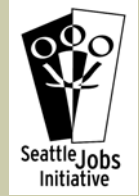




Bridging the Gaps in Washington



A Research Brief of Findings and
Policy Recommendations for Work Supports that Work

Prepared by Seattle Jobs Initiative – January 2008

If you work hard, you should be able to make ends meet. This idea is central to the American Dream, yet 1 out of 5 people in working families – *41 million Americans* – are unable to make ends meet, even after receiving public work supports.

Our economy has changed dramatically over the past thirty years. Today, many families—even those with one or two workers—go without basics like health insurance and safe, enriching child care, yet we have not established nationwide policies to address this. Similarly, while we have made some progress with regard to specific public work supports in Washington State, progress remains slow or nonexistent with regard to other supports. While we have expanded access to health care, availability of child care assistance is on the decline despite increased attention to early childhood development. Washington places the heaviest tax burden on low- and moderate-income families of any state in the nation. TANF grants are minimal and serve fewer and fewer families.

Fully-funded programs with simple applications that have been designed to support working families make a big difference for those who are employed but are not getting ahead. In the interest of hard working families and a competitive workforce, it is time for policymakers to build on what works to bridge the gaps between wages, work supports, and a basic standard of need.

To aid in advancing better policy for supporting working families, the **Bridging the Gaps** research and outreach project examined the disconnect between the help work supports are intended to provide and the remaining hardships left for working families after these supports are considered. The project utilized detailed eligibility information for 10 states including Washington, survey data, and administrative counts for 6 basic income and work support programs to examine the hardships, eligibility, and coverage gaps created by the current work supports system for working families.

The findings for Washington State indicate that there is still work to be done to improve work supports and the policies that govern them. Work supports are intended to provide resources for individuals when their jobs fail to do so. Some programs, such as Medicaid, are seeing success by reaching large numbers of the people who need them, while others, such as housing, are helping only a few in need.

In Washington, 19.1 percent – *over 1.1 million Washingtonians* – are in a **hardships gap** – working, but

*Over 1.1 million Washingtonians are living in a **hardships gap** – working, but unable to meet a basic family budget.*

unable to meet a basic family budget.¹ This means that they are working, and for some, supplementing their wages with work supports, but are still not making enough to support a basic standard of need. The reasons for this may be insufficient work hours or low hourly wages, as well as work supports that are simply inadequate to meet basic family needs. For some states, a very high cost of living means that many supports only close a small part of the hardships gap.

*One in ten Washington families faces an **eligibility gap** – unable to meet a basic standard of need, and not eligible for a single support.*

Work supports help some Washingtonians out of hardship. Roughly 13% of those families with income below a basic family budget before work supports completely close their hardships gap through support programs like child care, medical insurance, housing assistance, Food Stamps, and financial assistance (TANF), but many others remain in the gaps (See Table 1). Though they close the monetary size of the gap by almost half, many families still experience substantial hardships after all supports are counted in. Many others are low-income but earn too much or do not meet other eligibility criteria, and remain in the hardships gap. These people face an **eligibility gap** - *one in ten families*² is unable to meet a basic standard of need, and is not eligible for a single support.

Table 1. Eligibility Gaps by Work Supports for Washington State

Work Support	Number of Washingtonians in Eligibility Gap	Eligibility Gap (% of those below family budget who are ineligible)
Child Care Assistance	163,000 children up to 13	45.5
Earned Income Tax Credit	278,000 tax filers	46.1
Food Stamps	943,000 persons	70.7
Housing Assistance (Public Housing and Section 8)	437,000 households	77.7
Medicaid/ State Children’s Health Insurance Program	268,000 persons	20.1
Temporary Assistance for Needy Families	1,147,000 persons	86.0

Eligibility for work supports is not, however, the sole hurdle in ensuring that working families reach a basic standard of living. For a variety of reasons, many—if not most—of those eligible for work supports do not receive them. They fall into the **coverage gap**. In Washington, the smallest coverage gap is for the Earned Income Tax Credit (EITC), with only 12.3% of the eligible population not receiving this support. The success of EITC’s reach is in part attributed to its specific aim of supporting low-

¹ We measure a basic family budget by tallying up the local costs of basics, including low-cost housing, health care, child care, transportation, food other necessities, and taxes. This does not include savings, debt repayment or other consumer items like new clothes.

² Findings from Bridging the Gaps report not shown: 10.8% of Washington families are living below their family budget and ineligible for any of the 6 detailed work supports.

income families with workers and its easy application process as part of tax filing, as well as outreach and education projects that increase awareness of the program. At the other end of the spectrum, in Washington roughly 85.2% of the working families eligible for housing assistance currently do not receive it. Part of this is attributed to the lack of available affordable housing, combined with the shortage in funding for low income housing or rental support programs. The remainder of work supports fall somewhere in the middle on their ability to reach those who are eligible for them (See Table 2). Overall, reasons for coverage gaps across work support programs include stigma around public assistance, daunting application processes, and lack of knowledge about the programs themselves.

