STATEMENT OF THE AFFORDABLE HOUSING TAX CREDIT COALITION
TO THE
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
HEARING ON
GETTING INCENTIVES RIGHT:
CONNECTING LOW-INCOME INDIVIDUALS WITH JOBS
MARCH 1, 2016

Chairman Buchanan, Ranking Member Doggett and Members of the Subcommittee,

The Affordable Housing Tax Credit Coalition ("AHTCC"), a Washington, DC based trade association which advocates for the preservation and expansion of the low-income housing tax credit ("Housing Credit") contained in Section 42 of the Internal Revenue Code of 1986, is pleased to submit this statement for the record in connection with the Subcommittee's hearing on "Getting Incentives Right: Connecting Low-Income Individuals with Jobs". We commend the Chairman and Ranking Member for holding this very important and timely hearing and for giving us the opportunity to submit this statement.

The AHTCC believes strongly that one critical factor in connecting low-income persons with jobs is making sure that there is an adequate supply of affordable rental housing in areas where employers are trying to hire lower income persons.

Leaders from both sides of the aisle, including House Speaker Ryan and President Obama, recognize that persistent poverty is both destructive to families and a barrier to our nation's economic growth. We need affirmative policy solutions to prevent people from falling through the cracks if we are to expand opportunity and improve our economic well-being. And we understand that sound policy solutions in one area of addressing poverty must connect to others. Having decent, safe and affordable housing, in our view, stands in the middle of this intersection.

Very clearly, the scarcity of affordable housing is a significant obstacle to our nation's efforts to alleviate poverty. While programs like the Earned Income Tax Credit are critical to increasing the incomes of low-income families, we need to do more to bring down the costs of housing – the single largest expense for low-income families.

The Affordable Housing Tax Credit Coalition urges Congress to address our nation's severe shortage of affordable rental housing by expanding the amount of Housing Credits for each state by at least 50 percent. With the current cap on Housing Credit authority, state allocating agencies, which administer the Housing Credit program under broad federal guidelines, have to make difficult trade-offs between competing priorities. Many viable and sorely-needed developments that would help low-income households access affordable housing near jobs cannot move forward because of the very limited resources. An expansion of the Housing Credit is necessary if we are to connect more low-income families to opportunity.

The last time that Congress increased the cap on Housing Credit authority was in 2000[1], which it did on a bipartisan basis. That bipartisan support has been a hallmark of the Housing Credit program since its

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[1] Community Renewal Tax Relief Act of 2000, P.L. 106-554, Sec. 131(a).

original enactment in 1986 and through successive Congresses and Administrations. In 2000, the Congress understood how well the Housing Credit was fulfilling the mandate it had been given and that fulfillment continues to be the case today. Although the increase in 2000 contained a cost-of-living adjustment, it is abundantly clear that the need for additional Housing Credit authority has become more acute in the last 16 years. The supply of affordable housing has simply not kept up with the demand and the amount of available Housing Credits has not kept up with the demand upon it from every segment of the affordable housing world—housing for families, seniors, the homeless, veterans and special needs populations and for housing in urban, suburban and rural areas all across the country. A critical and indispensable component for addressing this national crisis in affordable housing would be to have an increase in the Housing Credit ceiling.

More than one in four renter households in the U.S. – roughly 11 million– spend more than half of their monthly income on rent, leaving too little for other necessities like food, medical care, and transportation to places of employment opportunities. According to the Urban Institute, not a single county in the United States has nearly enough affordable apartments for all of its extremely low-income renters, and only one in four eligible low-income households receives any housing assistance.

Meanwhile, we continue to lose affordable housing from our nation's stock. Nearly 13 percent of the nation's supply of low-income housing has been permanently lost over the past 15 years. Over the next decade, the demand for affordable housing will become even greater as over 400,000 new households enter the rental housing market each year, many of whom will be low-income. According to a recent study by Harvard University's Joint Center for Housing Studies and Enterprise Community Partners, the number of renter households who pay more than half of their income towards rent could grow to nearly 15 million by 2025.

Affordable housing promotes financial stability and economic mobility. It leads to better health outcomes, improves children's school performance, and helps low-income individuals gain employment and keep their jobs. It also provides a financial return on our nation's investment through increased tax revenue and job generation.

Families living in Housing Credit-financed homes have more discretionary income than low-income families who are unable to access affordable housing. This allows them to allocate more money to other needs, such as job training, transportation expenses, health care and food, and gives them the ability to pay down debt, access childcare, and save for education, a home down payment, retirement, or unexpected needs. Dependence on other forms of government assistance is reduced.

Affordable housing located near transportation and areas with employment opportunities provides low-income households with better access to work, which increases their financial stability and provides employers in those areas with needed labor. Stated another way, employers will not be able to hire workers who cannot afford to live within reasonable proximity to the employer's business. Providing more affordable housing promotes job creation for low- income persons in this fashion.

