

HOW TO HELP WELFARE RECIPIENTS AND OTHER LOW WAGE WORKERS SECURE—AND KEEP—BETTER JOBS

The following recommendations for reauthorizing Temporary Assistance to Needy Families are based on Jobs for the Future's work with a wide range of employer organizations, employers, and providers of workforce development services for those with few skills and little work experience. While these recommendations address TANF specifically, we believe that the perspective they present—emphasizing the need to find and expand areas of common interest between workers and their employers—is too often ignored.

1 Encourage Employers to Provide Valuable Skill Development Opportunities to Their Entry-Level and Lower-Skill Employees.

If the working poor are to advance to self-sufficiency, most need more than a job. They need opportunities for skill development to overcome deficiencies and increase their productivity.

2 Adopt Policies that Promote Employment Retention and Reduce Turnover.

Improving retention and reducing turnover are two sides of the same coin, seen from the perspective of workers and their employers. It is a concern that changes to TANF policy can help address.

3 Facilitate Employer Access to the Public Welfare and Workforce System, Particularly for Small Businesses.

TANF is premised on the idea that work is the best anti-poverty program and that employers hold the key to helping workers advance out of poverty. To maximize advancement opportunities, TANF should be more easily accessible and more responsive to the needs of employers.

4 Expand Access to Services for the Hardest-To-Employ, Facilitating Their Movement Toward Self-Sufficiency Through Work.

Helping the hardest-to-employ succeed will require significant investments in addressing the most serious barriers to long-term employment—and in ways that reduce the risk that employers take in hiring from and investing in this population.

INTRODUCTION

The overhaul of federal welfare policy effected in 1996 through Temporary Assistance to Needy Families succeeded in reducing welfare rolls and increasing employment among the recipients of cash assistance. Since then, it has become clear to many, among both supporters and detractors of the legislation, that entry into employment, while critical, is not sufficient. Additional efforts are needed if TANF recipients are not only to leave welfare but also to move toward economic independence for their families.

To make self-sufficiency a more important goal in reauthorizing TANF, Congress should support strategies to promote greater job retention and advancement for those leaving welfare. To succeed in promoting retention and advancement, a reauthorized TANF must address both workers' need for family-supporting jobs and employers' need for a skilled workforce. *Policies that take work seriously must take employer interests seriously as well.*

Jobs for the Future's recommendations focus on the intersection of the interests of

Jobs for the Future seeks to accelerate the educational and economic advancement of youth and adults struggling in today's economy. JFF partners with leaders in education, business, government, and communities around the nation to: strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers; increase opportunities for low-income individuals to move into family-supporting careers; and meet the growing economic demand for knowledgeable and skilled workers.

low-wage workers and those of their employers. This perspective is too often ignored in debates on welfare reform. Yet we believe that greater attention to expanding the scope of common interests will increase the likelihood that individuals receiving or leaving cash assistance will succeed in jobs and advance toward solid, better-paying careers.

During the past decade, it became evident that education and workforce quality were critical to both individual and national economic success—and that employers were in great need of qualified workers at all levels. Demand for qualified, entry-level labor far outstripped the ability of the U.S. labor market to meet it in the 1990s. Skill shortages were felt further up the skill ladder as well, prompting passage of legislation permitting the recruitment of foreign technical workers. Given the hot economy and tight labor markets of the 1990s, TANF's focus on "work-first" enabled many welfare recipients to successfully enter the labor force. Low-skilled workers with little work experience found relatively easy access to the labor market, while changes in the welfare rules around work gave many recipients of cash assistance a real incentive to find a job.

Today, though, as TANF reauthorization looms, the limits of a narrow interpretation of "work first"—one that de-emphasizes education and training for low-skilled welfare recipients—are evident. For many TANF recipients and TANF leavers, low skills and limited education are barriers to advancing to family-supporting income. Rules that de-emphasize skill development in favor of job placement stand in the way of economic success for many in this population. These same rules make it more difficult for employers to meet their labor needs.

A public welfare system that is committed to work as the route out of poverty seeks to align the needs and interests of low-income job seekers with those of the companies and people who employ them. Welfare policy should take into account employers' skill demands and needs, employers' interest in low turnover, employers' desire for limited risks and greater support for the decision to hire less-skilled and less-experienced workers, and employers' overwhelming interest in maximum flexibility so they can serve their workers in ways that help the firm grow and prosper.

Four areas in which new TANF provisions can make it easier for workers to devel-

op the skills demanded by employers, as well as make it easier for employers to hire and invest in TANF recipients, are:

- 1) Encourage employers to provide valuable skill development opportunities to their entry-level and lower-skill employees;
- 2) Adopt policies that promote employment retention and reduce turnover;
- 3) Facilitate employer access to the public welfare and workforce development system, particularly for small businesses; and
- 4) Expand access to services for the hardest-to-employ, facilitating their movement toward self-sufficiency through work.

1. Encourage Employers to Provide Valuable Skill Development Opportunities to Their Entry-Level and Lower-Skill Employees

If the working poor are to advance to self-sufficiency, most need more than a job. They need opportunities for skill development linked to real job opportunities so they can increase their productivity and ability to command higher wages.