For a variety of reasons, many – if not most – of those eligible for supports do not receive them. They fall into a coverage gap.

Table 2. Coverage Gaps by Work Supports for Washington State

Work Support	Number of Washingtonians in Coverage Gap	Coverage Gap (% of those eligible who are not receiving)
Child Care Assistance	178,000 children up to 13	76.1
Earned Income Tax Credit	48,000 tax filers	12.3
Food Stamps	113,000 persons	18.7
Housing Assistance (Public Housing and Section 8)	198,000 households	85.2
Medicaid/ State Children’s Health Insurance Program	604,000 persons	37.0
Temporary Assistance for Needy Families	160,000 persons	54.8

Underlying all of the issues surrounding inadequate work supports is the problem of too many low-quality jobs. About 30% of Washington jobs can be called good jobs, paying at least \$16 per hour and providing benefits, yet roughly 29% of Washington jobs can be considered bad – paying wages lower than \$16 with no benefits. Minimizing the number of low wage jobs that provide no benefits is central to reducing the need for work supports. At the same time, providing employer-based benefits with minimal burden to the employee further reduces the need for work supports.

Roughly 29% of Washington jobs can be considered ‘bad jobs’ – paying wages lower than \$16/hr with no benefits.

It’s time to start bridging the gaps for working families. The solution is three-fold: increase the number of good jobs – those providing adequate pay and benefits to support a family; make work supports more inclusionary of working families; and help expand the reach of the current system of supports to those who are eligible for them but not currently receiving them.

Changing Policies to Truly Support Low-Income Working People

Solving the policy problems highlighted in this report will require policy reforms on two levels. At one level, various evidence-based policy changes that have been shown to increase access to or broaden eligibility for work supports can help strengthen the coverage and availability of programs that assist people as they move up a career ladder. Within each program, simplifying the eligibility process will increase uptake of needed services. This includes measures such as simplified applications, options to apply for services online, and increased coordination between programs so that a single application allows a person to enroll in all programs for which they are eligible. Improved outreach, as well as multiple avenues for gaining eligibility (“no wrong door”) can also increase enrollment.

Eligibility levels are set so low for some programs that they are completely out of reach to any but the most destitute. In very high cost-of-living states such as Washington, programs where eligibility phases out at the federal poverty level (FPL), or even below, are woefully inadequate to provide for the needs of much of the low income population. The lack of coordination between programs and wildly different and often miserly eligibility cutoffs can create “cliff effects” where increasing earned income actually reduces family resources. As a result, some programs create incentives to stay in low paying jobs rather than moving up a career and wage ladder.

Given that some of these eligibility levels are set in federal law—such as 130% of FPL for the Food Stamp program—changing them will require changes in federal law. In other policy areas, such as health care, states are given much more leeway to expand eligibility either through their choice of program rules and income cutoffs, or by seeking waivers on various federal restrictions. As a result, these services tend to reach a higher proportion of those who need them. To expand eligibility, states have stepped into the breach created by federal restrictions. For example, Washington has created state-funded programs that parallel TANF and Food Stamps for immigrants who are barred by federal law from receiving the federally-funded services.

At a broader level, this report reveals how our patchwork of uncoordinated social and work support policies, paid for or administered by myriad federal, state, or even private agencies, fail to bridge the gaps as a result of the narrow purview of the policies themselves. More universal approaches to providing work and financial supports are needed. For example, the financial burden of paying for child care for working families extends well into the middle class, and the social imperative to properly educate our youngest children, and to adequately pay the early education workforce to ensure quality—call for a more universal approach.

We review a range of possible approaches to these six different policy areas below.

CHILD CARE

Washington’s eligibility standards for child care assistance are reasonably generous, phasing out at 200% of FPL. However, the need for assistance extends well up the income scale, and when the state rolled back eligibility from 225% FPL, the number of recipients dropped dramatically. In other instances, use rate drops off as families approach the income cutoff, since required co-pays increase rapidly.

One solution may be lowering co-pay levels, which still present problems for those living between 130-200% FPL. Also, with the exception of those participating in the Food Stamp Employment and Training Program and TANF recipients participating in approved full-time (minimum 32 hours per week) vocational, pre-employment, degree completion, or high-wage high-demand training programs, child care is mostly not available to those who are not working but are instead seeking work-related training to further their career prospects. This creates a barrier to a well-trained workforce and career and wage advancement for low-income individuals. More broadly, given the critical role of early learning in both creating a more healthy and productive citizenry, and supporting the needs of working parents, more comprehensive (universal) solutions are needed.

