

To Rise Above

Upgrading the skills of the under-employed

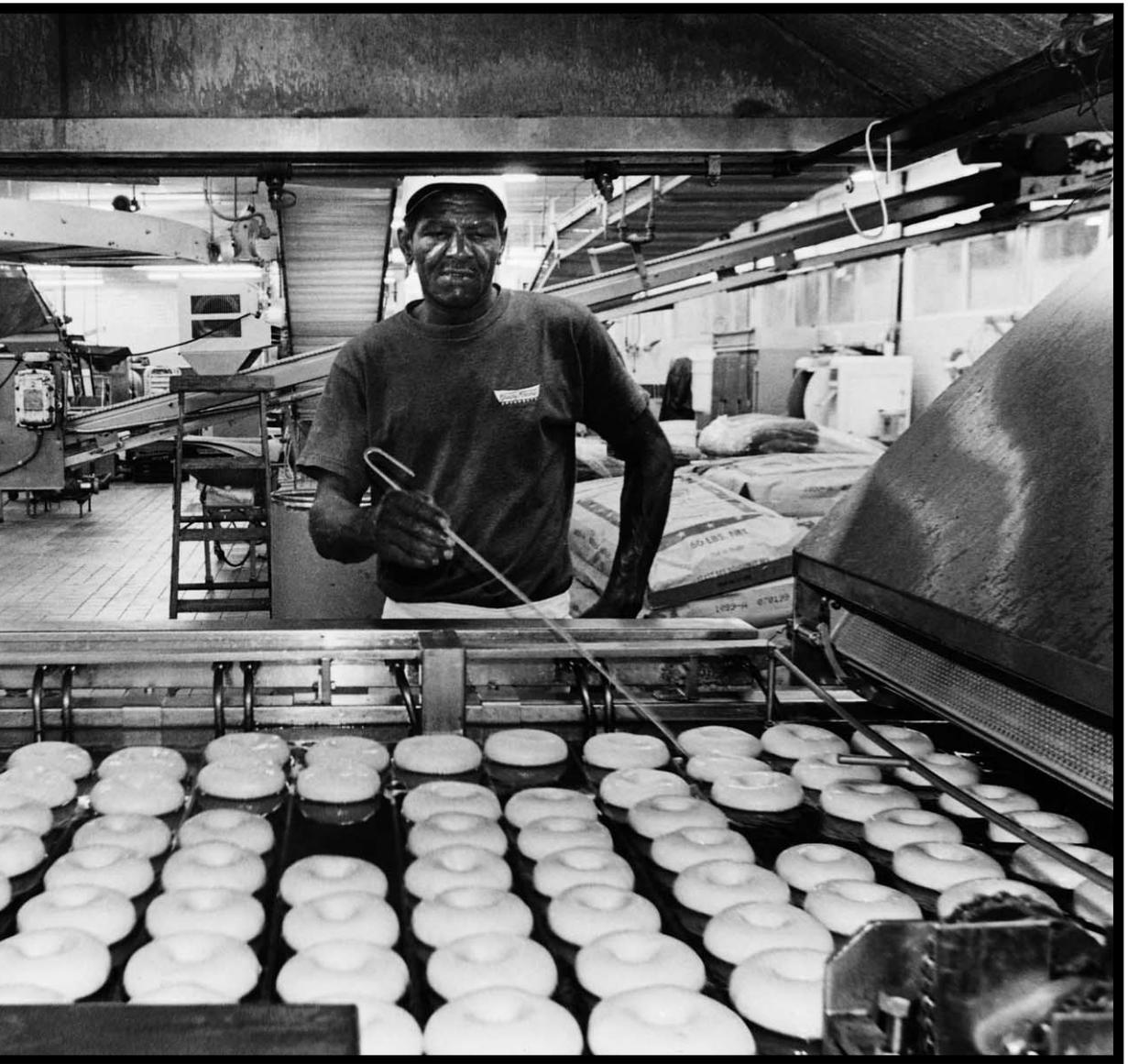
by Michael S. Bernick

With unemployment remaining near postwar lows in spite of the current economic slowdown, California's policymakers are increasingly focused on the state's working poor – the millions with jobs who are not earning enough to lift their families much above the poverty line. By the same token, with inflation seemingly tamed and the Federal Reserve Board committed to keeping the economy out of deep 1970s-style recessions, the issue of upgrading the earnings prospects of the working poor has risen to the top of the employment-policy agenda nationwide.

