

Policy Brief

SUPPORTING EMPLOYER-PROVIDED TRAINING IN THE COVID-19 RECOVERY



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INTRODUCTION

Digitization, automation, and e-commerce are changing the nature of work. The COVID-19 health and economic crises have accelerated these trends, compounding the workforce disruptions that have resulted from the pandemic and requiring impacted workers to acquire new skills and find new occupations. The pandemic has also had a significant direct impact on the labor market. Nine months into the pandemic, the U.S. unemployment level remains at nearly double the level in February 2020, while the number of permanent job losses rose by 2.5 million.¹ Specific industries, such as leisure and hospitality, have been particularly hard hit.² While there is an acute short-term challenge, the changing nature of work is an evolving phenomenon that necessitates new long-term policies to encourage greater investment in workers. Though the federal government is the largest source of public funding for training programs, it has provided limited resources in response to the workforce challenges related to the pandemic. In the midst of the health crisis, when states and cities are losing revenues and are limited in their ability to make new workforce investments, the role of employers becomes even more important.

Employers play a vital role in providing education and training for their employees, and account for the majority of education and training investment for workers in the U.S. Training can produce positive returns for employers, workers, and the economy. However, the available data suggest that employer-provided education and training has been declining over time.³ In an economic downturn, businesses are navigating significant uncertainty and may feel less incentive to make these investments, exacerbating the long-term trend. In addition, data suggest that employers provide more education and training to those who already hold a bachelor's degree or have attended some college, despite the fact that those without a post-secondary credential are the most likely to struggle in the current labor market.⁴ Given the disparities in educational attainment by race, this has the potential to exacerbate racial inequities.

Recognizing these challenges, this policy brief explores the role that employer-provided training can play in an economic recovery and recommends policies to incentivize employers to expand access to education and training, with the goal of driving an inclusive recovery. In its focus on employer-provided education and training, this policy brief does not discuss policies that are critical to support unemployed workers and those in non-traditional work arrangements.

- 1 Bureau of Labor Statistics. 2020. "The Employment Situation -- November 2020." U.S. Department of Labor. <https://www.bls.gov/news.release/empsit.nr0.htm>.
- 2 Bureau of Labor Statistics. 2020. "Employment by industry, monthly changes." U.S. Department of Labor. <https://www.bls.gov/charts/employment-situation/employment-by-industry-monthly-changes.htm>.
- 3 Association for Talent Development. 2019. "2019 State of the Industry." <https://www.td.org/research-reports/2019-state-of-the-industry>.
Society for Human Resource Management. "Employee Benefits." 2008-2019. <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/benefits19.aspx>.
- 4 Census Bureau. "Survey of Income and Program Participation (SIPP)." U.S. Department of Commerce. <https://www.census.gov/programs-surveys/sipp.html>.
- 4 Osterman, Paul. 2020. "Skill Training for Adults." MIT Work of the Future. October. <https://workofthefuture.mit.edu/research-post/skill-training-for-adults/>.

While funding for education and training is an important component of an economic recovery strategy, other policies are needed to support workers and enable them to obtain new skills. These include policies to help to meet essential needs, such as income support, health care, housing assistance, food security, paid leave, and child care, as well as policies that help overcome common barriers to training opportunities, such as support for internet connectivity and transportation. Expanding access to high-quality training must also be considered in the broader context of promoting economic stability and pathways to opportunity. In addition to the availability of jobs, policymakers and industry leaders should consider the quality of jobs.⁵ The creation and availability of good jobs—jobs that offer a living wage, access to benefits, security and safety in the workplace, a stable and predictable schedule, and opportunities for advancement—are a key part of the path to financial security for workers and their families.⁶

EXPANDING ACCESS TO EMPLOYER-PROVIDED TRAINING IN THE COVID-19 RECOVERY

Employer-Provided Education & Training Prior to COVID-19

Employer-provided training represents a critical opportunity to upskill and advance one's career, especially for low-wage workers and those who lack post-secondary credentials. Yet data, though limited, suggest that there has been a decline in employer-provided education and training in recent decades.⁷ This may be partly due to a concern among employers that their employees, in a more dynamic labor market, would take newly acquired skills to a new job opportunity, potentially with a competitor.⁸ Despite this trend, employers remain the largest source of funding for worker training.⁹ Prior to the COVID-19 pandemic and economic downturn, some major U.S. employers were creating or expanding training programs as a way of attracting and retaining workers, creating pathways to new opportunities, driving towards greater inclusion, and building a more skilled workforce overall.¹⁰

Access to employer-provided training differs among workers based on educational attainment, as well as racial and ethnic identity. According to a 2015 report from the Georgetown Center on Education and Workforce, 83 percent of on-the-job training and tuition reimbursement from employers is provided to employees who hold a bachelor's degree or have attended some college.¹¹ A recent survey conducted by Paul Osterman of MIT concluded that while 56.5 percent of respondents received formal training and 49 percent received informal training from their employer in the previous year, highly educated workers were more likely to receive employer training than those with lower levels of educational attainment. In

5 Markle Foundation. 2020. "Incentivizing Employers to Hire and Train for Quality Jobs." September. <https://www.markle.org/sites/default/files/Policy-Brief-Incentivizing-Employers.pdf>.

