

GETTING INCENTIVES RIGHT: CONNECTING LOW-INCOME INDIVIDUALS WITH JOBS

HEARING BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES OF THE COMMITTEE ON WAYS AND MEANS U.S. HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS

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GETTING INCENTIVES RIGHT: CONNECTING LOW-INCOME INDIVIDUALS WITH JOBS

TUESDAY, MARCH 1, 2016

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:02 a.m., in Room 1334, Longworth House Office Building, the Honorable Vern Buchanan, [Chairman of the Subcommittee] presiding.
[The advisory announcing the hearing follows:]



WAYS AND MEANS

CHAIRMAN KEVIN BRADY

Chairman Buchanan Announces Hearing on Getting Incentives Right: Connecting Low-Income Individuals with Jobs

Congressman Vern Buchanan (R-FL), Chairman of the Ways and Means Subcommittee on Human Resources, today announced that the Subcommittee will hold a hearing entitled "Getting Incentives Right: Connecting Low-Income Individuals with Jobs" **on Tuesday, March 1, 2016, in Room 1100 of the Longworth House Office Building, beginning at 10:00 A.M.** At the hearing, members will explore opportunities to reform our welfare system to better meet the needs of job seekers and job creators, grow our economy, and move more American families forward. Members will specifically discuss the role that employers and programs, such as Temporary Assistance for Needy Families, play in helping low-income individuals compete and succeed in the workforce.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing. A list of invited witnesses will follow.

Details for Submission of Written Comments:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select "Hearings." Select the hearing for which you would like to make a submission, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Tuesday, March 15, 2016.** For questions, or if you encounter technical problems, please call (202) 225-3625 or (202) 225-2610.

Formatting Requirements:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any

materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.
2. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.
3. Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at <http://www.waysandmeans.house.gov/>.



Chairman BUCHANAN. The Subcommittee will come to order. Welcome to the Ways and Means Subcommittee on Human Resources hearing, on Getting Incentives Right: Connecting Low-Income Individuals with Jobs. Good morning. Welcome. First, let me say what an honor it is for me to be presiding over my first hearing as Chairman of the Ways and Means Human Resources Subcommittee. I'm looking forward to learning from and working alongside my colleagues on both sides of the aisle, addressing one of our nation's most pressing issues, that of helping people out of poverty into realizing the American Dream. I'm hopeful that we can work together in finding concrete solutions and offering real opportunities for people in need.

Over the past year, this Subcommittee has heard from a wide array of voices on helping low-income individuals move up the economic ladder. However, a perspective not often considered when most of us discuss these issues is that of the employer. As a business owner myself, I know there is an important role we play in providing real work opportunities for job seekers to compete and succeed in the workplace. I've seen it first-hand how a job can change a person's outlook in life and shape a brighter future.

With looming workforce shortages in the decades ahead, businesses are going to need all who can work to work. Yet we know all the working age adults who are in poverty, almost two in three that are in poverty, two in three are not working. The challenge is, how do we tap into this incredible work force and bridge the divide? I propose the answer lies in partnering with businesses and promoting work in our welfare programs.

For welfare recipients engaging in work, increased economic mobility can lead to a more financially stable life. And for employers, finding and retaining a strong work force is necessary for long-term goals and success. By getting the incentives right to address the needs of both groups, that of the job-seeker and that of the job-creator, we can grow our economy, help people find and grow their careers, and move more American families out of poverty and up in the economic ladder.

Today's hearing will highlight examples of how the public and private sector are partnering to encourage positive outcomes, when we move someone from welfare to work. And let me just say, as it relates to Florida, we have in Florida, we're growing at two to four—the country's growing at two percent, we're growing at four. We got a thousand people coming every day to Florida. And I can, I've gone through that before, being in business for 30, 40 years, where we're not, we don't have any workers. So this is a great opportunity to talk about this subject. Because it's critical to Florida and a lot of states. I'm sure Texas as well. I now yield to the distinguished Mr. Crowley, sitting for Ranking Member Mr. Doggett, for the purposes of an opening statement.

Mr. CROWLEY. Thank you, Mr. Chairman. Congratulations on your first Subcommittee hearing.

Chairman BUCHANAN. Congratulations for you to be in here, up here too.

Mr. CROWLEY. Thank you. Let's not go into that right now. But a thousand people a day coming to Florida, 998 I think are coming from New York. So, you're welcome. We all agree that a good-pay-

ing job is the best way out of poverty. But the problem with the Temporary Assistance for Needy Families program right now isn't a problem with the incentives being right for individuals or employers. After all, low-income parents want to work and want a better life for themselves and for their families.

Employers want to hire workers who can do the job and who can do it well. The problem is that the incentives are wrong for state governments. States are currently spending only eight percent of TANF funds, funds designated to move people from welfare to work, on work activities, even when you include all the activities related to TANF's core purposes, including the child care assistance low-income parents need in order to be reliable employees. States are still diverting more than half of their TANF funds to other purposes. It's especially frustrating that states aren't investing in work. Because today we know a lot more about the best ways to connect low-income parents with good, sustainable jobs that we, that, more than we did in 1996.

Early welfare studies might have suggested that work first, pushing people into first available jobs, no matter how unstable or low-paying, was just as effective as education and training, even though that contradicts everything we know about valuable education, and how valuable education is in our modern economy. But further research has shown that the right education or a skill upgrade is just as valuable for welfare recipients as it is for everyone else. In fact, a new study of Colorado welfare recipients found that career oriented community college credentials, ranging from certification to associates' degrees, led to large and significant earnings gains.

Unfortunately, the 12 month limit on education and training in the current TANF law strongly discourages this strategy, since these credentials often take longer than 12 months to earn. Community college is just one of many ways to help welfare recipients become the kind of employees that employers want to hire, to retain, and to promote. I'm looking forward to hearing from Dr. Christopher King about his research on two of the most promising strategies, lifting welfare recipients out of poverty, career pathways programs and two generation poverty reduction, which simultaneously helps parents and their children. Unfortunately states have not had an incentive to invest in these promising strategies, because we are not holding them accountable for their diversion of funds or for poor employment outcomes for welfare recipients.

We should also not forget that TANF recipients are parents. And even the most motivated parents can't be reliable employees if they don't have access to quality child care. The Congressional Research Service estimates that only 17 percent of eligible families receive help from the Child Care Block Grant. And state TANF investment in child care has dropped off sharply since the 1990s. I have introduced legislation to guarantee access to quality child care for children under age four. Something that would simultaneously improve outcomes for children, as well as their working parents. I look forward to working with Chairman Buchanan to refocus TANF on work and hold states accountable for getting results. A lot of parents who want to make a better life for their families are count-

ing on just that. And they're counting on us. So with that, Mr. Chairman, I yield back to you.

Chairman BUCHANAN. Without objection, other members' opening statements will be made a part of the record. Today's witness panel includes five experts: Mr. Mark Wilson, President and CEO of the Florida Chamber of Commerce, represents over a 100,000 businesses, a part of a federation in Florida. Mr. Blame is based in Grand Rapids, Michigan, with—he's Executive Vice President of Cascade Engineering. It's a global manufacturing company that started a welfare to career program almost two decades ago, as the way to tap into an underutilized population to fill a looming workforce shortage within the company. And has done that with hundreds of employees.

So I'm really looking forward to your, your comments. Mr. King, a Senior Research Scientist and Lecturer of the University of Texas at Austin. He leads a team, designing and analyzing job strategies for low-skill, low-income parents. Ms. Barbara Doucet is Corporate Director of Human Resources, Omni Hotels and Resorts. Oversees hiring and training for the hotel in multiple states. She has forged critical relationships with local governments and schools, creating internships and training programs. Ms. Larrea is President of Workforce Solutions, in the Great Dallas Area. Oversees public funded employment and training programs, viewing employers as customers of these systems, in an effort to help low-income individuals in the Dallas region, help them to keep and obtain good jobs. Let us begin with Mr. Wilson, with—you may proceed with your testimony.

**STATEMENT OF MARK WILSON, PRESIDENT AND CEO,
FLORIDA CHAMBER OF COMMERCE**

Mr. WILSON. Thank you, Mr. Chairman, and thank you, distinguished members of this Committee. I thank you for the opportunity to appear before you today. My name is Mark Wilson, and as the Chairman said, I am the President and Chief Executive Officer of the Florida Chamber of Commerce. The Florida Chamber of Commerce is Florida's largest federation of employers, local chambers of commerce, trade associations. And we're focused entirely on securing Florida's future by advancing economic opportunity for all.

In Florida, we create one out of every 11 new U.S. jobs. And as the Chairman said, we're adding a thousand new people a day. But I would be quick to add that the number one concern that I hear about from employers throughout our great state is the inability to find talent. And so what we have here before us today is a perfect match. We have employers that need to create jobs and we have people who need the skills and talent to fill those jobs. I'm very optimistic from what I've heard so far today.

I know our nation has many challenges, but this Committee taking time to focus attention on issues such as generational poverty and on reforming our welfare program, is a major step in the right direction. And it is my honor to be part of this discussion today. In my view, the battle of this generation is between economic equality and economic opportunity. Between those who believe that everyone is entitled to equal outcomes and those who believe everyone should have an equal opportunity at earned success, unfortu-

nately we will always have poverty. The kind that results from temporary setbacks, such as job loss, foreclosures, or unexpected challenges. And the Florida Chamber believes safety nets are in fact necessary to help return families to a productive, work-based solution. We can break the cycle, and create greater economic opportunities for the next generation.

Much has been said about the one percent in this country. The one percent at the top. And I want to put on the record today, I think the one percent can largely take care of themselves. But what about the 20 percent at the bottom? I want to applaud you for focusing our attention on what can we do as a nation, as an employer community, to help those in the bottom 20 percent. That's where our focus should be.

To me and many of Florida's business leaders, breaking the cycle of generational poverty is not only a moral imperative, it's also a smart business decision. Almost half of all children born in generational poverty remain in poor economic conditions until adulthood. And in Florida, unfortunately, one in four Florida children are living in poverty today. Right now, approximately 3.7 million Floridians are on food stamps, and nearly 60 percent of Florida's 2.8 million students are eligible for free and reduced price lunch. More than 3.3 million Floridians don't know where their next meal will come from.

While Florida is home to more than 1.1 million Floridians with unique abilities, between the typical working ages of 16 to 65, the Florida Chamber Foundation report that we recently did shows that a disproportionately high number of those are unemployed. Over 712,000 Floridians with unique abilities may actually be looking for work. So I ask you to please consider them as we forge solutions of welfare to work. To remain at a level of five percent unemployment in Florida, businesses need to create 800,000 new jobs by 2020 and two million new jobs by 2030. And I say that to say that in that same year, one third of our current work force in Florida will likely be retired. This is why it's essential to help every Floridian who wants to find work find a job.

Creating greater economic opportunity for everyone starts with a high quality education. And at the Florida Chamber, we believe that a quality education and workforce development system are the pathways to prosperity that will enable Floridians to compete in a global economy. The Florida Chamber Foundation's recent report, "From Excuses to Excellence," shows that Florida student achievement has gone from being ranked 48th in America in graduation rates, to seventh in educational achievement.

Schools thought to be stuck at the bottom because of poverty and other challenges have proved that all students can truly learn at higher rates. Through higher standards and the miracle of Florida's tax credit scholarship program, Florida's fourth graders are some of the best readers in the world. And Florida's African American students ranked number one in the nation in student achievement gains. Talent is replacing the tax incentive as the most important factor in economic development decisions. And this is a huge opportunity for those trying to work their way out of poverty.

Some people say we have an unemployment problem. The truth is, we have a talent gap problem. And in Florida right now, we

have 287,000 open jobs. There's a match that we can make here between those stuck in generational poverty and those employers who have those jobs. In closing, we must focus on smarter public policy that puts students first. We must put the next generation first. The Florida Chamber believes in the importance of this issue, both economically as well as morally. And I pledge to this Committee to be a leader with you, both in Florida and nationally, to invest real resources behind putting a long-term solution, to finally breaking the cycle of generational poverty, so that every Floridian and every American has the opportunity of achieving the American Dream. Again, thank you for focusing on one of America's best opportunities.

[The prepared statement of Mr. Wilson follows:]



Statement of the Florida Chamber of Commerce

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

TO: U.S. House Committee on Ways and Means, Subcommittee on Human Resources

BY: Mark Wilson, President and CEO, Florida Chamber of Commerce

DATE: March 1, 2016

Chairman Brady, Ranking Member Levin, Chairman Buchanan, Ranking Member Doggett, and distinguished members of the committee, thank you for the opportunity to appear before you today. My name is Mark Wilson and I am President and Chief Executive Officer of the Florida Chamber of Commerce. The Florida Chamber is Florida's largest federation of employers, local chambers and trade associations, and we are focused on securing Florida's future.

I am honored to testify today as you seek to develop bipartisan solutions to reform our welfare system to better meet the needs of job seekers and job creators, grow our economy, and move more American families toward prosperity. Chairman Buchanan, it was great to have you as Chairman of the Florida Chamber from 2004-2005. You have firsthand experience as a business owner in our state of creating prosperity for all Floridians.

The battle of this generation is between economic equality and economic opportunity – between those who believe that everyone is entitled to prosperity and those who believe everyone is entitled to the *opportunity* to succeed. Advocates for so called "income equality" use talking points to tear down job creators and malign Florida's wage earners. Instead, the focus should be on the real issue – how to extend prosperity and opportunity to more, especially those imprisoned by the cycle of generational poverty.

Consider the argument that the top "one percenters" are the problem. If that's true, then barbers, nurses, construction workers, truck drivers, and teachers are among those at the root of the problem. Let me explain. The top one percent of wage earners worldwide earn \$34,000 or more. That doesn't exactly fit the storyline so it is simply omitted. Yet in Florida, the average worker earns at least \$41,000 per year.

According to the United Way's most recent *ALICE Report* (Asset Limited, Income Constrained, Employed), Florida has 1.1 million households with income below the Federal Poverty Level (FPL) but also has 2.1 million ALICE households, which have income above the FPL, but below the ALICE Threshold. The numbers are staggering: in

total, 3.2 million households in Florida – fully 45 percent, triple the number previously thought – are struggling to support themselves.

ALICE households are working households; they hold jobs, pay taxes, and provide services that are vital to Florida's economy in a variety of positions such as retail salespeople, customer service representatives, laborers and movers, and health care aides. The core issue is that these jobs do not pay enough to afford the basics of housing, child care, food, health care, and transportation. Moreover, the growth of low-skilled jobs is projected to outpace that of medium- and high-skilled jobs into the next decade. At the same time, the cost of basic household necessities continues to rise.

Contributing to that rise in cost is lawsuit abuse. According to the Institute for Legal Reform, Florida currently ranks 44th in lawsuit abuse, an all-time low. Florida families pay a "lawsuit tax" of approximately \$3,400 per year because of lawsuit abuse, money that could be spent on gas, clothing, groceries and other necessities – added costs which disproportionately impact those most in need.

Part of the challenge is that all of these issues are interconnected. In response, too many government programs at all levels are too disconnected and are clearly doing more harm than good. Earned success is the key to equal opportunity and the government would serve our citizens better by promoting success, rather than perpetuating support.

There will always be poverty, the kind that results from temporary setbacks such as job loss, foreclosures, or unexpected challenges, and the Florida Chamber believes safety nets are necessary to help return families to a productive work-based solution. The goal of these programs should be to get Americans who have fallen on hard times back on their feet – a lifeline, but not a lifestyle. While necessary, entitlement programs can have the unintended consequence of creating dependency, exacerbating the underlying issues and enabling a system that keeps those within it captive, unable to climb out.

We can break this cycle and create greater opportunities for the next generation. By removing the shackles of government entitlement programs that are holding far too many Americans in poverty, incorporating greater educational opportunities and allowing free enterprise to create more private-sector jobs, we can break the cycle of generational poverty and expand the American Dream to every American.

Florida's Challenge

To me, and to many of Florida's business leaders, breaking the cycle of generational poverty is not only a moral imperative, it's also a good business decision. Almost half of all children born in generational poverty remain in poor economic conditions into adulthood, and in Florida, 1 in 4 Florida children are living in poverty. The cost of child poverty in the U.S. is estimated to be \$500 billion a year in lost productivity and increased spending on health care and the criminal justice system.

Right now, approximately 3.7 million Floridians are on food stamps, and 58% of all Florida students are eligible for free and reduced price lunch. More than 3.3 million

Floridians don't know where their next meal will come from or they have to choose between spending money on food or paying their bills. The economic impact of hunger is estimated to cost Florida taxpayers \$11.72 billion annually.

Florida's homeless population ranks 3rd largest in the nation. The *2015 Annual Homeless Assessment Report* estimated that nearly 36,000 adults in Florida were homeless and Florida public schools reported an astounding 73,322 children as homeless or having unstable housing last year. Homelessness not only affects the individuals and families living in poverty, but also impacts the local and state economy and future prosperity.

While Florida is home to more than 1.13 million Floridians with disabilities between the typical working ages of 16 to 65, new data from the Florida Chamber Foundation shows not only a disproportionately high unemployment rate for Floridians with disabilities, but also more than 62.9 percent – almost 712,000 – are not in the workforce and may want to work.

The results of the report, *Quantifying the Unemployment Rate for Workers with Disabilities in Florida*, show that not only is the unemployment rate for Floridians with unique abilities substantially higher than the overall unemployment rate, the variability of the rates across counties is also extremely high. While the annual average unemployment rate for 2014 was 6.3 percent, the unemployment rate for Floridians with disabilities in the 40 most-populated counties was 18.1 percent. Chamber Foundation Chief Economist Dr. Jerry Parrish's groundbreaking data has been a missing piece of important information in measuring progress among Floridians with disabilities.

Affordable housing and access to transportation are basic needs that far too many go without on a daily basis, limiting them from excelling in today's workforce. And sadly, the 1,472 zip codes in Florida are still a determining factor in the quality of education our students receive, despite significant gains Florida has made to prevent this.

Let's face it, there is simply no substitute for a quality education. However, even as our schools improve, many students cannot overcome the challenges generational poverty presents. Studies show that 40 percent of students with mothers who didn't graduate from high school also didn't graduate from high school by age 19. Oftentimes, crime enters the picture. In Florida, we spend more than \$2 billion annually to house more than 100,000 prisoners in 55 state prisons. And when prisoners are released, sadly one of every three returns to prison within three years, another cycle we need to break if not prevent in the first place.

Florida's Opportunity

As bleak as this picture is, there is hope as long as we focus on long-term solutions. That is what we are doing in Florida and I believe soon the rest of the country will follow our example. We recently eclipsed New York as the 3rd most populous state with an estimated 20.27 million residents. On top of that, Florida is forecast to add 6 million more residents by 2030, the current rate is 1,000 net new people moving to Florida every day.

To accommodate this influx, Florida's businesses will need to create 800,000 jobs by 2020 and 2 million by 2030. In that same year, one-third of our current workforce is highly likely to be retired. That is why it is crucial that we help every Floridian that wants to work find a job.

Creating greater economic opportunities for everyone starts with high quality education. At the Florida Chamber of Commerce, we believe that a quality education and workforce development system are the pathways to prosperity that will enable Floridians to compete in the 21st century global economy.

The road to a high-wage job must begin at the earliest of ages – after all, 85 percent of brain growth occurs by age three. Preparing Florida's youngest students to learn provides a foundation that will prepare them for success. Building on that foundation must continue throughout a student's education. Rigorous standards in Florida's classrooms are further helping students develop strong reading skills, write well, think critically, and develop other soft skills.

The Florida Chamber's recent report, *Excuses to Excellence*, shows that Florida student achievement has gone from being ranked 48th in the nation in graduation rate to 7th in educational achievement. Schools thought to be stuck at the bottom, allegedly due to poverty and other challenges, proved that all students truly can learn at high rates. Florida's education system includes a special focus on STEM which is peaking an interest in future high-wage employment sectors, and further helping students focus on career and college readiness while developing the skills needed to enter one of Florida's higher education institutions.

Research from the Florida Chamber Foundation shows that in just five short years, 65 percent of all job openings in the U.S. will require some post-secondary education. Some people say we have an unemployment problem. The truth is, we have a talent gap problem. In fact, right here in Florida today, we have more than 287,700 open jobs. These are businesses that simply can't find the talent to fill the open jobs they have. As we fight to create economic opportunities for everyone, we simply cannot rest until we close the talent gap.

We must focus on smarter public policy that puts students first, invests in early childhood education and inspires the next generation of workers and innovators. Jobs and education create equal opportunity and hope for all Floridians, including our most vulnerable residents.

Florida's business leaders have accepted the challenge to focus on prosperity as an economic driver and find solutions to break the hold of generational poverty. However, if we are going to help break this cycle, leadership must come from the business community, not just the tax base. The Florida Chamber believes in the importance of this issue, both economically as well as morally, and we are poised to be a leader both in Florida and nationally. We're putting politics aside and real resources behind finding a

long-term solution to breaking the cycle of generational poverty so that every Floridian has the opportunity of achieving the American dream.

But it won't happen overnight and government still has a role - with safety nets, not safety snares. There hasn't been a country in the history of civilization better than the United States at providing the opportunity to achieve more than your parents and put your children on a still better path and it is the free enterprise system that makes that possible.



Chairman BUCHANAN. Thank you, Mr. Wilson.
Mr. Brame, you can proceed with your testimony.

**STATEMENT OF KENYATTA BRAME, EXECUTIVE VICE
PRESIDENT, CASCADE ENGINEERING**

Mr. BRAME. Good morning, and happy Super Tuesday. I'd like to thank Chairman Vern Buchanan and the entire Subcommittee on Human Resources for giving me this opportunity to testify today. Once again, my name is Kenyatta Brame. I am the Executive Vice President for Cascade Engineering, a manufacturing company headquartered in Grand Rapids, Michigan. Founded in 1973, Cascade Engineering consists of nine businesses, with a core competency in manufacturing large-scale plastic injection molded parts. We are in many different fields and industries, including waste and recycling, valet, trash, agricultural and industrial material handling, automotive, truck and bus, office heating, polymer techs, and asset management.

Cascade Engineering is a B Certified Corporation, and a Triple Bottom Line Company. This means we measure our performance in three specific areas: people, planet and profit. We believe that business is one of the most powerful forces on the planet and that we have a clear responsibility to make profits for our shareholders. And we have equal opportunity and responsibility for, to our employees, our community and our environment.

At Cascade Engineering, we believe in breaking down barriers. These barriers including criminal background, racism, physical disabilities, and poverty, among many others. Today I've been asked to testify about our welfare to career program. We are very proud of this initiative, a program that partners businesses and state agencies to help identify, train, and provide support to individuals in poverty.

We believe that given an opportunity, combined with proper training and the support of culture, individuals can transition from reliance on welfare to self-sustaining, long-term careers, at Cascade Engineering. This journey began in the mid-90s, when Fred Keller asked Ron Jimmerson, one of our Human Resource managers, "What can we do to hire people on welfare?" Ron was the right person to ask, because he had grown up in generational poverty and had an acute awareness and understanding of the difficulties welfare recipients faced.

In the beginning, we had many setbacks, but we continued to learn from our mistakes. We continued to learn. Some of our welfare recipients had never worked in a manufacturing environment. Many of our supervisors had little experience or tolerance for working with individuals who had difficulty getting to work because of transportation, housing or child care issues. During this stage, we learned that employees on welfare could exceed if provided with clear expectations, needed resources, proper training, and appropriate work environment. At the same time, our leaders were being trained to better understand the needs of someone coming out of generational poverty. Although we were making great strides forward, we also learned that we needed a partner.

In 1999, Joyce Gutierrez Marsh, from the Michigan Department of Human Services, or DHS, was assigned as a social worker to

handle all of Cascade Engineering's welfare to career clients. Joyce relocated her office to Cascade Engineering, becoming the first social worker in the state of Michigan to be stationed at a business site. Joyce worked with Ron Jimmerson to develop an orientation process and a readiness assessment process for welfare recipients, to identify and avoid pitfalls before they started to work.

To further assist the process, we developed several policies, including a rule that all HR representatives contact Joyce with important concerns related to our welfare to career employees. Problems related to attendance, tardiness or performance were identified and quickly handled when Joyce was involved. This collaboration was an immediate success and greatly reduced the high turnover we were previously seeing with our welfare to career clients.

When Amy Valderas, when she registered for welfare, she was out of work, a single mother with three small children, living with her sister. She had no idea how was she going to make ends meet. She was hired by Cascade Engineering, enrolled in our welfare to career program, and now 16 years later, Amy is still with us, completely off welfare. She overcame the benefit cliff, as one of our star employees who is admired by her peers. She owns her own home, and two of her three children have already graduated from college. And this is just one of our many stories.

