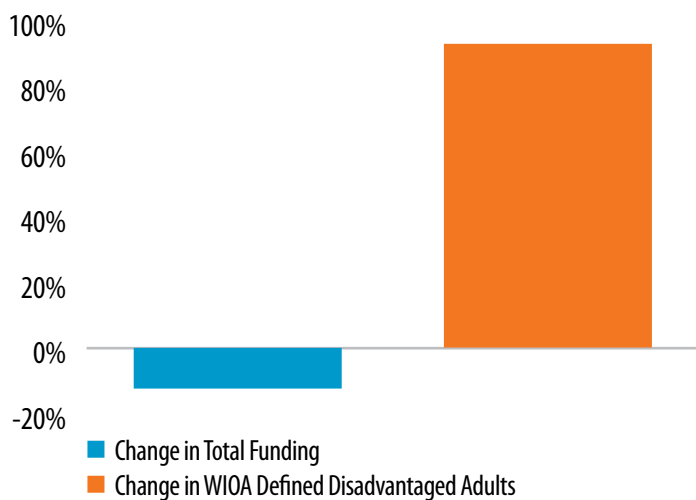
It remains essential to providing adequate funding for delivering training services in order to meet the challenges raised by a changing economy. Unfortunately, over the past five years, state legislators have largely focused on reducing funding for workforce development by pursuing cost savings from program elimination or alignment efforts. These efforts reduced the supportive staff that deliver the programming and raised tuition costs for students. As a result, the state's investments in workforce development programs have not kept up with the demand for skills training.

Although job-training services are largely provided by the NC Community College System, several other state agencies play a critical role in North Carolina's workforce development efforts. These include:

- Local Workforce Investment Boards, which monitor the delivery of many programs and services funded with federal workforce dollars and connect up to the Division of Workforce Solutions in the Department of Commerce
- The Division of Workforce Solutions in the Department of Commerce administers a range of programs like career pathways and sector partnerships
- The Commission on Workforce Development acts as the statewide workforce board and provides oversight and stakeholder input for the entire workforce system
- Additional workforce services are delivered to specific populations through the Department of Health and Human Services, and community-based organizations, such as county literacy councils

Taken together, North Carolina's universe of workforce programs are supported by two basic workforce development funding streams: federal sources and state appropriations from the General Fund. Although some workforce development funding is also allocated by local governments or private entities, the vast majority come from these two sources.

FIGURE 3: Total state and federal funding for Workforce Development has not kept up with the need



SOURCE: Special Data Request to OSBM, November 2018 and WIOA, Data Factors for Formula Allotments, US Department of Labor, Employment and Training

Total investment in North Carolina’s job training is not keeping up with the need. Combining both state and federal sources, North Carolina invested a total \$377 million in workforce development programs in Fiscal Year 2018-19.²⁵ This total state-federal investment is down 12 percent from 2008-09, despite seeing the number of North Carolinians who would benefit from job training services—as measured by data on unemployment, underemployment, and skill levels—grow by 80 percent over the same period.²⁶

Part of the problem involves the decline in **federal funding**, brought on by sequestration and the failure of policymakers to keep funding current to costs. The Workforce Innovation and Opportunity Act (WIOA) is the largest single source of support for core workforce development programs. It includes funding for adult and youth activities, dislocated workers, employment services, basic education and literacy, and specific job training for older Americans and those with disabilities. The funding is allocated by a federally-mandated funding formula or allotment. These WIOA funds for either specific populations or specific kinds of workforce development activities represent 74 percent of federal funds coming to North Carolina in 2018 from federal sources:

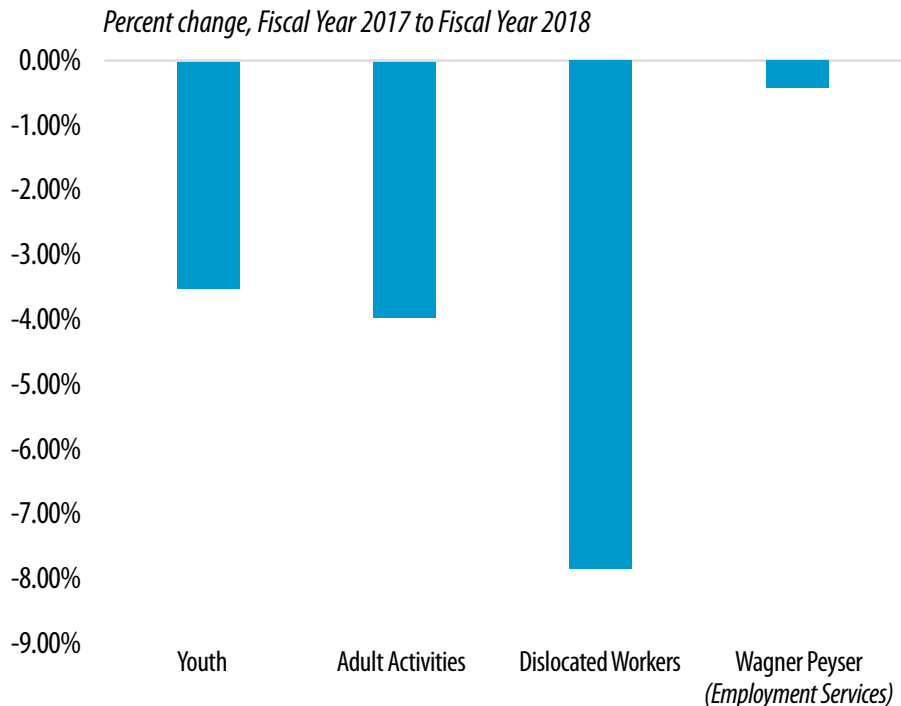
- **Title I** - Adult, Dislocated Worker, and Youth
- **Title II** - Adult Education and Family Literacy
- **Title III** - Employment Services (Wagner-Peyser)
- **Title IV** - Vocational Rehabilitation (Perkins)

All major WIOA federal funding streams declined from the previous year²⁷ and overall, federal funding to workforce development has declined by 32 percent. In good economic times, federal funding streams are expected to decline as more people are engaged in work and work pays. However, this current recovery has been unlike prior recoveries in that employment levels, particularly in North Carolina, still have not returned to pre-Recession levels, underemployment remains high, and wages have not accelerated for the majority of workers. Moreover, researchers looking over the longer trend of federal investment in workforce development and skills training have noted a significant decline in public investments through the entire business cycle.²⁸

The state has a mixed record when it comes to directing non-WIOA workforce development-related federal funds to support job training and boost the employment outcomes of state residents. North Carolina is currently piloting innovative local work, seeded with a federal grant, supported through the Department of Health and Human Services, and involving the community colleges and workforce development boards to expand SNAP Employment & Training programs. Select innovative Community Colleges are providing Education Navigators while local DSS offices are identifying the range of public and private funds currently deployed to remove barriers to training and employment for recipients of SNAP so that it can draw down federal matching funds available through USDA.²⁹ These local initiatives are important but could scale further through a focus on data matching across program, program alignment across systems and state level application for the 50/50 match.³⁰

At the same time, the state spends 1 percent of its Temporary Assistance for Needy Families (TANF) on workforce education and training for those North Carolinians living in poverty.³¹ This program,

FIGURE 4: Federal funding declines across all areas undermining connection to better jobs



SOURCE: Analysis of Workforce Investment Opportunity Act Reports, Department of Labor.

which has set up harsh work reporting requirements and limits on access to income supports for North Carolinians living on very low incomes, continues to fall short of the promise of the 1996 reform that sought to move people to work.³²

Beyond shrinking federal sources, the General Assembly is also spending fewer **state dollars** on this crucial investment. Looking at North Carolina's General Fund commitment, total funds for workforce development programs over this period declined by 3.2 percent, and the amount of investment in job training per worker declined from \$371 per worker to \$199 per worker.³³ This has resulted in an increased reliance on federal funding to support workforce development at a time when federal funds related to WIOA, in particular, are at risk in the federal budget process.

