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Fund What Pays:

Five Actions for States to Get Results from Workforce Funding

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CAREER PATHWAYS

Executive Summary

The federal and state governments spend tens of billions of dollars each year on workforce training, but they rarely hold programs accountable for whether participants reach wages they can live on. The result is a system that meets its targets while leaving workers stuck below self-sufficiency: the typical Workforce Innovation and Opportunity Act (WIOA) participant exits training into a job paying roughly 30% less than the income required for a single adult with no children to be self-sufficient. This is not a failure of execution, but a failure of standards and incentives.

State policymakers can change this within their *existing* authority — even without new federal legislation or increased appropriations. The tools exist. What remains is the decision to fund what pays.

This brief identifies five ways to do so:

1. Use the Governor's Reserve to scale evidence-based sectoral training
2. Publish both wage and wage-growth outcomes for Eligible Training Providers
3. Require and incentivize living-wage outcomes with tiered reimbursement for providers
4. Screen low-wage unemployment insurance (UI) claimants for higher-wage training pathways
5. Test and scale Integrated Education and Training for adult learners

Introduction

Public investment in workforce training covers tens of billions of dollars in annual spending across a range of programs, from the *Workforce Innovation and Opportunity Act (WIOA)* system and Pell grants to public assistance and smaller streams. Yet across this ecosystem, it is vanishingly rare for governments to incentivize or hold the system accountable for enabling participants to access employment at wages on which they can live. Programs routinely hit their performance targets while participants still cannot make ends meet: the median WIOA participant exits training into jobs that pay roughly 70% of a living wage.[1] These are not programs falling short of their goals; they are programs achieving goals that are not oriented toward economic self-sufficiency.

That can change, and states can lead the way. There is growing evidence on what produces meaningful earnings outcomes. For instance, sectoral training programs, designed around employer partnerships in specific, high-wage or high-mobility industries, produce earnings gains that can continue for more than a decade, including for participants with barriers to employment.[2] Apprenticeships also show promise.[3] The question is not whether effective models exist, but how states can build the conditions that prioritize and expand access to them.

This paper argues that living wage employment and sustained growth in earnings are the standards against which every publicly funded workforce intervention should be measured. It identifies five policy actions states can pursue *within their existing authority* — that is, without new federal legislation or appropriations — to move the workforce system toward those standards.

DEFINING "LIVING WAGE"

Throughout this paper, *living wage* means wages sufficient for a worker to meet basic household expenses (e.g., housing, food, transportation, healthcare, and taxes) without relying on public assistance. This is a deliberately functional definition: a worker earning a living wage can sustain themselves through work. We use the MIT Living Wage Calculator's annually updated standard for one working adult with no children as the core benchmark, recognizing that family composition has significant bearing on what constitutes a living wage. States may reasonably use comparable measures like the University of Washington Self-Sufficiency Standard or a state-specific measure; the logic holds regardless of instrument.

1. Use the Governor's Reserve to Scale Sectoral Training Programs

The WIOA Governor's Reserve provision permits states to reserve up to 15% of Title I formula funds for statewide activities, and provides a flexible lever to increase the use of high-impact training.[4] In program year 2025, that authority covers roughly $434 million, with a typical mid-sized state's annual Reserve authority around $4-6 million — modest overall but still substantial as a catalytic lever (and one that can readily be combined with other funding streams). However, a 2025 analysis by Harvard and the National Governors Association found that most states use their Reserves primarily to "plug funding holes."[5] That finding suggests an opportunity for more strategic uses.

The Individual Training Account (ITA) model that dominates WIOA training delivery is built on consumer-choice provisions that protect a participant's right to select any eligible program without undue influence from staff. The intent is learner autonomy; the practical effect is that the formula-funded ITA system does not direct participants toward providers with strong results. The Reserve is one of the levers that can change that. Governors can use Reserve funds to contract with providers for a batch of training slots, conditioning funds on rigorous evidence of living wage outcomes or meaningful pre/post earnings gains.[6] This approach works under existing authority: Reserve funds operate under a different part of statute than ITAs, so governors can contract directly with providers and are not bound by the same procedural requirements that constrain ITA dollars.