In 2002, Cascade Engineering joined a new coalition of businesses working in concert with DHS, to expand the welfare to career model to other companies. This coalition is called The Source, and is comprised of 15 member companies. Last year, we serviced over 400 welfare to career clients. And the group has a 97 percent monthly retention rate. This is more than double the retention rate of all other DHS clients in the county.

Currently Cascade Engineering has 84 employees involved in the welfare to career program. 37 of these individuals are still receiving some level of assistance, with 47 of these individuals no longer receiving any subsidy whatsoever. Over the last 17 years, we have positively impacted hundreds of people and their families. More importantly, our employees who have completed our welfare to career program are successful members of society who can take care of their families and provide them a better quality of life.

In many cases, they are the first individuals in their families to break out of generational poverty. We are honored to be part of this special project, and look forward to continuing this work in breaking the cycle of generational poverty. Thank you.

[The prepared statement of Mr. Brame follows:]

Cascade Engineering
3400 Innovation Court
Grand Rapids, MI 49424

Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Getting Incentives Right:
Connecting Low-Income Individuals with Jobs

Good morning, I would like to thank Chairman Vern Buchanan and the entire subcommittee on human resources for allowing me an opportunity to testify before you. My name is Kenyatta Brame and I am the Executive Vice President and Chief Administrative Officer for Cascade Engineering a manufacturing company headquartered in Grand Rapids, Michigan. The Cascade Engineering Family of Companies is comprised of nine diversified business units with a core capability in large scale plastic injection molded parts. We are active in many different markets including waste and recycling, valet trash, agriculture/industrial material handling, transportation (passenger vehicles and large truck), office seating, polymer compounding and RFID asset management.

Cascade Engineering is a Triple Bottom Line (TBL) company. This means we focus on our performance in three specific areas People (society), Planet (environment) and Profit (financial success). We believe that business is one of the most powerful forces on the planet and that we have a clear responsibility to our shareholders to make a profit, but that we have an equal responsibility to our employees, our community and our environment. Since 2003 we have produced our annual TBL report, which captures our performance in these three areas. We believe business has the power to create positive change and make a positive difference in our world.

We are also one of the largest Certified B Corps in the world. Certified B Corps are recognized for using the power of business to positively impact society while solving social and environmental problems. Cascade Engineering is one of 1,619 companies, located in 47 countries and representing 130 industries that comprise the B Corp community. To be certified, companies must conduct a rigorous impact questionnaire comprised of five sections: environment, workers, customers, community and governance. We are honored to be a certified member of this organization which closely aligns with our triple bottom line philosophy.

At Cascade Engineering we believe in breaking down barriers to employment, these barriers include; criminal background, racism, physical disabilities and poverty among many others. We believe that given an opportunity combined with proper training and a supportive culture, individuals that are on welfare can have a long-term career at Cascade Engineering. We are very proud of our welfare to career program, a program that partners business and state agencies to help identify, train and provide support

to individuals in need. The success of our Welfare to Career program has led to the creation of our “Returning Citizens” program which is focused on hiring individuals who have been previously incarcerated for felony convictions.

Fred Keller founded Cascade Engineering in 1973 and it is a family owned private business. Fred has always believed that a business could be financially successful while treating all employees with respect and dignity. Since inception Cascade Engineering has always believed that all people should be valued as human beings, not only for the work they do. Today, Cascade Engineering employs 1600 people in 14 U.S. locations with additional operations in Budapest, Hungary. Projected annual revenue for the 2016 FY is anticipated to be approximately \$400M.

Today, I have been asked to testify about our “Welfare to Career” (W2C) program. Fred had a desire to help welfare recipients break the cycle of generational poverty and foresaw benefits for the company, its employees and the community. Fred discussed this with Ron Jimmerson who at the time was a human resources manager.

Ron grew up in generational poverty and he had an acute awareness and understanding of the difficulties welfare recipients faced. These two men with varied cultural backgrounds developed a shared vision of what a welfare-to-work program might look like. We made many mistakes initially and retention rates were very low to non-existent. These ultimately were attributed to the dichotomy created when you combine people who may have never worked in a manufacturing or professional environment with career supervisors and managers with low expectations and little experience working with people from generational poverty.

The partnership had not considered that welfare recipients were unaccustomed to a manufacturing culture and the responsibilities involved, while at the same time supervisors were ill equipped to handle employees who had difficulty coming to work due to lack of transportation, childcare or other issues. We had many setbacks getting this program started and it was far from an immediate success but we continued to learn from our mistakes. About this time the 1996 national welfare reform program was enacted to put people who were receiving public assistance to work. This act placed the authority to control the funding and programs in support of that goal under local government and business leaders.

Once Cascade changed its approach welfare clients could better understand and embrace life in the working world. Given hope, proper training and an appropriate working environment, increased their self-esteem. At the same time managers and supervisors were educated to better understand the needs both emotionally and physically of someone working with a history of generational poverty.

In 1999, Joyce Gutierrez Marsh was named as a dedicated social worker to handle all DHS/Cascade Engineering clients. DHS committed to provide available support services for a minimum of one year after hiring. Joyce worked with Ron Jimmerson to develop an orientation process for welfare recipients to better assimilate them into Cascade Engineering. The DHS developed a contractual agreement with The Rapid for bus service and assistance with transportation needs of W2C workers. Joyce began to

conduct structured interviews with all welfare applicants and make recommendations for W2C candidates. We developed a policy mandating that all HR representatives contact Joyce if any problems related to W2C employees arose. Problems related to attendance, tardiness, performance or poor behavior, once identified, fostered early intervention and quick resolution once Joyce was involved.

This collaboration between a private company and local government agency was the start of our Welfare to Work program. We changed the name from the original Welfare to Work program to the Welfare to Career program because it more accurately reflected our intent. In November of 1999, Joyce was relocated with an office on site at Cascade Engineering. Her computer was linked to the DHS system allowing her to access all of her client files and communication with all local government agencies. Joyce was the first social worker in the state of Michigan to be relocated from a government office to a business site.

Joyce's expenses were shared 50/50 with the state of Michigan – another first and an example of government and business working together. This collaboration was recognized as an immediate success and greatly reduced the high turnover we were seeing with our W2C employees previously. Joyce was able to focus her attention on hiring viable candidates and retaining those already working.

If any Welfare to Career client is absent, Joyce can contact that individual and determine the cause of the problem as well as recognize and offer any assistance as required. As a Michigan social caseworker, Joyce can ask many questions that a Cascade Engineering human resources representative cannot. Joyce is empowered to determine whether or not certain circumstances were driving certain behaviors. Joyce is further able to ask if inadequate child care, insufficient transportation or other circumstances were the root cause of the problem and is able to offer state sponsored resources available to her. Joyce can offer solutions for child care, transportation or safe housing if required. Most importantly our Welfare to Career employees have an ally in Joyce, who is here to help them be successful in pursuit of a career with Cascade Engineering.

When Amy Valderas went to the local Michigan Department of Human Services to register for welfare she was out of work and a single mother with three small children living with her sister. She had no idea how she was going to make ends meet. Luckily, a DHS employee mentioned Cascade Engineering and she called us in search of a job. Amy had a desire to improve her situation and provide for her children. As Amy explains, "the work was very difficult, I was on my feet most of the day as a production worker, and came home every night exhausted. I didn't think I could continue working like this and I was also having a difficult time getting to and from work. There was limited transportation, bus schedules did not coincide with my work schedule and family and friends could not always be relied on to drive me to and from work. I met with Joyce and explained the difficulties I was having and the first thing she did was help me buy my own car. Not only did Joyce help me get a car she became my friend. When I had issues with day care Joyce helped me find adequate day care, so I knew my kids were well taken care of while I was working."

Sixteen years later, Amy is training others at our 33rd Street plant and she is a level C core employee, meaning she earns the top level of income possible for her job. She owns her own home and two of her three children have graduated from college. Her children tell her, “it’s because of you Mom.” She is a recognized leader by her peers. She has been interviewed by NPR, written about in case studies and featured in the media, she visited the White House as Cascade Engineering received the Ron Brown Award for Corporate Leadership in 1999 and was introduced by Michigan Governor Rick Snyder at his State of the State address in 2015, as an example of a true success story as a result of our Welfare to Career program.

To help develop the W2C program we held a “Dialogue” session for top management, DHS officials and first – line leaders to obtain input on how the program was working and how it could be improved. As a result of this “Dialogue” session the DHS developed an employment readiness assessment that Joyce completes for prospective Welfare to Career applicants. This assessment helps identify and resolve barriers prior to hiring the candidate. Cascade Engineering also mandates that all prospective Welfare to Career employees complete the readiness assessment and Joyce must approve all new hires.

In 2002, Fred Keller, Ron Jimmerson, Mark Peters (CEO of Butterball Farms) and Andrew Zylstra (DHS Director) met with CEO’s from 10 local manufacturing companies and they agreed to provide funding for a new coalition of businesses working in concert with FIA caseworkers to expand the Welfare to Career model to their companies. This new organization became the “SOURCE”. The SOURCE is an acronym for – Southwest Organizations Unifying Resources for our Community and Employees. The SOURCE was established as a 501(c)3 non-profit organization.

Today, the SOURCE is comprised of 15 member companies mostly in the manufacturing sector. Last year they served almost 400 W2C clients providing key navigation and service support with the ultimate goal of keeping them employed. They have a 97% monthly retention rate for their DHS cases. That is more than double the retention rate for all other DHS cases in the county. This retention is reached by focusing on early intervention with employees, front line leaders and HR staff. They receive regular attendance reports and get preventative calls to ensure their caseworkers engage on the barrier to work early before they become problems.

Our Welfare to Career model developed in concert with DHS has been replicated in three other states: Worklife Partnership (Colorado), Connect for Success (WA) and Working Bridges (Vermont).

Today Cascade Engineering has 84 employees involved in our Welfare to Career program. 37 of these people are still receiving some DHS assistance while 47 no longer need DHS assistance and are completely self-sustained. Over the last 17 years we have positively impacted hundreds of people and their families.

Most importantly the people who have successfully completed our Welfare to Career program have regained their self-confidence and self-esteem. They are contributing members of society who can take care of their families and provide them with a better quality of life. In many cases they are the first individuals in their families to breakthrough a tradition of generational poverty. We are honored to be a part of this work and look forward to continuing this work of breaking the cycle of generational poverty.



Chairman BUCHANAN. Thank you, Mr. Brame.
Mr. King, you may proceed, please.

STATEMENT OF CHRISTOPHER T. KING, Ph.D, SENIOR RESEARCH SCIENTIST AND LECTURER, RAY MARSHALL CENTER FOR THE STUDY OF HUMAN RESOURCES, UNIVERSITY OF TEXAS AT AUSTIN

Mr. KING. Thank you, Mr. Chairman, Members of the Subcommittee. It's an opportunity to be here, and share my thoughts. Five minutes is going to be tough. I'm an academic, but I'm going to do my best. So I guess the main message I have is that we now know a whole lot more about how TANF works. Welfare policies. We know a lot more about what effective workforce strategies look like. We know a lot more about how labor markets operate today than we did almost 20 years ago, when TANF came into being. And I think with that new knowledge, I think we can shape better policies and strategies for dealing with this environment, to help poor families succeed.

That said, I think simply connecting the title of this hearing, welfare parents, with employers, is insufficient to make things work well for them. It probably never was. I think what we need are strategies that basically support parents to get the kind of education, training and credentials that employers are looking for. And we can do that by working together with employers and other public programs, like the Workforce Investment Act and Workforce Innovation and Opportunity Act programs.

And we have some slides, which I'm sure—there we go. So first slide. I think the one—next slide.

[Slide]

One thing we do know is that if given the opportunity and given the supports—this is a slide from the Center for Budget and Policy Priorities—that poor moms will step up. Their behavior in the labor market looks no different than other women in the labor market these days. And that's encouraging. Right now, I think TANF does too little to help these families. And if we could tweak our policies a bit, even modestly, I think it could do much more, again, in tandem with connecting to employers and other public programs. And I'll get into some of that in just a minute.

The evidence that we have about effective strategies, really, we're talking about career pathway strategies, that structure opportunities within community and technical colleges, that work for solutions, and other groups out there connect with. Also building in stackable credentials, that poor families can build to get towards better jobs, better pay, better career advancement opportunities. And these are also often connected with sectoral strategies. So focusing on things like health care, advanced manufacturing, high level construction, where we still have career advancement opportunities, and these families can move up.

[Slide]

And I'll move to the next slide. I'll cite one example of an excellent program that's operating in Austin, Texas, which the Ray Marshall Center, that I led for about 25 years, helped design this and other programs. So the top line shows the earnings for those who

went through a career pathways sectoral strategy. The bottom line is basically a comparison group.

So this is a rigorous evaluation piece. What you maybe can't see there is that we've got at least eight years of post-program evidence on how these families are doing. The participants, relative to a comparison group. And you can see, that line is getting bigger over time. So again, the message is, a career pathway strategy ensconced in a sectoral strategy and with some bridge program help. Remedial education to help them get the basic skills up, it works. We also have some return on investment evidence that echoes that. Returns are very strong, and I can go into that in questions if you'd like. So that's one.

Two, we also have been working on what are now called two-generation strategies. I see TANF as being potentially an enormous opportunity to work both with parents and their children simultaneously, with quality human capital skills building interventions. We know that when we do that, we get good results over time. And we have research underway that's going to demonstrate that, I think, more clearly.

[Slide]

The next slide is maybe one example. This is a SNS framework from just across town. Different components of what a two-gen strategy could include. I'll go to the next one. This is a framework that we've used in the model that we designed for Tulsa, Oklahoma, working with their high-quality Head Start program there, and lining people up with, the parents up with a career pathway and a sectoral strategy in healthcare, with support from HHS here in Washington.

[Slide]

Next slide, this is kind of maybe a better concept for how all the pieces can be put together. What I will say is that the way TANF is currently structured, it's often difficult to do that. I'll wrap up my points. The thing I would leave you with is that labor markets today are very different than they were 20 years, when we were thinking about TANF. We don't have as many career pathway opportunities. People get a job. If they're not in their right employer—the progressive ones that we have at this table—if they're not in the right high demand sector, they can be left basically moving back and forth and never making progress.

So again, I encourage us to think about structuring our work participation requirements, keeping states from diverting resources, focusing more on building human capital.

Thank you.

[The prepared statement of Mr. King follows:]

**Testimony before the Subcommittee on Human Resources
US House Ways and Means Committee**
Getting Incentives Right: Connecting Low-Income Individuals with Jobs
March 1, 2016

Dr. Christopher T. King
Senior Research Scientist & Lecturer
Ray Marshall Center, Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin

Mr. Chairman and members of the subcommittee, thank you for the opportunity to speak to you this morning. I really appreciate being able to share my thoughts and reflections on TANF and incentives for helping low-income individuals secure jobs that will help them and their families leave welfare, become economically self-sufficient and exit poverty. These are issues I have spent most of my career researching since the mid-1970s. Of course, these are my views, not those of the University of Texas at Austin or any of my funders.

The gist of my testimony this morning is as follows:

- I'm not here to revisit the 1990s debates around the Personal Responsibility Act and TANF. We now have a wealth of information that we can use to shape more effective policy and program responses. Information about TANF, about effective new workforce strategies, and about labor market dynamics and how they affect families' chances for success.
- Simply "connecting" low-income individuals with jobs is no longer sufficient and likely hasn't been for some time. We need to help them prepare for and gain access to good jobs offering good pay and career advancement opportunities. This is the best way to help them and their children succeed economically.
- As currently structured, TANF does too little to help poor families succeed and, in fact, often acts as a barrier to their success. Even without spending more, existing TANF resources could be deployed more effectively to help these families with some straightforward policy changes, particularly if states could be induced to stop diverting TANF to other purposes and instead, expend more of their scarce TANF dollars directly supporting families and investing in their human capital. That said, more resources clearly would help as well.
- Rigorous evidence suggests that career pathway and sectoral strategies, which are becoming more common across the country and are strongly encouraged under the Workforce Innovation and Opportunity Act (WIOA) of 2014, are highly effective approaches to helping such families succeed over time.
- Also, two-generation strategies, as championed by the Aspen Institute's Ascend Program (of which I was an inaugural Fellow) and embodied in Tulsa's CareerAdvance® Program, offer a highly promising approach to addressing multi-generational poverty and could serve as one important model for TANF going forward. With the right policies in place, TANF could more easily partner with state and local WIOA, Head Start, Early Head Start, childcare and other federal/state programs to help parents and children move ahead together.
- In the absence of changes in TANF policy, poor families face an increasingly inhospitable labor market in which they are forced to compete for low-paying jobs offering few opportunities for economic advancement. They and their children will suffer continuing disadvantage.

- Recommended changes to TANF include:
 - Changing TANF work participation to include postsecondary education, adult basic education, ESL and training for high-wage jobs as work activities. This would also include time spent in class, doing homework, etc.
 - Revising TANF reporting outcomes to include credential attainment, employment, employment retention and earnings.
 - Aligning TANF measurement with WIOA and other programs using common metrics.

TANF: The Promise and Practice of Welfare Reform

When the Personal Responsibility and Work Opportunity Reconciliation Act was signed into law in August 1996 after considerable debate, it was the most significant reform of the nation's welfare system in six decades. One of the more important themes to emerge in the debate about the role of welfare in the 1990s concerned tightening up on welfare eligibility and requiring more "personal responsibility" on the part of recipients, in return for which they would be treated as the "deserving poor."¹ I think it fair to say that very poor families generally lived up to their end of this social bargain, while policymakers at all levels did not in many respects.²

One aspect of the new Temporary Assistance to Needy Families (TANF) law that originally appeared to have some basis in research was what came to be known as 'work-first', a family of approaches that stressed light-touch, labor force attachment services for welfare mothers before putting them into jobs in the belief that they would "get a job, get a better job, get a career." In hindsight it appears the evidence for the effectiveness of work-first was based on measurement periods that were too short for even the most rigorous evaluations to capture the true impacts of the treatment.³ Using longer outcome measurement periods, the impacts of labor force attachment programs on employment and earnings tended to fade and that those of skills oriented human capital investments tended to grow and endure.⁴ More on this shortly.

TANF Funds Accounting. After responding reasonably well to the challenges presented by TANF in the early years of implementation, over the ensuing decades, governors and state legislatures appear to have increasingly diverted their federal and state TANF dollars to pay for many other things. According to the Center for Budget and Policy Priorities (2015), in 2014 states only spent 8% of their TANF funds on Work-related Activities and Supports. Even counting spending on other core purposes of TANF, like basic assistance and child care, states spent less than half their funds on what are referred to as core purposes, and fully 34% of their TANF dollars were spent on Other, e.g., child welfare, early education, after-school programs. To the extent that such spending furthers poor families' efforts to succeed, this can be a good thing. However, there are indications that federal TANF dollars may be displacing state expenditures on these areas, especially as their budgets have felt the strain of recessions, aggressive state tax cuts and, recently, falling oil and gas prices. It is also the case that the value of federal TANF dollars has eroded considerably over time due to inflation and that loss of resources to support work has been seriously exacerbated by state diversion.

¹ For an excellent discussion of these issues, see Moffitt (2014).

² Moffitt (2014) shows that in fact the US increased its spending on the deserving poor over the past two decades, especially considering tax expenditures for the EITC. However, single mother families and those with low employment and earnings were generally not included in this largess: they aren't seen as "deserving".

³ For a summary report on the National Evaluation of Welfare-to-Work Strategies (NEWWS), see Hamilton (2001).

⁴ Again, Heinrich and King (2011).

Work Participation Requirements. TANF's work participation requirements also have made it difficult to use TANF work dollars for an array of education and training activities and to coordinate TANF resources with other federal and state programs that would help poor families succeed in today's labor market.

The application of TANF work participation requirements also occurred at roughly the same time that the Workforce Investment Act (WIA) of 1998 was being rolled out nationally with its new sequence-of-service, outcome performance reporting, and eligible training provider requirements. The combination of these requirements discouraged community colleges from engaging fully early on in the process and ultimately contributed to a decline in spending on training when compared to earlier workforce programs.⁵

Meanwhile, it's instructive to look at participation in TANF and the labor market behavior of low-income families over the almost two decades since TANF became the law of the land. First, as Center for Budget and Policy Priorities tabulations show, TANF caseloads have declined by almost two-thirds since 1996 to just 1.7 million families in 2014, even as the number of families in poverty and deep poverty has increased.⁶ Second, the number of poor families receiving TANF has fallen to very low levels across the states. Only about 26 families in poverty out of every 100 receive benefits now compared to 68 such families in 1996; in my home state, Texas, only about 5 poor families out of 100 receive TANF. Third, TANF served the country's poor families very poorly during the Great Recession: caseloads increased modestly, but the burden was borne more by the Supplemental Nutritional Assistance Program (SNAP) or food stamps than by TANF.

Yet, poor women with children responded in just the way that policymakers had asked and they did so resoundingly.⁷ As I have noted (2006, p. 14):

"Welfare recipients and single moms generally have worked and participated in education and related activities at higher rates than in earlier periods.... for decades single women without children have had the highest rates of participation in the labor force with rates averaging 75-77 percent. Participation rates for single women with children under 18 years, which had been much lower, began to move up in 1991 and increased dramatically after 1993, surpassing those of single childless women in 1999. Single mothers aged 20-55 years now [2005] exhibit the highest rates of labor force participation, with rates that appear to be moving higher still. Such rapid, substantial and sustained shifts in labor force participation are unusual for any group. Clearly, these mothers have done their part."

And, as the following Center for Budget and Policy Priorities (2015) figure shows, never-married mothers aged 20-49 years with a high school education or less also closed the gap in employment or work rates with single mothers without young children over the 1990s. It is important to recognize that the uptick in labor force participation and employment rates began well before TANF was implemented and was fueled in major ways by factors including the expansion of the Earned Income Tax Credit, the rise in spending for subsidized child care, and a booming economy. The Great Recession took a toll on many American families, not the least poor families headed by single mothers. The rates for both never-married and single women without children fell in tandem then leveled off as the economy began to improve in 2010-2011.

⁵ See Barnow and King (2005).

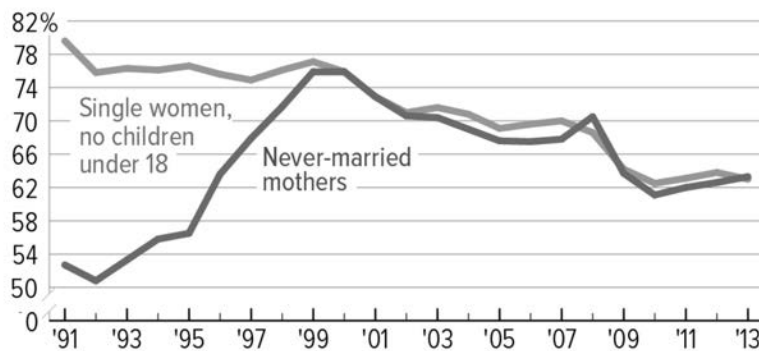
⁶ Center on Budget and Policy Priorities (2015), p. 3.

⁷ For example, see Blank (2002), King (2006), and Center for Budget and Policy Priorities (2015).

In terms of labor force participation, poor moms with young children no longer look any different from women without children.

Never-Married Mothers' Work Rates Jumped in 1990s but Have Fallen Since

Percent of women between the ages of 20 and 49 with a high school education or less with any work during the year



Source: CBPP analysis of Current Population Survey.

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

Finally, my colleague Peter Mueser with the University of Missouri and I conducted an intensive analysis of welfare and work patterns in large urban counties in six states over the 1990s for our book, *Welfare and Work: Experiences in Six Cities* (Upjohn Institute, 2005). We examined linked administrative records for welfare, employment and earnings in core counties in Atlanta, Baltimore, Chicago, Fort Lauderdale, Houston, and Kansas City. Among our findings:

- State time limits pushed people from the rolls, even as mandatory programs helped recipients build job skills and obtain employment. Welfare exit rates rose in all areas, but the largest increase was in Ft. Lauderdale due to Florida's 'hard' 2-year time limit on welfare receipt.
- At each of the sites, increases in the welfare exit rate alone would have produced caseload declines, ranging from 30 to 64%. Declines in the numbers entering welfare from so-called 'diversion' programs contributed substantially as well, causing caseloads to fall by 20 to 71%.
- Employment rates for welfare exiters increased in all sites between 1994 and 1997, but changed little between 1997 and 1999. Increases were dramatic in some of the sites, rising to around 50% or over in all sites as compared with only 23% nationally. Moderate increases in the employment rates for welfare leavers in the face of the

extraordinary economic growth in the 1990s do not suggest unprecedented opportunity for those who left welfare.

