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Testimony for the Record

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Hearing on Getting Incentives Right:
Connecting Low-Income Individuals with Jobs

Subcommittee on Human Resources
Committee on Ways and Means
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Thank you for the opportunity to share the Center for Law and Social Policy's (CLASP's) views regarding the ways that Temporary Assistance for Needy Families (TANF) and other human services programs can more effectively connect low-income individuals with jobs. CLASP advocates for public policies and programs that reduce poverty, improve the lives of poor people, and create ladders to economic security for all, regardless of race, gender or geography. We have extensive experience working on income and work support programs at both the federal and state levels.

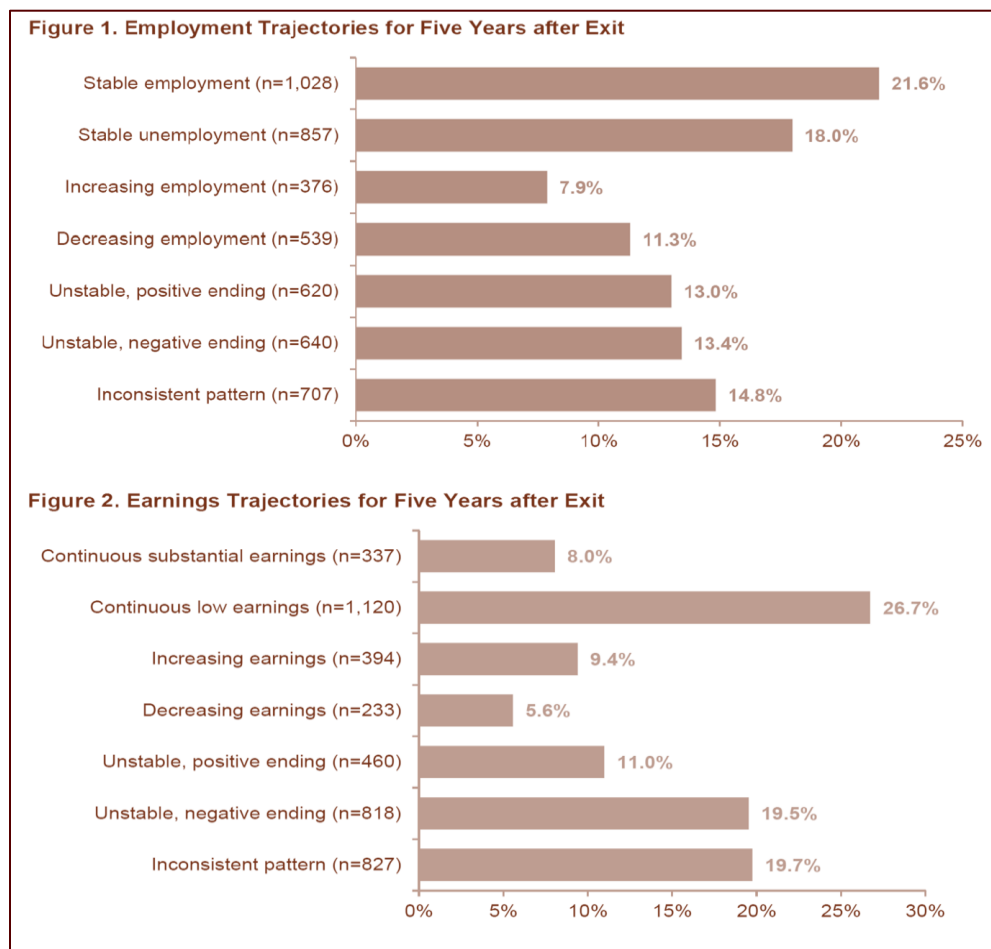
There is widespread agreement that TANF and other income support programs should not only provide a safety net that alleviates hardship at moments of severe distress, but should also connect low-income individuals with jobs and help them advance so that they can achieve economic security for themselves and their families. This is the outcome desired by most parents who are forced to turn to assistance, as well as by policymakers and society as a whole.

