

**PUTTING AMERICA BACK TO WORK: THE ROLE
OF WORKFORCE DEVELOPMENT AND SMALL
BUSINESS REHIRING**

HEARING

BEFORE THE

**SUBCOMMITTEE ON INNOVATION AND
WORKFORCE DEVELOPMENT**

OF THE

**COMMITTEE ON SMALL BUSINESS
UNITED STATES**

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

HEARING HELD

JULY 16, 2020



Small Business Committee Document Number 116-087
Available via the GPO Website: www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

41-298

WASHINGTON : 2021

HOUSE COMMITTEE ON SMALL BUSINESS

NYDIA VELÁZQUEZ, New York, *Chairwoman*
ABBY FINKENAUER, Iowa
JARED GOLDEN, Maine
ANDY KIM, New Jersey
JASON CROW, Colorado
SHARICE DAVIDS, Kansas
KWEISI MFUME, Maryland
JUDY CHU, California
DWIGHT EVANS, Pennsylvania
BRAD SCHNEIDER, Illinois
ADRIANO ESPAILLAT, New York
ANTONIO DELGADO, New York
CHRISSEY HOULAHAN, Pennsylvania
ANGIE CRAIG, Minnesota
STEVE CHABOT, Ohio, *Ranking Member*
AUMUA AMATA COLEMAN RADEWAGEN, American Samoa, *Vice Ranking Member*
TROY BALDERSON, Ohio
KEVIN HERN, Oklahoma
JIM HAGEDORN, Minnesota
PETE STAUBER, Minnesota
TIM BURCHETT, Tennessee
ROSS SPANO, Florida
JOHN JOYCE, Pennsylvania
DAN BISHOP, North Carolina

MELISSA JUNG, *Majority Staff Director*
JUSTIN PELLETIER, *Majority Deputy Staff Director and Chief Counsel*
KEVIN FITZPATRICK, *Staff Director*

CONTENTS

OPENING STATEMENTS

	Page
Hon. Jason Crow	1
Hon. Troy Balderson	2

WITNESSES

Dr. Demetra Smith Nightingale, Institute Fellow, Urban Institute, Washington, DC	5
Ms. Kelly Folks, Arapahoe/Douglas Workforce Director, Workforce Center, Centennial, CO, testifying on behalf of Workforce Boards and Centers and the Rocky Mountain Workforce Development Association (RMWDA)	6
Mr. Joe Schaffer, President, Laramie County Community College, Cheyenne, WY, testifying on behalf of the American Association of Community Colleges	8
Ms. Kelly Moore, Vice President, GKM Auto Parts Inc., Zanesville, OH	10

APPENDIX

Prepared Statements:	
Dr. Demetra Smith Nightingale, Institute Fellow, Urban Institute, Washington, DC	21
Ms. Kelly Folks, Arapahoe/Douglas Workforce Director, Workforce Center, Centennial, CO, testifying on behalf of Workforce Boards and Centers and the Rocky Mountain Workforce Development Association (RMWDA)	26
Mr. Joe Schaffer, President, Laramie County Community College, Cheyenne, WY, testifying on behalf of the American Association of Community Colleges	33
Ms. Kelly Moore, Vice President, GKM Auto Parts Inc., Zanesville, OH	40
Questions and Answers for the Record:	
Questions from Hon. Balderson to Ms. Kelly Folks and Responses from Ms. Kelly Folks	41
Questions from Hon. Balderson to Mr. Joe Schaffer and Responses from Mr. Joe Schaffer	44
Questions from Hon. Balderson to Ms. Kelly Moore and Responses from Ms. Kelly Moore	46
Additional Material for the Record:	
International Franchise Association (IFA)	49

PUTTING AMERICA BACK TO WORK: THE ROLE OF WORKFORCE DEVELOPMENT AND SMALL BUSINESS REHIRING

THURSDAY, JULY 16, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INNOVATION AND WORKFORCE
DEVELOPMENT,
Washington, DC.

The Subcommittee met, pursuant to call, at 1:00 p.m., via Webex, Rayburn House Office Building, Hon. Jason Crow [chairman of the Subcommittee] presiding.

Present: Representatives Crow, Finkenauer, Kim, Davids, Houlihan, Balderson, Hern, and Chabot.

Chairman CROW. Good afternoon. I call this meeting to order.

I want to thank everyone for joining us this afternoon for our Committee's official remote hearing. I want to make sure to note some important requirements of this hearing according to the House rules.

House regulations requires that members be visible through a video connection throughout the proceedings. Please keep your cameras on. Also, if you have to participate in another proceeding, please exit this one and log back in later. Remember to remain muted until you are recognized to minimize background noise.

Even before the COVID-19 pandemic, technological advancement and changing trends in the labor market were disrupting jobs and the skills needed to perform them. The coronavirus pandemic has in many ways accelerated these changes and highlighted the urgent need for workers to have the knowledge, skills, and abilities needed in the 21st century economy. Workers and businesses in every industry, especially those hardest hit by COVID-19 must figure out how they can adapt to these changing conditions. In particular, all firms have a harder time finding the employees that fit their needed skillsets. However, as we all know, all businesses will need to play an outside role in getting the country back to work. Before the pandemic, small firms accounted for 99 percent of all private sector employers and created nearly two-thirds of all new private sector jobs. Even when unemployment was low and there were still underlying problems, like a growing skills gap that severely undercuts its public workforce system.

The Federal government was failing to prepare our people for the future workforce even as our workforce was evolving. This chronic underfunding of our Nation's workforce development program not

only hurt the ability of many workers to get ahead; it neglected the growing needs of our Nation's small businesses as the driver of economic growth and job creation.

Since the beginning of the COVID-19 pandemic, more than 45 million workers have filed for unemployment. The unemployment rate stands at 11.1 percent, and experts say that in reality it is higher than that. This unemployment crisis is particularly hurting young people, women, and people of color.

Retail clerks, restaurant servers, housekeepers and hospitality workers are now out of job and may not have jobs to go back to. Some experts estimate that upwards of 42 percent of jobs that disappeared during the pandemic may never return.

And this is why we are here today, to discuss at length how our Nation's workforce gets the skills needed for the 21st century to help small firms rehire and retain more employees. In the midst of this unprecedented crisis, we must be bold in preparing our people for the future of work and that will only happen if we have "an all hands on deck" approach. That includes extending access to new and innovative job training programs like remote apprenticeships. It means we must facilitate intense collaboration between Federal, state, and local government, the private sector, and our Nation's colleges and universities to determine what skills need to be trained and how to help employers find talent.

That means we might to rethink incentives we provide employers, especially for small businesses so they are able to invest in the workforce that meet the needs of their particular industry.

I look forward to hearing from our expert witnesses who will be able to talk much more about the changing nature of work and the skills necessary to get ahead in the 21st century, as well as the way the local workforce boards, community colleges and Federal policy can help smaller firms find the workers they need to grow and once again become the driver of economic growth and job creation.

Again, I want to thank the panelists for joining us here today, and I now yield to the Ranking Member, Mr. Balderson, for his opening statement.

Mr. BALDERSON. Thank you, Mr. Chairman, for holding this hearing today.

The coronavirus has dealt a devastating blow to our Nation. Neither our people, nor our economy, is immune to its negative impacts. However, Americans are resilient and strong. Our healthcare providers have fought tirelessly to save lives. Our school systems have rapidly evolved to meet remote learning demand. Many of our small businesses from restaurants to manufacturers have adapted to overnight challenges, loss of revenue, and ever-shifting local and Federal guidance.

I am inspired by the flexibility, agility, and creativity of small businesses in my district and across this country to demonstrate the confidence we need during the recovery phase.

According to the Department of Treasury, the Paycheck Protection Program, also known as the PPP, supported 51 million jobs. This means PPP supported over 80 percent of all small business employees nationwide. I was proud to work with Congresswoman

Angie Craig, who also serves on this Committee, to ensure the program would remain available through August 8th.

As states continue to move into the next phases of this public health emergency and lift restrictions, Congress must do more to prepare to protect small businesses and their employees. Many are facing atypical expenses such as the purchase of personal protective equipment (PPE) to safeguard employees and customers and on top of recent unexpected declines in revenues.

To meet the burden, I introduced H.R. 7216, the Small Business PPE Tax Credit Act with my fellow Small Business Committee Representative Joyce of Pennsylvania and two partners from across the aisle, Representative Brenda Lawrence of Michigan and Representative Mike Quigley of Illinois. Under the Small Business PPE Tax Credit Act, certain small businesses and nonprofit organizations will qualify for a tax credit of up to \$25,000 for the purchase and installation of PPE intended to reduce the risk of COVID-19 transmission.

In addition to the PPE, new and returning employees will need training on social distance requirements and other coronavirus related changes, procedures and regulations. Both employers and employees will need clear guidance and acceptable resources from the local, state, and Federal government.

Here is another opportunity for us to work together. Our workforce has the flexibility, agility, and creativity to meet the demands of our new normal now. It just needs Congress to support them in this effort.

Thank you, Mr. Chairman, and I yield back.

Chairman CROW. Thank you, Mr. Balderson. I appreciate your comments and all of your hard work and the work you are doing on both sides of the aisle to rep this issue.

I would like to take a moment to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement, and each Committee member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return to mute when you are finished. That might be the most important thing. It happens all the time.

With that, I would like to thank our witnesses for taking time out of their busy schedules to join us.

Our first witness today is Dr. Demetra Smith Nightingale. Am I pronouncing that right? Is it Demetra or Demetra?

Dr. NIGHTINGALE. Demetra.

Chairman CROW. Demetra. Dr. Demetra Smith Nightingale, an institute fellow at the Urban Institute where her research focuses on social, economic, and labor policy issues. She was chief evaluation officer at the U.S. Department of Labor from 2011 to 2016 where she developed what is recognized as one of the premier evaluation units in the Federal government. Prior to that she taught graduate courses in social policy and program evaluation at Johns Hopkins and was currently a professorial lecturer at the Trachtenberg School of Public Policy and Public Administration at George Washington University. Thank you, Dr. Nightingale for being here today.

Our second witness is Ms. Kelly Folks, the director of Arapahoe Douglas Workforce Center. She has over 20 years of experience

working to develop innovative workforce throughout the programming specifically designed to serve both jobseekers and business and industry. She is viewed as a local, regional, state, and national leader in workforce and economic development. Ms. Folks is the president of the Rocky Mountain Workforce Development Association, serves as a board member of Region 8 with the National Association of Workforce Development Professionals, and serves as the Region 4 liaison for the National Association of Workforce Boards. Thank you, Ms. Folks, for being here today.

Our third witness is Dr. Joe Schaffer. Dr. Schaffer is currently the president of Laramie County Community College, Wyoming's largest community college. He considers himself a community college evangelist after an associate degree changed his life for the better. Prior to joining LCCC, he spent nearly a decade at Montana State University-Great Falls, serving in a variety of academic and administrative roles. At age 34, he was appointed the dean and CEO, becoming one of the youngest college executives in the Nation at the time. He is currently serving on the Board of Directors of the American Association of Community Colleges and sits on their Commission of Small and Rural Colleges. Thank you, Dr. Schaffer for being here today.

I will now yield to the Ranking Member, Mr. Balderson, to introduce our final witness.

Mr. BALDERSON. Thank you, Mr. Chairman.

It is with great pleasure for me today, a personal friend, to introduce, and we have known each other since they came into our local community since 2004 when her husband and I and her sons have chased each other through the woods on motorcycles. So it is always good.

Our final witness today is Kelly Moore. Kelly is the vice president of GKM Auto Parts, which is based on Zanesville, Ohio. In 2004, the opportunity presented itself for Kelly and her husband Greg to purchase their first two Auto Parts locations. They began by employing 16 workers, as well as several family members. In 2006, they bought two additional stores for a total of four with locations in Zanesville, Dresden, Conshohocken, and West Lafayette. Additionally, Ms. Moore currently serves on our 12th Congressional District Small Business Advisory Board, comprised of small businesses from every county in the district and representing many industries. There, she helps me, informing on challenges small businesses face on the ground. Thank you for taking the time out of your busy schedule to join us today, Ms. Moore, Ms. Kelly Moore. I look forward to hearing your testimony and great to see you. Thank you.

Chairman CROW. Thank you, Mr. Balderson. And thank you all for being here today.

I would like to now begin by recognizing Dr. Nightingale for 5 minutes. Dr. Nightingale, you can see the timer on the screen here. We look forward to your comments.

STATEMENTS OF DEMETRA SMITH NIGHTINGALE, INSTITUTE FELLOW, URBAN INSTITUTE; KELLY FOLKS, ARAPAHOE/DOUGLAS WORKFORCE DIRECTOR, WORKFORCE CENTER; JOE SCHAFFER, PRESIDENT, LARAMIE COUNTY COMMUNITY COLLEGE; KELLY MOORE, VICE PRESIDENT, GKM AUTO PARTS INC.

