



# Earning While Learning: Maintaining Income While Upgrading Skills

*By Heath Prince, Jobs for the Future*

**PART OF A SERIES OF REPORTS ON  
ADVANCEMENT FOR LOW-WAGE WORKERS**

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CREATING STRATEGIES  
for Educational and Economic Opportunity

# Advancement for Low-Wage Workers:

## *A Series of Reports from Jobs for the Future*

Jobs for the Future develops models, strategies, and policies that enable adults to advance toward economic self-sufficiency for themselves and their families. Drawing on innovative workforce development efforts around the country, our publications, tool kits, and other resources respond to the challenges to advancement for low-wage workers. With the series *Advancement for Low-Wage Workers*, JFF seeks to elevate discussion of this critical issue within and outside the workforce field. Elaborating upon the themes in the series introduction, *The Next Challenge*, these occasional papers address public policy and on-the-ground practice.

*The Next Challenge: Advancing Low-Skilled, Low-Wage Workers* (2004): The series introduction argues for placing not just employment but also advancement at the center of employment and training policy. It defines career advancement as a goal, explores key challenges and opportunities, and highlights strategies to help significantly more low-skill workers move up to better jobs and family-supporting earnings.

*Career Ladders: A Guidebook for Workforce Intermediaries* (2003): The CD-ROM-based guidebook provides information and extensive resources on planning, developing, operating, and expanding the role of intermediaries in an approach central to many advancement strategies. The guide summarizes lessons learned from innovative work across the country.

*Earning While Learning: Maintaining Income While Upgrading Skills* (2004): A number of programs and practices encourage skill development by providing income and supports to those pursuing further education and training. This report reviews “what works” in providing workers and job seekers with income even as they improve their ability to advance in the labor market and meet employer needs for a modern workforce.

*Employer-Led Organizations and Career Ladders* (2003): This issue brief reviews key elements and processes involved in creating career ladders that meet employers’ needs for a workforce with the right skills and low-wage, low-skilled workers’ needs for advancement opportunities.

*Low-Wage Workers in the New Economy* (Urban Institute Press, 2001): In this collection of original essays, an impressive line-up of experts describes the extent and contours of the challenge facing our nation’s working poor. The authors look at how federal and state governments can help the men and women for whom the American Dream remains out of reach.

*Opportunity in Tough Times: Promoting Advancement for Low-Wage Workers* (2003): Drawing on extensive interviews with innovative state officials and practitioners, this report describes ways to maintain efforts to advance low-wage workers in the face of exceedingly difficult conditions.

*Workforce Intermediaries and Their Roles in Promoting Advancement* (2004): This report explores the origins and core elements of workforce intermediaries, their strategies for advancing workers to family-sustaining careers, and the challenge of securing financing not just to sustain intermediary services but to expand such efforts to a scale that makes a real difference to communities.

*Getting Ahead: A Survey of Low-Wage Workers on Opportunities for Advancement* (2003), *Public Views on Low Wage Workers in the Current Economy* (2001), and *A National Survey of American Attitudes About Low-Wage Workers and Welfare Reform* (2000): JFF periodically commissions surveys of and about low-wage work in America.

Forthcoming reports will look at practices and policies for promoting advancement for low-wage workers and innovative approaches to advancement in the City of Boston. In addition, through Workforce Innovation Networks—WINs—Jobs for the Future addresses the specific challenge of engaging employers in efforts to advance low-wage workers. All JFF advancement resources are available on our Web site: [www.jff.org](http://www.jff.org).

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# Earning While Learning: Maintaining Income While Upgrading Skills

By Heath Prince, *Jobs for the Future*

**H**ow can workers in low-wage occupations learn new skills while maintaining an income? *Earning While Learning* highlights programs and practices that encourage skill development by providing income and support services to those pursuing further education and training. It identifies key elements that are generally applicable across states and communities, drawing lessons about “what works”—and what does not—in providing workers and job seekers with an income even as they improve their ability to compete in contemporary labor markets and meet employers’ needs for a modern workforce.



Federal welfare reform has focused the attention of workforce development policymakers on low-wage workers. Time-limits on benefits and a “work-first” orientation to workforce development have moved many former welfare recipients into the labor market, regardless of their preparation to succeed. In large part, they have swollen the ranks of the working poor, joining those who have long been trapped in jobs offering little income, few benefits, and even fewer opportunities for advancement.

On the other side of the labor market equation, employers frequently cite an acute skills shortage as their foremost human resource concern. Even with relatively high unemployment rates, a number of industries and regions continue to suffer from skills shortages. The “graying” of the workforce—the imminent retirement of skilled baby boomers—will intensify that shortage, affecting virtually all regions and industries.

The dilemmas on both sides of the labor market share a common approach, even if political, fiscal, and other constraints mean that no single practice or policy will appeal equally to all parties. Skills training designed to meet the requirements of high-demand occupations provides low-wage workers with the means for advancement *and* widens the pool of qualified workers from which employers could hire.

