beyond the bottom line

Expanding Economic Opportunities for Washington's Working Families

2004

Seattle Jobs Initiative

Beyond the Bottom Line: Expanding Economic Opportunities for Washington's Working Families By Annette Case, Scott Mingus and Bob Watrus with assistance from Rhonda Simmons, Mark Gardner and Jodi Haavig. October 2004

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For copies of this report please visit www.seattlejobsinitiative.com. For copies of the national Working Poor Families report or any of the state reports, or for more information on the Working Poor Families Project, visit www.aecf.org/initiatives/jobsinitiative/workingpoor.htm.

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Introduction

Not long ago, a single income earner with one job could support a family. All one needed was a high school degree and a strong work ethic. But today, the job market has changed. A number of companies have exported jobs to areas with a skilled workforce at lower than average wage rates. Employers are working to cut costs to improve their bottom lines and in the process are eroding the social contract with workers. These days, working hard is no guarantee of economic security. Wages have stagnated and jobs are no longer secure. Increasingly, workers need more than a high school degree and families need two wage earners to afford basic necessities.

Many working families in Washington State are stuck working in low wage jobs with little hope of changing their circumstances. Just as businesses cannot afford to operate at the margin, neither can families.

Beyond The Bottom Line, produced by Seattle Jobs Initiative, explores the labor market, economic and policy context in which Washington workers must operate, and reveals existing opportunities for low-wage families to achieve economic success.

Analysis is based on population and program data, with an emphasis on Washington's diversity in geography, ethnicity and economy. Key themes include the status of working families, as well as how education, employment and work support policies operate to improve the economic circumstances of working families in Washington.

Working Families Below the Bottom Line

The federal poverty line is outdated

In 1959, the government established a federal poverty level that is still used today to determine eligibility for federal programs like Medicaid and Temporary Aid to Needy Families. Under the federal government's definition, the poverty level for a family of four in 2002 was equal to an annual income of $18,392. This report defines the bottom line—the amount needed to cover basic needs—for working families as equal to 200 percent of the federal poverty level, or an annual income of $36,784 for a working family of four. Measures such as the Self-Sufficiency Standard show how basic needs add up to establish the bottom line.

Too many working families still can't make ends meet

One in four working families in Washington State—about 170,000 families—does not earn enough to cover basic needs and lives below 200% of the federal poverty level. Despite having jobs, 40,000 of those families live below 100% of the federal poverty level. The majority of low-income working families:

- Are headed by married couples of working age
- Have a parent with some postsecondary education
- Are white, although minorities are over-represented

Low-income families are working to get ahead but can't make ends meet

Low-income families often work in jobs that are vital to the economy but often are temporary or lack benefits such as health care. Without a well paying job and benefits, economic and social costs add up.

- Medical costs can skyrocket for the 33% of low-income families that have a working parent without health coverage
- Housing costs eat up a substantial portion of income with 61% of low-income working families spending more than 1/3 of their income on housing
- In Washington, families at 100% of the federal poverty line pay 17% of their income in taxes, while those earning the highest incomes pay only 3% in taxes

The combination of low wages, the high cost of basic needs and an unequal tax burden creates a situation where families are stuck trying to make ends meet, unable to move ahead.

Education Opportunity

A skilled workforce is needed to drive individual advancement and fuel economic growth

Upward mobility has historically been tied to education and skills attainment. As an individual advanced through increasing levels of education, they moved up the income ladder. Over the past few decades, the earnings gap between those with and without a bachelor's degree has expanded significantly.

Without the necessary skills to qualify for higher-wage jobs, adults can neither advance economically nor fuel economic growth through spending. In a population with low skill levels, employers may be reluctant to expand or retain jobs. In fact, a recent employer survey conducted by the Washington Workforce Training and Education Coordinating Board found:

- 1 in 4 employers experienced difficulty in finding qualified applicants
- Of these employers, 70% were prevented from expanding due to challenges in finding skilled individuals

Evidence suggests a strong demand for new skills and education by low-income adults in Washington State

Many Washington adults are not fully included in the labor market because they do not have the education and skills required for family-supporting jobs. In Washington:

- 1 in 3 adults has a high school diploma or less
- 40% of Hispanic adults lack a high school diploma
- 35% of Washington adults are at low literacy levels

Despite these statistics, ESL enrollments have increased by 28% over the last five years, distance-learning enrollment has increased by 23% and, in 2002-2003, the community and technical college system exceeded state-funded allocations for full-time enrollments by 12,505. These numbers suggest a need and desire on the part of low-income adults to advance.

The door to education is closed to many low-income workers by a system that is not equipped to accommodate their unique needs

The full cost of community or technical college, when books, transportation and room and board are factored in, is estimated at $12,000 per year, or one third of the income for a family just meeting the bottom line. Need-based financial aid is the primary mechanism to assist low-income students, yet these awards do not adequately address:

- Costs above and beyond tuition
- Loss of income resulting from time spent in school
- The needs of low-income working adults with families who may want to attend one or two classes at a time or skill-intensive short-term programs, rather than become full-time students or seek a degree

The state funding structure makes it difficult for community and technical colleges to respond to the needs of low-income workers seeking education. The current funding structure:

- Is tailored to full-time students working towards a degree
- Discourages colleges from creating short-term, skills-focused programs
- Does not compensate schools for the higher cost of vocational classes

Increasingly, colleges are serving workers, parents, low-income adults with only a high school diploma, adults with low basic skills and English as a Second Language students with non-traditional educational needs. However, the traditional education setting is not equipped to accommodate their unique needs as they try to catch up with skills necessary in the labor market.

All of these factors lower the prospects of educational and economic advancement for many low-income working families.

A work focus and funding limitations narrow the impact of state and federal training programs

WorkFirst and the federal Workforce Investment Act have successfully improved the economic circumstances of some low-income and unemployed adults and parents in Washington State. However, WorkFirst and the Workforce Investment Act emphasize work over education as the first priority of services, resulting in inadequate funding of training and education opportunities. For example, only four percent of Workforce Investment Act funds were expended on training low-income, unemployed adults in 2002.

Employment Opportunity

There are not enough well paying, quality jobs in Washington State

A strong economy requires an adequate supply of high-wage jobs, which Washington State does not have.

- 1 in 8 Washington State workers (13%) cannot find a job, can only find part-time work or has given up looking for work
- 1 in 6.5 Washington State jobs (15%) pays poverty level wages
- Occupations paying low wages are projected to create the greatest number of openings over the next ten years

Better wages depend on place and industry

Opportunities to earn higher wages depend on where one lives and the industry sector in which one works. The Puget Sound region has among the highest median wages in the state, and the eastern part has among the lowest. The information sector provides a high proportion of high-wage jobs; conversely the accommodation and food services sectors provide a high proportion of low-wage jobs.

The greatest number of job openings is for low-wage jobs

Among the occupations projected to create the greatest number of job openings over the next 10 years (due to both growth and replacement needs) are those in which large numbers of low-wage workers are employed: cashiers, waiters and waitresses, maids and housekeepers, food preparation and serving workers, childcare workers and janitors and cleaners.

Workforce and economic development strategies should be concurrently implemented to improve employment opportunities

The well-being of the state economy, business and workers are intertwined. Economic development policy aims to recruit new business to the state, help businesses expand operations and create jobs and assist businesses at risk of losing jobs. Coordinating workforce and economic development can help increase the number of well paying jobs, benefiting both workers and Washington communities.

Implementation of incumbent worker training, sectoral development initiatives and public works projects represents a step in the right direction, but the funding made available does not yet match the magnitude of the need for good jobs and the skills and training gaps in the state workforce.

The effectiveness of state job creation programs and incentives is unknown

Washington State has a number of job creation programs and incentives that vary widely on whether they provide direct assistance to industries or set standards for job creation and worker wages. Of the 160 tax exemptions and incentives available to business in Washington State, only a few set targets for job creation. Because there is no reporting or evaluation related to these incentives, their effectiveness in creating employment opportunities is unclear. The federally funded Rural Washington Loan Program is one of the few programs requiring reporting on measures such as job creation and job sustainability. This and programs like it should serve as models for the development of job creation strategies in the future.

The Bottom Line and Beyond

Too many workers lack the benefits that can lead to economic stability

Health care insurance, paid sick leave and retirement benefits are crucial elements basic to family economic security. Washington adults least likely to have health insurance are in low-income families, are part-time workers or are working for small employers.

- Almost 1 in 5 Washington workers lacks health insurance
- 58% of workers are without employer provided pensions
- 43% of employers do not offer paid sick leave to full-time workers

Compared to other states, Washington's policies and programs are setting the standards for the nation, but recent program changes have made getting by more difficult for working families.

Washington has been a leader in both setting minimum job standards and investing in various state-sponsored programs for lower income workers. With the highest minimum wage in the nation, higher income thresholds for health care assistance, unemployment benefits based on the number of hours worked rather than total earnings and a number of other programs that support low- and moderate-income workers, Washington has set national standards.

However, since 2002 a series of changes to critical public programs has resulted in decreased eligibility and increased costs to participants, making getting by even more difficult for working families.

The costs of growing economic insecurity are putting a strain on the state's budget and resources

With many low-income working families, too few well paying jobs and high numbers of uninsured, the state is having to spend more to take care of working families who can't meet the bottom line. In 2002, the state paid $318 million in uncompensated medical care. The state cannot continue to shoulder the cost of increasing economic insecurity and risk running below its bottom line.

Investing in the ability of working families to make ends meet translates to a stronger economy

Meeting the bottom line is the starting point for families to begin saving and taking a path of advancement. When the state and businesses invest in helping families accomplish this, real economic returns result. For example, in Washington, each state dollar spent on Medicaid is projected to generate an additional $2.09 in increased business activity and to increase job creation. Unemployment insurance also buffers the impact on workers and the economy during times of high unemployment and recession. Such investments can lead to a more economically stable workforce and a stronger economy.