By the end of FY 2000, only 1 percent of TANF funds had been expended on education and training services for TANF recipients—despite employers' frequent claim that the primary barrier they have faced in filling positions has been the lack of skilled applicants. As recently as November 2001, 80 percent of firms surveyed by the National Association of Manufacturers reported a moderate to severe shortage of qualified job candidates. One-third of employers surveyed by the U.S. Chamber of Commerce in 2001 reported that applicants were poorly skilled or had the wrong skills for available jobs. With the economy recovering, employer concerns about workforce quality and availability are again on the upswing.

If employers are to participate vigorously in the public workforce development system, they need assurance that it will address their skill needs. They need to see that government is serious about advancement as a policy goal. They also want to see legislative action to reduce the risks and costs of hiring individuals with limited work experience. Finally, employers want to see that policies that promote advancement and skill development do so not just for those who are eligible for cash benefits but also for a broader population of less-skilled and low-income workers whom they employ.

Policy Recommendations

Strengthen the commitment to advancement as policy goal.

- Make self-sufficiency an explicit policy goal for TANF recipients, defining self-sufficiency as 200 percent of the federal poverty level, a more realistic reflection of the cost of living today.
- Require states to use employment outcome measures that reflect retention and earnings progression, in addition to the participation rate measures currently used.
- Replace the caseload reduction credit with a credit that provides a bonus to reward states for placing workers in jobs that pay family-supporting wages and offer opportunities for skill development and advancement.

Promote skill development in ways that can reduce employer risks and the costs of hiring and training TANF populations.

- To the extent that reauthorization continues to mandate participation rates, increase access to education and training by: increasing the maximum percentage of TANF participants in these programs that states can count toward participation rates; requiring states to count education and training as work activities; increasing TANF recipients' lifetime maximum for receipt of training services to 24 months; and excluding stipends for participants in education and training programs from the definition of assistance.
- Establish a separate federal funding stream, in addition to a fully funded TANF block grant, specifically for the creation of wage-paying Transitional Jobs Programs that help current and former TANF recipients, as well as other low-income adults and youth, gain the technical skills and work experience required to succeed in the labor market within the context of a supported work environment.
- Earmark funds for competitive grants that promote innovative advancement strategies, such as career ladders, transitional employment, and public funding of jobs designed to develop high-demand skills.

Make TANF resources more easily available to help working poor who are eligible under federal and state legislation for non-cash assistance.

- Provide incentives to states for expanding state eligibility criteria to make TANF-funded education and training opportunities available to all of the working poor.
- Place a priority on upgrade training for low-wage, entry-level workers who are not progressing toward achieving family-supporting income standards.
- Earmark funds to provide incentives for states to match their incumbent worker training funds with TANF funds in order to cover a wider range of entry-level workers and to encourage employer involvement in the design and delivery of training initiatives.
- Provide sufficient funding for non-cash assistance, particularly education and training, by reauthorizing TANF at no less than its current level of federal funding.

2. Adopt Policies that Promote Employment Retention and Reduce Turnover

Improving retention and reducing turnover are two sides of the same coin, seen from the perspective of workers and their employers. It is a concern that changes to TANF policy can help address.

Of those individuals who have left the welfare rolls and entered employment, only 60 percent are employed today. Turnover rates for all workers in jobs similar to those taken by former TANF recipients are equally high. A recent study by a human resources consulting firm suggested that 50 percent of the lost worker's annual wage is a good rule of thumb for calculating turnover costs to employers.

A successful work history is the first step toward advancement in the labor market. However, working TANF recipients often find it difficult to stay employed, as do other entry-level workers who face barriers to employment. Employers and workers alike identify childcare, transportation, and a range of other support services as crucial to promoting retention and reducing turnover.

In addition, income supports that help workers support their families have a significant effect on worker retention. Income supports help stabilize the lives of low-wage workers, allowing them to get to work on time, avoid absences, and increase their productivity.

Policy Recommendations

Maintain and expand support services that promote retention.

- Eliminate federal rules that restrict use of TANF for childcare. Change the current distinction in federal regulation between “assistance” and “nonassistance” child care to make all TANF child care expenditures categorically “nonassistance.” This would allow states to spend unobligated TANF funds for nonassistance.
- Encourage states to make TANF-funded support services, including childcare and transportation, available to all working poor.

Expand the availability of income supports for working poor.

- Expand and facilitate the ability of the working poor to augment wages with other public resources—for example, through the Earned Income Tax Credit, child care and health care subsidies, and food stamps.
- Exempt working adults from TANF time limits so those with low earned incomes can supplement their wages with cash assistance.

Encourage greater collaboration with the workforce development system.

- Provide incentives to states to encourage them to fully use TANF resources in combination with other funding sources for workforce development. Mandate participation by TANF and workforce development agencies in state and local planning processes, and align outcome criteria across agencies, with consistent ways of measuring outcomes and explicit provisions for collaborating agencies to share credit for successful outcomes.

