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Utilizing Workforce Investment Act Programs and TANF to Provide Education and Training Opportunities to Reduce Poverty Among Low- Income Women

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Mr. Chairman, Congresswoman Mink, and Members of the Subcommittee:

Good afternoon. Thank you for the opportunity to contribute to this very timely discussion of the coordination of the Workforce Investment Act and TANF programs. I am Barbara Gault, the Director of Research at the Institute for Women's Policy Research (IWPR), a nonprofit, nonpartisan organization. Since its formation in 1987, the Institute has conducted research on policy issues affecting women in five program areas: poverty and income security, employment and earnings, work and family issues, health and safety, and democracy and society.

WIA and TANF can be coordinated to improve low-income women's human capital development.

The continuing implementation of WIA and the reauthorization of the Temporary Assistance to Needy Families (TANF) block grant provides us with an historic window of opportunity to reduce poverty

through improved access to education and training for those people who need it most. It is important to utilize systems under the Workforce Investment Act to improve the poverty and labor market outcomes for welfare recipients through expanded access to training. Achieving the quality performance standards associated with the Workforce Investment Act would significantly benefit low-income women by helping them find and train for high quality, high demand jobs that would help them achieve self-sufficiency and reduce poverty. WIA's focus on starting wages, retention, earnings increases and building client credentials places proper emphasis on workforce development strategies for achieving self-sufficiency. Coordination of TANF and WIA systems will be essential for developing the human capital of low-income women.

Many states and localities intend to use the Workforce Investment Act to provide high quality training.

The Workforce Investment Act allows states the flexibility to provide high quality, employment focused training to welfare recipients. Many local Workforce Investment

Boards have implemented Individual Training Account Plans that would allow welfare clients to train for up to two years, and would make significant investments in skills training. For example, Saginaw/Midland Bay Michigan's plan allocates up to \$6,500 per trainee through the Individual Training Account (Patel and Savner, 2001). However, the current welfare rules limit the allowable duration of training activities, compromising states' ability to serve the low-income population effectively.

Research shows that women experience low wages, poor job quality, and continuing poverty following welfare reform.

Although welfare caseloads have plummeted across the nation, and employment rates among low-income single mothers have risen (Zedlewski, 1999), many of those who leave welfare are not earning enough to support themselves and their families. The jobs they receive pay low wages, are unstable and provide few, if any, benefits. And although incomes have risen overall, poverty remains too high. Working women and men should be able to earn enough money to support themselves and their families.

- A nationally representative study of welfare recipients, conducted by the Urban Institute in 1997, found that welfare recipients, on average, earned \$6.61 per hour (Loprest, 1999). The study found that the largest group of welfare recipients (38 percent) is employed in service occupations, the lowest paying of all occupations (Richer et al., 2001); 11.5 percent were employed in sales occupations, and 19 percent were in administrative support jobs.

- A 2001 review of state level studies of welfare leavers found that in most states, those who leave welfare earn less than \$8 per hour, and in many states they earn less than \$7 per hour (Richer et al.). At \$8 per hour, a welfare leaver would earn \$16,640 if she were working a full 40-hour week. However, a recent study by the Economic Policy Institute (Boushey et al. 2001) shows that the basic family budget for a one parent, one child family in the District of Columbia in 1999 was \$37,309.
- In seven states, 40-63 percent of those who left welfare to work were unemployed at some point in the year after leaving (Richer et al. 2001).
- Less than 25 percent of former welfare recipients who are working full-time have access to employer-sponsored health insurance (Loprest 1999).
- The Urban Institute found that among those who left welfare between 1997 and 1999, 41 percent of families had incomes below the poverty line (including income from EITC and food stamps). Approximately a third reported sometimes not having enough food, and more than 46 percent said they were not able to pay rent, mortgage or utility bills sometime in the last year (Loprest, 2001).