Over the past three decades, a job training system has developed in America that works well in placing unskilled workers in entry-level jobs. The system, though, has limited contact with people already employed.

What could be done to create a way up from near-poverty? Nothing easy. While the policy literature is littered with seemingly sensible tracts on how to train people who have jobs for better jobs, it hasn't had much practical impact. And for anyone working





on the front lines of the anti-poverty war, this failure should be a red flag.

In California (as elsewhere) the existing training system is a highly fragmented, dependent on hundreds of community-based agencies and proprietary schools, dozens of community college districts, and thousands of adult-education classes. Their money comes from a mix of state and federal sources, particularly the federal Workforce Investment Act of 1998. Funds in California from that legislation totaled \$630 million last year.

JIM SAATH (ALL)

JOB TRAINING

Most job training is closely connected to jobs, though, with employers helping to shape the curriculum and strong follow-up efforts in job placement. This is most true of programs operated by community-based agencies and by proprietary schools that must place students in jobs in order to remain eligible for funds. It is less true of the community college programs. But even the community colleges are working more closely with local employers to ensure placements.

TOP 10 OCCUPATIONS WITH THE FASTEST GROWTH IN CALIFORNIA, 1998-2008

OCCUPATION	NUMBER OF JOBS		ABSOLUTE CHANGE	PERCENT CHANGE	EDUCATION/EXPERIENCE (BLS TRAINING LEVEL)
	1998	2008			
Systems Analysts - Electronic Data Processing	59,400	113,000	53,600	90.20%	Bachelor's Degree
Computer Support Specialists	57,600	109,400	51,800	89.90%	Bachelor's Degree
Medical Assistants	39,500	70,000	30,500	77.20%	Moderate-term On-the-job Training
Computer Engineers	53,700	94,700	41,000	76.40%	Bachelor's Degree
Medical Records Technicians	9,800	17,000	7,200	73.50%	Associate Degree
Physicians' Assistants	5,700	9,600	3,900	68.40%	Bachelor's Degree
Paralegal Personnel	12,400	20,800	8,400	67.70%	Associate Degree
Database Administrators	12,300	20,500	8,200	66.70%	Bachelor's Degree
Respiratory Care Practitioners	8,100	12,800	4,700	58.00%	Associate Degree
Human-Services Workers	17,400	27,200	9,800	56.30%	Moderate-term On-the-job Training

SOURCE: State of California Employment Development Department

Of the more than 200,000 participants enrolled in training in California from 1994 through 1999 under the Workforce Investment Act and its predecessor, the Job Training Partnership Act, more than two-thirds were placed in jobs. What's more, the placement rate rose steadily, from 54 percent in 1993-94 to 76 percent in 1998-99.

The limits of the job training system's capacity to reduce poverty in California, as elsewhere, lie not in the mechanics of imparting skills but rather in the other dynamics of

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poverty: chiefly, teen pregnancy and single-parent households where adults are handicapped by limited education, drug and alcohol abuse, and mental illness.

Further, with few exceptions, the system does not enroll people who are already working, even though the Workforce Intervention Act allows paying for upgrading the skills of the employed. Over the first year of the program's operation, only a handful of the 51 local Workforce Investment Boards in California considered adding skills-upgrading to their offerings.

THE EXCEPTION TO THE RULE

One federal program that has funded training for low-wage workers in recent years is the welfare-to-work initiative. Though the bulk of the money in that program has been used to place welfare recipients in jobs, states can pay for skills upgrading for those already working.

The limited impact, though, suggests the formidable obstacles to such training.

California has had great success both in reducing its welfare rolls and in placing welfare recipients into jobs. From January 1995 to December 1999, welfare rolls in California dropped by 38 percent. Some were removed from the rolls after more careful income checks showed they were ineligible. But the majority were removed because they found jobs, either on their own or through the state's extensive job placement network.