6 Good Jobs Institute. "What Is a "Good" Job?" <https://goodjobsinstitute.org/what-is-a-good-job/>.

7 Association for Talent Development. 2019. "2019 State of the Industry." <https://www.td.org/research-reports/2019-state-of-the-industry>. Society for Human Resource Management. "Employee Benefits." 2008-2019. <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/benefits19.aspx>.

8 Census Bureau. "Survey of Income and Program Participation (SIPP)." U.S. Department of Commerce. <https://www.census.gov/programs-surveys/sipp.html>.

9 MIT Work of the Future. 2020. "The Work of the Future: Building Better Jobs in the Age of Machines." November. <http://workofthefuture.mit.edu/wp-content/uploads/2020/11/2020-Final-Report.pdf>.

10 Nightingale, Demetra Smith. 2020. "Job Skills, Small Businesses, and the Workforce Development System." Testimony before the House Small Business Subcommittee on Innovation and Workforce Development. Urban Institute. July. <https://www.urban.org/research/publication/job-skills-small-businesses-and-workforce-development-system>.

11 For examples and information on employer upskilling initiatives, see UpSkill America's "UpSkilling Playbook for Employers" and additional resources at www.aspeninstitute.org/programs/upskill-america/.

Fall, Jaime. 2017. "UpSkilling Playbook for Employers." UpSkill America at the Aspen Institute Economic Opportunities Program. <https://www.aspeninstitute.org/publications/upskilling-playbook/>.

12 Carnevale, Anthony, Jeff Strohl, and Artem Gulish. 2015. "College Is Just The Beginning: Employer's Role in the \$1.1 Trillion Postsecondary Education and Training System." Georgetown University Center on Education and the Workforce. February. <https://cew.georgetown.edu/cew-reports/college-is-just-the-beginning/>.

addition, the study found that African American, Hispanic, and Asian workers received less training from their employers than white workers.¹² Without intentional design to expand opportunity, employers' investments in education and training risk further exacerbating inequities in the skill attainment of workers.

Impact of the COVID-19 Pandemic & Economic Downturn

The COVID-19 pandemic has accelerated workplace trends that were already changing work, with increases in remote work, e-commerce, and automation.¹³ In addition, many employers have had to implement new health and safety protocols for their employees. The degree to which these changes impact the workforce highlights the disparate impact the pandemic is having across and even within industries.¹⁴ While some sectors, like warehousing and logistics, have added workers since the pandemic began, most sectors continue to face lower levels of employment, and many are seeing shifts in roles and skill needs. For example, the leisure and hospitality industry—including food services, accommodations, and entertainment—has seen dramatic reductions in employment, along with new protocols necessary to deliver services in ways that protect workers and customers. In the healthcare industry, there has been a critical need for staff with relevant skills to respond to the pandemic in hospitals and community health centers, while many doctors are experiencing less demand for routine and elective visits, leading to staff reductions in some instances. In addition, the healthcare industry is experiencing a shift in support and administrative tasks due to a recent rise in telemedicine.¹⁵

Given the disruption and varying impact on roles, some employers have trained employees to take on new roles, such as preparing retail staff to serve in remote customer service functions.¹⁶ At the same time, some employers may reduce their investments in education and training due to the current uncertainty in the economy and labor market. Additionally, businesses that are losing sales and revenue may not have the capital or budget to invest in training.

The health and economic crises have also exacerbated existing disparities in the workforce by race, ethnicity, and educational attainment, heightening the need for policies that promote equity. The initial recovery has been slower for Black and Hispanic workers, who have long faced disproportionately high unemployment rates and who are overrepresented in the highly impacted food and retail industries.¹⁷ Workers who lack a college degree or high school diploma also face a disproportionate level of job loss and underemployment. Understanding current racial, ethnic, and educational disparities is especially important as we look to support an inclusive recovery, as data from past recessions show that workers of color, as well as those who lack a postsecondary degree, have typically experienced higher unemployment for longer periods.¹⁸ This includes understanding which populations lack access to employer-provided education and training, and designing policies that support those searching for work.

