



# Policy Matters

Setting and Measuring Benchmarks for State Policies

## IMPROVING THE ECONOMIC SUCCESS OF FAMILIES

*A Discussion Paper for the Policy Matters Project*

# POLICY MATTERS: Setting and Measuring Benchmarks for State Policies

Improving the Economic Success of Families:  
Recommendations for State Policy

A DISCUSSION PAPER FOR THE *POLICY MATTERS* PROJECT

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# Preface

## About the Policy Matters Project

*Policy Matters* is an initiative of the Center for the Study of Social Policy in collaboration with the National Center for Children in Poverty (NCCP) and Child Trends. The *Policy Matters* project is designed to develop and make available coherent, comprehensive information regarding the strength and adequacy of state policies affecting children, families, and communities. The project seeks to establish consensus among policy experts and state leaders regarding the mix of policies believed to offer the best opportunity for improving child and family well-being. A series of policy briefs, policy papers, guides for self-assessment, and 50-state comparative reports are envisioned. The project focuses on six core results: school readiness, educational success, family economic success, healthy families, youth development, and strong family relationships. These six core results comprise one composite family-strengthening policy agenda, emphasizing the importance of both individual results and the interaction of multiple results.

## About This Paper

This paper presents a framework for policies and policy benchmarks aimed at improving family economic success. Although family economic success can be defined in many ways, this paper specifically examines a combination of work, income and asset-based outcomes for improving the economic success of low-income families. In Section I, the paper discusses the importance of economic self-sufficiency as a measure of the economic success of low-income families and the obstacles that prevent many families from achieving economic self-sufficiency. In Section II, the paper addresses the role of public policy in promoting the economic success of low-income families. Specifically, the paper explores the rationale for work preparation, work attachment, income support, asset promotion and protection, and job creation policies. The section continues with a short discussion of a logic model that links state policy and policy implementation to family economic success. Section III presents in more detail the policy options and preliminary benchmarks that research and practice evidence suggests will promote economic success among low-income families. For each policy cluster, a brief statement of the cluster's strategic policy objective, specific policy recommendations, and suggested benchmarks for that measure is presented.

Taken together, the policies identified here present a powerful and compelling policy agenda for boosting the income and assets of low-income families and ultimately helping these families to achieve long-term economic success. Over time, recommendations and benchmarks will be improved, as more research and practice

evidence is available. Future benchmarks may be modified to allow consistent tracking of state progress and to overcome data limitations. Thus, this paper presents a preliminary set of benchmarks. In the future, *Policy Matters* intends to assess states' progress toward meeting those benchmarks that more effectively and directly benefit low-income families and children. Hopefully, this framework will help states think strategically about policy decisions that improve the well-being of families.

This paper is offered as an invitation for further deliberation and action regarding policies leading to family economic success. It represents a beginning consensus among the experts involved in the family economic success workgroup and those who have given written and verbal feedback to the paper. In the future, through multiple and broadly inclusive discussions with state and national policymakers, administrators, practitioners, and advocates, the project hopes to expand this initial consensus to a national, bi-partisan consensus on policy directions for those interested in promoting positive economic outcomes.

### **About the Partners**

The Center for the Study of Social Policy is a non-profit, non-partisan policy organization located in Washington, D.C. The Center's mission is to promote policies and practices that improve the living conditions and opportunities of low-income and other disadvantaged persons. The Center works in partnership with federal, state, and local governments and communities to shape new ideas for public policy, to provide technical assistance to states and communities, and to develop and lead networks of innovators.

The National Center for Children in Poverty (NCCP) identifies and promotes strategies that prevent child poverty in the United States and that improve the lives of low-income children and their families. NCCP designs and conducts field-based studies to identify programs, policies, and practices that work best for young children and their families living in poverty. NCCP further advances its mission by disseminating information about early childhood care and education, child health, and family and community support to government officials, private organizations, and child advocates, and provides a state and local perspective on relevant national issues.

Child Trends is a non-profit, non-partisan research organization dedicated to improving the lives of children by conducting research and providing science-based information to improve the decisions, programs, and policies that affect children. In advancing this mission, Child Trends collects and analyzes data; conducts, synthesizes, and disseminates research; designs and evaluates programs; and develops and tests promising approaches to research in the field. Child Trends has achieved a reputation as one of the nation's leading sources of credible data and high-quality research on children.

# Family Economic Success Matters:

## BACKGROUND

### 1 Family Economic Success

“Family economic success” can be defined in many ways. It is rooted, though, in the concept of economic self-sufficiency, which is broadly defined as the ability of individuals and families to earn enough through employment and employment supports to care for a family. This notion of self-sufficiency requires a level of income adequate for meeting family budgets and consumption needs.<sup>1</sup>

Every family must be able to secure a range of basic goods and services, including: housing, child care, transportation, food, and health care. Such goods and services

**“Economically successful families are able to combine earnings from work, government supports, and informal resources to meet their needs and goals.”**

are vital to a decent standard of living. Resources for acquiring this standard of living come from three general sources. One chief resource for meeting family needs is earnings, which allow accumulation of additional financial assets and other economic advances. Government benefits and supports are a second source of resources that play an important part in helping families meet their

basic needs and reach economic success. Government benefits are indispensable for those families whose earnings are insufficient for purchasing high-quality housing, child care, health care, and food. A third resource, non-monetary resources – connections to local services, supports, and social networks – enable families and their children to succeed and move ahead economically. In short, economically successful families are able to combine earnings from work, government supports, and informal resources to meet their needs and goals.<sup>2</sup>

## Why Economic Success Is Important Now

The changes in the U.S. labor market during the past couple of decades and the important public policy reforms over this same period set the context for family economic success in today's public policy arena.

### *General Changes in the U.S. Labor Market*

Obviously, the U.S. economy has undergone significant changes in the last couple decades. Assumptions that once characterized the U.S. labor market are no longer viable or true. The U.S. labor market was once characterized by significant immunity to foreign competition, stable wages and working conditions for a mostly male workforce, and the expectation that hard work, good performance, and loyalty would be rewarded by employment security and advancement. However, today's economic development and workforce policies must address very different realities: brutal competitive pressures, many more women in the workforce, challenges to balancing work and family responsibilities, volatile workplaces, and the need for greater self-reliance in pursuing career mobility.<sup>3</sup>

### *Changes in U.S. Public Policy and Economic Conditions*

The passage of the Workforce Investment Act (WIA), the end of the Job Training Partnership Act, the expansion of the national Earned Income Tax Credit, the growth in student aid (e.g., Pell grants and loans), welfare reform, and growing federal anti-terrorism defense spending all represent major changes in the U.S. policy landscape. For example, the 1996 Personal Responsibility and Work Opportunity Reconciliation Act fundamentally shifted the public policy approach toward the poor. Welfare reform ushered in a new emphasis on work rather than other forms of assistance and set as two of its principal aims the reduction of welfare caseloads and establishment of time limits on receipt of welfare benefits. Welfare reform successfully lowered caseloads in most states, helped large numbers of people enter the workforce, and modestly improved family after-tax income.

However, the broad goal of helping families become economically successful is not without its challenges, both to families and the state systems that support them. Six challenges created by recent policy reforms and changes in economic conditions make family economic success an important public policy issue to consider now.

#### *1. The near-poor and poor continue to face persistent hardships.*

Many families face persistent housing, health, child care, and food security hardships – indicating that work alone is insufficient for meeting the basic needs of low-wage workers and that the need remains for government support for poor and working poor families. In fact, the widespread need for better paying employment and

government support for working families is evidenced by the wide array of families experiencing financial hardships.<sup>4</sup> The biggest financial crisis facing families is the lack of affordable and safe housing. The national median housing wage for a two-

**"The biggest financial crisis facing families is the lack of affordable and safe housing."**

bedroom residence at the fair market rent level is \$13.87 per hour – more than twice the federal minimum wage. The cost of housing exceeds the earning capacity of two full-time wage earners at even the highest state-enhanced minimum wage

levels.<sup>5</sup> In order to afford a two-bedroom residence using the widely accepted 30 percent of income standard for housing costs, a family must earn approximately \$28,000 per year, a figure well beyond the earnings of low-income families.<sup>6</sup>

Several recent studies underscore that the poverty rate is an unrealistic threshold for determining how many parents are able to provide basic needs in their household. For example, the Economic Policy Institute analyzes the needs of families in terms of “basic family budgets”—a more realistic measure of how much income is required for a “safe and decent standard of living” adjusted for different types of communities and families.<sup>7</sup>

These researchers find that the national median living wage (\$33,511) is almost twice the national poverty line (\$17,463) and that 29 percent of families’ nationwide fall below this basic budget threshold. Nearly 30 percent of families earning below 200 percent of the federal poverty line confronted at least one critical hardship (e.g., missing meals, facing eviction, having utilities cut off, lacking access to health care, or overcrowded housing), and over 72 percent of these families suffered from at least one serious hardship (e.g., stress over providing meals, unable to pay a month's rent or mortgage, reliance on the emergency room as a source for health care, or lack of adequate child care).<sup>8</sup> Moreover, the poor and the near-poor experience these hardships despite significant increases in the number of hours worked during the last decade.<sup>9</sup>

## ***2. The number of working poor families is growing, not declining.***

While the greater numbers of persons returning to the workforce is reason to celebrate, many wage earners still find it difficult to make ends meet. Even people with full-time, year-round jobs are not guaranteed an escape from poverty. In 1997, 10.3 percent of poor people (16 years old or older) worked in full-time, year-round jobs, yet remained in poverty – a higher percentage than did in 1979. The trend is similar for poor families with children, with the proportion of working families that are poor increasing during the past two decades. The number of working poor grew by 459,000 between 1997 and 1998. In 2001, 2.84 million Americans were classified as working poor. Approximately 32.2 percent of non-elderly persons live in low-income (i.e., up to 200 percent of the poverty level) families, and 16.3 percent of these live in such families even though the family has at least one full-time, full-year

worker.<sup>10</sup> Immigrant workers account for 25 percent of low-wage workers, though they are only 10 percent of the U.S. population.<sup>11</sup>

### *3. The income gap is growing.*

In real terms, families at the lower end of the wage scale are actually earning less than they did three decades ago.<sup>12</sup> Further, these families have participated very little in the economic expansion of the stock market during the last decade. Between 1989 and 1999, households with less than \$10,000 in annual income experienced a decline in ownership of homes, retirement accounts, savings bonds and certificates of deposit, life insurance, and non-financial assets.<sup>13</sup>

Although women's earnings rose rapidly in the recent quarter century, most of the gain resulted from more hours of work or the higher pay associated with greater work experience. Men in the bottom two-thirds of the wage distribution gained little or nothing. Among workers in lower-wage groupings, wages were lower than they were 23 years ago. The shifts in compensation also strongly favored those with skills and education as the income gap between the less and the more educated widened further. The growth in single parent families and the fall in men's pay meant that incomes fell dramatically for children in the bottom third of families. For this group, family income is 16 percent lower than it was almost a quarter century ago.<sup>14</sup>

### *4. While welfare caseloads fell in the 1990s, now they are beginning to climb.*

For most of 2002, the level of Temporary Assistance to Needy Families (TANF) funding and the types of restrictions attached to the block grant were heavily debated. The TANF reauthorization debate was critical to family economic success because TANF funds enable state policymakers to devise and implement strategies for making work profitable for low-income families. The five-year time limit imposed on families receiving TANF benefits began expiring in 2001. And while a state is allowed to exempt 20 percent of its caseload from the time limit, many recipients will be forced off welfare regardless of their income or asset status.

Reductions in support provided through the welfare system have not resulted in a corresponding increase in family economic success. For example, despite significant economic growth, the average income of the poorest fifth of single-mother families fell between 1995 and 1997 due primarily to reductions in means-tested benefits substantially exceeding the family's decline in need.<sup>15</sup>

Caseload declines in the 1990s began reversing with the economic downturn in 2000. A number of states witnessed very large caseload increases between March 2001 and March 2002, ranging from an 81 percent increase in Nevada to 15 percent increases in Oregon and Colorado. For the handful of states with caseload declines, some share of the decline is attributable to five-year time limits for benefits receipt.<sup>16</sup> While caseloads should not be used as a sole measure of the success of family economic success policies,

they do point to the continued need for government policies that help families gain greater economic security and independence.

### *5. Unemployment and economic downturns challenge employment stability.*

Much of the past success of the Welfare Reform Act of 1996 was, in part, due to the burgeoning economy of the late 1990s. As dropping unemployment and increasing job availability created greater worker demand, low-income individuals entered employment with greater ease. Now, however, rising unemployment and a national economic downturn make it more difficult for former welfare recipients to enter the marketplace. For example, intervals of unemployment increased and reached their highest level since May 1995.<sup>17</sup> From 1979 to the present, more than one million people were displaced from jobs annually. Further, these workers were not landing comparable jobs. On average, they were predicted to suffer an \$80,000 wage loss by the time they retired.<sup>18</sup> Unless new and better public interventions are designed and implemented, international competition, free trade policies, and technological change are likely to continue encouraging such dislocation and wage loss.

### *6. Disparities in ownership of assets continue.*

While income inequality presents an already bleak situation, asset disparity dwarfs income inequality. The top quintile of earners commands 43 percent of earned income but controls 86 percent of net financial assets.<sup>19</sup> The bottom 80 percent of American households held a scant 17 percent of the national wealth. Asset ownership is concentrated among the wealthiest Americans, with the wealthiest one percent of households owning nearly 38 percent of the national wealth and over 47 percent of stock assets.<sup>20</sup> With a poverty exit rate among the lowest of industrialized nations, the gap between the wealthy and the poor is ever widening in the U.S.

Research by Robert Haveman and Edward N. Wolff estimates that even using a minimalist definition of asset poverty — net worth needed to survive for three months at the poverty line — the asset poverty rate (25.5 percent) is twice that of the income poverty rate (12.7 percent).<sup>21</sup> For African-Americans, Latinos, and children, the percentage of the asset poor grows to staggering proportions. For example, almost three-quarters of all African-American children grow up in households with zero or negative net financial assets.<sup>22</sup>

These six challenges, arising from economic change and policy reform, combine to make a compelling case for public policy interventions to help families achieve economic success. In short, the labor market is worsening while many families are losing needed government benefits and becoming poorer.



# How Public Policy Can Fill the Gaps:

## A FRAMEWORK

### 2 Key Definitions

#### *Definition of Economic Success*

For the purpose of this paper, “economic success” is defined as the ability of families, through work and basic government supports, to secure their basic needs and prepare for future growth and prosperity. One measure of success is the ability of families to meet basic family budgets.<sup>23</sup> On the whole, this paper focuses on policy approaches that help more families find work, put more income in a family’s pockets and accounts, and secure the future financial well-being of American families.

#### *Definition of Family*

For this analysis, “family” refers to a unit consisting typically of one or more parents and one or more children, “adult-only” families, and “child-only” families, as might be the case with emancipated youth or young people in the custody of state agencies. Further, the families that are the primary focus of this discussion are those with incomes up to 200 percent of the federal poverty level.