TANF is not an effective work program

TANF has largely failed to live up to the goal of engaging recipients of assistance in effective work programs that lead to economic security. While the employment rates for single mothers climbed from 57.3 percent in 1993 to 72.8 percent in 2000, this progress stalled and has since lost ground, with single mothers' employment rate falling to 67.5 percent in 2014.¹ Most states offer very little in the way of employment services to TANF recipients. States spent 6.8 percent of their TANF and related state funds in 2014 on work activities, with 15 states spending less than 5 percent.²

The work participation rate (WPR) is a flawed measure of state performance. However, it provides some perspective on the types of activities that recipients are engaged in. In 2013, the

most recent year for which data are available, 65 percent of work-eligible individuals in the WPR participated in unsubsidized employment, most often jobs that people found on their own. Of those counted toward the rate, 19 percent were counted based on participating in job search. Job search is a reasonable first activity for many TANF recipients, most of whom desperately want to work. However, far too many TANF programs do not have anything else in the way of a work activity to offer, so recipients who don't find jobs just get sent through job search programs over and over again, to little effect.³ In 2013, less than 20 percent of individuals who are counted toward the rate were engaged in education and training activities, and only 2.3 percent were engaged in subsidized jobs.⁴



Source: Lisa Thiebaud Nicoli, *Climbing the Ladder? Patterns in Employment and Earnings after Leaving Welfare*, October 2015.

Even among those who leave TANF with employment, having a job does not always translate to sustaining enough earnings to meet a family's needs. Maryland is one of the few states to have consistently tracked outcomes for families leaving cash assistance over time. Researchers found that less than 30 percent of clients achieved stable or increasing employment over a period of five years after exiting the program, meaning that they either worked in three or four quarters each year, or that they had a general pattern of increasing quarters of employment. Just 8 percent

of clients earned enough to stay above the federal poverty threshold for a family of three for each year after exit, while more than a quarter of leavers with any earnings never earned more than \$7,540 (20 hours per week at the minimum wage) in any year of the five-year follow-up period.⁵

In order for TANF recipients to have meaningful hopes of moving into stable employment that will allow them to earn enough to lift themselves and their families out of poverty, they need three things:

- Education and training services that provide access to employer-valued credentials;
- Meaningful connections to employment opportunities
- Assistance in retaining employment, particularly child care assistance.

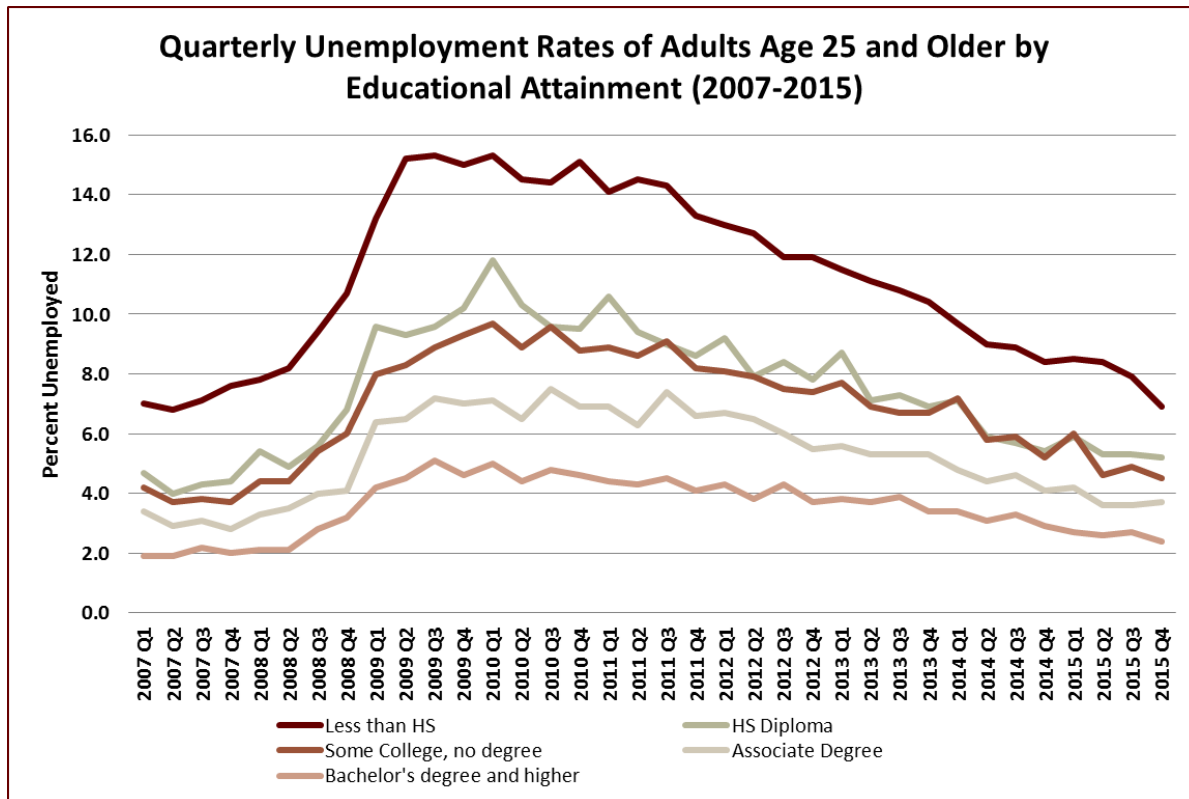
Each of these topics is addressed in more detail below.