As researchers soon noted, though, many of these former welfare recipients were not



earning enough to be above the poverty line. The Los Angeles Economic Roundtable, a non-profit, non-partisan research organization, tracked the earnings of nearly 100,000 welfare-to-work participants who found jobs between 1990 and 1997. Just one in five were able to obtain employment that pulled them out of poverty within three years. The remaining 80 percent remained poor.

By the same token, a study of California welfare-to-work participants by the San Francisco-based non-partisan Public Policy Institute found that 70 percent did not earn enough to lift a family of three out of poverty. National studies by the independent Manpower Demonstration Research Corporation and the United States General Accounting Office have reached similar conclusions.

State and local employment officials in

California responded to these findings with several skills-upgrading efforts in 1999 and 2000. A number of county welfare departments offered continued career assistance – job counseling to resolve workplace problems, help in finding free skills-upgrade courses at community colleges and in identifying better-paying jobs.

Riverside County (east of Los Angeles), long a leader in welfare reform, developed the most extensive welfare-to-work skills-upgrading system in the state. The county places the highest priority on finding remunerative work for welfare recipients. However, welfare recipients who are working at least 20 hours a week may apply for skills upgrading – primarily through reimbursement of the costs of training undertaken on their own time. Over the past two years, some 360 peo-

JOB TRAINING

ple have taken advantage of that option. They include cashiers, receptionists and home health aides, who are taking classes to become office assistants with computer skills, medical office managers, or medical transcribers.

Among these 360, the majority completed their training and advanced to higher paying positions that put their families above the poverty line. It's worth noting, though, that they represented less than 12 percent of the eligible welfare recipients in Riverside County. The great majority abstained, typically because they are single parents already hard pressed to meet family and job obligations.

This has been the pattern elsewhere. Since most employers are not in a position to give former welfare recipients time off with pay for skills upgrading, employees must do it on their own time. Welfare-to-work agencies have tried several approaches to encourage workers to take classes, among them creating family learning centers that serve dinner and provide child care, and e-learning strategies that include giving welfare recipients computers to learn from home. But these approaches have found few takers.

One highly publicized program that involved e-learning was ClickStart in Oakland, launched in February 2000 by President Clinton and Silicon Valley business leaders, who trumpeted it as an important step bridging the digital divide. It provided computer training and computers to low-income women, particularly single mothers. But *The San Francisco Chronicle* found the program had little impact on employment or wages.

Even if employers were willing to give paid time off to welfare recipients to upgrade their skills, there would be serious fairness issues. Why should a waitress who has not gone on welfare be given less training than someone who took a waitress job after being on wel-

fare? Indeed, why shouldn't preference be given to those who eschewed welfare?

AN INDUSTRY-SECTOR APPROACH TO SKILLS UPGRADING

An alternative to the welfare-to-work approach is an approach that emphasizes promotion from within the firm or industry, and that makes on-the-job skills upgrading available to all low-wage workers. This approach, often described as job ladders, holds out the promise of more systematic job mobility. It seeks to alter the structure of mobility in an industry, and envisions low-wage workers regularly gaining new skills and advancing in pay and responsibility.

The job ladders approach has been discussed periodically by labor market economists and employment officials in California over the past 35 years. However, it has not been implemented to any significant extent.

An examination of the job structures of major California industries suggests initial promise in job ladders, as most of these industries – health care, hospitality, banking and finance, and information technology, to name a few – offer a variety of jobs with higher pay and skill levels than their entry-level jobs.

An example is health care, notably skilled nursing and acute care facilities. In skilled nursing, the main front-line job is certified nurse assistant, which provides basic patient services. In California, that job pays roughly \$15,000 to \$20,700 per year. There are several ways up, including restorative nurse-assistant and psychiatric aide (both of which can mean a pay increase of \$3,000 to \$4,000 per year) or into administration as a medical records technician or medical data systems clerk (which can pay \$4,000 to \$10,000 more per year). Higher up yet is the licensed vocational nurse, with pay that can reach \$40,000 annually, and

registered nurse, with pay ranging up to \$67,000.

In an acute-care facility, the nurse-assistant front-line job generally pays \$5,000 per year more, so such workers often move from skilled nursing to acute care. Once a worker is in acute care, advancement to vocational nurse and registered nurse is possible.