It is important to note that beyond direct investments in job training services, a wide range of supportive investments—in child care subsidies, transportation, and other areas—can improve workforce development outcomes and need funding to fully meet the need of state residents, especially workers with low incomes and Black and brown workers.³⁴ Yet North Carolina continues to hold down its investments in these areas. North Carolina's community college system invests just \$1.8 million in child care programming for students with children, and the General Assembly has placed limits on the timeframe that parents can be in training and still receive child care subsidies. Likewise, lawmakers have shifted the costs associated with ensuring adequate transportation to

training programs and job sites onto local workforce boards, which tend to disadvantage low-wealth rural communities without adequate transportation options. These supportive services are critical to achieving training outcomes. When they are not adequately funded, they hold back workers who want to upgrade their skills from accessing the very programs and training they need.

Existing funding streams don't reach all who need training

The major funding streams going to workforce development were established in the post-World War II era and updated in the 1980s when the first pressures of globalization were being felt in the United States. As such these funding streams are best aligned with the work and skills of certain industries and the employment relationships that characterized this period and could fall short of the needs in the current labor market context.

This, along with emerging efforts to ensure that workforce systems go beyond direct service to fully support employers and workers, is driving a recognition that existing funding streams on their own may not align perfectly with how or who needs support to advance in a career.³⁵ As is noted below, sectoral workforce development strategies is one area where funding streams have not caught up to the current thinking and practice about how to deliver services.³⁶

There is also a growing consensus that workers of color and workers attached to the labor force in less formal and without consistent scheduling or year-round employment options require additional focus from the system and funding streams. This would require funding that recognizes prior learning and on the job training, provides supports to address additional barriers to training like childcare and transportation, or makes funds available for shorter training.

Existing funding is overly reliant on shrinking or temporary federal dollars

Federal and state funding streams are sometimes statutorily limited to serving certain populations and communities or from providing the specific tools to workers needed to boost labor market outcomes. These limits on eligibility and applicability of funds make it difficult for policymakers to respond to the needs of a changing workforce and can exacerbate the mismatch to the labor market.³⁷

By reducing—and even eliminating—important state investments in job training, North Carolina's workforce programs have become increasingly reliant on federal sources for key programs like **apprenticeships** and **career pathways**, both of which have received expansion funding in recent years primarily through discretionary grant programs.

These two programs have the greatest potential to move away our state from an outmoded form of workforce development in favor of forging stronger connections between workers and good, quality jobs and pathways to career mobility that deliver greater economic stability for families and communities.

Career Pathways

Certified Career Pathways offer education and workforce development programs and resources that match worker preparation to employer need in occupations that need them most.³⁸ In practice, this means that students can enter a community college, take classes that prepare them for a specific occupation—e.g., advanced manufacturing—and graduate with an associate’s degree or other industry recognized credential. A key aspect of this career pathway in North Carolina is the role of employer engagement with the community college. In order to be certified by NC Works, a career pathway must have significant employer involvement in identifying the specific skills they need and designing the curriculum needed to give students those skills. The high level of employer engagement is intended to ensure that students graduate with precisely the skills that in the highest demand by local employers and, as a result, improve the likelihood of getting hired after graduation.

