



# America Forward on Workforce Development

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## *Innovation, Flexibility, and Data-Driven Results*

**America Forward** is a nonpartisan policy initiative that unites social entrepreneurs with national policymakers to advance a public policy agenda that champions innovative and effective solutions to our country's most pressing social problems. America Forward works with policymakers to foster social innovation, identify more efficient and effective solutions, reward results, and catalyze partnerships across sectors. America Forward is an initiative of New Profit. **New Profit** is a pioneering national nonprofit social innovation and venture philanthropy fund. The mission of New Profit is to break down barriers to opportunity in America by transforming the way we educate our children, propel people towards social and financial stability, and create healthy communities.

America Forward advances its efforts through the leadership of the **America Forward Coalition**, a network of more than 70 innovative, impact-oriented organizations dedicated to driving systemic change in education, early learning, workforce development, youth development, criminal justice reform, and poverty alleviation. Our Coalition members share a commitment to innovating to achieve better results, using data to track progress and ensure accountability, and leveraging resources across silos and sectors to improve the lives of the people they serve. America Forward Coalition members are achieving measurable outcomes every day in over 14,000 communities across the country.

We believe that innovative policy approaches that foster innovation, reward results, and catalyze cross-sector partnerships can transform these local results into national change and propel all of America forward.

### **Why we care**

A significant contributor to poverty is a set of barriers that keep millions of youth and adults off career pathways. Educational failure, criminal backgrounds, and substance abuse take millions of Americans out of the workforce, while transportation barriers, language and illiteracy, physical and mental disability, lack of affordable child care, and homelessness prevent millions more from achieving economic success. The human costs of this situation reach far into the future, as the cycle of poverty and low expectations traps generation after generation. In our nation known for opportunity, the number of people moving from poverty to the middle class has been on the decline for decades.

The inability of many individuals to find their way from public assistance to productive work takes an unacceptable toll on our economy. The almost six million youth and young adults not in school or working, a group known as "opportunity youth," cost taxpayers \$93 billion annually and \$1.6 trillion over their lifetimes in lost revenues and increased social services.<sup>i</sup> At the same time, many U.S. employers say that a shortage of qualified workers is their biggest obstacle to growth.<sup>ii</sup> Despite the

unemployment crisis, employers are unable to find qualified workers for an estimated five million U.S. jobs.<sup>iii</sup> By 2020, 65 percent of all American jobs will require postsecondary education and training beyond high school.<sup>iv</sup> But our nation is not preparing its citizens to meet these workforce demands, wasting the extraordinary human potential represented by Americans trapped in poverty.

The organizations in the America Forward Coalition are dedicated to unlocking opportunity for the tragic number of Americans shut out of the middle class due to poverty-induced barriers to sustainable wage jobs. Releasing their productive potential will make it possible for millions of Americans to contribute to the economy and put whole families on pathways to economic independence.

## Who we are

Every day we are doing the hard work of helping low-income individuals and others facing employment challenges make progress toward a career pathway as well as a broader role as responsible citizens. Some of our organizations work with secondary school students, exposing them to careers and mentors and motivating them to stay in school. Others offer “opportunity youth” who have already dropped out of school a second chance to gain the education and training they need to get back on track. Some of us help students persist in postsecondary programs by providing the extra supports they need. Others offer “bridge building jobs” that provide work experience accompanied by supports and help moving to future opportunities. Most of our organizations connect directly with employers. And many of us provide critical supports, inspire and motivate those we serve, improve access to other providers, and help people navigate the often confusing education, job training, and workforce systems. We use public funds efficiently to achieve measurable results. We leverage high levels of support from private donors and philanthropy. And some of us deliver job training and work experience through “enterprises” that earn revenue from the market, reducing the need for subsidy.

We hold ourselves to high standards. We measure our results. And our success tells us that it is possible to forge a pathway from poverty to economic prosperity. But it will take hard work, investment, and significant reforms.

## What we've learned

Employers need and want a well-trained, motivated, diverse workforce at every level, from frontline to executives. A successful pathway begins in early childhood and elementary and secondary schools, when the foundation of a good education ought to be laid. Too often it is not, especially in high-poverty communities, and that is why America Forward is also working toward education reform. Career exposure, intensive college advising, inspiring community service opportunities, and internship experiences are needed, especially in schools serving large numbers of low-income students, to enable and motivate youth to graduate, help them make education plans informed by personal goals, attain postsecondary degrees without accruing unhealthy levels of debt, and begin their career. We ought to measure these results and hold schools accountable.

We also strongly believe that we must not give up on those who have dropped out of school or experienced other setbacks. We know from experience that it is possible to reconnect, through enterprising pathways, opportunity youth as well as adults who have dropped out of the workforce due to prison, personal problems, physical and mental disability, illiteracy, and challenges that contribute to poverty. There is enormous talent available to be tapped if the right opportunities are made available. And there are enormous public savings that can be achieved if more people go to work.

In addition to the opportunity to attain a GED, diploma, and workforce credentials, people with barriers will benefit from investments in crucial services that are hard to pay for, from child care, English language classes, and transportation to substance abuse counseling, and mental health services. They need to belong to an organization that respects and welcomes their abilities and helps them take themselves seriously.

We also know that most opportunity youth – and adults – do not come with the connections or social skills training they need to find a good job. They need help navigating, translating cultural cues, and meeting the expectations of a workplace. Mentors and a strong peer group can help. So can work-based learning in “bridge building” jobs that offer work experience coupled with training, coaching, and transition assistance that leads to success on the job and builds a bridge to the next one. And so can the experience of serving others, building leadership skills, and participating in program governance.