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- 12 Osterman, Paul. 2020. "Skill Training for Adults." MIT Work of the Future. October. <https://workofthefuture.mit.edu/research-post/skill-training-for-adults/>.
- 13 Ding, Lei, and Julieth Saenz Molina. 2020. "Forced Automation' by COVID-19? Early Trends from Current Population Survey Data." Federal Reserve Bank of Philadelphia. September. <https://www.philadelphiafed.org/community-development/workforce-and-economic-development/forced-automation-by-covid-19>.
- Autor, David, and Elisabeth B. Reynolds. 2020. "The nature of work after the COVID crisis: Too few low-wage jobs." Brookings Institution. July. <https://www.brookings.edu/research/the-nature-of-work-after-the-covid-crisis-too-few-low-wage-jobs/>.
- 14 For example, while brick-and-mortar retail has experienced significant unemployment in 2020, Amazon and Walmart have reported adding hundreds of thousands of jobs, fueled by the growth of e-commerce.
- Weise, Karen. 2020. "Pushed by Pandemic, Amazon Goes on Hiring Spree." *New York Times*. November 27. <https://www.nytimes.com/2020/11/27/technology/pushed-by-pandemic-amazon-goes-on-a-hiring-spree-without-equal.html>.
- 15 Uhler, Andy. 2020. "Despite the pandemic, some jobs in health care have declined." *Marketplace*. October. <https://www.marketplace.org/2020/10/08/covid19-pandemic-some-jobs-health-care-decline-telemedicine-administrative-services-elective-surgeries/>.
- 16 Newman, Jared. 2020. "Why Verizon is investing in philanthropy, even during the pandemic." *Fast Company*. October. <https://www.fastcompany.com/90560084/verizon-ceo-hans-vestberg-philanthropy-strategy>.
- 17 Karpman, Michael, Stephen Zuckerman, and Genevieve M. Kenney. 2020. "Uneven Recovery Leaves Many Hispanic, Black, and Low-Income Adults Struggling." Urban Institute. October. <https://www.urban.org/research/publication/uneven-recovery-leaves-many-hispanic-black-and-low-income-adults-struggling>.
- 18 Stone, Chad. 2020. "Robust Unemployment Insurance, Other Relief Needed to Mitigate Racial and Ethnic Unemployment Disparities." Center on Budget and Policy Priorities. August. <https://www.cbpp.org/research/economy/robust-unemployment-insurance-other-relief-needed-to-mitigate-racial-and-ethnic>.
- Bauer, Lauren, and Jay Shambaugh. 2018. "Workers with low levels of education still haven't recovered from the Great Recession." Brookings Institution. September. <https://www.brookings.edu/blog/up-front/2018/09/06/workers-with-low-levels-of-education-still-havent-recovered-from-the-great-recession/>.

POLICIES TO ENCOURAGE EMPLOYER-PROVIDED TRAINING IN THE COVID-19 RECOVERY

Employers play a critical role in determining which competencies and credentials are in demand, and in supporting employees in developing their skills. Policy should help facilitate that role. This brief lays out a set of policy ideas that policymakers, at both the state and federal level, can pursue to incentivize employers to expand access to education and training. The ideas below represent three different approaches: (1) expanding resources, (2) developing tax incentives, and (3) increasing transparency and information on training investments.

Policymakers must also keep in mind that workers of color and those with lower formal educational attainment are less likely to receive employer-provided training investment. For this reason, policy design should expand access for these groups of workers and ensure that sufficient data is collected to understand the impact policies have across all workers. Policies must also direct workers toward high-quality credentials that provide economic value to workers and employers. Given the number of credentials available, it can be challenging for workers to determine which credentials best align with job opportunities.¹⁹ At the same time, employers need confidence in the value of the degrees and credentials that result from training investment. State policymakers should build on criteria, such as those created by National Skills Coalition for non-degree credentials, which have been developed and implemented to ensure the quality of postsecondary education and training supported by public investment.²⁰

I. INCREASE PUBLIC FUNDING TO SUPPORT TRAINING

Public funding and resources can make the provision of training less expensive for employers, helping to incentivize investment. Funding can take the form of grants or reimbursements to employers, and is often directed to specific training needs and types of credentials. However, policymakers must also balance how program restrictions may impact usage of funds, and should consider offering technical assistance, especially for small and medium-sized employers to navigate program applications and requirements.²¹

1. Expand and Support State Matching Grant Programs & Credential Cost-Sharing Grants

Targeted grants, reimbursements, and cost-sharing programs can help employers invest in training by reducing its cost. At the federal level, the Workforce Innovation and Opportunity Act (WIOA) provides employers with subsidies for training through the On-the-Job Training and Incumbent Worker Training programs, yet these programs are limited in their funding and overall reach. In fact, participation in the On-the-Job Training program has declined in recent years, while federal incumbent worker upskilling programs under WIOA only reach 1,500 workers annually.²²

19 Credential Engine. 2019. "Counting U.S. Postsecondary and Secondary Credentials - A 2019 Report." <https://credentialengine.org/counting-credentials-2019-report/>.

20 Duke-Benfield, Amy Ellen, Bryan Wilson, Kermit Kaleba, and Jenna Leventoff. 2019. "Expanding Opportunities: Defining Quality Non-Degree Credentials for States." National Skills Coalition. September. https://m.nationalskillscoalition.org/resources/publications/file/9.18-NSC_QNDC-paper_web.pdf.

21 Bergson-Shilcock, Amanda. 2020. "Funding Resilience: How public policies can support businesses in upskilling workers for a changing economy." National Skills Coalition. August. <https://www.nationalskillscoalition.org/resources/publications/file/Funding-Resilience-National-Skills-Coalition-digital-August-2020.pdf>.

22 Brown, Katie, and Katie Spiker. 2020. "It's Incumbent on U.S." National Skills Coalition. September. <https://www.nationalskillscoalition.org/resources/publications/file/Its-Incumbent-on-U.S.-September-2020-National-Skills-Coalition-web.pdf>.

Bergson-Shilcock, Amanda. 2020. "Funding Resilience: How public policies can support businesses in upskilling workers for a changing economy." National Skills Coalition. August. <https://www.nationalskillscoalition.org/resources/publications/file/Funding-Resilience-National-Skills-Coalition-digital-August-2020.pdf>.