- Only about half of all jobs secured by welfare recipients at these sites last beyond the quarter in which they start. Only 4-10% of jobs lasted eight (8) quarters or more. In three of the five sites for which sufficient data were available, the number of such long-term jobs declined. Although these results suggest a decline in the quality of jobs welfare recipients obtained, similar declines occurred for other nonwelfare workers who secured jobs paying comparable wages at the same time with the same employers.
- The kinds of jobs welfare recipients obtain did not seriously deteriorate over the 1990s, but neither were there substantial improvements in terms of job stability or earnings.
- By any standard, the jobs obtained by welfare recipients were very poor ones. Over the life of the job—up to two years for our data—average cumulative earnings were only between \$2,000 (Atlanta) and \$5,000 (Chicago). Few of these jobs were likely to lead to economic self-sufficiency for mothers with one or more dependents. Some individuals may obtain sufficient earnings to move off of welfare and support their families if they succeed in cobbling together multiple low-paying jobs into a semi-steady earnings stream. Others may stumble onto a good job only after many tries. *Getting a “good job”—one with a “good” employer in a “good” industry—makes a real difference.*

What of other workforce development and work-oriented strategies that might help low-income families succeed in the labor market?

Effective Workforce Development Strategies for Low-Income Individuals

Policymakers and program administrators are actively engaged in designing and implementing far more effective workforce development strategies that are based on an emerging body of evidence that they produce large and lasting impacts on employment, earnings and related outcomes of interest, e.g., qualifying for UI benefits—as the first-tier “safety net”, filing fewer UI claims. Multiple studies indicate that career pathway strategies imbedded in sectoral strategies, and associated ‘bridge’ programs for remedial preparation, produce solid results.⁸ The US Department of Labor now strongly encourages states and local workforce boards to utilize these strategies as part of the nation’s workforce development system under WIOA. USDOL is also deploying technical assistance and capacity building strategies to assist those states and local areas that may be a bit behind in implementing them to get moving.

These strategies began emerging several decades ago as part of a *family of strategies* to help employers find workers with right mix of skills to become and remain competitive and to assist low-income, low-skilled workers succeed in college and the labor market.⁹ *Sector strategies* came first in the early 1980s and 1990s as a response to employers’ needs to aggregate demand for common skills within sectors to rationalize and make existing workforce services more efficient. Their early focus was on more skilled and educated workers. *Career pathway strategies*—structured, sequential training and education opportunities to help workers gain skills for continued advancement—followed in the mid-1990s and 2000s. These strategies are typically based in postsecondary education institutions and focus more on low-income, low-skilled students. They attempt to make course sequences more rational and transparent and to use stackable, transferable credentials. Convergence and integration of sector and career pathway strategies, and the addition of so-called ‘bridge’ programs for remedial education (e.g. I-BEST) came later. Depending on participants’ skill levels at enrollment, it can take anywhere from a few months to several years to complete them successfully.

⁸ See Glover and King (2010), King (2014), King and Prince (2015), as well as (Smith et al., 2011, 2012).

⁹ This discussion is based on King and Prince (2015).

Sectoral strategies address three (3) main goals simultaneously:

1. Increasing worker skills
2. Improving productivity
3. Enhancing regional competitiveness

Sectoral strategies expanded after 2000 through the work of National Governors Association, Corporation for a Skilled Workforce Aspen's Sectoral Training Academy, and the National Network of Sector Partners, with support from the Annie E. Casey, Ford, Mott, Hitachi, Joyce, and more recently the JP Morgan Chase Foundations. By the late 2000s there were: 1,000+ sector partnerships targeting 20 industries across the country; 39 local WIBs funded by USDOL/ETA; and NGA and its partners were actively working with more than a dozen states on designing and implementing sectoral workforce strategies.

There are two main types of career pathway strategies:

- *Articulated sets of courses/course components* permitting individuals to learn skills and gain postsecondary credentials for specific occupation, e.g., nursing. Pathways identify postsecondary education entry and exit points to jobs with marketable skills and 'stackable' credentials leading to degree completion. They place emphasis on advancing along well-defined postsecondary education/job tracks, with success measured by course advancement, credentials, job retention, and earnings.
- *Occupations with built-in career pathways* that prepare individuals via courses leading to industry-recognized credentials. In this type, the onus is on workers to manage their own career advancement with success measured by job placement in demand occupations, job retention, and earnings.

Career pathways generally:

- Target regional labor markets, often particular sectors. CP strategies aren't all sector based, and not all sector strategies feature CPs. But, CPs are increasingly being integrated into sector strategies.
- Provide frameworks for workforce development, helping to integrate services and resources of community colleges, workforce/social service agencies into structured sequences.
- May offer 3 levels of training—basic skills, entry-level & upgrade training—plus paid internships.
- Often feature occupationally contextualized 'bridge' programs to help raise low-skilled student proficiency for taking credit courses.

The US Department of Health and Human Services is actively supporting career pathway strategies in the healthcare sector through the Health Professions Opportunity Grant (HPOG) program and is further supporting research and evaluations of these efforts as part of its HPOG-University Partnership projects and the national evaluation of the HPOG program implementation and impacts being conducted by Abt Associates and the Urban Institute.

Rigorous evidence on the effectiveness of these strategies is building over time. Studies have shown that participation in three sector strategy pilot programs increased the receipt of employment and training services by some 32 percentage points (Maguire et al., 2010) while youth in the Comprehensive Employment Training program replication had 145 more training

hours and earned 21 percentage points more credentials than controls (Miller et al. 2005). And, I-BEST participants increased service receipt by 17 percentage points, college credits by 10 points, occupational certifications by 7.5 points three years after random assignment but had no effects on AA degree receipt (Zeidenberg et al 2010).

In terms of labor market outcomes, participation in sector and career pathway strategies has led to increased employment from 2 to 7.5 years post-program and earnings increases of 12-30% over similar time frames, as a result of higher wages, longer job stays and more hours at work. I'll cite one example I'm quite familiar with, the Capital IDEA program in Austin, Texas.

The Ray Marshall Center has been evaluating Capital IDEA for a decade, estimating net impacts on employment, earnings, UI (monetary) eligibility and UI claims, with a quasi-experimental design. We've also conducted Return-on-Investment (ROI) analysis of Capital IDEA participation (Smith et al., 2011 & 2012). Capital IDEA features:

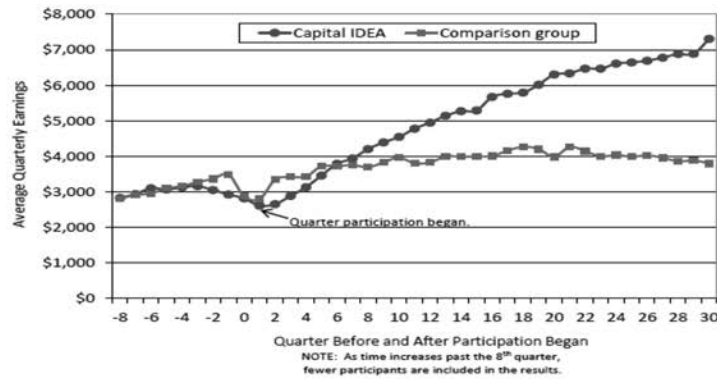
- Longer-term occupational training mostly (75%) in nursing and allied health careers in the healthcare sector, primarily provided via Austin Community College
- Strong employer engagement
- Wrap-around support services (e.g., counseling, college preparation)
- Participation in intensive training and other services while participants continue to work at least part-time, reducing the program's overall costs

Estimated impacts for Capital IDEA participants are *large, lasting and statistically significant*.

- Employment rates for all participants increased by 12.3 points (to 74.3%) over all available quarters after participation, i.e., more than 7 ½ years.
- The share of participants monetarily qualified for UI benefits also increased by 12.3 points.
- Participants enjoyed a \$759 advantage in average quarterly earnings over the entire period, or 11.9 points.

The following figure shows the impact of Capital IDEA participation on earnings, computing earnings based on those with and without jobs, so called unconditional earnings. Clearly, these impacts are large, lasting and still growing.

Figure 14. Unconditional Earnings Over Time, Capital IDEA Participants vs. Comparison Group



Source: Smith et al., 2012.

Exploratory ROI analysis for early (2003-2004) Capital IDEA cohorts based on quasi-experimental impacts and program cost data show that over the first 10 years, *each dollar invested in Capital IDEA returns \$1.65 to taxpayers, for an annual rate of return (IRR) of 9%.*

As effective as career pathway and sector strategies may be, current TANF policies are generally incompatible with pursuing them and contributing to their use.

Two-Generation Strategies

So called two-generation (2Gen) strategies represent another highly promising avenue to consider for TANF families. Such strategies basically address the needs of parents (including caretakers) and their children simultaneously, seeking to improve their well being and future success through a set of components that may include some or all of the following: quality health and well being, postsecondary education and employment, social capital, asset building and early childhood development.¹⁰ As Chase-Lansdale and Brooks-Gunn have written (2014), these 2Gen 2.0 strategies and programs build on earlier efforts in the 1980s and 1990s that were largely targeted to welfare recipients, were less intensive and relied on less effective workforce and postsecondary service delivery models. These strategies are motivated by the fact that there are several important pathways by which parents and home-setting affect children's development, including stress, health, parental education, employment, income, and asset development (Haskins et al., 2014).

¹⁰ More information and resources on 2Gen strategies and programs can be accessed on the Ascend Program at the Aspen Institute website (<http://ascend.aspeninstitute.org/>). In addition, the recent anthology by King, Chase-Lansdale and Small (2015) provides a wide range of 2G materials.

One of the leading examples of these 2G 2.0 efforts is Tulsa's CareerAdvance® Program, an effort I helped design in 2008-2009 and am now helping to evaluate with colleagues at Northwestern University, Columbia, and New York University.¹¹

CareerAdvance® is a career pathway program in the healthcare sector funded by the HPOG program at the US Department of Health and Human Services' Administration for Children and Families.¹² It has been providing quality training with stackable credentials in a range of healthcare occupations or pathways since 2009-2010 for the parents of children in high-quality Head Start, Early Head Start and Oklahoma early childhood programs delivered by the Community Action Program of Tulsa County. Career coaches support the parents in training that is delivered via a cohort model. Parents have also received financial and in-kind incentives for participation and obtaining credentials.

Evidence on the impacts of CareerAdvance® participation are not yet available; initial impacts for parents and children should be released late this spring. But, early results—in terms of participation, persistence and credentials obtained, as well as interviews and focus groups with partners and parents—are encouraging. For example:

- For Cohorts 4-7, nearly three-fifths (59%) of participants persisted (remained active) in the program at 16 months and 81% of them obtained at least one healthcare credential, figures much higher than most community college and training programs.
- Fully 68% of those parents who stopped out of the program had obtained at least one credential, which would allow them either to take a better job in healthcare in the labor market or to return and continue their training along the career pathway. This was in fact part of the original program design.
- Parents have repeatedly indicated how much they value the opportunity participate and especially having career coaches, a cohort to train with, peer supports, financial assistance and tailored class scheduling. They also clearly recognize they are role modeling for their children despite the added stress of attending classes and related activities.

One important point to make is that many of these parents came to the program having tried to improve their education and skills before, so much so that they had taken on considerable student debt along the way. Some had signed up for training at proprietary schools or other institutions, experienced poorly supported programs and inadequate curriculum but were now unable to try again: student debt acted as a millstone preventing them from re-enrolling for a second chance. These are motivated parents dealing with homelessness, family violence, poor basic skills and other issues in addition to 'bad paper.' Their grit and determination is remarkable. The program has given them the opportunity to try again for themselves and for their children.

Again, TANF policies have made it difficult to enroll many TANF families in this program. Very few parents are actually enrolled in TANF in Oklahoma generally. Moreover, programmatically, workforce, education and social service programs (e.g., TANF, child care) are highly fragmented in Oklahoma making coordination that much more difficult.

¹¹ Lindsay Chase-Lansdale is leading the evaluation with support from HPOG-UP, W.K. Kellogg Foundation and others.

¹² Reports detailing the implementation of the program (e.g., Smith et al., 2014) can be found on the Ray Marshall Center website: <http://raymarshallcenter.org/>.

Labor Market Challenges Facing Poor Families

Before we leave the subject, we must consider the current and projected state of labor market opportunities. This is clearly the environment that poor families must deal with as they struggle to forge a pathway to economic security and stability for themselves and their children.

It's well known that jobs — most jobs but especially well paying ones — now call for at least some postsecondary education and some sort of credential.¹³ I say “call for” purposefully, because it's not clear that these jobs all *require* this level of education. But the fact of the matter is that, required or not, employers are increasingly demanding higher levels of education to get and keep these jobs.¹⁴

In addition, improved data from the Longitudinal Employer-Household Dynamics (LEHD) Program have afforded us new insights into how workers actually progress in today's labor markets and which strategies make sense for them to pursue if they want to make real progress over time.¹⁵ It turns out that many of the labor market behaviors and practices that may have worked well in earlier eras no longer apply. If an individual pursues the “get-a-job, any-job” approach but lands and keeps a job with a low-paying employer which does not value or provide much training and which is in a low-demand industry sector, instead of riding the up escalator to career advancement and economic success, s/he will be on the equivalent of the people movers at the airport, moving from one spot to the next on the same level and likely arriving at the next gate to find the flight is delayed or canceled altogether. Better strategies are: 1) to take the time to sort through the potential jobs at the outset and avoid the bad ones altogether in favor of better opportunities — essentially the message of the Portland (OR) site in the NEWWS demonstration¹⁶, and/or 2) if in a bad job/employer/industry, to switch to a better one as quickly as possible. Work-first strategies have never really served mothers on TANF well; in today's labor market environment, they are likely to condemn them to low-wage dead-ends as stressed members of the working poor. This is bad for them. It is equally bad for their children.

Also, new evidence suggests that, while employers play and have played the major role in providing training in the United States, traditionally accounting for as much of 90% of all work-related learning and training in the country, they are backing away from this role.¹⁷ A forthcoming study indicates that employer investments in worker training may have declined by 28% over the 2000s.¹⁸ Moreover, employers have tended to focus their investments disproportionately on mid-to-higher skilled workers, not on those in entry-level positions, very much in keeping with what human capital theory posits.¹⁹

Recommendations for TANF

There are a number of specific ways TANF could be improved to help poor individuals both prepare for and connect to good jobs offering career advancement opportunities leading to economic success. Among these are a series of recommendations developed by the Ascend Program at the Aspen Institute (to which I contributed). These recommendations include:

¹³ For example, see Carnevale et al. (2010).

¹⁴ See Cappelli (2012).

¹⁵ In particular, see the research by Andersson et al. (2005), Brown et al. (2006) and Holzer et al. (2010), as well as influential work on “job polarization” by Autor and Dorn (2013).

¹⁶ See the discussion in King (2004).

¹⁷ See Lerman (2015).

¹⁸ Waddoups (2016).

¹⁹ Becker (1964).

- Changing TANF work participation to include postsecondary education, adult basic education, ESL and training for high-wage jobs as work activities. This would also include time spent in class, doing homework, etc.
- Revising TANF reporting outcomes to include credential attainment, employment, employment retention and earnings.
- Aligning TANF measurement with WIOA and other programs using common metrics.
- Ensuring that TANF sanctions do not counteract other 2Gen reforms, e.g., reducing the severity of sanctions, ending full-family sanctions, and allowing families enrolled in TANF to retain more child support.

In addition, as noted above, it seems clear that rules governing state expenditures (maintenance-of-effort) are sufficiently loose that states have in some cases displaced or supplanted state spending on related purposes with federal TANF funds. And, many states are now spending a large portion of their federal and state TANF funds on things that seem less closely related to helping families survive and succeed economically. Congress should revisit these rules to ensure these scarce resources are being deployed in the most effective and efficient manner to help families who need them.

Finally, I would encourage the Congress to consider the proposals put forth in the President's FY2017 Budget. Not only does it include funding for 2Gen Demonstrations under TANF and an expansion of the Rural 2Gen Pilots, it also continues support for rigorous research and evaluations of these and other efforts so that we can continuously refine our policies and programs over time to design and implement evidence-based solutions to the challenges we face.

Thank you.

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Chairman BUCHANAN. Thank you, Mr. King.
Ms. Doucet, you can proceed, please.

**STATEMENT OF BARBARA DOUCET, CORPORATE DIRECTOR
OF HUMAN RESOURCES, OMNI HOTELS AND RESORTS**

Ms. DOUCET. Good morning, Chairman Buchanan, and members of the Subcommittee on Human Resources. Thank you for the opportunity to speak to you today. My name is Barbara Doucet. I am the Corporate Director of Human Resources for Omni Hotels and Resorts, based in Dallas, Texas. Currently, I serve on the American Hotel and Lodging Association's Human Resource Committee, and as Board Member for Women with Promise. It is an honor to share with you Omni's success story of how we've connected low-income individuals with more than just jobs, but life-long careers in the hotel industry, at two of our properties in Dallas and Fort Worth.

By way of background, Omni is a luxury hotel brand, with 60 hotels in North America and over 18,000 associates. We pride ourselves in leaving a lasting impression with every guest by exceeding their expectations and inspiring and rewarding our associates. My tenure with Omni began in 2008 as the Director of Human Resources for the opening of the Omni Fort Worth hotel, a 614-room downtown property. After three years, I moved to open the Omni Dallas hotel, a 1001-room hotel located in downtown Dallas, connected to the Convention Center. Staffing a new hotel requires roughly 465 associates. It is no easy task, and can only be done successfully with the support of the right team. In my role at the Omni Fort Worth, I immediately recognized the need to seek out the right partnership that would help us be successful. Hence, the beginning of our long-standing relationship with Workforce Solutions of Tarrant County.

Partnering with Workforce Solutions, we worked diligently in developing various work subsidized programs coordinating job——

Mr. RICE. Excuse me. Could you pull the microphone just a little closer, please?

Ms. DOUCET. Sure.

Mr. RICE. Thank you.

Ms. DOUCET. Coordinating job fairs, and placement of interns. They screened and referred lower income job seekers and proved to be a constant pipeline of new applicants. As a result, the Omni Fort Worth hotel was honored as the 2010 recipient of the Employer Award of Excellence for Workforce Solutions of Tarrant County, and I was happy to serve on the Tarrant County Workforce Improvement Committee. The Subsidized Employment Program provides on-the-job training, where low-income candidates can perform the daily tasks of the jobs to which they would, could ultimately be hired. We were able to train and teach the skills required to be a successful room or laundry attendant, bar back, steward, or other critical roles within the hospitality industry.

This model has been a great success for Omni, and is a source of pride for the company. If the individual was not hired into a permanent position, we worked with the candidates and their counselors to help identify other opportunities. While managing these individuals and programs does take time and resources, Omni en-

courages each property to be a leader in giving back to the greater community. So much so, this is one of our core values, local market leadership.

The relationship with Workforce Solutions continued into the new build of the Omni Dallas hotel. As a larger hotel than Fort Worth, it was a greater challenge to staff effectively and efficiently. Workforce Solutions Greater Dallas proved to be a vital partner in the initial hiring events, and remained a valuable collaborator after the opening of the hotel. During our largest preopening job fair, Workforce Solutions provided 30 volunteers, who assisted with the intake of more than 3000 job seekers, over the course of three days.

As a result, we hired over 250 individuals, through the Texas Back to Work Program and Greater Dallas Direct Referrals. Additionally, we hired 18 at-risk participants of the Choices Program, a TANF employment and training program, which assists in transition from welfare to work. These participants gained skills training, funded through the Workforce Solutions Self-sufficiency Grant, with H.I.S. Bridgebuilders. Once again, in 2012, Omni was honored with the Employer Award of Excellence for Workforce Solutions Greater Dallas.

Workforce Solutions led us to partner with other community agencies, which assisted in job placement and retention, provided to youth exiting the foster and juvenile care system. In summary, through these programs and partnerships, our managers are empowered to treat each associate with the utmost care and concern, which naturally leads to caring for them as a valued member of the Omni family; another of our core values.

I would urge the Committee to explore federal legislative funding that encourages subsidized employment programs, which allows for low-income individuals to receive realistic on-the-job training, that can ultimately lead to full-time employment. Through the Texas Back to Work Program and other organizations like H.I.S. Bridgebuilders and City Square, we are able to train low-income individuals, to provide the tools and knowledge needed to be an employable, self-sufficient individual. Mr. Chairman, thank you for this opportunity.

[The prepared statement of Ms. Doucet follows:]

Chairman Buchanan, Ranking Member Doggett and members of the Subcommittee on Human Resources, thank you for the opportunity to speak to you today. My name is Barbara Doucet and I am Corporate Director of Human Resources for Omni Hotels & Resorts based in Dallas, Texas. Currently, I serve on the American Hotel & Lodging Association's Human Resources Committee and as Board Member for Women with Promise. It is an honor to share with you Omni's success story of how we have connected low-income individuals with more than just jobs, but lifelong careers in the hotel industry, at two of our properties in Dallas and Fort Worth.

By way of background, Omni is a luxury hotel brand with 60 hotels in North America, and over 18,000 associates. We pride ourselves in leaving a lasting impression with every guest by exceeding their expectations, and inspiring and rewarding our associates.

My tenure with Omni began in 2008 as the director of human resources for the opening of the Omni Fort Worth Hotel, a 614 room downtown property located near the convention center. After serving there for three years, I relocated across the metroplex to open the Omni Dallas Hotel, a 1,001 room property located in the heart of downtown and tied to the convention center.

In my first role as director for Fort Worth, staffing a new hotel requiring roughly 465 employees is no easy task, and can only be done successfully with the support of the right team. As director at Fort Worth, I immediately recognized the need to seek out the right partnership that would help us be successful in that endeavor. Hence, the start of our long standing relationship with Workforce Solutions of Tarrant County.

Workforce Solutions of Tarrant County and Omni worked diligently together in various work subsidized programs, coordinating job fairs, placement of interns and served as the employer of the first four youth to finish the paid work experience program. Workforce Solutions was an essential partner in advertising and reaching candidates that Omni may not have been able to communicate with on our own. They screened and referred job seekers and proved to be a constant pipeline of new applicants for us. As a result of the partnership, the Omni Fort Worth Hotel was honored as the 2010 recipient of the Employer Award of Excellence for Workforce Solutions of Tarrant County and I was happy to serve on Tarrant County's Workforce Improvement Committee. We placed 16 interns through subsidized employment programs and hired six for permanent jobs.

The subsidized employment program provides on-the-job training where lower-income candidates can perform the daily tasks of the job for which they could ultimately be hired. Through this medium, we are able to train and teach these individuals the skills they need to be a successful room or laundry attendant, bar back, steward or other critical roles within the hospitality industry. This model has been a great success for Omni and is a source of pride for the company.

If the individual was not hired into a permanent position, we worked with the candidate and their counselor to help identify other opportunities. While managing these individuals and programs does take time and resources from multiple people inside and outside of the hotel, Omni encourages each hotel to be a leader in giving back to the greater community so much so that it is one of our core values, Local Market Leadership.

The relationship with Workforce Solutions continued into the new build of the Omni Dallas Hotel in downtown Dallas. As a larger hotel with double the employee population than Fort Worth, it was an even greater challenge to staff quickly, effectively and efficiently. The Workforce Solutions Greater Dallas proved to be a vital partner in the initial hiring events and remained a valuable contributor after the opening of the hotel. During our largest pre-opening job fair, Workforce Solutions provided 30 volunteers who assisted with the intake of the more than 3,000 job seekers over the course of three days. They assisted with advertising the event and the prescreening to ensure we had all of the necessary information prior to the interviewing stage. As a result, we hired over 250 individuals through the (TANF funded) *Texas Back to Work* program and Greater Dallas direct referrals. Additionally, we hired 18 at-risk Choices participants who gained skills training funded through a Workforce Solutions Self-Sufficiency Fund grant with H.I.S. Bridge Builders a Dallas-based Christian ministry and community service agency. Five additional youth were also offered full-time positions after being placed at Omni as a part of the Workforce Investment Act Youth Summer Work Experience Program. Once again, in 2012, Omni was honored with the Employer Award of Excellence for the Workforce Solutions Greater Dallas. Our work with Workforce Solutions also led us to partner with other community agencies including CitySquare, which provides food, health, housing and outreach services to the poor. We specifically assisted with the job placement and retention service provided to youth exiting the foster and juvenile care system in North Texas through CitySquare's Transition Resource Action Center.