All these elements are important to create the conditions for opportunity. However, the necessary elements are rarely assembled together, in adequate dose, with proper sequencing, for a sufficient time period. We have invested heavily as a nation in some elements, and neglected others altogether. We have made it extremely difficult for organizations to work across programmatic silos and too often treated the spheres of education and workforce development as entirely separate universes despite their obvious connections. We have historically allowed the essential connection between workforce development and business to fray. We have failed to align training and support programs with the specific needs of the employers for trained workers, and to integrate workforce and economic development so that we are training workers for the jobs of the future.

Any effort to change the circumstances of those now left out of the economic mainstream – and reverse the negative impact on our overall economy – demands that we rethink the way we invest public resources as well as learn from what is identified to work and expand upon that work to enable students, youth, and adults from all backgrounds to succeed economically. Our goal should be to build a system of community and human development that goes beyond workforce preparation to encompass education, service, and leadership development and better integrates the development of our economy with the preparation of our workforce.

### **The system we have now**

Prior to 2014, the core of the federally supported workforce development system was the Department of Labor administered Workforce Investment Act (WIA), which authorized a nationwide system of state

and local/regional workforce planning boards and three job training block grants that they administered. WIA also supported important national grant programs for youth, farmworkers, people with disabilities, Native Americans, and reintegrating offenders, among others.

The federal workforce development system established under WIA persisted for over 15 years virtually unchanged because the law was never reauthorized. Fortunately, the 113<sup>th</sup> Congress, on a bipartisan basis, was able to pass a reauthorized workforce development law, the **Workforce Innovation and Opportunity Act (WIOA)**, which made many important changes to a system that was in many ways outdated and inefficient. These important changes include:

- 1) Pay for performance provisions in Governor’s Reserve and Local workforce funding streams:** WIOA created a permanent authority within all three WIA formula funding streams (Adult, Youth, and Dislocated Workers) for Pay for Performance as an eligible use of as much as \$390 Million through the Governor’s Reserve funding for statewide workforce activities as well as over \$250 Million in local workforce board funding priorities.
- 2) Disconnected youth/out-of-school youth reallocation:** WIOA directs more resources towards programs that support disconnected/opportunity youth (out-of-school, not employed or in vocational training) by requiring 75 percent of all youth funding be directed to support this population.
- 3) Focus on transitional jobs:** Up to 10 percent of WIOA Adult and Dislocated Worker funds can be used for transitional jobs (time-limited subsidized work experiences) for individuals who are chronically unemployed and have barriers to employment.
- 4) Eliminates the ‘sequence of services’ and merges ‘core and intensive activities’ into a combined ‘career services’ and focuses on career pathways approaches:** This change through WIOA enables local boards and providers to develop holistic strategies that can train workers and job seekers for in demand careers rather than simply providing them job search, summer work experience, or other limited assistance.
- 5) Opens up strategies for incumbent workers and on-the-job training trainees, better incentivizes employers, and permits flexible, non-voucher approaches to adult training:** Prior to WIOA, low skilled and other incumbent workers were not eligible for assistance and on-the-job training for eligible trainees was limited. WIOA increases the ability to use on-the-job training, incumbent working training, and customized training through increased reimbursement rates and allowable use of local funds.
- 6) Utilization of prior learning assessments:** Under WIOA, the use of prior learning assessments was authorized in order for students, workers, and job seekers to demonstrate mastery of specific skills through assessment.
- 7) Combined state plans:** WIOA provides authority for system workforce systems to develop a combined state plan that includes core workforce programs as well as one or more additional

programs with a workforce component such as Career and Technical Education, Supplemental Nutrition Assistance Program Employment and Training, Community Development Block Grant, Community Services Block Grant, and Temporary Assistance for Needy Families. This authority will allow states to develop and implement workforce strategies that address the social, educational, and economic needs of those in their communities.

We now have to turn to ensuring states and localities are aware of these important changes. We need to ensure that resources are available to assist these jurisdictions with making the changes they have to in order to comply with these new standards, and that some of the newer ideas such as Pay for Performance are understood and applied correctly in order to increase the effectiveness and efficiency of our approach to training future workers and helping Americans to obtain the skills they need and access the employment opportunities they seek.

One of the most significant changes in WIOA was the attempt to address the disconnect between programs provided and outcomes achieved for the individuals participating in them. Through provisions such as Pay for Performance, contracting authority granted at both the state and local level and the application of common measures across target populations, a refocusing of the workforce development system to outcomes versus inputs and rewarding successful programs can be achieved. Local workforce systems should be looking for programs and interventions that are achieving outcomes and support their expansion with resources sufficient to meet the demand. Additionally, states and localities need to utilize the new Pay for Performance authority and Congress and the Administration must support the implementation of these new contracts and this new focus. Specifically, this effort must include influencing the Department of Labor's regulatory process, which will be important as states and localities consider utilization of the Pay for Performance mechanisms effectively across their workforce systems. Training and technical assistance will also be needed for states and localities interested in utilizing the authority as they engage in these types of arrangements.

Beyond a turn to implementation of WIOA, there are elements of the overall federal workforce system that have remained unchanged and thus adult and youth jobseekers, dislocated workers, and students alike are faced with a reality still wrought with barriers and inefficiencies.