Many states provide matching funds and cost-sharing opportunities to employers that offer training programs. One example is Maryland Business Works which provides training funds with a dollar-for-dollar match from employers. Training funds are capped by program year at \$4,500 per trainee and at \$40,000 per employer, and are focused on businesses with 500 or fewer employees that provide in-demand products or services.²³ Focused on a single sector, Connecticut's Manufacturing Innovation Fund is a matching fund program that provides employers with up to \$50,000 per year to provide training to their workforce. To be eligible, employers must have 2,000 or fewer employees and propose a training project value of at least \$10,000.²⁴ Between 2015 and 2019, over 19,000 workers participated in training supported by the Fund's Incumbent Worker Training Program, though the long-term funding of the program is currently uncertain.²⁵ Ohio's TechCred program, launched in 2019, provides a \$2,000 reimbursement to employers for each eligible technology-focused credential earned by current or prospective employees.²⁶ The program supported over 1,500 credentials in its first round of funding.²⁷ Both the Connecticut and Ohio programs facilitate training for in-demand skills and on new technologies, helping workers maintain and update their skills in a changing economy while also supporting state economic development goals. Policymakers should design programs to leverage and expand investment by employers, and in doing so can direct resources towards high-quality, in-demand credentials.

2. Establish a Capital Fund for Training

Developing a working capital fund for training is another way to increase employer investment in training. A working capital fund can be administered at the federal or state level and would distribute funds raised by an employer tax. The new pool of resources would be available to employers to provide a variety of training opportunities—such as traditional classroom-based training, online training, and on-the-job training. Revenues from a new business tax could be disbursed back to businesses in the form of training grants. Alternatively, a tax could be designed so that employers could partially or fully avoid it if they meet a certain target for worker training investments.

Many countries—including France, Italy, Korea, the Netherlands, and Poland—as well as some U.S. states have implemented a levy to establish training funds.²⁸ In California, the Employment Training Panel, funded by California employers through a special payroll tax, provides funding to assist employers in providing training that leads to good paying, long-term jobs for their workers.²⁹ A recent analysis of California's program suggests the program produces positive results, including improving retention and motivation among workers, establishing more consistent and up-to-date human resource processes, and remaining competitive businesses, among other benefits.³⁰ Policymakers should consider whether a training levy could provide a sufficient motivation for employers to increase their investment in education and training opportunities for their workers, and recognizing the challenging economic conditions many businesses face, consider the appropriate way to implement such a program as a long-term solution.

23 Maryland Department of Labor. "Maryland Business Works Requirements." <https://www.dllr.state.md.us/employment/mbwreq.shtml>.

24 Connecticut Department of Labor. "Connecticut Manufacturing Innovation Fund: Incumbent Worker Training Program." <https://www.ctdol.state.ct.us/IWTmanufappform.htm>.

25 Connecticut Manufacturing Innovation Fund. 2019. "2019 MIF Annual Report." <https://portal.ct.gov/-/media/DECD/Business-Development/Documents/Manufacturing-Innovation-Fund/MIF-2019-Annual-Report.pdf>.

Teehan, Sean. 2020. "CT's \$75M Manufacturing Innovation Fund runs dry as industry's needs grow." *Hartford Business Journal*. July 14. <https://www.hartfordbusiness.com/article/cts-75m-manufacturing-innovation-fund-runs-dry-as-industrys-needs-grow>.

26 National Governors Association. 2020. "Reimagining Workforce Policy in the Age of Disruption: A State Guide for Preparing the Future Workforce Now." July. <https://www.nga.org/center/publications/workforce-policy-in-age-of-disruption/>.

TechCred. "Program Guidelines." State of Ohio. Last updated May 28, 2020. <https://techcred.ohio.gov/wps/portal/gov/techcred/about/program-guidelines>.

To be eligible for reimbursement, credentials must be industry-recognized, technology-focused, and short-term, which is defined as "certificates or certifications able to be completed in less than one calendar year in programs that are fewer than 900 clock hours or thirty (30) credit hours." Businesses are eligible for up to \$30,000 total in reimbursement per funding round.

27 Governor's Office of Workforce Transformation. 2019. "TechCred to Support the Earning of Over 1,500 Credentials in First Round." State of Ohio. December. <https://workforce.ohio.gov/wps/portal/gov/workforce/news/news-site/120619>.

28 OECD. 2019. "Getting Skills Right: Future-Ready Adult Learning Systems." February. https://www.oecd-ilibrary.org/education/getting-skills-right-future-ready-adult-learning-systems_9789264311756-en.

29 State of California. "Employment Training Panel." <https://etp.ca.gov/>.

30 Negoita, Marian, and Annelies Goger. 2020. "State-level policies to incentivize workplace learning: Impacts of California's incumbent worker training program." Brookings Institution. July. <https://www.brookings.edu/research/state-level-policies-to-incentivize-workplace-learning/>.

3. Encourage Sector Partnerships

Sector partnerships bring together local stakeholders—including employers, education and training providers, workforce boards, and community organizations—to address barriers to training access by developing education-to-employment talent pipelines. Such partnerships have demonstrated effectiveness in improving training programs’ participation and completion rates, while also yielding better employment and earnings outcomes for workers.³¹ At the same time, employers gain access to qualified talent that can support growth and competitiveness. These programs can be especially valuable to small and medium-sized employers that may lack resources to create and support programs on their own.