Or take the hotel field. Entry-level jobs in major hotels – like front desk agent or telephone operator or even room attendant – can lead to more than 40 job categories with higher pay.

In fact, a significant percentage of California workers today are following these job ladders in health care, hospitality and other fields to higher-paying jobs. Though far more research needs to be undertaken on job mobility in California – neither the industries themselves nor labor economists now track this sort of mobility – for many, lower wage jobs are not dead-end jobs.

But the structure of skills upgrading among California employers is uneven, with upgrading efforts limited mainly to the largest employers. The great majority of employers have neither the resources nor the economic rationale to initiate skills-upgrading efforts, which means that the greater number of California low-wage workers are out of luck.

Since there is great labor mobility among firms, individual employers – especially smaller employers – lack the incentive to invest in worker training. This is especially true of investment in low-wage workers, where job

TOP 20 OCCUPATIONS WITH THE GREATEST ABSOLUTE JOB GROWTH IN CALIFORNIA, 1998-2008

OCCUPATION	NUMBER OF JOBS		ABSOLUTE CHANGE	PERCENT CHANGE	EDUCATION/EXPERIENCE (BLS TRAINING LEVEL)
	1998	2008			
General Managers, Top Executives	366,600	452,200	85,600	23.30%	Work Experience, plus a Bachelor's or Higher
General Office Clerks	354,000	435,900	81,900	23.10%	Short-term On-the-job Training
Salespersons, Retail	423,100	500,900	77,800	18.40%	Short-term On-the-job Training
Cashiers	307,100	375,800	68,700	22.40%	Short-term On-the-job Training
Systems Analysts - Electronic Data Processing	59,400	113,000	53,600	90.20%	Bachelor's Degree
Guards and Watch Guards	124,900	176,900	52,000	41.60%	Short-term On-the-job Training
Computer Support Specialists	57,600	109,400	51,800	89.90%	Bachelor's Degree
Receptionists, Information Clerks	159,800	211,400	51,600	32.30%	Short-term On-the-job Training
Registered Nurses	172,100	221,200	49,100	28.50%	Associate Degree
Teachers - Secondary School	128,500	176,900	48,400	37.70%	Bachelor's Degree
Teacher Aides, Paraprofessional	90,900	136,500	45,600	50.20%	Associate Degree
Teachers - Elementary School	176,200	220,900	44,700	25.40%	Bachelor's Degree
Truck Drivers, Light	140,600	184,800	44,200	31.40%	Short-term On-the-job Training
Laborers, Landscaping/ Groundskeeping	128,600	169,900	41,300	32.10%	Short-term On-the-job Training
Waiters and Waitresses	204,500	245,600	41,100	20.10%	Short-term On-the-job Training
Computer Engineers	53,700	94,700	41,000	76.40%	Bachelor's Degree
Hand Packers, Packagers	99,000	133,100	34,100	34.40%	Short-term On-the-job Training
Janitors, Cleaners - Except Maids	195,700	227,900	32,200	16.50%	Short-term On-the-job Training
Medical Assistants	39,500	70,000	30,500	77.20%	Moderate-term On-the-job Training
Combined Food Preparation & Service	181,300	211,000	29,700	16.40%	Short-term On-the-job Training

SOURCE: State of California Employment Development Department

turnover is the most extensive. Just as important, most employers do not have a large number of job openings at any one time above the entry level.

In light of these realities, any effective skills upgrading system must be industrywide. At California's Employment Development Department, we started with the two labor market intermediaries that do operate across



firms: trade associations and labor unions. Both groups can create opportunities for pooling jobs among firms so that there are significant opportunities for advancement. In addition, these groups are able to spread the costs and benefits of training among employers, to pool the risks of job turnover, and to create a complex training infrastructure that is usually possessed only by the largest employers

California's major industries – banking, retailing, long-term care health facilities, information technology – all have trade associations. For the most part, these associations concentrate efforts on government lobbying and have limited contact with work-force issues. Yet, as we met with the industry associations throughout 2000, they expressed

interest in skills upgrading for two main reasons. First, nearly all industries were experiencing a high turnover of workers in entry-level jobs. The California Health Facilities Association, for example, estimated turnover among nursing assistants at nearly 100 percent annually. The industry association saw an opportunity to reduce turnover by holding out the promise of job mobility in exchange for performance in an entry-level job. Second, the very tight labor market in 2000 meant employers needed workers in nearly all skill categories.