In addition to Workforce Solutions of both cities, the Omni Dallas Hotel has continued success of working with H.I.S. Bridgebuilders, using training resources from the American Hotel

& Lodging Educational Institute (EI) to provide a pipeline of qualified, certified hospitality workers. Individuals of all ages and stages of life are referred to H.I.S. Bridgebuilders by other community service agencies, such as shelters, and transitional housing. After the individuals are accepted, they go through a five-week training program that include three weeks of life skills training, one week of vocational training using EI's online Train, Retain, Assess, and Certify (TRAC) programs for Guestroom Attendant and Restaurant Servers and then complete a week of job shadowing at the Omni Dallas. When program graduates begin to work at the Omni Dallas, they are technically on the payroll of H.I.S. Bridgebuilders. These individuals receive on-site job coaching and assistance making the transition to full-time employment. After 90 days, we had the opportunity to extend a job offer to the client. H.I.S. Bridgebuilders graduates are the first in line when job openings become available. These individuals started their hospitality program based on Omni Dallas' opening need for room attendants and it has since expanded to multiple positions, including laundry, stewarding, front desk, and phone operators. We provided assistance to the workforce program by setting up a mock hotel room, showing their clients the rooms, providing guest speakers, and offering on-site training.

Since the Omni Dallas started working with H.I.S. Bridgebuilders, 146 individuals have entered the program from the opening of the hotel on November 11, 2011. Approximately 70 individuals were hired as Omni employees from November 11, 2011 through March 13, 2013 and 76 from March 2013 through December 2015. Of the total individuals, 99 have been hired as full-time Omni employees and 23 of those are currently employed. In 2015, 10 new individuals are working, four as a temporary assignment and six as temporary with the potential for hire; there were four full-time hires. The Omni Dallas is currently working with a new

organization who partners with H.I.S. Bridgebuilders to place their candidates, Community Staffing Services (CSS). CSS works with several non-profit agencies to help place individuals in temporary assignments, temp to hire roles and direct hires. , The goal is to train the temps to become permanent associates. The property currently has H.I.S. Bridgebuilders clients in stewarding, laundry, Ideal Services, dining room attendants, housemen and one concierge. H.I.S. Bridgebuilder's goal is to increase the focus on housekeeping in 2016.

One of our Omni associates puts it in her own words, "I was unemployed at the time and receiving unemployment and it wasn't enough. So I wanted to continue my education, so I came to Bridgebuilders. I love Bridgebuilders! They made a big change and difference in my life. They (Omni) already told me they didn't want to me toward the back. They want me with the public because they told me they love my personality and I was like 'Wow!'" Another associate says, "I am a part of the H.I.S. Bridgebuilders Training Program. I am happy to say that I will be starting as a Turndown Attendant at the Omni Dallas Hotel. I am so excited about this position and it's going to open up doors for me and I am really looking forward to having a future at the Omni." I am proud and happy to share that this Omni family member was promoted to Operator just four months afterwards, then promoted to Supervisor of the Front Desk, and was promoted for a third time and currently serves as the department supervisor for all telephone operators at the Omni Dallas Hotel.

Our managers are empowered to treat each associate with the utmost care and concern, which naturally leads to caring for our associates as a valued member of the Omni family, another of our core values. I would urge the committee to explore federal legislative

funding that encourages subsidized employment programs which allow the low-income individual to receive authentic on-the-job training. Through *Texas Back to Work* program and other organizations such as H.I.S. Bridgebuilders and CitySquare we are able to train participants on their jobs and provide the tools and knowledge they need to be successful. In cases where the individual is not hired, they still walk away knowing in which specific area, task, or skill they need to improve upon in order to truly be an employable, self-sufficient individual. While we may not have hired each low-income individual who walked through our doors, the dignity and respect we showed them by taking the time to teach them a new task even just how to improve their soft skills gave them the opportunity they needed – a chance to be able to get back on their feet and earn a living on their own.



Chairman BUCHANAN. Thank you, Ms. Doucet.
Ms. Larrea, you may proceed with your testimony.

**STATEMENT OF LAURIE BOUILLION LARREA, PRESIDENT,
WORKFORCE SOLUTIONS GREATER DALLAS**

Ms. LARREA. Thank you, Chairman Buchanan, Members of the Committee, Member Crowley. I appreciate the opportunity to speak this morning. I so appreciate Barbara Doucet and Omni joining us. I am Laurie Bouillion Larrea, President of Workforce Solutions Greater Dallas, which is the Workforce Board for Dallas City and Dallas County. 2.5 million people in that single county and we are blessed with an unemployment rate of 3.7 percent. So that means workforce is the number one issue on everyone's mind. Very much like Florida. We are having a blessing and yet a challenge. Talent is in demand. Last year alone, 99,000 new jobs in North Texas. That's a 13 county area. It's very difficult. Our options are to upskill the workers that we have, import workers from other states, pull youth into the workforce earlier, or we hunker down, educate, train, and bring people who are unemployed into the workforce.

Despite the robust economy and diversity, too many people in Dallas remain challenged by poverty, under-employment, limited opportunity, and not realizing their full work potential. The primary customer in the Dallas model is the employer. We strongly believe jobs make life possible. Better jobs make for better lives. I've been the executive for the Dallas Board since 1989. I've seen a lot of things come and go. Cycles of poverty, cycles of public programming.

But one thing that we believe is very true is that a meaningful job benefits the family far better than welfare benefits. We made huge strides in the workforce system in Texas, which most of you are very familiar with. We have the major five federal programs that come into a system in Texas. Those programs are TANF, Wagner-Peyser, the SNAP food stamp program, and unusually so, the Childcare program. And I'll talk about that a little later. And then also WIOA, Workforce Innovation Act. Thank you very much. That was an excellent change in legislation.

These federal grants were awarded to the Texas Workforce Commission. And thus we create a system. A system approach in Texas that converts these programs into a highly visible talent pipeline. Specific for connecting employers to job seekers. Specific for those people who are not engaged in the employment world. In the past two years, our board has also accepted a challenge from the Commission to take on Adult Education. Our partner is the Dallas County Community College District. We founded Work-based Learning.

It's very hard to incentivize people to get a GED at a time when the economy is as good as it is. We need the leverage of the employers in a work-based environment. We also specialize in sector-based strategies. And the Metroplex has done that for over 15 years, looking at our error space, our health care, all of those sectors that are prominent.

The WIOA vision will be fully realized in Texas September 1, when we integrate the employment of people with disabilities.

That's coming to this one pipeline of underutilized talent that is so desperately needed by our employers and jobs that are needed by the people that we are serving. Our TANF system is a talent pipeline unto itself. We have divided the services into two packages, talent development and employer services. That is the key to a good workforce system.

Despite dependence on TANF, we believe that the person should come through a door marked "Job Seeker" without the stigma of having been on public assistance during this time. We also believe that we are seeking solutions through work. Work teaches work. We know historically, assistance teaches assistance. I've been doing this for a very long period of time. And I can tell you, we need a solution that includes work and additional services. In our system, we're concentrating on a full work rate in Texas. So just in the two to three years that we've done this, we've increased participation from 31 percent to 45 percent. And we have cut the denominator, the people needing services, in half.

After securing the job, we do want to work continually with the participant. This is getting the Adult Education Certificates that they need, working with the employer to see that they can do the best that they can do. In terms of advancement, much as we have done at Omni. And we believe that two things must be addressed. Early child development. The only way to break the cycle is early child development. The three year old today is our workforce in 18 years. If they have not come through the system well, or they've been left in poor care, we do have an issue. Beyond that, we are looking at the teens. Bringing someone into the workforce at 18 just doesn't get it. We need to start them in jobs as early as possible.

We have our Mayor's Summer Interns program. Mayor Rawlings has been very proactive in putting kids to work, but there just aren't enough jobs without a little public assistance. The jobs reward academic accomplishment with teens, provide quality private sector jobs, great role models, and hopefully create an aspirational youth that is no longer looking at dependency on public assistance being the only option. I thank you all so much for listening. And we hope to assist you in this perspective. It's time to make a change.

Thank you.

[The prepared statement of Ms. Larrea follows:]

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

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

March 1, 2016

Laurie Bouillion Larrea, President
Workforce Solutions Greater Dallas
lbarrea@wfsdallas.com
www.wfsdallas.com

WORKFORCESOLUTIONS
GREATER DALLAS

Thank you Chairman Buchanan, ranking Member Doggett and distinguished members of the Subcommittee for allowing me to present testimony today. Thanks also to our partners at Omni Hotels – Barbara Doucet, for joining us. I am Laurie Bouillion Larrea, President of Workforce Solutions Greater Dallas, the Workforce Investment Board serving the City of Dallas and Dallas County. Within Dallas County, a population of 2.5 million people, we have an unemployment rate of 3.7%, workforce is critical to our continued rapid growth. The 13 county area of North Central Texas is one of the fastest growing areas in the United States, now well over 7 million residents. Dallas-Fort Worth – Arlington had the third largest national year-over-year increase in new jobs totaling nearly 99,000 as of December 2015. Talent is in demand! Our options are to up-skill current workers, import workers from other states, pull youth into the workforce at an earlier age, and/or educate, train and alleviate barriers for those not working. Despite our robust economy and diversity, too many people in Dallas remain challenged by poverty, under-employment, limited opportunity and not realizing their full work-potential.

The Dallas workforce system's mission - "achieving competitive solutions...for employers through quality people and for people through quality jobs." The primary customer in the Dallas workforce system is and always has been our employers. Jobs make life possible! Better jobs provide for better lives.

I have been chief executive of the Dallas system since 1989, and in that time, I've witnessed dramatic swings in the economy, talent requirements, and public subsidies. The only constant has been that meaningful work benefits families better than welfare.

We've made huge strides in workforce systems leading to quality and efficiency via the Texas delivery model. We are blessed in Texas with bipartisan legislation allowing that "most" of the federal employment and job training funds are implemented under the authority of the twenty-eight local boards. Texas' Big 5 programs that comprise our **single** talent pipeline include *Temporary Assistance for Needy Families, Wagner-Peyser Employment Services, Supplemental Nutrition Assistance Program, Child Care and Development Funds, and a recent accomplishment of Congress, the Workforce Innovation and Opportunity Act of 2014...thank you!* These federal grant sources are awarded to the Texas Workforce Commission - a single state authority. The system approach in Texas converts "programs" into a highly visible, usable talent identification, preparation and facilitated system connecting employers to the right job seekers. In the past two years, our board accepted the challenge to additionally manage adult education. Our partnership with the Dallas County Community College District is founded on work-based learning, emphasizing sector-based career pathways. In the coming months, we will further realize the WIOA vision by fully embracing employment of people with disabilities as another talent link to our system. We recognize that employers want a talent pipeline, irrespective of the job seekers' socio-economic, demographic or programmatic "tag". They want the viable workforce that will keep their work moving forward.

In our system, TANF plays a large part in the talent pipeline. We've divided the staff work of our multiple funding silos into two categories – talent development and employer services. Isn't that the function of "workforce" dollars – no matter the federal funding source?

Despite a dependence on subsidies from TANF, job seekers stand on their own merit without the special “door” marked welfare. The stigma is removed, and the job seeker concentrates on their attributes as a future employee. Not every job is a solution. We may have to re-place any job seeker a few times to secure a fit, but we know “work teaches work” and there is no substitute for experience. We understand that historically, subsidies can perpetuate subsidies. Either one, in isolation without the other, is “not” the solution. The “work” model for self-sufficiency is far more beneficial to the individual, the family and the community than perpetuating subsidies while “waiting for change to occur.” Texas recognizes that work is the first step. This isn’t a mere substitution of a paycheck for a welfare check! The ripple effect is enormous. Beyond replacing the welfare benefit with earnings, we see a slow, but steady decline in dependency on food stamps, Medicaid and to a slightly lesser extent, childcare subsidies. Some programs have even registered improved academic performance for the children within the family.

In three years, since the conversion of the Texas system to concentrate on the TANF Full Work Rate at the exclusion of all other outcomes, Dallas has recorded increased participation from 31% to 45%, and a simultaneous decrease in our required TANF customers by more than half!

After securing a job, we continue to work with TANF customers to build independence from government subsidies. High school credentials and English skills may be required to meet employer expectations. Currently, we partner with Irving ISD and Sheraton Hotels to provide work-based learning to their current employees.

Investments are required to provide quality care for children of dependent families, enable the parent to meet workplace attendance requirements, and hopefully enable children to start Kindergarten on level with their peers! We see childcare as an investment in the near future – Cradle to Career. Teens within the family need to stay in school and work. Although we need additional resources to serve more teens, Dallas currently provides early employment to young people! Our Mayor's Summer Intern Fellows Program provides placement to freshmen and sophomore high school students, many from the poorest areas of southern Dallas. These jobs reward academic accomplishments with quality private sector jobs and great role models. Inspiring a student to work and earn is key to disrupting the perpetuation of dependency. Aspirational teens have hope that their future will be different!

Thank you for this opportunity to share our perspective as you seek solutions and build incentives to connect people to jobs.



Chairman BUCHANAN. Well, thank you. And I want to thank all of our witnesses today for excellent testimony. Now, I will proceed to the question and answer session. And I will begin. Mr. Wilson, as you know, I've been in business for 40 years, 30 years before I got here. And I know first-hand, and I've hired a lot of minorities and people that were on welfare over the years. And people might start at 25, and then they, because of the culture, our companies have been able to build—we build a culture where we develop and train, and move people up the ladder. They might start at 25 or 30, or minimum wage, and then they're making 80 to 100,000 today. When I look at it, a lot of minorities are making that kind of money locally. But what they need is an opportunity, they need a shot. And we need more employers stepping up.

When I look at Florida, it's like *déjà-vu*. We had the big-time hit in 2008, as you know. '09, '10, '11, we shredded a lot of jobs. But it's back. I mentioned, you mentioned I think in your testimony a thousand a day coming to Florida. You need 800,000 jobs. What's the Florida Chamber—more importantly, the business community—going to do about stepping up and making sure? Especially as we look at, you know, in terms of welfare. The number I've got is out of three that are in welfare, two can work. And what are we going to do about getting those two to work, in your opinion?

Mr. WILSON. Thank you, Mr. Chairman. And I appreciate your leadership in Florida as a business leader as well. And I think that's indicative in your question as well. What are we going to do in Florida? I think the number one thing we have to think about is awareness. The truth is, we, as someone on the panel mentioned, culture. And most business leaders started as a small business. They actually want to grow their company. They want to create economic opportunity for their employees and for people in the community. And I can't stress enough the importance that hearings like this make, raising the awareness. It's the reason that I'm here today.

The awareness that there are people who want jobs and need training and there are programs for those individuals. So match-making is one of the things that we're doing in Florida. I would also add, what we're doing is aligning. We have, there are many resources in this workforce system, some public, some private, that haven't always been aligned to the benefit of the person who needs the training and the person who needs the job. There are over 80 programs receiving state and federal money that are not very well connected. They are not aligned.

What we're doing in Florida is through CareerSource Florida, which is an award-winning work force system in this country, we're aligning what the job-seekers need, by training with assistance, with what the employers need. Last year alone in Florida, they served over 124,000 companies and placed over 430,000 individuals into work positions that they wouldn't have otherwise found without that coordination between business—

Chairman BUCHANAN. We've gone about five minutes, so let me—

Mr. WILSON. Okay.

Chairman BUCHANAN. Thank you, Mr. Wilson. Mr. Brame, I want to talk to you. You know, just reading the background of the

company, the guy, the CEO who started that company, to me is a visionary. It's not something you've been doing the last couple of years, but for 20 years you've been reaching out to the welfare community and others. People under-employed. And helping them and working with them. Hundreds of employees in that predicament in Grand Rapids, Michigan. What was his motivation and just in general, how much difference has it really made over the years in Grand Rapids, Michigan?

Mr. BRAME. Actually, Mr. Fred Keller has had a huge impact on Cascade Engineering itself. But probably an equally large impact on Western Michigan and Grand Rapids community. And, you know, in 1973 he started this business. He wanted to create a business that could make money, but also treated people with dignity and respect. He wanted to create a culture of inclusion. And so someone talked about the stigma of welfare.

And so we tried to create an environment where people want to be at Cascade Engineering. You talk about environment where people coming out of generational poverty may not have worked in that environment before. And so unless you give them the tools to be successful, they won't be successful. And one of the greatest things we did was, when we partnered up with DHS, the Department of Health and Human Services, in Michigan, they embedded themselves in that business so that they understood what we needed as a business. They became a partner for us. We worked together.

So when she's out there looking at people that are on welfare, and she can, she understands the opportunity that we're providing. If a person just merely sends someone to Cascade Engineering without understanding the skill sets needed in manufacturing, they're going to fail. And so I think that's been one of the great things. So having an individual that understands inclusion, having a company that is very accepting of all the different types of backgrounds, and then also having the state understanding our business, has created a partnership that's allowed us to be successful.

Chairman BUCHANAN. Well, thank you. Now, I'd like to recognize the distinguished gentleman, the Ranking Member, for any questions he might have.

Mr. CROWLEY. Thank you, Mr. Chairman.

Chairman BUCHANAN. I hope you're enjoying that.

Mr. CROWLEY. I love that. I love the sound of that. Mr. Chairman, thank you. Thank you all for your testimony today. Mr. Brame, I just want to thank you for, I think, the passion you're bringing to your testimony. All of you do, on the front lines, in terms of welfare to work. So thank you for all your testimony today. Welfare recipients are parents. Not entirely, but for the most part. Often single parents at that. And providing childcare so that they can work was a key goal of both Democrats and Republicans, working in bi-partisan way, who supported welfare to work in 1996.

Most states have ended up dramatically cutting TANF investment in childcare as part of their overall diversion strategy of TANF funds. And the Congressional Research Service estimates that only 17 percent of eligible families currently get childcare help at all. Dr. King, I know you're an academic, but we have a little

bit of time. And if you could keep your answers as short as possible, we can get more in writing as well. Because I have a couple of questions for you. Can low-wage single parents work without childcare assistance?

Mr. KING. They can, but it's not going to stick, all right?

Mr. CROWLEY. Not going to stick.

Mr. KING. I mean, if we want those parents to succeed in the labor market. Quality childcare is terribly expensive. Even basic childcare, some of the more recent estimates show that that's about like sending a kid to college.

Mr. CROWLEY. So in fact in some states it actually costs more for private childcare, or for childcare than it does for public universities—

Mr. KING. That's right.

Mr. CROWLEY [continuing]. Is your point. Is reliable childcare a factor—so it's safe to say that with reliable childcare—not just simple childcare, putting your most important asset somewhere for the day, but reliable good quality childcare, that that is a key factor as to whether or not an employee is a stable employee. Would you agree?

Mr. KING. Absolutely. And I think we should understand that in the context of what many companies are doing, which is using last-minute scheduling software. And if a single mom in particular is trying to get their kid in good childcare, and they don't know when their shift is going to start until two hours before, they are up the creek. Yes.

Mr. CROWLEY. Forget about severe snowstorms. From your work with two-generation strategies, are there other hidden costs to low quality childcare for families and for state and federal assisted programs?

Mr. KING. Absolutely. I think if we don't do this right the first time, it's like the Andy Granatelli thing, right? Pay me now, pay me later. If we're not serving these parents and children at the same time, we're almost sure to see those kids coming back as future dependents, basically, on public assistance. Whether it's SNAP or it's TANF.

Mr. CROWLEY. About those two-generation strategies, two-generation programs often involve supports like high-quality preschool. Not obviously related to parental work. Can you explain further why we should consider the “treat the whole family” approach even if the main goal is for the parents to work their way off of welfare?

Mr. KING. So we've got wonderful evidence that's come out in the last several years. Burkings has produced a report. Ron Haskins, Sara McClanahan, Irv Garfinkle, did a nice piece on the future of children that shows basically, skills beget skills. To echo what Laurie Larrea was saying a minute ago, if we actually build skills for parents and kids at the same time, we get multiplicative effects. They're larger. They're longer lasting. So if parents are better educated, their kids are going to go on to college. We know there's a strong role modeling effect.

Mr. CROWLEY. Ending the inheritance of welfare, so to speak?

Mr. KING. Correct. So if you're getting welfare mom trained, if she's going through her education, she's at that very moment role

modeling for her kids. And if her education goes up and if she earns more money when the children are smaller, we know that's going to pay off for those kids having better lives over time. And we know the social mobility stats in the U.S. don't look so good relative to our OECD competitors. So I think it's something that we, we have at our fingertips if we deployed the resources better, and if we took care of some of the wrinkles that we have. So for example, we don't use outcome standards in TANF. If we could align the standards for outcomes in TANF along the line of the Workforce Innovation and Opportunity Act and make adjustment statistically for the kind of folks we're dealing with, we really could bring those systems together better.

Mr. CROWLEY. Mr. Chairman, I just want to note, there are 27 seconds left. The gentleman has done outstanding work in proving that academics can testify in under five minutes.

Mr. KING. It's not easy.

Mr. CROWLEY. I want to thank him for that.

Chairman BUCHANAN. Thank you. I now recognize the gentleman from Washington, Mr. Reichert.

Mr. REICHERT. Thank you, Mr. Chairman. And congratulations on your new chairmanship and your first hearing. Thank you to the witnesses for being here today, and especially, thank you for all the work that you do to help those in need in trying to find employment, and bring their families to a place where they can hope and have hope for the future, for their children and for their families. Mr. Brame, thank you for sharing the story of Amy.

I think that each one of us on the dais and each of you have a story to share too, I'm sure. We all do. Sometimes I share mine. And I notice there's some young people in the back of the room, seated behind you, listening to the testimony, which is encouraging today, for all of you to be here and listen to how Congress works or maybe doesn't work.

We're trying today. And just for your information, I look like I've been here 40 years, but I've only been here 12. Well, 11 and a half. I was a police officer, sheriff's deputy, for 33 years, in Seattle Washington, Kent County Sheriff's. Oldest of seven kids. And I've seen everything you could see, possibly see, in my 33 years in law enforcement. And I really get what you're talking about today as far as employment and helping those people who are on the street, or in between on the street and getting a job, or getting job and moving on and upward.

You know, we had a witness in here not too long ago who was a front line employee. New terminology for the young people. That's a new employee, front line employee for Goodwill, who now is a manager there. And all due to someone taking her in, giving her opportunities, training and education.

I recently had the chance to visit Van Doren Sales, and it's in East Wanache. Some people say "Win-a-chee." But it's East Wanache, Washington State. It's a small town in the central part of the state. And they're a family-owned company with about 136 employees, that design and build fruit and fruit container handling equipment. Their company motto is "Quality Pays." But one thing that they know for sure is, the number one resource in their busi-

ness is what, people. And they take care of their people through training and education and OJT, on the job training.

And they have seen, of course, a rise in their productivity. Happier community. They participate in the community. All those things that you have all talked about. And I just wanted to turn really quickly to Ms. Doucet and just have you talk a little bit more about identifying talent internally and the returns on your investments when you do that. Not only the financial piece, but the human investment.

Ms. DOUCET. One of the things with Omni hotels is that we value our communities, the communities that we are in. So being able to build a partnership, to give back to those communities and develop the partnership with many organizations. So while we worked a great deal with Workforce Solutions, we also partnered with multiple other agencies to try and build a network to have access to individuals who are looking for employment. And how we help them grow and development. And similar to the situation given earlier as well, we have many stories of individuals who started at entry level positions and have been able to move into leadership roles.

Mr. REICHERT. Well, thank you for your hard work. And I hope that continues too. And Ms. Larrea, could you also expand on your idea of how that all works together? When you give those opportunities to people, what's the returned resources, the human resource? We get the financial piece, but in providing that opportunity for families?

Ms. LARREA. Thank you, sir. We have also done, as Barbara mentioned, the community aspect of this. Many people still live in poverty in our community. I've noticed that—and Barbara named H.I.S. Bridgebuilders, City Square. Most recently, we have new partnerships coming. Wrap-around services, coming from the faith-based and non-profit communities, doing things that we cannot necessarily do.

Mr. REICHERT. Good.

Ms. LARREA. That engagement in the solution has been as valuable as the project itself and the public investment. Having people come together with a common cause. That common cause is community, restoring what we need. Invaluable. You can't put a price on that one.

Mr. REICHERT. Right.

Ms. LARREA. And ownership. Ownership of the solution as a community coming together. So we've been very lucky. People are the asset. And if you don't, you know—I think Florida said it. It's not about taxes anymore, it's about whether or not you can find the work for it, where you're going to move your company, where you're going to expand your company. We've been very, very lucky, and yet I'm a little concerned about not having enough people.

Mr. REICHERT. I yield back. Thank you.

Chairman BUCHANAN. Thank you. Mr. Davis, you're now recognized.

Mr. DAVIS. Thank you very much, Mr. Chairman. And I too want to congratulate you on the chairmanship of this very important committee, of which I'm pleased to be a part of. I want to thank all of our witnesses for coming. I worked at one juncture

during my life as a training director, with the purpose of trying to bring low-income individuals into the medical field. So I know the challenges that you face, and I know the difficulty of your work.

