Meeting the Upskilling Challenge: Training in the Time of COVID-19

COVID-19 has left tens of millions of Americans out of work or uncertain about the future of their current jobs, and thousands of firms urgently reassessing their own viability and path forward. Much remains unknown about the economy that will follow COVID-19. But clearly the pandemic’s whirlwind destruction has, first and foremost, hurt less-educated workers the most, with most of the job losses occurring in manual services, and has accelerated the innovative use of technology in the workplace. These two trends threaten to deepen inequality and add to the urgency of the upskilling and training challenge.

Even before the pandemic led to the highest national unemployment rate since the Great Depression, American businesses and workers were anxious about how emerging technologies could potentially change which skills are in demand, and challenge workers to navigate careers requiring continual learning and adaptation.¹ Both public policy and private sector leaders must prioritize support for building a US workforce with the necessary skills to outmaneuver this disruption.

During pandemic-induced mass unemployment, the first task of policy is to restore as many Americans as possible to gainful employment as soon as the public health emergency allows. But after what is clearly the US’ second sizable economic downturn in barely a decade, workers cannot afford a slow recovery or one that leaves them just as vulnerable as they were before COVID-19 to technological innovation and job displacement. With innovative programs, this current crisis that has idled so many workers can be turned into an opportunity to meet this training and upskilling challenge.
Public- and private-sector leaders must respond and provide immediate training and upskilling opportunities for dislocated and economically vulnerable workers. They must also devise a comprehensive, collaborative longer-term strategy for training the US workforce through partnerships between public- and private-sector actors, including academia, to meet employers’ needs and ensure that workers can secure good jobs that are in demand, with prospects for continuing training and advancement, enabling them to contribute to and share in recovery and growing prosperity in the years ahead.

This report explains the challenges to training and upskilling the US workforce even prior to COVID-19, and how COVID-19 has increased the need for these programs. It then presents a US job training system capable of meeting the challenges of a post-COVID-19 economy.

Specifically, this report recommends the following near- and longer-term actions to achieve workers’ goals and build a modern, highly skilled workforce:

- Most immediately, in response to the demands of the COVID-19 crisis, the US relief and stimulus efforts should include:

  **Tuition support for workers** without four-year degrees who are working reduced hours, are furloughed, or have been laid off, to pursue training at low-cost, broad-access institutions—for example, either by direct support to the recipient or to the institution or organization providing the training, similar to Pell Grants. Pell Grants themselves can be temporarily modified or modeled and adjusted for these purposes.

  **Grants to strengthen instructional quality and capacity at community colleges** that engage in private-sector partnerships.

  **Incentivizing employers to upskill their employees** through tax credits for additional employer-sponsored training of low- and middle-wage employees—especially workers on reduced hours or furlough—that would qualify the workers for higher-paying roles.

- As the economy emerges from this crisis, public- and private-sector leaders, including from academia, need a comprehensive, collaborative, longer-term training strategy. Such public-private–supported large-scale training efforts require fundamental improvements in US job training, including:

  **Public-private collaboration to align new job skills with training programs** to improve outcomes for workers and their future employers.

  **An information ecosystem** to help adults navigate training options.

  **Support for the most effective training models** to meet the needs of a wide range of workers.
Mass worker disruption challenges sustaining capitalism

Even prior to COVID-19, skills disruption challenged the US workforce. While constant change in skill demands is nothing new, in February 2020, the Committee for Economic Development of The Conference Board (CED) identified why future disruptions were potentially more daunting for workers:

First, changes in technology increase the chance of job displacement rather than gradual adjustment. Displacement events are difficult for workers to recover from. Between 2000 and 2014, for example, only slightly more than half of displaced workers returned to employment within one year. Adults returning to work for a different employer after involuntary job loss typically suffer large earnings losses. Additionally, particularly during employment downturns, workers who lose jobs tend to suffer poor health outcomes, which may make it more difficult to find high-paying new jobs. Second, economically vulnerable workers—those least likely to be able to afford time out of the labor market—are the most likely to be negatively affected.

