

ActionBrief

Self-Sufficiency & Good Jobs

Setting Standards for Wages and Eligibility for Services Under the Workforce Investment Act

A family-sustaining wage

Many people around the country are trying to assess just what "self-sufficiency" means in order to fight for jobs that truly meet the needs of working families and to provide services that help workers climb the skills ladder to careers capable of sustaining families. This Action Brief looks at these issues and some of the options available for increasing wage levels and job quality through the Workforce Investment Act (WIA).

Two Uses of the Term "Self-Sufficiency"

There are two common and distinct ways that the term "self-sufficiency" is used. Understanding both uses is important in order to improve workforce development policies.

- ▶ Under WIA Title I, "self-sufficiency" is a wage-level threshold below which employed workers become eligible for intensive support services and specialized training to get better jobs. This self-sufficiency standard is used to determine eligibility for services.
- ▶ In living wage campaigns and other drives for good jobs, "self-sufficiency" is a broader measure of whether wages are sufficient to meet the real costs of supporting a family. It is a measure of job quality based on documented costs of a "market basket" of essential family budget items.

Good Jobs and Real Self-Sufficiency

Research shows that many people at the bottom end of the economic spectrum are struggling, working for wages that do not meet basic



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Some economic development activity, like site assembly and development, takes place before a specific company is even identified.

family needs, while public measures of poverty fail to capture the full extent of this needy population. Protections such as minimum wage laws are not tied to the cost of living, and generally are not indexed to inflation so their value erodes over time. A measure of “self-sufficiency” can show what a family actually needs to earn to be able to meet its basic needs.

Expanding economic opportunity for the working poor and dislocated workers, and raising the quality of entry-level jobs, are primary goals of the Workforce Investment Act. To be effective, workforce development strategies must respond to the realities of the regional economy. Self-sufficiency standards under WIA offer one opportunity to make this system more responsive to the needs of workers.

Defining wage benchmarks for self-sufficiency is not a simple task. A variety of approaches exists, and the choice of standard can have real policy consequences. The 1996 poverty threshold for a three-person family (with one adult and two children) was \$12,636. A review by the Economic Policy Institute of a broad sampling of basic budgets for a family of this size, on the other hand, found minimum budgets for basic necessities ranging from \$20,000 to \$40,000, averaging over \$30,000 in 1996 dollars – more than twice the poverty threshold. Depending on what standard is used as a wage benchmark, families who are working but are not making nearly enough to get by may or may not be eligible for services. Further, the Consumer Expenditure Survey shows that low-income families spend less on basic necessities than many family budgets would require, suggesting that poor families frequently must compromise on necessities under their existing budgets.

Under WIA, local Workforce Investment Boards (WIBs) must: 1) set self-sufficiency standards as a means test for intensive and training services for employed workers, and 2) be at liberty to use these standards for performance measurement. It is useful, therefore, to determine what level of income truly allows for self-sufficiency within the regional economy, and to understand how different standards will shape these minimum income requirements. In determining the appropriate level for a WIA self-sufficiency standard, each WIB must balance the desire to provide broad access to services with the desire to ration services to those most in need. Regionally derived basic family budgets offer one way to meet this challenge; traditional poverty measures provide another.

Measuring Need: Poverty Guidelines and the Lower Living Standard Income Level

Access to many public services is determined by some measure of need. The U.S. Department of Health and Human Services, for example, issues poverty guidelines, which form the basis for determining access to programs as diverse as school lunches, free legal services, and food stamps. This measurement of who is poor has real signifi-

cance for working families. It is important, therefore, to understand how poverty and self-sufficiency are determined.

The poverty threshold is set by the U.S. Census Bureau and was first developed in the early 1960s. At that time, a social scientist determined that, on average, families of all incomes spent one-third of their family budgets on food. To arrive at a minimum family budget, therefore, the government simply tripled the cost of a U.S. Department of Agriculture-recommended economical but adequate diet for families of various sizes. This very imprecise methodology remains the basis of the poverty threshold to this day.

