

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0515

TO: Members, Subcommittee on Innovation and Workforce Development
FROM: Committee Staff
DATE: July 16, 2020
RE: Remote Hearing: “Putting America Back to Work: The Role of Workforce Development in Small Business Rehiring”

The Committee on Small Business Subcommittee on Innovation and Workforce Development will hold a hearing entitled, “Putting America Back to Work: The Role of Workforce Development in Small Business Rehiring” on Thursday, July 16, 2020 at 1:00 p.m. via WebEx.

Since March, nearly 45 million Americans have applied for unemployment and some experts estimate that many of these jobs will not return. This means that many of the new jobs that arise in their place may require different knowledge, skills, and abilities of the American worker. Unfortunately, many of the workforce development programs in America have been severely underfunded for years, which makes it difficult to quickly train, and re-train workers in response to mass unemployment. This hearing will analyze many of the federal programs intended to develop the nation’s workforce, public-private partnerships that are adapting employees’ skills, and allow Members to hear from experts on how small businesses can help put Americans back to work in a post-pandemic recovery.

Witnesses

- Ms. Demetra Smith Nightingale, Institute Fellow, Urban Institute, Washington, D.C.
- Ms. Kelly Folks, Workforce Director, Arapahoe/Douglas Workforce Center, Centennial, CO.
- Dr. Joe Schaffer, President, Laramie County Community College, Cheyenne, WY.
- Ms. Kelly Moore, Vice President, GKM Auto Parts Inc., Zanesville, OH.

Background

In the aftermath of the initial wave of the COVID-19 pandemic through the United States from early March until the middle of May, over 45 million workers were laid off or temporarily furloughed.¹ While the May and June jobs reports showed that many furloughed workers began to

¹ Lance Lambert, *45.7 million have filed for Unemployment During the Pandemic – Greater than the Combined Population of 23 States*, FORTUNE MAGAZINE, June 18, 2020. <https://fortune.com/2020/06/18/45-7-million-have-filed-unemployment-during-the-pandemic-greater-than-the-combined-population-of-23-states/>

return to work as local economies began reopening, permanent layoffs continued to climb.² As COVID-19 infections surge across the U.S. and many localities are slowing, halting, or reversing their reopening strategies, it is uncertain what the U.S. labor market will look like in the coming months or years.

The mass layoffs that resulted from the COVID-19 pandemic disproportionately hit those with lower income, mostly young people, women, and people of color. Over 57 percent of women making less than \$30,000 per year lost income due to COVID-19, while fewer than 30 percent of those making at least \$45,000 per year lost income during the same span.³ This is largely due to the layoffs being skewed towards retail clerks, restaurant servers, cooks, and housekeepers, which are jobs that are already at the bottom of the wage spectrum. Furthermore, some economists estimate the shock caused by the pandemic could result in another so-called “jobless recovery,” and up to 42 percent of layoffs could be permanent.⁴

This realignment in the labor market may force many workers to upskill and reskill in order to find permanent employment. Federal workforce development programs can play an important role in helping find talent as hiring picks back up as well as provide a certain level of benefits to those that are unemployed but training new skills. In addition, state development workforce boards, the private sector, and our nation’s colleges and universities will be instrumental in creating a workforce that meets the needs of a 21st century economy

How the COVID-19 Pandemic has Challenged Workforce Systems

The COVID-19 pandemic put significant strain on the workforce development systems across the country. With over 45 million people applying for unemployment assistance since the beginning of the crisis in March, and an uncertain future as to whether the new surge in cases will cause more shutdowns and job loss, it is unclear whether one-stop career centers and other local workforce development boards will be able to support such a sharp increase in demand. These programs have been chronically underfunded for decades, with the latest crisis only exposing the weaknesses.

In March, local workforce boards across the country applied for roughly \$700 million in dislocated worker grants. However, the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act only made about \$300 million available and the Department of Labor only awarded \$238 million. The Wagner-Peyser Act, which established job training centers in the U.S. receives an annual appropriation of roughly \$650 million and is used to serve about 4 million people – nowhere near the 40 million people out of work now. All additional educational opportunities are more difficult to come by now that classes are solely online, and many unemployed people may not have the

² U.S. BLS, *Employment Situation Summary*, July 2, 2020. <https://www.bls.gov/news.release/empsit.nr0.htm>

³ Marianne Bertrand, *Survey: Over 57% of Women making less than \$30,000 have lost income due to COVID-19*, UCHICAGO NEWS, May 5, 2020. <https://news.uchicago.edu/story/coronavirus-pandemic-has-harmed-lower-income-workers-most>

⁴ Barrero, Bloom, and Davis, *COVID-19 is Also a Reallocation Shock*, BECKER FRIEDMAN INSTITUTE, June 2020. https://bfi.uchicago.edu/wp-content/uploads/BFI_WP_202059.pdf

resources to utilize these programs, either through lack of high-speed broadband connection or ways to access the internet.