Mr. King, I represent much of the inner city part of Chicago. And so I see first-hand many individuals, low-income, who desperately would like to have a good job so that they could work and take care of their families. But they often lack the skills and training or education necessary to achieve this. For this reason, my Responsible Fatherhood bill proposes to modernize the TANF Contingency Fund to provide additional employment and training opportunities by focusing the Contingency Fund, to fund sectorial training, coupled with other structured TANF reforms. This re-design of the Contingency Fund promises to make quality education and training more available to the TANF recipients. Could you speak to the success of such programs, and what they've done?

Mr. KING. So if we look at the emerging evidence on sectoral and career pathway programs, again we only have about six, seven studies at this point. HHS is actually funding a very large evaluation of the Health Professions Opportunity Grant Program. So we'll have more information in a couple of years down the road. By the way, our Tulsa Career Advance Program, which serves mainly the parents of Head Start, early Head Start kids, is part of that.

But the early evidence we have from random assignment based studies, quasi-experiments, including the Capital IDEA slide that I showed you, all of those programs are showing very strong impacts on employment, on retention, on earnings increases. We also see reductions in TANF receipt, in receipt of unemployment insurance. But we also see that for many of these parents going through, they then become eligible for the first tier safety net, which is their Unemployment Insurance System. And that is, again, a better place to stop than necessarily going on TANF.

So these programs seem to be working the way the theories suggest they should. And again, I—we're going to learn more about that down the road. The other thing I would say is that the return on investment from those looks better than the long-term return on stocks. And forget about the, the recent stock market worries. I'm talking about the long term.

Mr. DAVIS. Thank you.

Mr. KING. So it's a good investment. It beats my IRAs.

Mr. DAVIS. Thank you very much. And Mr. Brame, let me just tell you, I am intrigued by the work that Cascades Engineering is doing, and compliment you and all of those who work at your company. You mentioned removing barriers. And one of the groups that I'm particularly concerned about in terms of barriers are individuals with criminal backgrounds. Could you amplify a bit on how you handle that, and what you do with it?

Mr. BRAME. You are absolutely correct. And particularly an African American community, between poverty and issues of criminal backgrounds are two huge barriers. So one of the things we've done in Cascade Engineering is, first of all, we have policies that allow individuals with criminal backgrounds to apply at Cascade Engineering. And we've moved the box. Meaning that when they fill out that application, we don't ask that question right off the bat. We determine whether we like that person. That person is qualified.

And then later on, we ask the individual about his or her criminal background. And the second thing that we do is that I as the Executive Vice President, I make the determination whether that individual would be hired. It's been our experience that when you have middle level managers making that determination, they might think, "You know what? This might not look good for me if something goes wrong." And so at Cascade Engineering, an executive, a VP makes that call.

And we also allow that individual to make a determination whether he or she will tell other employees about their criminal background. We don't out those individuals, so they can keep that to themselves. We have many individuals that are mentors to others and talk about their criminal background. We have a lot of individuals that choose to keep that to themselves. And so we allow them to make that decision.

Mr. DAVIS. Thank you very much, and I really appreciate the effort. And I think that is an excellent approach. And I yield back, Mr. Chairman.

Chairman BUCHANAN. Thank you. Mr. Rice, you're recognized.

Mr. RICE. Thank you, Mr. Chairman. And thank you to all the members of the panel for being here. I just really love hearing your success stories. I think the best welfare to work program is a good, healthy economy, like you have in Florida, like you have in Texas. Looking at the poverty rates, you know, we were about where we are, around 15 percent in the country in the early 90s. Then it went down to about 12 percent and stayed there for a long time. And since 2008, it's been back up around 15 percent. So I think the best thing that we can do here in Washington is to do what we can to get our economy going. And the best way to do that is make this country competitive. But that being said, so many things you all have said intrigue me.

You know, I come from Myrtle Beach, South Carolina, which has a lot of similarities to Florida. And the tourism economy has a lot of similarities, or same issues, with Omni hotels. And I hear employers all the time in my hometown tell me that they simply cannot fully staff. I had a lady who has 3000 hotel rooms in Myrtle Beach tell me that they needed literally hundreds of people.

Now, one problem we've got that you probably don't have in Dallas and less so in Florida, is we're a little more seasonal. And I'd love to have your advice on how—we actually arranged for a job fair in a rural community. Had you know, a couple hundred people show up. Arranged for buses to go back and forth. And it was, it worked well, but it just gradually diminished. How do we keep that fire going, Ms. Larrea?

Ms. LARREA. That is an interesting challenge. But I started my career down in Southeast Texas, on the coast. So I know very well about getting people to stick, getting the jobs to stick. I think one of the things that we spoke about was early learning, early education becoming part of the work for kids, teenagers coming to the job. Do you have an aggressive teen program? If you don't, you need one, where the teens would become familiar with the seasonal work and buy into that, become part. That becomes just a mainstay. We have it with Six Flags. Kids know when those jobs open, and they make their way there. The other would be job sharing.

Finding a compatible off-season job so that people don't have to pick a job for a season. They actually know I work "here," and then I shift to "this job". It's bringing it to them in a way that they can organize. If they have good organizational skills, they probably wouldn't suffer from unemployment and poverty. They need that networking and that, the explaining it to them.

Mr. RICE. Okay. Thank you. And I only have a limited time. You and I could talk about this for a hour. But I want to have Ms. Doucet—is that how you say your name?

Ms. DOUCET. Ms. Doucet.

Mr. RICE. Doucet. These jobs that we're talking about, with the seasonal hotels in Myrtle Beach and also with Omni in Dallas, I assume we're talking about like housekeeping and linen and all these types of things. Are you paying minimum wage, or are you having to go above minimum wage to attract these people?

Ms. DOUCET. So we make sure that we are competitive in the markets and going through to assure our associates are——

Mr. RICE. But with a three percent unemployment rate, I imagine you're well above minimum wage. Am I——

Ms. DOUCET. We are above minimum wage in our properties. And going through for most of those areas. But it is something that we stay competitive with what the trend in that marketplace is. And as you were mentioning earlier, trying to get individuals in, there are so many—yes?

Mr. RICE. Does the government, does the government force you to pay over minimum wage, or you do that in response to the competition and the need for these people?

Ms. DOUCET. We ensure that we are competitive to the salaries. So we make that decision based on our wage survey.

Mr. RICE. Thank you, ma'am. Thank you.

Ms. DOUCET. Okay.

Mr. RICE. Mr. Brame, I want your advice on this. We have in Florence, South Carolina, which is a little more industrial, we have a great technical school. The Southern Institute of Manufacturing and Technology. And they have something called a computerized digital machining program. And they can only take—excuse me—80 kids a year. And it's a two-year program. And they have two problems. One, they can only get 40 kids a year to sign up for it. And two, they don't finish the program. The ones that do—because there's such a need for this—that the people get hired after one year, making 60 to 80,000 a year. What would be your advice on A, how they can attract, and B, retain these kids, when there's such a dramatic need for it?

Mr. BRAME. One problem we're having in Western Michigan is that manufacturing is not sexy. If you talk to individuals' parents, and you ask them, you know, should I, should I go to college right away or should I try to get a skill and go into the manufacturing field, then you know, 90 percent of the time, a parent will say, "You know what, you might as well go to college." But in Western Michigan in particular, we have good paying jobs that a person can come out an hourly rate making 20 plus dollars and hour, or a salary rate, making a significant income.

So if the problem is, that they're getting hired before they finish and they're getting those jobs, I'm not sure that's the, necessarily

a problem. It might be a good thing. Because maybe those skills, maybe that training is not necessarily what they need. But I would argue that you need to go back upstream, talk to schools, talk to parents. Make sure they understand that manufacturing is a valuable job in this community, and make it more sexy.

Mr. RICE. Thank you. I yield back my negative 40 seconds.

Chairman BUCHANAN. Thank you. Mr. Reed, you're recognized.

Mr. REED. Well, thank you, Chairman, and thank you to our panel for this testimony. I am all in when we come to reforming our welfare program, TANF, all the various programs across the way. Because they're just not working. We've had years and decades of experience showing that throwing cash at this problem is not going to solve this problem. We need to do more. We need to do better. And so I am intrigued by some different proposals out there.

One of the existing proposals that's of interest to me, my former predecessor and a mentor of mine, a guy by the name of Amo Hoten, who sat on this Committee, was a proud sponsor and a creator of the Work Opportunity Tax Credit Program. Can you give me—and what that really is designed to do is to stand with our employers in the sense of trying to provide an opportunity by way of a job to individuals that are facing barriers to going into employment. Any feedback on the WOTC program that you could offer us that—anyone—to reform it, to make it more of the 21st century improvements that we could do on the Work Opportunity Tax Credit Program that you may have experienced? Anyone up there want to jump at that? All right, Mr. King. I'll give you a little time. Go ahead.

Mr. KING. All right. I think the way to think about WOTC is it's a complement to other things, not necessarily a replacement.

Mr. REED. Perfect.

Mr. KING. So it can be a good add-on at the end, but I don't think there's any replacement for providing a talented employee to take the job first. And what we don't want to do is to basically stigmatize. We have research that shows that in many cases, if a recipient's going out with WOTC, the employers go, "Whoops, damaged good." We don't want to do that. So I think the first thing to sell is talent, and then you follow up with the tax credit.

Mr. REED. Okay, that's good input. So we'll continue to work on that. One bigger concept that I want to work on and focus on from the panel, the whole concept of the welfare cliff. The whole concept of you, you go back to work and you hit this penalty when you get to a certain level, a threshold. And essentially, what I've heard, talking to folks out in the real world, talking to people in Western New York, is that there is a real penalty that is either—it's in reality and it is recognized by people that are in the workforce.

I've had employers, in my private practice, before I came to Congress, I had an employee refuse a holiday bonus because her, her assigned worker at the county office told her, "You take that bonus, you lose your penalties." How can that be America? How can that be America? That I had someone tell me they're going to refuse their holiday bonus because they're being told by their government representative, "You will lose your benefit." We have to do better than that. So I'm very intrigued on concepts from the panel. And

we'll start with Mr. Wilson and then Ms. Larrea, if I'm saying it correctly. How do we reform that welfare cliff? How do we attack that welfare cliff to stand with the American work ethic, to stand with individuals that are getting back on their feet? And what can we do? What would be your recommended course in that action? Mr. Wilson?

Mr. WILSON. Thank you very much for the question. I think you're absolutely over the target of one of the biggest hurdles that we have to uncover. The people who know the most about that cliff are the people who are burdened by it right now. The other 80 percent of America doesn't know what you're talking about. So to me the number one thing that we can do is to use our collective ability to educate all of America about what this cliff is, and then create a sliding scale where employers and those stuck in generational poverty know exactly what they can expect from their government and from their private employer. This is a mis-information mismatch in my opinion. The resources are there. People don't know about it. And I think it can be fixed by awareness and a sliding scale of support.

Mr. REED. Perfect. Ms. Larrea.

Ms. LARREA. I would strongly support the sliding scale conversation. I think what we neglect to recognize is there is a very large cavity between benefits and still living in poverty and under-employment. And we seem to think you just jump over that gap. Well, that gap is rather large. That's why we have such an increase in food stamp rolls that are not part of public welfare. So I like the idea of a sliding scale.

Mr. REED. I appreciate it. And when we're talking sliding scale, obviously we're talking about sharing the paycheck that an individual receives, they can keep a portion of that paycheck, and then the other resources get returned to the government operations. Because one of the things that resonates with me—and you said it—work teaches work, assistance teaches assistance. And I know an eight year old that I was a law guardian for, and I won't tell that story again. But essentially with my 15 and 17 year old at home, they only do about two percent of what I tell them to do. But 98 percent of what they observe. And so if we can get people back working, do you agree—like Mr. Brame, the story of Amy—

Mr. BRAME. Yes.

Mr. REED. Her kids said, "It was you, mom, inspired me to go to college?"

Mr. BRAME. Yes.

Mr. REED. That's what I'm trying to do here in Washington, D.C. So I would—as I'm out of time, any input you have where we can reward that American work ethic, get people back on their two feet, and break that generational cycle of poverty that we see? With that I yield back.

Mr. BRAME. And with that story of Amy, it wasn't just in her case, not just getting a bonus. She had to deal with not taking promotions. That's a more long-term problem. You choose to stay in a position that pays you x amount of dollars, refusing to take these steps. 15 years from now, think about that money compound, and where you could be. You could be a manager, you could be a leader, and you choose not to do that, because of the cliff.

Mr. REED. Amen, Mr. Brame.

Chairman BUCHANAN. Thank you. Mr. Dold, you're recognized.

Mr. DOLD. Thank you, Mr. Chairman. And now, I too want to thank the panel. And I just want to pick up where my friend Mr. Reed was. And we need to break this cycle of poverty. And frankly, the most effective thing that we can do for someone that's in poverty is find a job. And I come from a district in Northern Illinois. And we are a heavy manufacturing district. And I can tell you time and again, the number of employers that say, "I've got good jobs available. I can't find people qualified to take those jobs."

Mr. Wilson, you were talking about the idea that a quality education is the key in this process. And yet we need to make sure that those people get a chance to be educated. One of the things that I'm working on here in the Congress is a pilot program to make sure that employers that are doing this training program, perhaps maybe the government pays half the salary to kind of offset that training mechanism. And idea, so that the employer—or the employee has a chance to prove themselves. Mr. Brame, I'm fascinated by what Cascade Engineering is doing, and want to applaud you for it.

Mr. BRAME. Thank you.

Mr. DOLD. What's the secret sauce that Joyce has? Joyce is, she's the person that DHS, that's been hired——

Mr. BRAME. Yes.

Mr. DOLD [continuing]. By Cascade?

Mr. BRAME. Yes.

Mr. DOLD. That's embedded in the company?

Mr. BRAME. Yes.

Mr. DOLD. What is she doing that's different than an HR manager?

Mr. BRAME. Well, if you think about it, there are questions that I as an employer shouldn't be asking an employee. But she can go in and resolve those issues for her. An issue of childcare, issues of transportation, issues personal to her life. On the extreme, issues of domestic violence. These are things that she can go in and get support for this individual, that I can't do.

Mr. DOLD. Mr. Brame, you're hitting on incredible issues that employers are trying to deal with right now. So she can go ahead and do these types of things. So the people that are watching this hearing right now from around the country, employers that are watching, they want to know what is it that they can do? How can they replicate this? Because we want to be able to knock down barriers for those people to be able to see success in the workplace. How are they able to do it?

Mr. BRAME. I think having conversations with the appropriate state agency, we want the same things. I think sometimes we don't realize that we do want the same things. So we have these conversations. We go aha. We're trying to, in our case, find educated employees or find employees that can do great jobs. She wants to take people off of welfare. How can we meet in the middle? How can we have a win-win, and we're able to do that effectively? By having these conversations, setting up clear criteria, and us both having training programs to make sure these individuals are successful.

Mr. DOLD. Ms. Larrea, again, you talked about work encourages work, or work teaches work, and assistance teaches assistance. And the biggest thing to breaking that cycle of poverty you said was early childhood development. How early do we need to go?

Ms. LARREA. Zero to three.

Mr. DOLD. Zero to three. Okay. So early childhood education and an investment, Head Start education. And which, again, I was pleased to see the Congress do, certainly during the budget, an increase in Head Start, I think of 570 million dollars this year. One of the things that I'm interested in, would be interested in your take—there's a high school that is doing things outside of the box back in my district. It's Crystal Ray School in Wakegan. And they require their students, freshmen through senior in high school, to actually work one day out in the workforce.

So a company like Cascade Engineering might say, "I'm willing to hire one." And when they say they're willing to hire one, that means they get a freshman, a sophomore, a junior and a senior, and then one of them will rotate back on the fifth day.

Now, what that teaches them is not only does it give them work ethic, not only do they have mentors in that new place of employment, but it gives them an enormous leg up when it comes time to going into the workforce. Are you experiencing anything like that down in Dallas?

Ms. LARREA. Absolutely. I wish we had a lot more resources to do it. But our employer partners, and I know Omni is a partner in the Meers Fellowship Program. Kids, kids are transformed by work. They are. They see a future that isn't at home. It's different.

Mr. DOLD. How can we better do that, in terms of creating that environment where we can get more people into the workforce? Ms. Doucet, do you have an idea on that?

Ms. DOUCET. Yes. I think that actually encouraging that partnership, we invite a lot of middle schools and high schools to come to our facilities and bring their classes. And it gives them an opportunity to see the heart of the house as well as the front of the house, and explore avenues they didn't even anticipate they would be able to look into, for future job growth. We do get a lot of interest from our students that way, in building those relationships very early.

Mr. DOLD. Ms. Larrea, I want to go back to you for a second. One of the things that I hear from a lot of folks is again, that they had an issue with the law, they're having a tough time even breaking through that first interview. What have you been able to do down in Dallas to be able to help those? Because again, they might have made a bad decision. We want to make sure they can get back on their feet. How do we best enable and help them?

Ms. LARREA. A lot of partnership and advocacy, particularly with government working with business. But we also are now taking Workforce into the jails. Into the Dallas County Jails. Teaching GED and ESL inside the jails and then hopefully bringing them into the community college system for skills. Skills will possibly overshadow an offense, in this kind of competitive market.

Mr. DOLD. Great. Thank you so much. My time's expired.

Chairman BUCHANAN. Thank you. Mr. Smith, you're recognized.

Mr. SMITH. Thank you, Mr. Chairman. Mr. Chairman, I'm excited about this hearing, because we're exploring the value of first work, and then also the engagement with government programs and also private employers. The key piece there is the engagement. We've seen, as you all have testified, the positive results with engagement, in those too. And I've been particularly pretty impressed with the testimony from Mr. Brame and also Ms. Larrea, in regards to the boots on the ground, I guess, and actually seeing first hand of people getting front line jobs. And a lack of work or limited work as we all know is the number one cause of poverty.

And representing a Congressional district by some that would say it's the 18th poorest in the country, this is something that is very important to me. Mr. Brame, what I would like to ask you, it seems that the Michigan Department of Human Services really values your company's partnership to help them move individuals off of welfare and into full-time employment. Was that always the way?

Mr. BRAME. We began these conversations for—and this was the mid-60s, and we, I think we piqued their interest. I think they weren't used to employers coming to them and saying, "Hey, how can we work together?" I think in the beginning, we had to work through some issues, because they weren't used to being so connected to business.

But since the late 1990s, we've had great connections with their leadership. We have great connections locally and even throughout the state. And so we're able to effectively create and move these programs, and they've been able to expand these programs to other areas. So in the beginning, it was just a little awkward, because they weren't used to it, but they were very receptive, and it's grown ever since.

Mr. SMITH. So it was awkward. Did you—did Cascade have to persuade DHS to be involved, or just they had to get—

Mr. BRAME. Yes. For example, when we were discussing moving the social worker to our facility, you know, there wasn't a process for making that happen. And so you had to ask all these questions. "Well, can you do it or can't you do it?" Something that's been so impactful in our program, in the beginning was like, "We just don't do that." And so we began to say, "Well, why don't you do that?" And they asked the question, "Would it be more impactful if she was there?" "Yes." And so sometimes we have to ask these extra questions to change their procedures and policies.

Mr. SMITH. What advice would you give other states who are trying to work with their Human Service Agencies that may be a little apprehensive about it?

Mr. BRAME. I would suggest that if social workers go out and actually spend time with businesses. Actually go in and see what the businesses are doing. Understand what their needs are. I think that's, sometimes that's the biggest disconnect. When you have a social agency trying to provide employment to someone or trying to spend dollars of a specific program, and they don't know what the employers need or want. I think asking the employers what they need, understanding what they need, will cause programs to be much more successful.

Mr. SMITH. Thank you, Mr. Chairman.

Chairman BUCHANAN. Thank you. Ms. Noem, you're recognized.

Mrs. NOEM. Thank you. Mr. Wilson, I was reading your testimony. I was struck by your description of a lot of your significant challenges that you've faced in Florida, and especially as it relates to generational poverty. Because although the Bureau of Labor Statistics says that South Dakota has the second lowest unemployment rate in the nation, at 2.9 percent, we still have portions of the state that live in generational poverty. And some of the challenges that you specifically discussed had to do with housing and access to transportation. And those are some of the basic needs that we face as well.

Some of these areas, you know, obviously, are in a situation where they're quite remote and rural areas, which might be a little different than what you've faced, but I'd like you to expand a little bit on some of the solutions that you pursued that might be useful not just in urban areas but also rural areas, on addressing those challenges. And also building the relationships to help lift people out of generational poverty. That's definitely what we see programs doing in the parts of our state that are dealing with high unemployment rates. Some of my tribes, where they're located, have been in 80 to 90 percent unemployment rates for generations.

Mr. WILSON. Yes.

Mrs. NOEM. And it's become the norm, and not—and the state is looking for solutions. I'm looking for solutions, on how we can build relationships between the private sector and programs that already exist, to change them so that they truly do lift people out of these situations. Could you give some more feedback on things that have worked?

Mr. WILSON. I certainly will. Thank you very much for the question and for the observation. It's my perspective that most business leaders actually want to do the right thing. And my colleague on the panel today talked about what they're doing in Michigan. Most companies in America are not allowed to do that. You think of lawsuit abuse reform. You think of the regulations. Companies want to do the right thing. And sometimes government rules and regulations actually are a dis-incentive to doing the right thing. I can't stress enough the importance of awareness of this problem.

As I mentioned before, most people in America have no idea what generational poverty is, and that these people are born into this. And most people would have no idea that half of the people born into generational poverty never exit it, because they don't know what opportunities are out there. So whether it's re-thinking the way we provide services to people who are looking for employment—they need transportation, they need healthcare, they need training. I think my colleague actually said it better than me.

If we can focus the thinking to outcome based resources, let's focus on the outcome of the parent and the outcome of that child. And put the adults—everybody providing services in the back seat so to speak. And let's focus on that employer, the parent and the person who's stuck in generational poverty. The rest of it is easy to figure out. I think we've been focusing too much on getting resources to programs and places.

Mrs. NOEM. So do we need the flexibility for each individual situation? So we have to look at that individual that is on programs today, what would address their situation? And then at that point, does the program need to be flexible at the state level, for the state to address? Because it's very hard for us in Washington, D.C. to decide how a program should function. I think that's where we see the restrictions that don't allow it to be formulated in a manner that can be fixed for each individual situation.

Mr. WILSON. Yeah, thank you for the question. Yeah, I believe that in Washington, we can set a national goal of ending generational poverty in 10 years. And then I think we can say to states and to local governments, "You come up with a solution that works best for the people in your community, for the employers in your community." And let's make sure the resources are outcome based. In our state, for example, we have 20 million residents. We've made it a priority for low-income individuals in Florida to essentially be able to have school choice, through something called the—it's a miracle in my opinion. Something called the Tax Credit Scholarship Program. These kids' lives and their families lives are being changed because—

Mrs. NOEM. Did you base that off of annual income? How did you—

Mr. WILSON. That's right.

Mrs. NOEM [continuing]. Qualify?

Mr. WILSON. That's right, yeah, it's income based.

Mrs. NOEM. Okay.

Mr. WILSON. And it's a huge success story. Several states are now implementing that. It's related to this conversation. I would encourage you to look at it.

Mrs. NOEM. Any other examples you could give us of extremely successful programs that you feel like would really work? And not just in urban areas. I'm thinking immediately about your tax credit solution for school choice would be difficult in a rural area, where the only school they might have access to is, within 20 miles, is that school. But beyond that, for that flexibility in a program, that would work in a rural area as well, is there one that comes to the top of your mind that might work?

Mr. WILSON. Yeah, thank you. On the subject of education, we also have America's largest virtual school program, called the Florida Virtual School Program. It is so excellent that my own kids have gone through our Virtual School Program. Although they certainly could go to a great school, a public school, if they wanted to. So virtual schooling, school choice, these are essential. They help solve some of the challenges of childcare. They help solve access. They help people who, because of their zip code, may not otherwise have access to excellence in education.

Mrs. NOEM. Okay. Thank you. Thank you, Mr. Chairman.

Chairman BUCHANAN. I'd like to thank all of our witnesses for appearing before us today. Today's hearing was an important step as we think about the future, welfare reforms and getting the incentives right for good outcomes. Employers are often overlooked partners, when we think about helping families out of poverty. Including them in this conversation is good for them. It's good for the

recipient, it's good for the community, and it's good for the taxpayers.