Pioneering states show how this can look. California has invested over $60 million in recent Reserve funds into contracts with providers via solicitations that require cohort-based training in strategic sectors. The state defines success as "placement into jobs that meet MIT Local Living Wage Standards or jobs with clear and accessible pathways to living wage jobs," and prioritizes hiring and living wage commitments.[7] Pennsylvania, Washington, and Arizona have taken directionally similar steps, tying discretionary spending to living wage expectations.[8]

Sectoral training programs are a promising focus for this approach. While they often have costs that significantly exceed typical ITA caps, they also have stronger ROI and outcomes evidence than standard ITA voucher-based training.[9] For example, Per Scholas, which provides 15 weeks of training for technology jobs for roughly $8,000 per participant, reports average first-year graduate earnings of $48,000, vs. a median from WIOA Title I Adult program of ~$35,000.[10] Randomized controlled trials of Year Up,[11] Project QUEST,[12] and other sectoral programs[13] have validated that many have causal impacts, with earnings gains that often persist and grow. Over a dozen states already mention sectoral training as a potential Reserve use in their WIOA plans; contract training provides a direct mechanism by which states can fund it.[14]

This direction is consistent with federal signals. The U.S. Department of Labor (DOL) has described the Reserve as a vehicle for states to "transform state workforce investments into customized action to meet the unique needs of state employers, advance critical credentials of need, and accelerate growth of state-specific industry clusters."[15] DOL has also indicated willingness to grant waivers for more direct provider contracting and use of pay-for-performance strategies.[16] States that build experience supporting these programs now will also be well set up to leverage that broader authority.

2. Publish Wage and Wage Growth Outcomes on the ETPL

The Eligible Training Provider List (ETPL) is the primary quality-control mechanism for ITAs. Every provider receiving Title I ITA dollars must appear on the list, and federal regulations require states to make the list public and to collect performance and cost information for every student the providers serve — not just those receiving WIOA funding.[17]

In practice, that data is often not publicly available. Even when it is public, it is rarely user-friendly. Many state ETPLs use self-reported rather than administrative data, despite administrative data being more reliable; report no earnings data at all; or have minimal search or navigation functionality. Consequently, the federal TrainingProviderResults.gov database, which aggregates state ETPLs, also has large gaps in performance data.[18] The result is that the "informed consumer choice" motivation for the ITA approach cannot function, as consumers are not able to access meaningful outcome data. In fact, public reporting has documented cases in which suspect providers collected public funds under minimal state oversight for extended periods.[19]

States should ensure providers deliver on their legal obligations to report data on all students and publish two complementary measures for every ETPL program, using data they already have: living-wage outcomes (median post-exit earnings as a percentage of the local living wage) and pre/post-earnings growth. The first covers *absolute wage outcomes* while the second captures *earnings growth* (e.g., differentiating a provider that moves participants from $18 to $20 per hour from one that moves them from $10 to $20). Going further, states can deploy methods for counterfactual comparisons that help distinguish contributions of ETPL programs to income growth from other drivers, such as participant characteristics and labor-market conditions.

The living wage benchmark requires no new data collection. The pre/post earnings comparison is a greater lift, but the underlying wage data largely exists in state unemployment insurance records and several states publish this data already. Texas, for instance, publishes pre-participation earnings alongside post-exit data at 4, 12, and 20 quarters after exit for its WIOA programs.[20] Minnesota statute requires reporting of pre- and post-program wages for all programs funded through the state's Workforce Development Fund, using a longer lookback window to avoid the earnings dip that commonly precedes program entry (see callout box).[21] North Carolina tracks median earnings outcomes for five years post-exit for over a dozen publicly funded training programs.[22] In Colorado, enterprising training providers are building their own outcomes transparency model, using the state's wage data.[23] Several states also have partnered to share their wage data, which is a particularly useful approach for areas with lots of workforce movement across state lines.[24] Other states can build on these models.

States adopting living wage benchmarks are not getting ahead of federal policy; they are moving in the same direction of travel. Workforce Pell, enacted through the *One Big Beautiful Bill Act*, introduces a "value-added earnings" standard for short-term training programs receiving Pell funds (though it falls short of a living wage standard, instead relying on the much lower Federal Poverty Level).[25] Many states plan to use their ETPL for Workforce Pell qualification and measurement, reinforcing the ETPL's role in making outcomes and ROI for publicly funded training transparent and accessible. The *A Stronger Workforce for America Act*, reintroduced in April 2026, would add a measure of earnings gains relative to program cost.[26] The infrastructure to meet these expectations is the same as that needed to apply a living wage standard.

