

Testimony from San Francisco Works
RE: Career Advancement for Working Poor Californians

Assembly Human Services Committee Hearing

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Good afternoon. My name is Theresa Feeley, and I am the Vice President of Policy and Evaluation at San Francisco Works (SFWorks). Thank you for the opportunity to address you on the very important and timely issue of career advancement for the working poor.

In 1997, the San Francisco Chamber of Commerce, the United Way and the Committee on Jobs (CEOs of San Francisco's 35 largest employers) founded SFWorks as a business-led, nonprofit intermediary organization. SFWorks' mission is to encourage and facilitate business engagement in sustainable welfare-to-work and workforce development systems benefiting the business community and low-income individuals transitioning to self-sufficiency. SFWorks supports this mission by:

- Building strategic partnerships among businesses, service providers and public agencies;
- Developing and incubating employer-based hard and soft skills training, retention, and career advancement programs;
- Providing a full menu of business-oriented workforce development services;
- Performing policy work at the local, state and federal levels; and
- Providing technical assistance to public agencies, community-based organizations, and employers throughout the Bay Area and across the United States.

SFWorks was an early champion and funder of employer-based hard skills training and paid work experience as means to prepare low-skilled individuals for success on the job. Since its founding three years ago, SFWorks has:

- Developed and incubated 13 employer-led training programs in the health care, legal services, insurance/financial services, banking, automotive repair, building maintenance, and telecommunications industries;
- Institutionalized five SFWorks-initiated training programs in the public sector, ensuring their long-term funding and operation;
- Placed more than 200 SFWorks graduates in jobs, with placement and retention rates each exceeding 80%. Starting salaries range from \$7.25 to \$16.02 per hour;
- Engaged over 200 local employers in Welfare-to-Work activities. Solicited over \$2.5 million in corporate funds for WtW;
- Performed workforce assessments and program development planning for leading Bay Area companies with regional operations; and
- Worked closely with employers to connect local labor pools to local employment opportunities, and in the development of a greater Bay Area infrastructure aimed at linking the two pools;

SFWorks current and future priorities include the development and implementation of:

- new training programs and career ladders in high growth industries;
- comprehensive career advancement services, including on-line skills upgrading, career counseling, and supportive services;
- asset building initiatives;
- capacity building in underserved communities; and
- tools for documenting the corporate return on investment in workforce development.

The remainder of my testimony will focus on the experiences of SFWorks two customers: employers and low-income individuals. Too often, policymakers perceive the interests of these two groups as being in opposition. In contrast to this conventional wisdom, I will suggest several policy recommendations supportive of both low-skilled workers and their employers.

Employee Perspective

Like much of the state and country, San Francisco has experienced a tremendous decline in welfare rolls since the mid-Nineties. The majority of women who have left welfare are employed in jobs that pay above the minimum wage but not enough to move their families out of poverty. In addition, a sizeable majority (68%) of San Francisco's nonexempt caseload are currently employed but not yet earning enough to leave cash assistance (less than 128% of Federal Poverty Level or \$17,724 for a family of 3).

Research indicates that the wages of these women are likely to remain stubbornly low even after multiple years spent working. It is true that the incomes of most voluntary welfare leavers increase over time; however, those increases reflect a greater number of hours worked per week and more weeks worked per year rather than significant increases in wages over time.¹ Welfare reform has expanded the already substantial ranks of California's working poor.

The most prevalent policy for promoting career advancement is to increase the human capital of low-wage workers, i.e., focus on upgrading their skills. Unfortunately, the working poor face many barriers to participation in education or training activities.