STATEMENT OF DEMETRA SMITH NIGHTINGALE

Dr. NIGHTINGALE. Thank you, Chairman Crow, Ranking Member Balderson, and members of the Committee. I appreciate the opportunity to testify before you today on the workforce development system and small businesses.

The Nation's public workforce development system is a partnership of Federal, state, and local governments charged with providing employment-related services to both workers and businesses and serve over 2,000 local one-stop career centers, also called American job centers, the system which is authorized in the Workforce Innovation Opportunity Act and the Wagner Peyser Act, operates a free labor exchange nationwide.

One goal of the system is to help anyone find a job, especially the unemployed and underemployed, and dislocated workers. Another goal is to help businesses by matching skilled job seekers to businesses that are hiring. Most local job centers also make space available to businesses to conduct interviews. They hold workshops for jobseekers and conduct various types of training assessments for workers.

So what works in hiring and skills training? Evaluation suggests four points that I would like to make.

First, public investment in training fills an important gap. Employers, of course, provide most job training in the United States. Small businesses are less able than large corporations to invest much in training, even in good economic times. The public workforce development system helps fill the training gap by focusing on smaller businesses and low to mid-level workers. The system's very limited funding, though, as the Chairman just mentioned, covers only a small fraction of the hundreds of millions of businesses and workers in the Nation.

The second point is that training connected to work has the most positive effect. Not all training is the same, and not all training, whether it is public or private, is effective. But evaluations show that the most effective job training is that which is connected directly to real work, real jobs, rather than standalone training not aligned with jobs that are in demand. This includes integrated training models, such as apprenticeships and on-the-job training with public subsidies.

The third point that I would like to make is that individualized staff-assisted coaching and career services are important. Several evaluations are now finding that the types of staff-assisted coaching and services that local one-stop career centers provide and sometimes provide virtually are important. Trainees who receive assistance in selecting their training do better than those who make choices on their own without coaching.

The fourth point is that comprehensive and integrated models work equally well for youth and that as with adults, training that

is work-based is most effective for youth, especially those who have less than college and those who are just coming out of high school or college.

There are at least three ways that small businesses can connect and avail themselves of services in the workforce system. First, it is important for all businesses to stay abreast of the shifts in demand or of skills in the labor market and the state labor market information system which uses the Bureau of Labor Statistics methodology and updates the data regularly. As we have already heard, there have been changes in the demand for technology and virtual skills, accelerated by the COVID crisis in telemedicine, virtual customer service, delivery, transportation, retail, and online support. Training workers now can have longer term payouts and investment in the future.

Second, small businesses can partner directly with workforce development systems for training. Many Federal grants require employer partnerships and small businesses can be those partners. And third, businesses should prepare for a long-term period of unemployment, high unemployment and hopefully from additional funding that helps to expand the services that are available.

In conclusion, the workforce development system trains workers who might not be otherwise able to receive it and provides support and assistance to businesses that might not have all the resources to do it on their own. Businesses can and do play a critical role, and small businesses can be prepared to expand their role by actively partnering and connecting with the local workforce development system and be aware of new funding as it becomes available. Thank you.

Chairman CROW. Thank you, Dr. Nightingale. Perfect timing as well I will add. I appreciate your comments very much.

Ms. Folks, you are recognized for 5 minutes.

STATEMENT OF KELLY FOLKS

Ms. FOLKS. Good afternoon. I want to thank the Subcommittee for the opportunity to discuss the needs of the workforce system. Although WIOA has not been cut at a national level, unfortunately, the current formula utilized for allocating funding to states and then lags with the market and the current demands, therefore it makes it very difficult at a local level to provide the level of service delivery needed, especially during times such as this. The WIOA system has not been funded nationally over the past several years at a level to keep up with the demand or the speed of the market.

In order for the workforce system to meet the demands of the jobseekers and business during the pandemic, the system needs resources and funding. During the Great Recession, the workforce system was put to the test, receiving an influx in funding to serve the communities through a variety of mechanisms. The system as a whole rose to that challenge. This type of bold and decisive action is needed even more today with the current economy devastated by the pandemic. Please consider additional resources added to the overall WIOA and Wagner Peyser funding streams, additional resources for youth employment programming, and additional resources for local areas to be able to provide more robust business

service delivery which allows for the innovation needed to meet the demands of business; in particular small businesses.

Our response to COVID-19 has taken the workforce system nationally and within Colorado to the next level. When the State of Colorado shut down for several weeks during the height of cases in our state, we had less than 48 hours to get all of our services remote and virtual. Many local regions in Colorado developed and implemented local call centers to assist the state with the influx and demand on the unemployment calls to the system by jobseekers and businesses. All services went virtual with absolutely no stop in service delivery to the jobseekers or the businesses.

The offices have reopened; however, due to the positive results in offering virtual service delivery, both service models continue to date throughout the state. The current trends that we are seeing nationally, within the State of Colorado and at a local level include people not going back to work with the company that they were furloughed from due to the company either closing, or if the particular job is no longer available. The need for layoff aversion methodologies and incumbent worker training availability to be put in place with more flexibility to ensure that businesses can continue to retool and skill up their current workforce rather than lay off.

Although work-based learning is a key factor in being able to put funding into local businesses, right now businesses are having trouble with having the time to look into developing apprenticeship programs or allow for on-the-job trainings. They do not have the bandwidth. Flexibility in being able to pay 100 percent for a period of time of a jobseeker's on-the-job training is needed.

A need for more flexibility in the formula funds so that local communities can build the programming needed to put people back to work quickly. And public service employment should be re-examined to be able to place unemployed individuals in opportunities which assist both our local governments with recovery and their families with a paycheck. Some examples of innovative business practices during the pandemic include virtual business roundtables and conferences with topic areas driven by the business community.

Another example, the Close the Gap Program, an initiative with the Arapahoe/Douglas Workforce Board and one-stop, Arapahoe County Government and Arapahoe Community College utilizing CARES Act funding. A very significant technology gap was realized in the height of the pandemic. This program closes the technology gap for low-income individuals. Once the individual completes the program successfully, they will receive a laptop in order to be able to accept work-from-home employment opportunities.

Some additional innovative best practices that have been in place within the State of Colorado pre-COVID and continue to be very relevant during the pandemic are virtual hiring events through the Connecting Colorado platform utilized statewide, the establishment of the Business Service Alignment Group, which representatives from each local area and the Colorado Department of Labor and Employment. This group works to align business practices to ensure business and industry receive the same services and messaging and the formation of a data expert group with representatives from each local area who work to respond to data requests for

business and industry, education, economic development, chambers, nonprofit, and other government agencies, as well as reporting the ROI of the workforce system for Colorado. The Nation's workforce system has the components, partnerships and infrastructure in place which will make certain that the current unemployment crisis from the pandemic can be addressed.

In short, the workforce system stands ready to put America back to work. Thank you for your time.

Chairman CROW. Thank you for your opening statement, Ms. Folks.

Dr. Schaffer, you are recognized for 5 minutes.

STATEMENT OF JOE SCHAFFER

Mr. SCHAFFER. Good afternoon, Chairman Crow, Ranking Member Balderson, and members of the Committee. It is an honor to be here representing my college, Laramie County Community College (LCCC), about 100 miles straight north of the good Chairman's district. But also to be here on behalf of the American Association of Community Colleges that has more than 1,000 members.

As you heard, I have been working with a commission on small and rural colleges for the past few years and that will likely cover my testimony today.

Mr. Chairman, there are not many things that are more American than its community colleges for our small businesses. Unfortunately, we work hand-in-hand, whether it is through hunting resources like small business development centers, four chapters or business retention and expansion programs, or it is central for our mission providing customized training and workforce development programs tailored to the needs of our community's businesses.

Today, I want to touch on four specific ways community colleges support America's Main Streets. And while we have many examples, I want to be clear that we need to be doing substantially more in these areas. And selfishly, I believe we need a specific focus on helping our rural communities ramp up these efforts.

The first is entrepreneurship and small business start. Community colleges have a rich history of developing and delivering programs that prepare jobseekers for real opportunities within their communities, states, and regions, so I believe we need a fundamental shift from focusing on just developing jobseekers, equally emphasizing development of job creators. As you likely know, between the late 1970s and 2012, the share of young businesses, those a year or younger declined by more than 40 percent. Currently, census data paints a pretty scary picture for America, one where more businesses are closing to new ones opening. The business recruitment model has sort of been the holy grail of economic development. We need to shift our focus from business recruitment of the primary economic development strategy to a mindset focused on entrepreneurship and public community colleges are helping drive the shift.

The second thing is small business growth and expansion. As you stated, Mr. Chairman, small businesses have accounted for the majority of new private sector jobs.

But this growth does not come without intention and support. Community colleges have and continue to play an instrumental

role in the growth and expansion of small businesses. One of the reasons we collectively support the Department of Education's Re-imagining Workforce Preparation grants that include business incubators as one of the program's two primary priorities. Helping small businesses move from start-up to sustained, stable growth should be a policy priority for us all.

The third area is technical assistance. Small businesses, by their very nature, are small. Owners and employers wear multiple hats and they seldom have in-house access to technical assistance, professional development, R&D, or other professional and scientific services. Community colleges have historically stepped up, and stepped in, to help small businesses in this area, either through the direct provision of assistance or through the coordination with community partners.

The last area, and probably the one that we are most well-known for is workforce development. Community colleges have perhaps been the most progressive and instrumental in supporting small business in the realm of workforce development. Workforce development has been a hallmark of the community college mission for nearly 100 years. But there are two primary challenges that we face with workforce development. The first is the sheer lack of individuals available for work, especially in rural areas. Aging populations, lower birth rates, and issues with immigration policy have all impacted the availability of workers.

And as you said, Mr. Chairman, the other one is the skills gap. You stated numerous times that there are jobs available but not the people with the skills necessary to successfully fill them. I am proud of LCCC's work and really being at the helm tackling this challenge, our partnership with the Department of Labor on expanding community college apprenticeships or tailored short-term certificate programs, one of the things that we believe is essential and why we support short-term Pell or the alignment of our degree certificate programs that support workers and employers directly.

And there are policy things that can help us along this way. We know that there is a skills gap, and one of the issues with the skills gap is insufficient support for workforce education at community colleges and other entities, especially so in rural areas. That is why we support establishing a major community college job training program to help the country move beyond and through the pandemic.

Mr. Chairman, I want to conclude with just two other real quick thoughts that I think are germane to the conversation and they deal with this increasing divide between rural and urban America. We know that the formula for prosperity in rural areas is simple: economic activity plus economic opportunity equals community prosperity. We now have to start considering policy that helps us redistribute population and redistribute jobs out of our metro areas and back across rural America if we want to see this country and its small businesses continue to thrive.

Mr. Chairman, that concludes my remarks. I look forward to and stand ready for questions. Thank you.

Chairman CROW. Thank you, Dr. Schaffer. I appreciate your opening remarks.

Ms. Moore, you are now recognized for 5 minutes.

STATEMENT OF KELLY MOORE

Ms. MOORE. Thank you very much, Chairman, and Ranking Member Balderson for inviting me to give testimony.

I live the dream. I am a small business owner and operator of a family-run business which Troy earlier described.

As a small business, our 19 employees are a valuable asset to our company. Well trained, knowledgeable employees, those are the keys to the success, stability, and growth potential for any business, especially our business.

In the past few years, it has been challenging for businesses to fill open positions with quality candidates. There is a shortage, particularly in our region, of qualified candidates for highly skilled positions. The National Federation of Independent Businesses reported results of a member survey in 2019 that 22 percent of small employers who have hired an employee for their most skilled position in the last 2 years lowered the minimum qualifications for applicants that they previously required, and 24 percent lowered them for the most common, less skilled positions.

As a leadership member of NFIB, I hear firsthand that hiring and retaining qualified employees, particularly in the technical and mechanical trades in our region, is hindering the operations of small businesses. When a less than qualified candidate is hired, improving that employee's skills puts a strain on the tight margins with which small businesses normally operate and puts a strain on the timeframe of production. Money in the budget which could be spent on expanding the business and hiring additional employees is spent on training the less than qualified new hires. Finding the time to train is also a significant burden to the small business owners.

I just have a quick anecdotal account of a conversation with a local garage shop owner that illustrates this issue.

I was dropping off parts. He asked me if we knew of any mechanics looking for work. I asked if he had tapped into the recent grads from the local tech program. He said he had worked with a highly recommended grad the year before, but the tech was inadequately trained in the basics. The shop owner said he spent too much time retraining him on basics such as a simple oil change. He was not able to stay on his schedules and it was damaging the customer relationships, so they parted ways.