To be successful and prosperous, all communities require certain jobs to be filled, some of which will be filled by lower income persons who will need to obtain housing in or near these communities. For example, a junior fire fighter who is forced to live 25 miles from his or her fire department because they cannot afford to live in the community they are serving will be of little use if it takes them substantial travel time to respond to an emergency.

In addition to the many benefits affordable housing provides to residents, affordable housing also has a significant positive impact on local economies, providing tax revenue and jobs in the construction, real estate and related industries. Affordable housing can also play a key role in revitalizing distressed

communities.

Beyond connecting low-income residents to job opportunities, the Housing Credit program itself creates jobs in the communities served. According to the National Association of Home Builders, each 100 units of rental housing developed results in 122 jobs during the construction period. More than half of these job opportunities are in the construction sector, often benefiting small businesses from the surrounding community. For example, over the 30- year life of the program, in Mr. Buchanan's district in Florida, this has translated to the creation of 5,192 jobs and in Mr. Doggett's district in Texas, 5,357 jobs. Nationally this means over 96,000 jobs per year nationally. Additionally, Housing Credit developers often agree to hire a minimum number of workers from the community in which they are developing, thus directly benefiting employment opportunities in those neighborhoods and communities.

As Congress considers a pro-growth agenda that does not shy away from tough problems like poverty, the Affordable Housing Tax Credit Coalition strongly urge Congress to increase Housing Credit authority. For the millions of families paying more than half of their income towards housing – choosing between paying the rent or their medical bills, making repairs to their cars, or enrolling in job training classes – an expansion of the Housing Credit cannot come soon enough.

Thank you again for giving the Affordable Housing Tax Credit Coalition this opportunity to present a statement to you in connection with this hearing.

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House of Representatives

Committee on Ways and Means

Subcommittee on Human Resources

Hearing

On Getting Incentives Right: Connecting Low-Income Individuals with Jobs

March 1, 2016

Comments for the Record by

American Public Human Services Association (APHSA)

Contact: Rus Sykes, (202) 380-8974, rsykes@aphsa.org

March 14, 2016

Honorable Vern Buchanan
Chairman
House Ways and Means Human Resources Subcommittee
1129 Longworth House Office Building
Washington, DC 20515

Honorable Lloyd Doggett
Ranking Member
House Ways and Means Human Resources Subcommittee
1129 Longworth House Office Building
Washington, DC 20515

Dear Chairman Buchanan and Ranking Member Doggett:

The American Public Human Services Association (APHSA) is pleased to submit comments for the record of the Human Resources Subcommittee's March 1, 2016, hearing on "Getting Incentives Right: Connecting Low-Income Individuals with Jobs."

APHSA is a bipartisan, nonprofit membership organization representing state and local human service agencies through their top-level leadership. APHSA has been working to improve public health and human services for over 80 years by collaborating with state and local agencies, partners and national policymakers to promote effective policies, innovative strategies, and effective service delivery systems. *Gainful Employment and Independence* is one of four key outcome areas APHSA seeks to impact through a transformed human service system. The APHSA Center for Employment and Economic Well-Being (CEEWB) has been established to identify and promote thoughtful policies in the employment area, coordinated funding structures, and collaborative practice models that can best support and enable gainful employment and self-sufficiency for individuals and families.

For working-age individuals and their families, having a job and staying in the workforce are critical to achieving greater independence. Gainful employment is one of the surest and most long-lasting means to equip people with the lifetime tools they need for economic success and to avoid poverty; without an initial foot on the employment ladder for those who can work, there is little chance of economic success. Furthermore, gainful employment is the avenue to many other benefits including family stability. The Temporary Assistance for Needy Families program (TANF) has a critical role in helping families in poverty access opportunities for gainful employment and economic mobility.

Our state and local practitioners actively work on a daily basis with individuals to overcome obstacles to employment and involve them in planning and owning their decisions and reaching successful outcomes

both economically and socially. It is not easy or one-size-fits-all work, and without the active involvement of employers both in expressing their basic work expectations, outlining the core skills needed for success, and detailing the role they can play in specific on-the-job training and workplace-related curriculum design, we will not achieve success.

For 20 years, states have worked to promote all four of the TANF program's goals, but in today's reality, there is a growing emphasis on getting able-bodied parents into employment. We are pleased by the growing recognition that there is an important role for employers to play in providing opportunities for TANF participants and recipients of other public assistance benefits to compete and succeed in the 21st century workplace. In order to improve these employment opportunities, we must consider what employers need and expect from prospective employees. Public programs must invest in developing well-rounded job seekers who are work-ready and possess strong foundational skills that can be built upon. Furthermore, in order to encourage public assistance recipients to transition to employment and participate in the workforce to their full potential, we must ensure that doing so actually results in financial gain for their family. For too many hard-working families, the "cliff effect"—a drop in total income caused by going to work—is real, and it must be mitigated if we hope to promote work as a means of achieving financial stability and economic mobility.

