

THE AGENDA

FUTURE OF PROSPERITY

A POLITICO WORKING GROUP REPORT

LADDERS TO SUCCESS

Rethinking education and skills training for tomorrow's workforce

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AMERICA IS BUILT ON THE PROMISE of opportunity—a society in which no matter who your parents are or where they came from, you can build a prosperous life for yourself and your children. And education, especially higher education, has long been seen as the primary ladder to that prosperity. Today, however, observers both inside and outside America's higher education establishment have begun to ask whether a system more than two centuries old is the best fit for an economy whose skills and demands change at the pace of modern technology.

At the workplace, skills become outdated faster than ever. Digital know-how is required at all levels, from assembly lines to top management. Robots and other forms of automation and artificial intelligence are becoming a part of more workplaces, shifting the roles for human workers, and increasing the need for not just high-skilled workers, but constant skill upgrades.

At the same time that education is more and more important to workforce training, the costs and risks associated with education have grown. At the college level, tuition and costs have generally risen faster than wages. More than 40 percent of students who start college fail to graduate, often ending up with debt but no degree to help them pay it off. Those who do graduate don't necessarily



have an easy pathway into the white-collar middle class. Meanwhile, the millions of older Americans who need to improve their skills midcareer face an education system whose incentives and federal policies are still built around the idea that “higher education” means high school graduates seeking bachelor's degrees.

If a primary goal of our national education policy is to give Americans a pathway to

prosperity, is it time to rethink America's school-skills-jobs pipeline?

To tackle this question, POLITICO convened a high-powered group of 17 education leaders, business executives and policymakers and asked for their best ideas for how to improve the system—and what role Washington could play in that change. The group met under Chatham House rules to encourage candor.

Overall, the group agreed strongly that it's high time to "disrupt" higher education in America and that a number of promising new models are worth considering. Notably, however, they found it easier to identify problems than chart policy solutions—in part because of today's political crosscurrents, and also because of the limited set of tools

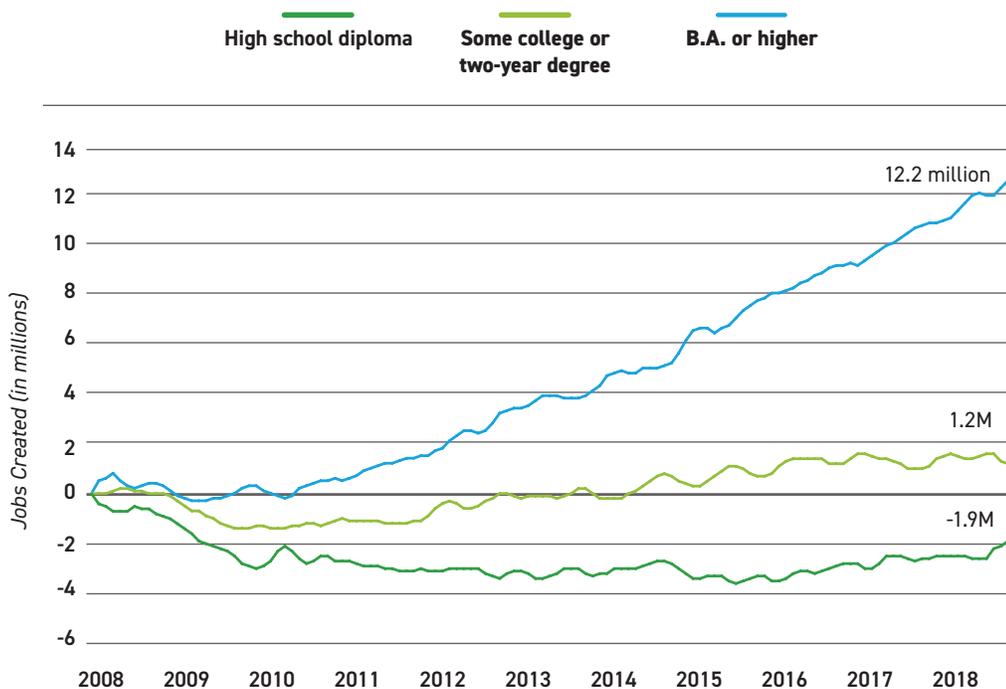
available at the federal level. Still, participants offered some intriguing ideas, including some that could be adopted nationally.