As I looked at some of this data myself, two out of three that are in welfare would like a job and like an opportunity, in the state of Florida, and I'm sure, throughout the country. In our state, we need them and they need an opportunity. And we need to find a way where corporate America, small businesses, can come together with their local community in terms of providing it. Please be advised that members will have two weeks to submit their written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing today. With that, the Subcommittee will adjourn.

[Whereupon, at 11:25 a.m., the Subcommittee was adjourned.]

[Supplemental witness material follows:]



Cascade Engineering
Triple Bottom Line Report

2015



Cascade Engineering is comprised of nine business units. These nine businesses are collectively known as the Cascade Family of Companies (FOC). Although they represent a wide diversity of markets, products, and services, they all are managed with one unifying purpose: that People, Planet, and Profit are all important to our success.



Commercial
Products



Automotive
Americas



Automotive
Europe



Cart
Solutions



Decade
Products



CK
Technologies



Invisible
Waste Services



Noble
Polymers



Xtreme
RFID

11th Edition

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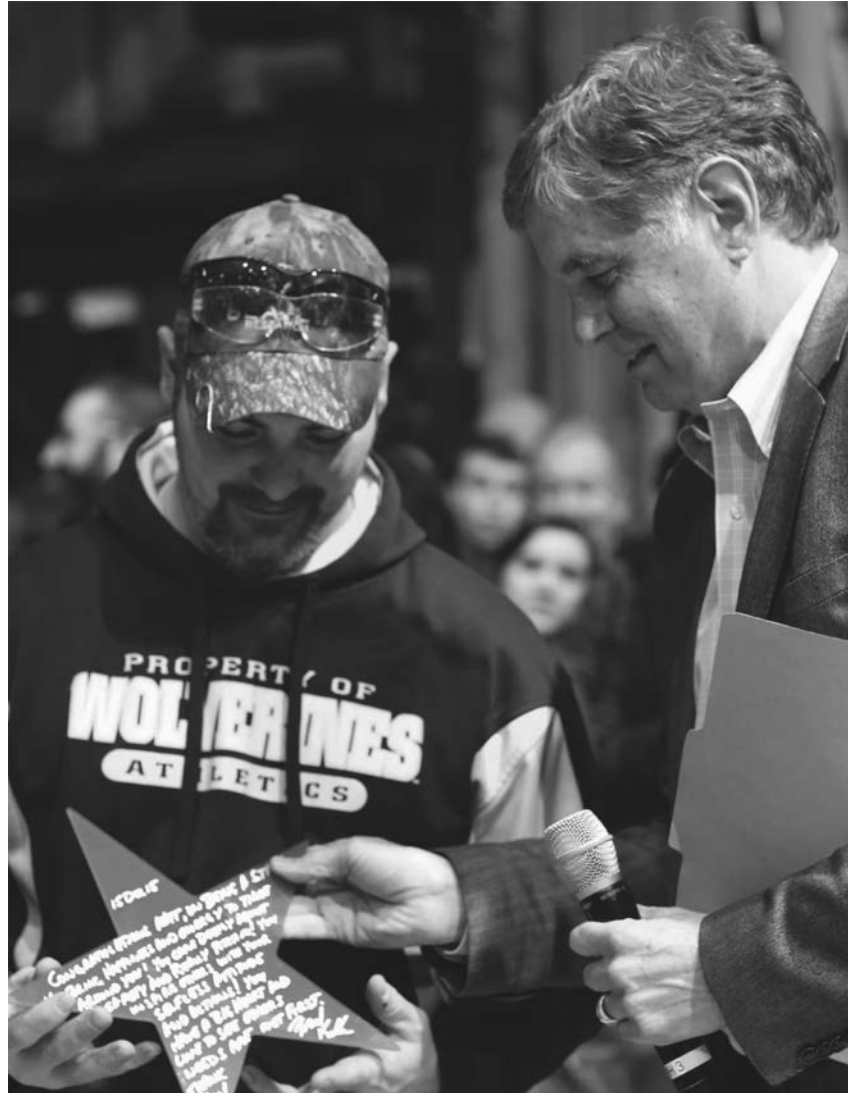
Our 2015 TBL report represents the second decade of sharing our successes and challenges as they relate to People, Planet, and Profit. Our goal for creating this annual report remains unchanged as witnessed by the following introduction taken from our first TBL report. Published in 2004, our first Triple Bottom Line Report stated that we hope to create:

- *A higher level of organizational accountability and transparency*
- *A balanced approach to continuous improvement*
- *An important learning tool – for us and for other medium-sized companies*

Our purpose remains unchanged 11 years later, and we are encouraged that organizations like B Corp, Conscious Capitalism, and Richard Branson's B Team, to name a few, have recognized and acknowledged that a business can have a higher purpose beyond pure financial gain and positively impact society and our environment.

We acknowledge that this is a journey without end and we must continually strive to do more while encouraging other businesses to do whatever they can to make our world a better place.





Making an Impact - A Way of Life

Over the 42 years since Cascade Engineering's founding, I have been intrigued with the dual opportunity any business has: to be financially healthy allowing growth of the business AND the opportunity to make a positive impact in the world with our business. We define our purpose as follows: "To make a positive impact on society, and the environment and to be financially successful." To many organizations this may sound like a zero sum game since making an impact can be perceived as taking away from profitability.

We believe something quite different. We believe that if we treat people well, design our systems and our culture to help people thrive, both personally and professionally, that the business will quite naturally thrive as well. Oh, it takes nurturing, it takes feeding, but the results are so worthwhile as we get to tell stories of employees that value their long term status with Cascade Engineering; their opportunities to take care of their families, and their opportunities to grow and progress.

Over the years we have institutionalized some of the good things that make a difference in our culture by turning them into programs which become just part of the fabric of Cascade Engineering. Programs such as Welfare to Career, Anti-Racism, and Returning Citizens, are who we are. They work to complement each other even as they inject some tension in the culture. Why do we do this? Why take the risk? I think of these programs as how we demonstrate being authentic and true to our values. I often get asked why we do these sorts of things, and I find myself simply saying "it's the right thing to do."

Now granted somewhere, somehow, we have a return on our investment over time. Maybe it's in the form of just being proud as we greet each other with a smile knowing that the smile is real, not forced. Maybe it's in the form of people willing to work hard without being asked, because they really care about the place. Maybe it's in the form of creativity or maybe it's in unexpected benefits like friendship and trust.

Cascade Engineering is committed to doing the right thing and this is demonstrated in our being a Certified B Corp. Not only are we committed, we demonstrate it to ourselves and the world by doing an extensive evaluation of our systems while putting plans together to get even better. Does performance take a back seat to this work? Absolutely not! Performance is probably enhanced. Performance is enhanced by trust, trust is enhanced by our culture, and our culture is enhanced by the degree to which we demonstrate our commitment to our values.

Making an impact – for us it's a way of life!



Fred P. Keller
Founder & Chair

Our TBL Performance

I have always admired Fred for his willingness to lead a company that is committed to the Triple Bottom Line (TBL). Listening to him talk, he makes it sound easy because, "it's the right thing to do." It means at Cascade we are rooted in values and we use those values to guide us in business.

I have come to realize that what we do is not only "the right thing to do," it has the added benefit of being the "smart thing to do." When people work where their voices are heard you bring a multitude of ideas, innovations and opportunities to the forefront. When those voices come from a diverse set of backgrounds they are even more powerful.

Our 2015 fiscal year ended on August 31st and I am pleased to report that our entire Family of Companies (FOC) comprised of nine diversified businesses had record performance across each dimension of our TBL.

On the People side we celebrated our best safety performance in 25 years. Our employee satisfaction survey scores were at an all-time high. We also took pride in watching "Returning Citizens" transitioning into management positions.

On the Planet side we used more recycled material than any time in the history of the company. We also like knowing our automotive dash silencers are 100% recyclable and the market is following our lead in that direction. We are maintaining multiple facilities at zero waste-to-landfill and moving others closer to that objective.

On the Profit side we finished with our second consecutive year of record revenues and profits. The strength of our balance sheet will enable us to further increase impact.

Interestingly, people still think about elements of the TBL as being an "either-or" proposition. Nothing could be farther from the truth. When balanced correctly, each leg can leverage the others. In full disclosure, this is easier to say than do. We are far from perfect and have much room



for improvement. We will make mistakes along the way, but that is how we learn.

All that remains to be said is "Thank You" to all of our employees, suppliers and customers for your continued support and dedication as we pursue our Triple Bottom Line initiatives for People, Planet and Profit.

Mark Miller
CEO & President



**B Corps:
Changing How the World Practices Business**

Certified B Corps are recognized for using the power of business to positively impact society while solving social and environmental problems. Cascade Engineering is one of 1,598 companies located throughout 43 countries representing 130 industries comprising the B Corp Community. We are honored to be part of this organization which parallels our Triple Bottom Line philosophy. We encourage other businesses to think beyond the traditional financial bottom line and expand their goodwill to include society and our environment.

A highlight of our 2015 fiscal year was our third recertification as a B Corp. To be certified, companies must conduct a rigorous impact questionnaire comprised of five sections: environment, workers, customers, community, and governance. The median score for 17 companies with +1000 employees completing the questionnaire was 64.8, the median score of all companies that completed the impact assessment was 80 and Cascade Engineering's "B" assessment score was 89. Although B Lab, the certifying body, considers Cascade's score to be "great" we will continue to review our programs, policies and procedures to determine where we can improve.

To allow us to measure and track our impact we have developed what we call "Level Zero Breakthrough Objectives" that reflect our long-term (5 year) goals. These goals are categorized under our Triple Bottom Line focus of People, Planet and Profit as follows:

PEOPLE

1. Be an employer of choice
2. Zero injuries
3. Family owned company with positive community impact
4. Total immersion in the Cascade Enterprise System

PLANET

5. Improve environmental impact by 50%
6. Increase new sustainable innovations by 10%

PROFIT

7. Eliminate the seven forms of waste
8. Reach the EBIT goal for the Family of Companies
9. Improve the company funded debt to EBITDA ratio

These Level 0 goals are communicated to all of our employees and every department and each business unit establishes specific annual goals and initiatives to support these 5-year objectives.



Kenyatta Brame
Executive Vice President



PEOPLE

We believe our 1,600 employees worldwide are a family of people. People who genuinely care about each other, are committed to each other and enjoy working together with one purpose in mind: to make a meaningful impact on society.

We want to be recognized as an employer of choice. Being an employer of choice means that we have carefully thought about creating an environment where people want to work and have long-lasting careers. We want to create a place where people choose to work over other competing organizations because of what we have to offer them in terms of the whole experience — compensation, benefits,

training, recognition, opportunities, development and purpose for being. We recognize that hiring and retaining talented people requires companies to be receptive to the expectations of a new generation of workers. We strive to provide an environment where people enjoy coming to work and are challenged and rewarded for their contributions while given opportunities for growth.



PROFILE:

Jo-Anne Perkins &
Caitlin Townsend Lamb

STEP Award Recipients



Manufacturing faces a serious skills gap and part of this gap is the under-representation of women in manufacturing. Women make up about 47 percent of the labor force, but only 27 percent of the manufacturing workforce. To help improve upon this, The Manufacturing Institute is promoting the role of women in manufacturing through the STEP (Science, Technology, Engineering, and Production) Ahead initiative, which serves to mentor and recognize women while also leading research efforts tackling this important topic.

The Manufacturing Institute launched the STEP Ahead initiative in 2012 to celebrate women in the manufacturing industry that are making a difference through advocacy, mentorship, engagement, promotion, and leadership. The STEP Ahead Awards, held annually in Washington, DC, highlight the achievements of real women in manufacturing on a national stage with a formal gala to celebrate their accomplishments.

STEP Ahead calls upon these women to advocate for the manufacturing industry, mentor young women/girls with the National Girls Collaborative Project, engage an affinity group to generate ideas and share best practices, promote personal development, and lead as an ambassador for manufacturing education.

In March, Cascade's Jo-Anne Perkins was recognized and received the 2015 STEP Ahead Award Honoree as one of the top one hundred women in manufacturing in the United States. Caitlin Townsend Lamb joined Jo-Anne in Washington, on Capitol Hill, and was recognized as one of the top thirty 2015 STEP Ahead Emerging Leaders, a future talent in manufacturing. We are very proud of these two women representing Cascade Engineering in the world of manufacturing.





PROFILE:

James Cornell

*Vice President of Sales, IWS
Exceptional Sales Leader Award
Sales MVP of the Year*



Meet James Cornell - Vice-President of Sales for Invisible Waste Services (IWS). James received our 2015 Exceptional Sales Leader Award which reflects going above and beyond to accomplish team goals. He also received the 2015 Sales MVP Award which is given to the highest performing salesperson in the Cascade Engineering Family of Companies (FOC).

James has been with IWS since October of 2004 and started in Tampa, Florida as a sales representative while living in Orlando. The Orlando sales position was taken, yet he still wanted an opportunity to join the company and made the journey to Tampa (500-600 miles weekly) because, as James says, "I really believed in what IWS was doing as a company and wanted to be an instrumental part of their success."

His interest in sales started early in his life while still in high school working with his father at his furniture store in the mid '80s. He credits this experience with learning the power of relationships while observing and listening to his father's genuine interest in his customers' well being.

He joined the U.S. Army out of high school and was trained as an operator for anti-tank guided missile systems while stationed in Aschaffenburg, Germany. While in Europe he traveled extensively and toured multiple foreign countries and continued living there after his honorable discharge. He returned to Florida to attend college and holds a Bachelor of Business degree in Marketing from Orlando College.

His first job after graduation was at a small theme park where he spent four years honing his appreciation for the importance of providing a positive customer experience. He then worked in the rental car industry for several years before joining IWS. James realized through these experiences that his passion was in sales and his success was based on developing personal relationships with his customers.

This year, he is Chair of the Product Service Council, the highest honor a supplier can receive in the multi-family industry. He is on the Executive Committee for the Florida Apartment Association and represents the interests of all supplier partners.

James says, "My involvement in the multi-family residential community is my way of giving back to the industry that has given so much to me."

James resides in Orlando, Florida and is devoted to his wife Carmen a bi-lingual kindergarten teacher, and his two sons Brandon (21) and Jarred (17).



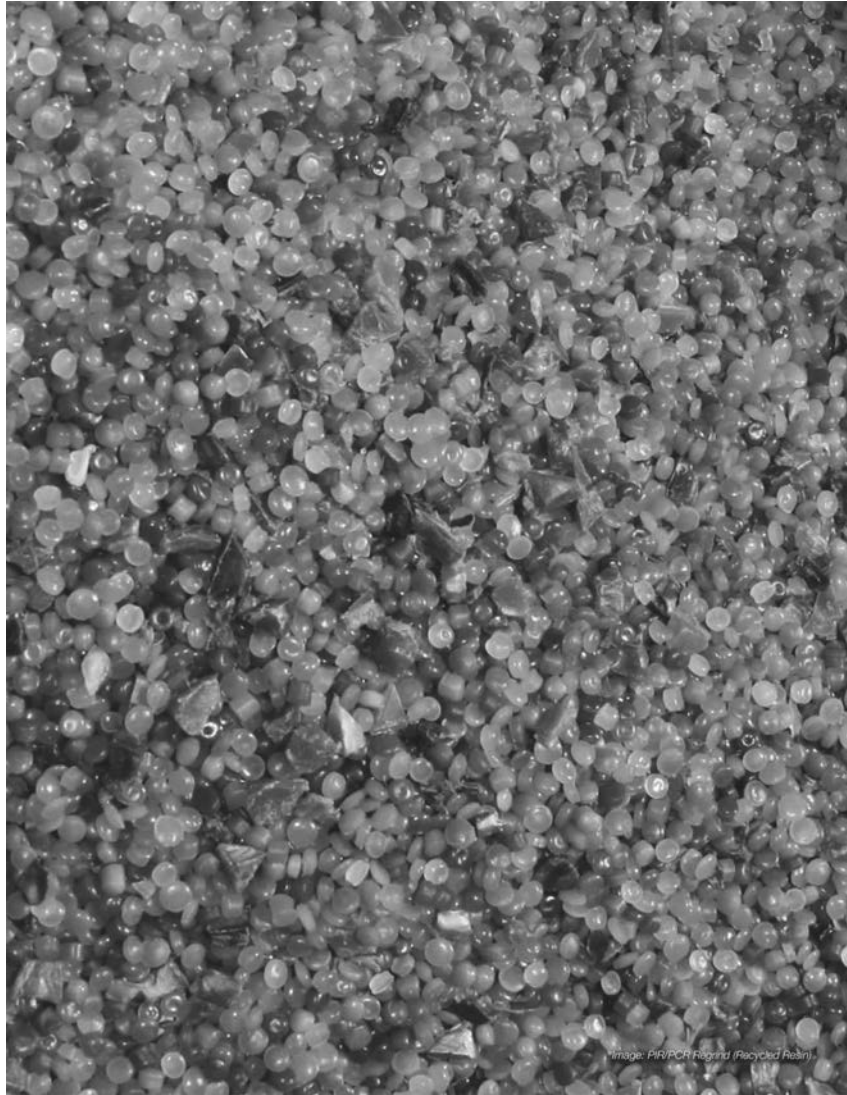


PLANET

We are stewards of the environment. Each of us is responsible for the health and well being of our planet. The choices we make everyday contribute to either the health or deterioration of our ecosystems. If we don't take it upon ourselves to care about the planet who will?

We live in a world of finite resources and it is our responsibility to protect and nurture our natural resources whenever possible. This year we increased our usage of recycled post industrial and post consumer resins (PIR/PCR) to 21,800,000 pounds. We also reduced our greenhouse gas emissions and recorded zero waste to landfill for the fourth consecutive year in a row on our

Grand Rapids Campus. As a TBL company we recognize the importance of pursuing every opportunity to act responsibly. Our Learning Community facility is certified as a LEED (Leadership in Energy & Environmental Design) Platinum existing building. The platinum rating is the highest level of certification attainable by the U.S. Green Building Council.



Automotive Americas

Our dash silencers and 3D suction blow molded components utilize recycled material content and are 100% recyclable at the end of their product lives, making them particularly appealing for our TBL purpose of environmental responsibility. Not only are these products recyclable, they are designed with the intention of reducing weight and hence fuel consumption. By utilizing 100% recyclable thermoplastic olefin (TPO) rather than non-recyclable ethylene vinyl acetate (EVA), Automotive Americas will help reduce land fill targeted waste by approximately 2,500 tons per year.

A record year for car and truck sales along with reduced oil prices allowed our Cascade Engineering Automotive Americas (CEAA) group to see substantial growth and record financial performance. Our injection molded dash silencers and our 3D suction blow molded components are both witnessing continued growth with new customers like Honda and Harley Davidson. In addition to pursuing our traditional automotive customers we are also supplying new customers like Harley Davidson (motorcycles), Polaris (power sports – off road) and Volvo-Penta (outboard engines).

With our successes also come some challenges like reduction of our tooling cost and build timing. Our global competitors have the ability to offer our automotive OEM (original equipment manufacturer) customers the option of lower cost and overseas manufacturing of tools. With our increased penetration of dash silencer business, the incumbent suppliers are focusing their attention in our direction and on the threat we pose. Our response is to continue creating innovative solutions to customer problems while expanding our patent portfolio and providing unique solutions.

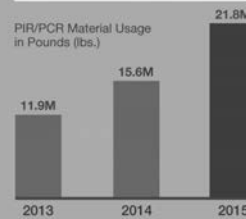
The first automotive product we ever produced was an air conditioning vent for Oldsmobile in 1980. We are proud to report that 35 years later we still are acknowledged for our ability to provide innovative solutions using plastic for automotive applications. We are also extending this knowledge to new customers and markets beyond the traditional OEMs.



Image: Automotive Americas 3D Suction Blow Molded Tube

PIR / PCR Material Usage (FOC)

Our use of recycled plastic in our products continues to increase year over year. Our materials group along with manufacturing engineering continually search for ways to increase this usage without impact on product performance.



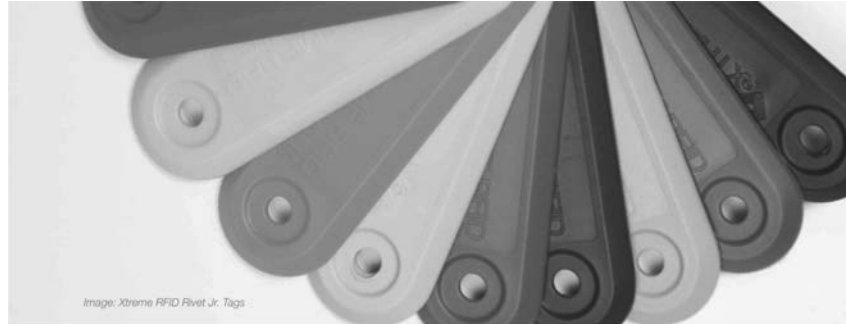


Image: Xtreme RFID Rivet Jr. Tags

Xtreme RFID

There is great potential for radio frequency identification (RFID) particularly since it is so closely aligned with sustainability. RFID tags are used to track assets for theft reduction, asset life cycle management, inventory management, productivity and efficiency improvements, asset visibility in the supply chain and automation of data collection.

RFID technology is growing but is still in the early adoption phase of market acceptance. 2015 saw the introduction of 22 new part numbers and 18 new customers and we expect continued growth in 2016. The RFID market is relatively new and we are taking a broad approach to commercialization. The markets Xtreme will be focusing on this year include utilities, commercial fishing, manufacturing, oil and gas, mining, agriculture and health care.

We successfully executed three key strategic initiatives in 2015. We finalized and launched our extrusion molding process. This patented process provides new key competitive advantages in the manufacture of rugged RFID tags. We can now mold very low profile rugged tags that are a one-piece design. Competitive offerings are two piece which are not as rugged and have lower Ingress Protection ratings. We can now manufacture at a very high rate of speed (50,000 tags per day). We will be moving the production of rugged tags for Cascade Cart Solutions from injection molding to extrusion. This will free up 250 ton press capacity to produce additional RFID tags and other small tonnage products for Cascade Engineering.

Xtreme RFID requires go-to-market strategies which are far different from the requirements of our long standing legacy businesses. Our business requires us to generate our own leads through non-traditional efforts. Traditional marketing was not generating the leads to sustain this business. So we launched a digital marketing campaign to drive leads to our website. We utilized paid search through Google AdWords and a banner ad campaign on LinkedIn and other industry websites. These efforts have increased the leads coming to us by eight fold and are generating a higher percentage of qualified leads for us to pursue.

We launched a portfolio of industry leading combination tags. We can now manufacture all of our tags in clear resin with bar codes and human-readable numbers. This provides the best of both worlds whereby customers can utilize both the bar code and RFID technology to their advantage. The majority of our sales come from these products.

Today we use Xtreme RFID tags on every waste container we make for Cascade Cart Solutions and many of our Decade bins and pallets are identified through RFID technology.



PROFIT

A TBL company cannot be viable without financial success. In order to make a positive impact it requires fiscal responsibility and stewardship.

Our Cascade Enterprise System (CES) is a company wide effort to improve our systems and procedures to assure that we maximize our resources in all areas of our operations. This year we celebrated record financial performance for the Cascade Family of Companies. All nine of our diversified businesses delivered strong financial

results and we are proud of their accomplishments. As a Triple Bottom Line company we realize the importance of seeking financial success to fuel our continued growth. Profit allows us the opportunity to invest in making a positive social impact and environmental stewardship.



CK Technologies

CK Technologies (CKT) is our largest business unit and leading thermoplastics solutions provider in the North American commercial truck and bus industry. They lead the market for injection molded bumpers, grilles, roof fairings and chassis skirts. They produce large plastic injection molded parts and assemblies that are top-coat painted and delivered in sequence to our customers. Headquartered in Montpelier, Ohio, CKT also has plant locations in Mount Airy, NC and Brownsville and Fort Worth, Texas. CKT employs 785 people.

In 2015 the team at CKT delivered a record performance. They were able to keep up with demand as truck production reached the highest volumes in the last decade. In addition, CKT launched 38 new tools during the year and our commercial team was awarded over 110 tools for future production as our customers refresh their current product lines.

We are particularly proud of our safety performance since safety is the top priority at CKT, as it is for the entire Cascade Engineering Family of Companies.

We closed the year with the lowest rate of recordable safety incidents in CKT's history. These results are reflective of our efforts to be an employer of choice. We want to assure all of our employees that they are working in an environment with the proper protocols in place to ensure their safety.

Our product quality data shows 18 months of consecutive year-over-year improvements by month. This is reflected in our customer's confidence in our abilities as they continue to award us with new business. Our customer scorecards also show high ratings for our performance in the key areas of cost, quality and delivery.

