

**Testimony of the
Chicago Jobs Council
on
Welfare Reform Reauthorization**

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Testimony of the Chicago Jobs Council on the Next Stage of Welfare Reform: Poverty Reduction and Workforce Development

The Chicago Jobs Council (CJC) and its 100+ members; community-based organizations, advocates, and concerned individuals, work to ensure employment and career advancement opportunities for people in poverty. We submit this testimony on TANF reauthorization and the importance of education and skills training to employment and family success.

CJC has a twenty-one year history of advocacy and collaboration with the Mayor's Office in Chicago, with Illinois Departments of Human Services and Employment Security, with legislators at the state and federal level, and most recently, with partners of the national Workforce Alliance, to shape policies and programs that promote local labor market employment for low-income individuals. CJC believes that living wage employment is the quintessential anti-poverty strategy. The pathway to family-sustaining jobs must be paved with education and training opportunities throughout one's lifetime which prepare workers for real employment opportunities in a changing labor market. When the traditional educational system fails to engage or prepare young people for careers, particularly in poor communities, or cannot accommodate the needs of special populations, other avenues to skills development are essential and must be available.

In 1996 and again in 2002, federal decision-makers purported to be interested in family well-being and family independence when they passed welfare legislation which tied government assistance for needy families to work mandates and marriage goals. The success of the new Temporary Assistance for Needy Families (TANF) program has largely been measured by caseload reduction and earnings growth among single heads of household. Largely ignored, however, is the fact that the real wage level of welfare-to-work leavers averages \$7.15 per hour¹ and rarely includes a full range of benefits. Nonetheless, these earnings often render them eligible for reduced, or no work supports and add them to the ballooning ranks of the working poor in this country. Of equal concern is the growing population across states that is neither working nor on TANF. In Illinois we have seen this population rise from 17% to 27% in this last year alone.²

Indeed, there is an urgency to take welfare reform to a next stage. The Bush Administration- and House Republican-supported legislation, H.R. 4, however, undermines the most effective state strategies to transition individuals from welfare to work and to keep them working. Moreover, the legislation ignores the reams of research which identifies the characteristics and needs of the remaining TANF and low-income population, and the realities of state and local economies. The Senate must do better and prevail in passage of welfare legislation that ensures basic family well-being and promotes real employment success. The remainder of our testimony will provide

¹ Loprest, Pamela. 2002. "Making the Transition from Welfare to Work: Successes but Continuing Concerns", in *Welfare Reform: The Next Act*, Alan Weil and Kenneth Finegold, editors. Washington, D.C.: The Urban Institute.

² Lewis, Dan A., Amy Bush Stevens, Kristen Shook Slack, Bong Joo Lee, Paul Kleppner, James Lewis, Stephanie Riger, and Robert Goerge. 2002. *Welfare Reform in Illinois: Is the Moderate Approach Working?* Illinois Families Study, Second Annual Report. University Consortium on Welfare Reform. May.

details on the TANF population's workforce potential, the importance and benefit of education and skills training, and the misguided mandate for a 40 hour work requirement.

Disadvantaged Workers and the Labor Market

The Aspen Institute reports that the projected growth of the native-born workforce over the next 20 years will be zero percent. Additionally, the projected gains of workers with post-high school education over the next 20 years will be 4% compared to the previous growth level of 19% for the last 20 years.³ Understanding these trends is essential to recognizing how we can have a skilled worker shortage at the same time as severe unemployment rates of 6.5% in the United States and 7.1 % in Illinois.⁴ Despite the strong economy of the previous decade and Illinois' commitment to a "work first" TANF program and work incentives like child care and an earnings disregard program, Illinois's welfare reform study, the Illinois Families Study, reveals that the number of individuals working peaked at 53% in the fourth quarter of 2000.⁵ In our state, nearly 1.3 million individuals and 244,000 families live below the poverty level.⁶ At the same time, nearly 75% of surveyed employers from across the country reported severe conditions when trying to hire qualified job applicants.⁷ Eighty percent of manufacturers reported a moderate-to-serious shortage of qualified applicants.⁸

Researchers Julie Strawn and Karin Martinson contend that those who remain on TANF, those who leave TANF without finding employment, and those who leave TANF and return to the rolls have low education and skill levels.⁹ In fact, research conducted by the Center for the Study of Adult Learning and Literacy revealed that 76% of TANF recipients tested in the lowest two levels of literacy and 35% scored in the lowest level.¹⁰ The authors of the United States Department of Health and Human Services 2001 report *Indicators of Welfare Dependence* write,

³ The Aspen Institute Domestic Strategy Group. 2002. *Grow Faster Together. Or Grow Slowly Apart: How Will America Work in the 21st Century?*

⁴ Illinois Department of Employment Security statistic, January 2003.