- Few employers are able to make training available on the job; thus, those individuals motivated enough to pursue it, must do so after work hours.
- Few training providers offer courses in locations convenient to individual's jobs or homes.
- Even if an individual is income eligible for subsidized child care while they are working, they are unlikely to receive it during the additional hours they are engaged in education or training. Transportation assistance is also rare.
- Few among the working poor have been informed by their employer of the skills they need to obtain prior to advancement.
- Many lack information about quality training providers, specifically, those offering skills upgrading and with programs tailored to the schedules of working adults.
- Many low-income individuals work nontraditional hours or are employed in jobs requiring shift work, thereby exacerbating the difficulty they have accessing training programs intended for individuals working "9 to 5."
- Relatively few resources have been made available to support training for low-income workers who are not receiving, or may have never received, cash assistance.

¹ Cancian, Maria, and Daniel R. Meyer. Forthcoming, 2000. "Work After Welfare: Women's Work Effort, Occupation, and Economic Well-Being." *Social Work Research*. Washington, DC: National Association for Social Workers.

Employer Perspective

Research indicates that the probability that workers receive workplace education is directly proportional to their wage and education level. Workers with the highest wages and the most formal education receive the most; lower-wage workers and those with the least education receive the least.² This disparate provision of workplace education exists despite evidence suggesting that such training has a greater impact on the skill level of low-wage workers. Employers cite multiple barriers to and reasons for their reluctance to invest in training for low-wage workers.

- Most employers already experience high turnover among their low-wage labor force. They are hesitant to invest in training because they think it unlikely that they will reap the long-term benefits of increased productivity.
- They recognize that “trained” employees are attractive to other employers. Thus, they fear that the provision of training to low-wage workers will exacerbate the problem they already have retaining these workers.
- There are direct and opportunity costs for the provision or subsidy of education and training. These costs are particularly prohibitive to small and medium sized firms.
- There is little quantitative information available about the benefits of training that employers can use to justify their investment.
- Training offered by providers often is not customized to the needs or time constraints of employers.
- Most training currently available takes place offsite or onsite in a classroom setting. Employers cite a preference for training that is, to the extent possible, delivered on-the-job or well integrated into their workplace.
- Because there is a lack of skill standards and systems to certify skills gained through incumbent worker training, employers are uncertain as to whether they are getting their money’s worth.

If we want employers to make a long-term investment in workforce development for low-wage workers, we need to help them to make a business case for it. The only way to do this is by insuring and demonstrating that the benefits to providing more and better training to employees exceed the costs.

SFWorks Career Advancement Program

SFWorks is trying to overcome many of these aforementioned barriers by designing our career advancement program around on-line skills upgrading and providing in-home computer and internet access to our clients. SFWorks has partnered with DigitalThink, a pioneer in the provision of e-learning solutions to Fortune 500 companies, to make all of their approximately 400 courses available to SFWorks graduates free of charge. This is a win-win opportunity for both the low-skilled worker whose career opportunities it enhances and the employer who benefits from the productivity a better trained employee.

Because the courseware is web-based, workers are able to access it at a time and from a location convenient to them. SFWorks is working with community based organizations (CBOs) to insure that these individuals – who are balancing the roles of employee, parent, and student – receive the support they need to make the most of the opportunity to upgrade their skills. Depending on the needs of the individual, these services may include ongoing case management, mentorship, and peer support. In addition, the CBOs will facilitate development of a career plan. To the extent possible, they will involve employers in the development of the plan and the identification of relevant courseware.

² Frazis, Harley, Maury Gittleman, Michael Horrigan, and Mary Joyce. June 1998. “Results from the 1995 Survey of Employer-Provided Training.” *Monthly Labor Review*.

Policy Recommendations

SFWorks is excited about the potential that our career advancement program holds for improving the productivity and incomes of the low-wage workers with whom we come in contact. However, we are committed to extending comparable training opportunities to all of California's working poor and to the businesses that employ them. As an intermediary organization, we encourage you to enact career advancement policies that are based on the needs of both employers and employees.