However, efforts to facilitate targeted training frequently run afoul of numerous obstacles, not least of

which is a very practical consideration for low-wage workers: *how can a working person maintain an income while pursuing the further education and training that would lead to both advancement and the ability to better serve employers’ labor needs?*

In addressing that question, most of the approaches cited here originated during the tight labor market prior to 2001, yet the underlying factors that produced a skills gap at that time persist—particularly high demand for technical skills and the retirement of the baby-boom generation. Those factors will continue to bring us back to the need for practices and policies that enhance the nation’s ability to create and maintain a highly skilled workforce. The long-term competitiveness of the nation’s economy requires the skill development of its workforce, regardless of economic cycles. The urgency of the problem and the long-term implications for the nation require creative solutions that bring the needs of workers and employers into closer alignment.

## Successful Programs and Practices

Numerous training programs serve people who are newly entering the workforce, and as many programs are designed specifically for incumbent workers or skilled workers who lose their jobs due to changes in the structure of the U.S. economy. Far fewer programs specifically target training to the working poor. Nevertheless, bridging the gap between a low-income worker’s need to upgrade skills and his or her need to maintain an income while doing so has sparked innovative practices on the part of states and communities, as well as employers, community-based organizations, and others. Some efforts serve a wide range of participants; all provide training for people who are in the workforce and seek to build their skills and their ability to advance in the labor market.

Promising efforts serve both sides of the labor market equation—job seekers and employers—while taking a variety of approaches to doing so, including:

- Apprenticeships in union-based, long-term, and paid training programs;
- Publicly supported paid internships;
- Publicly supported, flexible training programs;

- State-funded training programs for incumbent workers;
- Cash stipends; and
- Income-based cash payments to WIA participants in training.

### Apprenticeship Programs

Labor unions have long recognized that most workers must maintain their income while participating in the training that leads to advancement. Through government funding and labor-management cooperation, 440,000 people now receive a paycheck while participating in apprenticeship training leading directly into a certified occupation that pays a living wage and offers a wide range of benefits.

The U.S. Department of Labor's Registered Apprenticeship Program funds these programs, which give workers skills that meet employer demand in a competitive global economy. Registered Apprenticeship programs raise the quality of training by combining on-the-job training with classroom instruction, thereby preparing workers for jobs in several industries. Certification of apprenticeship programs is based on industry-developed standards, ensuring that apprentices, program sponsors, and the public clearly understand the content participants learn and the measures that are in place for encouraging high quality in training.

Ranging from one to six years, Registered Apprenticeship programs have been established in nine industries: construction, manufacturing, telecommunications, information technology/networking, service and retail, health care, the military, public utilities, and the public sector. Apprentices typically receive wages that are lower than those paid to journeymen/women but consistently and significantly higher than the federal minimum wage. The U.S. Department of Labor estimates that every dollar spent by the federal government on the Registered Apprenticeship program yields fifty dollars in tax revenues generated by having more of the workforce in higher-paying jobs. This makes Registered Apprenticeships the most cost-effective job training sponsored by the government.

Widening access to apprenticeship programs has been the subject of ongoing discussions among employers, state Workforce Investment Boards, and the Department of Labor's Office of Apprenticeship Training, Employer and Labor Services (ATELS). While the Workforce Investment Act recognizes apprenticeship programs as trainers of choice, the legislation also creates significant barriers to better coordinating apprenticeships with other

WIA-based training systems.

One such barrier is that WIA divides services for workers into three categories: core services, intensive services, and training services. Some states, adhering to a strict reading of the legislation, require job seekers to pursue the first two (job-search and career counseling activities) before they can be eligible for referrals to training programs.

WIA regulations also limit intensive and core services to "priority populations" when state funding is limited. This population includes former welfare recipients, displaced workers (laid-off workers and those facing imminent layoffs), and disadvantaged workers (members of a family that has received federal cash assistance). Excluded are workers who voluntarily leave their jobs to pursue training for high-demand, high-skill occupations, such as those offered by apprenticeships.

ATELS officials commented on several state WIA plans prior to their approval, often noting the lack of any explicit provision for linking state WIA plans with local apprenticeship programs (Palmer 2001). To address this disconnect between the two training systems, ATELS, along with the National Association of State and Territorial Apprenticeship Directors, hosted a series of stakeholder forums in 1999 to discuss developing a strategic action plan for enhancing the role of the apprenticeship program and strengthening its linkages with WIA. The results of these meetings, published in November 2001, highlight the need to expand and strengthen apprenticeship programs in order to better address the increasing shortage of skilled workers.<sup>1</sup>

Even as DOL and ATELS seek to strengthen the links between WIA and apprenticeships, direct grants from ATELS to apprenticeship programs have long resulted in partnerships bringing paid skill training to women, enabling them to enter non-traditional occupations. For example, *the International Association of Machinists and Ingalls Shipbuilders* have joined in a labor-management partnership that offers occupational skills training in the shipbuilding industry, with a focus on single parents. *United Steel Workers of America Local 309 and Alcoa* operate a paid apprenticeship program that trains front-line production workers in high-skilled craft occupations.

### International Association of Machinists/ Ingalls Shipbuilders

The International Association of Machinists, through its Center for Administering Rehabilitation and Employment Services, received a U.S. Department of Labor "Non-Traditional Occupations for Women"





(NOW) grant to develop a partnership with Ingalls Shipbuilding in Pascagoula, Mississippi. The labor-management partnership operates a Registered Apprenticeship that trains primarily single parents in various facets of the shipbuilding industry.