While employment levels have risen, poverty rates remain high, in large part because of the poor quality of jobs that are available to women with relatively low skills. Not only are the jobs inadequate in terms of helping women attain self-sufficiency, they offer little opportunity for growth (Strawn and Martinson 2001). They also are the most likely to be eliminated in the event of a recession (Boushey 2001). The next challenge for the implementation of the Workforce Investment Act and for welfare reform is to improve the employment and earnings outcomes for welfare recipients through high quality, job-focused education and job training.

Most welfare recipients and former recipients need skill development to get good jobs.

A major factor in explaining welfare recipients' poor job outcomes is that the majority have low skills. Forty percent of women living in poverty do not have a high school diploma, compared with 13.5 percent of those living above the poverty line; 9.0 percent have completed four years of postsecondary education or more, compared with 30 percent of the non-poor population (U.S. DOC 2001a).

- In 1999, 41 percent of those receiving welfare had less than a high school education (Loprest and Zedlewski, 1999).
- Seventy percent of welfare recipients have skills equal to or less than those exhibited by a high school graduate (Carnevale and Desrochers 1999). Whereas the non-welfare population scores, on average, within the

"competent" skill level of the National Adult Literacy Survey, the average score for the welfare population falls into the "basic" zone, or one level behind.

Low skill levels among many welfare recipients are especially troubling given labor market trends. An analysis of the National Adult Literacy Survey and Bureau of Labor Statistics data predict that the greatest growth will take place in job categories that require competent or advanced skills, while the slowest growth will occur in jobs requiring basic or minimal skills (Carnevale and Desrochers 1999). Even service sector jobs require, at a minimum, basic reading, writing, and math skills. For example, 59.4 percent of sales-related jobs require skills beyond those of a high school graduate (Levenson et al. 1999).

Employer surveys indicate that employer demand for high-skilled workers is on the rise (Holzer 1996). Investing in high quality education and training is important for both economic development and to promote long-term self-sufficiency and reduce poverty among low-income women.

Job training and education increase earnings and employment.

Job training and education have been proven to increase workers' skills, employment and earnings (Bloom and Michalopoulos 2001; Hamilton 2001; Carnevale and Desrochers 1999; Strawn 1998; Zandniapour and Conway 2001). Education opens doors to jobs that lead to self-sufficiency and increases the likelihood that women will leave welfare.

In addition, data from studies of several large national surveys suggest that higher levels of education make it more likely that women will leave welfare (Spalter-Roth et al. 1995, Loprest and Zedlewski 1999). Nationally, only 29 percent of welfare recipients who left welfare between 1995 and 1997 lacked a high school diploma, compared to 41 percent of those still receiving TANF (Loprest and Zedlewski 1999).

Numerous studies demonstrate that earnings increase with greater levels of education.

Completing high school increases working mothers' earnings by \$1.60 an hour, and a college degree is worth an additional \$3.65 (adjusted to 1998 dollars; Spalter-Roth & Hartmann 1991).

Post-secondary education also substantially increases earnings. A study using data from the National Longitudinal Survey of Youth found that each year of college increases earnings by four to nine percent (Kane and Rouse 1993). Maine's Parents as Scholars (PaS) program has demonstrated the success of post-secondary education in improving welfare families' chances for economic security (Deprez et al. 2002). This state-funded program allows welfare recipients to attend college while still receiving cash assistance, transportation, child care, and other support services. Students must maintain a GPA of 2.0 or higher to stay in the program. The program requires students to participate

20 hours per week in approved activities for the first two years, with time requirements increasing after the third year through either an additional 15 hours of on-site work experience or a total of 40 hours of "education, training, study, or work-site experience." Approved activities include paid employment, work study, practicums, clinical placement, internships, volunteer work, laboratory or field work, study time, and additional activities related to finding employment. Income received from work study does not affect the monthly cash assistance or food stamps benefit, and participation in the program does not count against the federally mandated lifetime limit, as the program is funded entirely with state dollars (Maine Equal Justice Partners 2001). Graduates of PaS earn a median hourly wage of \$11.71, compared to the national median wage of \$7.15 for former welfare recipients (Richer et al. 2001). Employer-based health insurance coverage is also dramatically improved with a coverage rate of 71.4 percent for PaS graduates (Deprez et al. 2002) compared to 23 percent nationally or welfare leavers (Richer et al. 2001).