Conclusion: Priorities for a Strong Economy

Sound policies can help families move beyond the bottom line

Highlighting the status of working families today underscores the need to renew commitment to the value of work and to providing equal chances of success. Washington government and business leaders should help ensure all families can meet the bottom line. The following policy recommendations are a place to start:

- Promote access to an education system for the new economy
- Improve employment opportunity for low-wage workers through strong, accountable public/private partnerships aimed at economic advancement
- Provide stronger State leadership on economic security standards to assure a system of support for working families
- Address revenue shortfalls

Citizens as well as policymakers must decide whether or not economic advancement should be the priority and, if so, meet the challenge to invest in these priorities today for stronger economy tomorrow.

introduction

Work has traditionally been the means by which families achieve economic success and our economy prospers.

Not long ago a single income earner with one job could support a family. A Boeing worker with a high school diploma and a strong work ethic could build a steady career and earn a decent living. Until the early 1980s, the difference in earnings between lower- and higher-income earners was small by current standards, and for some decades of the last century it was actually shrinking.

Today, the jobs economy has shifted. Rapid technology changes and global competition impact business decisions and the job market. A substantial number of manufacturing jobs, including Boeing jobs, have disappeared. To lower costs, many companies have exported jobs to areas with a skilled workforce at lower average wage rates. As employers work to cut costs and improve their bottom line, the social contract with workers has eroded.

Despite contributing to a vital economy, workers increasingly experience economic insecurity. Wages have stagnated and jobs are not secure. No longer will one job or one breadwinner easily support a family, and a high school diploma is likely to land only a low-wage job. In addition, low-wage workers frequently lack health care, vacation and sick leave. Employers increasingly require new skills, and skill requirements are quickly changing. With fewer benefits and lower wages, workers may not have the resources to invest in additional education or training.

Consequently, too many families are working hard, but struggling to get by. Just as business cannot afford to operate at the margin, neither can families. A strong economic future relies on the ability of working families and business to meet their bottom line.

This report, produced by the Seattle Jobs Initiative, tells the story of low-income working families in Washington State and explores the economic, labor market and policy context in which these workers live and how this context shapes opportunities to achieve family economic success.

The report is based on a framework of indicators, using population and program data to examine the policies and practices that affect working families' ability to get by. Data, including the Current Population Survey and the American Community Survey as well as additional state data, are used to analyze the following themes:

- Working Families Below the Bottom Line—the number, conditions, characteristics and circumstances of Washington's working families, with a focus on low-income working families
- Education Opportunity—the availability of and access to education and skills training in Washington State
- Employment Opportunity—the structure of Washington State's economy and labor market including the number and type of jobs available, wages paid and policies aimed at helping shape employment opportunities
- Support for Working Families—the availability of health care, vacation, sick leave, childcare, unemployment insurance and other supports that allow workers to meet basic needs

Throughout the report, geographic, racial, ethnic and economic differences are highlighted to illustrate the challenges low-income working families face in areas as diverse as King, Yakima, Grays Harbor and Spokane counties.

Meeting the bottom line is the necessary first step, yet moving beyond is the hope of most Americans. The report concludes by proposing policy options to help ensure Washington's working families achieve an adequate standard of economic security and the opportunity to pursue steady economic progress.

chapter one

WORKING FAMILIES BELOW THE BOTTOM LINE

- 1 in 4 working families in Washington State does not earn enough to cover basic needs[1]
- 61% of low-income working families spend more than 33% of their income on housing[2]
- 33% of low-income working families have a parent without health insurance[3]
- 34% of minority working families are low income, compared to 22% of white working families[4]

A bottom line to meet basic needs

All working families understand that job earnings must, at a minimum, enable them to provide housing, food, health care, transportation and childcare. These necessities are critical for families' economic security. However, too many families in Washington (170,000, or one in four) are not earning enough to assure that their basic needs are met.

This report defines the bottom line for working families[5] as equal to 200 percent of the federal poverty level, which is a close proxy for covering basic needs. For a family of four in 2002, this bottom line was $36,784.[6] Washington State programs, including health care and childcare assistance, adopted the federal poverty level to determine eligibility, but most programs provide benefits to families earning up to 200 percent of the federal poverty level. According to a national poll, 70 percent of respondents said they think it would take at least $35,000 for a family of four just to make ends meet.[7] As illustrated below, the costs of meeting basic needs can quickly consume family income, even at the 200 percent federal poverty level.

Inadequate federal poverty standards

The federal government established its income yardstick, the federal poverty level, in 1959. Federal programs, such as Temporary Assistance for Needy Families (TANF) and Medicaid, base eligibility on this measure. The term implies that those above the poverty level are no longer considered poor, and thus they are often ineligible for some services or only eligible for reduced assistance. The poverty level ($9,359 a year for a single adult and $18,392 a year for a family of four in 2002) is based on a number of outdated assumptions and is an inadequate measure of poverty. However, in Washington State, 40,000 working families live at or below the federal poverty level.

Low-income working families

National data shows the majority of low-income working families are of working age and headed by married couples. Across the country, one in five works as a cashier, health care aide, truck driver, maid, housekeeper, cook, janitor or secretary—all vital services in the modern economy. Characteristics of low-income working families in Washington State include:

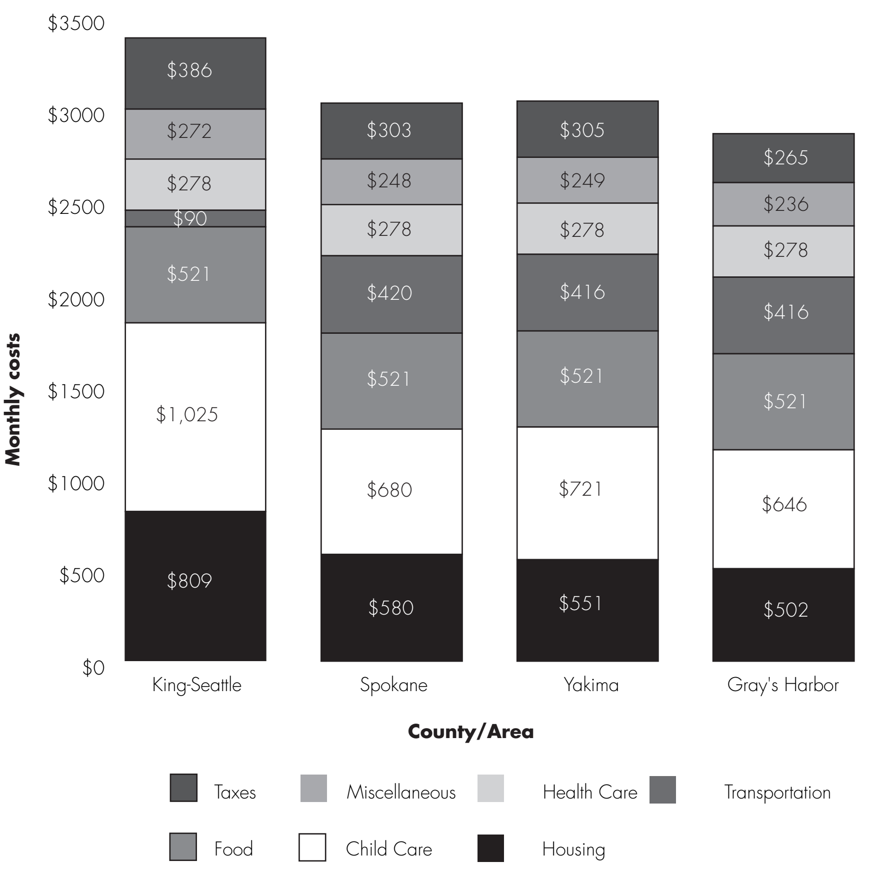
- 65% of low-income working families have white, non-Hispanic parents and 35% have an Hispanic or nonwhite parent[8]
- Working families with a minority parent are more likely to be low income than white working families (34% compared to 22%)[9]
- 1 in 4 (28%) low-income working families has a parent without a high school diploma[10]

The Self-Sufficiency Standard, developed by Wider Opportunities for Women, is a tool that provides a more comprehensive and realistic measure of what it takes for families to meet their basic needs. The Self-Sufficiency Standard uses local cost-of-living information to identify the income necessary for various family types to meet their basic needs. According to this measure, in 2001 a family of four needed to make the following annual incomes in the following locations in Washington State:

- King/Seattle: $40,572
- Yakima: $36,492
- Spokane: $36,360
- Gray's Harbor: $34,368

Even an income equal to 200 percent of the federal poverty level may be insufficient given the high cost of living in some areas.

Self-Sufficiency Standard



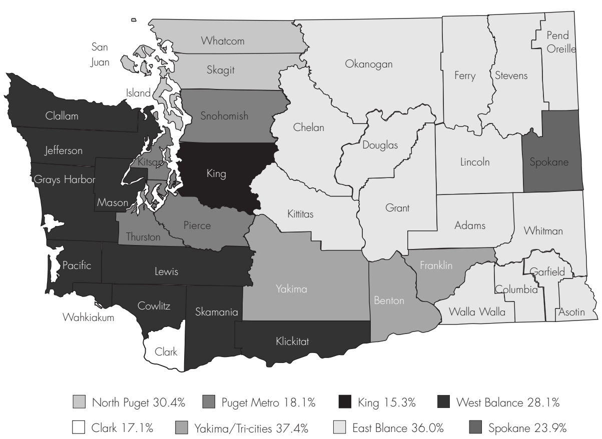
Source: Self-Sufficiency Standard for Washington State, 2001
Figures based on two adults, one preschooler and one school-age child in 2001.