Employer Incentives

The greatest incentive for employers to provide opportunities for TANF participants is for them to be work-ready, possessing at minimum strong foundational skills that can be built upon. Unfortunately, current rules and restrictions limit the TANF program's ability to develop and connect employers with such prospective employees. However, this can be resolved through a few basic policy changes.

According to the Bureau of Labor Statistics, 11 of the 15 fastest-growing occupations typically require some level of postsecondary education, and another three typically require at least a high school diploma or equivalent. Recent data from the Department of Health and Human Services indicates that over 40 percent of adults receiving TANF assistance had fewer than 12 years of formal education, and fewer than 6 percent had any post-secondary education. This is why completing secondary education or career educational training is critical to helping many TANF participants become the eligible, competitive workers that businesses are looking for.

Current statutory limits prevent many individuals' participation in education and training from counting toward their work participation requirements. The Committee's Discussion Draft on TANF Reauthorization, which it released in July 2015, contained some positive changes to those rules. It proposed extending the time limit on career education and training from 12 months to 24 months, and increasing the age limit for participants deemed to be engaged in work through secondary school attendance.

However, currently only 30 percent of families counting toward states' participation rates may do so through participation in career training and secondary school attendance. The Committee's Discussion Draft did not address this cap. In order to connect employers with a rich pool of job seekers possessing the foundational knowledge and skills that employers need to grow their businesses, the percentage of families allowed to count toward states' participation rates through career training and secondary school attendance must be increased.

In addition to ensuring that TANF participants have access to education and training programs to develop and become competitive workers, we must also be certain that those programs themselves are in touch with the needs and expectations of employers, as well as labor market conditions. We must be intentional about directing participants to education and training providers, such as community colleges and vocational programs, that consider labor market information and incorporate employers' input in their content and curriculum design. These measures are an important component in the development and implementation of Workforce Innovation and Opportunity Act (WIOA) plans. Promoting greater alignment between TANF and WIOA policies would help ensure that TANF participants gain the knowledge and skills that employers are actually looking for and achieve positive employment outcomes.

Another incentive for employers to provide opportunities for TANF participants is through tax credits such as the Work Opportunity Tax Credit. Greater outreach and awareness about how employers can benefit from the WOTC is needed. One possible approach—used in New York—is for TANF workers to provide individual job seekers with a document they can share with their new employer, indicating which specific tax credits the employer could access as a result of hiring that individual.

Worker Incentives

Whether due to limited education or career skills, lack of work experience, or other factors, many TANF participants must transition into the workforce through entry-level employment, which is often low-wage work. Low-wage work, especially in industries such as retail and food service, frequently offers limited hours and few employee benefits, is often unpredictable due to volatile scheduling, and lacks workplace flexibility that working parents need to balance their work and family responsibilities. For some parents, dependency on public assistance may offer greater financial and family stability than employment. This instability can serve as a strong disincentive for work-eligible individuals.

Despite the instability that often comes with entry-level and low-wage employment, many work-eligible TANF participants do enter and retain employment. In many cases, their earned income may lift them out of poverty, but they frequently continue to struggle to make ends meet, and are only able to do so by making use of publicly funded work supports such as the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and child care assistance. These supports are based on income, phasing out as income increases, but often in a manner in which the value of lost benefits is greater than the value of gained income.

Unfortunately, the loss of work supports combined with the impact of federal and state taxes can actually result in a net loss of income and resources, meaning that families who work hard to transition from dependency on public assistance to gainful employment and self-sufficiency may end up worse off financially, especially in the short term. This "cliff effect" is a disincentive to work engagement and economic mobility, and can discourage workers from achieving their full potential. This disincentive could be addressed by reforming income limits for critial work supports, particularly child care assistance where the cliff is most pronounced.

Another approach is to educate job seekers and incumbent workers about programs and policies that may minimize the cliff effect. Ensuring that individuals seeking to transition from welfare to employment and self-sufficiency know how to take advantage of programs that might be available to them, such as the Earned Income Tax Credit (EITC), the Child Tax Credit, pre-tax transportation benefits, and pre-tax

dependent care flexible spending accounts, should be a standard component of job-readiness. By better equiping working families with knowledge about policies and programs that can alleviate the cliff effect, we can restore the most basic incentive for hard work—a job, a raise, or a promotion that results in not just an increase in net income and resources, but an opportunity to reach one's full potential as a worker, a provider and a contributor to the community.

In summary, there are reforms that can be made to create incentives that work. To incentivize employers to offer career opportunities to TANF participants, the TANF program must be able to connect them with work-ready job seekers who have the knowledge and skills employers are looking for. Reforming TANF policy related to work-readiness and education and training would improve states' ability to invest in the development of these job seekers who often have not had the opportunity to do so on their own.