For many welfare clients, comprehensive and individualized job training programs, such as employer-focused, customized, and on-the-job training, have significantly improved outcomes for the participants. Participants of the Portland JOBS program, for example, experienced a 21 percent increase in their length of employment, with average five-year earnings that were \$5,000 greater than the participants in the control group. According to a Manpower Demonstration Research Corporation (MDRC) study, the Portland JOBS program's "success may have resulted from its unique combination of a focus on employment, the use of job search and education, and an emphasis on finding good jobs." During the five-year study period, 42 percent of members participated in educational activities at a community, two-year, or four-year college, and 25 percent accessed a vocational training program. Although there was no increase in vocational training participation compared to the control group, college participation did increase by 16 percentage points. The program also used job developers and encouraged participants to wait for good jobs, which is a distinctive feature compared to other, less successful programs (Hamilton et al. 2002).

A study of job training participants in six sectoral initiative programs showed that participation resulted in an average annual earnings increase of \$9,048. These programs prepare clients for employment within a specific industry by providing "high quality, sector specific training to workers and potential workers" (Zandniapour and Conway 2001).

Training women for non-traditional jobs is also an effective way of increasing income and employability. According to the U.S. Department of Labor (2000), median weekly earnings for cashiers, retail sales, and hairdressers ranged between \$275 and \$340, while those for women construction workers and mechanics were \$475 and \$627 respectively (Negrey et al. 2001).

Under the current TANF regulations, however, only 30 percent of recipients can engage in education and training activities to fulfill their work requirement, despite the proven high returns of quality

education, and despite the fact that 76 percent of welfare clients lack basic skills (Levenson et al. 1999).

Education and Training Improves Child Well-Being

Providing job training and educational opportunities gives adults the tools they need to end poverty not only for themselves, but for their families. More than 11.5 million children live in poverty in the United States (US DOC 2001b). They are likely to experience first-hand what research has shown - that poverty has long-lasting negative effects (McLeod and Shanahan 1996; McLoyd 1998; Reynolds and Ross 1998; Vandivere et al. 2000). Growing up in poverty, particularly if it is persistent:

- Increases the likelihood of dropping out of high school and never attending college;
- Compromises children's physical growth and cognitive development;
- Diminishes one's physical and psychological well-being as an adult.

Improving the home life of children begins with expanding the opportunities and skills of the parent. Research suggests that mothers with higher educational attainment are more involved and supportive in their parenting (Jackson et al. 2000). Their children are more likely to be raised in an environment that encourages intellectual and emotional development. As income rises, children do better in school. Even among impoverished families, rising income levels translate into improved ability measures and achievement scores (See Corcoran 1995). When their parents are educated, children are more likely to graduate from high school, which will lay a stronger foundation for their future employability and earning power.

Recommendations: Expand State Flexibility and Allocate Sufficient Resources to Provide Quality Education and Training

States must be given the flexibility and the resources needed to provide employment-focused basic education, secondary education for those who can most benefit from it, and to expand vocational training models that are most successful. Many states report that the current rules on education and training are sufficiently restrictive that they inhibit the full implementation of quality education and training programs and have requested "greater discretion in defining appropriate work activities" (National Governor's Association 2002b).

An analysis of federal data collected on state spending of TANF and Maintenance of Effort funds, conducted by the Center for Law and Social Policy, found that states on average are spending only 1 percent of their federal TANF monies on quality education and job training (CLASP 2002). A 1998 Study by the U.S. GAO reported sharp drops in the provision of job training and education services in

the seven states it studied; while job placement services increased dramatically (United States Government Accounting Office 1998).

Remove TANF's 12-month limit on vocational education and training.