### **Funding and Program Silos**

Looking broadly at federal support for workforce development, even those engaged in the system might be surprised that more than \$60 billion annually finds its way into workforce development programs and credentialing. However, the dollar amount authorized by WIOA and directly administered by the federal workforce development system is only about a fifth of this amount. In fact, investments by other agencies, particularly the Department of Education, make up the larger share, and employer investments make up a significant share of total spending on workforce development (for example, employer investments under Section 127 of the federal Internal Revenue Code helps underwrite an average of \$1,849 in career education and training for approximately one million workers each year). However, while a significant percentage of employers of low-wage workers do offer them training, a Hitachi/Joyce Foundation survey indicates that a much lower percentage (about a third) of employers offer benefits that lead to portable skills or education the worker can use to advance his or her career

outside his or her current company. Thus connecting low wage workers to the public and private training opportunities for which they are eligible is particularly critical.

WIOA is paralleled by a variety of other federal training grants to state and local governments for Temporary Assistance for Needy Families (TANF) recipients, Food Stamp recipients, individuals with disabilities, adult education and literacy, educating secondary students for technical careers, and other purposes. These WIOA and other federal training programs total approximately \$10 billion per year specifically allocated to workforce training (even though the total funding for such programs exceeds that amount). These federal programs tend to operate locally in separate silos absent significant and persistent efforts by state and local providers to overcome federal stipulations in order to integrate or coordinate these resources.

Of the \$60 billion allocation in support of workforce development annually, approximately \$50 billion is from federal postsecondary grant and loan dollars that arrive at the local level each year by following students eligible for such Higher Education Act grants and loans into accredited and certified postsecondary programs of career training, mostly intended to enable students to obtain workforce credentials. A report prepared for former Senate Health, Education, Labor and Pensions Committee Chairman Tom Harkin (D-IA) suggests that for-profit institutions alone receive more than \$30 billion per year in the Department's grant and loan dollars, mostly for workforce-related career education curricula, with community colleges and non-profit vocational and technical schools together receiving a similar amount of federal grant and loan dollars for workforce-related career education curricula.<sup>v</sup> These estimates do not take into account an additional estimated \$5 billion received by these three types of institutions for workforce-related career education curricula from veterans, active military, and military families federal student loan programs.

For the most part, there is little coordination between the career training choices such students make with these federal student grant and loan dollars and the local/regional/state planning done by the federal workforce system to deliver the precise and valued skills, credentials, and skills upgrades desired by area employers. And the limited intersection of these two broad categories of federal workforce development resources (workforce development grant programs for state and local entities and career education dollars following student trainees) is, quite often, simply incidental to the dual eligibility of students for such assistance. Even as the cost of a postsecondary credential continues to climb faster than inflation, and student debt grows with it, there is little accountability in the education financing system for student retention and graduate wage outcomes.

So, in all, the federal postsecondary education financing system that now provides more than \$50 billion annually in workforce-related career education and credentialing is – for the most part – disengaged from the system Congress designed to plan for and guide the education and training resources at the state and local levels needed for timely delivery of an in-demand and precisely skilled workforce. And that workforce planning system itself is often disconnected from the other federal grant programs provided to state and local entities to train specified elements of the local population. For instance, the most recent report of the Government Accountability Office regarding these various federal workforce programs, found that these programs maintain separate administrative structures to provide similar or

identical services and that federal agency officials acknowledge that greater effectiveness and efficiency could be achieved in the local delivery of these programs.<sup>vi</sup>

### **Innovation and Rewarding Effectiveness**

Too often, federal workforce development programs such as the Adult and Dislocated Worker funding streams, the Job Corps, non-cash TANF, the Senior Community Services Employment Program, the Supplemental Nutrition Assistant Program (SNAP) job training program, and others are required to be highly focused on compliance and inputs (who should be served; what services they should receive; when, where, how and from whom they should receive them; what services are time-limited or prohibited; and etc.), which inhibits innovation to achieve higher levels of results and often does not adequately serve those who were eligible in the first place. Other funding streams (including higher education) are flexible but offer no accountability either for services provided or outcomes achieved. Because outcomes (and even inputs) are not well-linked to accountability in most workforce funding streams and because they suffer from poor data quality, it is often difficult to tell which streams are most productive. Many providers are unable to keep up with technological advances that would enable them to deliver services more efficiently or manage data that would enable providers to track the impact of their programs. As a result of these many factors, those programs that are successful are not assured of receiving additional resources while weak ones may continue to receive funding.

In addition, workforce development programs that have documented strong positive outcomes have not been rewarded with increased funding and, as a result, are able to serve only a fraction of those individuals who need services or apply for opportunities. For example, despite documented track records exceeding targeted outcomes for disadvantaged and hard to serve populations, federal workforce programs such as YouthBuild and the National Farmworker Jobs Program continue to receive static appropriations right alongside less successful workforce programs. In addition, prior to the authorization of WIOA, many proven nonprofit program models like Year Up, STRIVE, CET, and others received little or no support from federal workforce development programs because they did not fit narrow program definitions or they invest significant per participant resources through their holistic, intensive, longer-term program designs to help achieve extraordinary levels of success.

Furthermore, workforce development systems are too often poorly coordinated with training programs sponsored by employers and with other federal programs that play important roles in workforce development (such as student aid, national service, and veterans' programs). Despite the benefits of introducing career information early as a strategy to motivate students to learn, it is the rare elementary or secondary school that lays a foundation that will help youth explore careers and make connections between their academic pursuits and future employment. And although many of the hardest to serve individuals benefit from "bridge building" opportunities (work-based learning that offers training in a work environment rich with supports) – too few of these positions exist.