As similar employers may face related challenges regarding the skill needs of their workers—especially given technological changes across the workforce and recent pandemic-related displacement—these programs present opportunities for employers within the same sector to coordinate the creation and funding of a training program. For example, sector partnerships can be used to incentivize groups of employers and educational institutions to build coordinated apprenticeship programs, allowing workers to engage in more formalized classroom instruction and gain on-the-job experience while also earning a paycheck.

Federal and state policies can support and encourage the creation of sector partnerships. A state-level sector partnership policy can support local partnerships through funding, technical assistance, and program initiatives, which can be done individually or in combination with one another.³² Examples of state programs to support sector partnerships include: Colorado’s Sector Partnerships,³³ Maryland’s Employment Advancement Right Now (EARN)³⁴, Massachusetts’ Workforce Competitiveness Trust Fund,³⁵ and Connecticut’s Regional Sector Partnerships.³⁶

II. DEVELOP & UPDATE TAX INCENTIVES FOR TRAINING

The U.S. tax code has long been used as a tool to incentivize business behavior and stimulate investment. For example, the tax code provides considerable support to employers that provide health care and retirement benefits. The federal government provides an estimated \$174 billion in tax exclusions for employer contributions to health care each year. By comparison, the tax code provides roughly \$1.6 billion in federal subsidies to employers providing education assistance and tuition reduction benefits to their employees.³⁷ The tax code is an underutilized tool for incentivizing investment in skill development opportunities for U.S. workers. Particularly as many businesses are grappling with the vast economic impacts of the pandemic and economic downturn, additional financial supports can enable further investment in their workforce. The following ideas would increase the role that the federal and state governments play in incentivizing employer-provided training through the tax code.

31 Hendra, Richard, et al. 2016. “Encouraging Evidence on a Sector-Focused Advancement Strategy: Two-Year Impacts from the WorkAdvance Demonstration.” MDRC. August. <https://www.mdr.org/publication/encouraging-evidence-sector-focused-advancement-strategy-0>.

Maguire, Sheila, et al. 2010. “Tuning In to Local Labor Markets: Findings From the Sectoral Employment Impact Study.” Public/Private Ventures. July. <http://ppv.issuelab.org/resources/5101/5101.pdf>.

32 National Skills Coalition. 2016. “Sector Partnership Policy Toolkit Summary.” October. <https://www.nationalskillscoalition.org/state-policy/body/Sector-Partnership-Policy-Toolkit-Summary.pdf>.

33 Colorado Workforce Development Council. “Sector Partnerships.” State of Colorado. <https://cwdc.colorado.gov/get-involved/sector-partnerships>.

34 Maryland Department of Labor. “EARN Maryland Partnerships.” <https://www.dllr.state.md.us/earn/>.

35 Commonwealth of Massachusetts. “Section 2WWW: Workforce Competitiveness Trust Fund.” <https://malegislature.gov/Laws/GeneralLaws/PartI/TitleIII/Chapter29/Section2WWW>.

36 Office of the Governor of Connecticut. 2020. “The Governor’s Workforce Council: Workforce Strategic Plan.” State of Connecticut. October. <https://portal.ct.gov/-/media/Office-of-the-Governor/News/20201028-Governors-Workforce-Council-Strategic-Plan.pdf>.

37 The Joint Committee on Taxation. 2019. “Estimates of Federal Tax Expenditures For Fiscal Year 2019-2023.” December. <https://www.jct.gov/publications/2019/jcx-55-19/>.

4. Incentivize Worker Training Through Tax Credits

To partially offset the cost of new training activities for employers, policymakers could create a Worker Training Tax Credit, which would mirror the policy design of the federal Research & Development (R&D) Tax Credit. Businesses would establish a base expenditure level for qualified training expenses, which would be determined by averaging the amounts spent in each of the three years prior to the current tax year. The value of the tax credit would be 20 percent of the difference between the current year qualified training expenditure and the base expenditure level. The credit would only cover training for non-highly compensated workers, as defined by the standard used in the Internal Revenue Code. Eligible training activities include employer-provided training that leads to an industry-recognized credential, or training programs authorized under the Workforce Innovation and Opportunity Act.³⁸

Legislation proposing a Worker Training Tax Credit has been introduced in the U.S. Senate and the U.S. House of Representatives, most recently in February 2019 and November 2019, respectively.³⁹ At the state level, variations of a Worker Training Tax Credit have been introduced, including in Virginia,⁴⁰ Connecticut,⁴¹ and New Jersey,⁴² among others.⁴³ In response to the economic downturn, the proposal could be modified such that the credit automatically adjusts with economic conditions, with a higher credit rate during high unemployment and a lower credit rate during low unemployment.

5. Modernize the Tax Exclusion for Employer-Provided Educational Assistance

The federal tax code contains very few provisions to encourage employers to finance additional education and training for their employees. The main provision that exists is a tax exclusion for employer-provided educational assistance, located in Section 127 of the Internal Revenue Code. This provision offers a tax-advantaged opportunity for companies to support their employees' pursuit of education. Added to the U.S. tax code in 1978, Section 127 provides a tax exclusion to the employee for up to \$5,250 per year, paid or reimbursed by an employer, for qualified educational assistance, including tuition, fees, and books. Data from the Society for Human Resource Management shows that the share of employers offering educational assistance programs as a benefit to their employees has decreased from 66 percent in 2008 to 51 percent in 2018.⁴⁴ Despite a majority of employers reporting that they offer educational assistance, usage of these programs by employees remains relatively low.⁴⁵ Employers have implemented programs designed to increase usage by their employees, for example by offering an upfront payment model, rather than relying on a reimbursement model, yet there is also opportunity for policy change.