Under the 1996 welfare reform legislation, there is a 12-month time limit on vocational education and training as a countable work activity. Many of the most effective programs to reduce self-sufficiency (such as two year degree programs) are not allowable under the current welfare rules. This poses a challenge for one stop centers to serve low-income clients through the Workforce Investment Act.

TANF Reauthorization would restrict the allowable length of training even further. The Bush plan requires that welfare recipients engage in productive activities 40 hours per week, with 24 of those hours required to be paid or subsidized work or on-the job training. Additional education and training activities could count toward the first 24 hours of work per week for only three months out of any two-year period. This would mean that out of five years receiving welfare, recipients could only attend school full-time for short periods, and for a total of 7 months. Women's educational access during the remaining sixteen hours would depend on whether states define a range of education and training activities as allowable. The federal three-month cap would rule out many community college training and pre-apprenticeship programs, including two-year degree programs that could prepare women for skilled jobs in high demand occupations. It also would rule out many of the state education and training programs that have been most effective following welfare reform, and limit the ability of Workforce Investment Act programs to serve low-income clients. It would create an almost insurmountable juggling act for single mothers who would have to work part-time, be in school part-time, care for their children and find time to study. While the Bush plan does allow on-the-job training, this type of training accounts for only a small portion of the types of training that have proven to be effective.

Because students and job training clients only would have the option of going to school part time, the Bush plan may also make it more difficult for low-income workers to obtain financial aid for education. Many workers would be ineligible for aid under the Bush plan because financial aid eligibility requirements are prohibitive for working part-time students.

Clearly articulate and expand the types of education and training that can count as work.

Under current law, job-related postsecondary education is not explicitly identified as an activity that can count as work. Several states have elected to allow postsecondary education to meet work requirements, using either state funds or a combination of state and federal dollars. This has been an extremely effective method of increasing self-sufficiency for a portion of the welfare population. Other states, concerned about meeting immediate work requirements, do not allow postsecondary education to count as work, or do not have a clear policy in place, leaving women's educational options up to

individual caseworker discretion. IWPR recommends that Congress expand the definition of countable work activities to include post-secondary education.

Eliminate the arbitrary 30 percent cap on education and training.

The current welfare program allows for 30 percent of cash assistance recipients to count education and training activities as work. We recommend that Congress remove this cap on education and training so that recipients who need training are not restricted from receiving it. The cap makes it risky for states to implement a widespread policy of placement in high quality training because of fears that such placements would compromise work participation rates.

Maintain or increase levels of funding for training and education through the Workforce Investment Act.

With TANF's strong emphasis on employment, welfare agencies are working more closely with state and local workforce development systems (U.S. GAO 2000). Consequently, maintaining funding for Workforce Investment Act programs becomes a vital element in the discussion of reauthorization. Some policy analysts have expressed concern that following the nation's transition to the Workforce Investment Act, states have focused most on providing job search, counseling, and assessment services, rather than training services. Because of the tiered structure of the Workforce Investment Act system, which moves clients from Core, to Intensive, and finally to Training services, clients access job training services as a last step. The Administration's budget plan calls for large cuts to the Workforce Investment Act (WIA) programs that fund individual training accounts (ITAs), which will reduce funds for TANF recipients to pay for training (National Governors' Association 2002b). Bush proposes to reduce funding for Adult Workforce Development by 5 percent and One-Stop Career Centers by 6 percent (National Governors' Association 2002b). Because of the enormous administrative challenge in coordinating various elements of the workforce development system, it is critical that states have adequate funding to provide training to those who would most benefit from it.

Conclusion

The coordination of TANF and WIA holds promise for strengthening both programs. Used to its full potential, WIA can become an integrated service delivery system that reduces poverty by making significant investments in low-income women's human capital. Quality education and training is one of the most reliable and proven anti-poverty strategies. For WIA to realize its full potential, TANF restrictions on education and training for welfare recipients must be removed. For WIA to better serve low-income clients, levels of funding must be maintained or increased to allow states to allocate a greater portion of their resources for education and skills training.

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