The poverty measure has been indexed for inflation based on the Consumer Price Index (CPI) since that time, but has otherwise not been substantially revised. The share of a family budget spent on food and other items, however, has changed substantially over this time period and varies widely across income levels and regions.

The cost of health care, housing, and transportation, in particular, make up a substantially larger portion of family budgets than they did forty years ago. Further, demographic changes, such as the increasing numbers of single-parent families and the growing participation of women in the workforce, have increased the importance of child-care expenses within many family budgets. As a result, the poverty measure substantially underestimates the real costs faced by working families.

The Lower Living Standard Income Level as a target wage

The Workforce Investment Act allows local WIBs to determine their own criteria for evaluating income self-sufficiency. They offer, however, as a default position that self-sufficiency standards be indexed to the Lower Living Standard Income Level (LLSIL). This is a poverty measure that was created by the Bureau of Labor Statistics. It is updated annually based on a formula that was last revised in the 1980s, and it does account for regional variations in the cost of living. The LLSIL uses a Basic Family Budget approach, and therefore builds off the prices of a market basket of goods, but like the poverty threshold, it has flaws as a true indicator of whether an income level is sufficient to support a family.

WIA recommends that the Consumer Price Index (CPI) be used to update the LLSIL. This adjustment alone, however, is insufficient to fully measure self-sufficiency for several reasons.

- ▶ The LLSIL does not capture the costs of child care, and so it will understate the real costs of employment for working parents of young children, possibly disqualifying otherwise eligible families from receiving services.
- ▶ Updating the LLSIL does not account for changing prices of goods within the family budget, and so can lead to misrepresentation of the true costs of essential budget items like housing and transportation, as their relative share of income grows over time.

The LLSIL is used elsewhere in WIA, where “low income individuals” are defined as workers earning below the poverty threshold or 70 percent of LLSIL, whichever is higher, as well as in determining state allotments for “disadvantaged individuals” and “disadvantaged youths,” and eligibility for the Work Opportunity Tax Credit.

What Is in the Workforce Investment Act About Self-Sufficiency?

Self-sufficiency under WIA

The “self-sufficiency” standard under WIA is a measure of employed workers’ eligibility for intensive services and training. It can also be used as a goal for post-placement wage levels or as a performance measure.

The self-sufficiency standard set by the local Workforce Investment Board establishes a threshold for access to services by employed workers. These workers are only eligible to receive intensive services and training from local Adult and Dislocated Worker funds if it is determined that they need the services to obtain or retain employment that allows for self-sufficiency.

Important elements of working with self-sufficiency under WIA:

- ▶ Self-sufficiency levels affect the use of **local funds**. States (governors) have greater flexibility for the use of their funds.
- ▶ The question of eligibility for intensive services and training concerns **employed workers**.
- ▶ Setting the specific self-sufficiency income level for service eligibility is a **policy decision by local boards**.

Citations in the Workforce Investment Act of 1998 and the Final Rules

WIA Title I Section 134(d)(3)(A)—This section says that local funds shall be used for intensive services for adults and dislocated workers

“(ii) Who are employed, but who are determined by a one-stop operator to be in need of such intensive services in order to obtain or retain employment that allows for self-sufficiency.”

WIA Title I Section 134(d)(3)(A)—This section says that adults or dislocated workers are eligible for training if they are eligible under the section above and, with those services, still have not been able to obtain or retain employment.

Final Rule Section 663.230—This short section is copied here in its entirety:

“State Boards or Local Boards must set the criteria for determining whether employment leads to self-sufficiency. At a minimum, such criteria must provide that self-sufficiency means employment that pays at least the lower living standard income level, as defined in WIA section 101(24). Self-sufficiency for a dislocated worker may be defined in relation to a percentage of the layoff wage. The special needs of individuals with disabilities or other barriers to employment should be taken into account when setting criteria to determine self-sufficiency.”