This crisis is happening during a transformation in the labor market that has been happening for years. As the nature of work changes, and traditional employment pathways continue to be disrupted by automation and artificial intelligence, it is essential that we identify and begin training the skills essential for employment in the 21st century. What is certain is that in-demand skills will continue to change, and investments will need to be dedicated to keep people employed.

Small Firms as the Engine for Economic Growth

Small firms were disproportionately affected by the economic crisis caused by the COVID-19 pandemic. This is particularly difficult for the workforce considering that they make up 99.7 percent of all U.S. employer firms and create 64 percent of all new private sector jobs. This means they will have an outsized role in getting American people back to work as the pandemic subsides. Unfortunately, smaller companies have a more difficult time accessing workers with the desired skillsets applicable to their business model, limited resources for on-the-job training, and rarely employ large human resources departments to handle the recruiting and hiring process. They may also be hard-pressed to invigorate new hiring if demand remains low for a long period of time. If unemployment is high, causing fewer people to spend money into their business, it may be harder to invest in new employees, who then contribute to demand in the economy, which creates more jobs. However, having readily available trained workers would aid in economic recovery.

Economists project that up to 42 percent of layoffs caused by the COVID-19 pandemic may become permanent.⁵ Therefore, if old jobs do not return, new jobs will be needed in their place. New jobs, in many cases, may require new skills and skillsets that workers may not have been trained for in the past. This could indicate the need for a greater role of the federal government in aiding small businesses as they rebuild, whether it be through more fiscal stimulus directly to the people to generate more demand or more widely available capital for businesses to invest in their workers.

Federal Workforce Development and Jobs Training Programs

A number of different federal agencies are administering workforce development and job training programs in response to the employment crisis caused by the COVID-19 pandemic. These are administered through grant funding and awarded to states as formula grants or block grants. Then, states redirect those grants to subrecipients to implement the program's core objectives. While there are many different grant programs through several federal agencies, this memorandum will only note a few key programs.

Workforce Innovation and Opportunity Act and Dislocated Worker Grants

The Workforce Innovation and Opportunity Act (WIOA) is the Department of Labor's (DOL's) primary law for training and employment programs for adult, dislocated, and youth workers.

⁵ Id.

Traditional WIOA funding is administered primarily through the Employment and Training administration (ETA) through formula grants to states, which are then disbursed to local areas. State and local workforce development boards (WDBs) may provide specific resources to respond to the pandemic.⁶ In FY2020, programs and activities authorized through Title 1 were funded at \$5.2 billion, including \$2.8 billion for state formula grants for youth, adult, and dislocated worker training.⁷

The WIOA Dislocated Worker Employment and Training Activities (DW) program provides employment and training services to dislocated individuals ages 18 and older. Approximately 80 percent of the WIOA-DW funding is allotted to states by formula and the remaining 20 percent is for a National Reserve to address specific dislocation events, such as the mass layoffs that resulted from the pandemic.⁸ Individuals are eligible for these services if they have been terminated or laid off and unlikely to return to the previous industry or occupation.

Within DW, State governors must reserve not more than 25 percent for dislocated worker rapid response activities to assist workers in obtaining reemployment as quickly as possible. These activities may include establishing onsite contact with employers and employee representatives immediately after the dislocation event, providing information and access to employment and training programs and aiding the affected local community to develop a coordinated response in seeking state economic development aid.⁹ These funds were made available to states on January 27, 2020, when the Department of Health and Human Services declared COVID-19 a nationwide public health emergency. As of June 2020, \$238,881,438 has been awarded through Disaster Recovery DW grants.¹⁰

Department of Education

On April 22, 2020, the U.S. Department of Education (Ed) announced \$300 million in discretionary grant funding for states to use to create adaptable, innovative learning opportunities for K-12 and postsecondary learners in response to the COVID-19 pandemic.¹¹ They are designed to expand short-term postsecondary programs and work-based learning programs in order to get Americans back to work and help small firms return to being the country's engines for economic growth.¹²

They are funded through the Education Stabilization Fund (ESF) authorized by Title VIII of the CARES Act. Funds fall into three categories: 1) Microgrants to families, so that states can ensure

⁶ CRS IN11423

⁷ CRS IF11530

⁸ *Id.*

⁹ *Id.*

¹⁰ U.S. DOL, COVID-19 Dislocated Worker Grants, <https://www.dol.gov/agencies/eta/dislocated-workers/grants/covid-19>

¹¹ U.S. DEPT. OF ED., *Secretary DeVos Launches New Grant Competition to Spark Student Centered, Agile Learning to Support Recovery from National Emergency*, April 27, 2020. <https://www.ed.gov/news/press-releases/secretary-devos-launches-new-grant-competition-spark-student-centered-agile-learning-opportunities-support-recovery-national-emergency>

¹² *Id.*

they have access to the technology and educational services needed to advance learning; 2) Statewide virtual learning and course access programs, so that students will be able to access a full range of subjects, even those not taught in the traditional or assigned settings, and; 3) New, field-initiated models for providing remote education not yet imagined, to ensure that every child is learning and preparing for successful careers.¹³

Housing and Urban Development

Community Development Block Grants (CDBGs) are a flexible community and economic development program administered by the Department of Housing and Urban Development (HUD) that provides formula-based block grant funding to “entitlement communities,” or cities with populations of 50,000 or greater, or urban counties of 200,000.¹⁴ The primary goal is to develop viable urban communities, by providing decent housing and suitable living environment and expanding economic opportunities, principally for people with low to moderate income.¹⁵

The grant funding may also be used for workforce development activities and supporting small firms. The CDBG guidance for eligible activities supporting the COVID-19 response includes provisions for job training to expand the pool of health care workers and technicians.¹⁶ An additional \$5 billion was appropriated for the Community Development Fund in Title XII of the CARES Act.