As policymakers examine specific policies that incentivize employers to reskill and upskill their employees, potential reforms to Section 127 could increase investment and better target education

38 Fitzpayne, Alastair, and Ethan Pollack. 2018. "Worker Training Tax Credit: Promoting Employer Investments in the Workforce." Aspen Institute Future of Work Initiative. August. <https://www.aspeninstitute.org/publications/worker-training-tax-credit-update-august-2018/>.

39 U.S. Senate. "S.538 - Investing in American Workers Act." 116th Congress. Introduced February 25, 2019. <https://www.congress.gov/bill/116th-congress/senate-bill/538>.
U.S. House of Representatives. "H.R.5012 - Investing in American Workers Act." 116th Congress. Introduced November 8, 2019. <https://www.congress.gov/bill/116th-congress/house-bill/5012>.

40 Virginia General Assembly. "HB 2539 Worker retraining tax credit; sunset date, worker training investment tax credit." Offered January 9, 2019. <https://lis.virginia.gov/cgi-bin/legp604.exe?191+sum+HB2539&191+sum+HB2539>.

41 Connecticut General Assembly. "H.B. No. 7011 - An Act Establishing a Tax Credit for Employers That Provide Workforce Development and Job Training." Introduced January 31, 2019. <https://www.cga.ct.gov/2019/TOB/h/pdf/2019HB-07011-R00-HB.PDF>.

42 State of New Jersey. "Senate No. 3337." Introduced January 17, 2019. https://www.njleg.state.nj.us/2018/Bills/S3500/3337_11.HTM.

43 Additional states with a version of a worker training tax credit in place include Georgia, Kentucky, and Mississippi.

Georgia Department of Economic Development. "Retraining Tax Credit." <https://www.georgia.org/retraining-tax-credit>.

Kentucky Cabinet for Economic Development. "Bluegrass State Skills Corporation." <https://ced.ky.gov/Workforce/BSSC.aspx>.

State of Mississippi Department of Revenue. "Basic Skill Training or Retraining Tax Credit." <https://www.dor.ms.gov/Business/Pages/Basic-Skill-Training.aspx>.

44 Society for Human Resource Management. 2008. "2008 Employee Benefits." https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Documents/08-0335_BenefitsSR_FINAL_.pdf.

Society for Human Resource Management. 2018. "2018 Employee Benefits." June. <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/pages/2018-employee-benefits.aspx>.

45 Association for Talent Development. 2019. "2019 State of the Industry." <https://www.td.org/research-reports/2019-state-of-the-industry>.

and training for workers.⁴⁶ With the shifting format of and needs for educational programs in recent years, the eligible expenses under Section 127 could be expanded to include tools and technology that are now required. Additionally, policymakers could consider a temporary increase to the \$5,250 tax exclusion and evaluate if and how to increase the level of tax-free assistance that is offered on a permanent basis.

Proposals to modernize Section 127 have been discussed at the federal level. In the U.S. Senate, bipartisan legislation introduced in August 2020 would increase the exclusion from employee gross income of employer-paid educational assistance programs from \$5,250 to \$12,000 in 2020-2021 and also expand the definition of educational equipment provided to an employee to include education-related tools and technology and other equipment, such as hand tools, computers, and software.⁴⁷ A separate proposal in the U.S. Senate introduced in June 2020 would increase the exclusion of employer-provided educational assistance to \$11,500.⁴⁸

III. INCREASE TRANSPARENCY & INFORMATION ON EMPLOYER INVESTMENT IN TRAINING

While some companies publicly share information on training initiatives and the educational benefits they offer to employees, there is a lack of standardized information on how employers invest in their employees. Greater transparency on how employers are investing in education and training has the potential to shape business practices and inform policymaking. Establishing new human capital disclosure guidelines and aligning the accounting treatment of human and physical capital investment could provide incentives for more long-term-oriented behavior by companies, including investment in their employees. In addition, better data on employer investments in training could support the design of future policies to encourage investment and promote equity.

6. Expand Human Capital Disclosure

The U.S. Securities and Exchange Commission (SEC) requires public companies to disclose a range of information on an ongoing basis related to a company's performance, financial condition, and potential risks. Beyond required disclosures, companies may also choose to disclose information on environmental, social, and governance (ESG) factors. Social factors address a range of issues related to a company's customers and human resources. For the latter, this could include employee pay and benefits and investment in training, as well as diversity and other measures.⁴⁹ Increasingly, companies are opting to make ESG disclosures.⁵⁰ However, companies may use different frameworks and methods to report on ESG factors, limiting the ability to compare information across companies and potentially omitting information on human capital altogether.

More consideration is being given to the ways in which employer investment in human capital may impact a company's performance and how companies can document that investment to the SEC and the public.⁵¹ Expanding SEC disclosure guidelines to include human capital metrics has the potential to

46 Fitzpayne, Alastair, Anna Fife, Hilary Greenberg, and Ethan Pollack. 2020. "Modernizing Tax Incentives for Employer-Provided Educational Assistance." Aspen Institute Future of Work Initiative. June. <https://www.aspeninstitute.org/publications/modernizing-tax-incentives-for-employer-provided-educational-assistance-june-2020/>.