Other Final Rule comments—Starting on page 49323 of the Final Rule in the *Federal Register*, there is an extensive discussion of self-sufficiency with a particular focus on the Lower Living Standard Income Level.

With this language, the Workforce Investment Act opens the door to a broader discussion of what it means to be “self-sufficient.” WIA provides discretion to Workforce Investment Boards in making the determination on how to set this threshold within their region. This choice will shape which populations receive greater levels of assistance and can serve as a standard for measuring the quality of jobs created.

- ▶ “Allows for self-sufficiency” is the phrase used in the law and the Final Regulations. If no other level is set, the income level that will determine eligibility for these services is 100 percent of the Lower Living Standard Income Level.

Workforce Investment Boards are given latitude under WIA to set these levels for their regions. In some locations, WIBs with labor representatives participating, have set the WIA “self-sufficiency level” high, so that a wide range of people is eligible for funds for training after employment. In other cases, WIBs have set the level low, to drive limited resources to those most in need. Both are important considerations. The optimal decision on self-sufficiency levels will depend on local circumstances.

Engaging the issue of self-sufficiency, and what constitutes a “good job,” provides an important opportunity for labor advocates, working with their WIB, to ensure that real economic opportunities are created through workforce investment programs and that these benefits are shared equitably.

Performance Measurement and Setting Standards for Job Quality

Under WIA and other public training programs, wage-level goals and job-placement rates must be set, and program performance measured.

Establishing this type of standard sets a target for the new jobs people should be gaining from the program. These goals and performance measures evaluate how a program is working in practice, as compared to the original goals and intents. These standards do not prevent people from taking or being placed in jobs below a certain wage level. Rather, they are used as an assessment tool to evaluate how well the WIB is performing.

While few states and local areas are electing to raise their primary performance measures, WIBs can choose to collect more detailed measures beyond the primary performance measure, such as tracking percentages of workers receiving benefits, or placement of specific categories of participants, such as new entrants and dislocated workers. Expanding the information base in this way can help ensure that average numbers do not mask assessment of important trends within the workforce system and within the local economy. Collecting this information will allow for use of a self-sufficiency standard as a benchmark for the system, thus helping to raise the performance bar and focus on program improvements that might achieve better outcomes.

WIBs also have the ability to set measures that ignore placements in jobs under a certain wage level in totaling job placements. Similarly, goals and performance requirements can be set higher than the self-sufficiency standard, or they can establish other measures of job quality and employer quality, such as the availability of benefits or lack of labor law violations, for those firms benefiting from the program.

Wage Targets: “Self-Sufficiency” as Job Quality Measure

There is a broader, and perhaps more important, use of the term self-sufficiency than its role within the statutory language of WIA. Here, self-sufficiency standards measure the quality of employment opportunities by whether the wages are sufficient to meet the actual basic needs of workers within the price structure of the local economy. Self-sufficiency is a defensible benchmark for good jobs, a reasonable target for measuring the adequacy of job placements, and it is based on empirically documented costs for essential services. This approach determines a living wage based on the economic realities that people face in trying to raise families.

There are a number of strategies for calculating such measures, and particular wage levels will vary greatly depending on regional differences, family size, and which goods and services are considered to be essential. The notion of a living wage arising from a basic family budget is implicit in a wide variety of policies from local living wage ordinances to federal minimum wage standards to the determination of the national poverty guidelines. In all of these cases, assessment of wage levels is related to the cost of living. However, there is wide variation in the accuracy and detail of how the policies measure this relationship.

Job quality standards can include:

- ▶ Wages
- ▶ Benefits
- ▶ Voice at work
- ▶ Career ladders

Job quality:

The government has long had a role in establishing standards for job quality and worker protection, including minimum wage laws, child labor laws, occupational safety standards, family and medical leave protections and, more recently, living wage ordinances. Now under WIA, local WIBs have broad authority to set standards and policies as part of their role as a “board of directors” for the local labor market area.