⁵ Lewis et al. 2002.

⁶ United States Bureau of the Census. *Census 2000*.

⁷ Center for Workforce Preparation of the U.S. Chamber of Commerce. 2002. "Keeping Competitive: Hiring, Training and Retaining Qualified Workers in 2002." March.

⁸ Center for Workforce Success of the National Association of Manufacturers' Manufacturing Institute and Anderson Consulting. 2001. *The Skills Gap 2001*. May.

⁹ Martinson, Karin, and Julie Strawn. 2002. "Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform." Washington, D.C.: Center for Law and Social Policy and the National Council of State Directors of Adult Education. May.

¹⁰ Levenson, Alec R., Elaine Reardon, and Stefanie R. Schmidt. 1999. "Welfare, Jobs and Basic Skills: The Employment Prospects of Welfare Recipients in the Most Populous U.S. Counties." *NCSALL Reports #10B*. Boston: National Center for the Study of Adult Learning and Literacy. April.

“individuals with less than a high school education have the lowest amount of human capital and are at the greatest risk of becoming poor, despite their work effort.”¹¹

Welfare research attests to welfare recipients’ desire to work. It’s skills that are needed. In the midst of a stalled economy and in the face of increasing competency levels demanded by vital employers in local and national economies, it falls to policy-makers to craft legislation that prepares TANF recipients to join the skilled workforce and ensures work supports like child care, transportation, medical insurance, and affordable housing to guarantee family and job stability. House Resolution 4 ignores the research and the recommendations of groups like the Welfare to Work Partnership, the National Governors’ Association, the Workforce Alliance, and the Chicago Jobs Council when it promotes higher participation rates, narrower definitions of work activity, arbitrary restrictions on education and training, and the continuing exclusion of immigrants from TANF services.

The Senate TANF bill must;

- ✓ **encourage a “mixed strategy” approach to family independence that combines education and work,**
- ✓ **include a broad definition of allowable work activities to satisfy work requirements and prepare all job-seekers to meet local labor demands, and**
- ✓ **invest substantially in work supports to realize lasting family and program success.**

Skills Training Does Work

The Workforce Alliance recently published *Skills Training Works: Examining the Evidence*. This document challenges interpretations of the research frequently used to defend a work first (and only) policy and discusses research policy-makers may also find informative. Authors of this report contend that a more comprehensive look at existing research, including the three government-sponsored studies often cited, show that: 1) training programs serving low-income adults document earnings impacts of 10 to 156% beyond what similar job seekers gained without training or with job search services only, 2) low-income participants in skills training programs are more likely to access jobs with greater employer-provided benefits than non-participants, and 3) those who graduate from training programs work more regularly than they did prior to training, and more consistently than those who do not receive training.¹² In fact, 60 % of the *California Greater Avenues to Independence (GAIN)* evaluation participants from its most successful site, Riverside County, received education and training prior to entering the labor market.¹³ And the most successful site in the *National Evaluation of Welfare-to-Work Strategies (NEWWS)* study, Portland JOBS, engaged almost half of their participants in education and

¹¹ U. S. Department of Health and Human Services. 2001. *Indicators of Welfare Dependence: Annual Report to Congress*. CJC underline.

¹² Smith, Whitney, Jenny Wittner, Robin Spence, and Andy Van Kleunen. 2002. *Skills Training Works: Examining the Evidence*. The Workforce Alliance. September.