47 U.S. Senate. "S.4408 - Upskilling and Retraining Assistance Act." 116th Congress. Introduced August 4, 2020. <https://www.congress.gov/bill/116th-congress/senate-bill/4408>.

48 U.S. Senate. "S.3916 - American Workforce Development Act." 116th Congress. Introduced June 8, 2020. <https://www.congress.gov/bill/116th-congress/senate-bill/3916>.

49 Green, Andy, and Andrew Schwartz. 2018. "Corporate Long-Termism, Transparency, and the Public Interest." Center for American Progress. October. <https://www.americanprogress.org/issues/economy/reports/2018/10/02/458891/corporate-long-termism-transparency-public-interest/>.

50 Robinson, Christine, Inna Vodovoz, Kristen Sullivan, and Jennifer Burns. 2019. "#DeloitteESGnow – Sustainability Disclosure Goes Mainstream." Deloitte & Touche LLP. September. <https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2019/deloitteesgnow-sustainability-disclosure-goes-mainstream>.

51 U.S. Government Accountability Office. 2020. "Public Companies: Disclosure of Environmental, Social, and Governance Factors and Options to Enhance Them." Report to the Honorable Mark Warner, U.S. Senate. <https://www.gao.gov/assets/710/707949.pdf>.

increase comparability and provide investors and the public with more information on how companies invest in their employees.⁵² To address this issue, in August 2020, the SEC issued amendments to Regulation S-K, which contains disclosure requirements for public companies, to require a description of a company's human capital resources.⁵³ This change also acknowledged the importance of human capital to creating long-term business value.⁵⁴ In addition to the SEC's recent action, policymakers could pursue legislative options to encourage or require enhanced ESG disclosures by companies, including specific metrics.⁵⁵ This year, legislation was introduced in both the House and Senate that would require public companies to disclose information about human capital management, including information about workforce skills and capabilities, and training of employees.⁵⁶

7. Equalize Accounting Treatment of Human and Physical Capital

Accounting standards guide how companies measure and communicate financial information. They can also have an impact on business decisions, including corporate investments.⁵⁷ However, some have argued that financial statements do not adequately capture drivers of value in our current economy, such as human capital. Because accounting standards tend to treat investments in human capital as an expense, there is a disparity in how human capital investments and physical capital investments are viewed, potentially creating a disincentive for investment.⁵⁸

Studies have shown that training investments can produce positive returns for workers as well as for businesses.⁵⁹ The accounting treatment of human capital should better reflect the value of that investment. Recently, efforts ranging from the International Labour Organization's (ILO)'s Global Commission on the Future of Work to the Talent Finance initiative led by the U.S. Chamber of Commerce Foundation have called for exploring how accounting measures treat human capital in the context of increasing investment in training.⁶⁰ Federal policymakers can expand on these efforts and ask the SEC to request that the Financial Accounting Standards Board (FASB) provide guidance on financial accounting standards for human capital.

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- 52 Aspen Institute Future of Work Initiative. 2019. "Solutions for a Changing Economy: A Report from the Aspen Institute Future of Work Initiative National Advisory Council." October. <https://www.aspeninstitute.org/publications/solutions-for-a-changing-economy-october-2019/>.
- 53 U.S. Securities and Exchange Commission. 2020. "Modernization of Regulation S-K Items 101, 103, and 105." <https://www.sec.gov/rules/final/2020/33-10825.pdf>.
The final amendment notes: "Under the final amendments, Item 101(c) will require, to the extent such disclosure is material to an understanding of the registrant's business taken as a whole, a description of a registrant's human capital resources, including any human capital measures or objectives that the registrant focuses on in managing the business." However, the SEC declined to adopt a definition of human capital.
- 54 In releasing the amendments to Regulation S-K in August 2020, SEC Commissioner Jay Clayton noted, "From a modernization standpoint, today, human capital accounts for and drives long-term business value in many companies much more so than it did 30 years ago."
Clayton, Jay. 2020. "Statement by Chairman Clayton on Modernizing the Framework for Business, Legal Proceedings and Risk Factor Disclosures." U.S. Securities and Exchange Commission. August. <https://corpgov.law.harvard.edu/2020/08/27/statement-by-chairman-clayton-on-modernizing-the-framework-for-business-legal-proceedings-and-risk-factor-disclosures/>.
- 55 See the July 2020 GAO report, Public Companies: Disclosure of Environmental, Social, and Governance Factors and Options to Enhance Them, for additional information on potential regulatory options, which could include "new requirements for specific ESG disclosures, a new SEC regulation that endorses the use of an ESG disclosure framework, or new SEC interpretive releases on ESG disclosure topics."
Riesenberg, Thomas. 2020. "A View on the SEC Rule Regarding Human Capital Disclosures." Sustainability Accounting Standards Board. Harvard Law School Forum on Corporate Governance. September. <https://corpgov.law.harvard.edu/2020/09/12/a-view-on-the-sec-rule-regarding-human-capital-disclosures/>.
- 56 U.S. House of Representatives. "H.R.5930 - Workforce Investment Disclosure Act of 2020." 116th Congress. Introduced February 21, 2020. <https://www.congress.gov/bill/116th-congress/house-bill/5930>.
- 57 Shroff, Nemit. 2017. "Corporate Investment and Changes in GAAP." *Review of Accounting Studies* 22, no. 1 (March): 1-63. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1977532.
- 58 U.S. Securities and Exchange Commission. 2019. "Recommendation of the Investor Advisory Committee. Human Capital Management Disclosure." March. <https://www.sec.gov/spotlight/investor-advisory-committee-2012/human-capital-disclosure-recommendation.pdf>.
Lerman, Robert. 2015. "Are Employers Providing Enough Training? Theory, Evidence and Policy Implications." Prepared for the National Academy of Sciences Symposium on the Supply chain for Middle-Skill Jobs: Education, Training, and Certification Pathways. June. https://sites.nationalacademies.org/cs/groups/pgasite/documents/webpage/pgasite_168146.pdf.
- 59 Bernstein, Aaron, and Larry Beeferman. 2015. "The Materiality of Human Capital to Corporate Financial Performance." The Investor Responsibility Research Center Institute and the Labor and Worklife Program of Harvard University. April. https://lwp.law.harvard.edu/files/lwp/files/final_human_capital_materiality_april_23_2015.pdf.
Lumina Foundation. 2016 "Talent Investments Pay Off White Paper: Cigna Realizes Return on Investment from Tuition Benefits." April. <http://www.luminafoundation.org/files/resources/talent-investments-pay-off-cigna-full.pdf>.
- 60 International Labour Organization. 2019. "Work for a brighter future - Global Commission on the Future of Work." January. <https://www.ilo.org/global/topics/future-of-work/brighter-future/lang-en/index.htm>.
U.S. Chamber of Commerce Foundation. 2020. "Talent Finance: A New Consensus and Return-to-Investment." September. <https://www.uschamberfoundation.org/reports/talent-finance-new-consensus-and-return-investment>.