This challenge has become more pronounced post COVID-19 pandemic. Small businesses who furloughed workers in order to stay solvent during work shutdowns and slowdowns are reporting that some workers are slow to return and credit this primarily to the Federal stimulus that has enhanced their unemployment benefits. The investment in time and treasure in these employees' training is a significant loss when they will not return to the workforce. It is creating a strain on the companies when they can least afford this strain.

Local education, at all levels, primary, secondary and post-graduate, is focused on developing the skills needed for the jobs available in my area of Ohio. The recent state budget decreases to schools in Ohio due to the pandemic will impact this goal. When schools can achieve this goal of marketable skills of students, the financial burden on an employer is eased and the employee would

enter the job with the skill set at a level to be productive and to earn better wages. Training budgets could then be spent on boosting employees' skills or on wages or benefits to retain that employee, which would benefit both the employee and the employer.

Also valuable to small businesses is a focused and robust retraining program available to assist the displaced workers and adults with a desire to learn a new trade of which we in the small business community feel there will be a significant number. A larger investment in this arena would reap benefits not just to the employer but to the quality of life for the employee and the community. I believe a consolidated effort between Federal and state agencies related to training and vigorous marketing to those small businesses regarding these programs would be most helpful.

Thank you very much for your time.

Chairman CROW. Thank you very much.

So there is an awful lot to talk about with everything that you all mentioned in your opening statements. There is a lot of content here on a very important topic right now.

So I am going to begin by recognizing myself for 5 minutes for a few questions before we go to the other members.

So I am going to begin on the issue of the technical skills and trade apprenticeships because I know there are apprenticeships that could be virtualized, that we can make virtual, but it is awfully hard to train somebody to be a pipefitter, an electrician, a plumber, a diesel mechanic in a virtual setting. So I would really love to hear from you, how are we doing that? Are we going to be able to do that in part virtually but also do in-person resident training programs? I would love to hear your experiences with those programs in particular.

Maybe we will start in reverse order from order of the statements. So Ms. Moore, I would love to hear your thoughts.

Ms. MOORE. What I am hearing from our customers in the diesel mechanic area particularly is that what is being addressed is how to break an engine down, how to refit the complicated processes in diesel mechanics. What the business owners tell me is that they need them to have a good set of basic skills so they can build on that with training. They often do not take somebody, a recent grad, and ask them to tear apart an engine and put it back together. But they do need the employees to have a firm understanding of basic skills. Thank you.

Chairman CROW. Thank you.

Dr. Schaffer, I mean, you are very much at the front lines of this issue. How are you doing in your college?

Mr. SCHAFFER. Thank you, Mr. Chairman. It is a very astute question. Certainly during the pandemic I would say we were challenged in many ways this past spring as we shifted to a virtual delivery of our instructions. Really, to find ways to do that in the technology trades and healthcare areas. I would say I was quite pleased and impressed when I think across the Nation we saw some great innovation come out of our instructors. I have a great story of my automotive tech faculty member strapping a GoPro camera to his head and doing virtual real-time labs with individuals from their home or in their own garages, at their own shops. So there are things we can do, but I will be honest; you simply can-

not replace the value of hands-on interactive learning that happens either in the shop, in the lab, or through apprenticeship programs, and we found quickly that we had to do that and create unique ways for us to in a safe way bring our diesel technology students, our welding students back to campus to carry those out. And this is the same with the apprenticeship programs. We had to work closely with our employers and small businesses to find ways for them to be able to see value in having the apprentice in their environment while they were facing shutdowns and all the issues associated with the pandemic. And so it is not idea. There are ways we can do it, but I would say we simply cannot replace the opportunity for that in-person, hands-on interactivity in these areas. And I would say if we do not figure that out, we will further restrict the pipeline of new people coming into these valuable programs and leading to the critical careers that they represent.

Chairman CROW. Thank you.

Ms. Folks?

Ms. FOLKS. Thank you.

Yes, I would agree with Joe in the matter that it is very difficult when it is not in person for the trades, but what we have been doing as a workforce system is working hand in hand with our community colleges and our trades, different trades, to look at how do we work through the social distancing, no different than us coming to work ourselves. So how do we work through the different social distancing guidelines? How do we make sure we make it safe so that we get them back into training and get them back into the shop so that they can get that on-the-job training? Lockheed Martin actually uses all technology to train, and we have been able to keep that apprenticeship program going through this through utilizing those methodologies.

Chairman CROW. Thank you.

Dr. Nightingale?

Dr. NIGHTINGALE. There are a number of creative examples. You have heard of some of them through community colleges specifically. And I will just highlight that the Urban Institute has a forthcoming report that will be available shortly, in a couple of weeks. It has some examples of sort of combining virtual and staff-assisted. So they would come from some of the studies done over the past decade.

Chairman CROW. Great. Thank you.

My time has now expired. I think I will have some additional questions, but I do want to make sure we get to all the other members first.

So let's begin with the Ranking Member, Mr. Balderson. You are recognized for 5 minutes.

Mr. Balderson, you are recognized for 5 minutes.

Mr. BALDERSON. Thank you, Jason. Sorry about that. I lost everybody for a second.

My first question is to the full panel, and whoever wants to jump in, jump right in. Every community has felt the ripple effects from the government-mandated closures. Why is workforce development a key aspect to our recovery at the community, state, and national level?

And no particular order. If anybody wants to answer that, go right ahead, please.

Mr. SCHAFFER. Mr. Chairman, Representative Balderson, Joe Schaffer here. I will take a stab at that.

I think we can take and learn some lessons from the Great Recession that is far too close to this. You know, the next thing that is going to impact us is COVID-19. During the Great Recession what we saw were significant numbers of individuals displaced at that time. The jobs they left were not the jobs that were there as we recovered, and we are seeing a very similar trend here. As those jobs disappear, while we will preserve some of them in the service sector, employers are being forced in many ways to innovate and rethink how they meet their business model, their business expectations. That means we will have millions of Americans that will be looking for new opportunities and will require training for the jobs that will be here as we come out of this pandemic. And it is what makes training and workforce development so absolutely essential right now. And as I would say, that is especially important in rural America where there is a substantial need for those folks to find new opportunities for fear that they leave and further exacerbate the problem of a shrinking population.

Dr. NIGHTINGALE. If I could answer that. In the Great Recession, the recovery funds, the supplemental funds were important for a couple of reasons. One, as the additional funding that went into the local employment services allowed for expanding employment services into remote areas. We saw an increase in use of mobile job centers, libraries, and other community places were outfitted to allow better access in some of the remote areas. But it also was a source for connecting subsidized jobs, workers into subsidized jobs in the private sector and expanded the OJT type of contracts. And third, we know that as we start coming out of the recession, there are going to be more people who are looking for jobs and they transverse to some of the local employment offices that are available. So it is but it is the community for locale or re-hiring.

Mr. BALDERSON. Thank you.

Ms. MOORE. I would just like to add, as a small business owner, the Great Recession and the pandemic have diverted our funds. We have very limited funds. And so they are diverting them away from the requirements of training and more towards the requirements to stay in business with PPE, with decreased revenues, and with the inability to secure funds otherwise right now through banks, just as we had a problem during the Great Recession.

Mr. BALDERSON. Thank you.

Ms. FOLKS. And if I could just add, this is Kelly with Arapahoe/Douglas Workforce, who runs a true one-stop center, you know, what we saw, the big difference we are seeing now, when we saw at the highest point in the Great Recession, for example, Colorado was at an 8.6 percent overall unemployment rate. We are seeing in May of 2020 during this COVID at a 10.2 percent. We have millions of Americans as was stated already that are underskilled, underemployed. We had that even when our economies were good. We were still getting people coming into our workforce center and we were working with businesses to try to fill their hardest to fill posi-

tions because there really, truly was a skill and training gap there. And so that is where workforce development and the boards can, in partnership with the community colleges, can really put that training back into play and be able to help the small businesses and medium businesses to get people back to work.

Mr. BALDERSON. Thank you, Ms. Folks.

Mr. Chairman, how am I doing? I cannot see my timer.

Chairman CROW. Fifteen seconds.

Mr. BALDERSON. I yield back, Mr. Chairman.

Chairman CROW. The gentleman yields back. Thank you for those comments. The gentleman yields his time back.

Now I would like to recognize the gentlelady, Ms. Davids from Kansas for 5 minutes.

Ms. DAVIDS. Thank you, Chairman Crow, and to Ranking Member Balderson for having this hearing today focused on the economic recovery that our communities are going to need so badly and that, you know, to recognize the workforce skills gap and really the workers that we are going to need is something that we really need to be thinking about long term.

As states and communities are reopening across the country and we learn more about coronavirus and how small businesses are going to be able to at least partially reopen doors, I know that that has been helpful for some folks but things still are far from normal and we are still figuring out how this is going to impact workforce development.

Dr. Schaffer, I want to start with you, partly because I, myself, am a community college graduate. I went to Johnson County Community College here in the district that I now get to represent, and I spend a lot of time visiting with folks there and at the Kansas City Kansas Community College here, too. And I know that the education and training opportunity the colleges provide are important, essential, and actually a lot more innovative than I think people usually recognize and kind of mainstream.

So I am curious. I know you had mentioned the GoPro technique and some of the other things that folks are trying to do right now for the current students. I am curious what it is looking like for people who are reaching out and might be interested in enrolling. I guess I am wondering, what are folks saying to you? Are they asking you how you are adapting? Are they asking what you see as the biggest needs? I am just curious what folks are asking about.

Mr. SCHAFFER. Thank you, Mr. Chairman, Representative Davids. Yes, Johnson County Community College, one of the finest community colleges in the Nation. It is great to hear that you are an alum and support that institution and others.

You know, it is one of the challenges we face right now. I think there is a great uncertainty about what fall looks like in education, certainly in K-12. Community colleges are no different. For the high demand programs and high demand careers, many that we are talking about today in health care and the tech and trades areas, those require some type of face-to-face interaction. And I think as the colleges are waiting for perhaps better guidance, perhaps we are all waiting for better guidance on how we safely operate in this environment, so are people. And what we hear mostly from individuals is I know it is an opportunity for me to come back.

There may even be money on the table to encourage me to come back to college, but I can only do that if it is truly safe. And so I think a lot of folks are waiting to see what the reopening plans of higher education and community colleges are looking like.

To give you a quick number, our applicants are substantially up for fall. Our enrollment is substantially down, which tells us many individuals are waiting to see essentially what happens. The other issue is like our biggest opportunity for retraining is adults in this country at this point, especially adults without a post-secondary credential, using them to find a way to navigate their own personal lives right now and the economic and social pressures on them and come back to college. I tell you, it is a significant list, but it is one we have got to figure out.

Ms. DAVIDS. And then, I appreciate that. And you mentioned earlier the idea of supporting job creators, in addition to figuring out ways to help us get to a workforce that meets that skills gap that we keep seeing.

Dr. Nightingale, I am curious from your perspective what you are seeing in terms of the entrepreneurial movement and that sort of thing, big picture going into all of this. I do not know if folks are looking at that sort of thing, but I would be curious.

Dr. NIGHTINGALE. There are two points that I would make. First, certainly, entrepreneurial, sort of like self-employment and new business development is critical, but it is not necessarily for everybody. And so it has to be very carefully planned so that there is a real business plan and understanding of what it takes. People sometimes think it is easy to start a small business, but I know that the small business owners here, Ms. Moore and others will agree, that it is not easy. You have to have a lot of planning.

The second thing is that there are probably more opportunities for entrepreneurial endeavors today because of the technological advances that are available. So there are some opportunities—

Chairman CROW. The gentlewoman's time has expired, so I apologize. I am going to have to move back to that point at a different time.

Ms. DAVIDS. Thanks, Chairman. I yield back.

Chairman CROW. Thank you.

Now I would like to recognize the gentleman from Oklahoma, Mr. Hern. Mr. Hern, you are recognized for 5 minutes.

Mr. HERN. Thank you, Mr. Chairman, Ranking Member Balderson. It is great to be here today and great to see the witnesses. I apologize. I had to step away for another simultaneous meeting so I did not catch all the witnesses' testimony but certainly being a small business owner for over 35 years, and this will be the fourth of these type of catastrophic events. Obviously, the "best," and I will put that in quotes, is the last. And so we always learn from these type of events. Or we should be learning, and those who learn come out stronger and those who do not usually do not come out.

We talked a lot about what you all are doing, or really kind of put a lot of onus on that. I want to get to that in a second. But we, in Congress, and this is a very bipartisan Committee, and we recognize the importance of small business and those entrepreneurs that create so many jobs in America, and we have put a

lot of money into, I will call it "the system," the economy over the last 3 months, 3-1/2 months, particularly money into individuals' pockets. An extra \$600 a week that expires in a couple of weeks. Direct stimulus checks. I have conversations on both of those next week. What have you seen from citizens? You can go recruit all day long but if there is not an initiatives by people who are getting this extra money to see something beyond 2 weeks, what are you seeing from folks that are levying one job that says, hey, this is my opportunity. I am no longer working there right now. I am furloughed for an indefinite period. I am going to go get retrained in another area. Are you seeing that kind of intake from your particular educational institutions?