As apprentices, the workers receive wages and benefits secured by the machinists union, as well as additional benefits provided through the NOW program, such as child care supports, vehicle repair assistance, tool allowances, counseling, mentoring, and transportation assistance. Since 1998, the program has served over 90 apprentices, many of whom have gone on to receive Associate's and Bachelor's degrees in fields relevant to their work at Ingalls. The company credits NOW with reducing attrition in its apprenticeship programs, which are quite demanding: they last from two to four years and require up to 2,000 hours of shipyard work and 144 yearly hours of classroom study at Mississippi Gulf Coast Community College.<sup>2</sup>

#### United Steel Workers of America Local 309 and Alcoa

Facing a wave of retiring craft workers and stiff competition for skilled labor, Alcoa and Local 309 of the United Steel Workers of America developed an apprenticeship program for training front-line production workers in high-level craft occupations.

Production workers in the "Tennessee Operations Apprenticeship Program" serve as apprentices to Alcoa's experienced craftsmen and women, who tailor the training to meet the unique needs of Alcoa technology. The program is largely managed and operated by hourly workers represented by the union. As training coordinators, these workers develop a curriculum, recruit other crafts workers as instructors, and monitor the apprentices' progress. Apprentices earn \$9 to \$10 per hour throughout the three-year program, which includes 1,200 hours of classroom and hands-on instruction. By the time the apprentices complete the program's first year, they can perform a large portion of the tasks involved in the craft.

The involvement of the U.S. Department of Labor and the United Steelworkers of America in developing the training program ensures that Alcoa gains high-quality workers. The department's Bureau of Apprenticeship and Training assists with continuous quality assessment.<sup>3</sup>

#### Paid Internships

Complicating the difficulty workers face when seeking to upgrade their skills while maintaining an income is the risk involved in participating in a training program that offers no guarantee of employment upon completion. Paid internships that provide occupation-specific training offer one solution, and many lead directly to employment.

Typically thought of as work experience for students in higher education, paid internships are increasingly part of the menu of services offered by public workforce development agencies. In many cases, paid internships are available to the general population and funded through a mix of public and employer contributions. In several cases, employers and public agencies share the costs of both the training and payroll, with the public agencies absorbing most of the administrative responsibilities.

#### OpNet

OpNet was founded in San Francisco in 1997 to bridge the "Digital Divide," the relatively low access for minorities to technology and to employment that depends on technology-related experience and education. OpNet creates career development opportunities for low-income young adults between the ages of 18 to 25 who want to enter either of two fields: information technology or multimedia. OpNet trains people in the necessary IT skills, while also providing work-acclimation experience. Workers learn both technical and "soft skills," then participate in two-month to four-month paid internships or direct employment in the IT sector or IT-related careers.

OpNet, like many agencies, sees internships as one of a menu of possibilities for promoting advancement. These include:

*InternNet* provides on-the-job experience through paid internships in companies with IT departments and/or Web programming presence.

*EntryNet* is an intensive, full-time, six-week paid training program that provides workers with skills in system administration, Web programming, project management, and job readiness. Training focuses on technical skills Monday through Thursday, with Fridays devoted to

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soft skills (e.g., résumé development, interview techniques, life management, coping skills). Workers learn about career ladders in the Internet industry and develop skills in html and XML, Java Script, cascading style sheets, image manipulation software (e.g., Illustrator and Photoshop), and other Web-authoring tools. Each worker creates his or her own Web site and completes a Web-development project for a client. Students receive a stipend of \$200 per week.

*SupportNet* promotes the long-term success of participants through job placement assistance, child care subsidies, training stipends and referrals, scholarships, counseling, community services, and peer support groups.

*AdvanceNet* provides training to graduates of OpNet programs so they may upgrade their skills and remain competitive in the industry.

Over the past several years, OpNet has trained hundreds of people. Between 1997 and 2001:

- 80 percent of participants were placed in or were completing internships.
- 50 percent acquired full-time employment in the industry after completing their internship.
- 10 percent pursued advanced education.

Average post-internship income increased 265 percent from \$11,500 to \$30,500 per year. Current starting salaries are \$30,000 to \$45,000. Prior to program entry, 59 percent of interns had household income classified as very low-income, and 41 percent as extremely low-income (as defined by HUD).

To fund its internship programs, OpNet combines federal, state, and local sources, as well as contributions from foundation, corporations, and individuals.<sup>4</sup>

### Technology Retraining Internship Program

Northern Virginia Community College launched the Technology Retraining Internship Program in 1998 as a solution to the high demand for qualified workers in Northern Virginia's technology industries. A six-month course, TRIP targets career changers and displaced workers who have college degrees and professional work experience but no backgrounds in computer-related fields. To move these trainees quickly into information technology careers, the program leverages their past work experience, academic training, and hands-on training through paid internships with local IT companies.

Internships with a wide range of local firms pay \$12-\$15 per hour, and courses are offered in the evenings and on weekends. Program costs are partially subsidized by the Northern Virginia regional Competitiveness Partnership, the Division of Continuing Education and

Workforce Education, and the community college. Participants also receive assistance with applying for financial aid.