- The majority (54%) of low-income working families have a parent with some post-secondary education[11]

- The highest-income earners have an income 7.3 times greater than the lowest-income earners[12]

The Washington State Population Survey offers a picture of income by county.[13] Over 30 percent of working families in eastern Washington are low income. The exception is Spokane County, where the figure is 20 to 30 percent. This compares to below 20 percent in most of the Puget Sound region and 20 to 30 percent in the rest of western Washington. Although a larger percentage of working families in eastern Washington are low income, more low-income families (74,494) live in the Puget Sound region.

Percent of Low-income Working Families by County



Source: 2002 Washington State Population Survey

A low-wage budget does not meet the bottom line

Despite being employed in jobs that are essential to the economy, families earning low wages are more likely to be working in insecure circumstances that prevent them from moving ahead. Often, their jobs are temporary and they are less likely to receive vacation, sick leave and health care coverage.[14]

Thirty-three percent of low-income working families have a parent without health insurance.[15] Without health care coverage, the costs of medical care can skyrocket, with a trip to the emergency room eating up limited resources. Without time off to care for themselves or their children, workers may not operate as productively as possible and their children may lack necessary care.

Similarly, housing costs carve out another substantial portion of a working family's budget, even more so for that of a low-income family. Over 60 percent of low-income working families spend more than one-third of their income on housing, the federal standard for a reasonable portion of a household budget dedicated to housing. Washington ranks 40th among states in terms of low-income workers able to meet this standard.[16]

Because basic needs such as housing and health care consume more of their total income, low-income working families in Washington are hit harder by taxes than higher-income families. Washington's tax structure is based primarily on sales and property taxes. Families at 100 percent of the federal poverty level pay 17 percent of their income in taxes, the highest tax burden on the lowest-income working families of any state. Families at 200 percent pay 11 percent of income in taxes, while those earning the highest incomes pay only three percent of income in taxes.[17]

Low wages, the high cost of basic necessities and unequal tax rates combine to create substantial pressure on low-income working families. They often find themselves struggling to get by, but falling short of their bottom line. However, well-applied education and employment policies can act as levers of opportunity for low-income families and individuals to improve their circumstances.

Washington State Snapshot

Population

- 6.1 million[18]
- 798,732 families and 1,483,624 children

Geography

- Washington State is roughly divided by mountains into eastern and western halves
- 50% of the population is concentrated in western Washington
- 77% of firms are located in western Washington, with 37% in Seattle-King County accounting for 42% of total state employment
- Southeastern and north central sections of the state have been important agricultural areas
- The far southwestern corner had an economy primarily related to forest products, but recently it has been replaced by tourism
- Western counties are the hub of information technology and manufacturing, including Microsoft and Boeing

Employment

- 72% of all firms are small businesses (4-19 employees) representing 20% of the workforce
- The largest firms of 100 employees or more represent 5% of firms and 51% of the workforce[19]

Race/Ethnicity

- 81.8% of the state population is white, 7.5 % Hispanic, 5.5% Asian, 3.2% African American and 1.6% Native American[20]
- Washington is one of the top five states as a destination for immigrants and refugees, receiving 10-15,000 each year[21]
- King County has the state's most ethnically diverse population
- Hispanics comprise more than 45% of the total population of Adams and Franklin counties and over 30% in Grant and Yakima counties
- Pierce (7.0%) and King (5.4%) counties have the largest African American population
- The state's Asian population is concentrated in seven counties in western Washington

- 1 in 3 Washington adults has only a high school diploma or less[22]
- 40% of Hispanic adults in Washington have no high school diploma[23]
- Associate's degree holders earn 70% more than individuals without a high school diploma and 23% more than individuals with only a high school diploma[24]
- 1 in 3 community and technical college students is a parent, 1 in 10 is a single parent and 1 in 4 works full-time[25]
- Financial aid is often not available to workers seeking short-term, job-related skills training instead of a certificate or degree

Skills matter for a strong economy

Skill and education levels influence the well-being of both individuals and the state economy. Without the skills necessary to qualify for higher-wage jobs, adults can neither advance economically nor can they help fuel Washington State's economic growth.

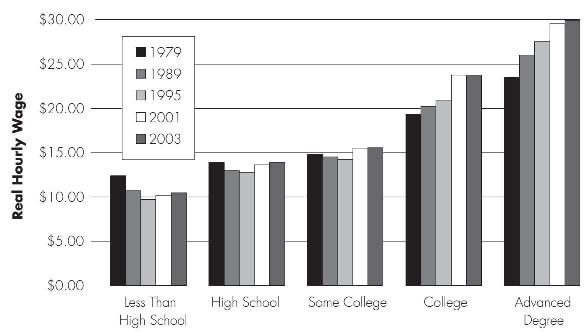
Low skill levels among the labor force also have tremendous implications for the ability of employers to find qualified workers. The most recent employer survey conducted by the Washington Workforce Training and Education Coordinating Board found one in four employers experienced difficulty finding qualified applicants. When faced with a shortage of skilled workers, employers may be reluctant to expand or retain jobs.[26] Of those employers who faced difficulties finding qualified workers, 70 percent reduced their output, 69 percent lowered their overall productivity and 31 percent were prevented from expanding.[27]

The high return on education investments

Education is critical for increased opportunity and upward mobility. Individuals with increasing levels of education, measured through attainment of high school diplomas and associate's and bachelor's degrees, have higher earnings and lower rates of unemployment. Over time the effect of education on earnings has become even more pronounced. As the chart "Real Hourly Wage by Education, 1979–2003" shows, the earnings gap between those with a high school diploma and those with a bachelor's degree has expanded significantly over the last few decades.

Real Hourly Wage by Education, 1979–2003

(2003 dollars)



Source: Lawrence Mishel, Jared Bernstein, and Slyvia Allegretto, *The State of Working America, 2004/2005.* Ithaca, NY: Cornell University Press, 2005.

In Washington State the annual wage premium for an individual with an associate's degree averages $20,000 more than an individual without a high school diploma and $6,000 more than an individual with only a high school diploma.[28]

Many well paying jobs require substantial education and training. About 11 percent of all workers in the state are employed in occupations with a median wage of more than $30 an hour.

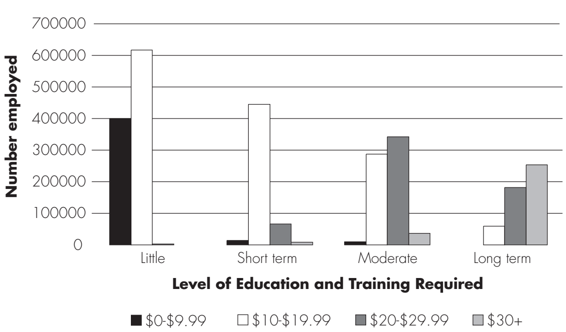
Over three quarters of these jobs—such as computer programmers, management analysts and aerospace engineers—require long-term education and training, a bachelor's degree or more. By contrast, about 14 percent of all workers are employed in occupations with a median wage below $10 an hour. About 95 percent of these jobs, such as cashiers, food service workers, maids and housekeeping cleaners, require little education or training.

About 47 percent of all workers are employed in occupations with a median wage of $10 to $20 an hour. About three quarters of these jobs, such as laborers and freight, stock and material movers; bookkeepers, accounting and auditing clerks; and truck drivers require little or short-term training.[29]

About 21 percent of all workers are employed in occupations with a median wage of $20 to $30 an hour. Over half of these jobs—such as carpenters, electricians and computer support specialists—require moderate training.[30]

The chart "Washington Employment by Education and Training Required and Wages Paid, 2002" illustrates the connection between the education and training required by employers and the wages paid to Washington workers.

Washington Employment by Education and Training Required and Wages Paid, 2002



Source: Washington Employment Security Department

Low education levels limit access to economic opportunity

Many Washington adults are not fully included in the labor market because they do not have the education and skills required for family-supporting jobs. One out of every three adults aged 25 to 54 (33%) has only a high school diploma or less.[31] This suggests poor earnings potential for a substantial portion of the state adult population, as well as a significantly underutilized skills base from which employers could benefit.

Low basic literacy and limited English proficiency are obstacles for many workers in a labor market that requires increasingly higher skills. A national survey showed that 35 percent of Washington adults are at low literacy levels, and nearly half of those lack the ability to fill out an application or read a food label.[32,33] In addition, nearly 40 percent of students entering community and technical colleges require some type of remedial training.[34]

Educational attainment varies by race and ethnicity. For example, in Washington State, six percent of whites and 40 percent of Hispanics have no high school diploma, as shown in the table "Education Attainment by Race and Ethnicity in Washington State, 2002". Here are some additional highlights:

- A lower proportion of Hispanics, compared to whites, have some post-secondary education but no degree
- A lower proportion of Hispanics, compared to whites, have an associate's degree or higher
- A higher proportion of blacks, compared to whites, have some postsecondary education, but a lower proportion have an associate's degree or higher

Education Attainment by Race and Ethnicity in Washington State, 2002*

	No High School Diploma	High School Diploma or Equivalent only	Some Post-secondary	Associate's Degree or higher
ALL	9%	23%	26%	41%
White	6%	24%	27%	43%
Black	9%	25%	35%	31%
Hispanic	40%	23%	19%	19%
Minority**	21%	22%	23%	34%

Source: U.S Census Bureau, 2002 Supplemental Survey
*Data are for persons aged 25 to 54
**Includes Asian, Native American Indians and all other Census Bureau classifications

Community college training in high demand

Washington State's community and technical college system encompasses 34 colleges. A primary goal of the system is to provide an open door to postsecondary education that is accessible and relevant to a broad range of students and communities. Washington's community colleges provide workforce education and training, academic transfer programs and basic skills instruction, including basic literacy, high school completion and GED courses and English as a Second Language (ESL). Washington's community and technical colleges serve nearly 500,000 people a year.[35]