## **The changes we need**

While progress has been made in addressing some of the deficiencies and inefficiencies of our current federal workforce development system, there is more that needs to be done. This starts with ensuring that states and localities have the resources and support they need in order to effectively implement the changes made by WIOA. After over 15 years of status quo, this will be a difficult transition for some and will require clear guidance from the federal government, informative rules and regulations to support state implementation, and technical assistance for state and local workforce boards and organizations. While the challenges facing the nation's workforce system are many, we believe that vastly more people facing barriers to employment could be put on pathways to self-sufficiency if the following principles were strongly reflected and supported in federal, and some cases, state and local policy and regulations.

### **Allow for flexibility to achieve targets and fund outcomes**

Instead of dictating strategies, programs should enable communities to identify approaches that best meet their needs. While we strongly support targeting services to specific under-resourced populations and allocating funding across the country where it is most needed, we believe that no provider should be guaranteed funding regardless of the results achieved. Rather, policies should specify the desired employment- and education-related outcomes (as well as benchmarks along the career pathway) and allow flexibility regarding how these targets can be met, making sure these targets are reasonable and achievable and that they do not impose a kind of “creaming” of applicants. Competitive grants, Pay for Success systems, and innovation fund-style programming are all tools available to states and communities that are likely to improve results. The provisions in WIOA that support these types of arrangements and flexibility should be supported and resourced, including the Pay for Performance authorities and the application of common measures across all populations.

### **Expand available resources and prioritize investments in proven programs**

Effective job training programs can take people out of circumstances in which they are vulnerable to spending their lives dependent on government programs and into careers that pay good wages. The taxes they pay and the reduction in costs to the public make these programs good investments. All job training programs should have clear outcome goals (that are appropriate for the population they target) as well as measurement systems that can track their impact. Then resources for effective programs should be prioritized in the budget and new sources of support identified. This change can be achieved through implementation of the state and local Pay for Performance authorities in WIOA and through supportive rules and regulations by the Department of Labor as it relates to these provisions and the general reframe of the system towards outcome measurement and the prioritization of effective programs in appropriations.

### **Support “bridge building” work experience through social enterprise, internships, and national service**

An important way that young people and adults with limited work experience step into the workforce is through work-based learning that provides real job experience while providing training and supports ranging from mental health services to English language learning opportunities. These positions are hard to find in the business sector, particularly in times of high unemployment, because of the cost of providing supports to populations without the professionalism employees need, or because they are

directed at providing community services not supported by the market. This critical employment sector could grow rapidly through strategic investments and refinement of existing programs, including:

- **Tax credits to incentivize hiring and training opportunity youth**
- **Fair Labor Standards determination letters to clarify when service year positions and other bridge building work experience are exempt from regular wage and hour laws**
- **National service programs such as AmeriCorps and certified Service Year positions that combine service with learning and provide a modest living allowance**
- **Department of Labor's (DOL) YouthBuild program, a full-time program that combines job training, education, and service for opportunity youth**
- **Expanding Small Business Administration (SBA) programs to include commercial enterprises run by nonprofits which are currently ineligible for most SBA programs**
- **Extending targeted group business purchasing considerations to social enterprise, recognizing social enterprises located in Hub Zones and as an eligible activity under a variety of workforce funding streams.** Social enterprises often provide work-based learning opportunities, financed in part by earned income; enterprises such as Goodwill, Greyston Bakery, Juma Ventures, and Year Up are good examples.

Creative strategies to encourage the development and sustainable funding streams for bridge building jobs are necessary to connect to career pathways those individuals with significant barriers to employment.

### **Engage employers as a primary client of the workforce training system**

The workforce training system is inherently designed for one client, the trainee. Some of the best workforce training organizations instead understand themselves as facilitating a transaction between the unemployed or underemployed trainee and an employer company that is looking for skilled talent, and thus have a dual customer approach rather than a single focus on either clients or employers. The existing workforce system too often fails to produce positive outcomes for many of its trainees in part because businesses are not actively engaged in the system. In the absence of meaningful employer input into curriculum design and the training itself, it is little surprise that many trainees complete programs but still find they are unable to secure a position with a family supporting wage, while businesses continue to complain of an expanding skills gap. For our workforce training system to truly thrive, employers will need to be able to see themselves as a central pillar of it.

Businesses are most competitive when they have access to a strong, agile, and skilled workforce. Such a workforce includes workers who are prepared for the jobs that employers seek to fill today, and have the ability to learn and build on those foundational skills in order to perform the jobs of the future. The comprehensive workforce system should equip trainees with the skills needed by businesses in their communities and prepare them to learn additional skills on the job, as well as connect businesses to these trainees. In addition, the workforce system should work with businesses to improve job quality

and retention, and provide training and educational opportunities to workers to ensure that workers remain current with industry advancements.

### **Think holistically about K-12 and higher education, nonprofit partners, workforce organizations, and employers and make it easier to assemble and connect resources**

If communities could organize around preparing every person for productive employment, the various education organizations, government, nonprofits, and businesses would work together to create a single system with many points of entry and a full array of services needed. Government at every level should work to eliminate the silos that keep entities from working together, and provide incentives for coordinated approaches that make it easy for youth and adults to enter and advance along enterprising career pathways, including education.