¹³ Ibid.

training activities achieving significant acquisition rates of trade licenses or certificates, and post-secondary education credentials in addition to GED attainment.¹⁴

Communities with a vision for their workforce and commitment to the most disadvantaged job seekers have developed other successful education and training programs. Research on transitional jobs programs, which combine support, work, and vocational training and target hard-to-place populations, show strong results. Eighty-one to 94 percent of program completers have been placed in unsubsidized jobs.¹⁵ And “bridge” programs, like those at Chicago’s Westside Technological Institute and the Instituto del Progreso Latino, create education and training pathways linking individuals with low literacy or English proficiency to basic skills, vocational training and advanced certification programs.¹⁶

Education and skills training is a proven anti-poverty strategy. Recently, the U. S. Census Bureau reported that every level of educational attainment produces earnings gains of \$2000 to \$45,000 dollars.¹⁷ Additionally, research demonstrates that “the higher a family’s income, the better children will do on ability measures and achievement scores and the more likely they are to finish high school.”¹⁸ Even if our only interest is reducing family dependence on government assistance, we are frugal to make education and skills training available to TANF recipients. But if we keenly understand that job skills are essential to family well-being and community economies then a commitment to policies that provide opportunities and resources for education and skills training is wise, far-sighted, and financially responsible. With increases in participation rates and work hours, even narrower restrictions on allowable work activities, and unrealistic limits on education and skills training H. R. 4 forces states to dismantle welfare-to-work strategies of greatest impact.

The Senate TANF bill must:

- ✓ **eliminate arbitrary time limits on education and training activities,**
- ✓ **eliminate the 30% cap on the number of recipients engaged in education and skills training,**

¹⁴ Hamilton, Gayle, Stephen Freedman, Lisa Gennetian, Charles Michalopoulos, Johanna Walter, Diana Adams-Ciardullo, Anna Gassman-Pines. 2001. *National Evaluation of Welfare-to-Work Strategies*. Washington, D.C. Manpower Demonstration Resource Corporation for the U. S. Department of Health and Human Services and the U. S. Department of Education.

¹⁵ Hill, Heather, Gretchen Kirby, and LaDonna Pavetti. 2001. “Transitional Jobs Programs: Stepping Stones to Unsubsidized Employment.” Mathematica Policy Research, Inc.

¹⁶ Braza, Mark. 2001. “Employment Outcomes of Chicago Manufacturing Technology Bridge Graduates.” Submitted to the Great Cities Institute, University of Illinois, Chicago. January.

¹⁷ Day, Jennifer Cheeseman and Eric C. Newburger. 2002. “The Big Payoff: Educational Attainment and Synthetic Estimates of Work-Life Earnings.” *Current Population Reports*. U. S. Census Bureau. July.

¹⁸ Lyter, Deanna. 2002. citing Mary C. Corcoran, 1995. “Rags to Riches: Poverty and Mobility in the United States.” *Annual Review of Sociology* 21:237-267 and Greg J. Duncan, W. Jean Yeung, Jeanne Brooks-Gunn, and Judith R. Smith. 1998. “How Much Does Childhood Poverty Affect the Life Chances of Children?” *American Sociological Review* 63 (June): 406-423. “Education and Job Training Build Strong Families.” *IWPR Publication #B238*. Institute for Women’s Policy Research. April.

- ✓ **allow a broad range of education and skills training to count as work activities, and**
- ✓ **offer incentives and rewards to states which develop transitional jobs programs and skills training for low-income job seekers targeted to labor market needs and higher wage placements.**

Misguided Mandates

The Center for Law and Social Policy has determined that 40 states currently allow postsecondary training or education services that would not be countable under the Administration-driven House bill.¹⁹ Additionally, it is expected that states will have to cut these most innovative and effective services and redirect resources to create and monitor ten additional hours of activity for the 52% of TANF recipients who were engaged in work-related activities that would not meet the new federal threshold.²⁰ The increased work requirement, in addition to higher participation rates, place families with significant barriers to work far down the priority list for state services and render them targets of diversion, sanction, termination, and destitution. A study of TANF applicants in Illinois revealed that 35% of those who could not comply with work requirements were not working, not living with an employed adult, and not receiving TANF benefits.²¹ These are families that need our services and our commitment most.

