



FACT SHEET

# A Design for Workforce Equity

By Livia Lam | October 16, 2019

Since the introduction of workplace computers in the 1970s, policymakers have been racing to outpace the workforce demands of the information age. Nearly half a century later, rapid technological advancement, globalization, climate change, and demographic shifts fuel an incomplete narrative of needing to prepare workers for a changed world. Because the reliance on smart systems and robots will only continue to increase with the growing adoption of automation, well-intentioned observers worry that the future demand for skilled workers will vastly exceed the supply.<sup>1</sup>

To address these concerns, policymakers have promoted an expansion of skills training to help workers keep up in the changing economy. While previously, retraining responsibilities may have fallen to businesses that wanted to ensure their workers were prepared for the future, businesses are now investing less in workforce training.<sup>2</sup> Retraining programs can often be of low quality, and they are not necessarily responsive to labor market demands.<sup>3</sup> As a consequence, workers have become obligated to discern the quality and labor market prospects of a training program; take time off from working; and contend with the costs not only of the training but also of books or fees, as well as child care, transportation, housing, health care, and all the other demands of adult life.

Importantly, all workers are not starting from the same position: Income and wealth inequality continue to rise.<sup>4</sup> This is particularly important because training is not a guarantee of a better life. Workers in more than one-third of the fastest-growing 20 occupations in the United States<sup>5</sup> make less than the average income for workers across the country.<sup>6</sup> Even completing a high-quality, labor market-responsive training program that focuses on one of those occupations would not necessarily lead a worker to a job that could adequately support a family or lead to future career growth.

And it would be naive to think that low-quality job training and low-paying jobs are evenly distributed among the job-seeking population. Women and people of color at all education levels overwhelmingly make up most of the workforce in lower-paying jobs.<sup>7</sup> Women and people of color are often tracked into particular occupations, regardless of suitability or earning potential. Job training can either be a bridge to more financial stability, or it can be a funnel to concentrate certain types of job seekers into low-wage occupations.



For more detail, see also, ["A Design for Workforce Equity"](#) by Livia Lam

Whether someone has been unemployed for a long time; is a veteran, a woman, a person of color, or an older worker; didn't finish high school; has a disability; has a first language that is not English; or had past involvement with the criminal justice system, upskilling initiatives will be inconsequential without reorienting the workforce system. The old adage "one size fits all" has never been less true in workforce development. In the face of adapting to tomorrow's world of work, a new nationwide, comprehensive, and sustained approach is required, not just for closing a skills gap but also for combating economic inequality and moving the nation toward achieving workforce equity.

The Center for American Progress calls for a workforce redesign and proposes building a new future-proof Workforce Equity Trust Fund (WETF) that will enshrine fundamental workforce protections into law. The major tenet of the new WETF makes job quality—not upskilling for upskilling's sake—the driving force in anticipating the inevitable future of work.

The WETF's emphasis on inclusive partnerships will connect young people newly entering the workforce to a strong network of preapprenticeship and work-based learning opportunities in their communities. Because employers are taking on more employment risks by paying into the WETF, the new system can make workforce equity a core strategy for raising wages and increasing work opportunities by delivering quality training and employment opportunities to incumbent workers. Improving individual health and economic well-being is key to serving displaced workers or other workers contingent to the labor market. To uphold these standards and safeguards, the WETF will work with training providers and employment intermediaries to make standard the portability of a suite of employment benefits in deploying any strategy for rapid reemployment.

If the workforce system is redesigned in the right way, every individual looking for a new job, pathways to promotions, or a career change, as well as individuals in between jobs or juggling multiple jobs, will be entitled to high-quality skills training and employment services that guarantee equality of treatment in the workforce. By redesigning for workforce equity, policymakers will create a new system that prioritizes the future financial stability and economic security of every worker.

This fact sheet highlights four policy pillars proposed in the Center for American Progress' new report, "A Design for Workforce Equity," to help frame and support building a new workforce equity system:

1. Broaden the share of economic risk by requiring employers of a certain size to pay into the WETF
2. Make standard and portable a suite of wraparound services and employment benefits for every worker through the WETF
3. Improve workforce analytics by creating an accountability dashboard for multiple measures of job quality
4. Govern the WETF by a multistakeholder partnership comprising business, labor, and the public

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### Share economic risk equitably: Financing a trust fund dedicated to job quality

When it comes to spending, the current workforce system in the United States is woefully insufficient and ranks at the bottom of countries in the Organization for Economic Cooperation percentage of workers receiving employer-sponsored training, falling by more than 40 percent between 1996 and 2008.<sup>8</sup> Labor leader David Rolf points out that even as firms express their growing interest, "corporate investment in worker training is at all-time lows."<sup>9</sup> Additionally, the impacts of job training programs on increased earnings are modest at best. Workers in low-wage jobs that are being automated away are less likely than higher-paid workers to receive employer assistance, and they are more likely to shoulder the costs of retraining on their own.<sup>10</sup> Even if a worker takes the chance to participate in skill training, they are not guaranteed to land a better-paying job.

While some observers partially attribute lackluster job training outcomes to inadequate federal investment,<sup>11</sup> national trust funds are a model financial instrument for providing a sustainable and stable way of paying for quality. CAP estimates that levying into a trust fund a 0.05 percent tax on corporations with gross receipts of \$250 million per year or more has the potential to generate and funnel anywhere from \$5 billion to \$8 billion per year into a new trust fund strictly dedicated to updating and improving skills training and job quality standards.<sup>12</sup>

Not only would any worker be able to access quality training through the trust, but employers would also benefit. By affirmatively investing in all workers, employers stand to gain from a more educated workforce via increases in productivity and decreases in turnover. The distinct advantage of employing a trust is that it provides a steady source of funding and carries assurances that its funds will be used for stated purposes.