- **Return eligibility** to 225% FPL.
- **Lower co-payments** in 130-200% FPL range to improve uptake.
- **Allow access to people in training.** Currently, those in training but not working do not qualify for Working Connections, with the exception of those receiving FSET or TANF services.
- **Adopt a more universal approach.** Some states—even conservatives ones such as Oklahoma—have recognized the paramount importance of quality early learning and are implementing universal access education for pre-K. Washington can build on quality pilot programs locally, or in other states or countries, and begin to solve the child care problem more comprehensively.
- **Create adequate child care provider rates.** Monitor reimbursement rates to ensure that quality family home and center providers can participate.

EITC

The Earned Income Tax Credit is an effective federal program that reaches a relatively high number of those who need it, and efforts should be made to maintain access to it. Some states have a state EITC that works through their income tax systems to refund some or all of the taxes collected from the working poor. Although Washington does not have an income tax, it is still possible to create a comparable refundable tax credit. Advocates are currently discussing how to structure this within the Washington context.

- **Maintain access to the federal EITC.** Although this program is supported by many across the political spectrum, it occasionally comes under attack from those who fear that unqualified taxpayers are receiving it. Efforts to rein in any misuse should be done judiciously so that easy access to the program is maintained.
- **Adopt a State EITC equivalent.** A “Working Families tax credit” could be developed for low-income working families, perhaps using federal tax returns as a base for calculating refunds of the state’s sales and property taxes.

FOOD STAMPS

Recent initiatives have increased outreach and streamlined the application process to relieve some of the burden on those who apply for food assistance. The key to improving Food Stamp take-up rates rests on outreach and improving the processing of applications.

- **Reduce complexity of the application process.** Eligibility rules for the program are very complex. In some instances this provides for expanded eligibility but makes the process more difficult. Some simplifications are in place, but further improvements are needed.
- **The State Food Assistance Program (FAP)** closes the gap for immigrants who are income-eligible but barred by federal rules from enrolling. This program needs to be maintained.
- **FSET as way of improving access.** Organizations that provide job skills training for Food Stamp recipients can be eligible for partial federal reimbursement for such training activities through the Food Stamp Employment and Training (FSET) program. Washington's program, currently in a pilot stage in various places around the state, provides community colleges as well as non-profits with an incentive to help enroll those potentially eligible for Food Stamps. Currently, a federal "120 hour rule," which limits the usefulness of this program for Food Stamp recipients who are already working, is a barrier to participation. This restriction needs to be eliminated so that short-term concentrated training is allowed within FSET. The program can also be strengthened by linking this with the state's new Transitional TANF program. Participants moving off TANF could then qualify for FSET services.

HOUSING

Housing availability and assistance in Washington State, particularly from federal sources, is limited, and the level of support for affordable housing varies substantially by county and city. In some instances, federal housing policies create disincentives for individuals to gain more assets, as they then become burdened with more housing costs or loss of assistance. To affect supply, incentives for developers to produce the needed mix of housing are also needed. Overall, the acute and multifaceted need for affordable housing requires a broader network of state, local, and federal action, and responses from both the public and private sectors to meet the scope of the problem, if we are to make headway. Possible policy responses include the following:

- **Provide additional funding for the state housing trust fund** for low-income and homeless housing.
- **Expand the Washington Families Program**, which currently provides a small (\$8 million) amount of funding for transitional housing.
- **Expand federal rent assistance.** Demand for Sec. 8 rent vouchers has skyrocketed while availability has declined.
- **Reduce asset tests** for federal assistance that cause rent to rise rapidly as income or assets increase.

- **Offer developer incentives.** Implement inclusionary zoning policies at the municipal or county level to require that larger development projects include housing affordable for low and moderate income families.
- **Institute housing levies.** Some cities and counties have passed levies to support low income housing development and other forms of housing assistance.
- **Provide workforce housing.** This approach is being led by public employers such as school, police, and fire districts to ensure that public service professionals who work in an area can afford to work there. To date, employers in Washington have made very limited use of this approach.
- **Strengthen laws on condo conversions.** Washington laws governing conversions are very weak and allow displacement with little notice, and also allow construction to begin while tenants still have a valid lease.

HEALTHCARE

Healthcare costs create a monstrous strain on employer, household, and government budgets. At the same time, a large proportion of the state's population, especially adults, remain uninsured. While we are starting to move toward universal coverage for children, health care access for adults is still spotty given narrow eligibility for adult Medicaid and enrollment caps in the Basic Health program.