#### *Definition of Policy*

While labor supply, labor demand, and personal characteristics are all determinants of family economic success that can be affected by state policies, this paper focuses primarily on policies related to the supply side of the labor market (e.g., training, income enhancement, and work supports). The term “policy” refers to those formal statements and decisions reflected in state statutes, executive orders, memorandums of understanding, and judicial rulings.

The policies recommended in this paper represent a beginning set of state policies for (1) framing a family economic success policy agenda and (2) laying the basis for both an assessment tool and a comparative report of state policy efforts. The recommendations are not exhaustive but attempt to define a select set of policies whose cumulative impact may lead to more families becoming economically successful. The recommendations meet a number of criteria that guided the deliberations of an interdisciplinary workgroup tasked with reaching consensus on a select number of policies with the best potential for improving economic results for families. These general criteria include:

1. Demonstrated effectiveness in the research and evaluation literature;
2. Support by collective wisdom of practitioners from the field;
3. Address children and families with the poorest outcomes;
4. Have sufficient scope and scale to address the outcome;
5. Are politically and administratively feasible; and
6. Are compatible with the values and assumptions of a family-strengthening perspective.

In addition to these criteria, the family economic success workgroup also favor policies that offer more direct supports to families and workers rather than to businesses or large-scale job creation efforts. While satisfying these criteria sometimes proved difficult, and therefore, some important policies are not included, the mix of policies included herein does offer a starting point for some action and refinement.

### *Definition of Benchmarks*

A benchmark is a point of reference from which measurements may be made and/or something that serves as a standard by which others may be measured. Benchmarks convey not only the general idea of measurement but also set an explicit standard for performance. Where indicators measure a change in a result or condition (e.g., increases in age-appropriate child immunization rates), benchmarks measure such changes against an established standard. Consequently, benchmarks make possible certain judgments about the success or failure of a measured change that indicators alone do not. For example, increasing immunization rates from 80 percent to 85

**“Benchmarks make possible certain judgments about the success or failure of a measured change.”**

percent in a given period is an important indicator. But, comparing such progress against a benchmark immunization rate of 95 percent communicates the inadequacy of such progress and informs future actions. Here, this definition of and approach to “benchmarks” is applied to policies rather than outcomes or results.

For example, a state may raise the refundable portion of its state earned income tax credit (EITC) from 10 percent to 20 percent of the federal credit. Such a movement

would be an important indicator of progress. However, considering that a far greater number of families will be moved out of poverty if a state EITC is refundable up to 50 percent of the federal EITC,<sup>24</sup> a benchmark for a state EITC policy might be set at this level. A state EITC refundable at 20 percent would then be gauged against this benchmark or standard.

### *Values and the Long-term Economic Goal for Families*

Public opinion research indicates that Americans hold two primary beliefs regarding the economic security or insecurity of families. On the one hand, Americans hold to a strong individualistic ethic that stresses hard work and individual effort. And on the other hand, Americans also believe in fundamental fairness or egalitarianism.<sup>25</sup> Taken together, these values help to explain broad societal support for policies that promote work and individual contributions through work and simultaneous public support for policies that “level the playing field” or create opportunity for everyone to succeed.

These widely held values set a context for these recommendations. Specifically, work is a meaningful and healthy adult activity and one that should be encouraged, supported, and expected of all able families. Most low-income families desire to work and to be as independent as possible from public programs. However, government must maintain freedom of opportunity and access for all Americans,

**“No person who expends the effort required of competitive work should be poor or unable to meet the basic needs of his or her family.”**

especially poor and near-poor families. Such opportunity and access includes job and career opportunities that pay enough to properly support a family and its critical needs (e.g., health care and child care) so that families may balance participation in the American economy and an active family life. No person who expends the effort required of competitive

work should be poor or unable to meet the basic needs of his or her family. These values, along with available practice and research evidence, cohere in the logic model and policy recommendations that follow.

While economic independence is the long-term goal for as many families as possible, such an aim is beyond the immediate reach of state policy. Consequently, in the near term, state policymakers must take incremental steps toward family economic success and independence. These incremental approaches depend on effectively combining earnings from work, provision of public supports and benefits, and access to non-monetary resources.

## Framing the Conceptual Issues: Obstacles to Economic Success

Given the present definition of “family economic success” as the ability of individuals and families to support themselves and their children through the combination of earnings, needed public support, and connections to non-monetary resources, three factors present potential obstacles to achieving family economic success:

- The absence of quality jobs;
- The absence of proper work supports that enable people to retain and prosper from jobs; and
- The absence of assets for investment and weathering short-term crises.

These factors are discussed in more detail below.

### *Quality Jobs and Wages*

As the primary vehicles for acquiring income to sustain families, quality jobs are integral to achieving family economic success.<sup>26</sup> A sufficient number of good jobs to employ the economically disadvantaged are critical. Good jobs must pay workers wages that meet basic needs, provide benefits to protect workers from injury and illness, and prepare workers for retirement. Good jobs also must be geographically accessible.

**“Good jobs must pay workers wages that meet basic needs, provide benefits to protect workers from injury and illness, and prepare workers for retirement.”**

Employment stabilization is an integral part of shifting poorer families to economic success. Studies indicate that the largest share of welfare recipients—50 to 70 percent—are neither short-term recipients who permanently escape welfare dependency within two years or long-term recipients who continuously receive welfare benefits for six or more years. Instead, most are “cyclers” who move between welfare dependency and employment in generally low-wage temporary work without health insurance or

other benefits. This is due largely to the fact that some families receiving assistance face problems that job placement alone will not solve.

To bridge the gap between dependency and self sufficiency, the economically disadvantaged must earn an adequate income to meet pressing family needs (e.g. housing, child care, and health care) and accrue long-term savings. Many of these problems plague both the formerly welfare-dependent and other working poor and near-poor families.

### *Work Supports*

In addition to a plentiful supply of quality jobs, employment preparation supports must be available for many low-skilled, hard-to-employ persons. Many high-paying jobs with benefits require competencies that low-skilled, low-educated workers often do not possess. Increasingly, post-secondary training is becoming a prerequisite for

jobs offering a higher standard of living while customized employer training for such jobs is often unavailable. At a minimum, some basic supports such as health insurance, housing assistance, transportation, or child care should be made available to employees. These supports help low-income earners acquire basic services.

### *Asset Development*

Asset formation and protection are also essential ingredients in helping families reach economic success. Financial assets and intellectual assets can transfer into

**“Well-designed and implemented public policies can offer the supports necessary to make work pay for all families.”**

income quite readily and soften difficulties during hard times. One intellectual asset, educational attainment, is an important predictor of economic well-being. Unfortunately, many welfare recipients, unemployed adults, and displaced workers have low levels of educational attainment. In order to prepare

them for the economic mainstream and success in better paying jobs, states must assist family members in developing their intellectual assets.<sup>27</sup>

Financial assets are also important tools for economic success. As Michael Sherraden argues in *Assets and the Poor: A New American Welfare Policy*, people escape poverty and achieve economic success through asset acquisition, not simply income. One of the weakest aspects of current welfare-to-work policy is that, at best, it merely lifts people to the poverty line, leaving them without sufficient assets to economically survive even one sickness, accident, or family trauma. Worse yet, many current policies actually penalize asset acquisition by setting asset limits that prematurely suspend program eligibility and leave families perilously close to falling back into poverty. These current policy limitations persist despite the ability of asset ownership to increase family financial security and create a greater personal stake in the future.

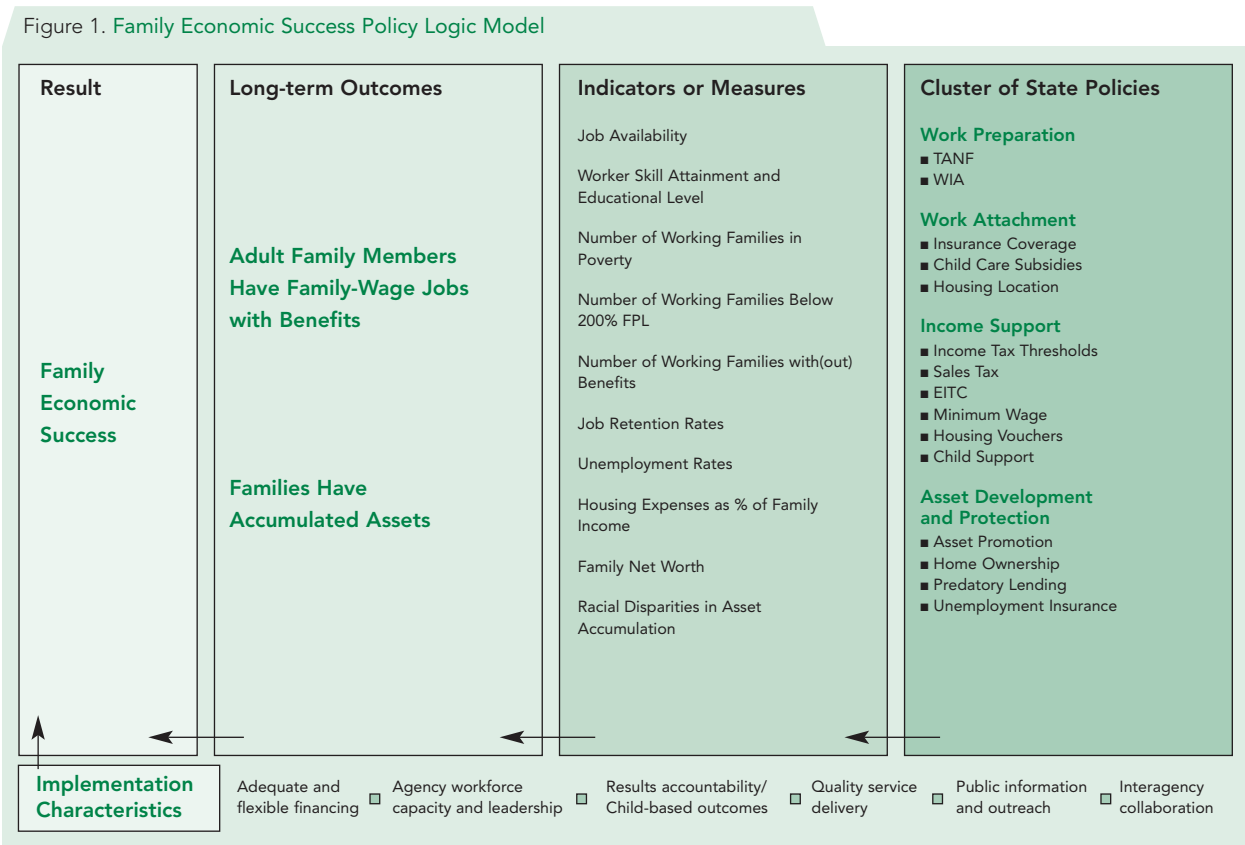
Given these three major barriers to entering and succeeding in the economic mainstream, public policy must support those who attempt to move from dependence to greater self-sufficiency. Well-designed and implemented public policies can offer the supports necessary to make work pay for all families, keep families off public assistance, and help families achieve economic success over the long term.

# Family Economic Success: A Policy Logic Model

Figure 1 presents a “logic model” that attempts to map the relationship between the goal of family economic success and state policies intended to achieve that result. In this figure, the identified results, outcomes, and indicators are not exhaustive but are used to provide a narrowing frame for selecting specific policies believed to advance a family economic success agenda.

## Results and Long-term Outcomes

The proposed logic model begins by considering the ultimate result – economically successful families. Two primary long-term outcomes help further define family



economic success. Families are economically successful when (1) adults in the family have jobs that pay enough wages and benefits to support a family and offer opportunities for career advancement, and (2) the household has accumulated sufficient assets, which are properly protected.<sup>28</sup>

### *Indicators*

The logic model includes a variety of specific indicators that can be used to measure attainment of the two primary long-term outcomes. This list of indicators is not intended to be exhaustive but illustrative of the kinds of measures that might further operationalize the two broadly stated outcomes. Several indicators gauge the achievement of the first outcome:

- Worker skill attainment and education level,
- Percentage of working families in poverty,
- Percentage of working families below 200 percent of the federal poverty level,
- Percentage of working families with/without benefits,
- Job retention rates,
- Unemployment rates, and
- Housing expenses as a percent of family income.<sup>29</sup>

Three additional indicators gauge the accumulation and protection of assets:

- Family net worth (average and median),
- Asset accumulation disparities between non-white and white families, and
- Insurance coverage rates.

### *State Policy Clusters*

A range of policy strategies exists to help families become economically successful through the combination of work and needed government benefits. States seeking to improve the economic health and success of working families need to adopt a public policy portfolio that balances investments in workforce development, income support, and economic development strategies. These three broad strategies can be further defined by five clusters of policies:

- **Workforce preparation policies** help low-skilled individuals who are stuck in low-paying work to augment their workforce skills and connect to better jobs through customized job development, placement, retention, and advancement services.
- **Work attachment and advancement policies** support people in maintaining employment, advancing in their jobs, and easing problems caused by short-term health or family crises.
- **Income support policies** boost the earnings potential of low-paying jobs. With income supports, work can be a viable, worthwhile option for low-income families and assist families in climbing out of poverty.

## RECOMMENDED POLICIES BY CATEGORY

### Workforce Preparation

- TANF
- WIA

### Work Attachment & Advancement

- Health Insurance Coverage
- Child Care Subsidies
- Housing Location

### Income Support

- State Tax Policy
- State Minimum Wage
- Housing Subsidies

- Child Support
- Food Stamps

### Asset Development & Protection

- Asset Promotion
- Home Ownership
- Anti-Predatory Lending Legislation
- Unemployment Insurance

### Job Creation

- Public Sector Employment
- Employer Wage Subsidies

- **Asset development and protection policies** encourage a long-term financial planning perspective, improve long-term financial security, and safeguard against short-term economic crises such as temporary job loss, illness, unexpected home and car repairs, and predatory financial practices that erode accumulated wealth.
- **Job creation policies** seek to stimulate the demand side of the labor market. Such policies use public funds either to encourage private employers to create additional wage-earning jobs in the private sector or to create publicly funded jobs in the public or nonprofit sectors for those who cannot otherwise find employment.

### *Implementation Characteristics*

While the policy logic model attempts to outline the conceptual relationship between desired results and state-level policies, this relationship is by no means “clean” or linear. Several factors can either inhibit or enhance the likelihood of an enacted policy’s success at producing intended outcomes, including the implementation activities and characteristics of a state policy effort.<sup>30</sup>

Several general strategies are necessary if state policies are to be implemented effectively and if outcomes for children and families are to be achieved. In particular,

state financing, agency workforce and leadership, service delivery quality, public information and outreach, results accountability, and interagency collaboration strategies are important for successful policy implementation. These strategies, in combination, have the potential for improving the overall capacity of human service systems to fulfill their missions, track progress, and improve the capacity of communities and families to address social issues.

