

State-level policies to incentivize workplace learning: impacts of California's incumbent worker training program

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Employers increasingly cite skill mismatches between their needs and those supplied by potential workers as a primary reason many advertised positions often remain unfilled. These persistent vacancies have consequences for businesses and workers: firms suffer from lost productivity or growth opportunities while many unemployed and underemployed workers are often unable to qualify for potentially well-paying positions. Advances in automation and artificial intelligence have the potential to exacerbate this problem as effective use of these technologies often requires workers to acquire skills that complement them.

Faced with worker shortages because of technological change, some large employers have begun investing in training and upskilling programs to enhance the skills of their employees. Many firms, however, are either unable or unwilling to make such investments because of resource limitations or because of concerns that their investments will lead to increased worker mobility. Recognition of these issues in the face of our labor market problems has led to growing calls for policy intervention specifically aimed at aiding firms in obtaining the resources to retraining and upskilling their workforces.

While some states have implemented programs aimed at fostering retraining among private-sector firms, our knowledge about the effectiveness of these publicly-funded incumbent worker training programs is limited. In this paper, Marian Negoita and Annelies Goger examine the effectiveness of the California Employment Training Panel (ETP). Funded from a small payroll tax, the ETP reimburses employers for investments in approved training for their employees. Negoita and Goger summarize several findings derived from interviews, employer surveys, and quantitative assessment. They focus on several dimensions: how employers and workers were benefitting from ETP investments, how ETP could improve, and updates the ETP needs to better reflect current training needs, training delivery methods, and economic trends. Negoita and Goger focus on several key results. First, ETP funding is associated with positive changes in company sales and employment. For example, in one case, ETP funding is associated with a 22 percent increase in jobs at a work site over two years. They attribute this finding to ETP-funded training leading to job creation or preventing job loss. Impacts of ETP training were strongest among companies that were more than 10 years old; these firms had been active long enough to have established internal infrastructure and pathways for learning. Impacts of ETP were also strong among small or midsized businesses with between 18 and 100 employees. Importantly, small businesses were likely to invest the least in training overall.

Overall, these findings suggest that state-level programs that incentivize employers to train their workforce show promise for addressing skills gaps which may be key in reducing skill mismatch and increasing employment and growth. As such, this study highlights that these programs may serve as an important policy tool for states to consider in helping their workforces adapt the future of work.