The COVID-19 pandemic has confirmed those concerns. The full extent of its impact will be clear only in hindsight, but after only four months, already the equivalent of over 1 percent of the February workforce has reported a permanent job loss. The unemployment rate has been highest in some of the lowest-paying job sectors, like retail and hospitality. Employment was down roughly 30 percent for workers in the lowest wage quintile between February and June, compared to less than 10 percent for those in the highest quintile. Compared to a year earlier, the June 2020 unemployment rate for workers with only an associate’s degree or high school education was roughly 8 points higher, compared to less than 5 points higher for workers with at least a four-year degree, exacerbating the education divide in employment outcomes. Since February, women, black, and Hispanic workers have also experienced larger increases in unemployment than other Americans on average.

And pre-COVID-19 concerns—that an increasing pace of changing skill demands will require more frequent or substantial worker adjustments, and that growing uncertainty will make charting a career path more difficult—have not gone away. Instead, the public health emergency is already accelerating experimentation with and adoption of cutting-edge technologies—for example in robotics and AI—and rethinking of skills and positions employers need to remain competitive and resilient. The CARES Act has played a part by offering funding for technology upgrades. The US Food and Drug Administration, for example, is working in partnership with the National Institutes of Health, the Department of Veterans Affairs, and America Makes to support nontraditional manufacturing approaches, such as 3D printing, to address shortages of devices including personal protective equipment (PPE).

The economic fallout of the pandemic will likely increase the pace of business failure and, eventually, new business formation. As of late June, more than a third of small businesses reported large negative effects from COVID-19, and Chapter 11 bankruptcy filings sharply increased in the first half of 2020. In such uncertainty, even workers most concerned about their current or former roles may not see which attainable skills and credentials will be valuable in coming years. With the risk and expense of pursuing retraining on their own, many disconnected or at-risk workers may hesitate to pursue available opportunities.
Policymakers must ensure that all workers share in the economic turnaround and in future prosperity. But some workers had relatively poor outcomes even at the tail end of the previous expansion. Almost a decade of steady improvement since the Great Recession—including wage growth in blue-collar and manual services jobs above prerecession rates—still left many Americans working full time in relatively low-income jobs. Nearly a quarter of full-time workers aged 25 to 64 earned less than $15 per hour in 2018, and workers in the bottom three-fifths of the earnings distribution were more likely to remain in the same or fall to a lower earnings quintile after a job change, rather than climbing the income ladder.

Economic disruption related to COVID-19 could exacerbate inequality because, by many measures, economic outcomes had become increasingly polarized over recent decades, despite progress before the pandemic that included all-time low unemployment rates for black and Hispanic workers. For example, educational attainment increasingly predicted participation in the labor force. In the 1980s, men between 25 and 54 years old with at least a bachelor’s degree were, on average, roughly 3 percentage points more likely to be working or looking for work than men of the same ages without a four-year degree. But in the 2010s, the annual gap between those two groups was more than 8 percentage points on average. Only a third of workers without a bachelor’s degree were either in jobs that paid at least the median local salary or were in entry-level positions that, based on historical job-switching patterns and projections, were expected to lead to such a job within 10 years.

To achieve widespread prosperity and the long-run sustainability of capitalism as the US economy reopens and Americans return to work, policymakers should build pathways to more promising, higher-paying work opportunities to lift up the most economically vulnerable workers and those least well served in the previous expansion.

Job training will be a critical element of the COVID-19 response

As in the past, US global competitiveness and business success require consistent access to a deep pool of talent whose skills adapt and grow as the workplace constantly evolves. As outlined in K-12: COVID-19 Disruption Must Lead to Overdue Reform and Developing the Future Workforce: Revitalizing Postsecondary Education and Training after COVID-19, reorienting secondary and postsecondary education to better prepare students to meet employers’ evolving needs is essential. The US needs to leverage innovation and competition in a workforce development system that leaves all students career- and college-ready. However, at the same time, many current and displaced workers must add new skills, transition to new roles, and pursue different careers in the wake of the COVID-19 pandemic.

Over 100 million Americans between the ages of 25 and 54 were in the labor force in February 2020, nearly all expecting to remain working in some fashion for much of the next 10 to 40 years, and few likely planning to return to a degree-granting institution. Helping those workers to navigate disruption—now in response to the pandemic, but then on an ongoing basis—will be the task of employers, training providers, and the individuals themselves. For most of these workers, employers will be the frontline providers of, or conduits to, further training and education. But mass economic dislocations like COVID-19—or when individual workers fall through the gaps of the training and education system or become disconnected from employment—require public efforts, informed by or in partnership with employers.
Job training is important to help workers navigate disruption and achieve growing prosperity, but for many workers, training will be insufficient on its own. The CED Sustaining Capitalism - 2020 Solutions Briefs series points to the range of policies required to ensure that US businesses remain globally competitive and support growing prosperity for all Americans. Good work opportunities leading to improved career trajectories are likely the most important ingredient. Without the promise of return on effort, job training will fail to attract or support those workers.