### Oakland Community College

Since 1999, Oakland Community College in Pontiac, Michigan, has partnered with Xerox, EDS Corporation, and Kelly Services in a pilot program that combines customized training, paid internships, and work leading to high-wage employment. Originally designed for TANF recipients, the program now serves low-income workers in general since waiving the state TANF work requirements for participants involved in training for 30 hours a week or more or in school for at least 10 hours a week.

The program first assesses the specific skill needs of participating employers, then Oakland Community College creates a customized training module for each of those client. Training lasts for up to 20 weeks. The skills levels of participants are assessed when they apply; those who successfully complete training receive certificates. The program has achieved an 88 percent placement rate in positions that pay from \$18,000 to \$25,000 per year (Jenkins 1999).

### Flexible Training Programs

Even with income supplements, working people may choose not to participate in training programs. The single biggest reason is time. The working poor frequently have two jobs and/or family responsibilities that leave little the time for training.

Policymakers, program developers, and advocates for the working poor have long recognized this fact. Many training programs are designed to fit around participants' work schedules, allowing them to keep their current jobs while training for a better one. These programs typically offer courses in the evening or on weekends, and they frequently provide child care on-site.<sup>5</sup>

### Jewish Vocational Services, San Francisco

To solve the dilemma of maintaining an income while in training, many job-training programs offer courses during non-traditional hours. Jewish Vocational Services (JVS) in San Francisco has built seven-month Cisco Networking Technology program around the working hours of most potential participants. The training is offered Tuesday and Thursday evenings, from 6:00 p.m. to 9:30 p.m. and 9 a.m. to 5 p.m. on alternate Sundays.

The Cisco Networking Technology program provides 280 hours of instruction in router architecture, TCP/IP protocols, and networking configuration. The program



also helps prepare participants for the Cisco Certified Network Associate exams. Program graduates receive college credit upon completing training, and JVS assists them in job placement, retention, and advancement.

Full and partial scholarships are available to low- and moderate-income students. JVS blends public funds, foundation support, and private and corporate donations to provide a wide array of job-training services, from English as a second language classes, to computer-aided design and network technicians.<sup>6</sup>

### San Francisco Works Legal Star Training Program

San Francisco Works, the non-profit, workforce development arm of the San Francisco Chamber of Commerce, has created the Legal Skills Training and Advancement Resources (Legal STAR) program. SF Works, which had previously created the Legal Employment Action Program (LEAP) to train entry-level workers, concluded that large law firms were experiencing a shortage of qualified workers for second-tier positions such as legal secretaries, technology help desk support, and case clerks.<sup>7</sup>

To create the new program, SFWorks recruited 7 legal firms to assist in developing a curriculum that included training to become a Microsoft Office Specialist, training for professional certification for the National Association of Legal Secretaries, and training in communications, personal finance, career development, professional empowerment, and workplace intelligence. Legal Star participants, drawn from participating firms, have graduated from LEAP. The workers and employers share training costs and time for the 12-week, 48-hour program. Courses are scheduled from 8:00 a.m. to 10 a.m., plus a two-hour seminar on a Saturday. SFWorks collaborates with Jewish Vocational Services, Voluntary Legal Services Program of the San Francisco Bar Association, and Urban University to provide training for the course.

### State-Funded Incumbent Worker Training Programs

Incumbent worker training funds can help those who do have a job to acquire the skills needed to advance to higher-paid positions. They usually operate at the state level, frequently drawing in part on Unemployment Insurance funds.

State-funded incumbent worker training programs help to build the public infrastructure by coordinating public and private training resources, improving basic and occupational skills, and forging stronger ties with the business community. Moreover, they help embed the responsibility for workforce training and education in the

public sector, thus fostering their long-term provision.

However, the continuum of public funding for workforce development services, which begins with basic skills training for public-assistance recipients on one end, typically targets incumbent-worker training programs at mid-level and high-level skilled workers at the other end. This continuum tends to overlook and under-fund training for low-skill, low-wage workers. Nevertheless, some states have crafted workforce development solutions that both tap into public funding for training and provide income supports for training low-wage incumbent workers.

Several states have long recognized the economic returns on education and training investments, and the economic boom of the late 1990s underscored the need to leave no worker behind in the drive to increase the skill level of the U.S. workforce. Employers caught short-handed after the downsizings of the late 1980s found themselves with a smaller core of employees buckling under increased workloads. They rehired workers with the requisite skills sets but at a premium, and workers with new skills sets were increasingly hard to come by, particularly when the skills were in information technology.

States with a well-established employment and training infrastructure tended to fare better as they retooled their workforce development systems to meet the growing demand for skilled labor. Often acting independently of federal funding streams, these states have crafted innovative mechanisms for funding training, particularly for unemployed and low-wage workers. When federal funding is involved, some states have used these funds to leverage state funds in creating training programs.

California, Georgia, Michigan, and Kentucky are leading states among the small number that have met the training and income-support needs of workers through various methods of structuring state and federal funds, including Unemployment Insurance, general revenue, and state education funds.

### California's ETP/EDD Manufacturing Career Ladder

The California Employment and Training Panel, part of the Employment Development Department, is a frequently cited model for state-funded job training. ETP administers an employer-focused job-training program funded by a special employment and training tax collected through the state Unemployment Insurance system. The ETP funds several training programs that serve not only incumbent workers but also new hires and for-





mer public assistance recipients. The ETP's 1999 operating budget of \$117 million placed California sixth in per capita spending on worker training nationwide (Duscha and Graves 1999).