### **Improve data access and utilization and emphasize accountability**

If it were easy and inexpensive for programs to access data that enabled them to determine the outcomes of their interventions, they could make improvements over time that would lead to stronger outcomes and more efficient interventions. Funders, including government, could make better choices about where to invest their resources for greatest impact. Protecting the privacy of individuals is of course important; however, safeguards could readily be put in place to protect it. The federal government should prioritize the creation of data systems that connect across silos (such as workforce development, elementary and secondary education, higher education, and employment) and increase access by providers, as well as state and local public agencies so data can be used to improve outcomes.

## **Specific policy proposals**

### **WIOA implementation**

Many important changes were made by the passage of the Workforce Innovation and Opportunity Act (WIOA) that will positively impact the structure and approach to providing and contracting for training and workforce development activities at the state and local level. From passage now comes implementation, which will require targeted resources to states and localities as they assess and determine how to modify their current systems and integrate the changes made by WIOA across all elements of their workforce development systems. The support of these provisions through the regulatory process by the Department of Labor will be important as states and localities consider utilization of all of the major changes across their workforce systems.

- a. Support the implementation of Pay for Performance approaches, utilizing the authority included in WIOA, to direct WIOA formula and Governor's reserve dollars to funding proven programs and, wherever possible, to Pay for Success-type approaches aimed at specified workforce and employment outcomes demanded by local employers and job seekers and proven to be reasonable with given populations. In addition, a minimum percentage of such investments should be used to support programs that operate outside the existing system, to ensure investment in continued innovation. Training and technical assistance will also be needed for states to ensure that they are aware of this new authority and to ensure the resources needed

to engage in these types of arrangements are accessible to those interested in utilizing the authority.

- b. Ensure that the state and local workforce system (and its workforce boards) offers accessible career assessment and career navigation services for workers and job seekers, especially for adults who have learning disabilities that may struggle in text heavy environments. This should include facilitating prior learning assessments for workers and job seekers to verify their mastered competencies and, thus, speed and reduce the costs of acquiring postsecondary credentials demanded by local employers.
- c. Encourage leveraging and incenting with WIOA formula dollars to promote, wherever appropriate and possible, enterprising pathway programs that support workforce education and training and skills upgrading. Such pathways would result by aligning workforce training with secondary education, adult education and postsecondary education (including transition for students with disabilities). Pathway programs are also needed to reconnect opportunity youth with the workforce.
- d. Restore through appropriation the full amount of the Governor's reserve funding, as newly reauthorized in WIOA but that was scaled back through appropriations law in recent years. The Governor's reserve authority was increased in WIOA to a ceiling of 15 percent. However, the FY'14 appropriation for the Department of Labor only provided a 10 percent reserve for the current year. This reserve funding is significant because through WIOA it is authorized to be utilized in the support and implementation of Pay for Performance arrangements. Thus this funding could be used to support innovative approaches to plan for, administer, or deliver workforce education and training services needed for timely delivery of an in-demand and precisely skilled workforce, or to meet the needs of under resourced workers and job seekers.
- e. Support the redirection of resources to the programs and initiatives that have demonstrable waiting lists and achieve reasonable outcomes. With the increased emphasis on longer-term outcomes and the authorized use of Pay for Performance approaches in WIOA, programs that achieve demonstrable outcomes can be more easily identified and supported. In a rational system, the evidence of demand that comes from waiting lists should be recognized as an indicator of quality. When coupled with outcomes that provide a decent return on investment, they provide a simple low hanging fruit for knowing where to invest.

### **Bridge Building Opportunities**

As noted, "bridge building" jobs are an important way that young people and adults with limited work experience step into the workforce through work-based learning that provides real job experience while providing training and supports. There are many barriers associated with the availability of these types of jobs in the workforce system but creative strategies to encourage the development of and sustainable funding streams for these jobs are necessary to connect to career pathways those individuals with significant barriers to employment.

## Support the growth of social enterprise

We believe that social enterprise is a high leverage model for economic opportunity and jobs and encourage the federal government to play a robust role in creating a supportive ecosystem in which social enterprise can thrive. Specifically, we recommend that Congress seek to:

- a. Embrace a clear definition of Social Enterprise, to be used consistently across the federal government. Mine and collect data on social enterprises in order to measure their impact on the economy and employment of target populations.
- b. Amend the Small Business Act to include nonprofit social enterprises within the definition of a “small business concern,” so that they would be clearly eligible for loans, guarantees, and contracts under the Small Business Administration (SBA) programs and designations. This change in definition will also impact other programs such as the SBIC and SBIR programs, described below.
- c. Ensure that Department of Commerce’s policies and regulations include nonprofit social enterprises with the definition of a “small business concern” and as eligible nonprofits so that they would be clearly eligible for loans, guarantees and grants of the Economic Development Administration, the National Telecommunications and Information Administration, Small Business Administration, and other Departmental agencies. Provide a clear and widely accepted template for nonprofit social enterprises to be recognized as bona fide businesses that qualify for loans, guarantees, and contracts under SBA programs and designations. The applicable SBA regulations currently permit for-profit subsidiaries of nonprofits to qualify as small business concern, but in practice, the SBA and its regional offices will only provide loans and guarantees, and other benefits, to organizations that are owned 51% by individuals. Moreover, a for-profit subsidiary model is often not the most effective form for the work of a nonprofit social enterprise. There is precedent for such a treatment, however, as the for-profit subsidiaries of eligible nonprofit community development corporations can qualify for 8(a) designation by SBA. (The 8(a) Business Development Program helps small, disadvantaged businesses compete in the marketplace.) Expand the market for social enterprise goods and services through procurement preferences and SBA 8(a) designation.
- d. Increase the capital available for start-up and expansion of social enterprises by leveraging existing Community Development Financial Institution (CDFI) and SBA resources for social enterprise start-up; and delivering technical assistance and best practice information about social enterprise through existing federal centers of excellence, technical assistance, and capacity-building programs.

