Fact Sheet: Prevention Through Employment

Employment is the primary pathway out of poverty for most non-elderly adults, yet cyclical and longer-term structural economic changes have reduced employment and wages for many workers. Widespread concern persists about the labor force participation rate, which is at its lowest levels since the late 1970s. Furthermore, more people are working part-time because they cannot find full-time jobs, and much of the recent increase in hiring has been concentrated in low-wage fields. Stagnating wages and lower employment levels exacerbate income inequality and worsen the life chances of children born to low-educated parents. Nobel Prize winner James Heckman (2008:49) argues that “many serious, costly economic and social problems such as crime, teenage pregnancy, dropping out of high school, and adverse health conditions are linked to low levels of skill and ability in society.”

These labor market challenges have stimulated debate about the scope and targeting of workforce development programs that aim to increase worker skills and related efforts to create good jobs, including subsidized employment, vocational and on-the-job training, sector-based training programs, hiring credits and other strategies to incentivize employer hiring and job creation. In the U.S., the lion’s share of training opportunities are provided by private firms, which are often narrowly targeted both in terms of who gets training (the higher skilled in more competitive markets) and in the type of training offered. One recent analysis (Holzer, 2013: 6) questions whether the U.S. would be competing more effectively in the global labor market for “good jobs” if its public policies were more effectual in increasing human capital/skills levels.

Existing research shows there is a critical need to target more resources to adolescents and young adults before and during their transition from secondary education to additional education and training and/or the workforce. There is far less coordination between our K-12 education and workforce development systems than is needed to provide the types of combined basic/vocational education and on-the-job training opportunities that the evidence base suggests will yield greater labor market payoffs for young workers and employers. In terms of types of training, research suggests more of our public funds should be allocated to sectoral training programs, which combine basic and occupational skills training with on-the-job training in labor market sectors with expanding job opportunities. Although the new Workforce Innovation and Opportunities Act (which will be implemented in July 2015) aims to increase sectoral training efforts and coordination among these systems, American Job Centers are currently under-utilized in supporting efforts to merge public and private sector resources and knowledge of labor market needs. As for strategies to increase employment, Neumark’s (2013) examination of hiring credits finds that subsidizing employers through state hiring credits that target the unemployed and include a recapture provision (that compels pay back of the credit if job creation goals are not met) are among the most promising.1

It is widely understood that our economic potential and well-being are critically dependent on an educated workforce that is able to learn new skills and adapt to an ever more competitive workplace and global environment. We will have to invest in the skills of U.S. workers to maintain or increase our economic productivity and living standards in the future, particularly given our aging population. Earnings from work, in turn, can also be used to improve the quality of children’s nurturing and environments, reaching them before school age and at critical transition times in their youth, ultimately reducing the intergenerational transmission of
poverty and inequality.

Carolyn J. Heinrich, Sid Richardson Professor of Public Affairs and affiliated Professor of Economics and Director, Center for Health and Social Policy, The University of Texas at Austin

David Neumark explains that recapture mechanisms lead to more effective credits, by either enforcing job creation goals or by encouraging only firms that could actually meet those goals to apply for credits.