Those enrolled in basic skills courses in the community and technical college system tend to be low income, and are more likely to be parents.[36] Two-thirds of basic skills students show earnings below the poverty level and 43 percent are parents compared to 30 percent of the general community college student population.[37] The demand for these programs is growing. ESL enrollments alone have increased 28 percent over the last five years.[38]

Demand for advanced and alternative educational opportunities is increasing as well. The community and technical college system showed a 23 percent increase in distance learning enrollment in 2002.[39] In 2003, the system exceeded state funding allocations for full-time student enrollment by 12,505 enrollments.[40]

Non-traditional students are falling out of traditional education

A substantial portion of the community and technical college student population increasingly reflects what have been considered non-traditional characteristics. Many students are workers, parents, low-income adults with only a high school diploma, adults with low basic skills and adults who speak English as a second language. However, the traditional educational setting is not equipped to accommodate students trying to catch up with the skills needed in the labor market. The majority of basic-skills, ESL and high school diploma or GED students who are enrolled in technical or community colleges leave without ever transitioning to college-level courses, despite wanting to advance.[41] This includes the fewer than 10 percent of ESL students who transfer to further college training within two years of starting basic skills.[42]

The design of curriculum and instruction plays a role in the difficulties encountered by non-traditional students pursuing additional education. However, options exist to create a better fit with the needs of students. Courses can be offered on evenings and weekends to accommodate workers' schedules and childcare needs. Competency-based training that builds on workers' skills can provide accessible education for low-income workers. It allows them to build on what they know and quickly gain skills relevant to their career goals. Although an associate's degree may be necessary to access the career ladder in some occupations, in others a defined set of skills that can be achieved through short-term modularized training may be more appropriate.

Accounting for the changing face and educational needs of students can improve low-wage workers' prospects in a rapidly changing labor market, while accommodating changes in employers' skill needs as well. Financial aid, funding structures and targeted workforce programs play a role in access to education for low-income adults.

Financial aid is not structured to support low-income adults

The community and technical college system was designed to be affordable for residents of Washington State. While annual resident tuition is relatively low at $2,142, the cost of attendance inclusive of books, transportation and room and board is estimated at $12,000 per year, a large proportion of a low-wage budget.[43] Need-based financial aid is the primary mechanism to assist low-income students. The State Need Grant is the largest source of state-funded financial aid and follows federal Pell grant guidelines for determining students' income and eligibility.

Both the State Need Grant and Pell are structured for the traditional full-time student moving from high school to a postsecondary certificate or degree program. In order to qualify for these financial aid programs, students must enroll in an eligible program.[44]

Often, the programs or schedules that would most benefit low-income adults are not eligible for financial aid. Short-term classes can allow adults to quickly increase wages and minimize income loss from time spent in school. Attending only one or two classes each quarter helps to balance work, family and school. However, financial aid eligibility rules reduce the availability of these options for low-income adults.

For low-income students who are able to attend college full-time, financial aid awards do not fill the gap between the cost of attending and the expected student contribution.[45] The formula to determine students' ability to pay does not cover living expenses—housing in particular. As a result, the expected contribution for these students is much higher than they can afford.

While time spent in school is an investment, it can be too much of a trade-off for families with too few resources to cover basic needs.

Funding structures do not align with the needs of low-income students

The community and technical college system is unable to respond to changing needs in part due to the state funding structure.[46]

Funding allocations discourage colleges from creating short-term, skill-focused programs that help students quickly re-enter the workforce at a higher wage. Like financial aid, state funds allocated to colleges are geared toward traditional full-time students. Short-term courses focused on skill building challenge colleges to determine how they will fulfill full-time student funding requirements.

State funds allow colleges to assign credit to college courses. Again, because funding is based on full-time students, the effort required to fulfill funding and academic requirements may inhibit colleges' creation of modular skills-based classes. This is particularly true now when demand from traditional full-time students exceeds capacity.

Vocational education (e.g., welding or manufacturing programs) often costs more than other academic courses because it can require additional equipment or faculty from industry. Currently, colleges receive the same amount per student regardless of the cost and, as a result, are forced to either limit the number of students or limit the supply of vocational education. Without adequate funds to pay for higher-cost, high-wage programs, colleges may not be able to meet worker and employer demand for skills training.

Funding could be adapted to improve economic opportunities for low-income adults. Integrated basic skills education provides vocational training concurrently with ESL or basic skills. By insuring access to both basic skills and vocational training, integrated basic skills education allows adults to quickly master the package of needed skills and achieve higher wage returns compared to basic skills alone.[47] Washington's college system is able to offer such innovations in small doses with special grants. However, without greater per student funding for this type of training, colleges cannot afford such innovations without reducing the number of students enrolled.

Targeted training programs provide narrow windows of opportunity

WorkFirst and the Workforce Investment Act (WIA) are two substantial workforce programs aimed at improving the economic circumstances of low-income and unemployed adults and parents. Both of these programs help fill gaps left by traditional financial aid and funding structures. However, limited funding and program constraints may undermine the intended economic advancement goals.

WorkFirst

WorkFirst, the state welfare program funded by the federal Temporary Assistance to Needy Families Act (TANF), provides cash assistance, job search services, support services and training for very low-income parents with incomes below 50 percent of the federal poverty level.

Washington has employed innovative strategies with WorkFirst, by investing TANF dollars in short-term education and training for WorkFirst participants and low-income parents up to 175 percent of the poverty level. These programs resulted in improved outcomes for participants and increased funding to community colleges.[48] TANF funding allows colleges to create short-term courses that meet immediate employer and worker needs. However, they are frequently set up as noncredit courses and often do not lead to certificates or degrees. While this is an area where progress is being made, students may have to start at square one again in the college system if they choose to further their education in the future.

There are allowances for longer-term, certificate-based training in high-demand occupations. However, in the 2002 to 2003 school year, only 236 out of 10,800 WorkFirst recipients served by the community college fund participated.[49] Though this school year was the first year longer-term training was available as an option, the number of individuals participating was a fraction of those who could benefit. Over 70 percent of all WorkFirst participants had only a high school diploma or less, and one in four had less than a high school diploma.[50] Despite numerous studies on the value of education in moving individuals beyond low wages, there remains an overemphasis on work at the expense of even very targeted training.[51]

Workforce Investment Act

The federal Workforce Investment Act (WIA) targets dollars at dislocated workers, low-income adults and disadvantaged youth for a range of employment services, including training. However, access to training for low-income adults has been limited. Only four percent of total state WIA allocations were spent on training for 1,562 low-income, unemployed adults in 2002.[52] This number represents only .33 percent of the total number of Washington adults without a high school diploma or GED who could potentially benefit.[53]

Great strides have been made to help disadvantaged workers improve their education and skills attainment. Yet, low-income adults continue to fall through program gaps, and systems are not well aligned with the changing needs of employers and workers. Continued limitations may hamper the ability of low-skill and low-income adults to progress economically.

- 1 in 8 Washington State workers (13%) cannot find a job, can only find part-time work or has given up looking for work[54]
- 1 in 6.5 Washington State jobs (15%) pays poverty level wages[55]
- Median wages vary by region, with the highest median wage in King County[56]
- Wages vary by sector, with manufacturing, local government (including public schools), health care, construction, and professional, scientific and technical services creating among the most jobs that pay $16 or more an hour[57]
- Job openings in the state pay a median wage of $10 an hour[58]
- Occupations paying low wages are projected to create the greatest number of openings over the next 10 years[59]

Limited supply of quality jobs

Washington residents are often unable to secure a foothold in a labor market that provides too few jobs allowing families to meet the bottom line. One of every eight workers (13%) in Washington State is unemployed, underemployed or no longer looking for work because he or she believes there are no jobs available or none for which he or she is qualified. In 2003, the unemployment rate in Washington State was seven percent. However, another five percent of workers were working only part time despite their desire for a full-time job or had become marginally attached to the labor market.[60] In 2002, one of every five unemployed individuals had been looking for work for more than six months.[61]

Adults ready and able to work are likely to find a preponderance of jobs that fall short of the wage necessary to support a family. In 2002, about one of every 6.5 jobs in Washington State paid a median wage less than $8.84 an hour, or $18,392 a year—the federal poverty level for a family of four.[62] There have been some improvements in the lowest paying sectors, however. With passage in 1999 of a state minimum wage indexed to inflation, the lowest 10 percent of income earners experienced important increases in hourly wages.[63]

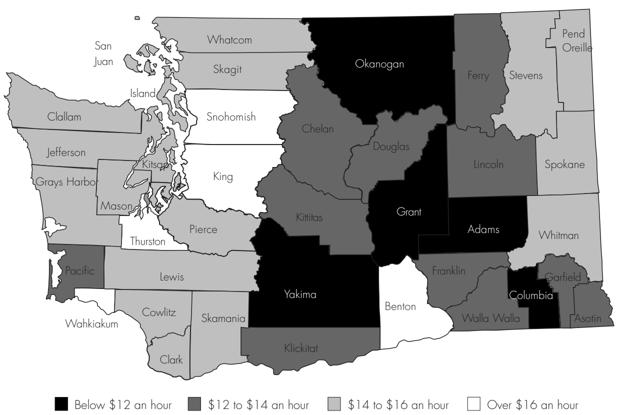
Even with these changes, too many jobs in the state offer wages below those necessary to allow a family to meet their bottom line. The bottom line (200% of the federal poverty level) translates to $36,784 a year ($17.68 an hour) for a family of four. Yet, with the median wage for all jobs in the state at $16.95 an hour in 2002, fewer than half of all jobs could allow a single job or income earner to support a family.[64] Looking only at expected job openings the picture is even worse, with half of them paying $10 or less.