- e. Educate employers and state and local governments that participate in federal workforce and educational programs about the role and value of social enterprise in training and preparing the workforce.
- f. Clarify that nonprofit social enterprises are eligible for AmeriCorps support.

**Expand to full scale DOL’s YouthBuild program that is authorized as a national program under WIOA**

YouthBuild engages low-income opportunity youth in a comprehensive full-time education, job training, and community service program in which students earn their high school credentials while learning job skills by building affordable green housing, or through providing health or technology services in their communities. They internalize the ethic of service while also charting a path toward academic and economic success with the support of caring adult staff and a positive peer group. At least seventeen qualitative and quantitative studies over 20 years have reported excellent academic and job placement outcomes, leadership development results, and return on investment.

- a. In addition to an effective program model, DOL has a strong delivery system in place for scaling YouthBuild. Annually, local nonprofits, community colleges, or government agencies are awarded DOL YouthBuild grants administered by the Employment and Training Administration on a competitive basis that includes assessment of prior performance. A 25 percent non-federal match is required, leveraging local and private support. More than 2,000 distinct nonprofit or public entities have applied to the federal government since 1993 to bring YouthBuild to their communities as a comprehensive solution for opportunity youth. Most local programs have from two to eight times as many applicants as slots, indicating ongoing need for expansion.
- b. Due to its success, DOL YouthBuild might reasonably be expanded over the next five years to re-engage 50,000 opportunity youth each year in 800 low-income urban and rural communities. YouthBuild has already shown replicability, having grown from a handful of programs prior to the initial 1992 enactment of a YouthBuild federal program, to as many as nearly 300 local YouthBuild programs in 46 states, DC and the USVI after federal funding reached its peak in FY 2010 (there are roughly 260 local programs today after funding declined).

The YouthBuild program reauthorized in WIOA captures many of the elements noted above for an effective, coordinated, holistic approach to workforce development, while focusing on the specific 16-24 year old out-of-school youth population. Based on evidence and outcomes, it is an example of our overall call to scale further what is working.

**Expand civilian service opportunities**

National service has played an important but poorly understood role in developing America’s workforce in three ways: (1) providing “bridge building” work experience to youth and young adults; (2) providing

a reliable employment pathway to the nonprofit sector; and (3) building the supply of volunteers available to assist others in preparing for and finding employment. We propose:

- a. Fully funding the Serve America Act. Although the Serve America Act authorized support to increase national service positions to 250,000 by 2017, the number of positions has not grown.
- b. Identifying priority challenges at other federal agencies that could be addressed through service. The Administration's FEMA Corps represented a cost-effective way to address the challenge of disaster recovery while encouraging young adults to explore careers in related fields. Additional agency collaborations are underway between the Corporation for National and Community Service and the Department of Education and Department of Defense. Similar opportunities exist within the Departments of Justice, Interior, Veterans Affairs, Health and Human Services, and Labor, as well as the National Science Foundation.
- c. Creating a civilian service option under the GI Bill, which would serve as bridge building positions for veterans, enabling them to explore ways to translate their skills into civilian jobs while satisfying the strong desire many veterans have to continue their service.
- d. Enable certified service year positions to receive the same treatment under the Fair Labor Standards Act as similar programs funded by the government through AmeriCorps.

### **Higher Education**

Since the late 1990s, the size, scope, and nature of student assistance under Title IV of the Higher Education Act (HEA) and veterans and military programs have changed dramatically. Today, for instance, HEA provides \$150 billion in grant and loan assistance each year to eligible students. And fully one-third of these HEA dollars (or roughly ten times the WIOA resources that come to local workforce boards) now follow such students into workforce credentialing offerings at accredited and certified postsecondary programs - reflecting the reality that two-thirds of U.S. jobs now require at least some postsecondary education or training, and that workers and job seekers today face a very challenging national economy and a continuously changing job market. Such workforce credentialing programs are typically offered by for-profit schools, community colleges, or nonprofit vocational programs, but more and more four year institutions are directly or indirectly offering such programs too.

- a. Help to ensure that the one-third of total annual HEA grant and loan dollars that students utilize to pursue workforce credentials meet the workforce needs of regional employers and provide a better return for taxpayers through students getting good jobs. To accomplish this, local WIOA dollars could be authorized to be used as the "last dollar in" creating a Pay for Success Pell grant premium paid to accredited and certified postsecondary providers that achieve specified job placement and retention rates, with living wages, in industry sectors and skills that the workforce board has identified as in demand locally. Additionally, the federal government could offer lower interest rates on student loans when students select education and training at such high performing post-secondaries in industry sectors and skills that are identified by the workforce board as in demand locally.