Health and Human Services

The Department of Health and Human Services (HHS) administers several workforce development grants specifically to train health care professionals. The Preventative Health and Health Services Block Grant supports health, clinical and laboratory services; public education efforts; and workforce training. It is primarily administered by state health departments.¹⁷ The Health Resources and Services Administration awards Health Workforce Grants to support health care workforce training and education activities.¹⁸ The Community Services Block Grant supports a range of community-based activities to lessen poverty and provide services to address employment, education, housing, and other needs. It is administered at the state level.¹⁹ Many of these programs were funded under Title VIII of the CARES Act.

Apprenticeships and Career & Technical Education

Apprenticeships

Federally recognized apprenticeships consist of both on-the-job training and classroom experience that can provide workers with the skills needed to participate in the workforce and develop the skills of potential employees. Apprenticeships are particularly helpful for individuals who have

¹³ *Id.*

¹⁴ CRSIN11277

¹⁵ *Id.*

¹⁶ *Supra* note 6

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

not attended a 4-year college but are seeking a more technical job. These programs often last at least two years and give workers training in both hard and soft skills they need to do their job well.

The Department of Labor (DOL) also recently released a Notice of Proposed Rule Making (NPRM) to establish an Industry Recognized Apprenticeship Program.²⁰ The NPRM seeks to formally establish a process for organizations to apply to become DOL-recognized Standards Recognition Entities (SREs) of Industry Programs. Once recognized, SREs would work with employers and other entities to establish, recognize, and monitor high-quality Industry Programs that provide apprentices industry-recognized credentials. The proposed rule includes measures and guidelines to facilitate the recognition of these high-quality Industry Programs.²¹ The NPRM is aimed at addressing America’s skills gap and expand apprenticeship model to new industries, many of which are emerging small firms.

While apprenticeships traditionally engage students with a combination of on-the-job training and classroom experience, COVID-19 has given rise to challenges with both aspects. Many apprenticeships have transitioned to 100% online learning and job training, combining traditional online classrooms with more specialized online tutors for career training.

Career & Technical Education

Career & Technical Education (CTE) is generally used by high school students to prepare directly for the workforce instead of the traditional college pathway, however it doesn’t necessarily rule out university. Students who engage in these programs are traditionally geared towards the STEM fields. Many of these programs prepare students through training for “middle-skill” jobs that generally require industry recognized credentials instead of four-year college degrees. Since many students and teachers may not be able to return to the classroom due to the ongoing pandemic, it may be difficult to continue the hands-on education touted by these programs.

Community Colleges

When it comes to facilitating workforce development activities, such as the classroom portions of apprenticeships as well as general hands-on training, community colleges play a vital role in supporting their local workforce and regional economy. Not only are community colleges aware of the needs of local firms, they are able to train and educate students at a relatively low cost compared to that of a four-year university. There are more than a thousand community colleges across America²² and working with small firms that are hiring in local communities, community colleges can help firms find talent and grow their business.

They may also possess the technology, such as laptops with mobile hotspots, that lower income students may not have the resources to afford otherwise. This can make community colleges particularly useful in the recovery from the COVID-19 pandemic as prime source of workforce

²⁰ U.S. DEP’T OF LABOR, *Industry-Recognized Apprenticeship Program*, <https://www.apprenticeship.gov/industry-recognized-apprenticeship-program> (last visited Sept. 27, 2019)

²¹ *Id.*

²² <https://www2.ed.gov/about/offices/list/ovae/pi/cclo/ccfacts.html> (last visited July 9, 2020).

learning. Given their ability to be flexible with local workforce needs, form partnerships with businesses locally and provide hands-on training that can translate quickly to employment, community colleges are positioned to reduce the growing skills gap in the country.

Conclusion

The United States faces a large uphill climb getting people back to work. Many of the jobs that existed in January disappeared at record pace and may not return, and many workers will have to be trained for new skills in the 21st century. Furthermore, the traditional driver of economic growth, small firms, will face particular challenges rehiring with slower demand and an uncertain economic future. Many federal programs exist to train workers right now, but it is uncertain whether they will be equipped for such a large influx of unemployed workers and a labor market that isn't speeding up. Traditional job training methods are also harder to administer through online e-learning platforms; however, many apprenticeships and educational courses are swiftly moving to online learning. The federal government in partnership with colleges and universities, state workforce boards, must make investments in training or retraining for American workers so that small businesses have a skilled workforce to create a sustained economic recovery.