- **Medicaid Expansion for Adults to 300% FPL.** This would recognize gaps created by current policies and attempt to fill the gaps for adults.
- **State Healthcare program consolidation.** The Basic Health program was created at a time when Medicaid was tightly linked to TANF and when federal rules required a very restrictive income range for eligibility. Now, Medicaid is delinked from TANF, and is changing toward something of a universal program, at least for children. This may be a time to create efficiencies by merging Basic Health and Medicaid into an entirely new program funded by a blend of state and federal monies.
- **Provide an Alternative to Employer-provided coverage.** The current insurance system places an undue burden on businesses that provide health care coverage, and reduces competitiveness of firms that compete with foreign firms that do not need to provide such coverage. An expanded, modernized, and efficient state program could provide an alternative source of insurance, with employers paying a fee per employee based on firm income and other factors. For small employers in particular, this may be the only remaining way they have of continuing to support insurance coverage for their workforce.

TANF

Washington's current TANF program, as part of the state's WorkFirst program, provides a very minimal cash grant (e.g. \$546 per month for a family of 3) in the context of other support services intended to fill in the income gaps as families attempt to get established in the labor market. Eligibility is very low (e.g. starts at

about 50% of FPL) but can extend closer to the poverty line if a family has earned income given that currently 50% of income is disregarded for eligibility purposes. In order to approach adequacy for low-income families just getting established in the job market, these policies need to be supplemented to increase income support, and to assist families in gaining skills and training needed to steadily increase income.

- **Community Jobs Expansion.** This is a supported work program which creates jobs in non-profits, with the TANF grant converted to work hours at the state minimum wage. The Department of Community, Trade, and Economic Development, which administers the program, also provides some case management to help participants resolve various barriers to employment. After 4-6 months participants move to unsubsidized employment. This provides initial experience for those with few skills, and helps create ties to future possible employers. Continued support and expansion of this program is recommended.
- **Expand income disregards.** In order to stabilize family finances during the transition up a career ladder, current policies to encourage work should be strengthened by extending the earned income disregard to 65% or 75% of income. This way, clients can remain eligible for assistance longer as their earnings increase.
- **Coordinate TANF with other policies to increase income support.** See discussion under the EITC, above.

An Essential Part of a Lasting Solution: Creating Pathways to Good Jobs.

Work supports work better, and require less in public expenditures, when there are adequate good jobs as well as career pathways in place to ensure that people have sufficient training opportunities to gain the necessary skills to obtain these quality jobs. As this report shows, while there is a higher than average proportion of good jobs in Washington, this is countered by a higher than average proportion of low quality jobs. As a result, we are in danger of creating a two-tier economy where some people are quite well off while at the same time a large proportion remains mired in low quality employment with dim prospects for career advancement. We can work to counteract this trend by ensuring that economic development policies target good jobs that are accessible to those with less than a BA, in addition to the high-tech jobs requiring advanced degrees. The second prong of this strategy entails strengthened access to career education, including for those adults already in the workforce.

Washington is starting to make many strides in increasing access to the technical training needed to jump the skill gap. The Opportunity Grant program, currently in an expanded pilot phase, provides grants for books, tuition and other support services for low-income people obtaining technical education for high-demand careers. The state has created, and has recently expanded, the Integrated Basic Education and Skills (I-BEST) program to integrate English language learning into technical education. These programs help to address financial and other barriers, but curricular reform is needed to ensure that the various programs at the colleges are accessible to people who need to work to support themselves as they obtain training.

The lack of any uniformity in requirements for degrees and certificates across many colleges mean that courses completed are often not portable as a person moves

within the state for work or for other reasons. Also, some skill-building certificates are either not credit-bearing, or do not qualify a person for higher standing in more advanced coursework.

For working adults, access is enhanced when courses are held at a wide variety of times, and can be taken in small “chunks” so that a person can continue to build skills while remaining in the workforce. In response, many colleges are creating “career pathways” curricula that emphasize modular learning and a series of sequential, labor-market validated certificates that allow someone to advance their training over time while also remaining in the workforce. But this approach is far from universal and needs to be expanded throughout the technical curricula to maximize access for working adults.

While better jobs providing better wages and benefits—and career pathways that allow working adults to skill up to these jobs—are key to aiding working families in need, work supports will remain critical to these families. We must therefore ensure that they are broadly effective. In Washington State, work supports at present do help to lessen the hardships gap for many. Still, many families are left to struggle to meet their basic standard of need. Making the work support system more inclusive of working families, simplifying processes, and extending the reach of the support system to eligible populations who do not currently receive the supports that they could be receiving will help Washington working families bridge the gaps. The recommendations set forth in this brief can help frame further policy discussions in our state about how we can ensure that all hard working families in Washington can get beyond the struggle to make ends meet. ■



330 Sixth Ave North, Suite 301
Seattle, WA 98109-4613
206.628.6975
www.seattlejobsinitiative.com