While standards can be used to set wage goals on job placements under the Workforce Investment Act, there are other job quality standards that engage labor activists, including establishing a baseline for acceptable pay rates at the state level through minimum wage laws, or attaching performance criteria to jobs created using public funds through living wage ordinances. Each of these efforts addresses the issue of job quality in different ways, but each attempts to ensure that public policies lead to high-quality work.

Job quality is, however, a broader concept than simple wage levels. Standards can track whether jobs offer benefits or a voice at work. Standards can distinguish between jobs that offer a low entering wage but provide a clear career ladder to high skill, high-wage jobs, and those that are merely offer low-wages with little opportunity for career development. The consideration of opportunities for advancement from entry-level positions is especially important when assessing the quality of job placements, and it requires more subtle measures than simply monitoring starting wages.

Living Wages and Basic Family Budgets

Efforts have been made in a number of communities across the country to determine what constitutes a living wage based on the prices of a “market basket” of essential goods and services. Though there is considerable variation among these approaches, they share a common methodology.

Budget items commonly included in basic family budgets:

- ▶ Food
- ▶ Housing
- ▶ Health care
- ▶ Transportation
- ▶ Child care
- ▶ Other necessary expenses (phone, utilities, clothes, bank fees and union dues)
- ▶ Taxes and subsidies

Variables in determining the size and mix of the basic budget:

- ▶ Regional differences
- ▶ Goods and services included
- ▶ Family size and age of family members
- ▶ Allowance for quality and availability of goods and services

By building a basic family budget that addresses these core items, this approach offers more complete and flexible strategies for gauging the real self-sufficiency needs of working families. By indexing the determination of need to the real world conditions faced within the local economy, these approaches are better able to measure whether family incomes are sufficient to meet their needs.

Improving the measurement of self-sufficiency can allow for policies under WIA and other means-tested social service programs that appropriately target those most in need, while at the same time recognizing the full extent of that population.

More refined measures of self-sufficiency can serve a very important function in developing workforce investment programs. By looking at real measures for basic family budgets, it is possible to answer two fundamental questions:

1. Are we creating jobs with wages that meet the real needs of working families, or are we using training and economic development funds to create and attract low-wage and substandard jobs? Knowing what it costs to meet basic expenses is essential for evaluating whether wages are adequate. This information is very useful in making good choices on the use of public subsidies to reward high road employers and block low road strategies.
2. Are we serving the right population? Basic family budgets can provide a means test for determining who should receive limited funds. They can provide an important benchmark for allowing peo-

ple with real needs to receive priority for service. The basic family budget is also a tool to determine the true level of demand for programs. By raising self-sufficiency levels above artificially low traditional measures, it becomes possible to provide more training to a broader population of workers.

Taking Action: Using the Board's Policy Role to Create Good Jobs

Applying standards to WIA

Applying a standard to a specific law requires looking at the mechanisms of the law in some detail. The following are examples of how a “Responsible Employer” and “Good Job” standard might be applied within WIA Title I Adult and Dislocated Worker programs.

Along with setting standards or policies, monitoring and oversight provisions must be addressed by the Workforce Investment Board or included in the applicable law or ordinance for the standard to be enforceable. Sample monitoring and oversight provisions follow the sample standards.

Good jobs and responsible employers

The following are examples of standards or policies that might be imposed on the one-stop system to improve access to services and the quality of employment and training programs (these can be either goals or absolute standards):

Wage level: Achieves locally determined living wage standard, 90 percent of replacement wage (for dislocated workers), or 150 percent (or similar measure) of Lower Living Standard Income Level, whichever is higher.

Job quality: permanent, full time, with at least 60 percent of health benefits paid, some sick days, and available retirement plan.

Upgrade paths: Clear steps for upgrade in industry, resources available for upgrade training from combination of employer, public and individual sources.

Employer responsibility: Contracts for on-the-job training or customized training would be precluded for employers with records of labor law violations, or employers whose pay rates fall below industry standards.

