

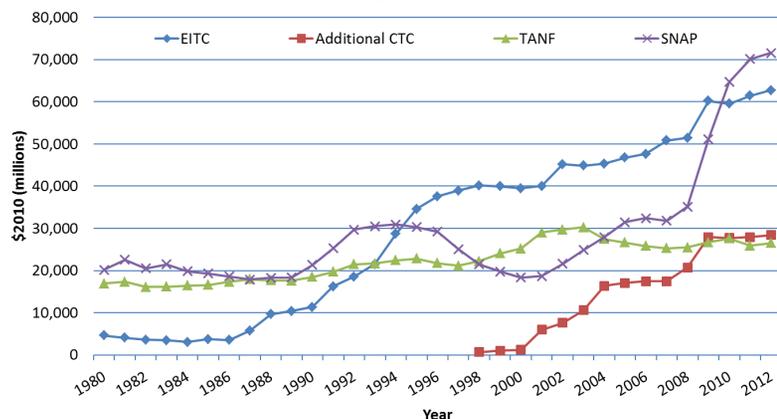
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HARD-TO-EMPLOY INDIVIDUALS ARE ESPECIALLY IN NEED OF ASSISTANCE as they struggle to build job skills and support their families. A group that includes people with less than a high school diploma, ex-offenders, and young single mothers, the hard-to-employ were a major focus of the Building Human Capital and Economic Potential conference in Madison, Wisconsin, July 16–18, 2014. Labor market conditions for these workers have worsened the life chances of their children, and no single policy option would by itself provide sufficient additional support for these families to cover basic expenses. Measures to stabilize the economy during the Great Recession, coupled with American Recovery and Reinvestment Act (ARRA) income support policy expansions, helped to keep poverty from rising for children. But they were not enough to move these families much above the poverty line or to provide upward mobility for their children. Many conference presentations focused on ways to improve work opportunities, earnings, and incomes for this group, and we feature some of the most promising ideas in this policy brief.

THE MODEST LABOR MARKET RECOVERY HAS NOT YET HELPED THE HARD-TO-EMPLOY IMPROVE THEIR LIVES:

- Evidence from employment and training evaluations over several decades shows how challenging it is to help people with the most significant employment barriers get a job and maintain stable employment, even in a good labor market.
- Many of those who are not in work or school are low-income younger men who made the least economic progress of the hard-to-employ populations during the Great Recession, including ex-offenders and unmarried fathers of children living with poor single mothers.
- Real wages—indicating the amount of goods and services that can be bought—have fallen steadily for low-wage workers over the past 20 years; since the Great Recession began, they have fallen by an additional 4.2 percent for the lowest-paid workers.

Refundable Tax Credits (EITC and CTC) and Food Assistance (SNAP) Increased Rapidly in Response to Low Earnings, while Cash Assistance (TANF) Did Not



Sources: Budget of U.S. Government and Internal Revenue Service.

Promising Family Policies

Strengthen the Safety Net for Low-Income Families with Children

Protect the Earned Income Tax Credit (EITC) and SNAP food assistance as crucial income supports for low-educated, low-income workers and their families.

Expand the EITC for families with a single child and improve EITC benefits for single persons, including noncustodial parents, offering terms to ease their arrears if they begin to pay child support.

Maintain or expand the current refundable Child Tax Credit (CTC) slated for rollback in 2017, and raise it to \$2,000 per child for children under age 6.

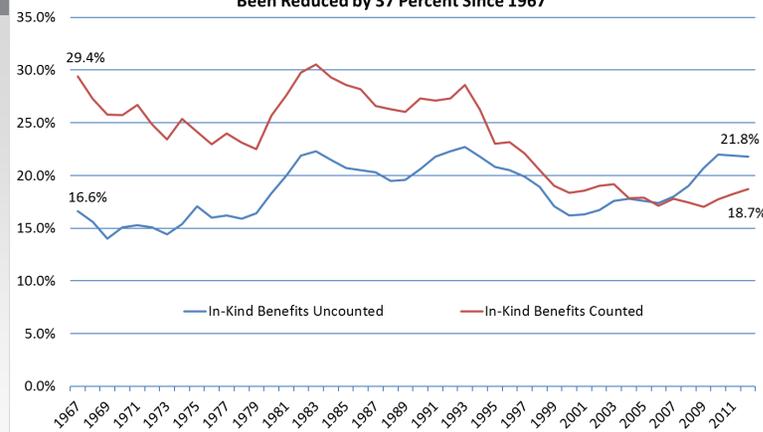
Improve Life Chances of Children Born into Poor Circumstances

Extend the refundable CTC and/or American Opportunity Tax Credit to households with dependents ages 17 to 19 to encourage children's post-secondary career and technical education enrollment and completion.