Transitioning from unemployment or underemployment to gainful employment and independence is no easy task. But there are policy changes that can incentivize individuals to take on that challenge, and ensure that in the end they will actually benefit. We thank you for your consideration of these comments, and we are always happy to further discuss these policy solutions. Please feel free to contact Rus Sykes, Director of the Center for Employment and Economic Well-Being, at (202) 380-8974 with any questions or requests.

Sincerely,

Tracy Wareing Evans
Executive Director, APHSA

CLASP
policy solutions that work for low-income people

Elizabeth Lower-Basch
Center for Law and Social Policy
Testimony for the Record

March 15, 2016
Hearing on Getting Incentives Right:
Connecting Low-Income Individuals with Jobs

Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives

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.

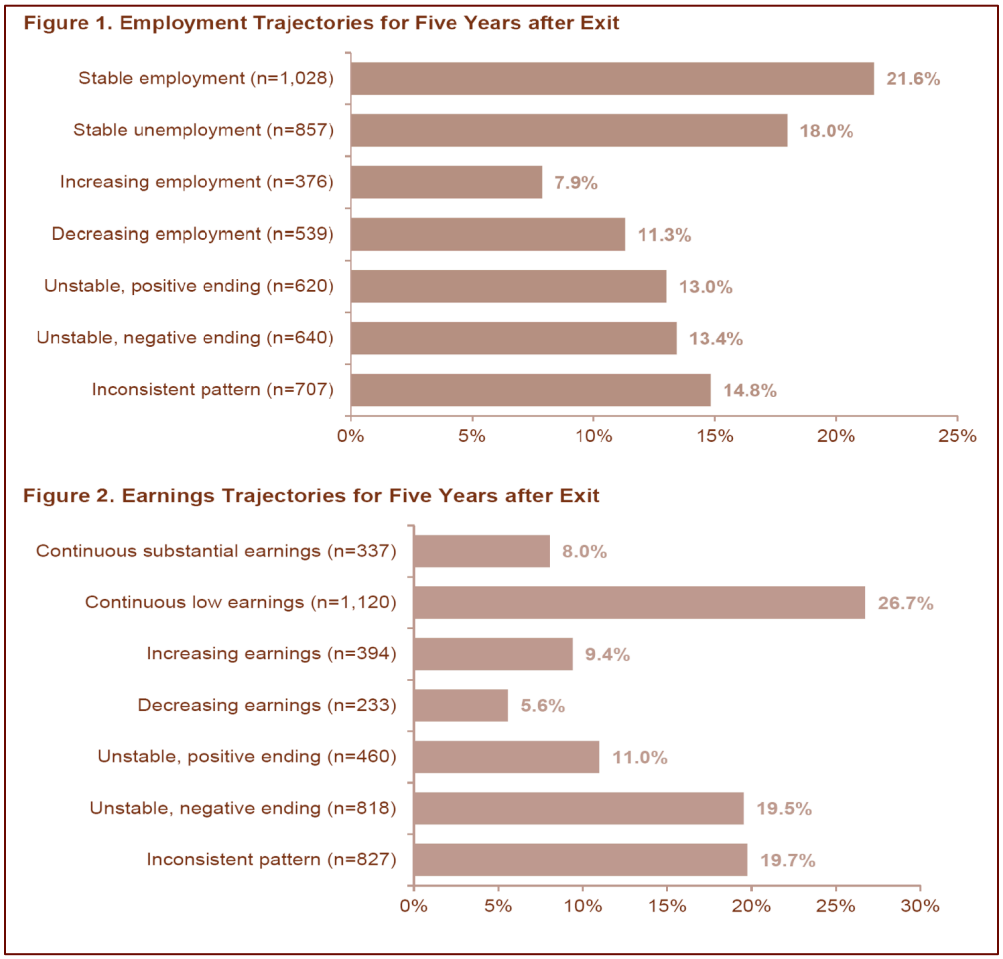
There is widespread agreement that TANF and other income support programs should not only provide a safety net that alleviates hardship at moments of severe distress, but should also connect low-income individuals with jobs and help them advance so that they can achieve economic security for themselves 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.