For California labor unions, skills upgrading coincided with an initiative, Working for America, recently launched by the national AFL-CIO. Working for America trumpeted high-road worker training, and its first pro-

jects included skills-upgrading attempts with garment workers in New York, hotel workers in Las Vegas, and health-care workers in Philadelphia.

Though both the industry associations and labor unions in California were able to contribute some staff time for a skills-upgrading initiative, neither provided training funds. We found the money in the Employment Training Fund, the state-sponsored fund financed by a surcharge on the state's payroll tax that brings in more than \$100 million a year. In October 2000, the fund's board allocated \$15 million for Career Ladders for the 21st Century, with the promise of more money if the program showed results.

INSTITUTIONALIZING SKILLS UPGRADING

Other labor market intermediaries can also play a role. Two of these are familiar in the job training system: community colleges and the employment service. The other two are rarely involved in government job training: private placement firms and the fast food industry.

Community Colleges. The community college system in California has had several, sometimes conflicting, missions. These include preparing students for four-year colleges and issuing Associate of Arts degrees, as well as offering training for jobs ranging from dental hygienist to auto mechanic. Though the training is usually competent, it is not usually tied to job placement or done as part of an industry-based effort. By early 2001, though, the community college leadership had decided on its own training effort for the working poor. The mechanics of this effort are still being developed, but the core will definitely involve incumbent worker training with the industry associations and labor unions. The training would be paid for by a combination of the colleges' operating funds

and government grants – with the latter providing the incentive to participate.

Employment Service. The state's employment service brings two important strengths to worker skills upgrading. The first is research capacity, including the ability to track participants in a career ladders program. The second is job placement: the employment service can provide assistance to

OCCUPATIONS WITH THE MOST OPENINGS CALIFORNIA 1998-2008

OCCUPATION	NUMBER OF NEW JOBS 1998-2008
Salespersons, Retail	234,400
Cashiers	217,500
General Office Clerks	191,300
Waiters and Waitresses	165,100
General Managers, Top Executive	157,300
Combined Food Prep and Service	137,800
Food Preparation Workers	99,700
Teachers - Secondary School	97,200
Teachers - Elementary School	90,600
Guards and Watch Guards	89,600
Receptionists, Information Clerks	87,100
Laborers, Landscaping/Groundskeeping	85,800
Registered Nurses	81,600
Janitors, Cleaners - except Maid	78,200
Truck Drivers, Light	67,600
Hand Packers, Packagers	62,800
Secretaries, General	62,200
Systems Analysts - Electronic Data Processing	59,000
Teacher Aides, Paraprofessional	58,600
Computer Support Specialists	57,000

SOURCE: State of California Employment Development Department

employers in filling the entry-level positions left open as workers advance. Priority might be built into the system for employers who fill vacated positions after helping their own low-wage workers to advance.

Private Placement Firms. These firms, like Manpower Inc., Apple One, and Pro Staff, have exploded in size in California during the past decade. Increasingly, these firms make permanent placements as well as temporary ones, and serve as the employer of record for long-term assignments. Joint Venture Silicon Valley, a non-profit community foundation,

JOB TRAINING

estimates that more than 35 percent of the information-technology jobs in Silicon Valley are now filled by people hired on the payrolls of private placement firms.

Private placement firms traditionally have had no role in training. In fact, the training establishment has shunned them, as their job placements are seen as short-term, low-paid, and lacking benefits. But, more and more private placement jobs come with medical insurance, as well as hourly wages of more than \$14. And there's little doubt that the private placement firms could add value to the training system.

First, since they interact daily with employers, they have a keen understanding of the jobs emerging in local labor markets. Second, these firms, driven to minimize unnecessary costs, are inclined to provide training that is closely tied to employers' needs. Third, even temp jobs filled by the placement firms can lead to regular employment or can provide needed work experience.

