

The Jobs of Today and Tomorrow Demand Advanced Skill Levels

The 21st century economy demands higher levels of education and skills from American workers than at anytime in their history. “Knowledge workers” equipped with specialized skills and training will fill the fastest-growing jobs. Employment growth in the next decade is projected to be concentrated in occupations relating to health care, computers and engineering.

Increasing the skills and education levels of the American workforce is vital for opening up career opportunities for workers. Educational achievement in high school and beyond is a key predictor of success in the labor market. For example, in 2006, the unemployment rate was 6.8 percent for high school dropouts, versus 3.0 percent for individuals with an associate’s degree, and only 2.0 percent for those who have earned a bachelor’s degree. Moreover, average earnings also greatly increase with higher levels of education.

Given the demand for higher education and skill levels, the workforce investment system should recognize and strengthen workers’ ownership of their careers and provide them flexible resources and services. Research has shown that workers make sound decisions about tapping resources to advance their careers when they have good information and available options. Workers need to be armed with as many choices as possible to gain the right skills and secure the best career opportunities.

A New Approach to Education and Training: Career Advancement Accounts

Knowing the need for an educated and prepared American workforce, President Bush proposed in 2006 an innovative approach to increasing the skills of the nation’s workforce – Career Advancement Accounts (CAAs). CAAs are self-directed accounts that enable current and future workers to gain the skills needed to successfully enter, navigate, and advance in 21st century jobs. Under this proposal, funds appropriated for the following programs would be allocated to states as a single funding stream:

- Workforce Investment Act (WIA) Adult Program
- WIA Dislocated Worker Program
- WIA Youth Program
- Employment Service programs (including Employment Service formula grants, labor market information grants, and grants for administration of the Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit).

States would use these funds primarily to provide CAAs to individuals either seeking or in need of education and training. The accounts would be available to both adults and out-of-school youth entering the workforce or transitioning between jobs. Incumbent workers in need of new skills could use CAAs to remain employed or to move up the career ladder.



The maximum amount of a CAA would be \$3,000 for one year, which is sufficient to finance approximately one year of study at a community college. Accounts could be renewed for one additional year, for a two-year account of up to \$6,000 per worker. Individuals must use their accounts to pay for expenses directly related to education and training, such as tuition, fees, and textbooks.

States would be required to use the majority of their funds for Career Advancement Accounts. This requirement would ensure that most of the funds are utilized for skills acquisition. The remainder of CAA funding would be used to provide basic employment services to job seekers, such as labor market information, job search assistance, and career and skill assessments to workers. One-Stop Career Centers would continue to provide these employment services as well as access to the accounts.

Strict limits would be imposed on the use of grant funds for administrative and overhead costs. Caps of five and 10 percent at the state and local levels would be applied with a more rigorous definition of administration costs. Currently, administrative and other overhead costs account for about 30 percent of the costs of these programs.

With tighter controls on costs, more individuals would be able to participate in job training and attain new and higher level job skills. In fact, the number of individuals using Career Advancement Accounts would be triple the number of people receiving job training in the workforce investment system today.