We can start wherever. Ms. Nightingale?

Dr. NIGHTINGALE. We do not have a lot of hard data on that right now, but we know that the training programs that are out there are having difficulty in two ways. One, recruiting and getting trainees to come in. The other is retaining partnerships with employers for some of the reasons that we have already heard. So it could be that we are in a little bit of a lull right now and as the economy starts improving, we may see more of an uptick on that. But from what I am hearing is that some of the training programs are having difficulty finding trainees and keeping employers engaged.

Mr. HERN. Mr. Schaffer, in Oklahoma we have 29 career centers. I left Ohio a number of years ago, 30 years ago, I think. And so one of the best examples is a career center in the upper part of my district where they actually go out and talk to businesses and create programs to match those businesses and then train some of the businesses to produce workers for what they see emerging in certain fields. And that is in Bartlesville, Oklahoma and that is Tri-County Community College or Technical College.

But as we go through this process it is going to be really important, and I think, I do not want to put words in your mouth, but I think you mentioned a minute ago you were waiting on CDC guidelines on how to reopen and things like that. People that are entrepreneurs or businesspeople, I would bet you Ms. Moore is not waiting on CDC or somebody else to tell her how to keep her business open. She is figuring out every single day how to make that happen. That is what businesspeople do. If you wait on the government to tell you what to do you will be very ineffective. As the needs arise for small business, I would encourage each of you, and this is not a scolding, this is an encouragement, to not wait on the Federal government to tell you what to do. The best ideas come from out in the communities. Out in the, you know, you all are very, very bright people. You have got great institutions. I assure you no small businessperson worth their salt is waiting on the Federal government to tell them how to survive. And I would just encourage you, you know, I might just ask you that question, you know, what are some of the best bets that you are looking at that you might want to share here in my remaining one minute, to get your schools reopened in a proper way? Because I know whether you are a democrat or republican or do not give two hoots about politics, you know it is important to educate our workforce and our children.

Mr. Schaffer, do you want to start that?

Mr. SCHAFFER. Thank you, Mr. Chairman, Representative Hern.

I would tell you, no disrespect to government or Congress, we are having to act. Our Board of Trustees 2 weeks ago approved our re-opening plan.

Mr. HERN. That is great.

Mr. SCHAFFER. That is an aggressive opportunity for continued education. We are going to focus where the greatest needs are, so our on-campus, in-person instruction is going to be focused in the technology, the trades, healthcare, to make sure that that pipeline of those workers continues even in a pandemic.

To your previous point, just quickly, Representative Hern, we go out and we work with employers all the time to customize programs for them. They are oftentimes short-term programs very tailored. It is one of the reasons why we support the concept of short-term Pell. We have to find ways to provide financial assistance for people to quickly get retrained and back to work.

Mr. HERN. Thank you.

Mr. Chairman, thank you. I yield back.

Chairman CROW. The gentleman yields back.

And I believe the members present have all asked questions at this point. So if additional members join, we will give them an opportunity, but I do want to go for a quick second round. And I will start by giving myself an additional 5 minutes.

This issue of the urban rural divide that Dr. Schaffer and the others referenced earlier is of particular interest to me. And I think one of the issues, we had some hearings on the broader Committee on this in the past and in doing some work with Senator Inhofe and some others on this issue, is the issue of broadband, which is really the long pole in the tent for so much of this in terms of how do we make it as easy to start a business or run an apprenticeship program or a job training program in Wyoming as it is in New York, make it as easy in Oklahoma as it is in California. Leveling the playing field here. I would love thoughts from all of you in terms of the impact of broadband and what you think we need to be doing more of at our level.

Maybe we can start with Ms. Folks on this one.

Ms. FOLKS. Thank you. Yes. I think that is a serious issue, not being able to have the availability of broadband in the rural areas. It is also a serious issue that we have seen through the pandemic with our lower-income individuals as well. They may have broadband available, but they do not have a way to maybe pay for that and to be able to have Internet services or be able to know how to access when things are shut down. And so some of the areas we are really working on is how to develop, we have sector partnerships that we are building and broadband to work hand in hand with the business and industry to really help tell us how to get it out there, how to build apprenticeships, and how to develop that. And we continue to work with our rural areas. I have some of that, not much in our area, so we continue to work with them and our community colleges on how do we develop those types of apprenticeship opportunities to be able to get that. But also, then working, like I said, with businesses to get the broadband out there.

Just quickly, one of the partnerships we do have is working to get that into our customers' hands. So part of not only paying and supporting them and training; it is also supporting them with those support services to get them that as well so that they can be successful.

Chairman CROW. Thank you.

In my 2 minutes I have remaining I would love to hear maybe 1 minute each from Mr. Schaffer and Dr. Nightingale on that issue, and then Ms. Moore, I move back with you additionally in a moment.

Dr. Schaffer?

Mr. SCHAFFER. Thank you, Mr. Chairman.

Broadband is certainly an issue for us. It is an issue across rural America. And when I talk about Main Street, it is truly an issue on our historical Main Streets in trying to find a way to bring connectivity to our downtowns in smaller communities. The broader issue I think really pertains to infrastructure because population, and as a result, revenues do not follow substantially enough to reinvigorate or install new infrastructure in these communities. They are just hamstrung, and it makes it more and more difficult to learn and to work and really have a life in that environment. So broadband is a big issue, but I would say general infrastructure is also an issue once you move out of metro areas.

Chairman CROW. Thank you.

Dr. NIGHTINGALE. I was asked that. Certainly, additional funding for infrastructure development that is focused on IT could have a major effect, especially in rural areas just as rural electrification many decades ago did. And with some investment on subsidized employment which we heard a little bit about from Ms. Folks, that there could be a combined investment by Congress that invest in subsidized employment to provide the additional staff for facilitating the use of the technology that the investment in IT infrastructure and broadband could support. So it is a combination of developing the broadband but then also having the technical training for people to use it appropriately.

Chairman CROW. Great. Thank you.

Ms. Moore, in 20 seconds, do you have any thoughts on that?

Ms. MOORE. I do. Not only is it the availability of broadband but it is the quality of the broadband. Particularly, in our area where it is very rural. We have stability issues. We have accessibility issues. So that is another consideration that possibly these companies will have to be incentivized to provide not only broadband but quality broadband.

Chairman CROW. Okay. Thank you.

Now, I wanted to open it up. I think Mr. Balderson, the Ranking Member, would be up next. I do not know whether Mr. Balderson is still with us or not at this point. Troy, are you still on?

Give him a moment.

Well, we will see whether he is having some technical issues which he might. I want to give myself another 5 minutes. That is the benefit of being the Chair.

I actually would love to maybe give each of you a minute in that 5 minutes to ask a broad open question. If you had a magic wand

and you could have Congress focus on one thing to address the biggest challenge you are facing right now, what would that be?

So let's maybe start in the reverse order again from which we just ended, and we will start with Ms. Moore.

Ms. MOORE. I believe the assistance to the education system in coordinating and advertising these programs and connecting them with the employers who directly need these positions. Overseeing a very coordinated effort.

Chairman CROW. Almost like a [inaudible] role.

Ms. MOORE. Exactly. Exactly.

Chairman CROW. Dr. Nightingale?

Dr. NIGHTINGALE. I think that probably to me one of the most important things is to expand the resources for the local job centers and to expand it in a way that allows the centers to have more people there accessing the services, particularly in the nonurban areas or in high unemployment areas because there are resources for training that can be accessed but the people need to know how to access those resources effectively.

Chairman CROW. Thank you, Doctor.

Dr. Schaffer?

Mr. SCHAFFER. Thank you, Mr. Chairman. I have trouble choosing so I will only pick two. The first one of course is the establishment of a major community college job training program. Something similar on the magnitude, it is bigger than the TAACCCT grants that were very successful, something similar to what is being proposed in the Relaunching America's Workforce Act or perhaps the Access to Careers Act or even the Community College Training Program and the Coronavirus Child Care and Education Relief Act. We need to stimulate new training, new opportunities in workforce development funding to community colleges at that scale are critical as Dr. Nightingale said. I would also suggest during the reauthorization of WIOA, we really think about resources, we think about further [inaudible] of partners, and we think about ways to streamline and maybe allow for the authorization of community college applied programs in a more effective and efficient manner.

Chairman CROW. Thank you, Dr. Schaffer.

And Ms. Folks, as the Coloradoan on the panel you get the distinction of having the final word.

Ms. FOLKS. Thank you.

You know, I think for us, similar to what was said, it is the resources and the funding but most importantly also with that is the flexibility to be able to meet what the local community needs are and to be able to really listen to our business and industry and what they are telling us. When we have a lot of regulation, and I know it needs to be there but when there is too much it makes it difficult for us to really build those innovative programs which we really need right now especially to get people back. And so being able to have that flexibility is very important for us along with the resources and funding because then we can build programs that are going to meet the needs of the business and industry and our communities, and we can have those more creative ways of making sure we get our people back to work.

Chairman CROW. Thank you, Ms. Folks.

So with that, our time has run out here. I know we could probably talk for the rest of the day or days on this topic because there is really so much to address, but we do appreciate your time.

So again, thank you to all of our witnesses today for your testimony and for offering their views on how to get millions of unemployed Americans back to work. By sharing your experiences and expertise, we, as the policymakers in Washington that are looking at how to guide resources and also coordinate the various efforts going on, really need to hear your perspectives. So you all are where the rubber meets the road here, you are providing the direct resources, the direct training and making it happen in your communities, and it is really your voices that are the most important for us to hear during this crisis. So thank you. I look forward to the opportunity to work with you and your organizations to figure out ways that we can be more helpful and lift up all of your efforts.

So I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

If there is no further business to come before the Committee, we are adjourned today. Thank you. Thank you all.

[Whereupon, at 2:06 p.m., the Subcommittee was adjourned.]

APPENDIX



JOB SKILLS, SMALL BUSINESSES, AND THE WORKFORCE DEVELOPMENT SYSTEM

**Statement of
Demetra Smith Nightingale, PhD*
Institute Fellow, Urban Institute,
and Professorial Lecturer, Trachtenberg School of
Public Policy and Public Administration, George Washington University**

**before the
Subcommittee on Innovation and Workforce Development,
Committee on Small Business,
United States House of Representatives**

**THE ROLE OF WORKFORCE DEVELOPMENT
AND SMALL BUSINESS REHIRING**

Thursday, July 16, 2020

* The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders or to the George Washington University.

Chairman Crow, Ranking Member Balderson, and members of the Committee, I appreciate the opportunity to testify before you on the workforce development system and small businesses. My testimony is based on research and evaluations on the nation's workforce development system. The views expressed are my own and should not be attributed to the Urban Institute, its trustees, or its funders or to the George Washington University.

I focus on two questions: What is the role of the nation's workforce development system, particularly during the current economic crisis? And, how might small businesses maximize services available through the workforce system?

Public Workforce Development Support for Workers and Employers

The nation's public workforce development system is a partnership of federal, state, and local governments charged with providing employment-related services to two customer groups: workers and employers. Through more than 2,000 local one-stop career centers, also called American Job Centers, the system, authorized under the Workforce Innovation and Opportunity Act (WIOA) and the Wagner Peyser Act, operates a free labor exchange nationwide; it offers job search and job matching services and provides access to a range of services to improve the employability of Americans, including reemployment for the unemployed and skills training to meet current and future in-demand jobs.

One goal of the system is to help anyone find a job, especially the unemployed and underemployed, dislocated workers, and veterans. Employment services and job training are also provided to workers with disabilities, older workers, youth and other workers entering the job market, and people lacking skills that employers in their community demand. Another goal is to help businesses by matching skilled job seekers to businesses hiring, intervening early to help reemploy workers who may be laid off; most local Job Centers make space available to businesses to conduct interviews, offer workshops to job seekers, and perform occupational assessments and counseling.

In addition, since its establishment by Congress in 1933, the workforce development system is regularly called upon to mobilize during economic recessions and in local areas where unemployment rates or economic dislocation is particularly high. The system facilitates the processing of unemployment insurance claims, administers transitional or subsidized jobs when authorized, retrains workers whose regular occupations or industries have disappeared, and assists workers, businesses, communities, and regions affected by disasters, such as the COVID-19 pandemic.

What Works in Skills Training?

Local Job Centers facilitate access to—and often can pay for—skills training. Evaluation evidence suggests four points.

Public investment in training fills a gap. Employers provide most job training in the United States. One Urban Institute study conducted several years ago, but that probably still holds true, estimated that the private sector spends two to three times as much as the public sector (federal and state combined) each

year on training, with most of the investment going to mid- and high-level employees.¹ Small businesses, though, are less able than large corporations to invest in training, even in good economic times. The public workforce development system can help fill the training gap by focusing on smaller businesses and low-to-mid-level workers. The public system's very limited funding, though, covers only a small fraction of the 150 million or so workers in the nation. The public system also tends to serve smaller businesses and newer businesses by identifying available workers and training them.