This was a year of record high industry volumes with 328,880 trucks built in calendar year 2015. As the teams worked to address the high volumes, we continued our commitment to our employees and our local communities. We invested over \$61,000 in our local communities through programs such as sponsorship of Montpelier High School Robotics program, multiple academic scholarships and support of a variety of community programs.



Image: Parts Being Loaded for the Automated Paint Line at CK Technologies



Decade Products

Decade Products produces plastic bins and pallets primarily for the industrial, agricultural and food processing industries. The agricultural segment is strongly dependent on favorable weather conditions and in 2015 had a series of challenges with an early seasonal freeze in Ontario, Canada and hurricane Patricia in Mexico negatively impacting this segment. This reduction in revenue was offset with strong performance in the industrial material handling and food processing markets, which continued to show respectable annual revenue growth.

We also made substantial investments with the acquisition and improvement of the previously leased Sysco Court facility in Grand Rapids, MI. A new mold for our newest ACE bin is in the works and will be ready for production in early 2016.

The high-density polyethylene (HDPE) resin we use in over 70% of our products was selling at record high prices for this commodity in Q1 and Q2 resulting in reduced profitability. This increase was slightly offset with our increased usage of recycled resins wherever possible.

We are also pleased to announce Dave Gargett as our new National Sales Manager. Dave has been with Decade for 15 years. Mike Begin has also joined us as a Regional Sales Manager for the Northeastern United States.

Decade Products is a 50/50 joint venture with Dolav Plastic Products located in Dvir, Israel. Both organizations believe that contributing to their respective communities is an important objective for their businesses.

Happily adopting this principle, Decade Products donated funds and spent a day volunteering at Family Promise Grand Rapids. Family Promise is dedicated to keeping families intact through temporary housing with the ultimate goal of getting them back to safe and secure housing. They have a 90%+ rate of doing so.

In Israel, Dolav Plastics supports the Eden Foundation. This group focuses on teenagers at risk and provides them with safe living accommodations outside of their troubled homes, education and emotional support.

Noble Polymers

This past year Noble Polymers implemented a new and focused strategy surrounding two of our primary thermo-plastic olefin (TPO) product lines, Ecobarrier® (barrier TPO) and Regis® (rigid TPO). As a result, this renewed focus has improved our overall operating performance while simplifying our material development strategy. We have also been more selective regarding opportunities outside these two product lines based on our capabilities and probability of success. With a concentrated effort on fewer projects we have been able to bring more opportunities into commercialization.

Our Ecobarrier TPO, used for injection molding of dash mats at Cascade Automotive Americas, is now being used by another automotive customer, making this material application a first outside our Cascade Family of Companies. Working closely together with all of our customers we continue to create material advancements that provide more design freedom for injection molded dash mats.

New leadership in operations is working to streamline our processes and correct inefficiencies. We have been working on implementation of the Cascade Enterprise System (CES) and seeing definite improvements in all areas of our business. "By aligning our manufacturing operations and procedures with other business units surrounding our Grand Rapids campus we are seeing the benefits of consistency and stability at Noble," states Meagan Marko – Sales Manager of Noble Polymers.

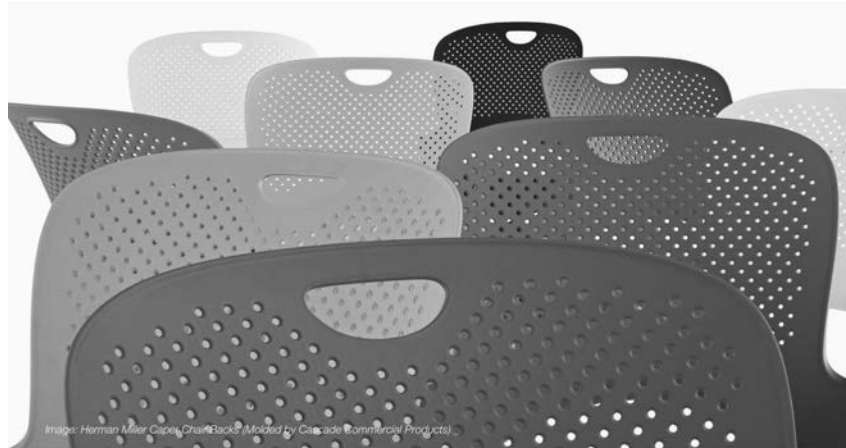


Image: Meagan Marko



Image: Close-up Shot of Resin Pellets from Noble Polymers





Images: Herman Miller Capex Chair Backs (Molded by Cascade Commercial Products)

Commercial Products

Our Commercial Products Group, in collaboration with our Noble Polymers team, successfully developed a unique compounding process that utilizes re-grind material from recycled tennis shoe soles with polypropylene to be injection molded in a next generation classic Herman Miller Eames chair.

Herman Miller also honored Commercial Products with the highest scores ever awarded to a supplier during their annual audit in the categories of "Better World" and "Environmental Stewardship." Our partnership with Herman Miller spans 35 years and we deeply value our continued relationship.

We also worked closely with the designers and engineers at another seating manufacturer to produce an industry first all Acetal chair back for high-end office seating. This chair back incorporates unique design and plastic injection molding processes to provide structural strength, maximum flexibility, class A in-mold color aesthetics, and is the single largest part ever made from this material.

This was all made possible by extensive collaboration between the customer, material provider, and Cascade Engineering to prototype multiple design and process options leading to the final product. The final result will eliminate the need for fiberglass-filled and multiple material construction typically required. This product will be 100% recyclable at the end of life.

The Commercial Products Group was retained by Native Energy to continue to produce the Hydraid Water Filter formerly produced in-house for our Triple Quest business unit. This business was sold to Native Energy in 2015 primarily due to their established distribution channels in the Carbon Credit marketplace. We are honored to still be involved in the production of this filter, which continues to provide safe drinking water to 770,000 people in 46 countries.

We are also continuing our pursuit of opportunities in the Compressed Natural Gas (CNG) market, particularly in the area of providing lightweight solutions for large plastic injection molded liners for CNG tanks used on Class 8 and smaller trucks. CNG is ten times cleaner than diesel fuel and further reduces North America's dependency on foreign oil.

Automotive Europe

Cascade Engineering Automotive Europe witnessed significant growth in their key markets. This continued growth required a new facility for kinematic assembly comprised of an additional 10,000 square feet completed in May.

New kinematic products were launched for Volkswagen and IAC. Contitech and Tristone continue to provide us with new opportunities in the fluid-handling segment and we see additional growth with these strategic partners for 2016 and 2017. Most importantly, many of our customers are coming to us for our product design capabilities as well as our production expertise.

Our product portfolio is comprised of kinematics, fluid handling and HVAC components and this diversity provides us with continued sustainability. Increasing labor costs and the exchange rate will continue to be challenges for us in 2016.

In Central-eastern Europe there has been a serious lack of research studying the effectiveness of workplace-based vocational training. Two recent labor studies (Wolter and Ryan in 2011 and Popiunuk and Ryan in 2012) have shown that secondary education level systems, combining school-based vocational education with employer provided, workplace based apprentice training, have sustained a positive track record in smoothing the transition process, lowering the unemployment rate and increasing the quality of work produced.



Image: Automotive Europe Expansion (Exterior)

Based on these studies we have started programs to build stronger relationships with local vocational and trade schools to develop a standard training system for high school students. In Hungary, every student in the non-college bound vocational training track is required to spend one year either in school or with a local firm like ours. This collaboration with local high schools allows us better access to recruit technical students as they graduate.

Although we have had a long standing relationship with the University of Budapest this additional training program allows us to reach a younger generation of previously untapped talent. We also are in discussions with a mechanical school clarifying the details that will result in a stronger match between the skills acquired in education and the skills needed in the workplace leading to an effective labor market and additional source of talent for us. We have recently hired four graduates to work in our tool shop and they will help us better understand the work habits of the "Y" generation as we prepare our workforce for the future.



Image: Automotive Europe Expansion (Interior)

Cascade Cart Solutions

The overall market for trash carts was significantly down for all producers during the year, primarily due to HDPE resin prices that were 10% -15% above the annual average for two consecutive years. Under these difficult conditions our Cart Solutions group persevered to land the largest contract issued in 2015 from Orange County, Florida. This contract was for 350,000 96-gallon trash and recycling carts to be delivered by the end of the calendar year. Each household in Orange County will receive one of each.

We started production at the Buursma plant on September 1st in order to build up significant inventory to meet the first release of 216,000 waste and recycling carts to 108,000 households between October 19th and December 19th. We dedicated three full time tools and presses 24/7 to meet this aggressive time frame.

All of the carts were delivered with black bodies which allowed us to incorporate recycled resins and either green (trash) or blue (recycling) lids. The lids also included in-mold labels supporting the Orange County program.

Another accomplishment was the utilization of our internally built software CartLogic® to manage the order. The software identified all the residential addresses in Orange County and helped our delivery crews assign a waste and recycling cart to every address using one of our Xtreme RFID tags installed on every cart including the GPS coordinates.

Under very difficult market conditions Cart Solutions still managed to remain profitable despite a 25% reduction in container sales. Credit is due to our operations group, known as the Cascade Business Team, for implementation of cost controls and cost reductions keeping our variable costs in line with the unplanned shortfall in sales.

We also managed to increase our use of alternative PIR/PCR material throughout our operations to a record high 21,800,000 pounds. Considering our carts use the bulk of our PIR/PCR material this was a remarkable achievement when coupled with a 25% reduction in cart sales.



Image: Marin Broersma Inspecting Orange County Cart Hotstamp Quality



Image: The Bench® from IWS

Invisible Waste Services

Highlights for IWS included moving their headquarters to a larger facility in Orlando, Florida. They also added Cari Krix as a new regional sales manager to handle the growing Georgia and Southeastern market. Cari is based in Atlanta, Georgia.

One of the major accomplishments IWS cited this year was the development of three key relationships, two of these with Pinnacle and Lincoln which are represented in the top three property owner management companies for multi-residential housing in the United States. In addition they also partnered with UBS one of the largest investor/owner properties in North America. These three strong partnerships will continue to yield strong growth in the future.

The strong market for multi-residential housing has set the stage for increased competition with many new competitors offering low prices as well as extra services at no charge. In light of this increasingly competitive segment IWS still

managed to produce positive results. We witnessed continued growth adding 12,370 units and 42 properties increasing our revenue for the fifth straight year. IWS now services 54,526 units and 173 properties in nine states: Florida, Georgia, Colorado, Alabama, Virginia, North Carolina, South Carolina, Tennessee and Texas.

We were all deeply impacted by the loss of Nan Cavarretta, former Regional Sales Manager, from cancer in January. Nan was a fountain of energy and enthusiasm for her co-workers, family and anyone who had the pleasure of meeting her. In July, at the National Apartment Association (NAA) Conference and Exposition, Nan was posthumously awarded a Paragon Award which is the highest award an industry professional can attain. In early December, Nan was awarded the Russell Parker award, which is the Apartment Association of Orlando's most prestigious award only and rarely provided to their Hall of Fame recipients.

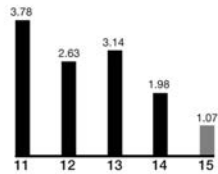
ANNUAL TBL SCORECARD

2015 Fiscal Year
(9/1/14 - 8/31/15)

Our TBL scorecard represents the key measurements we use to identify challenges and track our progress as related to People, Planet, and Profit. With the exception of FOC Sales all metrics represent measurables only within Cascade Engineering's Grand Rapids campus.

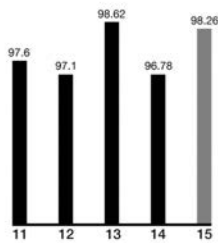
PEOPLE

Safety Incident Rate
(rates per 200,000 hours worked, %)



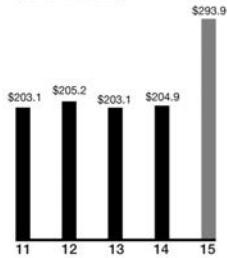
Safety is our number one priority. We are proud to report that we came in below the industry average of 4.6% and continually strive to decrease this rate year over year.

Welfare to Career
(retention rate, %)



We value every human being at Cascade Engineering and we work to ensure that all of our employees have an opportunity to pursue successful careers.

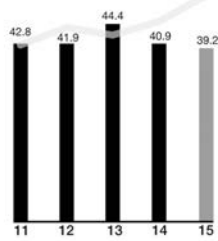
Social Contributions
(dollars in thousands)



We believe that business has the opportunity to make a positive impact on society. We are happy to share our success with our community and contribute to positive social change.

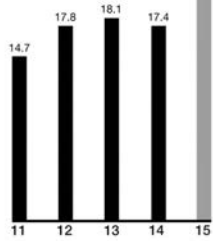
PLANET

Greenhouse Gas Emissions
(Metric tons of CO₂ in thousands compared to GR campus sales)



We use this metric to measure our environmental footprint. We strive to reduce greenhouse gas emissions every year. (The yellow line represents our Grand Rapids campus sales dollars).

PIR/PCR Usage
(pounds in millions)



We want to increase our annual use of post-industrial and post-consumer recycled material.

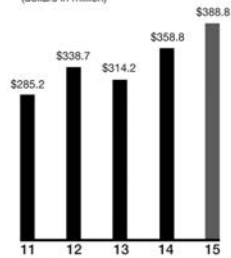
Landfill Cost
(waste-to-landfill \$)



Our Grand Rapids campus has recorded zero waste-to-landfill for the fourth consecutive year. Our non-campus facilities are also pursuing this goal.

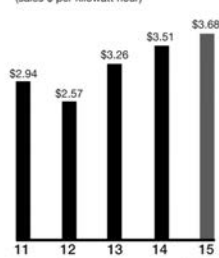
PROFIT

FOC Sales
(dollars in million)



This five year history represents the total annual revenue for all nine business units which comprise the Cascade Engineering Family of Companies.

Sales to Kilowatt Hour
(sales \$ per kilowatt hour)



Our goal is to use less energy (kW-h) to produce our saleable goods. We want to increase our sales dollars while expending less energy.

Testimony

Dr. Christopher T. King
*Ray Marshall Center, LBJ School of Public Affairs
The University of Texas at Austin*

Getting Incentives Right: Connecting Low-Income Individuals with Jobs

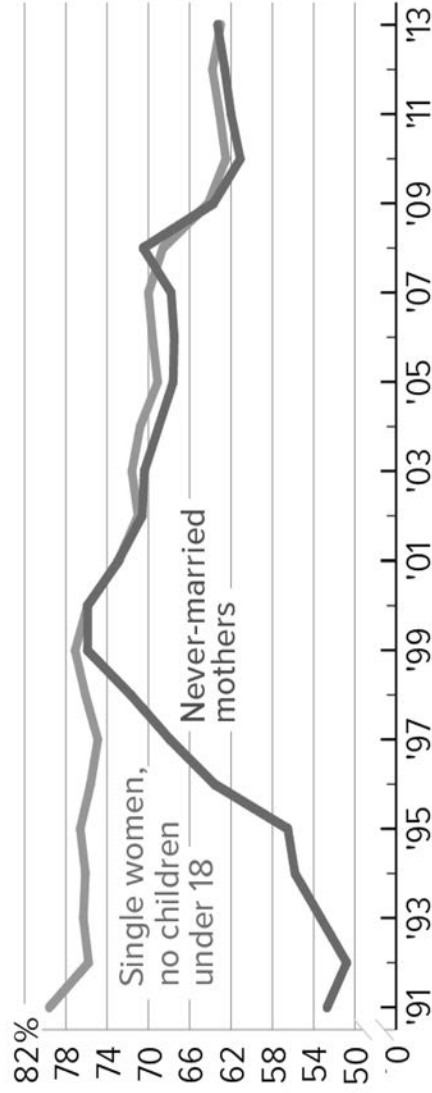
*Subcommittee on Human Resources, Ways and Means
Committee, US House of Representatives*

March 1, 2016



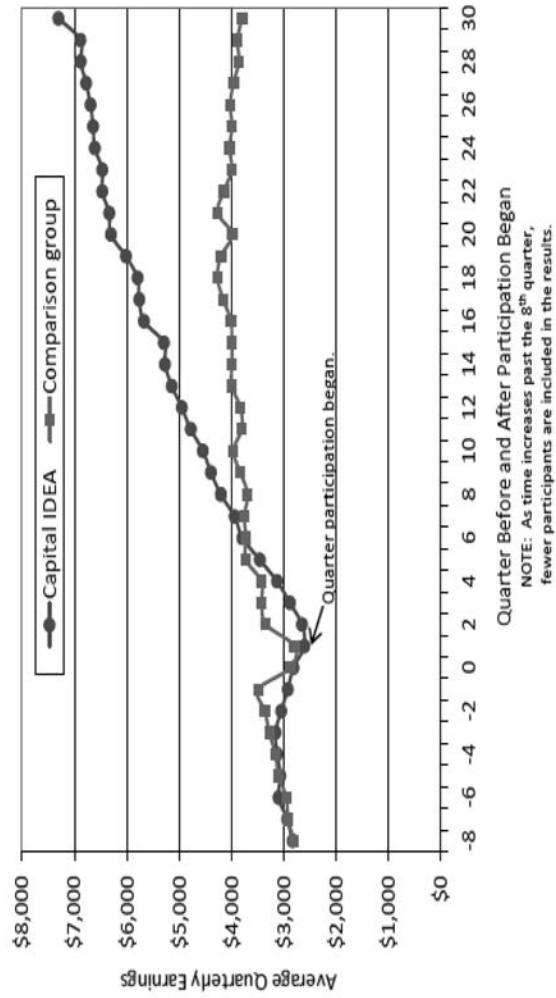
Never-Married Mothers' Work Rates Jumped in 1990s but Have Fallen Since

Percent of women between the ages of 20 and 49 with a high school education or less with any work during the year



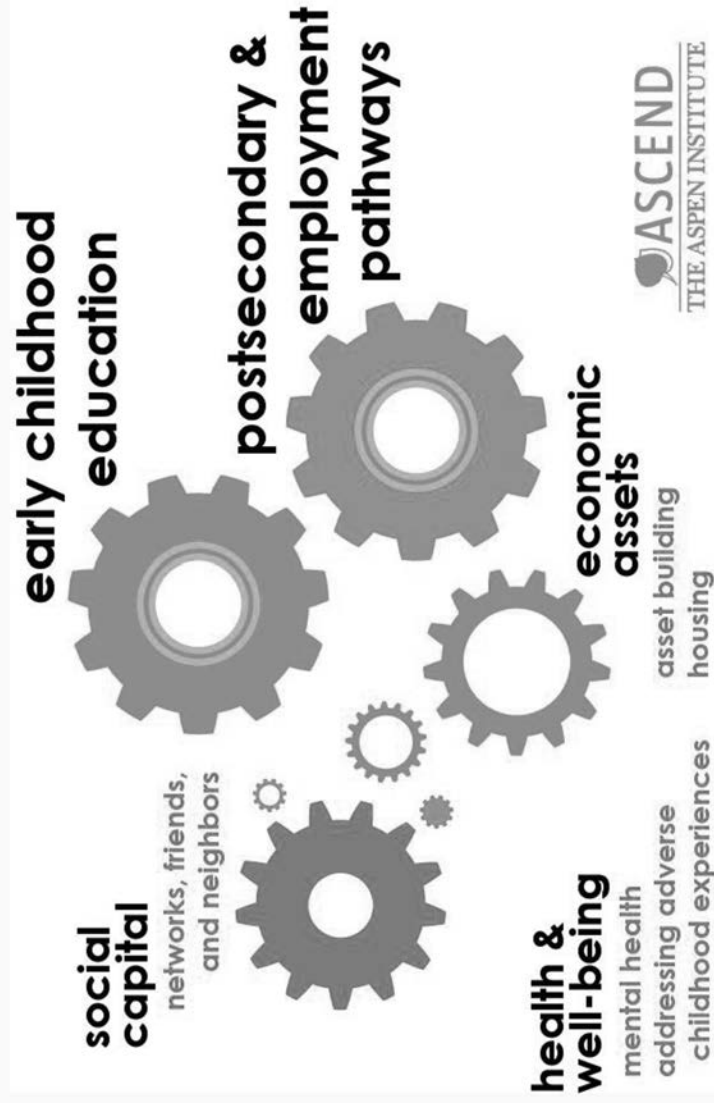
Source: CBPP analysis of Current Population Survey.

Figure 14. Unconditional Earnings Over Time, Capital IDEA Participants vs. Comparison Group

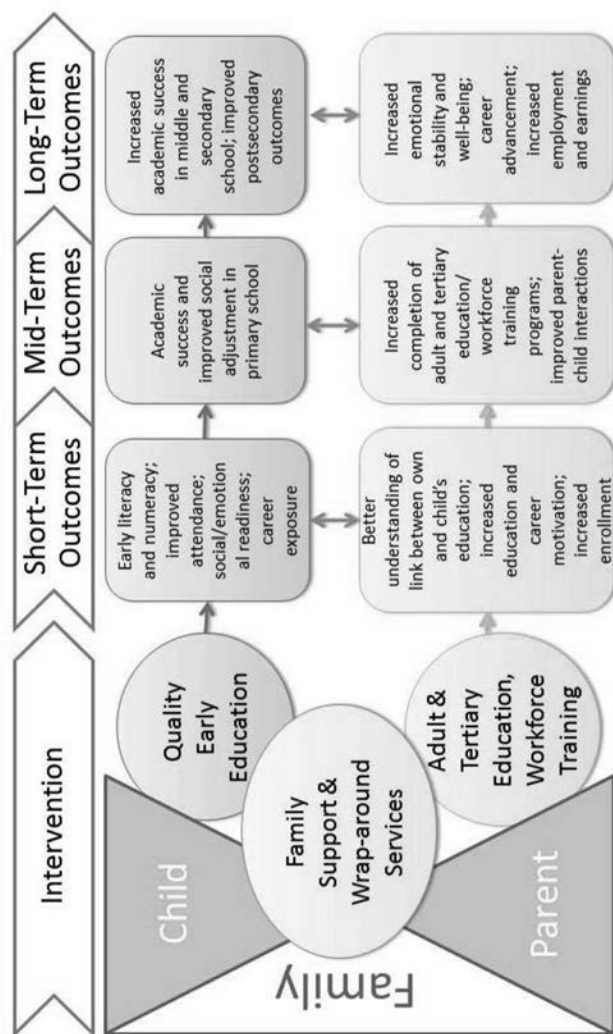


Source: Smith, King & Schroeder, 2012. [doi:10.1002/2011](#)

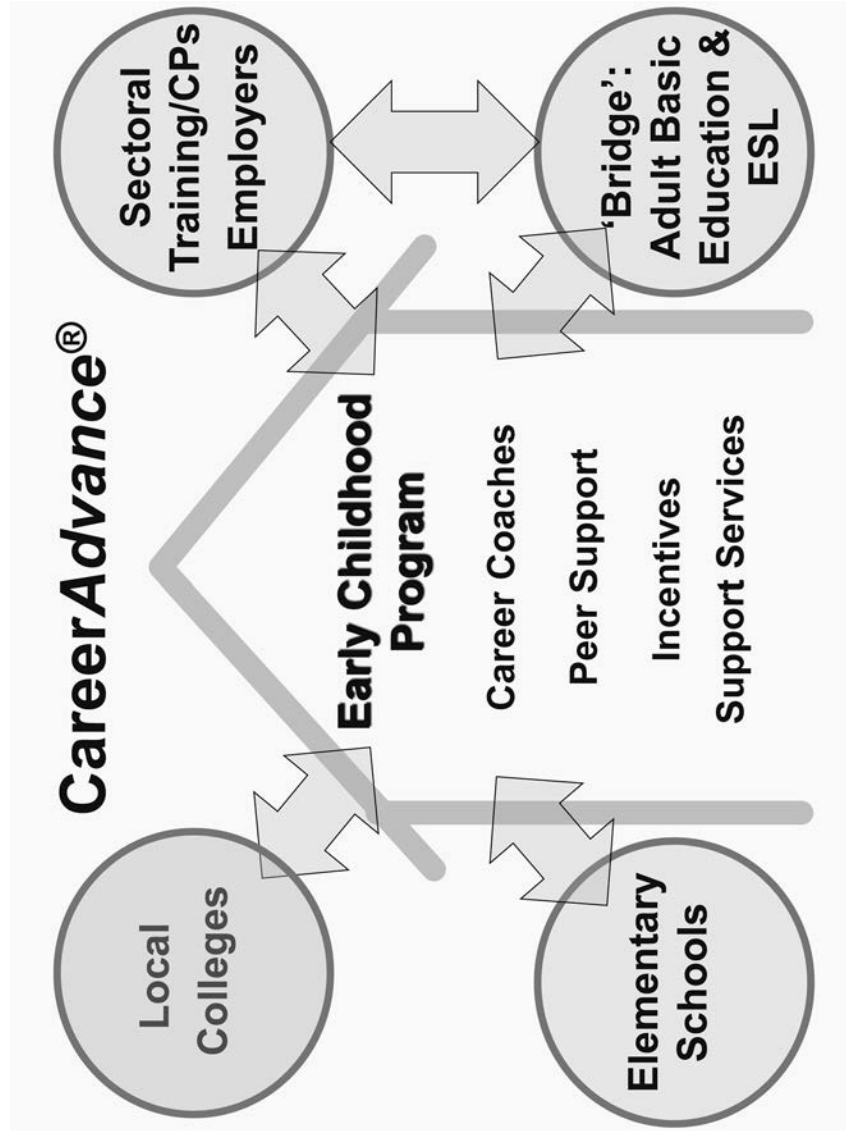
Ascend's 2-Gen Framework



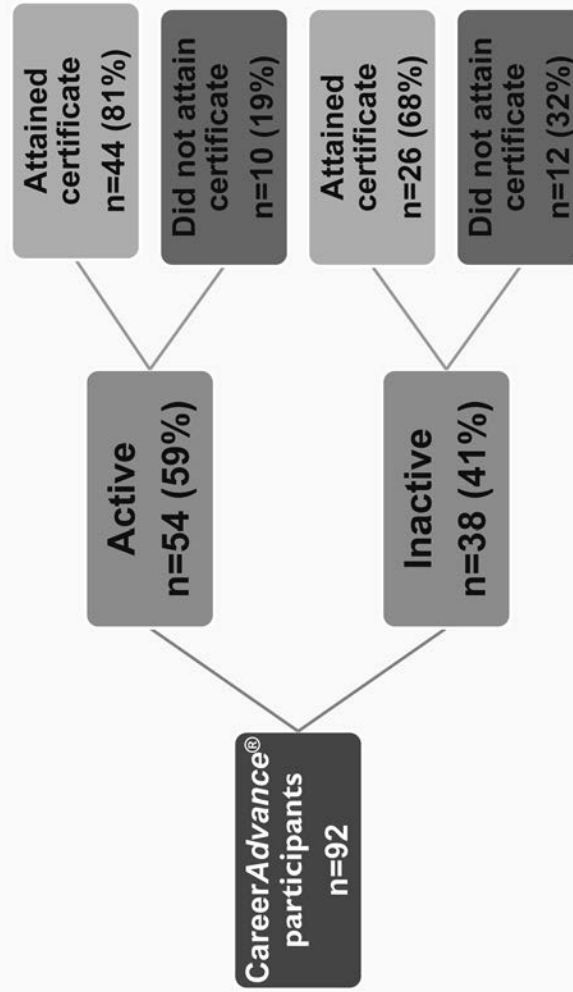
Conceptual Framework



Source: Chase-Lansdale et al. (2011), Smith & Coffey (2015).