Place and industry matter for better paying jobs

Workers' opportunities to earn higher wages depend in part on where they live. King County had the highest median wage in 2002 at $19.76 an hour. Columbia County had the lowest at $10.47 an hour.[65] Overall, the Puget Sound region had among the highest median wages in the state, accounting for three of the four counties with median wages above the statewide median wage. The eastern part of the state had among the lowest median wages. Even accounting for differences in the cost of living, county median wages miss the bottom line mark.

For example, the median wage in Yakima is $11.69 an hour, approximately $6.00 below the wage necessary to support a family of four in this county.[66]

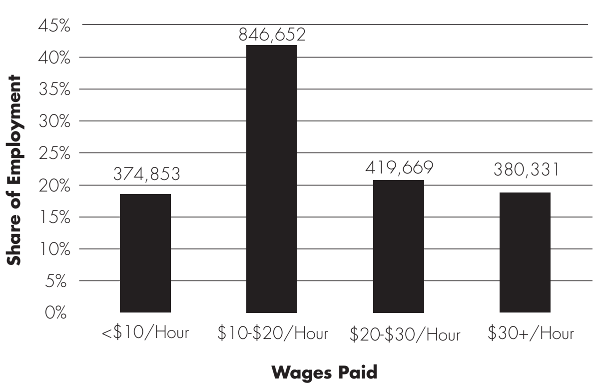
Median Wages by County



Source: Washington Employment Security Department

The chart "Washington Jobs by Wages Paid, 2002" shows how jobs can be broken down by wage categories.[67]

Washington Jobs by Wages Paid, 2002



Source: Washington Employment Security Department

- High-wage jobs, those paying $30 an hour or more, make up about 19 percent of all Washington jobs. Major sources include the manufacturing (almost one in five), local government (including public schools), information and professional, scientific and technical services sectors.

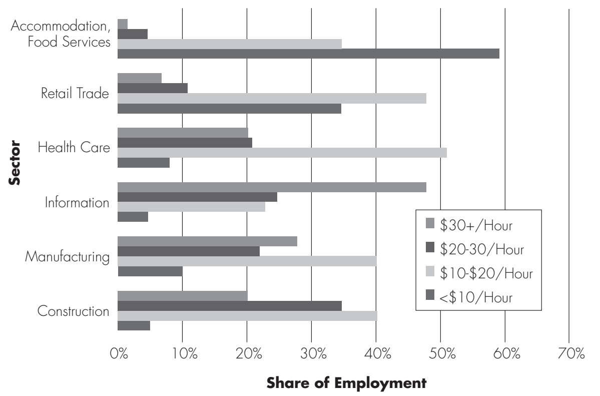
- Better than average jobs, those paying $20 to $30 an hour, make up another 21 percent of all Washington jobs. Major sources include the manufacturing, state and local government (including public schools) and construction sectors.

- Jobs around the median, those paying $10 to $20 an hour, make up about 42 percent of all Washington jobs. These jobs are found across sectors, including in manufacturing, health care and retail trade.

- Low-wage jobs, those paying below $10 an hour, make up another 19 percent of all Washington jobs. Many of these jobs are found in the retail trade and food services sectors.

The portion of jobs by wage category varies significantly by sector, as shown in the chart "Washington Industry Jobs by Wages Paid, 2002". For example, 48 percent of all jobs in the information sector pay more than $30 an hour, while five percent pay less than $10 an hour. By contrast, 59 percent of all jobs in the accommodation and food services sector pay less than $10 an hour with only two percent paying more than $30 an hour. Of those jobs that pay $16 an hour or more, 16 percent are found in manufacturing, 14 percent in local government (including public schools), eight percent in health care, eight percent in construction and eight percent in professional, scientific and technical services.

Washington Employment by Sector and Wages Paid



Source: Washington Employment Security Department

From 1990 to 2000, sectors adding the most jobs were services, especially business services and health care, retail trade, local government (including public schools), transportation and construction. Manufacturing employment dropped, due largely to cutbacks in transportation equipment. The sectors projected to add the most jobs from 2002 to 2012 include health care, retail trade, local government (including public schools), administrative and support and professional, scientific and technical services.

Greatest number of openings are in low-wage jobs

The median wage for job openings is already fairly low at $10 an hour in 2003.[68] Among the occupations projected to create the greatest number of job openings over the next 10 years (due to both growth and replacement needs) are those in which large numbers of low-wage workers are employed: cashiers, waiters and waitresses, maids and housekeepers, food preparation and serving workers, childcare workers and janitors and cleaners.[69]

Economic development strategies can improve employment opportunities

Economic development policy aims to recruit new business to the state, help business expand operations and create jobs and assist businesses at risk of losing jobs. It can also help create and sustain well paying jobs and provide low-wage workers and low-income communities access to these jobs.

State and local government, along with regional economic development councils play key roles in economic development. Economic development tools include business assistance, technical services, technology transfer, training, loans and tax credits.

Coordinating workforce and economic development

The well-being of the state economy, business and workers are intertwined. Business suffers without access to a skilled workforce. And workers suffer without access to jobs that can support their families. Given the large number of low-wage jobs and adults with limited skills, there is a strong need to coordinate economic and workforce development efforts, particularly to increase the number of well paying jobs and to benefit low-wage workers and Washington communities.

Taken as a whole, the strategies outlined below represent a step in the right direction, but the scale of effort does not yet match the magnitude of the skills and training gaps in the state workforce. Reflecting this level of effort, projected state economic development spending for the 2003 to 2005 fiscal period has dropped almost 62 percent in the areas of strategic investments, marketing and capacity building, from the high point during the 1991 to 1993 fiscal period, before adjusting for inflation.[70]

Incumbent worker training

Incumbent worker training programs such as the state's Job Skills Program aim to increase the competitiveness of employers and their ability to retain and create jobs and to promote wage and skill gains among incumbent workers. Employers match the state's contribution to offer training specific to employer needs. Jobs must pay at least $9 an hour and offer health benefits as an employee option.

While the Job Skills Program establishes several priorities, including serving low-income individuals, at $2.95 million per biennium the investment is inadequate to meet the needs of low-wage workers or boost the number of available well paying jobs. Washington ranks near the bottom of states in per capita expenditures for incumbent worker training.[71]

Sectoral development initiatives

Well paying jobs are connected to particular sectors, as demonstrated above. Sector development initiatives aim to improve the quality of existing low-wage jobs or improve low-wage workers' access to well paying jobs. From the economic development side, Washington State's sectoral efforts are limited. This is due, in part, to limited funding and a lack of consensus regarding which sectors (or clusters) to target.

On the workforce development side, Washington has invested in state and local workforce development boards to create industry skill panels to identify and address regional skill shortages. Targeted industry clusters include biomedical, construction, health care, food processing, information technology, metals, plastics and wood. These panels have helped solidify relationships between business, labor, colleges and community-based organizations, as well as establish skill standards and improve awareness of skill issues. They have also led to the creation of new training programs and customized training for workers and specific employers. However, this has yet to translate to large numbers of new or incumbent workers trained in key sectors.

Public works projects

Funding for public works projects such as transportation, government buildings and publicly financed facilities can be linked to returns on the public investment during construction or operation of the facility. The state requires that 15 percent of total labor hours worked on state public works projects of over $1 million be done by apprentices. Diversity goals have also been set, with one-fifth of apprentice hours to be performed by people of color and one-sixth by women.

A number of local jurisdictions have also adopted apprenticeship utilization requirements along with diversity goals on public construction projects. For example, in the early to mid 1990s, the Port of Seattle, the City of Seattle and King County adopted apprenticeship utilization requirements on public construction projects of more than $1 million.

Accounting for the creation of quality jobs

A number of economic development and job creation programs exist in Washington, but vary substantially on whether they provide general assistance to industries, or instead require specific outcomes, such as jobs created or wage levels met or exceeded. At present, very few policies or programs establish wage or benefit standards for public/private partnerships or tax incentives, although some strides in this direction have been made in recent years.

Many of Washington State's tax exemptions and credits were adopted decades ago, often in times of economic distress, to meet the needs or demands of various industries prominent at those times. The most exemptions in one year (41) occurred in the Depression year 1935, although the number of exemptions granted in 2003 (38) almost reached this level.[72]

Of the 160 tax exemptions and credits on the books in Washington solely targeting business, only a few include explicit targets for firm investment in order to receive a tax reduction and only a handful include an explicit jobs target. For example, the Sales and Use Tax Exemption on Machinery and Equipment[73] requires that one full-time employment position be created for every $750,000 of investment exempt from taxation. Only one major tax incentive—the distressed areas Business and Occupations credit—encourages the creation of higher-wage jobs, with additional exemptions for those that pay over $40,000 annually.[74]

Since virtually none of these tax credits and incentives have been formally evaluated, the degree to which they encourage new behavior (i.e., the creation of new or better jobs) or simply provide tax reductions on activities that would have occurred anyway is unknown.[75] For those few programs with employment or wage targets, the number of jobs tied to the taxes deferred or foregone is not required to be reported and may seem minimal compared to the amount of tax exempt investment, as in the case of the Sales and Use Tax Exemption cited above.[76]

Other programs, such as the federally funded Rural Washington Loan Fund, require recipients (new or expanding businesses) to report on the number of jobs created or maintained during the loan period. This program requires quarterly reporting of measures such as new employees hired and those let go and numbers of low-income applicants hired and fired. The program requires that new jobs be created or at least that existing jobs be maintained. It also requires that 51 percent of new hires meet federal guidelines as "trainable" low-income employees.[77]

While it may not be appropriate for all economic development measures to be tied to job or wage goals, public investments should have tangible returns to state residents and the state economy. Examples of these programs that do require targeting and explicit reporting may prove to be useful examples for further program development.

chapter four | SUPPORT FOR WORKING FAMILIES

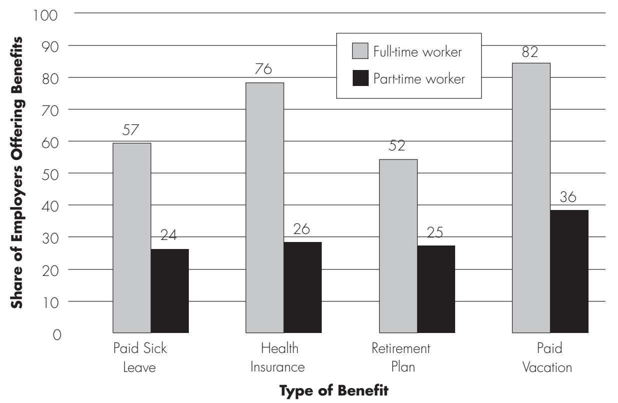
- 33% of low-income working families have a parent without health insurance[78]
- 17% of all workers ages 18 to 64 have no health insurance[79]
- 58% of workers do not have employer-provided pensions[80]
- Nearly half of workers' employer-provided health plans share costs with employees[81]
- 51% percent of Washington's unemployed do not receive unemployment insurance[82]
- In 2002, the state paid $318 million in uncompensated medical care[83]

Reductions in employer-provided benefits

Many of Washington's workers lack benefits once considered the purview of the employer and central to economic well-being and workforce productivity. The level and type of employment benefits, such as health care and paid time off, are standard measures of job quality.

