

Congress of the United States

U.S. House of Representatives

Committee on Small Business

2361 Rayburn House Office Building

Washington, DC 20515-6515

To: Members, House Committee on Small Business

From: Mark Ratto, Professional Staff

RE: Full Committee Hearing on *Innovative Approaches to Meeting the Workforce Needs of Small Businesses*

Date: September 8, 2011

The House Committee on Small Business will meet for a hearing entitled *Innovative Approaches to Meeting the Workforce Needs of Small Businesses*. The hearing is scheduled to be held on September 8, 2011, at 1:00 p.m. in room 2360 Rayburn House Office Building.

The hearing will focus on how private, industry-led portable skills certification programs are helping meet the workforce needs of small business while improving career and educational prospects for students and workers. The purpose of the hearing is to familiarize policymakers with newer and more innovative approaches to workforce education.

I. The Changing Economy and Its Impact on Small Business

The United States economy has experienced pronounced changes in the last generation. While there are numerous factors to explain this, a key component is that advances in technology have increased worker efficiency, which has simultaneously increased the need for workers capable of operating and understanding more complex machinery and processes.¹ The number of occupations requiring some level of postsecondary education has increased from 28 percent in 1973 to 59 percent in 2008, and is expected to increase to 63 percent over the next decade.²

The most common pathway students seek to attain credentials demanded by employers remains the pursuit of a Bachelor of Arts (BA) or higher degree. However, a BA degree alone is not enough to ensure the attainment of competencies demanded by employers³ nor is it the sole means through which companies identify skilled workers. There are additional skills and educational pathways outside of a

¹ *Roadmap to Education Reform for Manufacturers*, The Manufacturing Institute, Page 2.

² *Ibid*

³ *An Economy That Works: Job Creation and America's Future*, McKinsey and Company, June 2011, Page 40.

four-year degree that may allow individuals to secure employment offering comparable and even superior pay.⁴

Approximately 33 percent of small businesses report having difficulty finding adequately skilled personnel;⁵ and their limited ability to work with local educators and job trainers to fashion programs that fit their needs⁶ means that they must invest scarce resources to train their workers or rely upon the bewildering array of public and private workforce skills and training programs.⁷ Small businesses could benefit by the creation of validated programs that provide employers with confidence in job candidate skills and abilities. These programs would also offer students the opportunity to build on the skills and knowledge they obtain via formal educational opportunities at a secondary or postsecondary institution.

II. Federally Supported Sources of Workforce Training

The federal government directly and indirectly supports workforce training through a variety of programs and initiatives including K-12 education, higher education tuition assistance, the Carl D. Perkins Vocational and Technical Education Act; Titles I and II of the Workforce Investment Act (WIA) and Trade Adjustment Assistance (TAA).

WIA and TAA are almost exclusively focused on assisting adult unemployed workers gain new skills to find employment, though WIA also includes an at-risk youth employment component. The Carl D. Perkins Vocational and Technical Education Program is a youth program at the secondary and early postsecondary level to prepare students for entry-level labor market participation.

III. Industry-Led Portable Skills Certification Systems

Businesses of all sizes and almost all industries have embraced innovation as their primary strategy to remain competitive in the marketplace. The ability of small businesses to provide unique services and differentiated products is especially important to their business model. As the methods and systems to manufacture products and provide services continues to evolve, so do these businesses' need for workers capable of operating and understanding more sophisticated machinery and processes.

Skills credentialing programs certify that a worker has achieved mastery of particular skills and knowledge. These programs include both technical and non-technical instruction to ensure that employees have a sound understanding and appreciation for workplace protocols and employer expectations.⁸ In most cases, these programs are implemented at the secondary and postsecondary level and serve not only students, but also working professionals looking to improve their existing credentials.

⁴ Pathways to Prosperity: Meeting the Challenges of Preparing Young Americans for the 21st Century, Pathways to Prosperity Project, Harvard University, February 2011, Page 3.

⁵ National Federation of Independent Business Economic Trends, July 2011, Page 9.

⁶ Government Accountability Office, GAO-02-80, <http://www.gao.gov/new.items/d0280.pdf>

⁷ Ibid.

⁸ About Stackable Credentials, the Manufacturing Institute

While most public-private education partnerships occur between individual companies and institutions of higher education, such as community colleges, industry-led credentialing programs provide a broad base or core foundation of knowledge applicable to occupations in an industry as whole.⁹ These credentialing programs acknowledge that the attainment of a broad base of skills and knowledge is necessary in an economy where technological progress and skills are changing rapidly.¹⁰ Advocates of industry-led programs claim they best ensure that workers are capable of keeping pace with technological changes across occupations; are more highly portable than traditional public-private programs intended to meet the needs of a single employer; and are validated to ensure that employers, students and workers can be confident in their quality.

⁹ Ibid

¹⁰ Ibid