CareerAdvance® Enrollment & Certification at 16 Months, Cohorts 4-7



Source: Sabol et al., 2015.

Contact Information

Dr. Christopher T. King
Ray Marshall Center
LBJ School of Public Affairs
The University of Texas at Austin
512.471.2186
chris.king@raymarshallcenter.org



[Submissions for the record follow:]

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

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

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

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

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

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

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

The last time that Congress increased the cap on Housing Credit authority was in 2000¹, which it did on a bipartisan basis. That bipartisan support has been a hallmark of the Housing Credit program since its

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

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

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

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

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

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

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

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

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

communities.

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

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

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

The address of the AHTCC is 1909 K Street, NW, 12th Floor, Washington, DC 20006. The telephone number is (202) 661-7698; Fax number is (202) 661-2299. Email is info@taxcreditcoalition.org. The person primarily responsible for drafting this testimony is Richard S. Goldstein, Counsel to the AHTCC. Phone number is (202) 585-8730; Fax number is (866) 947-3779. Email is rgoldstein@nixonpeabody.com.



1133 Nineteenth Street, NW, Suite 400, Washington, DC 20036

T: (202) 682-0100 F: (202) 289-6555 www.aphsa.org

Raquel Hatter, President

Tracy Wareing Evans, Executive Director

House of Representatives

Committee on Ways and Means

Subcommittee on Human Resources

Hearing

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

March 1, 2016

Comments for the Record by

American Public Human Services Association (APHSA)

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



March 14, 2016

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

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

Dear Chairman Buchanan and Ranking Member Doggett:

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

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

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

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

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

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

Employer Incentives

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

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

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

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

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

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

Worker Incentives

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

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

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

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

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

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

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

Sincerely,

A handwritten signature in black ink, reading "Tracy Wareing Evans". The signature is written in a cursive, flowing style.

Tracy Wareing Evans
Executive Director, APHSA





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

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

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

Thank you for the opportunity to share the Center for Law and Social Policy's (CLASP's) views regarding the ways that Temporary Assistance for Needy Families (TANF) and other human services programs can more effectively connect low-income individuals with jobs. CLASP advocates for public policies and programs that reduce poverty, improve the lives of poor people, and create ladders to economic security for all, regardless of race, gender or geography. We have extensive experience working on income and work support programs at both the federal and state levels.

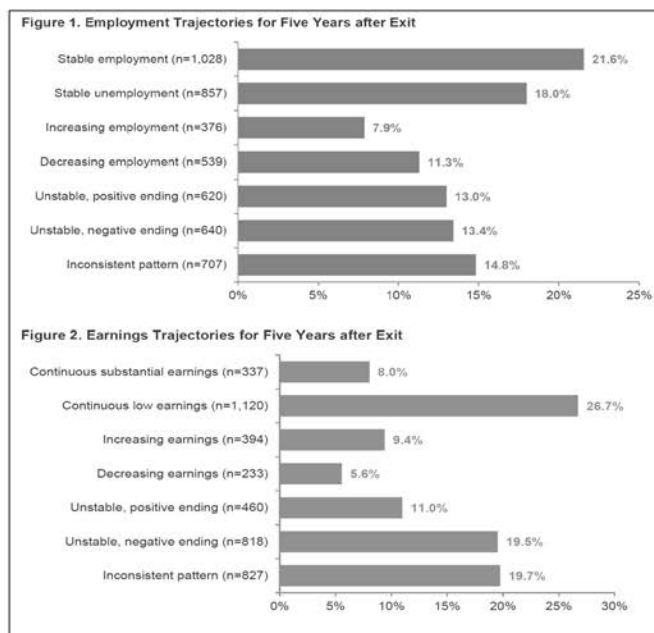
There is widespread agreement that TANF and other income support programs should not only provide a safety net that alleviates hardship at moments of severe distress, but should also connect low-income individuals with jobs and help them advance so that they can achieve economic security for themselves and their families. This is the outcome desired by most parents who are forced to turn to assistance, as well as by policymakers and society as a whole.

TANF is not an effective work program

TANF has largely failed to live up to the goal of engaging recipients of assistance in effective work programs that lead to economic security. While the employment rates for single mothers climbed from 57.3 percent in 1993 to 72.8 percent in 2000, this progress stalled and has since lost ground, with single mothers' employment rate falling to 67.5 percent in 2014.¹ Most states offer very little in the way of employment services to TANF recipients. States spent 6.8 percent of their TANF and related state funds in 2014 on work activities, with 15 states spending less than 5 percent.²

The work participation rate (WPR) is a flawed measure of state performance. However, it provides some perspective on the types of activities that recipients are engaged in. In 2013, the

most recent year for which data are available, 65 percent of work-eligible individuals in the WPR participated in unsubsidized employment, most often jobs that people found on their own. Of those counted toward the rate, 19 percent were counted based on participating in job search. Job search is a reasonable first activity for many TANF recipients, most of whom desperately want to work. However, far too many TANF programs do not have anything else in the way of a work activity to offer, so recipients who don't find jobs just get sent through job search programs over and over again, to little effect.³ In 2013, less than 20 percent of individuals who are counted toward the rate were engaged in education and training activities, and only 2.3 percent were engaged in subsidized jobs.⁴



Source: Lisa Thiebaud Nicoli, *Climbing the Ladder? Patterns in Employment and Earnings after Leaving Welfare*, October 2015.

Even among those who leave TANF with employment, having a job does not always translate to sustaining enough earnings to meet a family's needs. Maryland is one of the few states to have consistently tracked outcomes for families leaving cash assistance over time. Researchers found that less than 30 percent of clients achieved stable or increasing employment over a period of five years after exiting the program, meaning that they either worked in three or four quarters each year, or that they had a general pattern of increasing quarters of employment. Just 8 percent

of clients earned enough to stay above the federal poverty threshold for a family of three for each year after exit, while more than a quarter of leavers with any earnings never earned more than \$7,540 (20 hours per week at the minimum wage) in any year of the five-year follow-up period.⁵

In order for TANF recipients to have meaningful hopes of moving into stable employment that will allow them to earn enough to lift themselves and their families out of poverty, they need three things:

- Education and training services that provide access to employer-valued credentials;
- Meaningful connections to employment opportunities
- Assistance in retaining employment, particularly child care assistance.

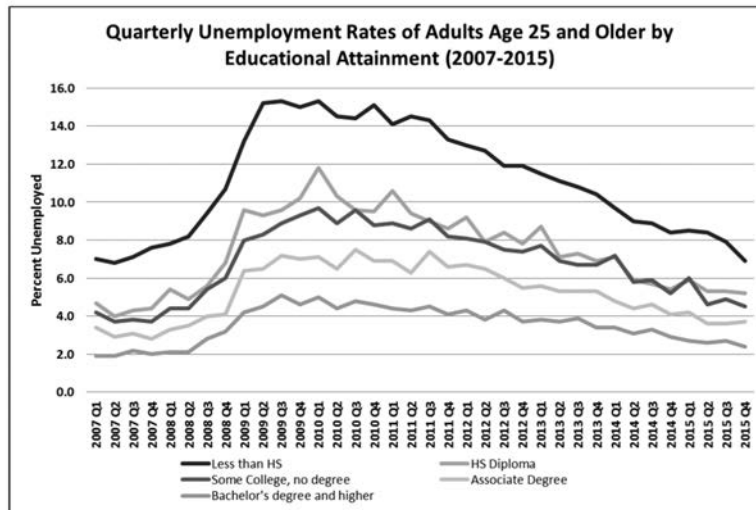
Each of these topics is addressed in more detail below.

Education and training services that provide access to employer-valued credentials

According to the latest administrative data, 56.4 percent of TANF adult recipients have attained a high school education but no more, and 36 percent have not completed school up to 12th grade.⁶ However, the TANF work participation rate (WPR) calculation discourages states from engaging recipients in education and training activities. Specifically, except during the one year for which vocational education can be counted as a core activity, education and training is generally only countable when combined with at least 20 hours per week of another core activity. Given the unpredictably shifting hours of many low-wage jobs, it can be difficult for recipients to combine education and training with employment, and many are simply denied the opportunity to meet any of their participation requirements through education. Many states discourage local TANF offices or contractors from assigning recipients to activities that cannot be counted toward the WPR.⁷

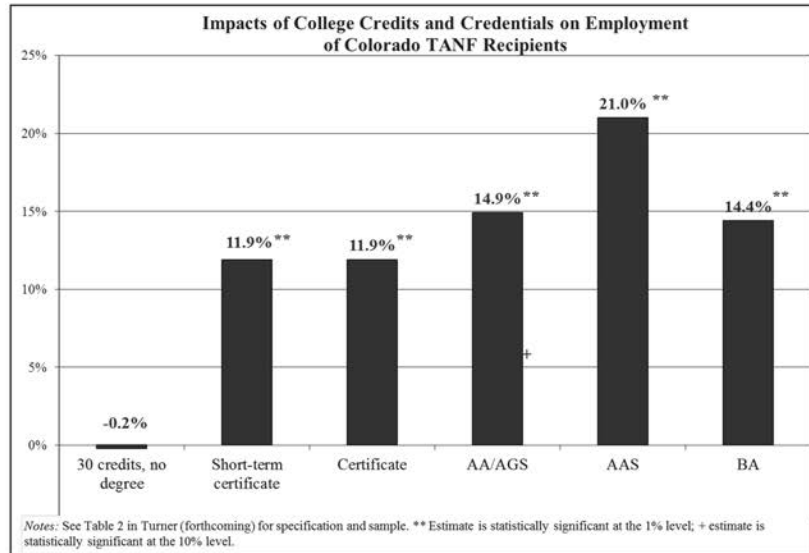
In the face of an economy that increasingly requires a post-secondary credential for all but the lowest-paying jobs, this policy makes it harder for welfare recipients to escape poverty. The reality is that the most effective path to employment is often through education.

A recent synthesis of the literature on what works in employment and training is unequivocal: “A post-secondary education, particularly a degree or industry-recognized credential related to jobs in demand, is the most important determinant of differences in workers’ lifetime earnings and incomes.”⁸ The median earnings for a worker with less than a high school degree is \$19,954 and for a worker with a high school degree is \$27,868, compared to earnings of \$33,988 for workers with some college credits or an associate’s degree, and \$50,515 for workers with a bachelor’s degree.⁹ Workers with more education earn more money and, as shown in the graph below, are more likely to be employed, regardless of economic conditions.



Moreover, when TANF recipients have access to education and training that leads to degrees or certificates, they are more likely to be employed and to have higher earnings. The following graph shows the effects of different types of education on the employment of TANF recipients in Colorado. In this case, the strongest impacts on employment were for people who got two year technical degrees, such as in nursing. It is important to note that individuals who attended college but did not achieve a credential of any sort did not see any impacts on employment. This suggests that TANF policies which require students to combine education with 20 hours of work may be counterproductive if they lead to students leaving school without a credential.

While TANF recipients can succeed in education and training, they may need additional supports to do so. The review of what works in training found that lower-skilled individuals and those with multiple barriers to employment benefit from coordinated strategies across systems, and flexible, innovative training strategies that integrate the education, training, and support services they need to prepare for and succeed in the workplace.¹⁰ Training institutions, especially community colleges, are developing new ways to structure and deliver training. Some of these approaches include providing options for accelerating coursework; integrating work-based and classroom-based instruction; and linking courses and requirements in ways that accumulate skills along a specific career pathway, facilitate the persistence and completion of programs, and lead to industry-recognized credentials and jobs.



Source: Lesley J. Turner, *The Returns to Higher Education for Marginal Students: Evidence from Colorado Welfare Recipients*, September 2015.

WIOA-TANF Partnership

The 2014 enactment of the Workforce Innovation and Opportunity Act (WIOA) creates a significant opportunity for states to rethink their employment services for TANF recipients. Under WIOA, TANF programs are made mandatory partners in the WIOA one-stop career system, unless governors choose to opt TANF out. WIOA also requires state and local unified planning, which has the potential to align policies and funding streams to support comprehensive and integrated services that help low-skilled and low-income people—including disconnected youth, welfare recipients, formerly incarcerated individuals, and others with unique barriers to employment—get the education, training, employment services, and support services they need to enter and advance in the workforce.¹¹ For example, the New York State draft combined plan for WIOA highlights the importance of education for workforce success and notes that “many businesses will not consider a job applicant, even for the lowest-level positions, unless they have a high school degree.”¹²

Another key element of WIOA is that localities must give priority of service to “public benefits recipients, other low-income individuals, and individuals who are basic skills deficient” when providing career and training services using WIOA Title I Adult funds. This priority is needed; in Program Year 2013, under the Workforce Investment Act of 1998 (WIA), only 48 percent of those receiving intensive or training services were low-income, including only 27.5 percent who

were receiving any form of public assistance benefits, and only 3.8 percent who were recipients of cash assistance under TANF.¹³

Finally, WIOA expanded eligibility for “youth” programs to young adults up to the age of 24, and requires that the majority of funds be used for out of school youth. This presents another opportunity for partnerships with human services programs, as nearly one-third of TANF recipients who are work-eligible are young adults under the age of 24.¹⁴

While WIOA presents real opportunities for providing TANF recipients with access to job-driven training leading to employer-valued credentials, it does not guarantee change. In particular, many states continue to report challenges in aligning TANF and the work participation rate requirements with the outcome-focused approach under WIOA. We urge Congress to consider allowing WIOA activities to count toward the TANF work participation rate, in addition to generally providing more flexibility for education and training.

Meaningful connections to employment opportunities

One of the key roles that employment programs can play is helping participants get their foot in the door of jobs for which they might not otherwise be hired. Subsidized employment can be a valuable tool in helping workers with significant disadvantages get hired, such as individuals with previous convictions or histories of substance abuse, youth with little labor market history, and those who have been unemployed for long periods. These programs often include education and training, and additional support services such as mentoring, life skills courses, or mental health services to support participation and promote long-term employability.¹⁵

Under the TANF Emergency Fund, 39 states, the District of Columbia, Puerto Rico, the Virgin Islands, and eight Tribal TANF programs received approval to use \$1.3 billion from the fund to create new subsidized employment programs or expand existing ones. A key feature of the TANF EF was its flexibility: states decided how best to use the funds to serve families in need, such as how best to structure their subsidized employment programs. Subsidized employment for youth and parents remains an allowable use of TANF funds, as well as a countable work activity for recipients of cash assistance. WIOA also allows states to use up to 10 percent of Title I Adult and Dislocated Workers funds for transitional jobs. But funding under both these programs is extremely limited compared to the number of workers who could potentially benefit, and Congress should consider expanding targeted funding for such programs.

One existing mechanism that is supposed to promote employment of disadvantaged populations is the Work Opportunity Tax Credit (WOTC). The WOTC allows for-profit employers to claim a credit against their federal income tax liabilities for hiring members of certain eligible groups, specified in federal law. For members of most of these groups, the maximum credit is 40 percent of the first \$6,000 in wages paid during the worker’s first year of employment, or \$2,400. However, studies have found that the WOTC has little effect on hiring choices or retention. In fact, the overwhelming majority of subsidies are claimed by employers in high turnover occupations, including temporary employment agencies, for people whom they were going to employ anyway.¹⁶ The WOTC currently costs the federal government \$420 million a year in foregone revenue.¹⁷ These funds could be far more effectively invested in promoting employment of disadvantaged workers through an expanded and targeted subsidized employment program.

More substantial funding for subsidized employment could have significant effects on poverty. An analysis conducted by the Urban Institute of a prospective subsidized employment program that would offer a full-time minimum wage job to all working-age adults found that this policy alone could reduce poverty rates by 9 to 17 percent, depending on the assumptions about how many eligible workers would take up the offer.¹⁸ This policy would have even higher anti-poverty effects if it were to be combined with other policies that have been proposed repeatedly in both federal and state legislatures, including a raise in the minimum wage and an improved Earned Income Tax Credit.

Assistance in retaining employment, particularly with child care assistance

Finding a job is only the first step towards economic security. Many workers find it relatively easy to get hired, but much more difficult to stay employed on a consistent basis. Job loss can be due to challenges faced by the workers, such as unreliable child care or transportation and family crises, or due to the nature of low-wage jobs, many of which now use “just-in-time scheduling” to closely match staffing levels to the ebb and flow of customer demand. Human services agencies and employers both have roles to play in improving retention of workers once hired.

Most low-wage workers will continue to qualify for SNAP benefits and Medicaid (at least in states that have expanded eligibility under the Affordable Care Act). Most will be eligible for child care subsidies, but because child care funding is limited, fewer than 1 in 6 children who qualify for child care assistance under federal rules receive it. The Child Care and Development Block Grant (CCDBG) is serving the fewest number of children in sixteen years because increases in funding have not kept pace with child care costs or the need for assistance.¹⁹ Families leaving TANF due to employment typically are prioritized by states for child care assistance. Many other eligible families face waiting lists for child care assistance.

Expanding funding for child care is one of the most important things Congress or the States could do to improve job retention. One study on job retention found that single mothers of young children who received child care assistance were 39 percent more likely to still be employed after two years than those who did not receive any help paying for child care.²⁰ A 2009 study also found that child care assistance was associated with longer employment spells.²¹

Child care subsidies are a critical element of getting and keeping a job. Without assistance, low-wage workers simply cannot afford to pay the high costs of child care which ranges from \$4,822 to \$22,631 for an infant in center based care depending on the state -- higher than the average annual cost for a year's tuition and fees at a four-year public college in 28 states and the District of Columbia.²² Higher income families with young children on average spend 7 percent of their household income on child care, while poor families spend 30 percent.²³

Some have suggested that public benefits can have work disincentive effects, if families will lose benefits when their incomes increase. The concern about this issue is vastly disproportionate to the number of families affected. Typically, benefits such as TANF and SNAP phase out gradually as earnings rise, so that workers have more total income if they get a raise or work more hours.²⁴ Child care may be an exception; because it is so expensive, a parent may still face a “benefit cliff” where a promotion or wage increase would cause her to lose assistance even though she cannot yet pay the full cost of child care. State policies can address this benefits cliff,

making it a steeper or smoother transition for families. By expanding Medicaid eligibility, states can ensure that parents do not risk losing health insurance when their incomes rise.

Even when workers remain eligible for public benefits, it may be difficult for them to continue to receive them without churning or interruptions. Excessive paperwork burdens or requirements for in-person visits can act as obstacles to accessing and retaining benefits. This is particularly true for the many workers with unpredictable schedules and earnings that vary from month to month, as discussed below. State policies that simplify and streamline redeterminations can help workers keep these key work supports, which in turn helps stabilize employment.²⁵ The recent bipartisan reauthorization of CCDBG attempted to address both the child care benefit cliff and making child care assistance a more stable benefit. States can adopt similar policies within other programs.

Human services agencies may also be able to provide supports to assist with other needs that can interfere with job retention. For example, some states offer flexible funds that can be used to assist with car repairs. The Employer Resource Network (ERN) model discussed in the hearing is a promising approach that brings public services to the workplace in order to support job retention and advancement.

At the same time, it is important to recognize that much employment turnover is driven by the nature of low-wage work. Increasing shares of jobs are characterized by unpredictable and unstable schedules, meaning that workers frequently do not know the days or hours they are scheduled to work until a few days in advance and may experience significant fluctuations in number of hours and timing of shifts from week to week.²⁶ Even once schedules are posted, workers may be sent home, or required to work longer hours with no advance notice. Many workers, particularly in the retail industry, are assigned to call-in shifts, providing no guarantee of work, but preventing them from scheduling other work or activities.²⁷ Workers who do not make themselves available for a wide range of possible hours are often assigned fewer hours; those who ask for schedule changes may experience retaliation. Moreover, most low-wage hourly level jobs do not provide any form of paid leave (neither sick days nor family leave) and it is not uncommon for workers who miss work to be fired. One survey found that nearly one in five low-wage working mothers reported having been fired due to sickness or caring for a family member.²⁸

Human services programs should seek to place participants in good jobs that provide predictable scheduling and sick days in addition to wages. When public agencies assist employers by providing wage subsidies, customized training, or enhanced case management for workers, they should focus these efforts on high quality employers that commit to meeting certain job quality standards.²⁹

Conclusion

Connecting low-income families to employment that will allow them to escape poverty is one of the key tasks of TANF programs. In the 20 years since TANF was first created, workforce and higher education programs have learned a great deal about how to engage employers so that training leads to credentials that have real labor-market value and how to develop career pathways with multiple entry and exit points. Subsidized employment programs have shown

promise in connecting disadvantaged workers to the labor market, allowing workers to prove themselves who might not otherwise ever be able to get their foot in the door. And we have learned a great deal about how child care assistance, SNAP benefits and Medicaid can stabilize the lives of low-income workers and their families, allowing them to succeed in the workforce. It is time to bring these lessons to bear on TANF employment programs.

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Azim Saju

Vice President & General Counsel

HDG Hotels
1920 SW 12th Avenue
Ocala, Florida 34471
Phone: 352-867-1347
Email: azim@hdghotels.com

Additional Contact: Jake Baranik
International Franchise Association
jbaranik@franchise.org
202-662-4170

Statement for the Record
Ways and Means Subcommittee on Human Resources
Chairman Vern Buchanan (R-FL)

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

Dear Chairman Buchannan and Members of the Committee:

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

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

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

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

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

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

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

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



March 15, 2016

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

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

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

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

According to an analysis of Census 2014 American Community Survey data (around 186,000 people), Philadelphia at 12.3 percent has the highest rate of deep poverty¹ among America's 10

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

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

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

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

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

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

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

Philadelphia Works Submission for the Record: "Getting Incentives Right, Connecting Low-Income Individuals with Jobs"
(page 4)

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

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

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

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

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

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

Sincerely,

Mark Edwards
President/CEO

Philadelphia Works
1617 JFK Boulevard
Suite 1300
Philadelphia, PA 19103
Phone: 215-963-2100
Fax: 215-567-7171