Regarding “family economic success” policy in particular, at least three key sets of implementation activities or characteristics are important: agency workforce capacity and leadership; public information and outreach; and results accountability. An *illustrative* approach for defining these activities and potential benchmarks for their presence or effectiveness are discussed in Section III. However, given the various ways in which states can implement policies and the need to track implementation in simple ways, these strategies are put forth as one possible way of tracking state policy implementation. Alternatively, or in addition, a system of setting benchmarks for state policy implementation might consider using select performance measures or outputs like enrollment figures in key programs.

This logic model has guided the choice of a core set of policies against which to set benchmarks for state efforts to foster family economic success. The logic model is by no means exhaustive. Rather, it serves as a heuristic for a narrower work, income, and assets-focused view of family economic success.



# Preliminary “Family Economic Success” Policy:

## THE BENCHMARKS

**3** The preceding discussion of the family economic success policy logic model outlines the conceptual relationships between the core result (“family economic success”) and a mix of policies designed to impact that result. The logic model also presents, in general terms, the specific policies and implementation characteristics that are believed to contribute to desired economic outcomes for families. If, however, the project is to translate the general list of policies and policy implementation characteristics into a system usable for comparing state efforts, these general listings must be transformed into specific, scalable criteria of some sort. These criteria then become the basis upon which specific benchmarks might be set.

The remainder of this section outlines the key features of policies recommended in each of five policy clusters. Tables 1-5 present the five policy clusters and their recommended policies. The first column in each table lists the recommended policies. The second column lists critical design features that should be present for the policy to have the greatest likelihood of success. The third column lists one or more measurable criteria that could be used to evaluate state policy. In some cases, a simple “yes” or “no” is used to describe whether a policy feature exists in state policy. In other places, a greater level of detail is possible, and hence, a range of specific options is listed.

Bold items represent the desired or acceptable benchmark against which to assess state policies. In some cases, states may be enacting measures that exceed the recommended benchmark and would “score more points” for such efforts. Assuming the recommended policies and features are credible, and that data are available, an approach to “scoring” these indexes will be developed at a future stage of the *Policy Matters* project. Scores for both policy and implementation will be developed.

## Work Preparation Policies and Benchmarks<sup>31</sup>

One of the first objectives to be achieved by work-related public policy is the preparation of a state's workforce. Specifically, state policy should aim to increase both the education and skill levels of the low-income workforce. Two primary policies, Temporary Assistance to Needy Families and the Workforce Investment Act, hold promise for meeting this objective (see Table 1).

### *Policy 1: Temporary Assistance to Needy Families (TANF)*

Federal TANF decisions notwithstanding, states can take a number of steps to better prepare their workforces for full-time, family-supporting work. The work preparation cluster's main objective is the training and education of low-income Americans for competitive placement into high-quality jobs. Unless participants are allowed sufficient time and support to improve their work skills, many low-income persons will be continually forced into accepting low-wage, poor work options. In a recent review of research on welfare-to-work strategies, the Center for Law and Social Policy found that states experience the greatest success at helping parents work more and earn more over the long term when they focus on employment but make substantial use of education and training. These accomplishments persist even when the worker begins with less than a high school diploma.<sup>32</sup> Despite these significant and positive findings for the effect of training and education on improving work-related outcomes, only ten percent of TANF recipients were in job skills training<sup>33</sup> and less than one percent of TANF funds were allocated to education and training investments.<sup>34</sup>

Given the evidence for the effectiveness of combining a focus on work with education and training supports, several recommendations appear warranted.

**1.1 Education and Training Requirement.** First, states should continue their emphasis on work but also enact TANF policies that ensure educational and vocational training satisfy the TANF work requirements and stop the lifetime time limit. Forty-four states accept education directly related to an authorized work activity or job skills training as an allowable work activity. Of those, five do not require that education be combined with other work-related activities, 23 only require other activities in some cases, and 11 always require the combination of education and other work activities. For training, 12 do not require the combination of other work activities with training, nine do, and 23 only require training to be combined with other work activities in some cases.<sup>35</sup>

**1.2 Time Limits for Working Families.** Second, time limits for financial assistance should be suspended while a parent is working full-time, even if some financial assistance is still being provided. Full-time work efforts should not be penalized.

**1.3 Education and Training for Families Not Receiving Cash Assistance.**

Research indicates that extended training is often necessary to secure a job that pays enough to allow independence from financial assistance.<sup>36</sup> States should continue their emphasis on work, but also fund more than 12 months of education and training support to families not receiving cash assistance. Many workers and families slightly above TANF eligibility requirements face work-related challenges comparable to TANF families receiving cash assistance and are in need of comparable training supports.

**1.4 Cash Benefit Levels.** State cash benefit levels should be set at a level that, when combined with other key benefits like food stamps and the earned income tax credit, raises family income at least to the federal poverty level (FPL).<sup>37</sup>

**1.5 Eligibility of Legal Immigrants.** Most legal immigrants who entered the United States after August 1996 are banned from federally-funded TANF benefits for 5 years. Once they pass the 5-year period, states may (but are not required to) offer them benefits. In addition, states may use state TANF funds to provide legal immigrants with TANF benefits during the 5-year ban.<sup>38</sup> To better support legal immigrant families towards self-sufficiency, most of whom have at least one full-time wage earner, states should use state TANF funds to provide TANF benefits during the 5-year ban.

***Policy 2: Workforce Investment Act***

States also have an opportunity to improve work-related outcomes for families with the policy decisions they make in implementing the Workforce Investment Act (WIA). WIA boards “oversee” the entire workforce system in a state. While WIA implementation is in its early stages, four state policy options to improve work preparation supports for low-income workers could be initiated.

**2.1 Total WIA Training Investment.** First, evidence suggests that higher overall investments to support worker skills training leads to better employment outcomes. Florida, for example, requires that 50 percent of its WIA-related funds be spent to support such training.

Table 1: Summary of Recommended Work Preparation Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<p><b>1</b></p> <p>State TANF Options</p>	<p><b>1.1a</b> Participation in an education program stops the clock on the lifetime time limit</p>	<ul style="list-style-type: none"> <li>• Education only</li> <li>• <b>Education, other requirements if needed</b></li> <li>• Education + other requirements</li> <li>• No</li> </ul>
	<p><b>1.1b</b> Participation in job training program stops the clock on the lifetime time limit</p>	<ul style="list-style-type: none"> <li>• Training only</li> <li>• <b>Training, other requirements if needed</b></li> <li>• Training + other requirements</li> <li>• No</li> </ul>
	<p><b>1.2</b> Time limits apply to working families</p>	<p><b>Yes</b> • No</p>
	<p><b>1.3</b> State funds education or training for working poor not receiving cash assistance</p>	<ul style="list-style-type: none"> <li>• <b>13 months or more</b></li> <li>• 12 months or less</li> </ul>
	<p><b>1.4</b> Cash assistance and key benefits place family:</p>	<p>&lt; FPL • <b>= FPL</b> • &gt; FPL</p>
	<p><b>1.5</b> Eligibility for legal immigrants</p>	<ul style="list-style-type: none"> <li>• <b>Eligible during 5-year ban</b></li> <li>• Eligible after 5-year ban</li> <li>• Not eligible</li> </ul>
<p><b>2</b></p> <p>State WIA Options</p>	<p><b>2.1</b> % of total WIA funds targeted to training</p>	<p>0-25% • 26-50 • <b>51-75</b> • 75%+</p>
	<p><b>2.2</b> % of total WIA funds targeted to training workers with low skills</p>	<p>0-25% • <b>26-50</b> • 51-75 • 75%+</p>
	<p><b>2.3a</b> State customized training targeted to low income /entry-level workers</p>	<p><b>Yes</b> • No</p>
	<p><b>2.3b</b> State incumbent training targeted to low income /entry level workers</p>	<p><b>Yes</b> • No</p>
	<p><b>2.4</b> TANF is formal partner in WIA system</p>	<p><b>Yes</b> • No</p>

**2.2 Training Investments Targeted to Low-skill Workers.** Second, in addition to increasing overall investments in worker training, states should be sure to preserve significant percentages of funding to serve workers with low skill levels.

**2.3 Inclusive Eligibility.** Third, states could enact policy requirements that set inclusive eligibility and targeting requirements for those receiving training. Specifically, states should: (a) customize and target training to meet the needs of “hard-to-employ,” entry-level, and low-wage individuals, and (b) target training available to the currently employed, or “incumbent” workers, to those individuals with low skill and low wage levels.

**2.4 WIA and TANF Integration.** Fourth, state WIA policies should include efforts to unify the existing workforce system by requiring a number of suggested partners to participate with WIA boards – chief among them being TANF agencies. Eight states require unified workforce plans involving, at a minimum, WIA and TANF agencies.<sup>39</sup>

## Work Attachment Policies and Benchmarks

The Welfare Reform Act of 1996 signaled a fundamental shift from cash assistance to emphasizing the importance of work for poor families and communities. Most forms of public assistance now center on a family’s ability to seek, earn, and retain employment. While this emphasis has successfully led to more widespread employment, it has also led to growing numbers of working poor.

No family of full-time wage earners should be poor. Therefore, work attachment policies should have as their primary objectives to both enhance employment security and make employment financially worthwhile.

While a range of policy solutions for improving job access, job retention, and career advancement are possible, three specific policies are recommended: affordable health insurance coverage, affordable childcare, and housing location policies (see Table 2). The effects and costs of poor child care, health insurance, and housing location on work attachment and retention are well-documented. For some, the presence of these three benefits or services can make or break a potential job placement.

### *Policy 3: Health Insurance Coverage*

States have expanded health insurance coverage for children through Medicaid and other programs since enactment of State Child Health Insurance Program (S-CHIP). However, adults in low-income families often qualify for coverage only if their income falls below the outdated welfare income eligibility limits used prior to the 1996 federal welfare reform law. Health insurance coverage, especially private insurance coverage, has a significant impact on whether families have health, food, housing, and child care security. Lack of insurance very often results in problems with family well-being and the onset of critical hardships.

The perils associated with the lack of health insurance are concentrated among poor and moderate-income working families not eligible for Medicaid and not receiving private employer-sponsored care. And for many who do receive private insurance coverage, monthly premiums and co-pays are on average \$350 per month.<sup>40</sup> The current distribution of health insurance needs and the distribution of state eligibility levels suggest 250 percent of the federal poverty level is a reasonable benchmark for health insurance coverage. For example, Missouri and Vermont offer Medicaid insurance coverage to all children ages 0-19 up to 300 percent of the federal poverty level. Minnesota extends Medicaid eligibility to 280 percent of the FPL for children 0-1 year of age and to 275 percent for children 1-19 years of age. Rhode Island extends Medicaid eligibility to 250 percent of the FPL for all children ages 0-19. Eligibility levels for children enrolled in separate S-CHIP programs range from a high of 350 percent in New Jersey to a low of 133 percent in Wyoming. Eight states maintain S-CHIP eligibility levels at 250 percent or higher, with 20 states setting S-CHIP eligibility levels at 200 percent of the federal poverty level.<sup>41</sup>

Specific recommendations for improving health insurance coverage include:

- 3.1 Financial Eligibility for Health Insurance.** Given that adult participation in health care coverage and services often affects rates of child participation, states should mix the various sources of health care coverage (Medicaid, S-CHIP, state-funded programs, and private coverage) to ensure continuous coverage for all family members (children and parents) at 250 percent or more of the federal poverty level. To achieve this, states can extend family coverage to entire families at 250 percent or more of poverty, or if child and parent eligibility levels are set differently, states can make incremental progress toward this goal by separately improving child and parent eligibility levels.

Table 2: Summary of Recommended Work Attachment Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<p><b>3</b></p> <p>Health Insurance Eligibility</p>	<p><b>3.1a</b> Child coverage up to:</p>	<p>100-149% FPL • 150-199% 200-249% • <b>250-299%</b> • 300%+</p>
	<p><b>3.1b</b> Parent coverage up to:</p>	<p>100-149% FPL • 150-199% 200-249% • <b>250-299%</b> • 300%+</p>
	<p><b>3.2</b> Immigrants ineligible for federal assistance covered up to:</p>	<p>100-149% FPL • 150-199% 200-249% • <b>250-299%</b> • 300%+</p>
<p><b>4</b></p> <p>Child Care Subsidies</p>	<p><b>4.1a</b> Income eligibility (as a percentage of state median income)</p>	<ul style="list-style-type: none"> <li>• All families are eligible for child care assistance up to 100% SMI</li> <li>• <b>All families are eligible for child care assistance up to 85% SMI</b></li> <li>• State sets eligibility level between 75% and 85% of SMI</li> <li>• State sets eligibility level at less than 75% of SMI</li> </ul>
	<p><b>4.1b</b> Does the state provide eligible families legal guarantees to child care:</p>	<p><b>Yes</b> • No</p>
	<p><b>4.2</b> Family co-payments are reasonable for families of various income levels</p>	<ul style="list-style-type: none"> <li>• No family's co-pay is more than 7% of family income for all children in their family, irrespective of the number of children in care, AND no co-pay is charged to families below the poverty line</li> <li>• <b>No family's co-pay is more than 10% of family income for all children in their family, irrespective of the number of children in care, AND no co-pay is charged to families below the poverty line</b></li> <li>• No family's co-pay is more than 7% of family income, irrespective of the number of children in care, but a co-pay is charged to families below the poverty line</li> <li>• No family's co-pay is more than 10% of family income, irrespective of the number of children in care, but a co-pay is charged to families below the poverty line</li> <li>• No family's co-pay is more than 20% of family income, irrespective of the number of children in care;</li> <li>• Family's co-pay can be more than 20% of family income for all children in care</li> </ul>

Continued on page 24

Table 2: Summary of Recommended Work Attachment Policies, Key Features, and Scoring Scale

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<b>5</b> <b>Housing Location</b>	<b>5.1</b> Provides incentives to locate family-size units in areas with job growth	Yes • No
	<b>5.2</b> Adopts “fair share” zoning requirements	Yes • No
	<b>5.3</b> Residency preferences prohibited	Yes • No
	<b>5.4</b> Funds search assistance and counseling	Yes • No
	<b>5.5</b> Source of income protected under state anti-discrimination laws	Yes • No

**3.2 Immigrant Coverage.** States can extend public health insurance coverage to legal immigrant families ineligible for federal assistance. This would be an important policy option to consider given the significant and growing number of working poor immigrant families in the United States.

*Policy 4: Child Care Subsidies<sup>42</sup>*

With more emphasis placed on work, greater numbers of low-income women have returned to the workforce. As a result, there is an increased need and demand for quality child care from all working families. The availability, then, of child care subsidies and quality care is a critical work attachment policy for many families.