Education and training services that provide access to employer-valued credentials

According to the latest administrative data, 56.4 percent of TANF adult recipients have attained a high school education but no more, and 36 percent have not completed school up to 12th grade.⁶ However, the TANF work participation rate (WPR) calculation discourages states from engaging recipients in education and training activities. Specifically, except during the one year for which vocational education can be counted as a core activity, education and training is generally only countable when combined with at least 20 hours per week of another core activity. Given the unpredictably shifting hours of many low-wage jobs, it can be difficult for recipients to combine education and training with employment, and many are simply denied the opportunity to meet any of their participation requirements through education. Many states discourage local TANF offices or contractors from assigning recipients to activities that cannot be counted toward the WPR.⁷

In the face of an economy that increasingly requires a post-secondary credential for all but the lowest-paying jobs, this policy makes it harder for welfare recipients to escape poverty. The reality is that the most effective path to employment is often through education.

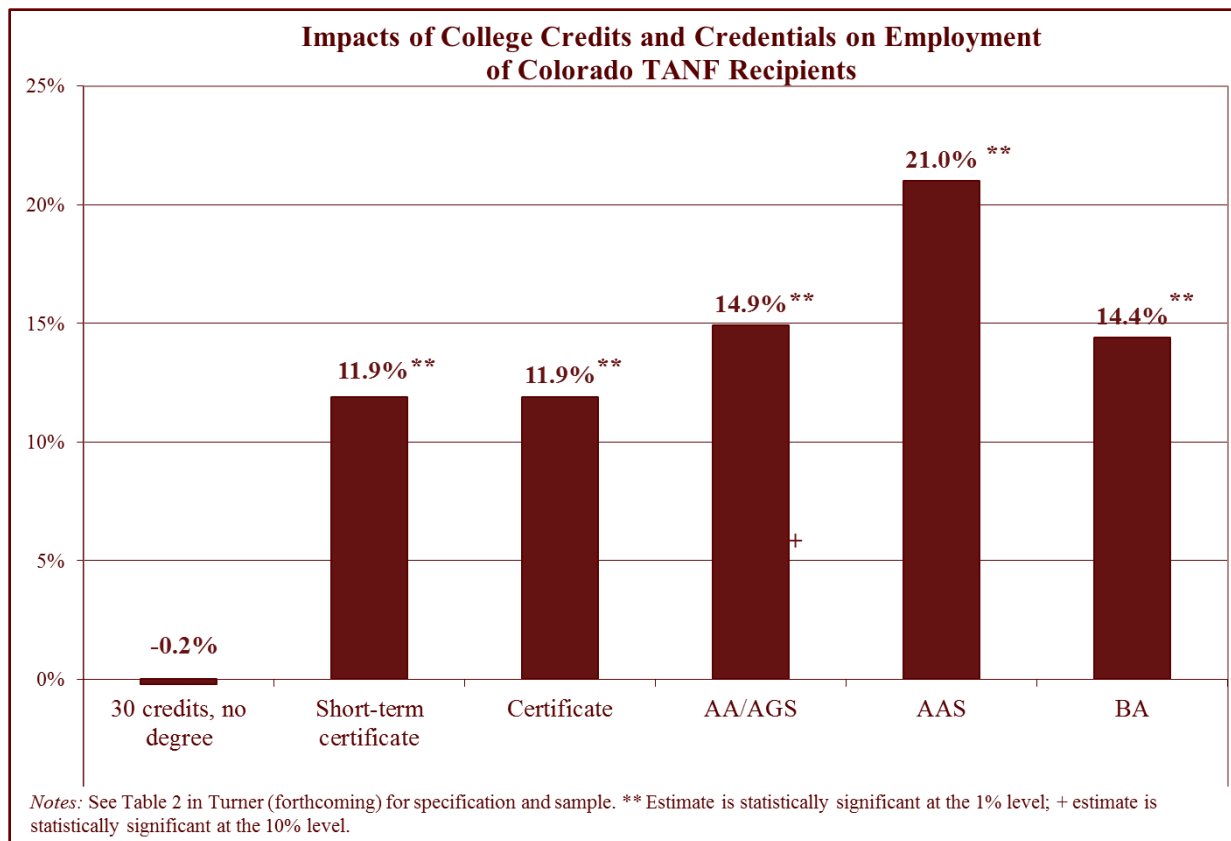
A recent synthesis of the literature on what works in employment and training is unequivocal: “A post-secondary education, particularly a degree or industry-recognized credential related to jobs in demand, is the most important determinant of differences in workers’ lifetime earnings and incomes.”⁸ The median earnings for a worker with less than a high school degree is \$19,954 and for a worker with a high school degree is \$27,868, compared to earnings of \$33,988 for workers with some college credits or an associate’s degree, and \$50,515 for workers with a bachelor’s degree.⁹ Workers with more education earn more money and, as shown in the graph below, are more likely to be employed, regardless of economic conditions.



Source: Quarterly unemployment data published by the Bureau of Labor Statistics.