While ETP does not provide a cash stipend for training participants, through its career ladder programs it has combined earning and learning in creative ways that lead to high-skill, high-wage, and, often, union jobs. For example, responding to the ongoing shortage of skilled and entry-level machine operators, tool and die makers, and other specialized machine trade workers, the ETP funded the development of a manufacturing career ladder by Rands Systems, Inc. A training agency that provides manufacturing technology training for over 800 California firms, Rands Systems created a career ladder that spans a cluster of manufacturing firms in several communities and pays participants at least \$8.50 per hour for the duration of training. Entry-level machine operators earn \$9.50 to \$12.75 per hour upon completing the training. Rands Systems estimates that after one year, machine operators possess the skills to advance to a Machine Operator 2 position, paying \$10.50 to \$13.75 per hour. Additional on-the-job training, also potentially funded by ETP, could earn workers up to \$25 per hour in journey-level and supervisory positions.

### Georgia's Quick Start/Hope Scholarship

Since 1987, the Quick Start program, administered through the Georgia Department of Technical and Adult Education, has provided job training for over 369,000 students who have used HOPE Scholarships to attend technical colleges. With annual line-item appropriations of \$10 million, Quick Start has increased access to basic skills and directly provides customized training and training-related services, primarily to workers who are new to manufacturing occupations (Golonka and Matus-Grossman 2001).

A unique feature of Georgia's workforce development system is its funding for postsecondary education and training through direct aid to working adults who can attend school only part time and who may be seeking less than a conventional college degree. Students enrolled less than full time and those enrolled full time in certificate and diploma programs are as eligible for support as students seeking traditional two- and four-year degrees

The state uses proceeds from the Georgia Lottery to fund the HOPE scholarships, which pay up to \$3,000 for tuition, fees, and books at Georgia public colleges, universities, and technical institutes. To be eligible, students must be enrolled in degree programs, have com-

pleted high school with a B average, and maintain a B average while in the degree program. Students pursuing certificate programs at public technical institutes do not need a B average for entry or to maintain eligibility.

### Michigan Economic Development Job Training Grant Program

Michigan's annual general fund appropriation of \$31 million for customized job training makes it the nation's fourth largest program in terms of per-capita funding.<sup>8</sup> Michigan's Economic Development Job Training program annually awards customized training grants to community colleges for both incumbent and new workers. The EDJT is part of the Michigan Jobs Commission, which brings together workforce and economic development programs previously housed in the departments of commerce and labor. This consolidation of functions under one department has allowed for a closer alignment of economic and workforce development services, particularly as applied to the working poor.

EDJT's customized training grants are awarded to community colleges (or consortia of community colleges) for training directly linked to businesses located in high-impact sectors of the economy, including manufacturing, construction, research and development, interstate and international warehousing and distribution, and world headquarters. Preference in awarding contracts goes to applicants that train new workers for these industries. "New workers" means workers who have been hired within 30 days of the application process or who will become employed as a result of receiving a training grant. Workers who participate in training funded by EDJT must receive a minimum wage of \$7 per hour from the partnering company (Regional Technology Strategies 1999).<sup>9</sup>

### Kentucky/United Parcel Service

Since 1998, Kentucky has funded an innovative job-training program that meets United Parcel Service's demand for labor. Faced with a shortage of workers when it sought to expand its Louisville hub, UPS essentially



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created a new workforce by offering college students part-time jobs and a free education. The program is funded with a \$2 million state grant, \$625,000 from the city of Louisville and Jefferson County, and \$100,000 from Greater Louisville, Inc., the local chamber of commerce. UPS pays about \$4 million in tuition fees and contributes \$1.1 million in classroom facilities and \$1.5 million in equipment.

The Metropolitan College Program now supports 1,500 students enrolled at the University of Louisville, Jefferson Technical College, and Jefferson Community College. The students receive textbooks, housing subsidies, and free tuition at any of the three schools—and a relatively well-paying job. Benefits include a medical plan and a 401(k) retirement plan. Students are matched with mentors who provide counseling on issues related to the employee's job, school, and personal life. The student-workers can earn degrees in any subject and are not required to work for UPS after graduation.

Due to the program's growth, many more students are enrolled in the Metropolitan College Program than UPS can accommodate on a full-time basis upon graduation. This has led UPS to expand the partnership to include other local companies to create career opportunities in a variety of fields.<sup>10</sup>

### Cash Stipends

Cash stipends were central to federal job-training programs throughout much of the history of public workforce development. They provided a modest income to trainees who were acquiring job-related skills. The Comprehensive Employment and Training Act (CETA), the controlling legislation for federal workforce development through much of the 1970s and early 1980s, widened the training options with a range of cash stipends.

The centrality of stipends in federal workforce development services has diminished since then. The Jobs Training Partnership Act, enacted in 1982, greatly reduced the size and scope of stipends. The Workforce Investment Act, enacted in 1998, allows states to fund stipends but primarily for youth and, with significant restrictions, for economically disadvantaged adult workers who qualify for WIA's training services.