To earn public financial support, job training programs must improve outcomes for the most economically at-risk workers. Even before the pandemic, economic or family situations made many low-income workers, as well as would-be workers who were unemployed or out of the labor force altogether, vulnerable to financial shocks and unable to pursue training opportunities.19 Effective job training programs will often need to circumvent such barriers. For example, reliable access to affordable, quality child care may be essential for parents to complete training.20 The COVID-19 pandemic likely presents its own unique barriers.

Additionally, effective models for skill building and training that do not rely on employer-centered work will be critical for workers without traditional employee-employer relationships.21 In mid-June, more than a third of Americans receiving unemployment benefits were not covered by traditional unemployment insurance, which is based on past employment.22 In many instances, the workers disrupted and idled by the pandemic were not wage employees. These self-employed independent contractors and other entrepreneurs will also need assistance in developing or upgrading their skills. Workers who are not employees have likely been underserved by the US’ heavy reliance on employer-provided training in the past.

**Achieving a modern, highly skilled workforce**

The COVID-19 pandemic has been an unprecedented shock to the US economy, leaving tens of millions of workers furloughed or laid off. While the US must address the public health threat quickly and help as many workers as possible to rapidly return to their previous employment, millions of workers will likely be permanently displaced. Policymakers and business leaders must help those workers prepare for the post-COVID-19 economy as a top priority for recovery and sustaining the promise and opportunities of capitalism.23 After displacement, a large cohort of workers will need to develop their skills, but with fast-paced technological disruption, this need may be increasingly common well beyond COVID-19. The existing US training system has not shown itself up to the task.24

To meet the training challenge presented by COVID-19’s fallout, the US needs a comprehensive job training, retraining, and upskilling strategy centered around public- and private-sector collaboration, including:

**Expanding eligibility for and access to publicly supported training in a time of crisis**

COVID-19 has partially or fully idled millions of Americans, disproportionately lower-wage workers.25 While many face barriers to training, the public interest in helping as many displaced workers as are able to train for future skills and jobs is strong. While the US invests significant sums to cushion the immediate economic shock of unemployment, it should be
making additional funding available to help workers on reduced hours, furlough, or layoff from low-income jobs to pursue training. With many low-cost, broad-access community colleges set to operate virtually this fall, covering tuitions could help a cohort of dislocated workers without four-year degrees—whose prepandemic earnings may make them otherwise ineligible for Pell Grants—quickly and affordably build new skills during their time out of the workforce. Tuition support could be provided either by direct support to the recipient or, similar to Pell Grants, to quality educational institutions providing the training—including but not limited to community colleges. Pell Grants themselves could be temporarily modified or modeled and adjusted for these purposes.

In addition, the federal government should provide grants to community colleges to strengthen their capacity to serve additional students with high-quality instruction and effective remote delivery for the remaining days of the pandemic and beyond. Grants should be particularly targeted to community colleges that can demonstrate private-sector partnerships that increase the labor market relevance of their offerings.

Going forward, the US should rethink its approach to publicly supported job training which, outside of institutions of higher education, too narrowly focuses on workers affected by trade-related disruption rather than those who are unemployed for other reasons. Increasing access to job training, and the range and generosity of support provided, will come at a cost. Policymakers must experiment to find the most cost-effective approaches to reach more at-risk workers after the pandemic.

**Encouraging and incentivizing employers to upskill their employees**

While the public school system first prepares workers for careers that may include continual learning and adaptation, employers are the most important providers of training—helping new hires and long-standing employees to develop evolving skills. Employers benefit when workers are trained to meet particular job demands and should bear those costs. Prior to the pandemic, many large companies—as many as 92 percent, according to one study—used tuition assistance programs as a way to attract top talent.