Training connected to work has the most positive evidence.² Not all training is the same, and not all training, whether public or private, is effective. But evaluations over many years show that the most effective job training is that which is connected directly to work, rather than stand-alone training not aligned with jobs in demand. Several formal evaluations have found positive impacts on earnings and employment from work-based and work-integrated training models, including registered apprenticeships with particular employers, sectoral and industry-specific training, career pathways, and on-the-job training where local workforce investment boards subsidize a portion of employees' wages for a set period (e.g., six or nine months). Findings from recent evaluations of integrated education and occupational instruction also show promise.

Counseling and customer-focused career services are important. Several different evaluations suggest that the types of staff-assisted coaching and services offered in one-stop career centers, and sometimes virtually, are important for job seekers and trainees.³ Trainees who receive assistance in selecting their training do better than those who make their own choices without any career coaching.⁴

Comprehensive and integrated models work for youth. Young people, especially those out of school and not working, face more challenges than adults in returning to work or getting retrained. Fewer formal evaluations of job training for youth have been done than for adults. However, growing evidence indicates that the programs showing the most positive outcomes for youth have a comprehensive set of integrated services, including education, occupational training, coaching, and support services. As with adults, there is evidence that industry-focused training is important for youth. Career academies, for example, where high schools prepare students for particular industries and sectors, have positive and long-lasting impacts on

¹ Kelly S. Mikelson and Demetra Smith Nightingale, "Estimating Public and Private Expenditures on Occupational Training in the United States" (Washington DC: Urban Institute, 2004).

² US Departments of Labor, Commerce, Education, and Health and Human Services, "What Works in Job Training: A Synthesis of the Evidence" (Washington, DC: US Department of Labor, 2014); and Lauren Eyster, Theresa Anderson, Robert I. Lerman, Daniel Kuehn, Burt S. Barnow, Maureen Conway, Ranita Jain, and Marcela Montes, "Findings from the Accelerating Opportunity Evaluation" (Washington, DC: Urban Institute 2018).

³ US Department of Labor, Chief Evaluation Office "Women Veterans Who Get Employment Services for Veterans Specialists Earn More," Evaluation Snapshot 4/24/2015 (Washington, DC: US Department of Labor, 2015).

⁴ Mathematica Policy Research, "Larger Training Awards and Counseling Improve Cost Effectiveness: Long Term Impacts of Individual Training Accounts" (Washington, DC: Mathematica Policy Research, 2012); Sheena McConnell, Kenneth Fortson, Dana Rotz, Peter Schochet, Paul Burkander, Linda Rosenberg, Annalisa Matri, and Ronald D'Amico "Providing Public Workforce Services to Job Seekers: 15-Month Impact Findings on the WIA Adult and Dislocated Worker Programs" (Princeton, NJ: Mathematica Policy Research, 2016); Theresa Anderson, Lauren Eyster, Robert I. Lerman, Maureen Conway, Ranita Jain, and Marcela Montes, *Implementation of Accelerating Opportunity: Final Implementation Findings with Lessons from the Field* (Washington, DC: Urban Institute, 2016).

labor market outcomes, particularly for young men. And recent reports from the YouthBuild evaluation find positive impacts of that industry-based comprehensive model.⁵

Opportunities for Small Businesses

There are at least three ways small businesses can avail themselves of services available in the workforce development system to hire workers as the economy improves and access skilled workers that will be needed in the future.

First, to stay abreast of shifts in high demand occupations and necessary skills, businesses should regularly refer to the federally funded labor market information and occupational projections the state workforce agencies maintain. State labor market information is updated at least annually and is available to the public down to the local level. Businesses, of course, know their own needs and their own sector intimately, but broader economic forces are also always at play that can inform future demand directions. For example, even before the pandemic—but now clearly accelerated by it—there was growing demand for technology and virtual skills across occupations and industries, from administrative and customer service jobs to delivery, transportation, and retail. Direct service jobs in health and professional services require more technological and computer skills than ever before. Telemedicine, virtual customer service, and online support needs are growing. New business opportunities may be arising, such as those related to contact and tracing activity, public and personal safety, and online retail sales. Training workers now can have longer-term payoffs for firms that are retooling. If businesses can invest in training their current workers, low-cost online and virtual courses make sense. Community colleges and many K-12 school districts offer free or low-cost short-term training or refresher courses, many of which result in certificates that workers can use to document their skills.

Second, small businesses can partner directly with the local workforce development system for training current and future employees. Every local workforce investment board has some resources to subsidize training at the workplace and it is possible that Congress may appropriate more supplemental funding to help recover from the current recession. Formal on-the-job training contracts, for example, provide businesses with a subsidy that covers a portion (e.g., 50–60 percent for up to a year) of a worker's wages, while the business agrees to train the individual. The workforce development system also administers federal tax credits that may encourage some businesses to train or hire new workers. Evaluations find that workplace-based training like OJT or apprenticeships improve the skills and wages of workers, and they may also have positive returns on the investment. The US Department of Labor has prioritized apprenticeship training and periodically issues grant opportunities that require business partnerships with local workforce boards or community colleges. The workforce system and community colleges often also partner to fully subsidize training, and that training can be effective if it is properly linked to a workplace. Small businesses can be that employer link with community colleges, often at no cost to the company.

Third, businesses should prepare for the possibility of a long-term period of high unemployment and potentially more federal stimulus funding that may include job training program. During the Great

⁵ MDRC, "Building a Future: Interim Impact Findings from the YouthBuild Evaluation" (New York: MDRC, 2016).

Recession of the last decade, Congress authorized large-scale supplemental funding to the workforce development system that allowed additional staffing in local Job Centers and more skills training and subsidized jobs (similar to OJT) in the private, public, and nonprofit sectors. Local Job Centers are currently overwhelmed with assisting in processing claims for unemployment insurance. The longer the recession continues, the more people will be looking for jobs and training and turning to the local one-stop centers. Businesses can stay alert to potential new funding for WIOA and Wagner-Peyser by, for example, maintaining close communication with local workforce boards and Job Centers about their interest in partnerships to expand training

Conclusion

The public workforce development system trains workers who might not otherwise receive it—namely, those with middle and lower skills and wages—and provides training resources for businesses that might not have the resources to do it on their own. However, the system's very limited funding prevents it from reaching all workers and businesses that could use the services. The current economic crisis is placing extreme hardship on many businesses and unemployed workers who will need help becoming reemployed. The pandemic has also highlighted that jobs of the future are likely to change, with many, for instance, requiring workers in nearly all occupations to have more computer and internet skills. When unemployment is high, it is a good time for the nation to invest more funding in job training to upgrade the skills of workers for the future. Businesses can and do play a critical role in skills training, and small businesses can be prepared to expand their role by actively partnering with the local workforce development system and community colleges, particularly if more federal funding is appropriated.

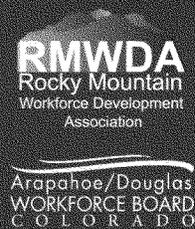
Congressional Written Testimony

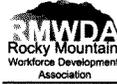
***Putting America Back to Work:
The Role of Workforce Development
and Small Business Rehiring***

Committee on Small Business Subcommittee
on Innovation and Workforce Development

July 16, 2020

Kelly Folks
Arapahoe/Douglas Works! Workforce Director
President of Rocky Mountain Workforce Development Association





**Putting America Back to Work: The Role of
Workforce Development and Small Business Rehiring**

Arapahoe/Douglas
WORKFORCE BOARD
C O L O R A D O

My name is Kelly Folks. I am the Workforce Director for Arapahoe/Douglas Works! Board and Workforce Center and the President of the Rocky Mountain Workforce Development Association (RMWDA). The views I express in this testimony are my own, based on experience in working within the Workforce Development System at a local, state and national level holding a variety of positions to include the above two positions, as well as I serve as the Region 4 liaison for the National Association of Workforce Boards (NAWB), the Region 8 Board representative for the National Association of Workforce Development Professionals (NAWDP), and have been appointed by the Governor as a member of the Colorado Workforce Development Council.

I want to thank the Subcommittee for the opportunity to discuss the needs of the Workforce Boards and One-Stop Centers, the needs of the Workforce Development System as a whole, the innovative practices that have been occurring at the state and local levels with business/industry in particular with small businesses pre-COVID19 and throughout COVID19, the Workforce Development System (Local Boards and One-Stop Centers) response to COVID19 and the current trends that have transpired in my local Workforce Region and throughout the State of Colorado since COVID-19 came into play.

Background:

Arapahoe/Douglas Works! Workforce Center and Workforce Board serves the community as a labor exchange and work-skill development center supporting the local economy and general public. Its operations are governed by the Workforce Innovation and Opportunity Act, Wagner-Peyser Act, Personal Responsibility and Work Opportunity Act, Food Stamp Act, Title 38 and any other relevant grants and/or contractual obligations.

Arapahoe/Douglas Works! Workforce Board and One-Stop center is a member of the Colorado Department of Labor and Employment's statewide and national network of Workforce Centers, which provide a variety of no-cost services to job seekers and businesses. Arapahoe/Douglas Works! serves as a critical resource to connect people and businesses in Arapahoe and Douglas Counties, and throughout the Colorado, Denver/Aurora metropolitan region.

The Workforce Center offers an array of tools to support local job-seekers, including offering resources and workshops for a self-directed job search, one-on-one employment counseling, and training assistance. The center utilizes Connecting Colorado, which is an online database system through the Colorado Department of Labor and Employment (CDLE) that keeps track of the statewide job openings and registered job-seekers, to facilitate the match between skilled workers and businesses.

Arapahoe/Douglas Works! offers free workforce development services to businesses in the metro Denver area, to ensure that the region remains economically competitive and boasts an adequately skilled workforce for the future. The Board offers an array of services to economic development, chamber and business/industry partners beyond job fairs/hiring events, assistance filling open positions, workshops, and assessments. We provide a multitude of data driven reports and products



**Putting America Back to Work: The Role of
Workforce Development and Small Business Rehiring**



which enhance their ability to make sound decisions in regards to relocation, hiring, competitive salary adjustments and offerings, etc.

The Workforce Center is guided by a Workforce Development Board comprised of local community members to include, but not limited to business/industry, Chambers, Economic Development entities, Education, Non-profits, and WIOA mandated partners, etc.

Arapahoe/Douglas Works! Mission

To strategically invest in Human Capital which contributes to regional economic vitality.

Arapahoe/Douglas Works! Vision

A best-in-class workforce development organization that is responsive to the dynamic needs of job seekers and business/industry.

Arapahoe/Douglas Works! Agency Key Results

- 100% employability for all those who want to work
- Results that are best-in-class
- Metro-area workforce center of choice
- Exceptional delivery of services
- Provide the highest rate of return on public investment

Rocky Mountain Workforce Development Association (RMWDA)

RMWDA serves as the State Workforce Development Association. It is a 501c4. Its membership base consists of the 10 Workforce Regions, the Colorado Department of Labor and Employment-Employment and Training Division, the Colorado Workforce Development Council and the Colorado Department of Human Services.

RMWDA Mission

Create the conditions for excellence in Colorado's workforce ecosystem through collaborative advocacy and capacity building for our members, so as to enhance opportunities for employers, job seekers, and those striving to obtain self-sufficiency.

RMWDA Vision

The workforce ecosystem is aligned, recognized for excellence, and driven by well-trained staff.

The Workforce Development Boards are the agent and convener of the Workforce Development System on a local level in the State of Colorado. They are business-led, governed and supported by their local elected officials.

The Workforce Boards are charged with bringing together industry, education, labor, community, government, and other key stakeholders in workforce to develop demand-driven strategies to make certain a connection occurs within the regional economies and labor markets.



Needs of the Workforce Development System:

Although WIOA has not been cut at a national level, unfortunately the formula utilized for allocating funding to states and then locally lags with the market and the current demands, therefore it makes it very difficult at a local level to provide the level of service delivery needed, especially during times such as this. The nuances to the WIOA law creates problems nationally and locally because the labor market information lags, therefore skewing the formula for which what is really occurring with unemployment trends in a state and/or local area at the time. The WIOA system has not been funded nationally over the past several years at a level to keep up with the demand or speed of the market.

For several years now the Workforce Development System in Colorado and locally has continually realized tremendous budget cuts. Although many states, including Colorado pre-COVID19 had low unemployment rates, many business/industry leaders were leaning heavily on the system to assist with finding the “right fit” worker for their company’s needs. In some cases this included the need for additional training and upskilling and in other cases the data to show that they were not offering a competitive wage for the position, etc. Additionally, business/industry needed support in filling their hardest to fill positions.