This POLITICO working group report summarizes the discussion, details points of consensus and disagreement, and outlines policy ideas that the group believes deserve consideration. It's part of a yearlong journalism series called the Future of Prosperity, exploring the long-term challenges facing Americans' financial well-being.

Note: Under the ground rules of the discussion, the list of participants is public and appears at the end of this document, but POLITICO is not attributing specific views and comments to individuals.

The pace of technological innovation is accelerating, making it necessary for workers to repeatedly learn new skills throughout their working lives.

More workers need more education | Since the recession that ended in 2010, the majority of jobs created in the U.S. economy require at least a four-year degree. At the same time, the number of jobs that require only a high school diploma have declined.



Source: Center for Education and the Workforce, Georgetown University

WHAT'S THE TROUBLE?

It wasn't so long ago that an American with a high school diploma could look forward to a long and lucrative work life, with the kind of salary and benefits that could support a family and build a secure retirement. That is no longer the case, and the working group identified several changes that are shaping the new reality.

First, the vast majority of jobs now require some form of education after high school. In fact, nearly all the job growth in the economy has come at the upper tiers of qualification. Of the 13 million jobs created since the Great Recession, 12 million required a bachelor's degree or higher. And that imbalance is likely to continue: According to the U.S. Bureau of Labor Statistics, 68 percent of all jobs created from 2016 to 2026 will require post-secondary education; about 40 percent will require a B.A. at minimum. Fewer than 12 percent will require only a high school diploma or less.

But only 34 percent of Americans over age 25 have attained a four-year college degree or higher—suggesting an imbalance between members of the workforce and the jobs for which they're competing. And that's not even considering the growing demand for professional credentials. Already, one-quarter of American workers need some kind of license or certificate to do their jobs, and the bureau predicts that percentage will continue to climb.

Second, the pace of technological innovation is accelerating, making it necessary for workers to repeatedly learn new skills throughout their working lives. Even students fresh out of college or with a newly minted certification can find their skills out of date in a few years. "There is a skills gap which is in the process of getting worse," said one working group participant. "It's getting worse because the requirements for work are changing, and they change much faster than the ability of the education system to respond." "This digital transformation is very real ... All people need to have some form of digital aptitude to keep up with that," said another participant.

Third, the costs—and risks—of a college education have reached the point that many question whether the investment pays off in



the long run. Students are asking whether they really need an expensive B.A. first if they want to learn to write computer code or enter another profession that requires a defined set of skills. Students need to make decisions about what kind of degree or major to pursue with little information about what jobs will be open two, four or more years into the future. The high costs contribute to the difficulty of many students completing their education, which leaves a significant portion of them in the worst of both worlds: saddled with debt, but with no degree to show for it.

One participant didn't sugarcoat it: "The meme that you can make it in America if you got a degree is frankly a bit of a fraud."

And finally, the set of institutions we're counting on to accomplish all this—our higher education system—was largely built to educate young adults prior to their first jobs. Although American higher education is the envy of the world in many respects, it's not fundamentally well-suited to meet the needs of workers who now need retraining or "upskilling" at later points in their careers. Older workers who want or need to upgrade their education or switch professions have little information about what jobs are in demand and what training is necessary to qualify for them. They may also not be comfortable in a traditional classroom and may lack the financial means to pay out of pocket. And federal financial aid programs,

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similarly, are shaped by this older model; they generally don't pay for education that isn't focused on traditional degree programs.

For all those reasons, the group concluded, there's a growing disconnect between what the U.S. education system produces and the job skills that workers and employers need. College graduates have degrees but varied job prospects, depending on their major. Older workers, particularly those who are unemployed, have little guidance or resources for getting back into the workforce. Working group participants cited statistics indicating 1 in 7 prime-age men in the United States isn't in the workforce as evidence that the system needs disruption.

The bottom line is that more Americans than ever before need some form of higher education. But what kind, at what stage of life and at what cost, are all questions seeking answers.

We are—or should be—at a pivot point, the group believed. “The entire system that we have made our country successful on will not be the system that will be able to make us successful going forward,” said one participant.

WHAT NEEDS TO CHANGE?

Working group participants largely agreed on a number of principles that should guide efforts to remake or expand America's higher education system to meet the changing needs of workers and employers.