Good jobs and responsible employers applied

The following are examples of how standards or policies might be applied in your workforce investment area, with monitoring and oversight requirements that could be adopted to enforce them:

Standards or policies:

- ▶ After setting a self-sufficiency standard that reflects family-sustaining wages for employed individuals, only those making below the “good jobs” wage level are eligible for training.
- ▶ Anyone placed in a temporary job must be followed and new services initiated if the person is not in a permanent job at one year.
- ▶ Individual Training Accounts (ITAs) must be good for at least two years, be worth at least \$3,000, and be able to be used after initial employment.
- ▶ 50 percent of all funds must be reserved for training.
- ▶ Rapid Response referrals to One-Stop Centers are prioritized for services.

Monitoring:

- ▶ Gather information on employer compliance, wage levels in local industries, long-term job quality, etc.
- ▶ Provide monthly reports to all interested parties, board representatives and other community stakeholders.

Oversight:

- ▶ Require labor concurrence in situations relating to any specific employer whose impacted employees are represented by unions, including those with placement agreements, on-the-job and customized training contracts.
- ▶ Require labor participation in identifying industry wage standards in any situations in which labor represents a significant number of workers in the industry in the state.
- ▶ Require One-Stop Centers to establish oversight committees with union representation that participate in certifying responsible employers and good jobs, so the approval of compliance process is not left in the hands of all staff.

Policy Issues to Think About

- ▶ How is “self-sufficiency” defined in your local workforce investment area now? Has a specific level been set or does it use 100 percent of the LLSIL? Should you work with WIB labor representatives to propose improving the use of standards?
- ▶ Does measurement of job quality in your WIB account for permanent, full-time employment, family-sustaining wages, health benefits, and opportunities for skill upgrades and training?

What gets measured gets done

Understanding the performance-monitoring system used by a workforce investment area is key to monitoring who receives WIA services and what outcomes are achieved.

- ▶ Do WIA contractual requirements or MOUs with operators or partners require that the jobs in which workers are placed offer living wages, benefits, or permanency? At a minimum, are these requirements offered as a goal or benchmark?
- ▶ Are self-sufficiency standards set high enough that low-wage workers are eligible for intensive services and training and low enough to target those workers in greatest need?
- ▶ Do standards or policies cover broader issues of job quality so that they differentiate among jobs of a given wage, recognizing and encouraging development of career ladders and benefits, and discouraging placement with low-wage, low road employers?
- ▶ In those regions where living wage ordinances have been passed to help ensure that public expenditures promote living wage jobs, have WIB representatives used these ordinances and the measures underlying them to guide job quality standards for WIA-funded services?

"Chartering" One-Stop Career Center operators

Many local Workforce Investment Boards have chosen to develop a system through which a "charter" is established between the local WIB and the One-Stop Career Center operators. Chartering can be an effective way to use the board's policy role to create good jobs by, in effect, giving the One-Stop operator a "license" to operate a specific site. The local board can:

- ▶ Set quality standards for the site through the board's chartering criteria.
- ▶ Develop monitoring practices that include establishing expectations for continuous improvement for the site.
- ▶ Demonstrate oversight by creating accountability measures, including a re-certification procedure that takes performance into account when operators are competitively re-applying to operate their site or others in the workforce area.

Internet Resources:

Economic “self-sufficiency” studies

“How Much Is Enough? Basic Family Budgets for Working Families,”
Economic Policy Institute
www.epinet.org

“The Self-Sufficiency Standard,” specific reports on more than 20
states and the District of Columbia
Wider Opportunities for Women
www.sixstrategies.org

“The Cost of Living in Minnesota, 1999-2000”, Jobs Now Coalition
www.jobsnowcoalition.org

“Work After Welfare: Midwest Job Gap Project,” Northern Illinois
University
<http://www.ospr.niu.edu/midwest.htm>

“Northwest Job Gap Study: Searching for Work That Pays,”
Northwest Policy Center
<http://depts.washington.edu/npcbox/publications.html>

The Vermont Job Gap Study,
Peace & Justice Center
<http://www.vtlivablewage.org/jobgapstudy.html>