- b. Continue to pursue regulatory changes in the HEA that require accredited and certified postsecondaries offering workforce credentialing programs to ensure affordable student access, persistence, and completion at school, and placement and retention in careers for which they were trained, at wages enabling them to repay education loans. Such policies should be aimed at *all* providers, whether they are for-profit, nonprofit, or public.
- c. Create a social innovation fund focusing on access and retention in higher education for underserved populations through the Higher Education Act. Such a fund should employ a tiered evidence approach, use intermediaries, and be open to external partners offering a range of promising approaches.

### Data Access and Evaluations

Access to, standard definitions of, and resources to engage in measurement and evaluation of data are crucial in order to ensure achievement of the results we seek in the workforce system. Many of the changes made in WIOA are aligned around the need and desire for a focus on outcomes but investments in and common practices around data and evaluation are still needed in order to achieve this goal.

- a. Improve WIOA's state and local outcomes measurement methodologies by incorporating more effective statistical techniques, such as regression analyses, that can help minimize disincentives for delivering services to populations who face more significant barriers to employment.
- b. Subject to appropriate privacy protections, the federal government should amend law, regulations, and access protocols to permit federal, state, and local workforce and education agencies, state and local workforce boards, nonprofit workforce development organizations, social enterprises, and postsecondary institutions certified by the Department of Education for participation in Title IV of the HEA to have access to the National Directory of New Hires and to Unemployment Insurance Wage Records.
- c. Access to such data should be used to assess the effectiveness of federal programs, policies and resources for achieving positive labor market outcomes for individuals receiving federal workforce education and training assistance and to help determine eligibility of providers to participate in federal workforce education and training programs, provider payments under Pay for Success-type approaches in such federal programs, and for helping to determine the effectiveness of state and local workforce boards in the timely delivery of a precisely skilled and in-demand local workforce.
- d. Employment outcomes should include placement and retention in appropriate postsecondary education, or advancement toward living wage jobs or careers for up to three years after completing their workforce education and training program. We also urge that success in workforce programs not be limited to the specific jobs for which individuals were educated and trained. Such approaches should not discourage ongoing flexibility for young people themselves to move in new directions as they clarify their life interests and life goals. For example, in YouthBuild, students are trained for construction while doing community service building affordable housing, but they also complete their high school education and may choose whether

they go into construction or into college or on into other careers. All placement outcomes are counted equally. It is important that programs not be pushed by outcome requirements to pressure young people into particular jobs if they have learned they prefer a different path.

- e. Additionally, the Department of Labor, in consultation with the Departments of Education and Health and Human Services, should establish for all federal workforce education and training programs a uniform definition of job placements, recognizing the changing nature of work in our economy, and an accurate methodology for calculating job placement rates of program participants. DOL should incorporate into such definition and calculation methodology appropriate consideration for placement of certain participants in transitional employment, career-related internships, youth corps, postsecondary education, and social enterprise employment designed to create a bridge to permanent employment for individuals (including opportunity youth) disconnected from the workforce.

### **Structural reforms**

Even with the important changes made through the reauthorization of the federal workforce development system by WIOA, there are still deficiencies and inefficiencies in the federal workforce system that require change to our federal workforce and postsecondary education policies and programs to promote additional flexibility among and coordination between programs, as well as funding to make it easier to assemble resources to achieve specific workforce and employment benchmarks tied to specific populations and to achieve workforce and employment outcomes demanded by local employers and job seekers.

- a. WIOA formula funds which, according to the National Skills Coalition, have declined by 50% since 2001, are insufficient to independently support the workforce education and training needs of an economic region's job seekers and employers and have historically demonstrated little potency in promoting effective regional capacities for comprehensively addressing such needs. At the same time as WIOA formula funding has declined, other federal workforce training programs have grown.
- b. These much larger education and other workforce training resources are often disconnected from the WIOA system Congress designed to plan for and guide the education and training resources at the state and local levels needed for timely delivery of an in-demand and precisely skilled workforce. Non-cash TANF resources applied to workforce education/training, for instance, have grown significantly over two decades and now often exceed the total of training dollars for all populations that a local workforce board might deploy.
- c. Encourage the focus of and incentives within the federally authorized and supported workforce development system to be much less WIOA-centric by approving and supporting the current focus of state and local workforce boards to the broad array of federal and other resources that are available at the state and local level. Workforce boards that have successfully pursued such an approach have typically relied on active participation in the workforce board by a

representative array of sectors and stakeholders including business, government, labor, education, nonprofits, program participants, and others.

- d. Incent leveraging with WIOA dollars to promote, wherever appropriate and possible, transitional jobs, career-related internships, national service, youth corps, and social enterprise employment as a way to create bridges to permanent employment for those (particularly opportunity youth) who are disconnected from the workforce.
- e. Create flexibility and coordination among federal workforce training programs by promoting state flexibility in consolidating the planning and administration of those programs not authorized under WIOA, such as non-cash TANF vocational training and SNAP job training activities, into the state's annual WIOA plan.
- f. Promote flexibility in program delivery with regard to expanded eligibility for a small number of individuals where very specific eligibility requirements have negative impacts in implementation. This is the result of excluding individuals who need and would benefit from the opportunities offered but may not live in the right block, may not have committed a crime in the specified year, or may not meet some other overly rigid definition of eligibility. This is not, of course, intended to permit use of specifically dedicated workforce training program resources such as programs for veterans, Native Americans, farmworkers, individuals with disabilities, youth, etc. to be used to serve individuals who are not the target of these dedicated programs and resources.
- g. Establish "national direct" options in these set-asides and other federal workforce and education programs, similar to the national direct grants in AmeriCorps, to allow nonprofit organizations operating in more than one state to compete for funding for multiple sites. This system would reduce administrative costs and leverage the quality controls found in high quality national programs.
- h. Increase availability of supportive services for low-income individuals enrolled in workforce training and education programs and after placement. These can be supportive services directly paid for by a portion of workforce dollars such as transportation or child care, or they could be dollars set aside for coordination of existing federal benefit and tax credit programs. At the very least these should be allowable services as they are currently in WIOA and should specifically reference coordination of federal benefits and tax credits (which should include the reauthorization and enhancement of the Work Opportunity Tax Credit provisions for "disconnected youth" and older veterans).