Jobseekers that needed assistance in many cases had little to no work experience or had multiple barriers to employment, consequently needing additional assistance from the system to ensure that they were able to obtain and retain employment. Therefore the need for the Workforce Development System was and now during COVID19 even more prevalent. An example of budget restraints for my local region and other Colorado local regions in past years have been at times up to 20% cuts for each grant i.e. WIOA Youth, WIOA Adult, WIOA DW, Wagner Peyser, etc. With the continued funding cuts within in the system, this has placed additional burdens and strains on an already resource and funding depleted system to provide assistance for business/industry and jobseekers during this pandemic and crisis.

The Workforce Development System has unfortunately been the “best kept secret” for years. Due to funding constraints within the allow ability of the various grants that the system has, it is very hard for the system to “market” their value add for providing results that are best in class for the community and the return on investment that does occur when we are able to find jobseekers employment, retool, retrain and upskill them and provide business/industry workers in which meet their needs and the cost savings which they realize from lower turnover rates, etc.

In order for the Workforce Development System to meet the demands of the community to include the jobseekers and business/industry during the pandemic, the system needs resources and funding. During the Great Recession, the Workforce Development System was put to the test, receiving an influx in funding to serve the communities through a variety of mechanisms. The system as a whole rose to that challenge. Many jobseekers and businesses were able to get the additional supports that they needed to obtain and retain employment. The unemployment rates post the Great Recession prove the effects of the supports of the system. This type of bold and decisive action is needed even more today with the current economy devastated by the pandemic.



**Putting America Back to Work: The Role of
Workforce Development and Small Business Rehiring**



Examples of resources and funding include, but are not limited to the following:

- Additional resources need to be added to the overall WIOA funding streams to include Adult, Dislocated Worker and Youth.
- Additional resources need to be added to Wagner Peyser.
- Additional resources need to be considered for Youth Employment programming.
- Additional resources need to be considered for local areas to be able to provide a more robust Business Service delivery which allows for the innovation needed to meet the current demands of business/industry.

Response to COVID19:

Our response to COVID19 has taken the Workforce Development System as a whole, locally and within Colorado to the next level. When the State of Colorado shut down for several weeks during the height of cases in our State, we had less than 48 hours to get all of our services remote/virtual. Many local regions in Colorado to include Arapahoe/Douglas Works!, developed and implemented local call centers to assist the State of Colorado with the influx and demand on the unemployment calls to the system by jobseekers and businesses effected. All services went virtual with absolutely no stop in service delivery to the jobseekers and/or businesses. The offices have reopened, however as we saw significant positive results in offering virtual service delivery, both service models continue to date throughout the state. Offerings include, but are not limited to virtual-interactive workshops, assessments in person and virtual, one-on-one career counseling in person and virtual, virtual hiring events and job fairs, virtual career expos for youth, retraining, retooling and upskilling jobseekers, pre-apprenticeship and apprenticeship options.

Current Workforce Development Trends:

The current Workforce Development trends that we are seeing nationally, within the State of Colorado and our local region include the following:

- People not going back to work with the company that they were furloughed from due to that company either closing and/or the particular job no longer available.
- The need for layoff aversion methodologies and incumbent worker training availability to be put in place with more flexibility to ensure that business/industry can continue to retool and skill up their current workforce rather than lay off.
- Although work-based learning is a key factor in being able to put funding into local businesses, right now they are having trouble with having time to look into developing apprenticeship programs and/or allow for on-the job trainings. They do not have the bandwidth. Flexibility in being able to pay 100% for a period of time of a jobseekers on-the-job training is needed.
- A need for more flexibility in the formula funds so that local communities can build the programming needed to put people back to work quickly.
- Public service employment should be re-examined to be able to place unemployed individuals in opportunities which assist both our local governments with recovery and their families with a pay check.



Innovative Practices:

During the pandemic, the Arapahoe/Douglas Workforce Board developed a Recovery Taskforce for Douglas County and one for Arapahoe County. The taskforces are charged with ensuring that Economic Development entities, Chambers of Commerce's in each County, the Small Business Development Association, Municipalities within those Counties, the Workforce Board and Businesses are working collaboratively to focus on working with the business community to identify and provide available resources to assist the businesses return to pre-crisis operation levels. The taskforces are charged with analyzing the trends, needs and gaps that are occurring within business/industry and are working collaboratively on solution based ideas to implement to ensure business needs are met and they can reopen. Some innovative practices that are coming specifically out of the Arapahoe/Douglas Workforce Board-Arapahoe County Recovery taskforce include working hand-in-hand with the County to develop programming within key "Business Impact areas" that were outlined due to the pandemic. Through utilization of CARES Act funding, several business impact areas have been outlined. One area, Advance Arapahoe, concentrates on assisting small and medium sized businesses with Infrastructure/PPE grants and Business Interruption grants.

Another area, Retrain Arapahoe, concentrates on several components of retooling, upskilling, training and retraining jobseekers and provides assistance for business/industry regarding education components for business/industry in areas that have been outlined as gaps or needs for companies. These training areas may include, but are not limited to workshops regarding filing for bankruptcy and workshops on moving their business outside, within compliance of the Governor's orders. Virtual business roundtables and conferences with topic areas driven by the business community have also been implemented and well attended, topics for these conferences include, but are not limited to cybersecurity, hiring and onboarding in a virtual environment, teleworking best practices, current update on the paycheck protection program, the future of work and safety practices for business in a COVID world.

The retooling, upskilling, training and retraining jobseekers component of Retrain Arapahoe include customers receiving training assistance to make them more employable and or ensuring that a business can keep them employed through retooling and/or upskilling them if a position no longer exists in that industry, as well the taskforce working to re-employ jobseekers in other industries through their transferrable skills and retooling/upskilling them within those industries.

Close the Gap is another initiative that the Arapahoe/Douglas Workforce Board-Arapahoe County Recovery taskforce will be implementing. This is a collaboration with Arapahoe Community College, Arapahoe County, and the Arapahoe/Douglas Workforce Board and Workforce Center. A very significant gap that was realized in the height of the pandemic when the State of Colorado was in the Stay at Home order, was the various technology gaps within employees in all industries. The goal of the Close the Gap program is to assess jobseekers individual technology skills and provide the necessary training to enable them to apply for a job online, work remotely, understand email, social media, and a wide variety of business applications like Microsoft suite, the google platform, zoom, and go to meeting. The population concentration for this program is working with low-income individuals. Once the individual completes the program successfully, they will receive a Chromebook and/or laptop in order to be able to take employment opportunities if they need an option to work



**Putting America Back to Work: The Role of
Workforce Development and Small Business Rehiring**



from home during these most uncertain times, for example a single mom, whom has school aged kids and may not be able to work full-time in the fall based on whether or not the school district is in an online and/or in-person format.

Some additional innovative best practices that have been in place within the State of Colorado pre-COVID and continue to be very relevant during the pandemic are the following:

- Virtual hiring events through the Connecting Colorado platform, utilized statewide.
- The creation and implementation of the Business Service Alignment group, which includes representatives from each local area and the Colorado Department of Labor and Employment, who work strategically to align business practices to ensure business/industry receives the same services and messaging.
- The formation of a data expert group, which includes representatives from each local area who work strategically to respond to data requests from a multitude of partners to include, but not limited to business/industry, education partners, economic development entities, chambers, non-profit organizations and other government agencies. The group also reports out the ROI of the Workforce Development System for Colorado.

The Role of Workforce Development in Putting America Back to Work:

The nation's Workforce Development System is uniquely suited to put relief money into the community quickly now similarly to when it was called upon during the Great Recession. The Workforce Development System has the following components, partnerships and infrastructure in place which will make certain that the current unemployment crisis from the pandemic can be addressed:

- The Workforce service delivery infrastructure already is in existence locally and nationally.
- The Workforce system has built relationships with existing short-term occupational training programs.
- The Workforce system has the experience and partnerships in place to ensure retooling, upskilling, training and retraining jobseekers is implemented and already provides assistance for business/industry.
- The Workforce system has the knowledge of local business/industry needs and how short-term work-based-learning options can apply.
- The Workforce system has demonstrated timely and thorough data on current labor force demand and trends in job listings.
- The Workforce system has timely data on the emergent demand for specific skills, and ability to create fast training around those skills with education partnerships.

In short the Workforce Development System stands ready to put America back to work!



**Testimony by Dr. Joe Schaffer, President
Laramie County Community College (WY)**

“Putting America Back to Work: The Role of Workforce Development and Small Business Rehiring.”

**U.S. House of Representatives
Committee on Small Business Subcommittee on Innovation and Workforce Development
Thursday, July 16, 2020**

Good afternoon, Chairman Crow, Ranking Member Balderson, and Members of the Committee. My name is Dr. Joe Schaffer and I am president of Laramie County Community College, located in Cheyenne, Wyoming. I am here today representing my college as well as the American Association of Community Colleges (AACC). AACC serves as the national voice for America’s 1,050 community colleges. I have served AACC as chair of its Commission on Small and Rural Colleges, which focuses on the unique characteristics and needs of these colleges. I am now beginning service as chair of AACC’s board committee on Public Policy and Government Relations.

Very briefly, community colleges are the largest sector in higher education, enrolling 41% of all undergraduate students. In addition, the colleges enroll roughly five million non-credit students. The average age is 28, which accounts in part for the colleges’ emphasis on providing programs that can help individuals navigate the world of work. 26% of all credit students are Hispanic, and 13% are Black. 57% are female. The colleges are heavily dependent on state and local support, receiving 54% of their revenues from these sources. At this moment, this makes them ever more reliant on federal backing, as state budgets are ravaged by the recession.

As for my institution, Laramie County Community College (otherwise referred to as “L-triple-C”) is a public, two-year comprehensive community college serving Southeast Wyoming. The main campus is in the state capital of Cheyenne, approximately 100 miles due north of Denver and closer still to the growing Front Range of Colorado. The college has a branch campus in Laramie (Albany County and the home of the University of Wyoming) and two outreach centers. LCCC was established in 1968 and is governed by an elected, seven-member board of trustees. We serve over 6,000 students in credit courses, and thousands more annually enroll in non-credit workforce development courses and customized business training programs. Over the past decade, we have increased the numbers of degrees and certificates awarded by nearly forty percent.

There aren't many things more American than its community colleges and our small businesses. While there is a comfortable familiarity among the nation's community colleges and its Main Streets, individually they are as unique as the economic and cultural fabric of the communities they serve. At the local level, colleges and small business work hand-in-hand. Many community colleges oversee, house, or coordinate resources for small businesses, such as Small Business Development Centers, SCORE Chapters, and Business Retention and Expansion programs. In addition, central to the community college mission is the provision of customized training and workforce development programs tailored to the needs of the businesses we serve.

For my testimony today though, I would like to talk about four specific ways in which community colleges support America's Main Streets. Although I will share some specific examples, I want to be clear that we need to be doing substantially more in these areas. Selfishly I would also argue we need to focus specifically on helping our rural communities ramp up these efforts.

Entrepreneurship and Small Business Starts

Community colleges have a rich history of developing and delivering programs that prepare job seekers for real opportunities within their communities, states, and regions. For America more broadly, and certainly our rural areas, we need to fundamentally shift from only focusing on developing job seekers to equally emphasizing developing job creators. According to the Kaufman Foundation¹, between the late seventies and 2012, the share of young businesses (less than a year old) declined by more than forty percent. Census data also paints a scary picture for America, one where more businesses are closing up than new ones opening. This is especially worrisome given that new businesses account for the lion's share of job creation.

The business recruitment model has been the Holy Grail of economic development. Yet communities need to shift their focus from business recruitment as their primary economic development strategy to a mindset focused on entrepreneurship. Community colleges are helping drive this shift. For example, here in my state, the Southeast Wyoming Innovation Launchpad is a regional startup challenge for entrepreneurs coordinated by LCCC, the University of Wyoming, and many business organizations such as the Chamber of Commerce and the Wyoming Business Council. The initiative uses the Lean Launchpad process, combined with personalized business counseling, to validate every entrepreneur's concept, and the results have been impressive with multiple viable business concepts in various stages of launching their business.

Other examples exist, such as Hillsborough Community College's (Tampa, FL) *InLab* that provides an array of support to small businesses and prospective entrepreneurs. Or the recent launch of the National Association for Community College Entrepreneurship's (NACCE) *Everyday Entrepreneur Venture Fund*, that pairs community college business services with funds to start and re-start businesses associated with under-resourced entrepreneurs.

¹ Kaufman Foundation, "The Importance of Young Firms for Economic Growth," www.kauffman.org/resources/entrepreneurship-policy-digest/the-importance-of-young-firms-for-economic-growth/

Small Business Growth and Expansion

As you likely know, small businesses account for the majority of new private sector jobs². This growth doesn't come without intention and support. Community colleges have and continue to play an instrumental role in the growth and expansion of small businesses. This is one of the reasons that we collectively support the U.S. Department of Education's Reimagining Workforce Preparation grants that include business incubators as one of the program's two primary priorities. Helping small businesses move from start-up to sustained, stable growth should be a policy priority for us all.