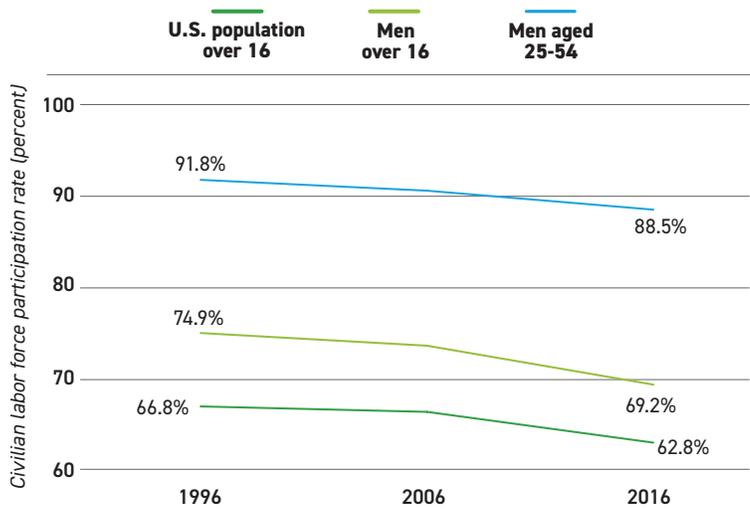
Stop thinking about education and work as a straight line. Most people assume education comes first and work follows. But in an economy that needs workers to retrain every few years, more and more Americans will find themselves moving back and forth between school and work ... or working while studying, or studying while working. The higher education system currently focuses on young adults leaving high school; going forward, working group members said the system needs to expand its concept of who is a student and what is a university. “It's going to be very important to make sure that we come up with a system that works in terms of reskilling people, not just at the large firms that have workforce planning, but throughout the economy,” said one participant.

Acknowledge that most students in higher education want job training. Some participants said that more colleges and universities need to take their students' job training goals seriously. They cited surveys suggesting that obtaining skills that will help get a job is the top goal of university students. Meanwhile, even some of the educators in the working group acknowledged that universities tend to take a more philosophical approach to learning, emphasizing that they are trying to produce well-rounded citizens. Colleges say “we don't place people into jobs. We create citizens of the world,” said one participant. “That's lovely, but that is part of the problem.”

“People don't like to use the word ‘vocational education’ but that's what we're talking about,” said another participant. “We have a very large federal investment in higher education, and our higher education system does try to deliver a lot of career education, but it's not always great at that.”

“Right now the degree is the coin of the realm but many people believe that there will be a transition more to [hiring for] skills.”

U.S. workers dropping out of the workforce | There has been an overall decline in the percentage of Americans who are working or actively seeking work, led by a decline in labor force participation by men in their prime working years, ages 25-54.



Source: U.S. Bureau of Labor Statistics



Think outside the classroom. Learning doesn't just take place in a classroom, and indeed, many students and workers don't respond well to traditional school. By contrast, many of those students do respond well to hands-on learning outside the classroom. This is particularly the case for midcareer workers who don't want to go back to school and who are psychologically invested in working. "We need to think very seriously about the value of work to the individual ... One of the biggest problems with unemployment is that you actually become, in many ways, disenfranchised as a citizen," said one participant. "We've got to meet them where they are and figure out how to get them the skills that they need as worker-learners through a different model," said another.

Hire for skills, not degrees. Too many employers reflexively require college degrees for their employees without really considering why. Several working group participants said that a B.A. is often used by employers less as a qualification than as a signal—a document that proves a graduate is capable of learning. If employers want to better match workers to jobs, some participants said, they need to think more seriously about exactly what skills

they really need, and which of those skills can be taught on the job and communicate that more clearly to potential applicants. "Right now, the degree is the coin of the realm, but many people believe that there will be a transition more to [hiring for] skills," one participant said.

Make credentials "stackable." More thought needs to go into how students acquire knowledge in the course of their lives—and from more than one source. Right now, courses a student passes in one institution may not be recognized at another institution, forcing the student to repeat or simply lose that credit. Instead, if a student could accumulate credits and credentials over the course of their lives, they could add up to degrees or credentials that enhance their résumés. "Stacking" credentials in this way would help students who drop out of degree programs get credit for what they have already learned and make it easier for midcareer workers to pick up where they left off. It also would make it possible for a worker to attend a variety of institutions, from traditional universities to specialty institutes to online schools, and even integrate those credentials with training

1 in 7

prime-age men in the United States isn't in the workforce

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of students who start college fail to graduate

from an employer. “We need to break up that traditional linear pathway of [the] four-year degree,” said one participant, in favor of “stackable, modular education.”