Moreover, when TANF recipients have access to education and training that leads to degrees or certificates, they are more likely to be employed and to have higher earnings. The following graph shows the effects of different types of education on the employment of TANF recipients in Colorado. In this case, the strongest impacts on employment were for people who got two year technical degrees, such as in nursing. It is important to note that individuals who attended college but did not achieve a credential of any sort did not see any impacts on employment. This suggests that TANF policies which require students to combine education with 20 hours of work may be counterproductive if they lead to students leaving school without a credential.

While TANF recipients can succeed in education and training, they may need additional supports to do so. The review of what works in training found that lower-skilled individuals and those with multiple barriers to employment benefit from coordinated strategies across systems, and flexible, innovative training strategies that integrate the education, training, and support services they need to prepare for and succeed in the workplace.¹⁰ Training institutions, especially community colleges, are developing new ways to structure and deliver training. Some of these approaches include providing options for accelerating coursework; integrating work-based and classroom-based instruction; and linking courses and requirements in ways that accumulate skills along a specific career pathway, facilitate the persistence and completion of programs, and lead to industry-recognized credentials and jobs.



Source: Lesley J. Turner, *The Returns to Higher Education for Marginal Students: Evidence from Colorado Welfare Recipients*, September 2015.

WIOA-TANF Partnership

The 2014 enactment of the Workforce Innovation and Opportunity Act (WIOA) creates a significant opportunity for states to rethink their employment services for TANF recipients. Under WIOA, TANF programs are made mandatory partners in the WIOA one-stop career system, unless governors choose to opt TANF out. WIOA also requires state and local unified planning, which has the potential to align policies and funding streams to support comprehensive and integrated services that help low-skilled and low-income people—including disconnected youth, welfare recipients, formerly incarcerated individuals, and others with unique barriers to employment—get the education, training, employment services, and support services they need to enter and advance in the workforce.¹¹ For example, the New York State draft combined plan for WIOA highlights the importance of education for workforce success and notes that “many businesses will not consider a job applicant, even for the lowest-level positions, unless they have a high school degree.”¹²