While the success of cash-stipend under CETA and other programs has been inconsistent, there is a good deal to be learned from the approaches used in developing them and the barriers faced in their implementation. Moreover, even though the federal government no longer funds cash stipends to any significant degree, a few states do so through general revenue or budgetary line items. In

addition, labor unions, community-based organizations, and local governments have negotiated the creation of cash-stipend training programs for specific public works projects. Three examples are:

*The Alameda Corridor Jobs Coalition*, a pre-apprenticeship program for people living near the construction of a 20 mile-long rail link to the Port of Los Angeles;

*Philadelphia Area Accelerated Manufacturing Education*, a long-term education and training program developed by manufacturers meet the city's technical skills shortage; and

*Texans Work*, an on-the-job training program designed for recipients of public assistance, culminating in nationally recognized skills certification.

### Alameda Corridor Jobs Coalition

The Alameda Corridor Jobs Coalition, a coalition of 40 Los Angeles-area community groups, agencies, and churches, developed a training strategy to connect low-income residents to construction jobs in the Alameda Corridor Project. One of the nation's largest public works projects, it is funded at \$2.4 billion to build a 20-mile-long, rail-cargo express line to link the Port of Los Angeles to major rail shipping lines. The coalition lobbied the city for a cash-stipend, pre-apprenticeship training program for 1,000 local, low-income residents.<sup>11</sup>

The program, designed with the assistance of 21 local building trades unions, community colleges, and public agencies, prepares participants for union apprenticeships in 16 different construction crafts on the Alameda Corridor Project. In addition to the training stipend, participants receive stipends for child care and transportation.

### Philadelphia Area Accelerated Manufacturing Education—PhAME

In 1995, a coalition of employers, educational institutions, and a community-based organization founded Philadelphia Area Accelerated Manufacturing Education to meet the skill needs of local manufacturers. The city's manufacturers cited a lack of the technically trained machinists, and precision manufacturing workers needed to expand production. PhAME's founders also recognized that Philadelphia was home to thousands of low-skill, low-wage workers who would benefit from a training program that increased access to higher-paying, high-skill jobs. They developed a 61-week educational program composed of four tracks: remedial education, shop floor education, and course work in core and advanced technical fields. Targeted occupations included metal and alloy machining jobs paying \$12 to \$14 per



hour. The Philadelphia Jobs Initiative played a vital role in *PhAME's* training efforts by coordinating the interests of local workforce development stakeholders (Gallardo 2001).<sup>12</sup>

Through the advocacy efforts of Philadelphia Interfaith Action, a coalition of religious and community institutions, the 24 participants in *PhAME's* precision manufacturing trades education program in 1998 received “living stipends” of up to \$1,500 per month, funded with a \$2 million grant from Pennsylvania’s Community and Economic Development Department. The following year, *PhAME* and Philadelphia Interfaith Action convinced the state legislature to approve a \$5 million, two-year budget line item to fund the stipends, greatly expanding the program’s enrollment. According to participants and program administrators, the living stipend was instrumental in that increase. *PhAME* graduated 240 machinists in 1999, with 78 percent of them retaining their new jobs one year later.

However, *PhAME* found that the enormous cost of maintaining the stipend as part of its operational budget, in the absence of long-term funding guarantees from the state, hindered planning. As a result, it discontinued the living stipend in 2000, with no plans for replacing it.

### Texans Work

Although never implemented, *Texans Work's* design in its 1997 enabling legislation suggests many potential elements of a statewide program to provide stipends for training low-wage, low-skill workers (O’Shea 2001).

*Combining work and learning:* Senate Bill 781 described *Texans Work* as an on-the-job training program that would enable companies anywhere in the state to offer direct work experience and skills training to recipients of public assistance. Trainees would work 40 hours per week for the duration of the training, while employers taught a prearranged curriculum of specified skills. Participating businesses would provide “work/training positions” for public assistance recipients and sign a contract with the local workforce development board or local Texas Workforce Commission office. Companies would interview and choose their trainees from a pool of public assistance clients developed by the local board or commission office.

*Meeting employer needs:* Businesses would train *Texans Work* participants in six- to twelve-month programs, based on training needs and using specific industry-produced curricula. The training courses would be developed in conjunction with the state’s Skills Standards Board to ensure applicability of industry skills standards

***The Workforce Investment Act, enacted in 1998, allows states to fund stipends but primarily for youth and, with significant restrictions, for economically disadvantaged adult workers who qualify for WIA’s training services.***

to the proposed course. Participants would receive skill standards certification upon successful completion of the program.

*Leveraging multiple funding streams:* *Texans Work's* combination of funding streams, which included employer contributions, general revenue funds, and TANF funds, would have permitted it to leverage private-sector support using public dollars for the benefit of the state’s neediest workers. During training, the participating company would donate \$300 a month per trainee to the Texas Employment and Training Fund. This donation would be equally matched with TANF training funds. The effect would be the employment of a trainee by businesses for \$300 per month, qualifying the employer for state and federal tax credits if the trainees were hired permanently. Trainees would receive a monthly stipend of about \$1,100. This stipend would combine \$600 from the Texas Employment and Training Fund, the individual TANF grant, and food stamp benefits. Participating employers would not be liable for trainees unemployment insurance, workers’ compensation, medical insurance, retirement benefits, or payroll—business liabilities that have historically kept employers from working with public assistance recipients.