**4.1 Income Eligibility for Subsidies.** First, states should expand income eligibility for child care assistance to guarantee subsidies to working poor families up to 85 percent of the state median income (SMI). Currently, only Rhode Island and Illinois guarantee child care for eligible families. Three other states – Alaska, Hawaii, and Maine – set eligibility levels at 85 percent of SMI without guarantees. New Mexico sets eligibility levels at 84 percent. As a percentage of the federal poverty level, state eligibility levels range from a low of 125 percent in South Carolina and 128 percent in Missouri to a high of 330 percent in California.<sup>43</sup>

**4.2 Parent Co-payments.** Full-day, full-year care can cost parents up to \$10,000 per year – more than tuition at many state higher education institutions. For most low-income working families, the cost of quality care is prohibitive, forcing parents to choose cheaper, poorer quality alternatives. States should make child care affordable by not requiring any co-payments for poor families and by keeping parent co-pays for child care below seven percent of family income for families up to 150 percent of the FPL. Eighteen states currently maintain parent co-payments at or below seven percent of family income for families up to 150 percent of the federal poverty level. Of these, 16 require no co-payment for families with incomes less than 50 percent of the FPL and eight require no co-payment for families up to the FPL.<sup>44</sup>

#### *Policy 5: Housing Location<sup>45</sup>*

The location of public housing stock and the housing mobility created by housing vouchers are critical factors affecting the employment success of many low-income families. Specifically, the location of low-income housing near areas of high job growth and high economic opportunity enhances the economic prospects available to families.<sup>46</sup> Too many high-poverty areas are without jobs, financial institutions, and other economic resources. The goal of the policy options presented here is to encourage the development of housing for low-income families in locations that make employment achievable.

States should adopt Housing Trust Funds or other measures like Consolidated Plans and Qualified Application Plans (QAPs) that – whether through low-income housing tax credits (LIHTC), HOME, or Community Development Block Grants – create, preserve, and locate quality public housing stock in low-poverty, high-opportunity areas. Recommendations for doing so include:

**5.1 Developer Incentives.** States should provide incentives to developers who locate family-sized units in high-growth areas.

**5.2 Zoning Requirements.** States should adopt “fair share” zoning requirements.

**5.3 Residency Preferences.** States should prohibit residency preferences among public housing authorities (PHAs). Residency preferences are especially restrictive for those attempting to move from one PHA area to another where preferences exist. In such cases, a voucher holder moving from area A would be placed at the bottom of the housing list in area B, where other voucher holders are given preference simply due to current residence status. States should treat all vouchers equally across jurisdictions and particularly in areas where there is more opportunity for better jobs and housing.

**5.4 Housing Search and Counseling Assistance.** States should improve the ability of public housing agencies and low-income renters to secure quality housing in good locations by providing funding support for housing searches and mobility counseling.

**5.5 Anti-discrimination Laws.** States should prohibit discriminatory housing practices against housing assistance recipients by defining “source of income” as a protected category. Four states – California, Connecticut, Oklahoma, and Utah – include source of income as a protected category in their housing anti-discrimination laws.<sup>47</sup>

Given that studies have shown that a high proportion of rental property owners consider some of their units off-limits to voucher holders,<sup>48</sup> especially during tight rental markets,<sup>49</sup> these measures should create equitable access to opportunities and resources for low-income families.

## Income Support Policies and Benchmarks

In 1995, 57.6 million people were poor based upon earnings alone. However, the provision of government benefits – including food stamps, housing assistance, school lunch support, and the earned income tax credit – reduced the number of poor people to 30.4 million. In other words, safety net programs lifted nearly 27 million people out of poverty in 1996-1997.<sup>50</sup> The income maintenance system is tremendously important to people who would not otherwise be able to feed, clothe, house, and physically care for themselves.

Despite the potential success of the economic safety net, however, many problems remain for poorer families. Consequently, income support policies should have as their main objectives to (1) encourage, support, and reward employment and (2) provide income support adequate for lifting families above their needs and out of poverty. Table 3 presents several income support policy options that meet these goals.

### *Policy 6: State Tax Policy*

One way for states to support working families in their efforts to earn enough income to meet their needs and to progress toward greater economic success is to enact tax policies that allow families to retain more of their earnings. State tax policy can have significant positive or negative effects on the efforts of families to achieve economic success by either being progressive or regressive in structure. A regressive state tax system imposes a significant and disproportionate burden on low-income families when compared to their higher-income counterparts. Typically, regressive systems either levy taxes on consumable goods like food and clothing or set very low income tax thresholds.

Unfortunately, most states failed to lower tax burdens on low-income families during the economic expansion of the late 1990s, instead maintaining a regressive tax system through sales taxes. In fact, the reliance on regressive tax structures is increasing in many states while use of more equitable, progressive tax alternatives – like increases in the income taxes levied on high-income earners – are declining or remaining level for most states.<sup>51</sup> Across-the-board income tax rate reductions benefit high-income families more than low-income families. Consequently, states should structure the mix of personal income and sales tax and tax credit policies in a way that relieves the overall tax burden on poor and near-poor families, provides net subsidies to these families, and encourages work.<sup>52</sup>

**6.1 Personal Income Tax Rates.** The effective state income tax rates for working poor and near-poor families (50 percent, 100 percent, and 200 percent of poverty) should be proportional to the rate for high-income families (300 percent of poverty). In other words, working poor and near-poor families should not pay proportionally more in income tax than more affluent families.

**6.2 Sales and Excise Taxes.** Evidence suggests that states can significantly lighten the financial burden of low-income families by lowering the percentage of state revenue raised from sales and excise taxes, taxes that disproportionately affect poorer taxpayers. In 2000, states on average derived 47 percent of their revenue from sales and excise taxes, compared to 36 percent from personal income tax and 7.5 percent from estate and corporate taxes. Only three states – Colorado, Maine, and Utah – have sales tax rates that are lower than they were in 1989. Between 1994 and 2001, 37 states passed significant reductions in personal income, corporate, and estate taxes, while only nine states reduced net sales and excise taxes.<sup>53</sup> Bringing reliance on sales and excise taxes for state revenues to levels commensurate with revenue from income taxes (approximately 35 percent nationally) would benefit low-income families.<sup>54</sup> Lowering reliance on regressive sales taxes may also improve the effectiveness of other policies designed to make families economically self-sufficient and less dependent on government assistance as working families who benefit from lower sales and excise taxes retain more earnings from work.

**6.3 Earned Income Tax Credit (EITC).** Research demonstrates that enactment of an EITC can significantly improve the economic fortunes of low-income families.<sup>55</sup> The EITC is a tax reduction that supplements the income of low- and moderate-income working families. The federal government administers the EITC through the federal income tax system.

A growing number of states have also enacted state EITCs as a way to reduce child poverty, reward families moving from welfare to work, and increase the disposable income of families struggling to make ends meet. State EITCs may either be refundable or non-refundable. Thirteen states have refundable EITC laws with refund percentages ranging from a low of four percent in Wisconsin to a high of 43 percent of the federal credit, also in Wisconsin.<sup>56</sup> Six other states offer non-refundable credits. Refundable EITCs are superior to non-refundable credits if the goal is to provide a net subsidy to families. Furthermore, states with EITCs refundable at 20 percent or more of the federal credit are more likely to impact child poverty and increase family income.<sup>57</sup> The existence and refundable feature of state EITCs are the recommended benchmarks for state EITC policy.

### *Policy 7: State Minimum Wage Laws*

Another way states can help families earn more and meet their basic needs is to increase state minimum wage levels beyond the federal minimum. Despite continuing debates about the impact of increasing the minimum wage, it is widely held that a 10 percent increase in the minimum wage generally results in about a one percent decrease in employment.<sup>58</sup> However, some research evidence indicates that moderate increases in the minimum wage (1) have positive benefits for both minimum wage earners and those just above the minimum wage, (2) have benefits beyond their costs, and (3) can be enacted without significant job loss during economic downturns.<sup>59</sup> At current levels, no minimum wage worker is able to afford even “modest” two-bedroom housing in any county in the U.S.<sup>60</sup> And yet, only ten states and the District of Columbia have minimum wages above the federal minimum.<sup>61</sup>

**7.1 Minimum Wage Level.** First, states should enact state-enhanced minimum wages exceeding the federal minimum. Such enhancements are more likely to improve the ability of working families to meet their needs through earnings. Twelve states have minimum wage laws above the federal wage of \$5.15 per hour. Of these, nine have minimum wage levels above \$6.00 per hour.<sup>62</sup> Eleven states either have no minimum wage laws or set wage levels below the federal wage level, failing to offer basic wage protection to their working families.

**7.2 Minimum Wage Adjustments.** Second, states should index their minimum wage levels to inflation or to increases in the federal minimum wage. Without indexing wage rates, the increasing cost of living will erode the real wage of low-income earners. For example, the inflation-adjusted real value of the federal minimum wage in the 1990s was approximately 20 percent lower than its value in 1979 – despite four

increases in the federal minimum wage.<sup>63</sup> Twenty-one states currently have minimum wage laws indexed to the federal wage rate and/or inflation. States should index their minimum wage laws to inflation as a benchmark for state minimum wage policy.

### *Policy 8: Child Support*

Child support payments are critically important to the financial health of families, and potentially, to encouraging non-custodial parents to return to the workforce. The child support program is one of the largest human services programs in the country. Its reach is extensive, with the majority of state child support caseloads being comprised mostly of welfare leavers and low-income mothers, fathers, and children not receiving welfare. Only about 20 percent of state child support caseloads are current TANF assistance recipients.<sup>64</sup> Child support payments comprise nearly 26 percent of total family income among low-income families, second only to earnings.<sup>65</sup> Consequently, states should consider two child support policy options.

**8.1 Child Support Pass-through.** First, states should allow more child support money to reach custodial parents by enacting full pass-through options. Pass-through options provide better economic supports to children and their custodial parents by ensuring that child support payments are not kept by the state but forwarded to the custodial parent. Evidence suggests that non-custodial parents who pay child support and believe child support distribution rules to be fair are more likely to be involved in the parenting of dependent children.<sup>66</sup>

**8.2 Child Support Disregards.** Second, states should disregard all child support income in its determination of eligibility for other benefits programs. Including child support income in eligibility determination effectively nullifies the benefits of pass-through options and may result in families being denied much-needed supports.

### *Policy 9: Housing Subsidy*

Recent evidence indicates that recipients of government-funded housing subsidies have better work-related outcomes than low-income persons without such support.<sup>67</sup> Beyond improving work retention and attachment, the provision of housing assistance increases the available income of families and provides housing security. In addition, housing vouchers that enhance family choice and mobility in choosing housing locations have greater potential for producing better social outcomes like higher educational achievement, reduced teen pregnancy, lower violence and crime activity, and reduced child health concerns.<sup>68</sup> Given the growing evidence documenting the relationship between housing subsidy and location policies and family well-being, states should pursue two options for subsidizing the housing needs of low-income families.

**9.1 Limit Resident Contributions to Housing Costs.** First, state housing policies should authorize the use of housing subsidies that limit resident contributions to 30 percent of family income. The nationally accepted standard for housing costs as a percent of total income is 30 percent; however, in many places, families pay as much as 50 percent of their income in housing costs. In an effort to move families from welfare to work, nine states and three counties use TANF and/or state maintenance of effort funds to provide housing subsidies.<sup>69</sup>

**9.2 Target Families with the Greatest Housing Needs.** Second, states should target families with the greatest housing needs and the lowest incomes for housing assistance. Several mechanisms, including raising subsidy values to 110 percent of fair market rent levels, expanding project-based housing stock, and preserving family-sized units for very low-income families, could be used to meet this policy objective.<sup>70</sup>

### *Policy 10: Food Security*

Hunger poses a major threat to the stability and well-being of millions of American families. The Food Stamp Program is a federal-state partnership designed to provide a nutritional safety net for families up to 130 percent of the federal poverty level. For the first time since July 1998, food stamp participation rates have risen above 19 million participants. Hawaii and North Dakota are the only two states to witness decreases (albeit minor) in food stamp participation rates between April 2001 and April 2002.<sup>71</sup>

The 1996 welfare reform law granted states waiver authority to change nearly any feature of the Food Stamp Program to strengthen the nutritional safety net for poor families, with the exception of some provisions to ensure fiscal responsibility. Moreover, food stamp provisions of the recently enacted Farm Bill accord states more flexibility, additional simplification in administering food stamp programs, and ten new or expanded options.<sup>72</sup> Given the broad range of options available to states, the current recommendations limit their focus to options affecting benefit structure and benefit delivery. Specifically, states can improve the effectiveness of their benefits structure by:

**10.1 Coordinating Benefits.** Many states are making benefits more accessible to families by coordinating and standardizing food stamp eligibility with Supplemental Security Income (SSI), TANF, child care, and Medicaid benefits. In 14 states, the application used for cash assistance is also an application for food stamps, Medicaid, and child care. Only three states limit joint applications to food stamps and cash assistance – Hawaii, North Dakota, and Wisconsin.<sup>73</sup>

**10.2 Extending Benefits to Legal Immigrant Families.** Federal legislative changes as a result of welfare reform effectively denied federal food stamp benefits to certain legal immigrants, resulting in growing numbers of immigrant families living in hunger or experiencing food shortages. Twelve states have initiated programs to extend food assistance to legal immigrants who would otherwise be eligible for food stamp benefits.<sup>74</sup>

**10.3 Extending Benefits to High Unemployment Areas.** One way to effectively target food stamp benefits is to waive three-month time limits for unemployed, childless adults in high unemployment areas. Waivers for able-bodied adults without dependents (ABAWDs) are currently enacted in all but six states – Delaware, Kansas, Massachusetts, North Carolina, Ohio, and Oklahoma.<sup>75</sup>

**10.4 Aligning Resource Definitions.** Aligning resource definitions for TANF, Medicaid and food stamps makes it easier for eligible families to receive needed services and preserve assets while receiving benefits. States may opt to use either TANF or food stamp vehicle rules when one or the other results in lower asset attributions to a family. Thirty-three states currently use the more family-supportive TANF asset limits instead of the more restrictive food stamp limits. An additional seven states make all or some of their families categorically eligible for food stamps without regard to their assets. Nineteen states exclude all vehicles in asset calculations. Eleven states continue to use the more restrictive food stamp asset limits, ten of which include the value of both vehicles.<sup>76</sup> At minimum, states should exclude the value of one car and align asset tests with the least restrictive state program.

**10.5 Providing Transitional Benefits.** Many families leaving cash assistance for work continue to experience economic and food hardships. Evidence suggests that when a state provides transitional benefits to families leaving cash assistance it makes the family's transition to greater independence more successful. At present, only New York offers transitional benefits.<sup>77</sup>

States can improve food stamp benefits delivery by adopting:

**10.6 Semi-annual Reporting.** Nineteen states have adopted semi-annual reporting periods for determining household eligibility rather than the burdensome monthly requirements. Another six states require quarterly eligibility re-determination.<sup>78</sup> There is no evidence to suggest that monthly eligibility requirements improve accountability and, in fact, there is some evidence that monthly reporting requirements increase state error rates.