The Bush Administration has tried to project flexibility and an awareness of the need for barrier remediation with allowances of 16 hours per week for other activities and a 3month time frame for job-related education and training. The Chicago Jobs Council completed a simple analysis of Workforce Investment Act (WIA) certified training programs in three Illinois cities: Dixon, Aurora, and Chicago, to shed some light on the misconceptions upon which these mandates are built. Welfare recipients and other low-income job seekers in these Illinois cities cannot readily get the education and training they need in hours outside the proposed 24 hours of priority work activity or within a 3 month time frame recommended by the House bill. Our findings show:

1) Few 3-month (or less) training programs are available.

In Dixon only 14% of the training programs available can be completed in three months or less. In Aurora, a mere 5.7% can be completed in 3 months or less. In Chicago less than half (49.3%) can be completed within that time frame. It is important to note that those that require less than three months to complete are often one-week courses that will not provide adequate training leading toward family-sustaining employment.

2) Even fewer training programs are accessible to low-skilled TANF recipients.

Of 120 WIA-certified training programs in Aurora and Dixon, none will accept a welfare recipient with a 6th grade proficiency level in reading. In Chicago, only 9% of training programs

¹⁹ Center for Law and Social Policy. 2002. "Forty States Likely to Cut Access to Postsecondary Training or Education Under House-Passed Bill." Washington, D.C. June.

²⁰ The National Governors Association and the American Public Human Services Association. 2002. *Welfare Reform Reauthorization: State Impact of Proposed Changes in Work Requirements, April 2002 Survey Results*. Washington, D.C. April.

²¹ Maximus, Inc. 2002. *Illinois TANF Applicant Study*. Reston, VA. Prepared for the State of Illinois Department of Human Services. May.

will accept someone with a 6th grade proficiency level in reading, and only 33% will accept someone with 9th grade reading ability. As previously stated, three, or even six months, of remedial education will not be all that is needed for low-skilled TANF recipients to secure and advance in employment.

3) Low-wage jobs don't accommodate education/training schedules.

Most training programs in Dixon and Aurora offer part-time study options. In Chicago, however, nearly half (40%) of training programs do not offer part-time hours. It is important to note that working welfare recipients are most often employed in low-wage service industry jobs that do not offer consistent hours or the flexibility required to engage in a defined part-time training program. Service industry employees are increasingly dependent on a schedule that may change weekly, both in days worked and the number and sequence of hours employers demand for round-the-clock, peak season, profit-making operations.²² While many low-income workers would be interested in combining work and training in order to make a better life for their families, it is not always possible to do so.

U. S. Department of Health and Human Services Secretary Tommy Thompson testified before this committee that the next phase of welfare reform must “help more welfare recipients achieve independence through work, promote strong families, empower States to seek new and imaginative solutions to help welfare recipients achieve independence, and show compassion to those in need.”²³ H. R. 4’s mandates for more work hours, arbitrary restrictions on education and skills training, and unrealistic and uninformed work/advancement/parenting expectations for low-skilled job seekers jeopardize the successes of states and welfare reform, and deny poor families access to living-wage work and greater family well-being.

The Senate TANF bill must:

- ✓ **maintain current work hour requirements,**
- ✓ **include a broad definition of allowable work activities to satisfy work requirements and prepare all job-seekers to meet local labor demands,**
- ✓ **encourage a “mixed strategy” approach to family independence that combines education and work,**
- ✓ **eliminate arbitrary time limits and the cap on education and training activities,**
- ✓ **offer incentives and rewards to states which develop transitional jobs programs, “bridge” programs, and skills training for low-income job seekers targeted to labor market needs and higher wage placements, and**
- ✓ **invest substantially in work supports (child care, transportation, medical insurance, food stamps, affordable housing) to realize lasting family and program success.**

²² Lambert, Susan, Waxman, E, Haley-Lock, A. 2002. “Against the Odds: A Study of Instability in Lower-Skilled Jobs.” Working Paper of the Project on the Public Economy of Work. University of Chicago. January.

²³ Thompson, Tommy. 2003. Statement before the Committee on Finance, United States Senate, by Tommy Thompson, Secretary, Department of Health and Human Services, on “Welfare Reform: Building on Success.” March.