

New Workforce Training Models Needed to Meet Employer Skill Demands, Brookings' Holzer Finds

Community colleges and employers need better incentives to invest in middle-skill workers and adapt to changing job market

A divergence has emerged in the labor market -- between "newer middle" skill jobs in sectors like health care and IT, where skilled workers are increasingly in demand, and "traditional middle" wage production and clerical jobs which are declining -- that could be narrowed by boosting the supply of the new types of workers needed for today's economy by reforming funding for community colleges and incentivizing employers through tax credits, according to Visiting Fellow in Economic Studies [Harry Holzer](#) in two briefs published today.

Employers say they cannot find workers with the middle-level skills they need, though employment in those jobs overall is declining and wages have been flat. The new middle jobs usually require some post-high school education or training but less than a bachelor's degree while the older middle often does not, Holzer, a professor of public policy at Georgetown University, writes in

["Job Market Polarization and U.S. Worker Skills: A Tale of Two Middles."](#) He examines this polarizing trend in the U.S. labor market, noting that the "newer middle" is growing in areas such as health technology, advanced manufacturing, information technology (IT), and a range of service jobs that require more post-secondary education or training than in the past. While the share of total employment in middle-wage jobs overall has fallen quite steeply from 39.1 to 36.6 percent since 2000, the share of employment in "newer middle" wage jobs have enjoyed modest gains, he notes.

"Declining middle-wage jobs often involve the performance of very routine tasks—such as working on an assembly line or typing manuscripts—that can easily be performed by various forms of digital technology," he writes. "In contrast, the jobs that are growing and still pay well increasingly require more complex reasoning or communications skills."

Holzer finds that the earnings of those with bachelor's degrees or less have stagnated in recent years, while only those with graduate degrees have enjoyed real earnings growth. However, the wages of workers with "some college" do not exceed those of high school graduates by very much if they did not earn any real credential. At the same time, employment growth has been stronger among low-wage groups, both before the recession and more recently.

As the recovery from the recession continues, Holzer predicts more growth in the middle wage categories, since low-wage jobs dominated net job creation in the early part of the recovery. Job growth has very recently been and will continue to be broader, assuming a recovering housing industry with its middle-skill construction jobs, as well as the large number of Baby Boomers that will need to be replaced.

In addition to the demand-side questions about jobs for middle-wage workers, Holzer points out the short *supply* of such workers. In a second brief, ["Higher Education and Workforce Policy: Creating More Skilled Workers \(and Jobs for Them to Fill\),"](#) he proposes three policy solutions for building the skills of middle-wage workers and strengthening employer demand for them.

While workforce development in the U.S. now mostly occurs in community colleges where students enroll in an associate's degree (AA) or certificate programs, these institutions lack both resources and incentives to respond to the job market, Holzer finds. He argues that community colleges "need more resources targeted at services and supports for disadvantaged students, as well as stronger incentives to expand teaching capacity in high-demand fields." He suggests a post-secondary "Race to the Top" model where states could receive additional federal funding if they implement accountability for colleges and other reforms, as well as changes in the federal Pell grant program, such as simplifying the application process and strengthening rules regarding academic progress.

Holzer also recommends improvements to career and technical education (CTE), to expand apprenticeships and other models of work-based learning. Evidence has shown that high-quality CTE can have a strong, positive impact on worker earnings as much as eight years after enrollment, he notes. Holzer also suggests tax credits to employers that offer such programs, as well as reforms to the Carl Perkins Act, which currently provides about \$1 billion in funding for secondary and post-secondary CTE.

Finally, he recommends additional employer incentives to reward them for investing in training and upward job mobility for lower-skilled workers through the use of tax credits, grant programs technical assistance, preferential treatment in government contracting, and even moral suasion. Finally, he recommends further implementation of policies like minimum wage increases, providing paid leave for all workers, and labor law reform allowing "work councils" at non-union firms.