Expand high-quality child care and early childhood education for children in low-income families.

Consider a new refundable child care tax credit to work in tandem with the EITC.

Child Poverty Trends: When In-Kind Benefits Are Counted, Child Poverty Has Been Reduced by 37 Percent Since 1967



Sources: Census Bureau and Bureau of Labor Statistics.

Notes: The blue line represents the official poverty measure, which does not count in-kind benefits such as food assistance; the red line represents a modified Supplemental Poverty Measure with an anchored threshold, which does count in-kind benefits.

BUT THE SAFETY NET HAS HELPED THE LOWEST EARNERS WITH CHILDREN:

- Some evidence suggests that recessions may have small effects on children's eventual educational attainment, wages, income, and work, giving hope to progressive policies that aim to enable the hard-to-employ to work while helping support their children.
- Expansions in the refundable EITC and CTC and higher Supplemental Nutrition Assistance Program (SNAP) benefits held down poverty during the Great Recession at or below early 2000s levels, especially for families with children. The scaling back of some of these benefits after the recession's official end raises concerns for family well-being.
- Supporting low-income families is essential to human capital development and evidence increasingly suggests that provision of slightly higher income supports, high-quality child care, and early childhood education are good investments in poor children.

Promising Policy Ideas to Stabilize Incomes and Boost Upward Mobility of the Hard-to-Employ

IT WILL TAKE SUBSTANTIAL RESOURCES AND CAPACITY FOR COOPERATION, ALONG WITH A MORE SOPHISTICATED, COMPREHENSIVE UNDERSTANDING OF HUMAN CAPITAL FORMATION, TO OVERCOME THE DISADVANTAGES OF HARD-TO-EMPLOY GROUPS. Here we include a selection of policy ideas that were discussed at the conference. Another policy brief showcases complementary policy ideas worthy of serious consideration and testing.

Improve Job Prospects and Wages for Hard-to-Employ Groups

EVIDENCE

- Low-income adolescents benefit from experiences in middle-class workplaces, and programs like Year Up help create such opportunities for disadvantaged youth with the least skills.
- The labor market prospects of some hard-to-employ groups such as young single mothers and ex-offenders are dim, which has led to a disproportionate number of young minority men who are not even looking for work.
- Gradually increasing the minimum wage may lead to a small decline in jobs but would also mean higher wages and incomes for a much larger number of workers.

POLICY RECOMMENDATIONS

- Combine transitional jobs with Cognitive Behavioral Therapy to address psychological and motivational issues, in addition to hard and soft skills, to increase the employability of the most disadvantaged and hardest to employ individuals.
- Provide subsidized jobs-of-last-resort for hard-to-employ populations such as young single mothers, long-term unemployed single workers, and ex-offenders to give them work experience.
 - Gradually increase the minimum wage to \$10 per hour and index it to prices so it increases when the cost of living goes up.

Build the Human Capital of Hard-to-Employ Groups

EVIDENCE

- Establishing beliefs early in secondary school that educational investments will pay off is important in developing students' willingness to stay out of trouble, study, and work hard.
- Job placement programs work best when coordinated with local employers who take an active role in specifying skills they need and providing entry level jobs to those with these skills.
- There are trade-offs between needs for current living expenses (which may have long-run impacts on children's outcomes) when EITC recipients are given incentives to direct their benefits to high school completion or postsecondary education.

POLICY RECOMMENDATIONS

- Offer non-college-bound adolescents education and training opportunities that they see as relevant to their future job prospects and that are also in areas of growing demand that do not require a four-year college degree, such as advanced manufacturing, health care, and computing.
- Assemble better data for tracking students from primary school through secondary school and their postsecondary education and work experiences to make greater progress in understanding where the most significant payoffs to investing in human capital lie.
 - Scale up successful programs such as New Hope that encourage full-time employment through provision of earnings supplements and child care and Career Academies that provide hard-to-employ adolescents with high-quality occupational training in concert with local employers.
- Redesign the EITC to encourage educational investments by timing refund receipt to match tuition payments, providing a capped match for those using the EITC for education expenses, or providing a larger refund for postsecondary students.