However, a *Texans Work* pilot ran into several hurdles, including IRS definitions of income and turf battles between state agencies over administrative authority. The legislature repealed the rules governing implementation in February 2001, with no provision for a similar program to replace it.

### ***Income-Based Cash Payments to WIA Participants***

In 1998, the federal government shifted most of the policymaking responsibility for workforce development to the states. The Workforce Investment Act allows states to offer cash stipends to those who the state determines are eligible for training, although federal regulations do not require this.<sup>13</sup> Only rarely have states approved local WIA plans that include cash stipends for training participants.



***Whether through cash stipends, paid internships, WIA needs-based payments, union apprenticeship programs, or state-funded programs, each of the job-training programs described in this issue brief has recognized the importance of maintaining the income of participants during training as a key principle in a comprehensive program design.***



While WIA continues to provide stipends for youth and for dislocated workers who are eligible for NAFTA-Trade Adjustment Assistance, stipends—called “needs-related payments” under WIA—are restricted to those who are unemployed, have exhausted or do not qualify for unemployment compensation, and need financial assistance to participate in training. Moreover, WIA regulations acknowledge that state and local Workforce Investment Boards are likely to make difficult budgeting decisions that severely limit the level of stipends provided.

With that noted, local WIA plans can mandate cash stipends for training participants, and some communities have taken advantage of the closer coordination of service delivery mandated by WIA to free up funding for training stipends. While these programs vary in value, duration, and eligibility criteria, all seek to address the central problem in enabling low-wage workers to advance: how individuals can maintain an income while participating in training leading to high-demand, high-skill employment.

#### **City of Los Angeles Workforce Investment Board**

California has led the country in promoting the use of “needs-related payments” to workers receiving training through WIA. While the amount and duration of needs-based payments vary from county to county, several Workforce Investment Boards have made them central to the training services available through the One-Stop Career Centers that provide services under WIA.

In Los Angeles, a worker may receive needs-related payments during the entire length of the training program or unpaid work experience, but the payments may not be continued after exiting the program (City of Los Angeles n.d.). Needs-related payments, based on the California minimum wage, are paid out for every hour of documented participation in WIA classroom training. However, the value of the payments may not exceed the

applicable weekly level of Unemployment Insurance.

For dislocated workers, needs-related payments cannot exceed the greater of two levels:

For those who are eligible for Unemployment Insurance as a result of a qualifying dislocation, the maximum payment is the applicable weekly level of the UI. Payment is based on every hour of documented participation in WIA classroom training.

For those who do not qualify for Unemployment Insurance as a result of a qualifying layoff, the maximum weekly payment is the poverty level for an equivalent period.

One-Stops do not have the costs of needs-related payments reflected in their “cost per entered employment” figures. Historically, both supportive services and needs-based payments were included in that calculation. This increased the CPEE and served as a disincentive to providing services. By removing supportive services and needs-related payment costs from the calculation, Los Angeles County believes, One-Stops are more likely to provide these services.<sup>14</sup>

## **Advancement and Skill Development**

Low-wage workers frequently find themselves in a costly dilemma: advancement in the labor market requires training, and training requires time that is entirely taken up by work and family responsibilities. This conundrum has led policymakers, program developers, and advocates for the working poor to promote, fund, and adopt a variety of responses. Whether through cash stipends, paid internships, WIA needs-based payments, union apprenticeship programs, or state-funded programs, each of the job-training programs described in this issue brief has recognized the importance of maintaining the income of participants during training as a key principle in a comprehensive program design.

Cash stipends are rare in the United States, while public funding for skills training itself is so limited that additional funds to support workers while in training are often an unaffordable luxury. Fortunately, the other approaches show some success in increasing skill development while simultaneously providing income supports.

While these programs vary widely in populations served, funding sources, and delivery mechanisms, in one way or another they all achieve this goal. Moreover, most tap into public funding or support to promote advancement by targeting training to jobs providing high wages and requiring high skill levels.

That said, the chief differentiation among the

income-maintenance programs described here—and the most important factor in their success or failure—may be sustainability. PhAME’s cash-stipend program was short-lived and Texans Work was never implemented; these experiments stalled either because of bureaucratic impediments or lack of certainty around continued funding. In contrast, stipends that are part of negotiated union contracts, or paid internships in which training costs are shared between employers and public agencies, have tended to fare better. Union apprenticeships and their tested ability to combine learning and earning in high-skill occupations have proven highly successful. On the other hand, they are open to those occupations and workers covered by union contracts, thus limiting the benefits to a relatively small proportion of low-wage workers.

Whatever the strategy, until policymakers recognize and support, both legislatively and financially, the importance of maintaining workers’ income while they are trained for advancement, too many Americans will remain trapped in low-wage jobs, employers will continue to struggle to find skilled workers, and the nation’s economic competitiveness will suffer.

*Tapping Public Funding:* As the mix and range of programs and funding streams for income-maintenance programs for training participants reflect, it is fiscally and politically difficult to create a program that provides simple cash assistance to help support a person who is in training. Issues of welfare and workforce development are not high on the public’s list of spending priorities—least of all when spending would include cash for the working poor. Nor is there significant support for income-maintenance programs, beyond Unemployment Insurance, needs-related payments for some dislocated workers, and stipends for youth in WIA training programs.