Table 3: Summary of Recommended Income Support Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<b>6</b> State Tax Policy	<b>6.1</b> Income Tax Thresholds	
	<ul style="list-style-type: none"> <li>• Net income tax ratio of families at 50% of FPL (\$8,800) vs. 300% of FPL</li> </ul>	<.50:1 • <b>.51–1.0:1</b> • >1:1
	<ul style="list-style-type: none"> <li>• Net income tax ratio of families at 100% of FPL (\$17,601) vs. 300% of FPL</li> </ul>	<b>&lt;1:1</b> • 1:1–1.99:1 • >2:1
	<ul style="list-style-type: none"> <li>• Net income tax ratio of families at 200% of FPL (\$35,204) vs. 300% of FPL</li> </ul>	<1:1 • <b>1:1–1.99:1</b> • >2:1
	<b>6.2</b> Percent of state revenue from sales and excise taxes	0–30% • <b>31–40%</b> 41–50% • 51% or more
	<b>6.3</b> State EITC	<ul style="list-style-type: none"> <li>• None</li> <li>• Non-refundable only</li> <li>• Refundable &lt;10% of Federal credit</li> <li>• Refundable 11-20% of Federal credit</li> <li>• <b>Refundable &gt;20% of Federal credit</b></li> </ul>
<b>7</b> State Minimum Wage	<b>7.1</b> Wage level	<ul style="list-style-type: none"> <li>• <b>Greater than the Fed. Wage</b></li> <li>• Equal to Fed of \$5.15</li> </ul>
	<b>7.2</b> Indexed to:	<ul style="list-style-type: none"> <li>• <b>Inflation</b></li> <li>• Federal Increases</li> <li>• Not indexed</li> </ul>
<b>8</b> Child Support	<b>8.1</b> Pass-through allowances	\$0-50 • \$51-100 • \$100+ • <b>Full</b>
	<b>8.2</b> Child support payments disregarded as income for key programs	<b>Yes</b> • No
<b>9</b> Housing Subsidy	<b>9.1</b> Co-pay percentage	25% • <b>30%</b> • 35%
	<b>9.2a</b> Targets families with greatest housing needs and lowest income	<b>Yes</b> • No
	<b>9.2b</b> Con Plan, QAP, or other state policies require owners to reserve units for very low-income families	<b>Yes</b> • No

Continued on page 33

Table 3 (cont'd): Summary of Recommended Income Support Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<b>10</b> <b>Food Security</b>	<b>Benefits Structure...</b> <b>10.1</b> Use food stamp waiver authority to coordinate and standardize food stamp benefits with SSI, TANF, and Medicaid	Yes • No (for each program)
	<b>10.2</b> Funds food stamp replacement programs for ineligible but legal immigrant families	Yes • No
	<b>10.3</b> Waives 3-month time limits for unemployed, childless adults in high unemployment areas	Yes • No
	<b>10.4</b> Aligns resource definitions for TANF, food stamps, and Medicaid	<ul style="list-style-type: none"> <li>• <b>Categorical eligibility</b></li> <li>• Align w/ child care or cash asst</li> <li>• Maintains most restrictive policy</li> </ul>
	<b>10.5</b> Provide additional 3 months of transitional assistance without additional paperwork for families leaving cash assistance	Yes • No
	<b>Benefits Delivery...</b> <b>10.6</b> Adopts semi-annual household eligibility reporting	<ul style="list-style-type: none"> <li>• <b>Semi-annual</b></li> <li>• Quarterly or Waiver</li> <li>• Monthly</li> </ul>
	<b>10.7a</b> WIC income eligibility levels	1-100% • 101-150% • <b>151-185%</b>
	<b>10.7b</b> State supplements federal WIC funding	Yes • No

**10.7 State Supplements WIC.** WIC is a federal grant program, not an entitlement, with a specific amount of funds allocated to states each year. The maximum gross income eligibility for WIC is 185% of FPL, though states may set lower limits. Some states use their own funds to supplement federal funding and serve more recipients. To provide food security to the maximum number of families, states should set income eligibility limits for WIC participation at 150 to 185% of FPL and provide state supplements where necessary. Eleven states provide supplemental funding for WIC programs.<sup>79</sup>

## Asset Development and Protection Policies and Benchmarks

Table 4 lists recommended asset development and protection policies. The primary objectives of these policies are to promote the acquisition of financial assets among low-income families and to protect families from catastrophe and predatory practices that erode their assets.

### *Policy 11: Asset Promotion*

Two excellent ways for states to promote the acquisition of assets among low-income families are to establish individual development accounts for such families and to raise asset disregards in key governmental benefits programs.

**11.1 Individual Development Accounts.** Individual Development Accounts (IDAs) are becoming increasingly popular for promoting the accumulation of assets in the form of homes, businesses, and education. Twenty states offer statewide IDA programs to TANF-eligible families. Of those, eight states have no limit on the total amount a family can contribute to an IDA, and ten have limits of \$5,000 or more. Five states – Indiana, Kentucky, Maine, New York, and Washington – match a family’s contribution to an IDA.<sup>81</sup> States can effectively assist families out of long-term poverty by enacting TANF or non-TANF IDA programs with higher savings limits and by providing a match to family contributions.

**11.2 TANF Asset Disregards.** Evidence suggests that lower asset disregards prematurely penalize families for making the correct financial decision to save and for seeking higher-paying work opportunities. State TANF policies can assist working families by excluding the value of at least one car and setting a limit on countable assets at \$5,000 or higher. Currently, 21 states exclude the entire value of at least one vehicle (Michigan excludes the value of all vehicles, and Ohio has no asset limit), and nine states have established a limit on countable assets of \$5,000 or more.<sup>82</sup>

### *Policy 12: Home Ownership*

Another way to promote the development of assets is through homeownership. In particular, homeownership is especially important for asset accumulation among populations that tend to have lower levels of wealth, such as African-Americans and Hispanics. While home equity represents, at the median, 40 percent of the net worth of white families, it represents 57 percent of the net worth of African-American homeowners and 71 percent of the net worth of Hispanic families.<sup>83</sup> Despite this, minority populations have lower overall homeownership rates than white families.

States should consider two policies to directly foster homeownership among low-income persons.

**12.1 Homebuyer Assistance Programs.** Evidence suggests that first-time buyer assistance programs targeted to low-income families can help improve the homeownership prospects of low-income families.

**12.2 Homeownership Counseling.** Homeownership counseling services could help prevent low-income, elderly, and minority families from falling prey to predatory sub-prime lending practices and prevent subsequent loan defaults. A lack of financial training and education, along with the absence of basic forms of asset protection like health and life insurance, can expose workers to serious and preventable misfortune, limit their opportunities to accumulate assets, and hinder overall economic success.

### *Policy 13: Antipredatory Lending Legislation*

Asset protection is vital to safeguarding the wealth families have built. Consequently, it is important for government to police against events or private practices that, in effect, strip families of their accumulated wealth. For this reason, states should pass anti-predatory lending legislation and stronger unemployment insurance policies.

According to the Coalition for Responsible Lending, predatory lending practices cost consumers an estimated \$9.1 billion annually. Recognizing the need to protect homebuyers, homeowners, and other consumers from these deceptive, manipulative, and costly practices, a small number of states and several local governments have passed legislation to curb predatory lending. North Carolina's predatory lending legislation is widely regarded as a model for effective state policies. It protects consumers by including provisions to:

**13.1 Establish Limits on Loan Interest Rates.** Over time, high interest rate loans become a financial burden to low-income families. Imposing ceilings on sub-prime interest rates protects unsuspecting and uninformed consumers, who often are elderly and minority families, from unscrupulous lending practices.

**13.2 Ban Negative Amortization, Pre-payment Penalties, Premium Credit Insurance, and Loans to Persons with Excessive Debt.** Predatory lending agencies employ a number of tactics that hide the total cost of loans. Prohibiting such practices, through predatory lending or usury statutes, protects families from fraud and losing their equity and assets.

**13.3 Counsel Consumers.** Most victims of predatory lending are either unaware that they qualify for prime lending rates or are generally financially uninformed. Requiring consumer financial counseling and education can protect persons seeking “high-cost” loans.<sup>84</sup>

#### *Policy 14: Unemployment Insurance<sup>85</sup>*

Protecting workers’ wages is also an important policy strategy for states to pursue. By protecting the wages of unemployed workers, state policy helps shield assets from being exhausted in times of crisis and economic downturn. In the U.S., unemployment insurance (UI) was created to provide adequate benefits to protect workers during temporary periods of joblessness. Benefits are payable as a matter of right to workers who (1) have enough qualifying wages and yearly work experience to meet their state’s minimum conditions; (2) are free from disqualification on the basis of their separation from their last place of employment; and, (3) are ready, willing, and able to work.

Four options for improving the effectiveness of UI are available to states.

**14.1 Wage Replacement Levels.** There is broad consensus that UI wage replacement benefits should replace 50 percent or more of lost weekly earnings for full-year, full-time, minimum- and median-wage workers. Moreover, state UI benefits should exceed poverty level income for families with children. Presently, benefit levels in 14 states fail to replace 50 percent of a median-wage worker’s income. In two states, California and Illinois, benefit levels fail to replace even 50 percent of a minimum-wage worker’s income. And, in eight states, the maximum benefit amount does not equal or exceed poverty for a one-parent family of three.<sup>86</sup>

**14.2 Benefits Duration.** Nearly all states provide wage replacement benefits over a 26-week period. However, Washington and Massachusetts provide benefits for 30 weeks. Alaska, California, New Jersey, and Connecticut extend UI benefits by an additional 13 weeks, the District of Columbia by ten weeks, and Oregon by six weeks when unemployment reaches specified levels. To protect workers during economic recessions and periods of high unemployment, states should extend UI benefits for an additional 13 weeks above the typical base period of 26 weeks.

**14.3 Alternative Base Periods.** UI reforms are needed to reflect the changing dynamics of the labor market. Specifically, states should adopt alternative base periods for calculating eligibility based on earnings. Many states exclude a worker’s most recent quarter or work in

Table 4: Summary of Recommended Asset Development and Protection Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<b>11</b> Asset Promotion	<b>11.1a</b> Offers Individual Development Accounts	<ul style="list-style-type: none"> <li>• No</li> <li>• Yes, limit \$1–\$5,000</li> <li>• <b>Yes, \$5,001–\$10,000</b></li> <li>• Yes, \$10,001+</li> <li>• Yes, no limit</li> </ul>
	<b>11.1b</b> If so, IDA Match	< 1:1 ratio • <b>1:1 to 2:1</b> • > 2:1
	<b>11.2a</b> TANF cash/savings assets disregards	<ul style="list-style-type: none"> <li>• \$1–\$2,999</li> <li>• \$3,000–\$4,999</li> <li>• <b>\$5,000+</b></li> </ul>
	<b>11.2b</b> TANF automobile assets disregards	<ul style="list-style-type: none"> <li>• \$1–\$4,999</li> <li>• \$5,000+</li> <li>• <b>1 car entirely</b></li> <li>• No limit/all cars</li> </ul>
<b>12</b> Home Ownership	<b>12.1</b> Down-payment assistance programs	<b>Yes</b> • No
	<b>12.2</b> Homeownership counseling programs	<b>Yes</b> • No
<b>13</b> Anti Predatory Lending Legislation	<b>13.1</b> Limits “high-cost” rates	<b>Yes</b> • No
	<b>13.2a</b> Bans negative amortization	<b>Yes</b> • No
	<b>13.2b</b> Bans prepayment penalties	<b>Yes</b> • No
	<b>13.2c</b> Bans financing single-premium credit insurance	<b>Yes</b> • No
	<b>13.2d</b> Bans loans if debt-to-income ratio exceeds 50%	<b>Yes</b> • No
<b>13.3</b> “High-cost” loans require consumer counseling	<b>Yes</b> • No	

Continued on page 38

Table 4 (cont'd): Summary of Recommended Asset Development and Protection Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<p><b>14</b></p> <p><b>Unemployment Insurance</b></p>	<p><b>14.1</b> Base period wage replacement level is 50% or more for FY/FT minimum-wage earner, FY/FT median-wage earner, and 1-parent family with two children</p>	<ul style="list-style-type: none"> <li>• No group</li> <li>• 1 of 3 groups</li> <li>• <b>2 of 3 groups</b></li> <li>• 3 of 3 groups</li> </ul>
	<p><b>14.2</b> Duration (months) of benefits, including extended coverage:</p>	<p>1-3 • 4-6 • <b>6-8</b> • 9+</p>
	<p><b>14.3</b> Base period eligibility</p>	<ul style="list-style-type: none"> <li>• Excludes recent quarter</li> <li>• <b>Alternative base period</b></li> </ul>
	<p><b>14.4</b> Part-time workers covered</p>	<ul style="list-style-type: none"> <li>• None</li> <li>• Employed workers only</li> <li>• <b>Employed and seeking</b></li> </ul>

determining eligibility – a policy decision that disproportionately impacts low-wage, low-skill workers and families. Twelve states currently use an alternative base period that includes hours worked and wages earned during the most recent quarter.<sup>87</sup>

**14.4 Part-time Worker Coverage.** States could also provide more equitable UI coverage by making part-time workers and those seeking part-time work eligible for benefits. While in all but eight states a worker earning minimum wage working full-year at 20 hours per week is eligible for UI, individuals seeking part-time work are ineligible for UI in 31 states. Failure to extend UI benefits to part-time workers disproportionately affects low-income and female workers who comprise about 70 percent of the part time workforce.<sup>88</sup>

## Job Creation Policies and Benchmarks

Job creation policies seek to stimulate the demand side of the labor market. Such policies use public funds either to encourage private employers to create additional wage-earning jobs in the private sector or to create publicly funded jobs in the public or nonprofit sectors for those who cannot otherwise find employment. Of the many types of job creation policies, two seem to have sufficient scope and directly target low-income workers: public sector employment and wage subsidies. The evidence supporting the effectiveness of these policies is not yet complete. These suggestions are offered in an attempt to spur further innovation in policies that create jobs specifically for low-income individuals.

### *Policy 15: Public Sector Employment<sup>89</sup>*

Public sector employment—using public funds to create wage-paying jobs in nonprofit and public agencies—is one useful tool for closing the skills gap and matching jobless workers with available jobs in their communities. Public sector employment initiatives typically share a set of common elements. They pay participants wages that are counted as taxable income—meaning that wages are subject to FICA payroll taxes and enable participants to qualify for the federal Earned Income Tax Credit. Public or nonprofit agencies develop jobs that engage participants in useful work and provide close supervision at the work site. Some programs place participants with for-profit employers, typically on the condition that they retain successful participants in unsubsidized jobs following a specified period of subsidized employment. Many programs seek to enhance participants’ skills by offering access to vocational training and education on the job or after work hours.