The state deepened its commitment to this approach after participating in the National Governor’s Association Policy Academy on career pathways in 2012 and 2013. Through this process, North Carolina incorporated many national best practices into its efforts to realign the workforce developments system in the following years. Currently, the state has 34 pathway programs certified by NC Works for meeting certain standards and program design guidelines. These include everything from an aviation pathway in the Triad to construction and health sciences in Eastern North Carolina to advanced manufacturing in the west.³⁹

To support these programs, the state received \$5.25 million from the US Department of Labor to research and plan for pathway development, begin employer engagement, support program administration, and pay for pathway consultants to provide technical assistance.⁴⁰ Unfortunately, this grant expired this Spring, causing the elimination of key Career Pathway Navigator positions. These staff played a crucial role in helping community colleges start new pathways and engaging industry partners at a regional level. Without these positions, it will become increasingly challenging to build the gold-standard career pathways needed to train North Carolina’s workforce.

Apprenticeships

North Carolina has long been recognized as a national leader in youth apprenticeships. These programs offer a bridge between employment and higher education by combining college coursework with on-the-job training, providing well-defined career pathways that link young adults to high-quality jobs. The state has promoted apprenticeships for many years, first in the building trades, and then in a range of industries, including manufacturing since the mid-1990s through the Apprenticeship 2000 model. In this widely recognized and replicated approach, high school students receive community college credit for participating in apprenticeship programs with private employers and registered with the US Department of Labor.

In 2014, the Obama administration expanded funding and administrative flexibility for these registered apprenticeships, leading to a significant expansion in the number of these programs, especially in healthcare, IT, and advanced manufacturing. Many of these later programs tend to provide a formalized on-ramp from high school or community college to recognized academic credentials, including associates’ and bachelors’ degrees in related occupations.

The NC Community College system administers the state's apprenticeship program known as ApprenticeshipNC. As of March 1, 2019, ApprenticeshipNC had 410 active programs, with 7,653 active apprentices participating. But the success of these programs depends largely on three federal discretionary grants from the US Department of Labor totaling \$2.6 million, more than three times the \$899,000 in state dollars the General Assembly appropriates each year to support the program.⁴¹ These funds are intended to support administrative and enrollment expansion of the state's apprenticeship programs and expire by October 31, 2020, at the latest. Although the state could certainly renew these grants, they depend on consistency in federal funding, which is not guaranteed in an era of hyper partisanship, government shutdowns, and divided government at the federal level.

A recent, one-time state investment in apprenticeships proves this point. In the 2017 legislative session, the General Assembly provided \$3.25 million to the Triad Workforce Solutions Collaborative—a four-county apprenticeship program in the Piedmont Triad. These funds covered ongoing program administration and employer recruitment efforts above and beyond those provided for in the federal grant, and ensured the program could contract with premier technical assistance providers to build an effective program. It is unclear what will happen to the Triad Workforce Solutions Collaborative when the one-time appropriation or the base federal grant goes away.



Additionally, the General Assembly passed a tuition waiver in 2016, which allows apprentices to waive all tuition expenses for the courses taken at community colleges while participating in a registered apprenticeship program. This allows students to graduate debt free from a community college with an occupational associates degree directly affiliated with the industry they are apprenticing. This has a double benefit for employers, who were asked to pay for these classes themselves before passage of the tuition waiver. Unsurprisingly, the tuition waiver has increased the ability of local programs to recruit more employers to participate.

Funding workforce development in North Carolina

Lessons from other states

In light of the need to connect those seeking work to jobs and train those in jobs for higher pay, states are looking to new ways of financing workforce development that aren't reliant on federal programs.⁴² Given the greater flexibility of state funding, this is often a source for more innovative or tailored investments that are needed in the local context. In combination with other federal or private

sources, state funding can provide the boost to support a state's workforce development goals.