The chart "Availability of Employer-Provided Benefits" indicates the percentage of Washington businesses that offer various benefits to their employees.[84]

Availability of Employer-Provided Benefits in Washington, 2003



Source: 2003 Employee Benefits Survey, Washington State Employment Security Department

Benefits offered by Washington employers vary by industry type, firm size and region of the state, with size being the most important factor.[85] For example, nearly all firms with more than 100 employees offer health insurance. By contrast only 72 percent of small firms with four to 19 employees offer health coverage. Nearly all finance firms offer health insurance to full-time employees, but fewer than 40 percent of businesses engaged in agriculture, accommodation and food services provide coverage. Only 56 percent of employers in the more rural North Central region of the state (encompassing a five-county area) offered health insurance to their employees. The 2002 Washington State Population Survey indicates that adults least likely to have health insurance are low-income family members, part-time workers and those working for small employers.[86]

Ethnic and racial disparities in employer-provided benefits exist among Washington workers. Only 53 percent of blacks, 32 percent of Hispanics and 55 percent of Asian and Native Americans receive health insurance through their employers, compared to 71 percent of whites.[87]

Cost is identified as the number one reason employers do not offer health coverage.[88] Consequently, 48 percent of employers have turned to cost sharing with employees. Work becomes an increasingly costly proposition for low- and moderate-income workers who must help fund health coverage for themselves and their families.

The availability of other important employment benefits is also limited. Twenty-seven percent of Washington workers are not provided vacation and sick leave by their employers.[89] In addition, 58 percent of workers are without employer-provided pensions.[90] An adequate benefits package is critical for workers to build economic security and plan for the future.

Policies and programs that support Washington workers

Both state and federal governments set some minimum standards for workers related to leave, access to health care, income supports and wages. These policies are designed to keep people in the workforce and reward work, as well as boost real income for workers. Compared to many other states, Washington has been a leader in both setting minimum job standards and in its investment in various state-sponsored programs for low-income workers. Since it is increasingly acknowledged that workers above 100 percent of the federal poverty level are still poor, various multiples of the federal poverty level are often used to determine eligibility for these programs.

Minimum wage

Washington was the first state in the nation to implement an increased minimum wage indexed to inflation. Oregon has followed suit and 11 other states have passed minimum wages above the federal standard. At $7.16 per hour, Washington has the highest minimum wage in the country, equaling 150 percent of federal poverty for a full-time, single worker. A report by the Washington Employment Security Department found that despite increased income inequality from 1990 to 2002, without the minimum wage increases during the same period, the gap between low- and high-wage jobs would have been even greater.[91]

Family leave

The Family Care Act, passed by the state legislature in 2002, allows workers to use their sick leave or other paid time off to care for an ill child or seriously ill family member. However, it only applies to Washington workers employed by businesses that offer paid sick or other accrued leave. The federal Family and Medical Leave Act, passed in 1993, allows employees up to 12 weeks of unpaid leave in any 12-month period to care for themselves or a family member in the case of illness or a birth or adoption. But it only applies to the 64 percent of the workforce employed at businesses with 50 or more employees.

Earned Income Tax Credit

All eligible working families in Washington can receive additional income through the federal Earned Income Tax Credit. This tax credit represents an important lump sum payment to supplement wages of low-income workers—up to $4,300 depending on family size and income. In 2002, approximately 74 percent of eligible Washington workers received the EITC, totaling nearly $520 million statewide.[92]

Health care

Washington's Basic Health Plan, the first of its kind in the nation, provides affordable health care to adults under 200 percent of the federal poverty level. Through Medicaid and Washington's federally funded State Children's Health Insurance Plan (SCHIP), free and low-cost health care is available to children in families making up to 250 percent of the federal poverty level. The state also helps small businesses purchase health coverage through regulation of small group markets.

Childcare

Childcare subsidies are available for working parents up to 200 percent of the federal poverty level through the state's Working Connections Childcare Program.

Unemployment insurance

Workers rely on unemployment insurance benefits to fill the void during job loss. Unlike most states, Washington has provided unemployment benefits to workers based on the number of hours worked rather than total earnings, which has made benefits more accessible to low-income adults. However, 51 percent of Washington's unemployed do not receive unemployment insurance benefits.

Food stamps

Washington has the fifth highest rate of hunger in the nation—over 100,000 households in the state.[93] Only 55 to 67 percent of those eligible across the state have been collecting food stamps.[94] In 2004, the state legislature passed legislation that simplified the application process and allowed those leaving TANF a five-month extension on the program to help stabilize families as parents transition to steady work.

Reductions in state programs create hardships

Since 2002, a series of changes to these critical public programs has made getting by even more difficult for working families. These include funding cutbacks, reduced income eligibility, administrative changes and increased costs to participants.

Between 2002 and 2003, state investment in public health insurance programs was reduced by nearly $700 million.[95] Also in 2003, enrollment in the Basic Health Plan was capped at 100,000 individuals. In 2004, premiums and cost sharing (i.e., deductibles, co-pays, coinsurance and out-of-pocket maximums) were increased. Current enrollment has dropped to 92,000, down from 118,000 in 2003.[96] This drop is likely due to the increased costs to Basic Health Plan participants.

Procedural and administrative changes in SCHIP and children's Medicaid in 2003 resulted in a substantial reduction in enrollment.[97] Between SCHIP and Medicaid combined, 45,000 fewer children were enrolled since the administrative changes were implemented.[98,99] In 2003, three health programs covering 29,000 immigrants, 90 percent of whom were children, were eliminated.[100] Approximately 44 percent of these individuals were able to successfully enroll in the Basic Health Plan but at a reduced level of coverage.[101] The scope of health services available to employees of small businesses using the small group insurance markets has been reduced, and self-employed individuals with no employees have been cut out of the small group market.

In 2003, eligibility for Working Connections Childcare was reduced from 250 percent to 200 percent of the federal poverty level and co-pays for many parents were increased. Between July 2002 and May 2004, the number of children receiving the childcare subsidies has fallen by over 14,000 (from 73,274 in July 2002 to 58,959 in May 2004).[102] This is likely due to a combination of increased co-payments and higher unemployment. The copay for a family of four just below the income eligibility cut-off can reach $480 per month, representing over 15 percent of their income.[103] The low reimbursement rate to providers set by the state has also reduced parents' access to services to only 36 percent of the childcare market.[104]

Legislation passed in 2003 resulted in the most comprehensive set of changes to unemployment insurance in decades. Key changes include reductions in the dollar amount of weekly benefits for all unemployed workers, reductions in the number of weeks individuals can receive benefits and tax changes affecting the amount available in the unemployment insurance trust fund.[105] The result has been a four percent reduction in weekly benefits for all individuals and a seven percent drop in average weekly benefits ($283 per week, down from $301) to newly unemployed workers.[106] This equates to approximately 150 percent of the federal poverty level for a single adult and only 72 percent of the poverty level for a family of four.

Industries hardest hit are agriculture, forestry, fishing, building, construction and food processing. Benefits for unemployed workers in these industries have dropped by more than 12 percent. This contrasts sharply with benefits for those in the high-tech sector, which have fallen by four percent.[107] In real terms, the average weekly benefit amount for an unemployed agricultural worker is $193. This amount places them at only 100 percent of the poverty level. The higher $401 in weekly benefits for a high-tech worker places them at over 200 percent of the federal poverty level. Rural and minority workers experienced a drop in benefits that was two percentage points greater than the average benefit reduction.

Shifting costs to the state

The costs of economic insecurity for working families extend far beyond family well-being. In 2002, 33 percent of low-income working families below 200 percent of the federal poverty level have a parent without health insurance. Only 30 percent of individuals employed at this income level had insurance through an employer.[108] Since January 2002, the number of uninsured patients visiting health centers has increased by nearly 50 percent.[109] The sharp rise in uninsured families has created a tremendous strain on the entire health care system, particularly for clinics and providers serving low-income communities. The public sector is increasingly forced to take up the slack for the growing number of uninsured residents. In 2002, the state covered over $318 million in uncompensated care. This cost is expected to exceed $400 million in 2004.

The effort to reduce costs for smaller employers eliminated some of the mandated benefits, resulting in more workers having access to fewer health services. Reduced coverage could create an even higher overall health care bill to the state.