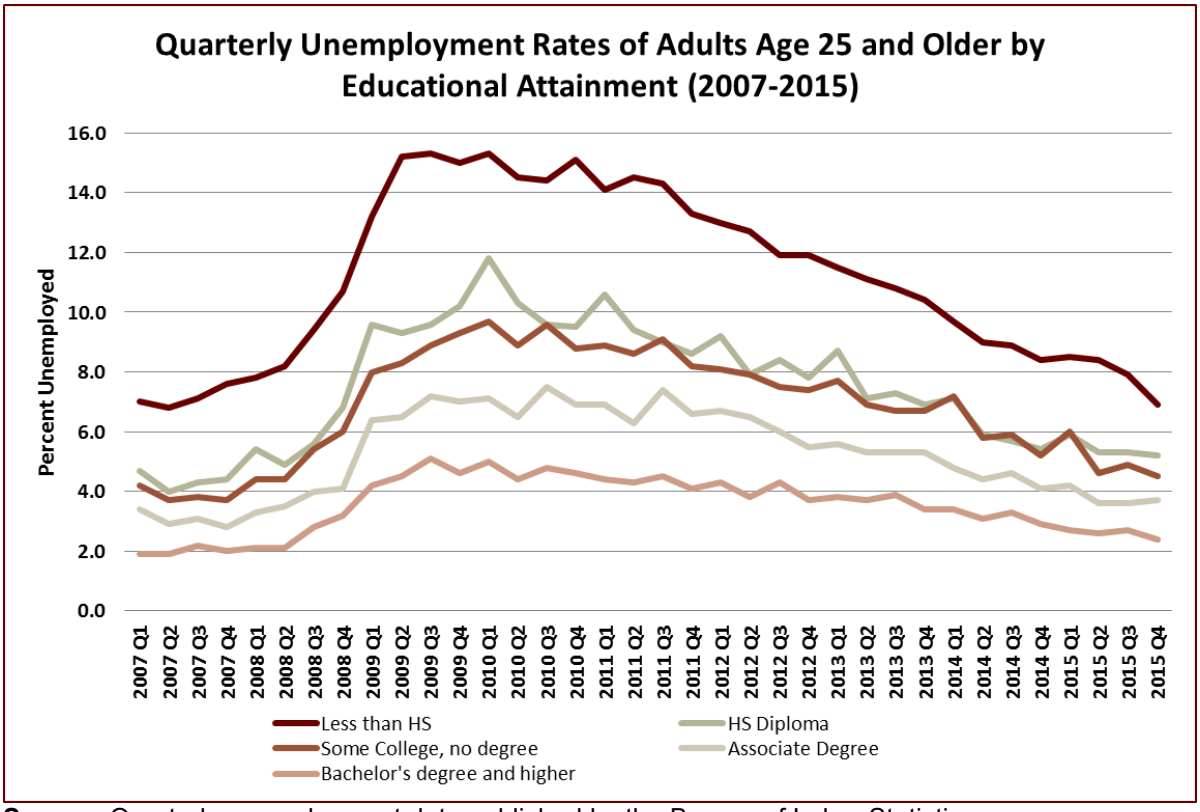
Each of these topics is addressed in more detail below.

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.

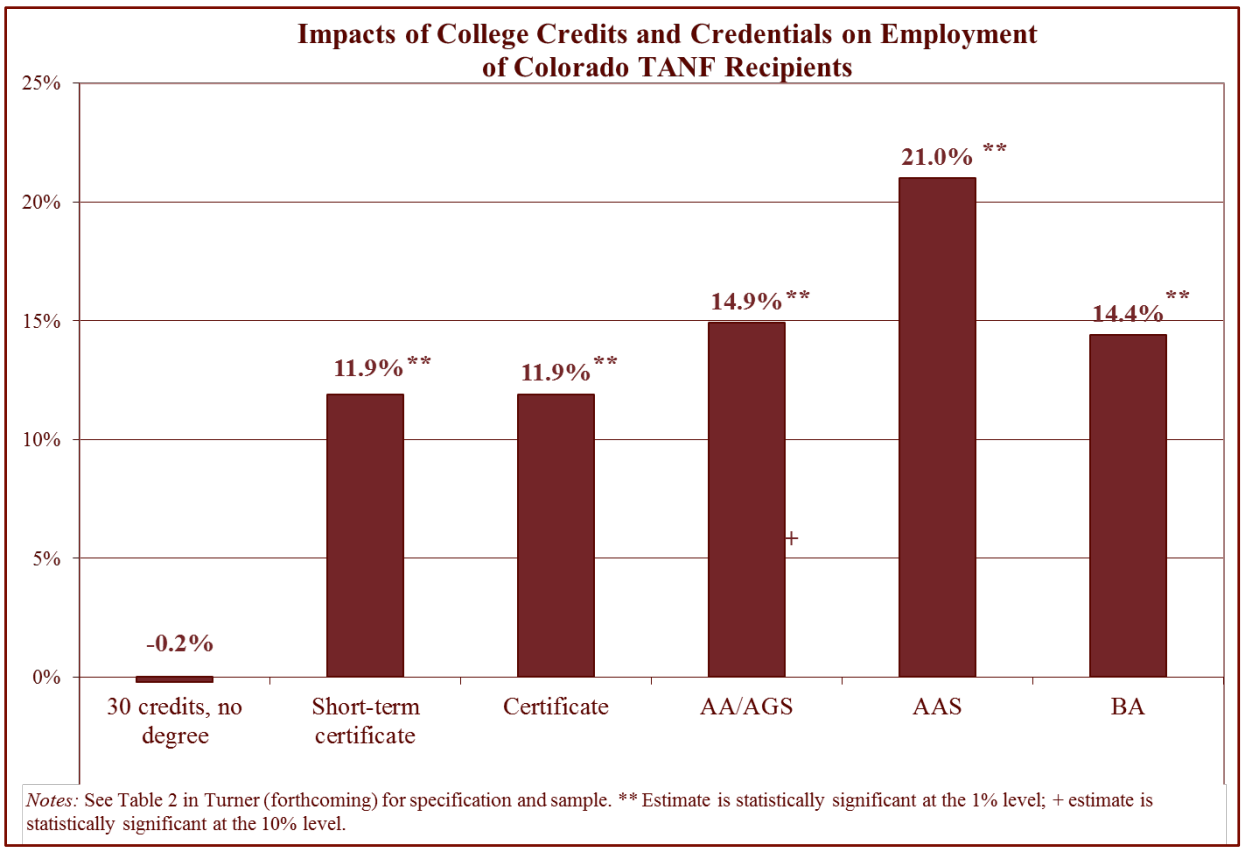
A recent synthesis of the literature on what works in employment and training is unequivocal: "A post-secondary education, particularly a degree or industry-recognized credential related to jobs in demand, is the most important determinant of differences in workers' lifetime earnings and incomes."[8] 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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Statement for the Record
Ways and Means Subcommittee on Human Resources
Chairman Vern Buchanan (R-FL)