Make grants and loans more flexible. The federal government plays a crucial role in education financing: It guarantees the vast majority of loans for higher education. But its rules still prioritize four-year degree programs over other options. Working group participants said that while the government must be careful to make sure the education it supports leads to good outcomes for students—primarily jobs—it should loosen the rules so that students can get financial aid to pay for job-related training that may not include a B.A. “The federal government is the only source of liquidity in the system, and they tightly restrict what you can do with that money,” said one participant, “particularly for learners outside those prime educational years.”

Look for solutions that “scale.” The economy is demanding more educated workers than the current system is producing, so ideas and policies need to be replicated on a large scale to have an

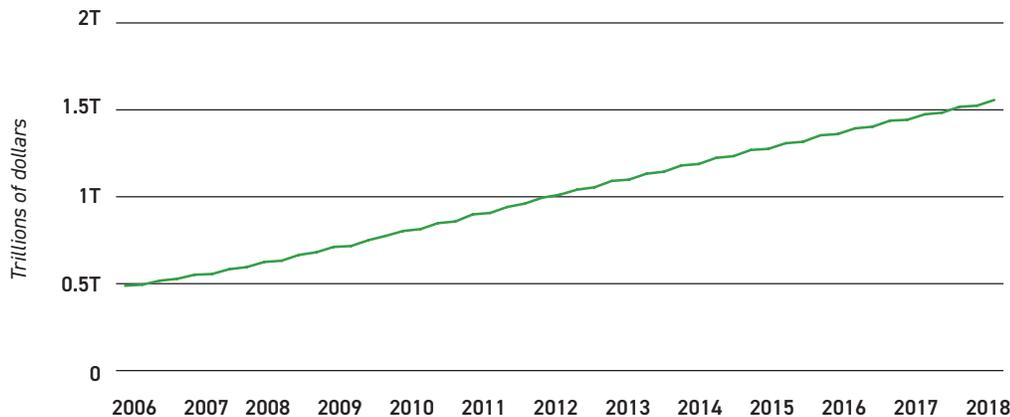
impact, working group members said. In particular, the system needs to reach potential students who are currently not being served well, particularly students of color, those from economically and socially disadvantaged backgrounds, and those in midcareer. Several participants noted that all too often in U.S. higher education, exclusivity and “selectivity” are taken as signs of quality. Instead, universities should start defining themselves “not by who you exclude but who you include,” said one participant. “All of higher ed has to be incentivized to scale our programs in that way.”

WHAT'S WASHINGTON'S ROLE?

U.S. education policy is largely set at the state level, but there are still some key areas in which working group members felt the federal government could promote solutions that would improve the linkage between education and jobs. Group members disagreed about how promising some of these ideas are, but generally agreed that they deserve more study and attention from federal policymakers.

Students and workers also need better information about what jobs might be available and what they need to do to qualify.

Taking on debt to get ahead | As college costs have climbed, Americans have taken on more and more debt to finance higher education. The total student debt burden now tops \$1.5 trillion, even as many students leave college without completing their degrees.



Source: Board of Governors of the Federal Reserve System

Improve data collection and transparency. The biggest need educators and employers face as they weigh the future and what they need to do to prepare for it is that they just don't have adequate data. Information on education, job outcomes and earnings tends to be siloed in different government agencies. Employers, too, need a mechanism for evaluating degrees and qualifications, as well as exchanging ideas and information about policies and programs.

"The lifeline for disruption has got to be data," said one participant. "There is a Balkanized infrastructure of data that [puts] either the individual employer or the individual worker at a significant disadvantage to make individual choices about where high-value propositions are for training and reskilling."

Students and workers also need better information about what jobs might be available and what they need to do to qualify. They also need better information about the long-term value of different educational options, so they can assess what courses and credentials will pay off in the long run.

"There's always a problem with the way that we measure value when we look at jobs, employment or earnings. But we've got to start thinking about ways to do that," one participant said.

Develop a "lifetime transcript." A system of "stackable" credentials requires a reliable and standard way to share the information about what skills a worker has acquired. Instead of having information about credentials and degrees coming from institutions, workers should have some kind of "lifetime transcript" following them from one job to another that contains information about education and training from a variety of institutions. Those institutions could include community colleges, specialty training institutes and employers.