“Estimating a Basic Needs Budget for Indiana Families,” Indiana
Economic Development Council
www.ladders4success.org

“Working Hard, Earning Less,” breakdowns by state, National
Priorities Project
[http://www.natprior.org/grassrootsfactbook/jobgrowth/
jobgrowth.html](http://www.natprior.org/grassrootsfactbook/jobgrowth/jobgrowth.html)

“Getting by in 1999: Basic Needs and Livable Wages in Maine,” Maine
Center for Economic Policy
http://www.mecep.org/report_get_by_99/report2.htm

“Making the Transition to Self-Sufficiency in Oregon,” Oregon
Coalition of Community Non-Profits and Children First for Oregon
<http://www.econw.com/reports.html>

“Defining Success in the New Economy: Self-Sufficiency as a Benchmark for Workforce Programs,” Women’s Educational and Industrial Union

http://www.weiw.org/pdf_files/DefiningSuccessReport.pdf

Public agencies

U.S. Dept. of Labor Employment and Training Administration

<http://www.doleta.gov>

LLSIL Listings and information

<http://wdsc.doleta.gov/llsil/llsil01.asp>

U.S. Dept. of Education, Vocational Services

<http://www.ed.gov/offices/OVAE/>

U.S. Dept. of Health and Human Services, Administration for Children and Families

<http://www.acf.dhhs.gov>

Points of Contact

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www.aflcio.org

▶ **Working for America Institute** (202-974-8100)

www.workingforamerica.org

Covers employment and training, technology, work organization, economic development, skill standards.

▶ **George Meany Center, National Labor College**

(301-431-6400)

www.georgemeany.org

Offers a wide range of leadership education, including programs on the economy, research, pension investing, business, and other issues.

▶ **Public Policy Department** (202-637-5172)

Focuses on technology, conversion, worker training, etc. Contact this department to obtain access to a protected Website for information and discussion on living wage campaigns.

▶ **Education Department** (202-637-5142)

Economic Policy Institute

1660 L St., N.W., Suite 1200, Washington, D.C. 20036

(202-775-8810)

www.epinet.org

Labor-sponsored think tank analyzes economic and labor market issues, such as the impacts of increases in the minimum wage.

Association of Community Organizations for Reform Now

739 8th St., S.E., Washington, D.C. 20003 (202-547-2500)

<http://www.acorn.org>

ACORN works in coalition with labor unions and community groups in living wage campaigns, compiles summaries of living wage campaigns and model state and local laws.

Center for Community Change

1000 Wisconsin Ave., NW., Washington, D.C. 20007

(202-342-0567)

<http://www.communitychange.org>

Provides extensive resources on community economic development and progressive advocacy for jobs, housing, health, and other issues.

Center for Policy Alternatives

1875 Connecticut Ave., N.W., Suite 710, Washington, D.C. 20009
(202-387-6030)

www.cfpa.org

CFPA tracks state legislation on economic development and other subjects.

Citizens for Tax Justice/Institute on Taxation and Economic Policy/ Good Jobs First Project

1311 L St., N.W., Washington, D.C. 20005 (202-626-3780)

www.ctj.org (or) www.goodjobsfirst.org

CTJ works to promote progressive, equitable tax systems and provides extensive research and resources on corporate subsidy and taxation. Good Jobs First helps grassroots groups and policy-makers ensure that economic development subsidies are accountable and effective.

Wider Opportunities for Women

815 15th Street, N.W., Suite 916, Washington, D.C. 20006
(202-638-3143)

www.wowonline.org

WOW works nationally and in its home community of Washington, D.C., to achieve economic independence and equality of opportunity for women and girls. WOW sponsors a Website that provides access to self-sufficiency standard reports by states: *www.sixstrategies.org*



The AFL-CIO Working for America Institute works with unions and their allies to create and retain good jobs and build strong communities through promoting high road economic strategies for individuals, employers and industrial sectors, and public economic and workforce development systems.