In 2009, Goldman Sachs launched its *10,000 Small Businesses* program to help grow small businesses by partnering with community colleges to provide greater access to education, capital, and business support services. The Community College of Philadelphia has been a pace-setting community college in this space, producing graduates that have been recognized for leading some of the fastest-growing small businesses in Philadelphia³.

Technical Assistance

Small businesses, by their very nature, are small. It is not uncommon for many owners and employees to wear multiple hats and they seldom have in-house access to technical assistance, professional development, research and development, or other professional and scientific services. Community colleges have historically stepped up, and stepped in, to help small businesses in these areas. We do this either through the direct provision of assistance, education, or services, or through the coordination of these with community partners.

For example, in Phoenix, Maricopa Community College's *Corporate College*⁴ was developed to provide a broad array of services to business owners, ranging from employee training, assistance with technology, business resources, and the delivery of customized market-relevant solutions to help small businesses navigate the most complex aspects of their operations.

Workforce Development

Finally, the area community colleges have perhaps been the most progressive and instrumental in supporting small business has been in the realm of workforce development. Workforce development has been a hallmark of the comprehensive community college mission for nearly 100 years. Whether it is educating and training the future workforce that become job seekers or delivering customized workforce development solutions for specific employers or industries, there is no more significant contributor in this arena than America's community colleges.

There are two primary challenges that underlay the concept of "workforce development" and both are worth including in this testimony. The first is a simple problem of numbers. While the ongoing pandemic has led to record unemployment, we believe that the country will ultimately overcome the ravages of COVID-19 and find itself confronting many of the same economic challenges that existed even as recently as earlier this year. These include an aging population, lowered birth rate, and very low

² Small Business Administration's Office of Advocacy Frequently Asked Questions available at: https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

³ Community College of Philadelphia available at: <https://www.ccp.edu/business-and-industry/goldman-sachs-10000-small-businesses-program>

⁴ Maricopa Corporate College, available at: <https://www.maricopacorporate.com/>

unemployment (though labor force participation has dropped for major segments of the population). But it is also clear that businesses have struggled, and will struggle once again, with identifying workers ready to fill good jobs. Part of this challenge is simply due to a sheer lack of individuals available for work. This is particularly the case in rural America.

Future immigration policy should reflect this reality, and the broader demographic reality that the U.S. needs immigrants to maintain its population and economic competitiveness. From the 1970's to the early 2000's, our nation's working age population (ages 16 to 64) expanded by nearly 200,000 individuals each month. The Census Bureau projects that number to fall to roughly 50,000 per month over the next 15 years. Net international immigration to this country has accounted for 61% of our nation's population growth in the last ten years⁵. Community colleges remain a place where these individuals may connect, have their innate talents developed, and then deployed to meet America's workforce needs.

The other primary challenge, and one that understandably receives the most attention, is that of the growing skills gap in America. You have heard it stated numerous times – that there are jobs available but not the people with the specific skills necessary to successfully fill them. Community colleges have been at the helm tackling this challenge. You are likely already aware of AACC's significant role in the rejuvenation and broad expansion of apprenticeship programs across the United States. AACC's Expanding Community College Apprenticeship effort, in partnership with the Department of Labor, aims to add 16,000 new apprentices. In addition, most every community college has tailored curriculum and developed short-term certificate programs that are specifically designed to help prepare and advance their community's workforce. There are simply far too many examples to share in this testimony, but I feel compelled to say that without the community college, the ability to educate, train, and retrain our workforce would be nearly non-existent.

Yet, there is more we can do. Part of the skills gap issue is directly a result of insufficient support for workforce education at community colleges and other entities, again especially so in rural areas. There are a number of federal policies that could assist community colleges in meeting the needs of small business. These include establishing a major community college job training program to help the country move through the pandemic. Community colleges are well equipped to prepare individuals for good paying jobs, but most high value-added technical programs are expensive and existing funds simply do not cover all that businesses demand. Even in a time of relatively flush funding, support for job training can be difficult to identify. At the moment, it is in critically short supply and promises to become more so in the months to come. Therefore, community colleges continue to support a dedicated job training program, funded at \$2 billion over two years (to be expended over four) to allow community colleges to partner with businesses and state entities to help individuals find good jobs. While focused, demand-driven job training is not necessarily sufficient to ensure economic health, it is an indispensable component. The program supported by AACC is modeled after the highly successful Trade Adjustment Act Community College and Career Training program, which was phased out in 2017.

Relaunching America's Workforce Act, H.R. 6646, would create a program focused on community college training, based at the Department of Labor. AACC strongly supports this legislation. Unfortunately, the House-passed HEROES Act did not include this program or any dedicated community college training funds. However, we hope that final "stimulus 4.0" legislation could incorporate this legislation or similar legislation introduced in the Senate. This includes S. 3273, the bipartisan "Access to

⁵ Analysis and Summary from [Market Street Services, Inc.](#) (2018)

Careers Act," or the community college training program included in the Coronavirus Child Care and Education Relief Act introduced in the Senate by Senator Patty Murray (D-WA).

Community colleges continue to strongly support new Pell Grant eligibility for short-term programs, i.e., those between 150 and 599 clock hours or its equivalent in length. These programs can help transform economic prospects for individuals at the lower end of the economic spectrum, where even relatively small wage gains can tremendously impact living standards. Currently, thousands of jobs in information technology, contact tracing, EMT and allied health fields, licensed commercial driving, and other areas could be filled by individuals enrolled in short-term programs. AACC has endorsed enactment of the Jumpstarting our Businesses by Supporting Students Act (JOBS Act), H.R. 3497, which would realize this policy. These short-term programs could be particularly helpful in meeting the needs of small business because of their relative flexibility. In particular, the JOBS Act could fund non-credit programs. The JOBS Act was first introduced four Congresses ago. It is past time for its enactment.

The Workforce Innovation and Opportunity Act (WIOA) is due for reauthorization and should be modified to help community colleges better serve small business, by placing community colleges more centrally within the federal workforce system—particularly by ensuring that they are looked to first to provide relevant training. Training itself needs to be funded much more robustly within WIOA. In many areas, expenditures to support American Job Centers and other aspects of the system's infrastructure exceed the amount spent on training. The non-training functions are critical but the primary role for WIOA should remain providing people with the skills necessary to gain and hold down good jobs. Over time, WIOA has been more effectively integrated with other related programs, including the Carl Perkins Career and Technical Education Act, as well as adult education. This integration, driven in part through an emphasis on career pathways, should be continued.

Redistributing People/Redistributing Jobs

I want to conclude this testimony with two final thoughts that are at least tangentially related to the topic of this hearing. They pertain directly to the dire need for America to take stock of the growing divide that exists between Rural and Urban America. The formula for economic prosperity in rural areas is simple: economic activity plus economic opportunity results in economic and community prosperity. To accomplish this though, America must start considering policy and practices that help redistribute jobs and redistribute people across the Nation.

In 1950, just more than thirty percent of America's population lived in rural areas. By 2010 that percentage had dropped to just over nineteen percent⁶. By 2018, only fourteen percent of the nation's population was contained in non-metro areas⁷. Yet small businesses make up the largest share of businesses in non-metro, rural areas. The pervasive decline in population has had a direct impact on the longevity of existing small businesses and stymied the growth of new businesses. (Why start a business where you won't be able to find employees or customers?) The result is less economic activity and less economic opportunity, leading to declining economic and community prosperity. This goes beyond business – it degrades the community's infrastructure and has put enormous strain on educational facilities, especially rural and small community colleges, to keep pace with changes in technology necessary to support changes in business.

⁶ US Census Bureau "Measuring America," available at: <https://www.census.gov/library/visualizations/2016/comm/acs-rural-urban.html>

⁷ US Department of Agriculture "Rural America at a Glance" 2019 Edition, available at: <https://www.ers.usda.gov/webdocs/publications/95341/eib-212.pdf?v=5832>

Populations matter. People matter. At one point in time business was driven to the locations that provided the most appealing, business-friendly climates. In the economic development world, this focused on low tax environments, limited governmental regulation, inexpensive land, etc. People went to where the jobs were. Today, the workforce, or people with desired skills, is becoming the primary driver for where businesses locate and grow. And today, people aren't going to Rural America, and as a result, neither are the jobs.

Last year, the McKinsey Global Institute produced a report⁸ titled "*The future of work in America: People and places, today and tomorrow.*" Their analysis was a bit staggering. Nearly all job growth (97 percent) between 2010 and 2016 occurred within urban areas. Looking forward, it is projected that twenty-five megacities will capture sixty percent of all growth through 2030. Yet rural areas on average have witnessed flat or negative job growth during this same time. Rural America has yet to recover to pre-recession levels of employment.

Automation, necessitated by low populations, low skills, and technological advancements will also disproportionately impact Rural America. In the McKinsey analysis, it is estimated that forty percent of jobs in rural areas will be automated by 2030. Of the 512 counties that will see the most displacement, 429 of those are rural. The COVID-19 pandemic is only making matters worse and will likely accelerate this trend as our economy recovers.

The coronavirus pandemic has had so many terrible, devastating impacts on our communities and our people. We will come out of this pandemic, and when we do, my hope is that it will have had two significant impacts on the country. First, I hope that people once again find the value in a "lower-density" lifestyle, where the dollar stretches a bit further, people have a little more space between them, and life leads at a slightly slower pace. I hope people rediscover Rural America and we begin to see populations start to redistribute to these areas, and new generations of Americans are born and grow in America's heartlands. I also hope that policy makers recognize this as an opportunity to purposefully help with this redistribution of the nation's population.

Second, I believe we are learning a painful, but valuable, lesson with the impacts to our supply chains in America. Chasing cheaper labor, higher profit margins, and perhaps less regulation, for decades took our manufacturing offshore and also allowed for critical manufacturing stages to be grounded on foreign soil in a desire for a less expensive product. These trends hurt us, and continue to hurt us, during the pandemic.

However, the rising expectations for quality of life, and as a result, higher wages, have made the offshoring of manufacturing jobs less appealing and less beneficial to businesses' bottom line. Even before the pandemic we were witnessing manufacturers looking to bring these jobs and their business back to the United States. With the right policy environment, this trend could accelerate substantially post COVID-19, and America might once again rise to be the world's "maker country" as it was in the days of Henry Ford. Community colleges can certainly help in this regard through offering programs in support of these manufacturing industries.

Part of this policy environment should also encourage the redistribution of these jobs across the country, with a specific focus on placement in Rural America. To do this, our businesses will need the

⁸ McKinsey Global Institute (2019) "The Future of Work" available at: <https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-in-america-people-and-places-today-and-tomorrow>

right incentives, including adequate populations of trained individuals. Thus, investing in rural communities' infrastructure, supporting training programs for rural community colleges, and driving policy that helps our small manufacturers get a leg up in Rural America should all be taken seriously. Manufacturing can perhaps become the catalyst for a renaissance of Americana and a re-emergence of the middle class.

Mr. Chairman, Members of the Committee, thank you for the opportunity to share this testimony today. Your work is important, and on behalf of AACC and America's community colleges, I want you to know we stand ready to help small businesses thrive in our communities and across the nation.

Our family business, GKM Auto Parts, operates three stores in eastern Ohio. We have been in business for almost 15 years. As a small business, our 19 employees are a valuable asset to our company. Well trained, knowledgeable employees are one of the keys to the success, stability, and growth potential for any business, especially a small business.

In the past few years, it has been challenging for businesses to fill open positions with quality candidates. There is a shortage, particularly in our region, of qualified candidates for highly skilled positions. National Federation of Independent Businesses, reported the from the results of a member survey in 2019 that "Twenty-two percent of small employers who have hired an employee for their most-skilled position in the last two years lowered the minimum qualifications for applicants that they previously required, and 24 percent lowered them for the most common, less skilled position." As a leadership member of NFIB, I hear firsthand that hiring and retaining qualified employees, particularly in the technical and mechanical trades, is hindering the operations of small businesses. When a less than qualified candidate is hired, improving that employee's skills puts a strain on the tight margins with which small businesses normally operate and puts a strain on the timeframe of production. Money in the budget which could be spent on hiring additional employees is spent on training the less than qualified new hires. Finding the time to train is also a significant burden to the small business owners.

This challenge has become more pronounced post COVID-19 pandemic. Small businesses, who furloughed workers in order to stay solvent during work shutdowns and slowdowns, are reporting that some workers are slow to return, primarily due to the Federal stimulus that enhanced their unemployment benefits. The investment in time and treasure in these employees' training is a significant loss when they won't return to the workforce. It is creating a strain on the companies when they can least afford this.