Finally, these initiatives usually impose limits on the number of months an individual can spend in a publicly funded job, even as they attempt to help participants move into unsubsidized employment. Recent research and evaluation suggests that such time limits should be at least 12 months. Examples of current public sector employment initiatives include the Philadelphia Transitional Work Corporation’s Philadelphia@Work program<sup>90</sup>; Washington state’s Community Jobs Initiative (CJI), which uses TANF funds to place hard-to-employ welfare recipients; and Vermont’s Community Service Employment (CSE) program.

### *Policy 16: Employer-based Wage Subsidies*

Wage subsidy programs<sup>91</sup> represent a “market-based” solution to creating jobs for the disadvantaged by providing direct subsidies to private employers. These initiatives typically address market imperfections that either depress the level of overall job creation or lower the rate of employment for economically disadvantaged individuals or communities. Wage subsidies can be delivered to employers via direct subsidies or

Table 5: Summary of Recommended Job Creation Policies, Key Features, and Benchmarks

POLICY	KEY FEATURE	POSSIBLE SCALE FOR SCORING
<b>15</b> Public Sector Employment	15.1 Period of mandatory job search prior to start of Public sector employment	Yes • No
	15.2 Duration of public sector job	<ul style="list-style-type: none"> <li>• &lt; 6 months</li> <li>• 6–9 months</li> <li>• 9–12 months</li> <li>• <b>12 months+</b></li> </ul>
	15.3 Requires wage level	<ul style="list-style-type: none"> <li>• Less than minimum wage</li> <li>• <b>At prevailing entry level wages</b></li> <li>• Greater than or equal to basic family budget or self-sufficiency standard</li> </ul>
	15.4 Full-time employment	Yes • No
	15.5 Opportunities for skill development (check all that apply):	<ul style="list-style-type: none"> <li>• “Soft skill” development</li> <li>• Occupational training</li> <li>• Education and training linked to work</li> </ul>
	15.6 Job placement	<ul style="list-style-type: none"> <li>• Public sector only</li> <li>• <b>Public and nonprofit sectors</b></li> </ul>
<b>16</b> State WIA Options	16.1 Subsidies tied to hiring decisions or net employment increases	Yes • No
	16.2 Wage level	<ul style="list-style-type: none"> <li>• Less than minimum wage</li> <li>• <b>At prevailing entry level wages</b></li> <li>• Greater than or equal to basic family budget or self-sufficiency standard</li> </ul>
	16.3 Opportunities for skill development (check all that apply):	<ul style="list-style-type: none"> <li>• “Soft skill” development</li> <li>• Occupational training</li> <li>• Education and training linked to work</li> </ul>

tax-based subsidies and can take a variety of forms, including general wage subsidies not necessarily targeted at disadvantaged workers, categorical entitlement wage subsidies that target specific groups and are available to all employers meeting certain hiring criteria, and categorical discretionary wage subsidies targeting specific groups for employment but awarded at the discretion of a labor market agency. Examples of current wage subsidy programs include Oregon’s JOBS Plus Program.

## Policy Implementation

Regarding “family economic success” policy in general, at least three sets of implementation activities or characteristics are important: agency workforce capacity and leadership, public information and outreach, and results accountability. Given the various ways in which states can implement policies and the need to track implementation in simple ways, we put forth these implementation strategies as one possible way of tracking state policy implementation. Alternatively, or in addition, a system of setting benchmarks for state policy might consider using select performance measures or outputs like enrollment figures in key programs.

### *Agency Workforce Capacity and Leadership*

First, states must have the agency workforce capacity and leadership to effectively implement policies that improve the economic standing of families. Specifically, state policy is likely to be more effective at producing desired results when efforts between TANF, WIA, and public housing agencies are coordinated. Further, regional approaches to workforce preparation and housing assistance offer a better chance of matching the skills of employees to the local labor market and of helping residents get to communities offering high-growth job opportunities. Such implementation approaches help to ensure that states maximize available resources and plan effectively.

### *Public Information and Outreach*

Second, public information and outreach strategies are an important set of activities to consider when developing and implementing family economic success policy. Community engagement strategies heighten family awareness of available services and allow for greater family input and control over service delivery. Outreach, enrollment, and public information activities are important for effective, broad policy implementation. Specifically, states should take steps to make sure families are aware of health insurance, child care and housing subsidies and tax credit resources available to them. In addition, states should support families in becoming intelligent consumers of financial products and services by offering financial education and counseling services.

### *Results Accountability*

Third, a state-level focus on results is crucial to the achievement of better family economic outcomes. Results accountability activities situate greater flexibility and authority with work and income agencies, communities, and providers while simultaneously making such entities responsible for the actual achievement of better outcomes for families. A range of activities including community and agency report cards, a regular workforce needs assessment, and state-required reports on the distributional impact of tax changes<sup>92</sup> are helpful in holding public agencies accountable for the results they achieve.

Table 6 summarizes these implementation activities and options. In the case of coordination between TANF, WIA, and housing agencies, formal coordination requirements and activities are preferred benchmarks rather than informal, ad hoc relationships. The existence of a recommended feature (“yes”) serves as both the desired state policy option and benchmark for other policy implementation activities.

Table 6: Key Features of and Options for Implementation Activities

IMPLEMENTATION ACTIVITY/POLICY	KEY FEATURE	OPTIONS
<b>Agency Workforce Capacity and Leadership</b>	State TANF and WIA plans require coordination between lead agencies	<ul style="list-style-type: none"> <li>• No</li> <li>• Informal only</li> <li>• <b>Formal</b></li> </ul>
	State TANF and housing agencies required to coordinate efforts	<ul style="list-style-type: none"> <li>• No</li> <li>• Informal only</li> <li>• <b>Formal</b></li> </ul>
	State implements a regional approach to housing assistance	<b>Yes</b> • No
<b>Public Information and Outreach</b>	<b>State funds active outreach and public education efforts regarding:</b>	
	<ul style="list-style-type: none"> <li>• Health insurance coverage</li> </ul>	<b>Yes</b> • No
	<ul style="list-style-type: none"> <li>• Child care subsidies</li> </ul>	<b>Yes</b> • No
	<ul style="list-style-type: none"> <li>• Tax credits (EITC, Child, etc.)</li> </ul>	<b>Yes</b> • No
	<ul style="list-style-type: none"> <li>• Predatory lending</li> </ul>	<b>Yes</b> • No
<b>Results Accountability</b>	State-adopted goals and measures	<b>Yes</b> • No
	Annual statewide reports	<b>Yes</b> • No
	Annual local reports (disaggregated)	<b>Yes</b> • No
	Regular workforce needs assessment conducted	<b>Yes</b> • No
	State requires analysis of distributional effects of tax changes	<b>Yes</b> • No

# Conclusion

**4** Fostering family economic success is a complex and challenging issue, but one that should be a priority for all state policymakers. Ultimately, success in this arena will be determined not only by public policies, but also by larger economic forces. Despite the challenges and uncertainties, wise investments in good policies can make a real difference in raising living standards and improving life chances.

In this paper, a framework for policies and policy benchmarks aimed at achieving family economic success is offered. In particular, this paper suggests a combination of work, income, and asset-related policies for providing poor and near-poor families with the opportunity to support themselves and their children.

Achieving this level of family economic success requires overcoming a number of obstacles, including a lack of quality jobs, insufficient support in making the transition to family-sustaining employment, and asset inequality. Family economic success is contingent on a broad range of factors, including larger macroeconomic forces, healthy communities, adequate housing, and personal characteristics. For the purpose of this paper, however, the scope of discussion is limited to five clusters of policies—work preparation, work attachment, income support, asset development and protection, and job creation—that most directly impact family economic success. For each cluster, the paper identifies the core set of policies that each state should implement, the important policy decisions for each policy, and a possible scale for scoring or setting benchmarks for state decisions on each policy.

By adopting an appropriate combination of these policies and implementing them effectively, states can help families overcome persistent hardships, reduce the ever-widening income and assets gap, and better position themselves to achieve family economic success. Over time, this framework could serve as a “goal post” for state policies aimed at helping families become more successful and self-sufficient economically.



# Appendix

## POLICY MATTERS PROJECT OVERVIEW

State policymakers, whether they are governors, state legislators, executive agency managers, or policy advocates, continually wonder about the effectiveness of the policies and programs they develop. However, the ability to assess the success of existing and new policy initiatives at producing positive and lasting results for families and children is frequently elusive. Currently, there is no commonly accepted way to assess the degree to which state policies advance or detract from the goal of improving child, family, and community well-being.

While policies are often developed to address or produce a certain set of outcomes, the relationship between policy and outcomes is not well understood. Little investigation of the impact of policy on system improvement and on outcomes for children and families has occurred, leaving policymakers and administrators without the needed information to guide the development and implementation of policy that will produce results.

In such an environment, how can state legislators and leaders know whether policies they implement are supportive of families? How can they discern whether the mix of policy improvements and legislative changes bring them closer to achieving better outcomes? How can policymakers and leaders make informed decisions about an array of policy choices for families? To answer these questions, the Center for the Study of Social Policy (CSSP), in collaboration with the National Center for Children in Poverty (NCCP) and Child Trends, and with support from the Annie E. Casey Foundation, has begun a project to develop a results-based framework that proposes benchmarks for state policies.

*Policy Matters* attempts to offer coherent, comprehensive information regarding the strength and adequacy of state policies affecting children and families. This is done by

establishing consensus among policy experts and state leaders regarding the cluster of policies believed to offer the best opportunity for improving key child and family results. Further, the project puts forth benchmarks for gauging the strength of existing state policies aimed at these results.

## How the Policies Are Organized

*Policy Matters* examines six related results: school readiness; school success; youth engaged in positive, productive roles; family economic success; healthy families; and, strong family relationships. When viewed collectively, these six results form one possible composite of family-strengthening policy. Included are results that focus on the entire family (family economic success, healthy families, and strong family relationships) as well as results that focus more narrowly on young children (school readiness), youth (school success and youth engaged in positive roles), and particular issue areas (education, health, and economic success). The mix of results and policies focuses on a broad life span, from birth to retirement (see Figure 1), and a broad range of potential policy categories (see Tables 1-6).

Each of the six results is guided by a working definition and focus.

- **School Readiness** is defined broadly as the preparedness of young children ages 0-8, to enter school, and the preparedness of schools to receive young children into public educational settings. The cluster focuses on young children and the major policies that support their social, cognitive, and emotional development and on child-serving systems and their capacities to deliver high-quality, developmentally appropriate care and education. The school readiness policy cluster includes: child care quality, affordability, and accessibility; Head Start, public pre-school, and school transition; and early health care policies.
- **School Success** focuses on the public school and post-secondary educational achievement of students and the provision of quality public education services. The school success policy cluster includes policies governing class size and school enrollment, school accountability systems, teacher quality and retention, alternative education, curriculum standards, testing, and post-secondary financial aid.
- **Youth Engaged in Positive, Productive Roles** is defined as the availability of healthy personal, civic, peer, family, and community options for young people ages 8 to 24. This area result focuses on the developmental needs of pre-adolescents, adolescents, and young adults and the crucial transitions between each of these periods of increasing maturity. Policies in this cluster include those that encourage and support youth in meaningful civic roles, prepare young people for work and other adult roles, and make available quality child welfare, juvenile justice, after-school, school-to-work, and health promotion services.

- **Family Economic Success** refers to the ability of working age (18-65) adults and families (up to 200 percent of the federal poverty level) to earn enough pay and benefits to provide for their basic needs and to accrue long-term assets such as homes and retirement savings. This cluster includes policies that improve income and earnings (e.g., state income and sales tax policies, earned income tax credits, housing subsidies, and state minimum wage policies), encourage and protect the development of assets (i.e. first-time homebuyer assistance, anti-predatory lending legislation, and Individual Development Accounts), help families attach to the workforce (e.g., child care and health care policies), and create an economic safety net for families (e.g., unemployment insurance).
- **Healthy Families** refers to the physical and mental well-being of families and examines the availability, quality, and accessibility of appropriate health services for low-income families. This area includes policies related to health insurance coverage and benefits, health safety nets, health support services like transportation and translation, and health system capacity.
- **Strong Family Relationships** is defined broadly as the relational well-being of families. While the goal of supporting “strong family relationships” is clearly tied to ensuring family economic success and family health, this result focuses primarily on strengthening the formation of families, the interaction of parents and children, the connection of families to social networks, and the adequacy and quality of necessary family resources. This policy cluster includes family formation, family support (e.g., home visiting, family and medical leave, and parent education), father involvement, child welfare, domestic violence, and homelessness policies.

The categorization of policy according to desired results is imprecise. For the purposes of this project, specific policies were assigned to a category either because the category offered the “best fit” for the policy or because the workgroup tasked with developing benchmarks for that result area was best suited to discuss the policy in question. Many policies appropriately apply to many of the desired results and will “show up” in each place where it is applicable. For example, health insurance coverage plays a role in achieving all six of the results. In addition, some policies appear in multiple categories with a shifted focus depending on the category. For instance, child welfare policy appears in both the youth behavior and the strong families results. However, child welfare policy included in the youth behavior result focuses on supports for effective transitions of emancipated youth and family reunification and preservation are emphasized in the strong family relationships result. Policies appearing in multiple result areas are likely to be “high leverage” policies because of their potential impact on multiple outcomes.

## How the Project Is Organized

Given the breadth and complexity of state policy, it is important to clarify what the *Policy Matters* project intends to produce. Specifically, *Policy Matters* is an attempt to meet the information needs of policy-makers, advocates, administrators, and local leaders with four products. These products, while distinct from one another, are developed sequentially and build upon the successful completion of the previous product.

First, up to six policy papers will be developed and published during this project. Each paper, one for each of the six result areas, will offer a strategic policy framework for achieving a specific result and set of outcomes. The policy papers will include a short list of policies that collectively have: (1) the best chance of effecting the desired result; (2) have the best chance of being supported by multiple constituencies; (3) sufficient scale and scope for impacting the desired result; and, (4) some evidence (where available) supporting their effectiveness. For each recommended policy, the papers also will posit the key policy attributes and interactions between policies that are thought to enhance the policy's effectiveness. Teams of state and national policy experts will review drafts of the policy papers and meet to reach consensus on specific policy recommendations. The papers could be a positive contribution to our strategic understanding of the link between policy and results for children and families.