Another key element of WIOA is that localities must give priority of service to “public benefits recipients, other low-income individuals, and individuals who are basic skills deficient” when providing career and training services using WIOA Title I Adult funds. This priority is needed; in Program Year 2013, under the Workforce Investment Act of 1998 (WIA), only 48 percent of those receiving intensive or training services were low-income, including only 27.5 percent who

were receiving any form of public assistance benefits, and only 3.8 percent who were recipients of cash assistance under TANF.¹³

Finally, WIOA expanded eligibility for “youth” programs to young adults up to the age of 24, and requires that the majority of funds be used for out of school youth. This presents another opportunity for partnerships with human services programs, as nearly one-third of TANF recipients who are work-eligible are young adults under the age of 24.¹⁴

While WIOA presents real opportunities for providing TANF recipients with access to job-driven training leading to employer-valued credentials, it does not guarantee change. In particular, many states continue to report challenges in aligning TANF and the work participation rate requirements with the outcome-focused approach under WIOA. We urge Congress to consider allowing WIOA activities to count toward the TANF work participation rate, in addition to generally providing more flexibility for education and training.

Meaningful connections to employment opportunities

One of the key roles that employment programs can play is helping participants get their foot in the door of jobs for which they might not otherwise be hired. Subsidized employment can be a valuable tool in helping workers with significant disadvantages get hired, such as individuals with previous convictions or histories of substance abuse, youth with little labor market history, and those who have been unemployed for long periods. These programs often include education and training, and additional support services such as mentoring, life skills courses, or mental health services to support participation and promote long-term employability.¹⁵

Under the TANF Emergency Fund, 39 states, the District of Columbia, Puerto Rico, the Virgin Islands, and eight Tribal TANF programs received approval to use \$1.3 billion from the fund to create new subsidized employment programs or expand existing ones. A key feature of the TANF EF was its flexibility: states decided how best to use the funds to serve families in need, such as how best to structure their subsidized employment programs. Subsidized employment for youth and parents remains an allowable use of TANF funds, as well as a countable work activity for recipients of cash assistance. WIOA also allows states to use up to 10 percent of Title I Adult and Dislocated Workers funds for transitional jobs. But funding under both these programs is extremely limited compared to the number of workers who could potentially benefit, and Congress should consider expanding targeted funding for such programs.

One existing mechanism that is supposed to promote employment of disadvantaged populations is the Work Opportunity Tax Credit (WOTC). The WOTC allows for-profit employers to claim a credit against their federal income tax liabilities for hiring members of certain eligible groups, specified in federal law. For members of most of these groups, the maximum credit is 40 percent of the first \$6,000 in wages paid during the worker’s first year of employment, or \$2,400. However, studies have found that the WOTC has little effect on hiring choices or retention. In fact, the overwhelming majority of subsidies are claimed by employers in high turnover occupations, including temporary employment agencies, for people whom they were going to employ anyway.¹⁶ The WOTC currently costs the federal government \$420 million a year in foregone revenue.¹⁷ These funds could be far more effectively invested in promoting employment of disadvantaged workers through an expanded and targeted subsidized employment program.

More substantial funding for subsidized employment could have significant effects on poverty. An analysis conducted by the Urban Institute of a prospective subsidized employment program that would offer a full-time minimum wage job to all working-age adults found that this policy alone could reduce poverty rates by 9 to 17 percent, depending on the assumptions about how many eligible workers would take up the offer.¹⁸ This policy would have even higher anti-poverty effects if it were to be combined with other policies that have been proposed repeatedly in both federal and state legislatures, including a raise in the minimum wage and an improved Earned Income Tax Credit.

Assistance in retaining employment, particularly with child care assistance

Finding a job is only the first step towards economic security. Many workers find it relatively easy to get hired, but much more difficult to stay employed on a consistent basis. Job loss can be due to challenges faced by the workers, such as unreliable child care or transportation and family crises, or due to the nature of low-wage jobs, many of which now use “just-in-time scheduling” to closely match staffing levels to the ebb and flow of customer demand. Human services agencies and employers both have roles to play in improving retention of workers once hired.