METHODOLOGY AND ROI

The proposed pre/post earnings comparison should link individual enrollment records to wage data across multiple quarters before and after participation. Participants' earnings tend to decline in quarters immediately preceding program entry, often due to job loss or earnings disruptions.[27] Using the quarter before enrollment as the baseline thus may overstate program impact. Minnesota's approach, which looks at 2-5 quarters before enrollment, mitigates this distortion. For the post-exit period, states should publish earnings two and four quarters after exit, consistent with current WIOA indicators, and ideally a longer-term measure (e.g., three and five years post-exit) to show if gains are sustained. As noted, states can also use statistical methods to control for participant characteristics or broader wage trends to generate even more robust assessments of program performance. They also can pool data across several cohorts for programs with small sample sizes.

Going further, states can calculate a "return on investment" (ROI) of public training dollars. The pre/post earnings measure recommended above can provide the "return" (understood as gross earnings gains relative to public cost), and states already hold the corresponding "investment" data through their ITA cost records for ETPL programs. Publishing ROI estimates for all programs would give workforce boards, providers, employers, and jobseekers a clearer signal of program value.

3. Require and Incentivize Living-Wage Outcomes for WIOA-Funded Programs

A review of PY2024 WIOA state plans found only 13 with explicit numeric performance standards to be on the state's ETPL, and many of those are low enough to permit poverty-level outcomes (Table 1).[28] The RAND Corporation, similarly, found that less than half of ETPL programs train for a high-quality, in-demand job, and only 15 states define high-value credentials in their plans.[29] Observers across the political spectrum — from the Century Foundation[30] to the America First Policy Institute[31] — have argued that states' quality standards and accountability framework do not adequately address whether participants achieve meaningful labor market outcomes.

TABLE 1: EXAMPLE STATE ETPL EARNINGS FLOORS

STATE	ETPL EARNINGS FLOOR (ANNUALIZED)	MIT LIVING WAGE (SINGLE ADULT)	% OF LIVING WAGE
KS	$23,008	$44,940	51%
IN	$20,800	$45,323	46%
AK	$20,100	$51,958	39%
CT	$13,836	$54,184	26%
AR	$7,600	$41,621	18%

Sources: Author's review of PY2024-2027 WIOA state plans. Living wage: MIT Living Wage Calculator, single adult, state-specific (2026 update); converted to annual earnings based on 2,080 hours/year, per MIT methodology.[32]

States should adopt two mechanisms, consistent with WIOA's broad authority for states to set standards[33]: a pass/fail earnings floor for ETPL eligibility and a tiered ITA structure that enables providers with stronger earnings or growth outcomes to access greater funding per participant.

The pass/fail floor should be expressed as a percentage of the local living wage so that earnings outcomes are set in context, and so that the floor adjusts automatically to place-specific conditions. It should also be differentiated by WIOA program type. WIOA's Dislocated Worker participants were employed prior to dislocation, so they have recent work history; not surprisingly, the median state's WIOA outcomes are highest for this group, at 88% of the state-adjusted living wage for a typical participant in PY24. Adult programs prioritize low-income individuals and public assistance recipients, with typical outcomes around 73% of the living wage. Youth participants are early in their earnings trajectory, often with limited or no work history; the median outcome is 43%.[34] As a result, the floor should be set correspondingly for each program — perhaps around these figures, so as to screen out low performers while remaining achievable.

States should then set a higher, "enhanced" ITA cap for providers whose median earnings reach a larger percentage of the living wage or that show especially strong earnings gains — ideally using wages at intervals beyond WIOA's limited Q2 measure, as recommended above. This creates a clear incentive and makes intensive but evidence-based programs viable in the ITA system. Using earnings gains also counters the objection that outcomes-based thresholds incentivize creaming, in which providers serve only the easiest-to-place participants.