As Urban Institute researchers found in their review of three states—Massachusetts, Texas, and Washington—states are using strategies that seek to bring in private dollars, blend and braid sources from federal and local streams to maximize dollars and minimize reporting requirements and, most importantly, are expanding their commitment of state funds to workforce development programs and innovative approaches.⁴³

- **Washington** is a leader nationwide in maximizing the federal 50/50 match for SNAP Employment & Training. By committing state resources to staffing, the effort to identify and develop services funded by state or private dollars (and can be matched with federal funds), the state has streamlined the process for local agencies and boosted outcomes for workers.⁴⁴
- In **Texas**, two innovative funds are providing important connections to those who are most difficult to reach with workforce development services. The Self-Sufficiency Fund has \$2.5 million to allocate annually through grants to local, community-based organizations in coordination with local Workforce Investment Boards to provide job training that results in industry-recognized credentials. The Skills Development Fund, established in 1996, provided over \$408 million since its founding in 1996, from state funds to Career Technical Centers to provide wage subsidies to those in training, equipment, and capital support as well as training spaces.⁴⁵
- **South Carolina** serves as a model to other states through its comprehensive approach to apprenticeships and commitment of state funds to encourage employer participation and build the infrastructure through the state's Technical College network.
- **Iowa** increased its annual commitment to apprenticeships in 2014, providing \$3 million to support “related classroom instruction, purchasing equipment for the apprenticeship program, and establishing new locations to expand apprenticeship training.”⁴⁶

As of 2017, 13 states are using state funds, at times blended or braided with federal funds, to support sector partnerships at the local level.⁴⁷ Career pathway programs in a number of states, including North Carolina, are leveraging federal funds and state appropriations through education agencies to expand their reach.⁴⁸ Several states use employer contributions, through unemployment insurance funds or other mechanisms to support innovative job training programs (see Breakout Box on the Worker Training Trust Fund).

WORKER TRAINING TRUST FUND

A key example of declining state investments involves the elimination of North Carolina's Worker Training Trust Fund (WTF) in 2013. Responding to the experiences of the early 1980s recession, legislators created the WTF in 1987 to "enhance the employability of workers."⁴⁹ Financed by interest earned on unemployment insurance (UI) system's Reserve Fund, the WTF served as a modest but important mechanism to help the reemployment of unemployed workers through the funding of such programs as adult basic education, adult high school or equivalency programs, and occupational skills training.⁵⁰ The Trust Fund was discontinued when the Unemployment Insurance System was overhauled in 2013 and the state Reserve Fund was abolished.

Five years later, in light of the growing size of the underlying Unemployment Insurance Trust Fund, it makes sense to revisit this concept and design a Worker Training Trust Fund that will best work to advance the goal of improving the employment and earnings of today's workers. Today, the state Unemployment Insurance Trust Fund has a balance of \$3.5 billion meaning that interest from that balance could generate conservatively \$64 million.⁵¹

As in years past, these dollars could go towards funding career pathways (see page 15), sector strategies, and ensuring the affordability and completion of credential programs. The Governor's budget recently proposed allowing employers' taxes for unemployment insurance to be cut less in order to establish a fund that provides resources to workforce development.⁵²

Policymakers could further establish criteria to decide how to allocate dollars to achieve the greatest return. Criteria to consider could include:

- **Prioritize training that actively involves the business community and imparts skills that businesses need to flourish and workers need to succeed**
- **Favor training tailored to the needs of adults in working families with low incomes**
- **Incentivize training that fosters cooperation and creativity among the different parts of the state's workforce development system**
- **View training as a door into the postsecondary education system and a way of linking employees to adult basic education, vocational training, and/or associate degree programs**
- **Link training to the state's economic development goals**
- **Ensure that training complements, rather than duplicates, existing efforts**
- **Measure and reward positive outcomes, particularly wage growth and job advancement**
- **Provides support services like childcare and transportation to eligible workers with low incomes going through training programs**

Options for funding North Carolina's workforce development system

North Carolina should not only increase its commitment to funding a 21st century workforce development system but implement effective financing mechanisms and funding strategies that reflect best practices from across the country. Key opportunities for North Carolina to improve its workforce funding include:

1. **Increase annual General Fund appropriations for job training, including investment in community colleges, to bolster existing programs and services to meet rising demand and better reach those not served by current programs.** Last year, policymakers left \$516 million unappropriated in the final budget. Just \$53 million of those dollars would restore the investment in workers skill training to levels achieved a decade ago when demand was lower.
2. **Deploy increased investment to connect workers with few credentials and workers of color in particular to job training.** These funds could be used to increase investment in community college training programs, reduce tuition costs or expand tuition waivers for apprenticeship programs, increase deployment of Individual Training Accounts, and strengthen career pathway programs as federal funds expire.
3. **Re-establish the Worker Training Trust Fund.** The fund can be built with a portion of employers' contributions to the unemployment insurance system given the level of solvency achieved in recent years. The trust fund would provide support for workforce programs like career pathways, apprenticeships, and sector partnerships, along with wraparound supports in childcare and transportation that many workers with low incomes need to complete these programs.
4. **Maximize the federal 50/50 program in SNAP Employment & Training by leveraging existing commitments at the state and local level to draw down funds.** Document all state, local, and non-profit investments that remove barriers to employment for households receiving SNAP and draw those dollars down to serve people statewide not just in counties whose agencies choose to participate.

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Appendix

An Overview of Funding Levels by Source for Each of the State's Major Workforce Development Programs Shows Funding Trends in North Carolina

Program	2008-09 Total	2008-2009 NC	2008-2009 Federal	2008-2009 Other Receipts	2018-19 Total	2018-19 NC	2018-19 Federal	2018-19 Other Receipts
Basic Skills	\$ 74,857,761.00	\$ 58,834,285.00	\$ 16,023,476.00	\$ -	\$ 64,286,325.00	\$ 45,569,063.00	\$ 18,717,262.00	\$ -
Customized Training	\$ 12,457,121.00	\$ 12,457,121.00	\$ -	\$ -	\$ 12,528,878.00	\$ 12,528,878.00	\$ -	\$ -
Workforce Continuing Education	\$ 67,934,197.00	\$ 67,934,197.00	\$ -	\$ -	\$ 101,004,874.00	\$ 101,004,874.00	\$ -	\$ -
Post Secondary, CTE	\$ 12,763,464.00	\$ -	\$ 13,534,179.00	\$ -	\$ 12,458,675.00	\$ -	\$ 13,858,521.00	\$ -
Apprenticeships	\$ 1,832,360.00	\$ 1,705,981.00	\$ 126,379.00	\$ -	\$ 3,476,795.00	\$ 899,065.00	\$ 2,577,730.00	\$ -
Veteran's Employment	\$ -	\$ -	\$ -	\$ -	\$ 5,726,290.00	\$ -	\$ 5,726,290.00	\$ -
Services for the Blind, Employment and Training	\$ 17,215,655.00	\$ 2,940,223.00	\$ 13,584,077.00	\$ 691,355.00	\$ 19,197,607.00	\$ 3,313,295.00	\$ 15,143,944.00	\$ 740,368.00
Work First, Employment and Training	\$ 80,185,476.63	\$ -	\$ 80,185,476.63	\$ -	\$ 35,884,119.00	\$ -	\$ 5,187,475.00	\$ 30,696,644.00
SNAP, Employment and Training	\$ 1,747,151.00	\$ -	\$ 1,319,651.00	\$ 427,500.00	\$ 4,318,481.00	\$ -	\$ 2,740,296.00	\$ 1,578,185.00
Vocational Rehabilitation, Employment and Training	\$ 97,907,014.00	\$ 19,799,160.00	\$ 72,659,703.00	\$ 5,448,151.00	\$ 117,875,369.00	\$ 22,052,426.00	\$ 92,901,873.00	\$ 2,921,070.00
TOTAL	\$ 366,900,199.63	\$ 163,670,967.00	\$ 197,432,941.63	\$ 6,567,006.00	\$ 376,757,413.00	\$ 185,367,601.00	\$ 156,853,391.00	\$ 35,936,267.00
Percent Change, Inflation Adjusted					-12%	-3%	-32%	



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