Most low-wage workers will continue to qualify for SNAP benefits and Medicaid (at least in states that have expanded eligibility under the Affordable Care Act). Most will be eligible for child care subsidies, but because child care funding is limited, fewer than 1 in 6 children who qualify for child care assistance under federal rules receive it. The Child Care and Development Block Grant (CCDBG) is serving the fewest number of children in sixteen years because increases in funding have not kept pace with child care costs or the need for assistance.¹⁹ Families leaving TANF due to employment typically are prioritized by states for child care assistance. Many other eligible families face waiting lists for child care assistance.

Expanding funding for child care is one of the most important things Congress or the States could do to improve job retention. One study on job retention found that single mothers of young children who received child care assistance were 39 percent more likely to still be employed after two years than those who did not receive any help paying for child care.²⁰ A 2009 study also found that child care assistance was associated with longer employment spells.²¹

Child care subsidies are a critical element of getting and keeping a job. Without assistance, low-wage workers simply cannot afford to pay the high costs of child care which ranges from \$4,822 to \$22,631 for an infant in center based care depending on the state -- higher than the average annual cost for a year’s tuition and fees at a four-year public college in 28 states and the District of Columbia.²² Higher income families with young children on average spend 7 percent of their household income on child care, while poor families spend 30 percent.²³

Some have suggested that public benefits can have work disincentive effects, if families will lose benefits when their incomes increase. The concern about this issue is vastly disproportionate to the number of families affected. Typically, benefits such as TANF and SNAP phase out gradually as earnings rise, so that workers have more total income if they get a raise or work more hours.²⁴ Child care may be an exception; because it is so expensive, a parent may still face a “benefit cliff” where a promotion or wage increase would cause her to lose assistance even though she cannot yet pay the full cost of child care. State policies can address this benefits cliff,

making it a steeper or smoother transition for families. By expanding Medicaid eligibility, states can ensure that parents do not risk losing health insurance when their incomes rise.

Even when workers remain eligible for public benefits, it may be difficult for them to continue to receive them without churning or interruptions. Excessive paperwork burdens or requirements for in-person visits can act as obstacles to accessing and retaining benefits. This is particularly true for the many workers with unpredictable schedules and earnings that vary from month to month, as discussed below. State policies that simplify and streamline redeterminations can help workers keep these key work supports, which in turn helps stabilize employment.²⁵ The recent bipartisan reauthorization of CCDBG attempted to address both the child care benefit cliff and making child care assistance a more stable benefit. States can adopt similar policies within other programs.

Human services agencies may also be able to provide supports to assist with other needs that can interfere with job retention. For example, some states offer flexible funds that can be used to assist with car repairs. The Employer Resource Network (ERN) model discussed in the hearing is a promising approach that brings public services to the workplace in order to support job retention and advancement.

At the same time, it is important to recognize that much employment turnover is driven by the nature of low-wage work. Increasing shares of jobs are characterized by unpredictable and unstable schedules, meaning that workers frequently do not know the days or hours they are scheduled to work until a few days in advance and may experience significant fluctuations in number of hours and timing of shifts from week to week.²⁶ Even once schedules are posted, workers may be sent home, or required to work longer hours with no advance notice. Many workers, particularly in the retail industry, are assigned to call-in shifts, providing no guarantee of work, but preventing them from scheduling other work or activities.²⁷ Workers who do not make themselves available for a wide range of possible hours are often assigned fewer hours; those who ask for schedule changes may experience retaliation. Moreover, most low-wage hourly level jobs do not provide any form of paid leave (neither sick days nor family leave) and it is not uncommon for workers who miss work to be fired. One survey found that nearly one in five low-wage working mothers reported having been fired due to sickness or caring for a family member.²⁸

Human services programs should seek to place participants in good jobs that provide predictable scheduling and sick days in addition to wages. When public agencies assist employers by providing wage subsidies, customized training, or enhanced case management for workers, they should focus these efforts on high quality employers that commit to meeting certain job quality standards.²⁹