Several states offer partial models. Texas ties its ETPL to a Target Occupation List that requires county-level self-sufficiency wages; programs training for occupations that do not lead to self-sufficient wages cannot be on the list.[35] In 2024, Texas also approved minimum standards for continued ETPL eligibility.[36] New Jersey law requires all providers receiving any state or federal training funds to appear on the ETPL[37], and the state evaluates them across five dimensions, including wage outcomes. Providers whose performance is in the bottom decile receive corrective action plans; if performance does not improve in two years, they are removed from the ETPL.[38]

These examples illustrate the broad authority states have to ensure quality and accountability. The data infrastructure, reinforced with the transparency measures in the preceding section, provides the measurement tools. The next step is to set a floor that reflects what publicly funded training should produce, and to direct more resources toward the providers that clear it.

4. Screen Low-Wage UI Claimants for Sectoral Training in High-Wage Fields

The Reemployment Services and Eligibility Assessment (RESEA) program serves UI claimants identified as likely to exhaust their benefits by connecting them with services at American Job Centers. Randomized trials have confirmed RESEA's effectiveness in achieving the program's goals of accelerating return to employment and reducing UI benefits duration.[39] RESEA receives roughly $382 million in federal appropriations annually, 10% of which is for outcome payments to states that meet targets on reemployment rates and UI duration reduction.[40] By evidence-based policy standards, RESEA is among the most rigorous workforce programs: it is designed to move displaced workers back to employment quickly, and it does.

A maximally rapid return to employment, however, should not always be the default priority, as it can reproduce the conditions that preceded the layoff. Research on displaced workers confirms that, without intervention, lower-wage workers rarely return even to their pre-displacement earnings — let alone earn more — and often experience persistent wage reductions.[41] Evidence from UI wage records further underscores this point: while the short-term earnings drop after displacement is driven mostly by lost work hours, the long-term loss reflects a lasting reduction in hourly wages that rarely recovers without active intervention.[42] For low-wage workers in this population, progress toward living wages — not just speed of reattachment — should get priority.

A related problem is churn: more than one in four displaced workers who return to employment file a new UI claim within a year, which RESEA does not track.[43] With an average weekly UI benefit of $478 nationally, a single 26-week follow-on claim represents more than $12,400 in trust fund expenditures.[44] For workers earning below a living wage — which correlates strongly with churn[45] — the cycle of re-displacement is both a personal and a public cost.

A strategic reframe of RESEA can interrupt that cycle: states can use their UI wage records to determine the pre-layoff wages of participants and help low-wage claimants enter higher-wage pathways, such as via sectoral training, rather than defaulting to rapid reemployment. Claimants whose pre-UI earnings were below a living wage should receive a more complete assessment at the American Job Center, including referral into WIOA Dislocated Worker-funded or Pell-eligible short-term programs (warm-handoff referrals are already part of RESEA implementation in many states).[46] And while UI eligibility is conditioned on a claimant actively searching for work and being immediately available to accept it, Federal law also prohibits states from denying unemployment compensation to a claimant in training "with the approval of the State agency."[47] States thus have the ability to redirect appropriate claimants to training without prematurely ending their UI benefit.

A larger challenge is that routing claimants into training delays reemployment, which could result in a smaller RESEA outcome bonus. The exposure is real, but bounded: the median state received only $360,000 in RESEA bonus payments in PY24, and the target participants here are a subset of a subset. Moreover, even small reductions in churn could more than offset the combined cost of bonus reductions or longer initial claims due to training, given the less visible — but potentially much more substantial — cost of UI trust fund outlays from repeat claims.

Piloting and evaluating such a redesign should not wait for the next wave of displacement, especially as fears of artificial intelligence-induced job loss create pressures for rapid reemployment even at the expense of job quality. A system designed around training quality and wage outcomes can do better, for workers and taxpayers. Standing up this wage-screening and training-referral infrastructure now will enable states to scale training-intensive pathways that evidence shows pay off during recoveries from displacement.[48]

5. Test and Scale Integrated Education and Training

As of 2023, 60 million U.S. adults — about 28% of the working-age population — read below the level required to follow written instructions on a medication label or compare arguments in a short news article.[49] For this population, the public workforce system offers only one option at scale: complete adult basic education or a GED, *then* enroll in occupational training. That handoff loses participants, and the full path is longer than many adults juggling work and family can sustain.[50]

The results are predictably poor. The *Adult Education and Family Literacy Act (AEFLA, WIOA Title II)* funds adult basic education, high school equivalency preparation, and English language instruction through state-run grants to providers. It is the largest WIOA core training program by volume — it served 1.3 million learners in PY2024, 5-6 times the number receiving training under core Title I funds — but has the weakest employment rate outcomes of any title (Table 2).[51] Educational outcomes are also lackluster, with just half of participants exhibiting skills improvements and less than a third completing a credential. Yet, it has received far less research and policy attention than WIOA Title I.