The return on investing in the bottom line and beyond

Investing in working families' abilities to make ends meet translates broadly to a stronger economy. For example, in Washington, each state dollar spent on Medicaid is estimated to generate an additional $2.09 ($5.9 billion total) in increased business activity.[110] Further, in 2005, the nearly $3 billion in state Medicaid spending will add over 52,000 jobs and over $2 billion in total wages.[111] The multiplier effect of state Medicaid spending results in increased state revenues that can support further Medicaid investment.

Investments in unemployment insurance also play an important role in buffering the impact to workers and the economy during times of high unemployment and recession. Recessions would be on average 15 percent deeper without unemployment insurance dollars.[112] In addition, the amount of money spent on food drops seven percent when the head of household becomes unemployed, but would fall 22 percent if they did not receive unemployment insurance benefits.[113]

Meeting the bottom line is the starting point for families to begin saving and building assets, complete additional education and training and begin a path of advancement. The conclusion includes priorities for the state and for partnerships that can assure improving the bottom line for working families is a shared goal.

chapter five | POLICY PRIORITIES FOR A STRONG ECONOMY

Workers, business and government all have a role to play in the pursuit of family well-being and a vibrant economy. Highlighting the status of working families today underscores the need to renew commitment to the value of work and providing equal chances of success.

The economic impacts of income inequality, skill deficits and limited numbers of good jobs are profound. Shared economic progress should be the driving force as policies are crafted, programs are designed and performance measures are instituted. The bottom line standards described in this report can inform the discussion of what it takes to make ends meet and how well families are currently faring. The following recommendations offer policy options for advancing beyond the bottom line.

Promote access to an education system for the new economy.

Investing in workers will provide a competitive workforce for the economy and substantial returns to families through increased wages. At this point, demand for skill investments exceeds funding both in the broader community and technical college system and within targeted programs such as WIA and WorkFirst. With regards to these programs, investing available funds in education should be a priority alongside work.

Capacity to serve low-wage workers can be improved in ways other than just increased funding. The state should encourage colleges to provide short-term, skills-based programs that build on one another, are recognized by industry, count as part of a career-ladder program and are eligible for financial aid. More specifically, the state should:

- Change eligibility for receiving a State Need Grant to include short-term and upgrade courses, reduce clock/credit hours required to be eligible to receive aid.

- Allocate funding to better reflect the true cost of and demand for education. Even now, colleges serve more students enrolled for higher-cost workforce purposes than those who plan to transfer to four-year colleges, and the number of students that could benefit from non-traditional instruction, such as integrated basic skills education, is increasing. Colleges should receive more funding per student enrolled in higher-cost education.

Improve employment opportunity for low-wage workers through strong, accountable public/private partnerships aimed at economic advancement.

Workforce and economic development can be better coordinated and strengthened through investments in partnerships to achieve improved bottom line outcomes. Priorities should include incumbent worker training through programs such as the Job Skills Program, and sector development efforts that improve both job quality and low-wage workers' access to jobs in growing industry sectors. These along with other strategies, such as apprenticeship utilization requirements, merit additional attention.

Additionally, every public dollar invested in private enterprise should be linked to a clear and demonstrable economic return for the state and workers, particularly disadvantaged workers. This accountability must include reporting requirements and measurable standards focused on advancing entry-level and low-wage workers.

Provide stronger state leadership on economic security standards to assure a system of support for working families.
Washington can create standards for job quality and benefits to improve economic security among all working families. Investing in economic security provides multiple economic payoffs. Providing leadership does not equate to shouldering all the costs, but the state should ensure that basic needs can be met and are affordable.

For example, the state should not have to pay all the costs to cover workers employed by businesses that do not offer insurance or that offer insurance at unaffordable rates. The costs of health coverage should be shared between employers and the state.

Additionally, the state could establish minimum leave standards that would provide every worker with time to care for their family and maximize the benefits available through the Family Care Act.

Washington should also explore options to equalize the tax burden for low-income working families. Without an income tax, a state earned income tax credit similar to the federal one is not feasible. However, several possibilities include:

- Programs to refund childcare costs
- Programs to refund a percentage of income based on federal income tax returns
- A refundable sales tax credit for low-income earners

Address revenue shortfalls.
Addressing all of the priorities listed above would go a long way toward greater prosperity among Washington's workers. However, persistent state revenue shortfalls suggest further reductions rather than improvements in programs that provide security and opportunity. Increasing the revenue is not just a matter of tax increases. Evaluating the current tax structure and the costs and benefits of tools such as tax credits and exemptions can address equity issues. Further, policy efforts to raise the prosperity of the workforce will increase family incomes, expand the tax base and boost state revenues.

Changing the economic climate is challenging but necessary. Opportunities to address current circumstances are within reach. Citizens and policymakers must prioritize economic advancement and, in meeting these challenges, help ensure stronger economic opportunity for all.

endnotes | ENDNOTES

Chapter One

[1] Data are drawn from the Census 2002 Supplementary Survey.

[2] Ibid.

[3] Data are a three-year average, drawn from the Annual Demographic Survey of the Current Population Survey (2001-2003).

[4] Data are drawn from the Census 2002 Supplementary Survey.

[5] A family is defined as a married couple or single parent with at least one child present under 18 years of age. A family is considered working if, over the last 12 months, family members age 15 and over have a combined work effort of at least 39 weeks, or a combined work effort of at least 26 weeks plus one unemployed parent actively looking for work in the past four weeks.

[6] Families earning below this figure are considered low-income families.

[7] Lake Snell Perry & Associates. (2000). *A National Survey of American Attitudes Towards Low-Wage Workers and Welfare Reform.*

[8] Data are drawn from the Census 2002 Supplementary Survey.

[9] Data are drawn from the Census 2002 Supplementary Survey.

[10] Data are drawn from the Washington Employment Security Department's Occupational Employment Statistics program.

[11] Data are drawn from the Census 2002 Supplementary Survey.

[12] Ibid.

[13] Washington State Office of Financial Management. (2004). *2002 Washington State Population Survey*. This survey is the primary source of data at the sub-state level. For this data source, the definition of low-income working families is any family with a total income below 200% of the federal poverty level with a child below 18 years of age and at least one parent working at the time of the survey.

[14] Ibid.

[15] Data are drawn from the Census 2002 Supplementary Survey.

[16] Data are drawn from the Census 2002 Supplementary Survey.

[17] Institute on Taxation and Economic Policy. (January 2003). Press release for *Who Pays? A Distributional Analysis of the Tax Systems in All 50 States.*

[18] (OFM, 2003)

[19] (Washington State 2002 Employee Benefits Survey, Employment Security Department. March 2004)

[20] (2000 Census)

[21] (Department of Health and Human Services Report to the Legislature 2002)

Chapter Two

[22] Data are drawn from the Census 2002 Supplementary Survey.

[23] Data are drawn from the Census 2002 Supplementary Survey.

[24] Washington Higher Education Coordinating Board. (2004). *Key Facts about Higher Education in Washington*. p. 49.

[25] State Board for Community and Technical Colleges. (Fall 2002). *Enrollment and Staffing Report*. pp. 18-19.

[26] Workforce Training and Education Coordinating Board. (2004). *Employer Survey 2004*. p. 1.

[27] Ibid., p. 6.

[28] Washington Higher Education Coordinating Board. (2004). *Key Facts about Higher Education in Washington*. p. 49.

[29] Short-term training consists of one month to one year of on-the-job, employer-provided or community and technical college training, or a combination thereof.

[30] Moderate training consists of one to four years of education and training, including on-the-job, employer-provided, college and apprenticeship training.

[31] Data are drawn from the Census 2002 Supplementary Survey.

[32] Estimates are provided by the National Institute for Literacy, based on algorithms that utilize data from the 1992 NALS and the 1990 Decennial Census. See: http://www.nifl.gov/reders/reder.htm.

[33] Adults at Level 1 (15% of Washington's population) can read a little but not well enough to fill out an application, read a food label or read a simple story to a child. Adults at Level 2 (an additional 20%) can perform more complex

tasks, such as comparing, contrasting or integrating pieces of information, but usually not higher-level reading and problem-solving. See: www.nifl.gov/nifl.faqs.html.

[34] Washington State Board for Community and Technical Colleges. (December 2003). Academic Year Report 2002-03. p. i.

[35] Washington State Board for Community and Technical Colleges. (2001). *Enrollments, Student Characteristics, Progress and Success for Basic Skills Students in State Support Instruction in Community and Technical Colleges.* pp. 5-7.

[36] Ibid.

[37] Ibid., p. 1.

[38] Community College Policy Center, Education Commission of the States. (2002). *State Policies on Community College Remedial Education: Findings from a National Survey*. p. 7.

[39] State Board for Community and Technical Colleges. (Fall 2002). *Enrollment and Staffing Report.* p. i.

[40] Washington State Board for Community and Technical Colleges. (2004). *Opportunity, Education & Washington's Economic Future*. p. 3.

[41] Washington State Board for Community and Technical Colleges, Office of Adult Literacy. *Literacy Overview*. p. 20. Retrieved in 2004 from http://www.sbctc.ctc.edu/oal/docs/LiteracyOverview.doc

[42] Ibid., p. 18.

[43] Washington Higher Education Coordinating Board. (2004). *Key Facts about Higher Education in Washington*. pp. 56 and 63.

[44] Eligible programs are defined by the number of hours in school or the number of credits, as well as whether or not the courses will lead to a degree or credentialed certificate program. A full State Need Grant covers the cost of tuition at a community college while a full Pell grant equals $4050 per year. Students receive full grants only when attending school full-time.

[45] Bosworth, Briand and Victoria Choitz. (2002). *Held Back: How Student Aid Programs Fail Working Adults.* Belmont, Mass.: Future Works. p. 33.

[46] College allocations are based on FTEs—full-time student equivalents. FTEs represent the number of slots and a portion of funding for each slot allocated by the state legislature for a full time student—up to 15 credits for three quarters in a community or technical college.