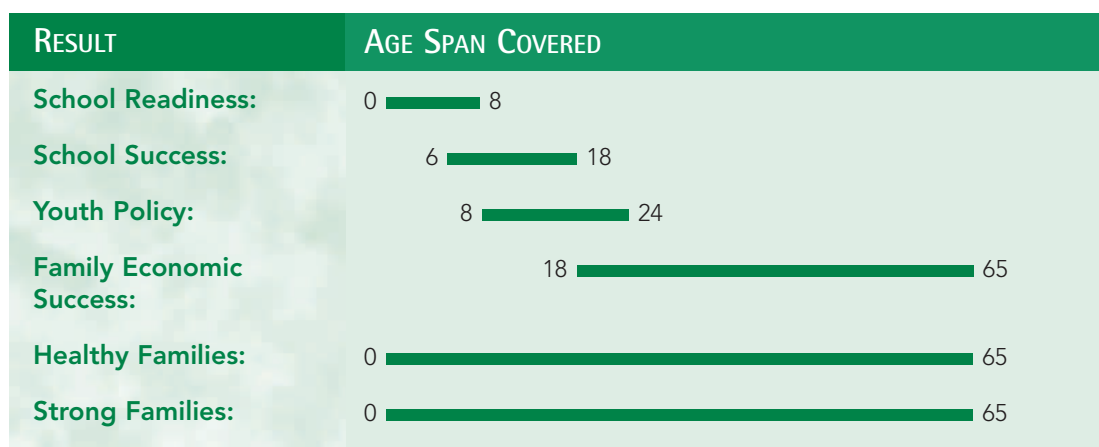
Second, *Policy Matters* offers coherent, comprehensive information regarding the strength and adequacy of state policies affecting children, families, and communities. This is done by establishing benchmarks for a cluster of policies aimed at specific child and family results. The recommended policies and their benchmarks will be published for consideration and use among state and local leaders.

Third, the project will develop the policy papers and policy benchmarks into a self-assessment tool useful for those involved in policy development and advocacy. The self-assessment tool might include a range of policy options beyond the “core” policies recommended in the policy papers and benchmarks product. We envision an easy-to-use tool – perhaps in a checklist format – that identifies strengths and weaknesses in a state's policy agenda and one that will have import for strategic efforts. The tool will be widely available to state and local leaders.

Fourth, this effort could lead to a “Kids Count”-like product that compares state policy efforts. However, where Kids Count is concerned with improving child well-being, this effort is concerned with improving policy. The effort to set benchmarks for state policy might be thought of as a policy well-being project that measures an individual state's policy against agreed upon benchmarks in critical areas. By measuring the strength of state policies against established benchmarks, the project hopes to provide further insight on the policy context of state success at achieving outcomes for children and families.

While the collection of products described could be useful to the field of policy analysis, we also wish to be clear about what this project is not. The current project is not an attempt to track a wide range of possible policies related to a given topic. Nor is the project intended to be a policy clearinghouse or program “best practices” guide. Lastly, the project is not a well-being indicator, evaluation, or measurement project, though information from these activities helps to shape our policy focus. All of these activities are valuable contributions and services, and many organizations do an excellent job at one or more of them. However, these activities are beyond the scope of the current project.

Figure A.1: Overlapping Age Spans for Policy Matters Results



Scale: Ages 0 – 65 years

Table A.1: Preliminary List of “School Readiness” Policies

CLUSTER	POLICIES
<b>Ready Systems of Early Childhood Education</b>	<ul style="list-style-type: none"> <li>• Amount of State Investments in Early Care and Education</li> <li>• State Programs for ECE</li> <li>• Licensing and Accreditation</li> <li>• Professional Development and Compensation</li> <li>• ECE Systems Development</li> <li>• ECE Standards and Assessments</li> <li>• Facilities/Capital Investments</li> </ul>
<b>Ready Schools</b>	<ul style="list-style-type: none"> <li>• Kindergarten Quality</li> </ul>

Table A.2: Preliminary List of “Healthy Families” Policies

CLUSTER	POLICIES
<b>Affordability Policies</b>	<ul style="list-style-type: none"> <li>• Health Insurance Coverage</li> <li>• Co-pay and Deductible Caps</li> </ul>
<b>Availability Policies</b>	<ul style="list-style-type: none"> <li>• Provider Incentives</li> </ul>
<b>Accessibility and Appropriateness</b>	<ul style="list-style-type: none"> <li>• School-based Health Services</li> <li>• Culturally and Linguistically Appropriate Services</li> <li>• Accessibility to Mental Health Services</li> </ul>
<b>Healthy Behaviors</b>	<ul style="list-style-type: none"> <li>• Tobacco Tax and Enforcement</li> <li>• Alcohol Tax and Enforcement</li> <li>• School Health</li> </ul>
<b>Health-supporting Environments</b>	<ul style="list-style-type: none"> <li>• Indoor Air Quality Standards</li> <li>• Lead-based Paint Abatement</li> <li>• Firearm Safety</li> </ul>

Table A.3: Preliminary List of “Strong Family Relationships” Policies

CLUSTER	POLICIES
<b>Family Formation &amp; Maintenance</b>	<ul style="list-style-type: none"> <li>• Marriage Promotion</li> <li>• Birth Supports</li> <li>• Out-of-Wedlock Pregnancy Prevention</li> </ul>
<b>Support for Participation &amp; Nurturance</b>	<ul style="list-style-type: none"> <li>• Father Involvement Policy</li> <li>• Child Support Enforcement</li> <li>• Family &amp; Medical Leave</li> <li>• Respite Care</li> </ul>
<b>Lasting Stability &amp; Safety</b>	<ul style="list-style-type: none"> <li>• Child Welfare</li> <li>• Domestic Violence</li> </ul>

Table A.4: Preliminary List of “Youth Engaged in Positive, Productive Roles” Policies

CLUSTER	POLICIES
<b>Universal Policies</b>	<ul style="list-style-type: none"> <li>• Education</li> <li>• Preventive Health &amp; Health Education</li> <li>• General Health and Safety</li> <li>• Civic Participation</li> </ul>
<b>Targeted Policies</b>	<ul style="list-style-type: none"> <li>• Child Welfare Policy &amp; Transition to Independence</li> <li>• Juvenile Justice Policy</li> <li>• Career and Work Preparation</li> <li>• Runaway and Homeless Youth</li> </ul>
<b>Youth-focused Policies</b>	<ul style="list-style-type: none"> <li>• Coordination of Youth Programs</li> <li>• Youth Representation on Boards &amp; Committees</li> <li>• Youth Programming (After School, etc.)</li> </ul>

Table A.5: Preliminary List of “Family Economic Success” Policies

CLUSTER	POLICIES
<b>Work Preparation</b>	<ul style="list-style-type: none"> <li>• Temporary Assistance for Needy Families (TANF)</li> <li>• Workforce Investment Act (WIA)</li> </ul>
<b>Work Attachment</b>	<ul style="list-style-type: none"> <li>• Health Insurance</li> <li>• Child Care subsidies</li> <li>• Housing Location</li> </ul>
<b>Income Support Policy</b>	<ul style="list-style-type: none"> <li>• Income Tax Thresholds</li> <li>• Sales Tax</li> <li>• State Earned Income Tax Credits (EITC)</li> <li>• Housing Subsidies</li> <li>• Child Support</li> <li>• State-enhanced Minimum Wage Policy</li> </ul>
<b>Asset Development &amp; Protection</b>	<ul style="list-style-type: none"> <li>• Home Ownership Policy</li> <li>• Asset Promotion</li> <li>• Predatory Lending Policy</li> <li>• Unemployment Insurance</li> </ul>
<b>Job Creation</b>	<ul style="list-style-type: none"> <li>• Public Sector Employment</li> <li>• Employer-based Wage Subsidies</li> </ul>

Table A.6: Preliminary List of “Educational Success” Policies

CLUSTER	POLICIES
<b>Student Achievement</b>	<ul style="list-style-type: none"> <li>• Student Achievement Standards</li> <li>• Kindergarten</li> <li>• Testing in Core Academic Subjects</li> <li>• School Choice</li> <li>• Graduation Requirements</li> </ul>
<b>Quality Schools</b>	<ul style="list-style-type: none"> <li>• Curriculum</li> <li>• Inclusion</li> <li>• Class Size</li> <li>• School Size</li> </ul>
<b>Teacher Quality</b>	<ul style="list-style-type: none"> <li>• Qualifications</li> <li>• Retention</li> <li>• Hiring Incentives and Compensation</li> <li>• Elementary Teacher Education Requirements</li> <li>• Exit Exams for Teacher Education Graduates</li> </ul>
<b>Education Finance</b>	<ul style="list-style-type: none"> <li>• Elementary and Secondary Funding</li> <li>• Professional Development</li> <li>• Adult Literacy</li> <li>• Post-secondary Financial Aid</li> </ul>
<b>Post-secondary Education</b>	<ul style="list-style-type: none"> <li>• Academic Supports</li> <li>• Diversity</li> <li>• Community College</li> </ul>

## ENDNOTES

- <sup>1</sup> Two organizations, the Economic Policy Institute and Wider Opportunities for Women, have pioneered work that assigns monetary value to the notion of “economic self-sufficiency.” For an overview of family budgets, see Jared Bernstein, Chauna Brocht, and Maggie Spade-Aguilar. *How Much Is Enough? Family Budgets for Working Families*. (Washington, D.C.: Economic Policy Institute, 2000).
- <sup>2</sup> Nancy K. Cauthen. “Policies That Improve Family Income Matter for Children.” (New York, NY: National Center for Children in Poverty, 2002).
- <sup>3</sup> For two good pictures of this changing scene, see Paul Osterman, Thomas Kochan, Richard Locke, and Michael Piore, *Working in America: A Blueprint for the New Labor Market*, (Cambridge: MIT Press, 2001) and Carl Van Horn, *No One Left Behind: The Report of the Twentieth Century Fund Task Force on Retraining America’s Workforce*, (New York, NY: Twentieth Century Fund, August 1996).
- <sup>4</sup> Heather Boushey, Chauna Brocht, Bethney Gundersen, and Jared Bernstein, *Hardships in America: The Real Story of Working Families*. (Washington, D.C.: Economic Policy Institute, July 2001).
- <sup>5</sup> National Low-Income Housing Coalition. *Out of Reach 2001: America’s Growing Wage-Rent Disparity*. (Washington, D.C.: National Low-Income Housing Coalition).
- <sup>6</sup> Barbara Sard, Testimony before the Senate Committee on Banking, Housing, and Urban Affairs, November 29, 2001. A transcript is available on the Center on Budget and Policy Priorities website at [www.cbpp.org](http://www.cbpp.org).
- <sup>7</sup> Boushey, et al.
- <sup>8</sup> *Ibid.* Executive Summary, pp. 1-2.
- <sup>9</sup> Lawrence Mishel, Jared Bernstein, and John Schmitt. *The State of Working America, 2000-2001* (Washington, D.C.: Economic Policy Institute, 2001), pp. 93-107.
- <sup>10</sup> Gregory Acs, Katherine Phillips, and Daniel McKenzie. “Playing By The Rules, But Losing The Game: Americans in Low-Income Working Families” in Richard Kazis and Marc S. Miller, *Low-Wage Workers in the New Economy* (Washington, D.C.: Urban Institute, 2001), pp. 24-25. Also see essays in this book authored by Osterman and Carnavale.
- <sup>11</sup> Roberto Suro, Director of the Pew Hispanic Center. Comments made during the Pew Forum on Religion and Public Life’s panel discussion entitled “The Compassion Component: Welfare Reform and the Tradition of Social Justice,” Tuesday, July 16, 2002. Event transcript available at: <http://pewforum.org/events/>.
- <sup>12</sup> For example, the real value of today’s minimum wage is 30 percent below the minimum wage of 1968 and 24 percent lower than 1979. See Edith Rasell, Jared Bernstein, and Heather Boushey. “Step Up Not Out: The Case for Raising the Federal Minimum Wage for Workers in Every State.” (Washington, D.C.: Economic Policy Institute, February 2001).
- <sup>13</sup> Arthur B. Kennickell, Martha Starr-McCluer, and Brian J. Surrette. “Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances,” *Federal Reserve Bulletin* (January 2000).
- <sup>14</sup> David T. Ellwood, “Winners and Losers in America: Taking the Measure of the New Economic Realities.” in *A Working Nation. Workers, Work and Government in the New Economy*, by David T. Ellwood, Rebecca Blank, Joseph Blasi, Douglas Kruse, William Niskanen, and Karen Lynn Dyson. (New York: Russell Sage, 2000).
- <sup>15</sup> Wendell Primus. “The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families.” (Washington, D.C.: Center on Budget and Policy Priorities, August 22, 1999).
- <sup>16</sup> Center for Law and Social Policy, “Most States Had Welfare Caseload Increases in the Last Year” (Washington, D.C.: Center for Law and Social Policy, June 17, 2002). The full analysis is available at [www.Center for Law and Social Policy.org/pubs/TANF/2002\\_Q1\\_Caseload\\_061702.pdf](http://www.CenterforLawandSocialPolicy.org/pubs/TANF/2002_Q1_Caseload_061702.pdf). State-by-state data is available at [www.Center for Law and Social Policy.org/pubs/TANF/Final\\_2002\\_Q1\\_caseload.pdf](http://www.CenterforLawandSocialPolicy.org/pubs/TANF/Final_2002_Q1_caseload.pdf).
- <sup>17</sup> Jared Bernstein. *Jobs Picture*. (Washington, D.C.: Economic Policy Institute, February 1, 2002).
- <sup>18</sup> See Van Horn, pp.57-83, for more detail.
- <sup>19</sup> Melvin Oliver and Thomas Shapiro. *Black Wealth, White Wealth: A New Perspective on Racial Inequality* (New York, NY: Routledge, 1995).
- <sup>20</sup> Mishel, Berstein, and Schmitt, p. 8.
- <sup>21</sup> Robert Haveman and Edward N. Wolff. “Who Are the Asset Poor?: Levels, Trends, and Composition, 1983-1998.” (Institute for Research on Poverty, University of Wisconsin-Madison, Discussion Paper #1227-01, April 2001).
- <sup>22</sup> For more detail, see Oliver and Shapiro.
- <sup>23</sup> See Boushey et al
- <sup>24</sup> Neil G. Bennett and Hsien-Hen Lu. “Untapped Potential: State Earned Income Credits and Poverty Reduction. Research Brief 3,” (New York, NY: National Center on Children in Poverty, April 2000).