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## Standardize inclusive policies: Aligning equity initiatives

While wraparound services are permitted under the current workforce system, most people who enter the workforce training system do not receive the supports they need to find high-quality jobs. As part of ensuring that all workers are guaranteed quality training and employment, the Workforce Equity Trust Fund would work with training providers and employment service intermediaries to standardize and make portable a suite of wraparound services and basic employment-based benefits that promote job quality and equity. At the same time, these services would be paired with efforts to put in place workplace standards associated with better jobs. This approach would include strategies adopted in a number of cities and states to ensure that their local economies support high-quality jobs, including:

- Attaching targeted hiring, apprenticeship utilization requirements, and prevailing wage requirements to all publicly supported projects<sup>13</sup>
- Experimenting with portable benefits and wage boards aimed at improving compensation for middle- and low-income workers<sup>14</sup>
- Implementing fair-chance policy efforts, such as record clearing, to help ease previously incarcerated individuals' pathway to reentry into employment<sup>15</sup>

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## Improve data analytics: Employing multiple measures of accountability

The current workforce system too often fails to determine whether individuals who complete job training are sustaining a job that is of high quality. The new Workforce Equity Trust Fund would require training providers and employment intermediaries to use multiple measures of data analytics to help assess and account for job quality. For example, measuring the distribution of earnings across the workforce or considering income data along with regional cost-of-living measurements would enable the workforce system to use data-informed decision-making to build a deeper understanding of what dimensions of a job are important for financial well-being.

Additionally, a new trust dedicated to workforce equity would not only incorporate models and methodologies that use labor market information for real-time and predictive analytics but also make use of data-sharing agreements with institutions already engaged in measuring equity. Using multiple measures of accountability would help workers gauge program performance based on indicators of job quality, inform processes for continuous improvement, and allow policymakers to allocate resources that both improve employment outcomes and close employment gaps.

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## Govern by multistakeholder partnerships: Bringing workers, employers, and communities to the decision-making table

In this workforce redesign, the governing body of the trust fund would be tripartite, with business, labor, and government working in partnership to determine the training and employment standards of the trust fund. This means that the interests of workers, employers, and the public would be equally centered and represented in the delivery of training and employment services. By making sure workers' perspectives, as well as those of business, are factored into managerial decision-making, the tripartite body would help training providers appropriately refine curriculum design as needed and set a decision criterion that encompasses quality standards that lead to greater job quality.

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## Moving forward

Because the way people learn, work, and live is transforming, so should public policy. The four pillars outlined above lay the foundation for promoting the importance of job quality and for informing a workforce redesign that takes into account how policies that affect not only education and training but also transportation, housing, public safety, environmental protection, and other factors increase or reduce barriers to obtaining good jobs.

With economic change fully underway, some economists are suggesting that the economy is headed into the fourth industrial revolution.<sup>16</sup> Whatever the case, workers, employers, and communities need a workforce structure that is not just capable of absorbing the changes a future of work will bring but that also strives to provide all workers a real path to better pay, benefits, and overall financial well-being. The great potential of tomorrow's modern economy will only be realized when each individual is truly guaranteed a better quality of life at work and a fair opportunity to achieve economic security and well-being.

*Livia Lam is a senior fellow and the director of Workforce Development at the Center for American Progress.*

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## Endnotes

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- 4 Kevin Kelleher, "Gilded Age 2.0: U.S. Income Inequality Increases to Pre-Great Depression Levels," *Fortune*, February 13, 2019, available at <https://fortune.com/2019/02/13/us-income-inequality-bad-great-depression/>.
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- 6 U.S. Bureau of Labor Statistics, "Usual Weekly Earnings of Wage and Salary Workers: Second Quarter 2019," Press release, July 17, 2019, available at <https://www.bls.gov/news.release/pdf/wkyeng.pdf>.
- 7 Washington Center for Equitable Growth, "Fact sheet: Occupational segregation in the United States," October 3, 2017, available at <https://equitablegrowth.org/fact-sheet-occupational-segregation-in-the-united-states/>.
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- 9 David Rolf, "A Roadmap to Rebuilding Worker Power" (New York: The Century Foundation, 2018), available at <https://tcf.org/content/report/roadmap-rebuilding-worker-power/?agreed=1#easy-footnote-bottom-111>.
- 10 Hanks and Madland, "Better Training and Better Jobs."
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- 12 The IRS estimates that there were between 6,000 and 8,000 active corporations with business receipts of \$250 million or more between 2003 and 2013, together bringing in between \$11 trillion and \$18 trillion each year. A 0.005 percent tax levied on receipts over a \$250 million exemption would therefore result in roughly \$5 billion to \$8 billion in increased revenues for those years. See Internal Revenue Service, "SOI Tax Stats – Table 3 – Returns of Active Corporations," available at <https://www.irs.gov/statistics/soi-tax-stats-table-5-returns-of-active-corporations> (last accessed August 2019).
- 13 Livia Lam, "Equity-Oriented Workforce Strategies for a Progressive Infrastructure Plan" (Washington: Center for American Progress, 2019), available at <https://www.americanprogress.org/issues/economy/reports/2019/04/22/468799/equity-oriented-workforce-strategies-progressive-infrastructure-plan/>.
- 14 Ibid.
- 15 Ibid.
- 16 Klaus Schwab, "The Fourth Industrial Revolution," *Foreign Affairs*, December 12, 2015, available at <https://www.foreignaffairs.com/articles/2015-12-12/fourth-industrial-revolution>.