TABLE 2: AEFLA OUTCOMES

MEASURE	2024 VALUE
Participants served	**~1.3 million**
Q2 employment rate	**33.9%**
Median earnings (among employed, annualized)	**~$28,500**
Credential attainment rate	**29.6%**
Measurable skills gain	**50.1%**
Participants receiving IET	**~5%**

Source: OCTAE, PY 2024 National Performance Assessment; OCTAE, ETA-9169 Statewide Performance Report, PY 2024.

Fortunately, a promising alternative already sits inside the system: Integrated Education and Training (IET), which delivers adult basic education, workforce preparation, and occupational skills training concurrently, organized around a specific occupation or occupational cluster. The core principle is that adult students should not have to finish remediation before starting career training. They can do both at once, accelerating time to credential and employment.

IET is authorized under AEFLA, aligned with its mission, and designed for the population Title II serves. However, only about 5% of AEFLA participants are enrolled in IET. Moreover, Title II training-service spending averages less than $600 per participant, a level that cannot fund meaningful occupational training alongside basic skills instruction.[52]

Evidence on IET is promising but still developing: a randomized trial of Washington's IET program, for instance, found strong impacts on credential attainment and time to completion, as well as evidence of short-term employment and earnings impacts in some quarters. However, the former were not the primary study outcomes and the latter were inconsistent and not sustained.[53] Meanwhile, models with similarities to IET — including Goodwill's Excel Centers and JVS Boston's English for Advancement program — are showing promising results.[54]

Consequently, states should invest in structured tests of IET as a primary service model for WIOA Title II, target training at pathways aligned to high-wage and in-demand jobs, and rigorously evaluate outcomes. Where results show cost-effectiveness, states can scale IET by braiding WIOA and other funds, per Table 3 (e.g., Washington and Oregon scaled IET through SNAP E&T funds).[55]

TABLE 3: POTENTIAL FUNDING STREAMS FOR IET

FUNDING STREAM	MECHANISM	KEY CONSIDERATIONS
WIOA Title I	Co-enroll eligible AEFLA participants so Title I funds cover the occupational training component	Only ~5% of Title II participants currently co-enrolled; substantial expansion room
SNAP Employment and Training[56]	Uncapped 50% federal reimbursement on every non-federal dollar spent on E&T for SNAP recipients	Scales through partnerships with community colleges and CBOs that commit their own resources
TANF Non-Assistance	Education and training for families meeting the state's definition of needy, outside work participation rate calculations	~$10B in unobligated, flexible TANF reserves nationally, in addition to annual block grant appropriations
Workforce Pell	Pell aid for programs as short as 150 clock hours at eligible institutions, effective July 1, 2026	Ability to Benefit provision allows aid for students without a high school diploma enrolled in eligible career pathways

Sources: 7 U.S.C. § 2025(h); 45 CFR § 261.2(n); *One Big Beautiful Bill Act*, § 2011; OCTAE co-enrollment data, PY 2024.

Adult education and the workforce system have operated independently, but they do not need to do so. The population of American adults needing foundational skills is large and growing, and current AEFLA outcomes are poor. IET is among the most promising approaches to improve those outcomes, and the funding mechanisms to test IET and similar approaches at scale already exist.

Call to Action

Governors have the authority now to ensure publicly funded training, education, and employment services help workers secure wages that enable economic self-sufficiency.

That standard is not radical, but it is far from the current reality. Programs whose graduates earn poverty wages appear on state ETPLs alongside programs whose graduates reach the middle class. Reserve dollars are not used strategically. Displaced workers are routed back into low-wage work. Each pattern is a policy choice, and states can choose differently.

Federal legislation, while helpful, is not a precondition for state action. States that build outcomes-focused, living-wage-oriented workforce systems now will be best positioned when federal legislation moves. States that wait will be working from systems that cannot tell participants, policymakers, or taxpayers whether the training they fund is impactful.

The tools exist. The evidence is growing. What remains is the decision to stop paying for training that leaves Americans stuck in low-wage work and to start managing for true economic mobility.

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