Hearing on "Getting Incentives Right: Connecting Low-Income Individuals with Jobs"
Tuesday, March 1, 2016

Dear Chairman Buchannan and Members of the Committee:

Thank you for this opportunity to submit a statement for the record following your hearing on March 1, 2016, entitled: "Getting Incentives Right: Connecting Low-Income Individuals with Jobs." My name is Azim Saju, and I serve as the Vice President and General Counsel for HDG Hotels. HDG, a hotel development and management group, is committed to finding and maturing hotel locations to maximize brand value and customer experience. HDG currently owns and operates 12 hotels across Florida, as a franchisee of Choice Hotels, InterContinental Hotels Group, Hilton and Wyndham Hotels. I've been fortunate to take what was once a dream - running a small business - and turn it into a reality, in large part thanks to the franchise business model. As your committee examines ways to create opportunity and enable those on the bottom rungs of the economic ladder to succeed, I cannot emphasize how critical a role franchising plays in changing the cycle of poverty in this great country.

Without question, the franchise business model has solidified its place in our economy as a stable job producer and opportunity engine. **As it currently stands, there are 780,000 franchise establishments that generate nearly 8.9 million direct jobs and account for $890 billion of economic output**. Not only is franchising a significant driver of America's economy, but it continues to grow at rates far outpacing the rest of the economy. According to IHS Economics' *Franchise Business Outlook: 2016*, the average job growth in franchising during the past five years was 2.6 percent, nearly 20 percent higher than all businesses economy-wide. In 2016 alone, the franchise industry is expected to add 278,000 direct jobs to the economy, while growing the number of establishments by 13,359. These numbers are certainly impressive, but even statistics cannot capture what the true story of franchising is -- the ability for any individual to use a successful formula to own their own small business. Franchising is not merely a business model, but rather a way of living that achieves a dream for millions of Americans.

In 2003, my brother, Navroz, and I founded HDG Hotels, but our experience with franchising runs much deeper. My family's story is one of risk and entrepreneurship, similar to that of many immigrants who come to America seeking a chance to succeed. In 1972, when my brother and I were small children, our family moved from East Africa (Nairobi, Kenya) to the United States (Port Jefferson, Long Island) because my father's East African farm was nationalized. Seeking a fresh start in a new country, my parents were thankful to find employment. My father was a dishwasher and my mother was a seamstress. While our family struggled to establish a firm base, fate brought us to franchising and the endless possibilities it provides. In the late 1970s, my parents read an article, which described how you could operate your own business, in this case a hotel, while relying on a proven brand; they read about a franchise agreement. Sure enough, in 1981, my parents relocated our family to Florida and purchased what was then an Econo Lodge franchise.

In a way, my brother and I were fortunate to have two educations as we grew up - our standard education in school, but also the education of entrepreneurship, business development, and responsibility that comes with helping operate a small business. It was this education that drove both

my brother and I back to franchising after establishing careers as lawyers in private practice. The ability to be our own boss, run a prestigious business, and generate economic opportunities for our community has transformed our parents' dream into our dream - HDG hotels.

My family's success has cascaded down to our employees and their families. HDG Hotels employs nearly 400 people, growing at a rate of 10-20 people per year since its founding in 2003. These jobs offer a variety of opportunities - from accountants and cooks, to housekeepers and general managers. Irrespective of skill level or education, our businesses are affording those who seek employment the opportunity to match their determination to succeed with the ability for advancement. People are always astounded that over 60 percent of our hotel leadership team started at front-line, entry level jobs and moved up into the ranks of management and in so doing, substantially increased their earning capacity while also earning professional certifications in hospitality management.