- Encourage the development of consortia of firms with similar training needs, thereby enabling them to share the costs and benefits of training.
 - ⇒ Promote intermediaries or brokers as a means to help these firms identify and meet their training needs.
 - ⇒ Subsidize the high fixed costs of developing quality e-learning systems and content so that employers with similar needs can utilize them, paying only the marginal delivery costs.
 - ⇒ Promote job laddering initiatives that offer structured career advancement by clustering employers around common workforce needs and facilitating employee movement between firms predicated on work experience and skills attainment.
- Create incentives to encourage employers to invest in incumbent worker training. These could take the form of: tax credits, deductions, or deferrals for expenses related to low-wage worker training; grants; or reward programs.
- Allocate public funding so as to encourage job retention, skills upgrading, and career advancement by the working poor.
 - ⇒ Require public agencies utilizing employment and training vendors to implement performance-based contracts prioritizing retention and advancement.
 - ⇒ Contract with vendors to provide training and supportive services at or near job sites and during nontraditional hours.
 - ⇒ Make eligibility for Employment Training Panel funding contingent upon low income rather than history of welfare receipt.
 - ⇒ Use federal TANF funds and state maintenance-of-effort funds to support workforce development initiatives and supportive services for low-wage workers not receiving cash assistance. Avoid stigmatizing low-wage workers by providing these services through an agency or office not associated with welfare.
 - ⇒ Hold local Workforce Investments Boards and county departments of social services accountable by requiring them to report wage and income data beyond the closure of cash assistance cases.
 - ⇒ Require county departments of social services to coordinate transitional and supportive services regionally.
 - ⇒ Create grants, which encourage the development and implementation of innovative pilot projects. Support successful projects in sharing lessons learned with others and in going to scale.
 - ⇒ Follow Washington State's example and reinvest TANF savings in partnerships coordinating short-term, customized training for low-income workers.
 - ⇒ Provide funding for community colleges and other training providers to reorganize occupational certificate and degree programs to better meet the needs of low-income workers and their employers.
 - ⇒ Expand supportive services to low-income individuals engaged in training or re-employment activities. Base eligibility for these services on income, not welfare status.

- ⇒ Invest in providers (child care, transportation, and case management) to enhance their capacity to serve more people and at nontraditional hours.
- ⇒ Establish a refundable state earned income tax credit as a means to supplement the incomes of the working poor.
- Initiate education campaigns to build awareness among:
 - ⇒ employers about the benefits of incumbent worker training, incentives for the provision of training, and quality training providers;
 - ⇒ the working poor about their eligibility for training and support services; and
 - ⇒ training and service providers about promising practices.
- Support employers in addressing the problem of workers lacking the basic skills necessary for participation in advanced training.
 - ⇒ Work with employers to integrate basic skills training into job-specific skills training.
 - ⇒ Contract with adult basic skills and English as a second language (ESL) providers to offer training on the work site or subsidize employers who do so.
 - ⇒ Encourage training providers to create short-term “bridge” programs which prepare low-skilled individuals to participate in mainstream training programs.
 - ⇒ Support the expansion of vocational ESL immersion programs for those lacking basic English language skills
- Involve employers and low-income workers at all stages of policy development and implementation.
- Create skill standards that can be used by workers and employers to benchmark the skills of employees moving between jobs or firms.
- Require local Workforce Investment Boards to include TANF agencies as a mandatory service partner.
- Promote Individual Development Accounts as a means for low-income workers to build assets, including post-secondary education and training.
 - ⇒ Permit the use of federal TANF dollars for matching funds.
 - ⇒ Encourage individuals and corporations to contribute by providing credit against state income tax liability for all or a percentage of the contribution
 - ⇒ Grant tax exemptions for all match funding for asset accounts, when used for qualified asset purchases.
 - ⇒ Exempt funds in IDA accounts from counting against the asset limits used to determine eligibility for public social service programs.

California should not declare welfare reform a success on the basis of caseload declines alone. We should not rest until we have created a workforce development infrastructure that provides all low-income workers with the opportunity to move out of poverty and into prosperity.

Thank you for your time.