Local education, at all levels, primary, secondary and post graduate, is focused on developing the skills needed for the jobs available in my area of Ohio. The recent state budget decreases to schools in Ohio due to the pandemic will impact this goal. When schools can achieve this goal, the financial burden on an employer is eased and the employee would enter the job with the skill set at a level to be productive. Training budgets could then be spent on boosting the employee's skills or on wages to retain that employee, benefiting both the employee and the employer. Also valuable to small businesses is a focused and robust re-training program available to assist displaced workers and adults with a desire to "learn a new trade". A larger investment in this arena would reap the benefits not just to the employer but also to the quality of life for an employee and the community.

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

Questions:

1. **Historically, the auto industry is one that embraces on-the-job learning and training. Have these practices been able to continue even through this period?**

Automotive Career and Technical Education (CTE) programs in high school and community college programs have continued during the pandemic. Reduced “shop” time has occurred to allow for social distancing.

In addition, the workforce development system is in place and is geared to deliver training funds rapidly in the community through on-the-job learning, and assistance is also available for the automotive industry to create registered apprenticeship programs that provide strong and effective training through combinations of classroom and hands-on experiences.

During the last decade, the number of automotive technicians, mechanics and auto body people grew by 1,146 (16%) in metro Denver, moving from 7,199 in 2011 to 8,345 in 2020. The training pipeline is robust, with 948 people graduating as automotive technicians and mechanics in 2019, which was slightly more than enough to meet the projected 744 annual openings.

However, more training is needed for diesel mechanics and technicians. Training providers in greater metro Denver graduated 43 in 2019 in the face of 338 projected annual openings. This would be an ideal place to introduce registered apprenticeships and other work-based learning leading to industry recognized credentials. The workforce development system in Colorado has two designated apprenticeship navigators, who can help businesses or groups of businesses go through the process of creating and opening registered apprenticeship programs, and with the addition of some funding, the workforce development system could also defray the cost of basic tools and a portion of the classroom training.

2. **What relationship does your business have with local educators?**

The Arapahoe/Douglas Works! workforce business services team and the other workforce regions within Colorado have very good and interactive relationships with the local educators. For our business community they work well with the different school institutions as well. There is a good deal of recruiting from our local educational institutions that occurs in partnership with the workforce boards and centers to serve the business community.

In particular to the automotive industry, as a result of the pandemic, the industry has opportunity to work with partners in workforce development and education to create

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

apprenticeships for technicians and mechanics. This need is especially acute for diesel mechanics.

The most effective training is hands-on, combined with classroom coursework, and the apprenticeship methodology is an ideal vehicle because it allows participants to begin earning money immediately after being accepted into the apprenticeship.

The local community college and vocational technology education system is strong within Colorado, and with the addition of these partnerships, it could quite effectively address the ongoing workforce development needs in the automotive industry and has already and continues to address the ongoing workforce needs and gaps in several other industries as well.

3. Has there been a substantial drop in these relationships of late?

No, through the Arapahoe/Douglas Works! workforce board, and our sector partnership activities, as well as the other local boards throughout the State of Colorado, we stay connected.

Relationships have grown through the pandemic, as well, with local workforce boards, workforce developers, economic developers, chambers of commerce and educators collaborating together to aid local businesses in obtaining the resources they need, including a continued supply of skilled labor, to recover and thrive.

In particular, Arapahoe/Douglas Workforce Board developed a Recovery Taskforce for Douglas County and one for Arapahoe County. The taskforces are charged with ensuring that Economic Development entities, Chambers of Commerce’s in each County, the Small Business Development Association, Municipalities within those Counties, the Workforce Board and Businesses are working collaboratively to focus on working with the business community to identify and provide available resources to assist the businesses return to pre-crisis operation levels. The taskforces are charged with analyzing the trends, needs and gaps that are occurring within business/industry and are working collaboratively on solution based ideas to implement to ensure business needs are met and they can reopen. Some innovative practices that are coming specifically out of the Arapahoe/Douglas Workforce Board-Arapahoe County Recovery taskforce include working hand-in-hand with the County to develop programming within key “Business Impact areas” that were outlined due to the pandemic. Through utilization of CARES Act funding, several business impact areas have been outlined. One area, Advance Arapahoe, concentrates on assisting small and medium sized businesses with Infrastructure/PPE grants and Business Interruption grants.

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

4. August and the school year are quickly approaching. Do you expect to see a decline in workers and/or their capabilities because of the virus and the uncertainty of schools or technical colleges being open?

We expect to see a change in who can work. Parents may need to stay at home with their kids for remote learning or hybrid programs that our school systems will offer. We also see workers who are uncertain about the safety to go back to work during the pandemic. There is uncertainty as to how to go back to work or school and keep themselves and/or their family safe. We do not expect to see a decline in capabilities, however we do see a large segment of our workforce that will need to retaining programs because their previous work may not be as readily available. (Event planning, hospitality, travel, etc.)

Many people who were laid off as a result of the pandemic lack the skills that are currently in demand in greater metro Denver. This ongoing skill gap existed prior to the pandemic but has since been exacerbated. The workforce development system is working with partners to identify redundant skills and collaborate to create career pathways leading to opportunity in high-demand occupations, including automotive and diesel technicians and mechanics. During the last rolling 90-day period, there were 1,164 active job postings for automotive technicians, with demand rising 6.9% from the previous 90-day period (source: EMSI Job Posting Analytics). During the same rolling 90-day period, there were 581 active job postings for diesel technicians and mechanics in greater metro Denver.

This is why a collaborative partnership, with workforce development, educators and engaged businesses is so necessary to rapidly address shortfalls in the training pipeline for these essential jobs.

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

Questions:

1. Historically, the auto industry is one that embraces on-the-job learning and training. Have these practices been able to continue even through this period?

Response: While a broader response, many trades and technical industries that have a history of work-based training and education have continued to provide these opportunities. Like everywhere else, the pandemic has forced some restrictions and modifications to if, when, and how these activities would occur. But from healthcare clinical rotations to apprenticeships, opportunities for work-based learning have continued. And it will be essential that they continue for America’s workforce and economic prosperity post-coronavirus.

2. What relationship does your business have with local educators?

Response: We are educators. As a community college we benefit from strong relationships with our local and regional employers and industries.

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

3. Has there been a substantial drop in these relationships of late?

Response: Not to my knowledge, although I will say COVID-19 has created an inward withdrawal for people and places as we grapple with the immediacy of life during a pandemic.

4. August and the school year are quickly approaching. Do you expect to see a decline in workers and/or their capabilities because of the virus and the uncertainty of schools or technical colleges being open?

Response: It is truly difficult to predict. K12 school openings and operations will likely impact parents who are also the backbone of America’s workforce. There is concern about students taking a college “gap year” which could reduce the pipeline of future graduates, and as a result, employees. The pandemic still puts pressure on the numbers of students and opportunities for in-person, face-to-face instruction in programs that are heavily reliant on hands-on education and training.

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

Questions:

1. Historically, the auto industry is one that embraces on-the-job learning and training. Have these practices been able to continue even through this period?

For the most part, on-the-job learning and training have been minimal in practice. With reduced staff and the increased safety measures, recommended due to COVID-19, it is both costly and inefficient use of resources at this time, particularly for formal training. It is more on-the-job training but the focus is on staying alive in the business world right now and conserving the precious resources when the future is so uncertain. All training is scrutinized for efficacy and when evaluated most training will be postponed to a later, more stable date.

2. What relationship does your business have with local educators?

We are on the advisory board for the local technical high school. We have assisted staff with grant writing for equipment purchases. Students have done job shadowing, job internships, and job placement at our business.

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

3. Has there been a substantial drop in these relationships of late?

Yes. With the schools on remote learning and staff working remotely, these communications are not happening. Without a centralized approach to these relationships, it is difficult to connect with the key decision makers and put plans into action.

4. August and the school year are quickly approaching. Do you expect to see a decline in workers and/or their capabilities because of the virus and the uncertainty of schools or technical colleges being open?

Yes. Our customers are experiencing a decline in workers who are willing to reenter the workforce due to the virus, due to the unemployment stimulus, and due to the uncertainty of schools reopening. The lack of stability in the work place environment due to a number of factors, not limited to but including workforce availability, economic stress, slow supply chains, is putting an economic strain on small businesses. It is difficult to operate in just economic uncertain times but then pile on all of these other factors and it becomes near impossible. For small businesses, stability offers the best chance at survival. Creativity in business is needed right now

Ranking Member Balderson Questions
Subcommittee on Innovation and Workforce Development
“Putting America Back to Work:
The Role of Workforce Development and Small Business Rehiring”
July 16, 2020

but comes at a cost in money and time. Creativity takes resources which small businesses don't have right now. PPP loan money has been exhausted and most of us in the small business community must retain our resources in order to meet “usual” expenses and secure supplies which are increasing in price. We are hopeful and anxious for a more stable economic environment.



July 16, 2020

The Honorable Jason Crow
Chair
Subcommittee on Innovation and Workforce
Development
U.S. House Small Business Committee
Washington, DC 20515

The Honorable Troy Balderson
Ranking Member
Subcommittee on Innovation and Workforce
Development
U.S. House Small Business Committee
Washington, DC 20515

Dear Chairman Crow and Ranking Member Balderson:

On behalf of the International Franchise Association (IFA), the world's oldest and largest organization representing franchising worldwide, I write to share our views with regard to the July 16, 2020, hearing titled, "Putting America Back to Work: The Role of Workforce Development and Small Business Rehiring." The CARES Act, and particularly the Paycheck Protection Program (PPP) and improvements made through the PPP Flexibility Act of 2020, provided a temporary lifeline to thousands of franchises and their employees, but many businesses continue to face liquidity issues and are in dire need of additional assistance. Thank you for your leadership as you consider meaningful and important relief for workers and families as they struggle to survive the pandemic.

Historically, franchising has been a path to business ownership both in times of economic crisis and for individuals from historically underserved groups. Franchising provides a tried-and-true business concept with standards and guidance from a brand that creates an attractive option for many prospective business owners. These businesses operate in hundreds of business lines, including food and beverage, automotive, education, fitness, residential services, senior health services, salons, and hotels. The vast majority of these franchise owners are small business owners in every sense. According to industry research firm, FRANDATA, 75% of all franchise owners have fewer than 20 employees. Franchising is also more diverse than non-franchise businesses: nearly 30% of franchises are minority-owned, compared to 18% of non-franchised businesses.

As a result of the significant economic impact of COVID-19, the number of unemployed individuals reached nearly 30 million workers. Given the dislocation in the economy, many of those jobs may not return forcing many individuals to find new employment or try entrepreneurial ventures, including starting a new franchise business. This has been the case following previous economic downturns, such as after the 2008 financial crisis where interest in franchise ownership significantly increased, as out of work Americans explored new career opportunities. For example, the growth in employment in the franchise sector was 7.4% from 2009 to 2012, while the total U.S. employment growth rate was only 1.8%.

Unfortunately, the COVID-19 pandemic has hurt prospective and new franchise owners in two ways. First, large-scale layoffs and business closure have drained savings for many prospective franchise owners, making an initial franchise fee a challenging cost to meet. Additionally, continued social distancing measures, presumably until there is a vaccine, have severely limited the ability to complete new business owner training. Franchise brands cannot hold traditional meetings and conferences anymore, or host "Discovery Days" at their corporate headquarters – which are the most effective and common methods to onboard new owners. In short, the coronavirus crisis has put business ownership



further out of reach for many Americans and left those who do become business owners without the support they need to open a new business.

In the wake of COVID-19, Congress should focus on ways to facilitate virtual training and learning resources, particularly for new business owners. Virtual training is expensive – often \$100,000 for a platform – which is a prohibitive cost for many small franchise brands – 48 percent of brands are start-up franchise systems themselves, with only 1 to 25 units. That means that many brands are simply not offering that level of training, threatening the viability of the business model and stunting the ability for new owners to be successful and the brand to grow. Such an investment in virtual training of future business owners prior to the availability of a vaccine would better assist the economy to be jumpstarted when it is safe to reopen everywhere.

For these reasons, IFA recommends that Congress provide a temporary investment, such as through a refundable tax credit or grant, to support new franchisee education and training on general business skills, such as in financial management, lease negotiation, marketing, and contracts, in addition to operational support, such as site selection, real estate support, site development, and pre-marketing research and development. This investment would help facilitate the delivery of safe and effective training and accelerate the creation of new franchise owners, encourage new employment as new businesses are formed, and add to economic growth as new franchisees begin operations.

On behalf of the franchising sector, we thank you for your strong, bipartisan leadership to address these urgent issues. We stand ready to continue to work with you during this critical moment.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Haller", is positioned above the typed name.

Matt Haller
Senior Vice President of Government Relations & Public Affairs
International Franchise Association

cc: Members, Committee on Small Business