Numbers alone cannot capture the emotional and personal success stories our company has fostered. For instance, one of the women who started with us as a housekeeper now serves as one of our lead accountants. She showed promise and an appetite for responsibility and so we worked with her schedule to enable her to attend college classes while still working at the hotel. Now she has an education and a job she loves. These types of personal success stories are made possible by the franchising model and its empowerment of franchisees and employees alike. These numbers also do not reflect the unfortunate reality that many of our lower level employees face; the disincentives of misguided government benefits. On countless occasions, I have had employees turn down job advancement because they were afraid a salary increase or promotion might prevent them from receiving government benefits that are necessary for their survival. In essence, these welfare programs are encouraging participants to stay locked in a system rather than pursue an opportunity for a better life. Both employers and the government alike have a role in reducing poverty, but these efforts should not run counter to one another. As employers generate opportunity, assistance programs must be constructed to encourage advancement rather than reward complacency.

This Committee has undertaken an arduous task: erasing poverty in America by encouraging employment for those who need it most. Franchising is uniquely situated to address this problem and affect serious change. My family's story is a bright example of a success story forged through determination, persistence, and the franchise business model. While I am proud of what my parents, and subsequently HDG Hotels, have achieved, I take the most pride in creating the same opportunity for our employees. Thank you for tackling this problem and allowing me the opportunity to relate my experiences. I look forward to continuing the conversation.

PHILADELPHIA WORKS INC.

Building a Skilled and Thriving Workforce

March 15, 2016

Subcommittee on Human Resources
United States House Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515
(202) 225-3625

RE: Philadelphia Works Submission for the Record: "Getting Incentives Right: Connecting Low-Income Individuals with Jobs"

Dear Chairman Buchanan, Ranking Member Doggett and Members of the Subcommittee on Human Resources:

Philadelphia Works connects employers to a skilled workforce and helps individuals develop the skills needed to thrive in the workplace. Our board serves as the Workforce Innovation & Opportunity Act's (WIOA's) federally-designated workforce development board, with a majority representing executives from key industry sectors that drive economic growth, plus senior appointed government officials and leaders in Philadelphia's non-profit community. Since its inception, Philadelphia Works has maintained an emphasis on operating as thought leaders and strategic investors who are business focused. We seek to design effective solutions that optimize funding and resources to invest in regional solutions that address Philadelphia's workforce challenges while shaping policies to support economic and workforce expansion. As the entity that administers both WIOA Title I programming and Temporary Assistance for Needy Families (TANF) employment and training services in Philadelphia, we appreciate the opportunity to submit this statement in response to the Subcommittee's March 1, 2016 hearing on "Getting Incentives Right: Connecting Low-Income Individuals with Jobs." We value your commitment to this issue and given our work in this area, we thank you for the opportunity to comment.

According to an analysis of Census 2014 American Community Survey data (around 186,000 people), Philadelphia at 12.3 percent has the highest rate of deep poverty[1] among America's 10

[1] Deep poverty is measured as income of 50 percent or less of the poverty rate.

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largest cities, nearly double the national rate of 6.3 percent. Philadelphia is uniquely positioned within the Commonwealth of Pennsylvania for economic development but we also have challenges specific to the composition of our population. Our TANF employment and training program faces different problems compared to other similar TANF programs throughout the state. Philadelphia faces the most persistent and one of the highest unemployment rates throughout the state – exacerbated by low literacy levels. Consequently, our volume of TANF participation in Philadelphia is very high. While some areas of Pennsylvania may serve hundreds of TANF recipients, we serve over 40 percent of all TANF recipients residing in Pennsylvania; resulting in a scale where we enroll approximately 11,000 individuals in employment and training services in any given year. Many other states face similar disparities across regions creating conundrums when developing programs' policies. We ask that **as you consider reforming the TANF system, there be ample flexibility for states and subsequently locals to develop programs that are responsive to the needs of their residents.**

Philadelphia Works oversees both WIOA and TANF workforce services in Philadelphia. In 2013, we began modernizing our system through implementation of our "No Wrong Door" service delivery strategy. Prior to this plan, we were faced with redundancies, uneven service delivery, lack of coordination and competition for resources that existed between our separate TANF workforce and WIOA centers. To ensure better service for all customers and streamline funding, we integrated our TANF and WIOA employment services into our PA CareerLink® centers, known nationally as American Job Centers. We further maximized on availability of resources by allowing customers to have the option to engage in our services through a more robust online presence or access services through community partnerships in neighborhoods across Philadelphia. All four of our newly integrated centers opened in 2015 and are now offering expanded and high-quality job readiness and training services to all of our career seekers without further encumbering them with administrative details related to their funding source. A secondary benefit of this integration is that we are able to serve our customers without stigmatization for those who are TANF recipients and those who are not. Through the use of technological systems, we have worked to integrate our services to the extent possible in order to find commonalities and allow all job seekers to benefit from access to the same or similar services in a single location.