On the other hand, private-sector spending on training is heavily skewed toward mid- and upper-level management positions and will likely remain so. Employers very rarely invest in upgrading the skills of entry-level workers. Rarer still do they support programs that extend beyond tuition reimbursement. The reasons are twofold. First, employers perceive that the returns on management training are greater than those on training entry-level workers. Second, high turnover among entry-level workers increases employers’ reluctance to invest in such training.

The low-level of private sector training for low-skill, low-wage workers argues for the public support of such training programs, despite the political hurdles. In most cases, public-sector support, either through funding or

direct administration, implies the continuity of service provision that is the basis of any public workforce development system. In a democratic society, public funding for what are identified as public goods offers some level of assurance that job training for low-skill workers will continue to one degree or another, despite its low-level of profitability. This assurance permits public agencies, community-based organizations, and even for-profit organizations to invest for short and long-term program development.

Based on that premise, some states have taken advantage of flexibility in various federal regulations to craft and fund truly innovative programs that can serve as models for pulling low-skill, low-wage workers into jobs that require high-skills and pay high wages, all while assisting the workers in maintaining income. Each of the programs cited here relies on public-sector support for at least some of its funding. They also creatively combine many revenue sources to serve a wide range of workers. From the federal oversight of Registered Apprenticeships, to the California Employment and Training Panel’s direct funding of paid training in career ladders, a public role in providing income support for training participants is vital. This is particularly true for programs that focus on training entry-level workers, a group on which private training dollars are rarely spent.

*Targeting High-Skill/High-Wage Jobs:* Plotting a pathway up through the labor market, particularly for those beginning near the bottom, requires training in skills that employers seek. Each of these training programs focuses on occupations that are in high demand and, typically, pay relatively high wages. Georgia’s Quick Start model, in fact, explicitly does not train people for the retail industry, call centers, or health maintenance organizations: these jobs may be in demand, but they pay relatively lower wages.

In California, the Alameda Corridor Jobs Coalition provides cash stipends to participants in certified construction trades—occupations that employers will value highly beyond the completion of the Alameda Corridor. Program administrators have indicated that support for policies that create either cash-stipend training programs or publicly supported, paid internship programs would have been much more difficult to win were it not for the fact that the training was for skills in high demand and that command high wages. In most cases, the states calculated their returns on training investments by including the increases in tax revenues that would be generated by having a higher percentage of the workforce in relatively high-paying jobs.



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## Notes

- <sup>1</sup> The executive summary of the report, "AIP Forums—Final Report," can be found at: [www.doleta.gov/atels\\_bat/archives/whats\\_new/](http://www.doleta.gov/atels_bat/archives/whats_new/)
- <sup>2</sup> For more information, see: <http://wdsc.doleta.gov/sga/awards/99-007award.asp> and *The Shipbuilder*, October 2000, Vol. 7, No. 10, pp. 18-20, available at [www.ss.northrupgrumman/shipbuild.cfm](http://www.ss.northrupgrumman/shipbuild.cfm)
- <sup>3</sup> For more information, see: [www.dol.gov/\\_sec/skills\\_summit/p2s4a.htm](http://www.dol.gov/_sec/skills_summit/p2s4a.htm)
- <sup>4</sup> For more information, see [www.opnetwork.org](http://www.opnetwork.org)
- <sup>5</sup> Complicating this picture is the prevalence of single parents as the sole wage earners in low-income families. Even flexible program hours and funding for training are insufficient incentives when other barriers, such as child care needs and inadequate transportation, prevent people from participating in training.
- <sup>6</sup> For more information, see [www.jvs.org](http://www.jvs.org)
- <sup>7</sup> Jobs for the Future has assisted SFWorks on both the LEAP and Legal STAR programs.
- <sup>8</sup> Except for the California ETP program described above (sixth in per capita spending) and this Michigan program, none of the six highest-funded programs per capita combine work and learning in the way described in this paper.
- <sup>9</sup> For more information, see [www.medic.michigan.org](http://www.medic.michigan.org)
- <sup>10</sup> For more information, see [www.dol.gov/\\_sec/skills\\_summit/p2s5g.htm](http://www.dol.gov/_sec/skills_summit/p2s5g.htm)
- <sup>11</sup> For more information, see <http://workingforamerica.org/documents/journal2/alameda.htm>
- <sup>12</sup> The Philadelphia Jobs Initiative is one of the Annie E. Casey Foundation's six Jobs Initiative sites, an eight-year, \$30 million effort to help 18- to 35-year-old inner-city residents obtain family-supporting jobs.
- <sup>13</sup> This may reflect the legislation's implicit assumption that those who receive training services will be disadvantaged adults and, therefore, eligible for other public assistance provided by mandated WIA partners.
- <sup>14</sup> For more information, see the Year 3 Annual Plan of the City of Los Angeles Workforce Investment Board, available at [www.ci.la.ca.us/wib](http://www.ci.la.ca.us/wib)



JOB FOR THE FUTURE seeks to accelerate the educational and economic advancement of youths and adults struggling in today's economy. Jobs for the Future partners with leaders in education, business, government, and communities around the nation in order to: strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers; increase opportunities for low-income individuals to move into family-supporting careers; and meet the growing economic demand for knowledgeable and skilled workers.



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