### **Overall Government Reform**

There are additional changes needed that are important to continue to advance the efforts made through WIOA and other similar legislative and appropriations successes to advance the focus on innovation, outcomes and what works across government that would have a direct benefit in workforce development.

### **Pay for Success Incentive Fund**

America Forward is encouraging the creation of an incentive fund at the federal level to expand the piloting and use of Pay for Success. America Forward has been working closely with the current Administration and key champions in Congress on a bipartisan, bicameral approach to create such a fund that could be used to structure Pay for Success projects and contracts, fund feasibility work, evaluation, and contribute to success payments. Legislation was introduced in the 113<sup>th</sup> Congress in both the House (Social Impact Bond Act) and the Senate (Pay for Performance Act) for a \$300M Pay for Success Incentive Fund with key sponsorship from Representatives Todd Young (R-Indiana) and John Delaney (D-Maryland) and Senators Michael Bennet (D- Colorado) and Orrin Hatch (R-Utah). The House has reintroduced their bill (now known as the Social Impact Partnership Act) with the same champions and the Senate reintroduction is anticipated. The passage of both pieces of legislation in the 114<sup>th</sup> Congress as well as the development of other similar bills is a priority for America Forward.

### **Agency-Wide Waivers**

America Forward has been working to promote a federal initiative using existing waiver authorities to enable federal agencies to demonstrate, replicate, and scale successful Pay for Success approaches. We have suggested application of such waiver authorities for Pay for Success approaches to seven different major federal programs, listed below.

- Opportunity Youth Workforce Development Program Innovations:  
*WIOA continues the broad WIA waiver authority for promoting innovations including outcomes-driven approaches to opportunity youth workforce development.*
- Job Corps:  
*WIOA continues the broad WIA waiver authority that could be used to test Pay for Success-type strategies aimed at improved outcomes for participants and to ease administrative difficulties plaguing the program.*
- WIOA Programs:  
*WIOA continues the availability of the WIA's broad waiver authority for promoting innovations including outcomes driven approaches to workforce development.*
- TANF and WIOA Concurrent Waivers:  
*Solicit state waiver requests for TANF- related early childhood education/childcare (SSA Section 1115 Waiver) and WIOA adult training and job placement/retention (as referenced above) programs.*
- Senior Community Service Employment Program (SCSEP) Mature Worker Rapid Reemployment Initiative:  
*Use the Older Americans Act (OAA) Sec 502(e) waiver/demonstration authority for addressing the "new poor" older workers in the SCSEP program.*
- TANF Training/Education Waiver Initiative:  
*Use the SSA Sec. 1115 waiver authority to offer TANF training/education providers partial payments for participant persistence and skills attainment and the balance of their full fixed payment if the Pay for Success participant is placed in a job whose wages are at least 10%*

*greater than the participant's TANF benefit, within 13 months of starting in the Pay for Success program.*

- New Section 1115 waivers:  
*Moving forward, authorization could also be sought from Congress for new Section 1115-type waiver authorities or expansion of existing agency waiver authorities to promote innovative financing approaches to Pay for Success at the Departments of Education, Labor, and Justice.*

### **Learning from Demonstrations**

Once the federal government has launched a broad demonstration program of innovative financing mechanisms to provide additional support to Pay for Success policies and programs, it should assess the continuum of Pay for Success innovative financing approaches represented at all levels of government to determine their potential for broader national policy.

A new pilot project authority, known as the **Performance Partnership Pilots (P3)**, is a demonstration focused on more efficiently and effectively allocating federal discretionary funding to implement evidence-informed practices to improve outcomes for disconnected youth or those at risk for disconnecting. America Forward supports this concept and much could be learned from it, not only about what works for this specific population, but about how Pay for Success can best finance these innovative interventions. P3 and other such demonstrations should continue and expand to other federal programs serving populations in need, both for the knowledge they generate and to inform permanent policy approaches to the issues and populations addressed by these time-limited demonstrations.

The continuum of approaches represented in these state and local initiatives include features that could be replicated and scaled or that could be “mixed and matched” to test hybrid approaches – or new ones – in new demonstrations. These features include various approaches to risk allocation among government, provider, investor or intermediary. Also, features vary as to source of funds for performance payments from government agencies to private investors and also include the variation of a limited investor guarantee provided by the charitable sector.

One thing we do know about these various features and models is that we definitely do not know enough regarding if, how, and how effectively innovative financing models will contribute to the success of Pay for Success program models. ***Our primary recommendation, therefore, is that the federal government promote and support numerous demonstrations, replications, and scaling of innovative financing models for Pay for Success.***

## Support for the America Forward Workforce Development Policy Platform



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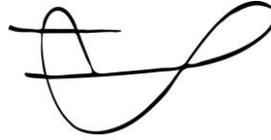
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- <sup>vi</sup> <http://www.gao.gov/new.items/d1192.pdf>