3. Facilitate Employer Access to the Public Welfare and Workforce System, Particularly for Small Businesses

TANF is premised on the idea that work is the best anti-poverty program and that employers hold the key to helping workers advance out of poverty. However, a survey conducted in spring 2001 by the U.S. Chamber of Commerce’s Center for Workforce Preparation found that 95 percent of employers surveyed had not used the public system for assistance with hiring, training, or retention. While a demonstrable need exists for linking employers with the public systems that serve workers’ job needs, efforts to do so have met with limited success.

To maximize opportunities for advancement of TANF recipients, TANF should be more easily accessible and more responsive to the interests of employers. Closer ties of employers to TANF, and to the workforce development system generally, can be facilitated by organizations that help employers interact with the public system more efficiently and effectively. TANF will increase employer engagement by reorienting TANF policy to support organizations with the capacity, commitment, and agility to meet the needs of employers, as well as individuals seeking employment and skill development.

In addition to providing resources to support the use of these “intermediary” organizations, reauthorization can promote closer links to the workforce development system by changing provisions regarding benefits other than cash assistance in order to encourage states to revise administrative requirements regarding eligibility, use of funds, and outcome measurements.

Policy Recommendations

Support labor market intermediaries.

- Promote incentives to states and localities in order to fund and build the capacity of agile labor market intermediaries that can bridge the gap that separates employers, particularly small employers, from the TANF and public workforce development systems.

Reduce administrative obstacles and increase flexibility.

- Streamline administrative barriers so that TANF resources can be combined with other programs more easily to meet the needs of small employers.
- Promote linkages between TANF and the workforce development system to make TANF operate better both for workers and for small employers.
- Encourage states to take advantage of existing provisions that allow TANF to be used for both TANF recipients who have gone to work and their co-workers. These provisions are crucial to meeting the advancement needs of workers and the employment and retention needs of employers. Research and experience indicate that extending TANF benefits other than cash assistance to those earning up to 200 percent of the federal poverty level affords states the opportunity to craft policies that promote work as the best-anti-poverty program.

4. Expand Access to Services for the Hardest-To-Employ, Facilitating Their Movement Toward Self-Sufficiency Through Work

For many of those who remain on the TANF rolls, achieving success in the workplace is complicated by a host of barriers beyond needing skill development and education. Many in this “hardest to serve” population are hindered from entering the working world by substance abuse problems, criminal records, very low literacy, residency status, and language barriers, to name only a few. For employers who are trying to use the publicly funded system to find qualified entry-level workers, the multiplicity and seriousness of barriers faced by many potential hires is often daunting. Helping the hardest-to-employ succeed will require significant investments in addressing the most serious barriers to long-term employment—and in ways that reduce the risk that employers take in hiring from and investing in this population.

Research has shown that higher-performing job-readiness programs address barriers to employment *before* job placement and use intensive case management *after* placement. TANF reauthorization should ensure that sufficient attention is paid to both needs.

Policy recommendations

Increase state flexibility.

- Allow states broad flexibility to place recipients in an array of activities designed to remove barriers to employment.
- Allow states to count recipients participating in these activities toward federal work participation rates.

Provide incentives for best practices.

- Award grants to states and localities for research and demonstration projects that promote best practices regarding improving employment and earnings for low English proficiency workers and increasing English proficiency of these workers.

CONCLUSION

Reshaping TANF to meet both workers’ need to advance in the labor market and employers’ need for a skilled workforce can strengthen welfare legislation by taking seriously the goal of promoting work as the best anti-poverty program. TANF’s goals should more clearly focus on helping workers achieve

self-sufficiency. And meeting this goal will require creative policies that promote job and labor market retention, reduce worker turnover, and aid workers in building a strong work history, while reducing the cost of recruitment, hiring, and training for employers. Broadening, not narrowing, the opportunity for job-related skill development can provide workers with the tools they need to advance while providing employers with a broader pool of qualified workers from which to hire.

A long-term solution to both poverty and workforce preparedness must invest public resources to both help workers and meet employers’ needs for skills. Reshaping TANF to include policies that both support worker advancement and respond to employer need and demand will require Congress to reauthorize TANF at no less than its current level. This funding is an investment in our country’s future, with returns in terms of greater productivity, a broadened tax base, and greater well-being for Americans.

The policy recommendations outlined here will leverage business investments in the development of workers’ skills. In the context of our nation’s knowledge-based economy, the need for skill-development in response to the coming retirement of the baby-boomers, and the competitive challenges of the global economy, the policies we recommend are crucial—as is stable funding sufficient for their implementation.

FURTHER READING

Jobs for the Future bases its recommendations for TANF reauthorization on the belief that the public workforce and welfare system will be better able to meet its goals for low-income individuals if the system is designed to address the realities facing both those individuals and the employers who are likely to hire, train, and promote them. This view is based on significant research and on groundwork undertaken in recent years by many organizations nationally, including Jobs for the Future. Evidence and examples of promising practices and policies that bolster JFF’s recommendations can be found in the following references.

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