8. Improve Federal Data on Employer-Provided Training

Due to a lack of comprehensive public data, little is known about the availability and take-up of employer-provided education and training. Improved information on these programs can allow policymakers to make informed decisions about where and how to allocate resources and incentivize investment. Restarting and updating the Survey of Employer-Provided Training (SEPT)—conducted by the Bureau of Labor Statistics (BLS) in 1993 and 1995—would provide policymakers and researchers with a better understanding of employer investments in worker training. The SEPT provided detailed information on employer-provided training by major industry division and by size of establishment. The 1995 survey measured three different aspects of training: (1) the average number of hours of training per employee, (2) the average number of training activities per employee, and (3) the expenditures per employee in four selected spending categories, which were measured for the previous year.

Federal policymakers should consider funding BLS to restart the SEPT. In recent years, members of Congress have tried to provide funding through the appropriations process. In a 2019 report from the House Appropriations Committee on the fiscal year 2020 Labor, Health, and Human Services, Education, and Related Agencies appropriations bill, language was included for the BLS to “continue research and work toward a new Survey of Employer Provided Training.”⁶¹ Collecting consistent data on a more regular basis would provide a more thorough understanding of the role of employer-provided training in the broader economic landscape.

CONCLUSION

The United States needs new and expanded policies that support employers and encourage additional investments in training. While the future is uncertain, the need for a skilled and competitive workforce has only increased with the economic crisis resulting from the COVID-19 pandemic. Employers play a critical role in helping their employees obtain needed skills, in part through the provision of formal education and training opportunities. Keeping the needs of both employers and workers at the forefront, policy should be used to encourage employer-provided training that leads to the attainment of high-quality credentials. In addition to the expansion of policies that incentivize investment and increase educational attainment, employers should also consider non-financial incentives, such as flexible work schedules and paid leave programs, which can increase the accessibility of training opportunities for workers.⁶²

While not the subject of this policy brief, an important additional consideration is how best to provide education and training to the millions of Americans who work independently, and therefore are not in a traditional employer-employee relationship. Solutions that help all workers access skill-building opportunities, regardless of work arrangement, are critically important. As of this writing, there are also nearly 11 million unemployed Americans, including a significant number who are now experiencing long-term unemployment. Employer-provided training has the potential to help avoid some layoffs by preparing employees train for available roles within the same firm. In addition to policies that seek to discourage further layoffs—such as work-sharing programs—access and support for high-quality education and training opportunities remain essential to help workers transition to new jobs.⁶³

61 U.S. House of Representatives. 2020. “Report of the Committee on Appropriations.” Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Bill, 2020. <https://www.congress.gov/116/crpt/hrpt62/CRPT-116hrpt62.pdf>.

62 National Governors Association. 2020. “Reimagining Workforce Policy in the Age of Disruption: A State Guide for Preparing the Future Workforce Now.” July. <https://www.nga.org/center/publications/workforce-policy-in-age-of-disruption/>.

63 Fitzpayne, Alastair, and Ethan Pollack. 2020. “Millions of Workers Have Lost Their Jobs, and Some Are Never Coming Back. An Ambitious Approach Is Needed.” Aspen Institute Future of Work Initiative. May. <https://www.aspeninstitute.org/blog-posts/supporting-workers-facing-permanent-job-losses/>.

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