But as many employers try to manage costs, these programs are being scaled back. The nation benefits when employees receive training and strengthen employer-employee matches, particularly when many companies are reassessing what skills are critical to their future operations. The US should use tax credits to incentivize additional employer-sponsored training that would qualify low- and middle-wage employees—especially those on reduced hours or furlough—for different, higher-paying roles. Employers who demonstrate during this uncertainty that they can advance employees within the company—or even outside of it—will likely better attract, retain, and develop the talent they need. The high cost of turnover is another incentive for an employer to develop the skills of its existing workforce.
In devising longer-term collaborative solutions, public-private, large-scale training needs fundamental improvements, including:

Encouraging public-private collaboration to align training programs with new job skills

The job training incentives of businesses and trainees are often aligned. Just as employers need workers with relevant skills to fill critical open roles from entry level up the experience chain, adults enter training midcareer to improve their earnings. Employers can and should help to shape training options—partnering with broad-access educational institutions, workforce training boards, and other training providers—to ensure offerings reflect current and future market needs and convey relevant skills and experience. Employers—whether assessing and projecting job training needs; providing input into curricula; or supplying labor market data, training equipment, instructors, or on-the-job learning opportunities—are critical to helping workers who successfully complete training achieve their goals.

Similarly, training providers—particularly those with public funding and limited resources—must ensure that their offerings match changing labor market demands in close to real time, providing value and opportunity to advance careers. Publicly supported training providers, and especially broad-access educational institutions, must seek out and develop partnerships with employers, employer associations, unions, and other entities to leverage data, expertise, and resources. The growing need to update or upgrade skills requires energetic innovation in the postsecondary sector, including less expensive, competency-based alternatives to traditional “seat-time” approaches to awarding credentials.

Developing an information ecosystem to help adults navigate training options

In the words of Professor Paul Osterman, existing job training options for midcareer workers, outside of the most expensive and time-intensive university programs, are typically “complicated, hard to navigate, and under-funded.” Even at a “big-picture” level, it can be challenging to plot a career path when existing labor market opportunities and the “return on investment” in training remain unclear. While different models for training and accreditation have proliferated and enabled experimentation, customization, competition, and choice, participants often have little information to validate the quality of training, understand how it may affect a career, or improve short- or long-term earnings. Better information is needed so that workers can be informed customers as they shop among training paths and providers. For example, large employers could create online portals that show workers what jobs are available and what skills are required.

Evaluating and supporting the most effective training models for a wide range of workers

Policymakers and business leaders should pursue training approaches that are most effective over the long run. In practice, different workers will face different constraints and different needs. In each instance, policymakers should look for success, not the form of training or its provider. Whether training is provided by a union or an industry association, by an employer-community college partnership, or by a private provider, the most effective models should receive support and be shared across industries and locations. Funding the assessment of existing models and the evaluation of promising approaches, while supporting wider experimentation, will be a critical federal role.
Endnotes

1. Speculation about the “future of work”—neither new nor limited to the US—often centered on how emerging technologies could potentially change which skills are in demand, what jobs exist, which sectors will thrive or shrink, and how employee-employer relationships may shift. For example, concerns about technological advances leading to widespread job loss date back at least to the Industrial Revolution. An example of public policy attention from more recent US history can be found in President Lyndon B. Johnson convening a “Blue-Ribbon National Commission on Technology, Automation, and Economic Progress” in 1964. But the policy implications of the changing nature of work have been the focus of much recent work, including both the World Bank’s 2019 World Development Report and the Organisation for Economic Co-operation and Development’s (OECD) Employment Outlook 2019. While technology was often central, potential changes in demographics, globalization, politics, culture, and society also play a critical role. See: David Autor, “Why Are There Still So Many Jobs? The History and Future of Workplace Automation,” Journal of Economic Perspectives 29, no. 3 (Summer 2015): 3-30; “World Development Report 2019: The Changing Nature of Work,” World Bank, October 12, 2018 and “OECD Employment Outlook 2019. The Future of Work,” OECD, April 25, 2019.


4. Kevin Hallock, Michael Strain, and Douglas Webber, “Job Loss and Effects on Firms and Workers,” Cornell University, June 9, 2011. The earnings losses are due to a combination of reduced pay and a higher likelihood of subsequent job losses for an extended period after a worker returns to employment.


11. “Weekly Update on COVID-19’s Impact on Business Formation and Entrepreneurship,” Economic Innovation Group, June 25, 2020. Through mid-June, high-propensity business applications were down 7 percent year-to-date compared with 2019 but showing signs of recovery.