A transcript system of this sort would benefit from federal involvement so that it worked seamlessly nationwide, working group members said. Some suggested the government could adopt blockchain technology for the transcript, so that the data would be "owned" by the worker, not the government.

Add flexibility to federal student aid programs. Federal student loan programs are aimed at traditional students in colleges and

professional schools; for the most part, they aren't available to help finance more specialized training that might be more job-focused or to help older workers upgrade their skills or make a career transition later in life. Congress and the federal government should consider allowing federal loans to be used to pay for shorter-term training as well as traditional degrees, simplify the loan application process, and develop assessment tools to help potential students better evaluate job prospects for various programs and providers.

Promote apprenticeships and other paid mentoring programs. Many working group participants praised registered apprenticeship programs as providing job-specific, paid, on-the-job training. Indeed, presidents of both parties have supported apprenticeship programs, but they have yet to catch on – there are only 500,000 apprentices in the United States, compared with 17 million college undergraduates. One idea for making apprenticeships more popular is to connect them to higher education and allow apprentices to earn college credit during their on-the-job training. There was also general agreement that apprenticeships, which have been used for decades to train workers in manufacturing and construction, need to spread to more fields, including computer coding and other digital skills.

Consider new ways to promote and pay for lifelong learning. On-the-job learning is crucial, but it's a common refrain that employers invest less than they used to in helping their own workers train and upgrade their skills. Employers may worry, reasonably, that their investment in training could backfire if employees quit and take their new skills to a competitor. To move forward from this impasse, some working group members suggested developing a new federally sponsored system in which employers, workers and the federal government would pay into some kind of training account that workers could tap into throughout their careers. Because contributions would be broad-based, individual employers wouldn't suffer from asymmetrical losses if employees moved on. For workers, owning the account means they'd have the freedom to reskill to get a new job or even switch professions as the economy shifts.

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CONCLUSION

Whether higher education in America will continue to be a ladder of social and economic mobility is not a given. To meet the needs of a changing economy, the system will need to educate more Americans, in more subjects, at different stages in life, than it has in the past. POLITICO’s working group concluded that to meet that challenge, the current system needs significant disruption—and employers, higher-education institutions and governments will all need to pay a part.

Employers need to rethink what degrees and credentials they require of applicants and why, improve communication about what skills and jobs are needed, and provide more on-the-job training, including apprenticeships. They also need to come up with ways to certify skills that workers acquire on the job, and participate in efforts to develop new systems to upgrade workers’ skills and retrain displaced workers.

Colleges and universities need to think about serving more students, not just those who are more racially and economically diverse, but also at different stages in life and who need help reskilling for a new career. More thinking needs to go into so-called stackable and modular courses and credentials that can combine skills and knowledge learned in a variety of institutions. The new systems should incorporate innovations like online learning, which would expand access to higher education economically and geographically. Finally, without eroding their commitment to traditional four-year bachelor’s degrees, colleges and universities, particularly public institutions, need to move students’ job-training goals closer to the center of their mission.

The federal government creates the incentives on which the education system is built, from its student loan guarantee system to its use of federal research funding as leverage. A new and more flexible approach to financial support could open doors for people at more points in their lives, and also incentivize new types of institutions, such as online education providers, built around training and “upskilling.” And a potential new and expanded area for the government lies in its role as a trusted repository of information. In the future, Washington could build and



promote a new system for credential-sharing and data-gathering that could replace today’s strict reliance on degrees with a new menu of qualifications adaptable and portable enough to change with a fast-moving economy of the future. And over the long term, Washington could consider supporting a new system for financing career-related education that workers could tap into as needed throughout their lives.

In the end, the working group concluded that while changes are needed in the way the higher education system prepares young adults for the workforce, the greater challenge is developing a new system to upgrade the education of workers in a rapidly changing economy, and reskilling workers for career transitions. That’s a whole new mission—one that educators and employers alike are still struggling to understand and embrace. It’s the role of the federal government, working group members said, to provide the data and analytics that participants need to understand those problems, to facilitate a national policy discussion, to improve financial incentives to make it easier for educators and employers to provide the opportunities workers need, and provide the resources workers need to seize them.

The prosperity of America’s workers, employers—indeed, the entire economy—may depend on it.

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