- <sup>25</sup> Tammy Draut. *New Opportunities? Public Opinion on Poverty, Income Inequality and Public Policy: 1996-2001*. (Washington, D.C.: Demos), p. 6.
- <sup>26</sup> Here, “quality jobs” refers to high-wage jobs in high-growth industries and jobs offering employee benefits like health insurance coverage and retirement.
- <sup>27</sup> The Center for the Study of Social Policy has prepared another *Policy Matters* discussion paper, entitled “Educational Success,” that more comprehensively explores policies aimed at improving adult education and post-secondary skills training.
- <sup>28</sup> Sufficient assets refer generally to savings equal to three to six months of gross income.
- <sup>29</sup> This section is largely informed by a compendium of work-related indicators collected by Brandon Roberts for The Annie E. Casey Foundation.
- <sup>30</sup> See, for example, David Osborne and Ted Gaebler. *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. (New York, NY: Penguin Books, 1992).
- <sup>31</sup> The authors are indebted to Brandon Roberts for his insights regarding work preparation policies given during a telephone interview on May 23, 2002.
- <sup>32</sup> See Karin Matinson and Julie Strawn. “Built to Last: Why Skills Matter for Lasting Success in Welfare Reform.” (Washington, D.C.: Center for Law and Social Policy, 2002).
- <sup>33</sup> U.S. Census Bureau. “Work and Work-Related Activities of Mothers Receiving Temporary Assistance to Needy Families: 1996, 1998, and 2000.” (Washington, D.C., May 2002).
- <sup>34</sup> Mark Greenberg. “How Are TANF Funds Being Used? The Story in FY 2000.” (Washington, D.C., Center for Law and Social Policy, revised October 2001). Available at [www.CenterforLawandSocialPolicy.org](http://www.CenterforLawandSocialPolicy.org).
- <sup>35</sup> State data as of October 1999. See the State Policy Documentation Project at [www.spdp.org](http://www.spdp.org).
- <sup>36</sup> For a review of state post-secondary education and training policies, see Center for Law and Social Policy. “Forty States Likely to Cut Access to Postsecondary Training or Education Under House-Passed Bill.” (Washington, D.C., June 19, 2002).
- <sup>37</sup> All of these benefits vary according to a recipient’s earning level. For example, TANF benefits will be significantly different for a family with no earnings versus a family earning 50% of the poverty level, and a family with no earnings is not eligible for the EITC. Furthermore, some state TANF programs disregard a large portion of earnings when they calculate TANF cash benefits, while others do not. These earned income disregards are often time limited, so states also have to specify how long the family has been working before assessing whether or not they actually meet this benchmark.
- <sup>38</sup> For state-by-state data on state eligibility decisions for legal immigrants (as of July 1999), see the Urban Institute’s *Welfare Rules Databook* (at <http://newfederalism.urban.org/pdf/Wrd.pdf>), Tables I.B.5 and I.B.6 (pages 42-45).
- <sup>39</sup> States with unified plans involving WIA and TANF include: Alaska, Arizona, Iowa, Maryland, New Hampshire, New Jersey, Oregon, and Virginia. See National Governors’ Association, “WIA Early Implementation: State Workforce Investment Plans” (March 27, 2000); and, National Governors’ Association. “WIA Implementation: Strategic Plans of Final Thirty States” (Washington, D.C.: Author, September, 2001).
- <sup>40</sup> Boushey, et al. See also Kurt Bauman. “Direct Measures of Poverty as Indicators of Economic Need.” (Washington, D.C.: U. S. Bureau of the Census, 1998).
- <sup>41</sup> Though Massachusetts sets its S-CHIP eligibility level at 200 percent of the federal poverty level, the state uses state-sponsored coverage to extend eligibility to families with income up to 400 percent of the FPL. Source: The Kaiser Family Foundation’s State Health Facts Online, available at <http://www.statehealthfacts.kff.org>.
- <sup>42</sup> While quality, availability, and affordability of child care are all important, the present paper focuses on the affordability of care because of its immediate relationship to the economic success of families. Each of these themes are examined in greater detail in the *Policy Matters* “School Readiness” paper.
- <sup>43</sup> Karen Shulman, Helen Blank, and Danielle Ewen. *A Fragile Foundation: State Child Care Assistance Policies*. (Washington, D.C.: Children’s Defense Fund, 2001).
- <sup>44</sup> *Ibid.*
- <sup>45</sup> Recommendations based upon May 16, 2002 telephone interview with Barbara Sard and on Barbara Sard. “Housing Vouchers Should Be a Major Component of Future Housing Policy for the Lowest Income Families,” *Cityscape: A Journal of Policy Development and Research*, 5, no. 2 (2001): 89-110 and Barbara Sard and Margy Waller, “Housing Strategies to Strengthen Welfare Policy and Support Working Families.” (Washington, D.C.: The Brookings Institution, 2002).
- <sup>46</sup> Mark A. Hughes. (1995). “A Mobility Strategy for Improving Opportunity.” *Housing Policy Debate* 6(1): 271-297; Paul Ong, (1998). “Subsidized Housing and Work among Welfare Recipients,” *Housing Policy Debate*, 9 (4): 775-794; James E. Rosenbaum and Susan J. Popkin. (1991). “Employment and Earnings of Low-Income Blacks Who Move to Middle-Class Suburbs,” in Christopher Jencks and Paul E. Peterson (Eds.), *The Urban Underclass*. (Washington, D.C.: The Brookings Institution, 1991); and Barbara Sard and Jeff Lubell. (2000). “The Value of Housing Subsidies to Welfare Reform Efforts.” (Washington, D.C.: Center on Budget and Policy Priorities).

- <sup>47</sup> Source: Center for Policy Alternatives at [www.cpa.org](http://www.cpa.org).
- <sup>48</sup> Meryl Finkel and Stephen D. Kennedy. "Racial/Ethnic Differences in Utilization of Section 8 Existing Rental Vouchers and Certificates," *Housing Policy Debate* 3, no.2 (1992): 463-508; and, Stephen D. Kennedy and Meryl Finkel. "Section 8 Rental Voucher and Rental Certificate Utilization Study: Final Report." (Washington, D.C.: U. S. Department of Housing and Urban Development, Office of Policy Development and Research, 1994).
- <sup>49</sup> Charlie Warner. "Diminished Choices 5: The Ever Shrinking Market for Section 8 in Suburban Hennepin County, Minnesota," HOME Line. World Wide Web page: <http://www.mhponline.org>.
- <sup>50</sup> Wendell Primus. "The Safety Net Delivers" (Washington, D.C.: Center on Budget and Policy Priorities, November 15, 1996), page 1.
- <sup>51</sup> For a complete treatment of regressivity in state tax systems, see Nicholas Johnson and Daniel Tenney, "The Rising Regressivity of State Taxes." (Washington, D.C. Center on Budget and Policy Priorities, January 13, 2002). Another report from the Center on Budget and Policy Priorities focuses more extensively on state income tax burdens on low-income families. See Bob Zahradnik, Nicholas Johnson, and Michael Mazerov. "State Income Tax Burdens on Low-Income Families in 2000: Assessing the Burden and Opportunities for Relief." (Washington, D.C.: Center on Budget and Policy Priorities, March 2001).
- <sup>52</sup> An analysis of these tax strategies, the policy goals they best facilitate, and potential trade-offs is offered in Elaine Maag and Diane Lim Rogers. "The New Federalism and State Tax Policies Toward the Working Poor: Occasional Paper Number 38" (Washington, D.C.: Urban Institute, September 2000).
- <sup>53</sup> Johnson and Tenny. (2002).
- <sup>54</sup> While we recommend that states directly reduce their reliance on sales taxes as a more direct support to families, they may also provide relief to low-income families through low-income tax credits, exempting essential consumption items like clothing and food, and by issuing sales tax rebates.
- <sup>55</sup> Nancy K. Cauthen. "Earned Income Tax Credits." (New York, NY: National Center for Children in Poverty, 2002).
- <sup>56</sup> Neil G. Bennett and Hsien-Hen Lu. "Untapped Potential: State Earned Income Credits and Child Poverty Reduction," Research Brief 3. (New York: National Center for Children in Poverty, 2001). Wisconsin's EITC program offers a refund of 4 percent to families with one child, 14 percent to families with two children, and 43 percent to families with three children. Most states offering a refundable EITC set percentages at 10-15 percent of the federal credit.
- <sup>57</sup> Bennett and Lu, 2001.
- <sup>58</sup> For a brief annotation of minimum wage research see "50 Years of Research on the Minimum Wage" (Washington, DC: Joint Economic Committee, U. S. Congress, February 15, 1995). The annotation is available at [www.house.gov/jec/cost-gov/regs/minimum/50years.htm](http://www.house.gov/jec/cost-gov/regs/minimum/50years.htm).
- <sup>59</sup> Edith Rasell, Jared Bernstein, and Heather Boushey. "Step Up, Not Out: The Case for Raising the Federal Minimum Wage for Workers in Every State" (Washington, D.C.: Economic Policy Institute, February 7, 2000).
- <sup>60</sup> National Low-Income Housing Coalition, *Out of Reach 2001. America's Growing Wage-Rent Disparity*. Washington, D.C.: National Low-income Housing Coalition.
- <sup>61</sup> States with minimum wage laws exceeding the federal minimum are: Alaska, California, Connecticut, Delaware, Hawaii, Massachusetts, Oregon, Rhode Island, Vermont, and Washington.
- <sup>62</sup> The twelve states with minimum wage levels above the federal minimum are: Alaska (\$5.65), California (\$6.75), Connecticut (\$6.70), Delaware (\$6.15), District of Columbia (\$6.15), Hawaii (\$5.75), Maine (\$5.75), Massachusetts (\$6.75), Oregon (\$6.50), Rhode Island (\$6.15), Vermont (\$6.25), and Washington (\$6.72).
- <sup>63</sup> Mishel, Bernstein, and Schmitt, p. 6.
- <sup>64</sup> Written testimony of Vicki Turetsky, Senior Staff Attorney, Center for Law and Social Policy, before the Subcommittee on Social Security and Family Policy, Senate Finance Committee, U.S. Senate. Submitted for the record on October 11, 2001.
- <sup>65</sup> Ibid, p. 5. Earnings comprise 38 percent, child support 26 percent, cash assistance 20 percent, and other income 16 percent of family budgets among poor families receiving child support. See also Elaine Sorenson and Chava Zibman. "To What Extent Do Children Benefit from Child Support?" (Washington, D.C.: The Urban Institute, 2000).
- <sup>66</sup> Senate testimony of Vicki Turetsky.
- <sup>67</sup> See Ong, 1988; and Sard and Lubell, 2000.
- <sup>68</sup> Barbara Sard and Jeff Lubell. "The Value of Housing Subsidies to Welfare Reform Efforts," (Washington, D.C.: Center on Budget and Policy Priorities, 2000).
- <sup>69</sup> Sard and Waller. Those states are Connecticut, Kentucky, Maryland, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, and Virginia. The counties included Denver, Los Angeles, and San Mateo.

- <sup>70</sup> Proposed here as a possible policy based upon recommendations by Barbara Sard. "Housing Vouchers Should Be a Major Component of Future Housing Policy for the Lowest Income Families," *Cityscape: A Journal of Policy Development and Research*, 5, no.2 (2001): 89-110; Barbara Sard and Margy Waller. "Housing Strategies to Strengthen Welfare Policy and Support Working Families." (Washington, D.C.: The Brookings Institution; 2002); and Kirk McClure. "Housing Vouchers versus Housing Production: Assessing Long-Term Costs," *Housing Policy Debate*, 9, no. 2: 355-371, 1998.
- <sup>71</sup> Daniel Tenney. "Food Stamp Caseloads Are Rising." (Washington, D.C.: Center on Budget and Policy Priorities, July 12, 2002).
- <sup>72</sup> Dorothy Rosenbaum. "States Have Significant Flexibility in the Food Stamp Program." (Washington, D.C.: Center on Budget and Policy Priorities, June 17, 2002). The author also cites a USDA report highlighting state decisions on a number of key food stamp options. For more information see [www.fns.usda.gov/fsp/MENU/ADMIN/CERTIFICATION/SUPPORT/StateOptionReport.pdf](http://www.fns.usda.gov/fsp/MENU/ADMIN/CERTIFICATION/SUPPORT/StateOptionReport.pdf).
- <sup>73</sup> State data as of May 1999. Source: State Policy Documentation Project.
- <sup>74</sup> The twelve states are: California, Connecticut, Illinois, Maine, Maryland, Massachusetts, Nebraska, New Jersey, New York, Rhode Island, Washington, and Wisconsin. Source: Food and Nutrition Service, [www.fns.usda.gov/fsp/rules/Memo/PRWORA/02/StatePrograms.htm](http://www.fns.usda.gov/fsp/rules/Memo/PRWORA/02/StatePrograms.htm).
- <sup>75</sup> Source: Food and Nutrition Service, [www.fns.usda.gov/fsp/rules/Memo/02/abawdch1.htm](http://www.fns.usda.gov/fsp/rules/Memo/02/abawdch1.htm).
- <sup>76</sup> Food and Nutrition Service. "Food Stamp Program: State Options Report," (Washington, D.C, April, 2002).
- <sup>77</sup> Ibid.
- <sup>78</sup> Ibid.
- <sup>79</sup> For state-by-state data on supplemental funding in FY 1998, see Table 1 in U.S. General Accounting Office (March 2000), "The Special Supplemental Food Program for Women, Infants, Food Assistance: Financial Information on WIC Nutrition Services and Administrative Costs." GAO/RCED-00-66 (report is available on the GAO Web site: <http://www.gao.gov/> ).
- <sup>80</sup> Determining the effective tax rate for families at 300 percent of the federal poverty level and dividing it by the effective tax rate for families at 50 percent and 100 percent of the federal poverty level compute the net income tax ratio. This approach has the advantage of reflecting the income distribution of the state in the ratio.
- <sup>81</sup> State data as of December 1998. Source: State Policy Documentation Project.
- <sup>82</sup> State data as of December 1998. Source: State Policy Documentation Project.
- <sup>83</sup> Joint Center for Housing Studies, Harvard Design School. *The State of the Nation's Housing: 2000*, (Cambridge, MA: Harvard University, 2000.)
- <sup>84</sup> Deborah Goldstein. *Understanding Predatory Lending: Moving Toward a Common Definition and Workable Solutions*. (Cambridge, MA: Joint Center for Housing Studies, Harvard University, 1999).
- <sup>85</sup> For a thorough review of unemployment insurance and a report on state systems, see Maurice Emsellem, Jessica Goldberg, Rick McHugh, Wendell E. Primus, Rebecca Smith, and Jeffrey Wenger. *Failing the Unemployed: A State by State Examination of Unemployment Insurance Systems*, (Washington, D.C.: Economic Policy Institute, Center on Budget and Policy Priorities, and National Employment Law Project, March 2002).
- <sup>86</sup> Ibid, p. 9.
- <sup>87</sup> These states include: Maine, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Rhode Island, Vermont, Washington, and Wisconsin. See Emsellem et al.
- <sup>88</sup> Ibid.
- <sup>89</sup> For more on this topic, see Cliff Johnson, William Schweke, and Matt Hull. "Creating Jobs: Public and Private Strategies for the Hard-to-Employ," (prepared for The Annie E. Casey Foundation by the Center on Budget and Policy Priorities and the Corporation for Enterprise Development).
- <sup>90</sup> For a review of the Philadelphia@Work program see Richard C. Greenwald. "Transitional Jobs: The Philadelphia Story." (Washington, DC: The Brookings Institution, July 2002).
- <sup>91</sup> For more on wage subsidies, see Timothy Bartik. *Jobs for the Poor: Can Labor Demand Policies Help?* (New York, NY: Russell Sage Foundation, 2001).
- <sup>92</sup> Only six states report the ability to complete such reports and analysis. Six other states report developing the ability to do so. Only three states actually complete such reports. See Nicholas Johnson and Daniel Tenney. "The Rising Regressivity of State Taxes." (Washington, D.C.: Center on Budget and Policy Priorities, January 13, 2002).

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