15. For example, economic mobility appears to have declined for more recent cohorts of Americans, likely driven by comparatively greater inequality in the distribution of economic growth experienced by younger workers. Professor Raj Chetty and coauthors find that absolute income mobility has fallen across the entire income distribution, and especially for middle-class families. Looking at age 30 incomes, roughly 90 percent of children born in 1940 outearned what their own parents had made at age 30 compared to roughly half of children born in 1980. They find that roughly 70 percent of the decline in absolute mobility between the 1940 and 1980 birth cohorts is driven by a comparatively more unequal distribution of economic growth. Additionally, black-white income disparities have also persisted, tied to substantially lower rates of upward mobility and higher rates of downward mobility for black Americans. The driving factor appears to be large differences in wages and employment rates between black and white men. See: Raj Chetty, David Grusky, Maximilian Hell, Nathaniel Hendren, Robert Manduca, and Jimmy Narang, “The Fading American Dream: Trends in Absolute Income Mobility Since 1940,” National Bureau of Economic Research Working Paper No. 22910, December 2016, and Raj Chetty, Nathaniel Hendren, Maggie Jones, and Sonya Porter, “Race and Economic Opportunity in the United States: An Intergenerational Perspective,” Quarterly Journal of Economics (forthcoming), December 2019.


21. Some analysts have pointed to the “fissuring” of the workplace—where companies outsource activities not deemed core competencies to better specialize in their primary area of business focus—as a source of change in typical employer-employee relations. If more workers are in employment relationships where they provide services through subcontractors or third-party companies rather than in direct employment to the business receiving those services, who is responsible for offering training and advancement opportunities may be more ambiguous, and the employer’s interest in providing such opportunities may be circumscribed. See: David Weil, The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It, Harvard University Press, 2014; Neil Irwin, “To Understand Rising Inequality, Consider the Janitors at Two Top Companies, Then and Now,” New York Times, September 3, 2017.


26. “Back to Work: United States,” OECD. For instance, one element of that rethink will need to focus on workers who do not fit within a traditional employee-employer relationship. Additionally, the US may need to change how it supports workers during periods of job transitions. Among those who have separated from employment, relatively few unemployed workers receive unemployment insurance benefits—in 2018, only 26 percent of unemployed people who had worked in the previous 12 months applied for unemployment insurance benefits since their last job ended—and many recipients, roughly 35 percent in 2019, exhaust their benefits prior to returning to work. See: “Most Unemployed People in 2018 Did Not Apply for Unemployment Insurance Benefits,” Bureau of Labor Statistics, October 1, 2019; “Monthly Program and Financial Data: State UI Program Data - US Totals,” US Department of Labor, Employment and Training Administration.

27. One reason for the high potential cost is that the US currently spends comparatively less than most advanced economies on its training efforts and support for unemployed workers, ranking 29th out of 30 OECD countries measured in 2017 in terms of its public expenditures on labor markets as a share of GDP. See: “Public Spending on Labour Markets,” OECD Employment and Labour Market Statistics.


35. Osterman.


37. Some workers may be able to step out of the workforce for a period of extended training, while other workers will need to pursue skills that can be acquired in short, stackable bursts or while continuing to work. The needs of a late-career worker hoping to remain in the workforce for a few more years may differ from the needs of an early-career worker looking to transition out of a shrinking industry or occupation, which may differ from the needs of an adult who has already fallen out of the labor force completely.

38. Osterman.
SUSTAINING CAPITALISM
Achieving prosperity for all Americans could not be more urgent. Although the United States remains the most prosperous nation on earth, millions of our citizens are losing faith in the American dream of upward mobility, and in American-style capitalism itself. This crisis of confidence has widened the divide afflicting American politics and cries out for reasoned solutions in the nation’s interest to provide prosperity for all Americans and make capitalism sustainable for generations to come. In 1942, the founders of the Committee for Economic Development (CED), our nation’s leading CEOs, took on the immense challenge of creating a rules-based post-war economic order. Their leadership and selfless efforts helped give the United States and the world the Marshall Plan, the Bretton Woods Agreement, and the Employment Act of 1946. The challenges to our economic principles and democratic institutions now are equally important. So, in the spirit of its founding, CED, the public policy center of The Conference Board, will release a series of 2020 Solutions Briefs. These briefs will address today’s critical issues, including health care, the future of work, education, technology and innovation, regulation, China and trade, infrastructure, inequality, and taxation.