Through our work, it has become abundantly clear to us that many of the TANF recipients who enter our doors have a high degree of basic skills deficiencies. These include levels of reading, writing and math skills that mean an adult struggles to follow written instructions or complete a form such as a job application or paperwork required for their child's school. These poor skills obviously affect their employability. Employers speak regularly and frequently about the skill

gap of job candidates when trying to fill positions. The policy approach that TANF currently offers for employment and training services is not sufficiently tailored to address the root needs that impact a customer's ability to gain and, more importantly, retain employment that advances their professional career over their lifetime and ensuring their path to self-sufficiency. **In order for TANF to succeed in its mission, there must be a stronger emphasis on skill development and job readiness activities rather than immediate employment to support our ability to work with those who have the greatest challenges to finding long-term sustainable work.**

As this committee considers reforms to the federal TANF legislation, we specifically want to encourage a critical provision in the discussion draft: the elimination of the distinction between core and non-core work activities by allowing participation in non-core education or training activities. This change presents a great opportunity and incentive for both our career seekers and employer customers. The current distinction has characterized some activities as less important than others, which limits our ability to develop an individualized and customized plan for each individual. The local labor market continues to shift towards a knowledge and STEM economy as the region continues its gains following the Great Recession. More employers require more than a high school education for job opportunities and a literacy level of intermediate proficiencies for hiring. Based on an analysis of our 2014 participants, we found that 23 percent of our TANF customers did not have a high school diploma or GED. Additionally, even those who possess a diploma do not necessarily have the requisite math and literacy achievement levels equivalent to 8th grade and above as required by many employers. 21 percent of our TANF adult customers had a literacy level at below basic and 32 percent of adults had math/quantitative skills at below basic levels.

More broadly, more than 50 percent of Philadelphia's adults are low-literate (technically 'basic' and 'below basic' level of literacy), compared with about 38 percent statewide. That amounts to about 550,000 people who have the ability to develop their workplace literacy skills in order to effectively compete in an increasingly knowledge-based economy. Since more than two-thirds of the jobs located in Philadelphia require 'intermediate' levels of literacy proficiency or above, these Philadelphians are competing for 30 percent of available jobs. Essentially, we have 550,000 people who are only qualified for about 211,000 jobs. **We anticipate that allowing greater flexibility to allow TANF participants to engage in literacy services will result in increased customer and contractor participation and partnership with adult literacy, GED and other education/training activities to enhance customer employability.** This accommodation for adult education within core activities would result in increasing the number of qualified

individuals while generally increasing the employability of many TANF recipients, improving their employment prospects over the long-term.

Providing training and educational opportunities to TANF recipients are not sufficient alone. These opportunities, while supporting customers' long-term needs, do not assist with the more immediate needs that TANF employment and training services provide and employers often struggle to accommodate for the on-the-job skills and knowledge supports needed when hiring a less experienced TANF recipient. One support to overcome this hurdle is the availability of subsidies. **Wage subsidies are a critical component of incentivizing both businesses and job seekers to engage with our TANF employment and training programs.** Subsidized wages offer an opportunity for businesses to work with individuals who may not otherwise be considered for employment. Providing only subsidies and supports may not reinforce the important skills individuals need to work. It is only through subsidies that coincide with on-the-job work skills that individuals can receive a reasonable wage while understanding the requisite skills needed to succeed in a workplace. Wage subsidies also have larger economic benefits as they stimulate opportunity for businesses and can be a meaningful growth strategy for employers especially for newer businesses.

Finally, we want to echo the sentiments of the testimony of other witnesses regarding the "benefits cliff." **Implementing a meaningful and supportive "sliding scale," would be a helpful means to bolstering an individual as they progress towards self-sufficiency.**

The impacts of the TANF employment and training services provide are best expressed through the words of our clients. Mr. Robin, for example, enrolled in our program four times – each time being unable to complete the program successfully due to challenges with childcare. After learning to make secondary but trustworthy arrangements for his children and securing the skills he needed to obtain and keep a job, he successfully retained employment with a reputable international hotel chain. He was recently featured in a newsletter article honoring his work and was formally recognized by his company for providing Exceptional Service among his peers worldwide. In response, he said "Thank you … from intake to employment advisors, for working with me and giving me so many resources, without your help I would not have stable childcare, have a good resume or know how to use a computer." We invite you to read more about the impact that this legislation has had on the lives of so many former TANF recipients on our website: http://www.philaworks.org/success-stories

Again, the work of this committee is critical to the success of our economic vitality and we thank you for the close and careful attention you are bringing to the issue of welfare reform.

We are honored to be a part of this incredibly important work and appreciate the opportunities that you have offered for us to weigh-in on this issue. Should you have any questions, please do not hesitate to contact me.

Sincerely,

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