[47] Washington Workforce Training and Education Coordinating Board. (2002). *High Skills, High Wages: Washington's Strategic Plan for Workforce Development.* p. 48.

[48] Washington State Board for Community and Technical Colleges. (2004). *Fourth Year Accountability Report for WorkFirst Training Programs Conducted in 2001-02.*

[49] Washington State Board for Community and Technical Colleges. (December 2003). *Academic Year Report 2002-03*. p. 33.

[50] Klawitter, Marieka and Jennifer Calleja. (2004). *WorkFirst Longitudinal Study: Education and Training: 2000-2002*. p. 1.

[51] Studies include the Washington State Board for Community and Technical College, WorkFirst Accountability reports at http://www.sbctc.ctc.edu/Workforce/workfirst.asp with the WorkFirst Longitudinal studies at http://www.workfirst.wa.gov.

[52] Washington Workforce Training and Education Coordinating Board. *Individual Training Account Expenditures from July 1, 2002 through June 30, 2003*. And data from state annual performance reports for 2002. The numerator is found in Table D of the report under individuals Entering Employment Who Received Training. The denominator is also taken from Table D under Individuals Entering Employment Who Received Training + Denominator of Individuals Entering Employment Who Only Received Core and Intensive Services.

[53] This measure is computed using data from a state's Annual WIA report, Program Year 2002 and data generated by the Population Reference Bureau (PRB) from Census 2002 Supplementary Survey. At present, this indicator is not presented in a published report.

Chapter Three

[54] Basic Monthly Survey of the Current Population Survey, 2003, data generated by PRB

[55] The indicator is created using data from the Bureau of Labor Statistics' Occupational Employment Statistics program. See http://www.bls.gov/oes/home.htm.

[56] Bailey, Scott. (2004). *Washington Wage Report 1990-2002*. Washington State Employment Security Department. p. 35.

[57] Washington Employment Security Department. (October 2003). *Job Vacancy Survey*. p. 3.

[58] Washington Employment Security Department. (October 2003). *Job Vacancy Survey*. p. 3.

[59] Industry data provided by the Washington Employment Security Department, based on Unemployment Insurance wage files.

[60] Basic Monthly Survey of the Current Population Survey, 2003, data generated by PRB.

[61] Bureau of Labor Statistics. (2002). *Geographic Profile of Employment and Unemployment, 2002.* (BLS Bulletin #2564). Washington, DC: Government Printing Office. Based on the Current Population Survey and Retrieved in 2004 from http://www.bls.gov/opub/gp/pdf/gp02_23.pdf.

[62] Data generated for this study using data from the Bureau of Labor Statistics' Occupational Employment Statistics program.

[63] Bailey, Scott. (2004). *Washington Wage Report 1990-2002*. Washington State Employment Security Department. p. 9.

[64] Data in this section are drawn largely from the Washington Employment Security Department, especially *Washington Wage Report, 1990-2002*.

[65] Bailey, Scott. (2004). *Washington Wage Report 1990-2002*. Washington State Employment Security Department. p. 35.

[66] Ibid.

[67] Industry data provided by the Washington State Employment Security Department.

[68] Washington Employment Security Department. (2003). *Washington State Job Vacancy Survey*.

[69] Data are drawn from the Washington Employment Security Department's Occupational Employment Statistics program.

[70] Data provide by the Washington State Department of Community, Trade, and Economic Development.

[71] Washington Workforce Training and Education Coordinating Board. (2002). *High Skills, High Wages: Washington's Strategic Plan for Workforce Development*. p. 31.

[72] Washington State Department of Revenue. (2004). Appendix, Table 4: "Tax Exemptions by Year of Enactment" in *Tax Exemptions—2004, A Study of Tax Exemptions, Exclusions, Deductions, Deferrals, Differential Rates and Credits for Major Washington State and Local Taxes*. Retrieved in 2004 from http://dor.wa.gov/docs/reports/2004/Tax_Exemptions_2004/Table_4.pdf.

[73] See Revised Code of Washington 82.60.040 and 82.60.049.

[74] Washington State Department of Community, Trade, and Economic Development, Tax and Incentives, *Tax Facts*. See: http://www.oted.wa.gov/ed/busdev/tax.asp.

[75] Watkins, Marilyn. (2004). *Lost Revenues, Lost Opportunities: Tax Exemptions in Washington State*. Seattle: Economic Opportunity Institute. Retrieved in 2004 from http://www.econop.org/Taxes/TaxExemptionsInWashingtonState.pdf.

[76] Washington State Department of Revenue. (2004). *Tax Exemptions—2004, A Study of Tax Exemptions, Exclusions, Deductions, Deferrals, Differential Rates and Credits for Major Washington State and Local Taxes*. Retrieved in 2004 from http://dor.wa.gov/content/statistics/2004/tax_exemptions_2004/default.aspx.

[77] Washington State Department of Community, Trade, and Economic Development. (2003). *Rural Washington Loan Fund Quarterly Report*.

Chapter Four

[78] Data are a three-year average, drawn from the Annual Demographic Survey of the Current Population Survey, 2001-2003.

[79] 2003 March CPS Supplement, data generated by PRB.

[80] Ibid.

[81] Washington State Employment Security Department. (2004). *2003 Employee Benefit Survey*. p.15.

[82] This measure is derived from the Office of Workforce Security, Employment and Training Administration, U.S. Department of Labor, 4th Quarter 2003. See: http://workforcesecurity.doleta.gov/unemploy/content/data_stats/datasum03/4thqtr/finance.asp. Data are located in State Financial Data: UI Financial and Labor Force Data, Recipiency Rate (All programs, Quarter): the calculation involves taking the insured unemployed as a percent of total unemployed. This number is then subtracted from 100 to obtain the measure for this report.

[83] Washington State Office of the Insurance Commissioner. See: http://www.inurance.wa.gov/news/dynamic/newreleasedetail.asp/rcdNum=415

[84] Washington State Employment Security Department. (2004). *2003 Employee Benefit Survey*. p. 2. Other data in this section are also from this survey.

[85] Ibid., p. 2.

[86] Gardner, Erica. (January 2004). *Health Insurance by Work Characteristics: 2002*. (Washington State Population Survey, Research Brief No.22). Olympia: Washington State Office of Financial Management.

[87] Kaiser Family Foundation. *State Health Facts Online*. See: http://statehealthfacts.kff.org.

[88] Washington State Employment Security Department. (2004). *2003 Employee Benefit Survey*. p. 17.

[89] Washington State Office of Financial Management. (2004). *2002 Washington State Population Survey*.

[90] March 2001-2003 Current Population Survey Supplement, data generated by PRB.

[91] Bailey, Scott. (2004). *Washington Wage Report 1990-2002*. Washington State Employment Security Department. p. 40.

[92] Data provided by the Internal Revenue Service for Washington tax returns filed in 2003.

[93] Nord, Mark, Andrews, Margaret and Carlson, Steven. (2003). *Measuring Food Security in the United States; Household Food Security in the United States, 2002*. (United States Department of Agriculture Economic Research Service, Food Assistance and Nutrition Research Report Number 35). Washington, DC: Government Printing Office. p. 19. Retrieved in 2004 from http://www.ers.usda.gov/publications/fanrr35/fanrr35.pdf.

[94] Food Research and Action Center. (2003). *State of the States: A Profile of Food and Nutrition Programs Across the Nation.* Washington, DC: Food Research and Action Center.

[95] Community Health Network of Washington. (2004). *Stretching the Safety Net: the Rising Uninsured at Washington's Community Health Centers.*

[96] Washington State Health Care Authority. See: http://www.basichealth.hca.wa.gov/bhhistory.shtml

[97] Reapplication is now required every six months (previously once per year), income documentation is required upon application certification (previously self-declaration), and signatures are required on applications (phone, online previously acceptable). In addition, continuous eligibility was repealed and lockout periods applied.

[98] Community Health Network of Washington. (2004). *Stretching the Safety Net: the Rising Uninsured at Washington's Community Health Centers.* p. 2.

[99] Although the governor has postponed children's Medicaid premiums, the state 2003 to 2005 budget assumes that 24,000 individuals will lose eligibility due to the imposition of premiums in all Medicaid programs. Health Policy Analysis Program. (2004). *The Costs of Enrollment Instability in Washington State's Medicaid Program.* p. 15.

[100] Community Health Network of Washington. (2004). *Stretching the Safety Net: the Rising Uninsured at Washington's Community Health Centers.* p. 2.

[101] Ibid.

[102] Enrollment data through May 2004 provided by Washington State Department of Social and Health Services, Division of Child Care and Early Learning.

[103] The U.S. Department of Health Services recommends that states limit co-payments to 10 percent of family income.

[104] Washington State Department of Social and Health Services, Economic Services Administration, Division of Child Care and Early Learning. (2004). *Licensed Child Care in Washington State: 2002.*

[105] The employer portion of the unemployment insurance system changed from one that builds up the trust fund in boom times to a pay as you go system with payments increasing as the trust fund becomes depleted. Since the trust fund is likely to pay out more in times of high unemployment, businesses will may be required to pay more in a weak economy.

[106] Washington State Employment Security Department. (2004). *Unemployment Insurance Research and Analysis.*

[107] Ibid.

[108] Kaiser Family Foundation. *State Health Facts Online.* See: http://statehealthfacts.kff.org.

[109] Community Health Network of Washington. (2004). *Stretching the Safety Net: the Rising Uninsured at Washington's Community Health Centers.* p. 3.

[110] Families USA. (2004). *Medicaid: Good Medicine for State Economies.*

[111] Ibid.

[112] Washington Employment Security Department. (2002). *Economic Lifeline for Washington State.*

[113] Ibid.

Seattle Jobs Initiative