Conclusion

Connecting low-income families to employment that will allow them to escape poverty is one of the key tasks of TANF programs. In the 20 years since TANF was first created, workforce and higher education programs have learned a great deal about how to engage employers so that training leads to credentials that have real labor-market value and how to develop career pathways with multiple entry and exit points. Subsidized employment programs have shown

promise in connecting disadvantaged workers to the labor market, allowing workers to prove themselves who might not otherwise ever be able to get their foot in the door. And we have learned a great deal about how child care assistance, SNAP benefits and Medicaid can stabilize the lives of low-income workers and their families, allowing them to succeed in the workforce. It is time to bring these lessons to bear on TANF employment programs.

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² CLASP analysis of *TANF Financial Data – Fiscal Year 2014*, Office of Family Assistance, Administration for Children and Families, U.S. Dept. of Health & Human Services, <http://www.acf.hhs.gov/programs/ofa/resource/tanf-financial-data-fy-2014>.

³ Cheng Hsaio, “Evaluating the effectiveness of Washington state repeated job search services on the employment rate of prime-age female welfare recipients”, *Journal of Econometrics* 60 (July 2008), <http://www.sciencedirect.com/science/article/pii/S0304407608000511>.

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⁵ Lisa Thiebaud Nicoli, *Climbing the Ladder? Patterns in Employment and Earnings after Leaving Welfare*, October 2015, <http://www.familywelfare.umaryland.edu/reports1/trajectories.pdf>.

⁶ TANF Characteristics data FY 2013

⁷ Elizabeth Lower-Basch, Amy Ellen Duke-Benfield and Lavanya Mohan, *Ensuring Full Credit Under TANF’s Work Participation Rate*, CLASP, March 2014, <http://www.clasp.org/resources-and-publications/publication-1/Ensuring-Full-Credit-Under-TANFs-Work-Participation-Rate.pdf>.

⁸ U.S. Department of Labor, U.S. Department of Commerce, U.S. Department of Education, U.S. Department of Health and Human Services, *What Works In Job Training: A Synthesis of the Evidence*, July 2014, <http://www.dol.gov/asp/evaluation/jdt/jdt.pdf>

⁹ U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates.

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¹¹ Kisha Bird, Marcie Foster, and Evelyn Ganzglass, *Career Success for Low-Income Youth and Adults: Key Provisions of the Workforce Innovation and Opportunity Act (WIOA)*, CLASP, September 2014, <http://www.clasp.org/resources-and-publications/publication-1/KeyProvisionsofWIOA-Final.pdf>.

¹² NY State WIOA Combined Plan, DRAFT 12-31-2015.

¹³ Anna Cielinski and David Socolow, “Priority of Service” Provision in the Workforce Innovation and Opportunity Act: Targeting Funding to Serve More High-Need Adults, CLASP, April 2015, <http://www.clasp.org/resources-and-publications/publication-1/Priority-of-Service-brief.pdf>.

¹⁴ Gene Falk, *Temporary Assistance for Needy Families (TANF): Welfare-to-Work Revisited*, Congressional Research Service, 2012, <http://fas.org/sgp/crs/misc/R42768.pdf>.

¹⁵ Randi Hall, *Subsidized Employment Programs: Goals and Designs*, CLASP, February 2015, <http://www.clasp.org/resources-and-publications/publication-1/Subsidized-Employment-Programs-1.pdf>.

¹⁶ Elizabeth Lower-Basch, *Rethinking Work Opportunity: From Tax Credits to Subsidized Job Placements*, CLASP, November 2011, <http://www.clasp.org/admin/site/publications/files/Big-Ideas-for-Job-Creation-Rethinking-Work-Opportunity.pdf>.

¹⁷ “Tax Expenditures,” chapter in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2017*, February 2016, https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/ap_14_expenditures.pdf.

¹⁸ Kye Lippold, *Reducing Poverty in the United States: Results of a Microsimulation Analysis of the Community Advocates Public Policy Institute Poverty Package*, Urban Institute, March 2015, <http://www.urban.org/research/publication/reducing-poverty-united-states>.

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