The Fast Food Sector. Consider another odd man out. The fast food industry in recent years has served as an excellent work experience and training venue, particularly with young people. Workers learn the skills of showing up on time, following orders, and dealing with customers – precisely the skills that employers say are most important.

Within each McDonald's (80 percent of which are individually run franchises), there is limited room for mobility. A single restaurant might have 40 front-line workers (some full-time, most part-time), one or two assistant managers, and just one manager. But McDonald's can feed workers to other industries – particularly industries like information technology, where even the entry-level service jobs pay \$12 to \$14 an hour. In one scenario, front-line workers who prove themselves for

18 to 24 months would be given priority job search assistance by the state employment service and the private placement industry. Since few workers stay at McDonald's for more than two years, an individual McDonald's franchise would not be in danger of losing experienced employees. What's more, the prospect of placement into better jobs would serve as an incentive for front-line workers to build good employment records at McDonald's.

THE REALITY TEST

How realistic is the development of an extensive system of incumbent-worker training? Prominent officials, including two former secretaries of labor, have written books advocating worker training approaches, and major foundations, including Carnegie and Century, have invested large sums in developing programs for the working poor – all to very little effect. Their proposals required the creation of new government bureaucracies totally at odds not only with the political climate, but also with the lessons learned by job training practitioners at the state and local level. For example, an expensive system of job relocation appropriate for a welfare state like Sweden makes little practical sense in the United States.

The better skills-upgrading projects that have been implemented in recent years have been mainly regional efforts, sponsored by labor unions or industry associations like the Cape Cod Career Ladders, the Wisconsin Regional Training Partnership, and the Paraprofessional Healthcare Institute. These projects share several characteristics. Each is industry-focused and invests in understanding the work force of a particular industry. Each starts small. Each maintains a lean administrative staff.

Nuts-and-bolts knowledge is critical to an

Where the Jobs Will Be

Considerable attention has been paid to the rapid growth of skilled computer-related jobs, and their potential for giving low-wage workers a way up. However, the best guess is that low-tech jobs will continue to play a significant role in socioeconomic mobility.

Every two years, the Employment Development Department provides job projections for jobs in California; the most recent cover the period from 1998 to 2008. Several of the high-tech categories are at the top of the list in terms of percentage growth. However, the top 20 list in terms of the absolute numbers of jobs created looks rather different.

It includes low-tech categories, includ-

ing general office clerks, retail salespersons, cashiers, security guards and receptionists. Only the top category, general managers/executives, is well paid, though three other categories – registered nurses, teachers and medical assistants – represent solid middle-income jobs.

The picture looks quite different when one looks at projected job openings, incorporating not only the new jobs that will be created, but also the turnover in the jobs. At least 12 of the top 20 categories are jobs that require limited skills and that pay on the lower-end of the scale. These include cashiers, general office clerks, waiters and waitresses, food preparation workers and guards.

effective skills upgrading program. As Steven Dawson, president of the Paraprofessional Healthcare Institute, notes, many nurse assistants enjoy the patient-contact part of their job and are good at it, and taking them away from this work may reduce patient care as well as their own job satisfaction. Dawson's hard-won caution has not led to inactivity, though. Rather, it has enabled him to develop realistic skills-upgrade projects with help from unions and employers. He also has developed wage-subsidy projects that encourage well-performing nurse assistants to stay in direct service and allow them to earn more money through performance and experience.

In Ignazio Silone's famous novel, *Bread and Wine*, the recent university graduate Don Paolo seeks to improve the lot of the peasantry. But, when he goes out into the villages, he is dismayed to find his theories bear little resemblance to reality:

Don Paolo went to his room to reflect on the peasants ... and their lives. The idea occurred to him of using his remaining time at Pietrasecca to finish his essay on the agrarian question. He took his notebook from his bag and started reading the notes he had taken. He read them through and was astonished and dismayed at their abstract character. All these quotations from masters and disciples on the agrarian question, all these plans and schemes were the paper scenery in which he had hitherto lived.

So much of the literature on the working poor is "paper scenery," the work of economists who seek to help the working poor, but who do not learn the realities of the work force or the industry or the unions. The task of getting better jobs for people who already have jobs requires a far more intimate understanding of labor markets and the people who make them run. **M**