

REDUCING POVERTY IN WASHINGTON, DC AND REBUILDING THE MIDDLE CLASS FROM WITHIN

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EXECUTIVE SUMMARY

Washington's future as a vibrant, inclusive city depends on its commitment to rebuilding the middle class from within. The District has experienced job growth, big increases in city revenues, and remarkable commercial and residential development over the past several years. Still, one out of every three DC residents is low-income, and many residents live in areas of concentrated poverty. More than most cities, Washington is a city of high and low incomes, with a small and declining middle class.

This report recommends a focused effort to help the city's low-income residents move into the middle class over the next few years. The strategy's primary emphasis is on increasing the skills, employment, and earnings of at least 10,500 low-income, less-skilled individuals over seven years—an ambitious goal given the capacity of the city's current workforce development system. Work supports and housing assistance bolster this work-focused strategy.

The study defines "low-income" as twice the federal poverty line or \$31,470 a year for an adult with two children (see the table below). By this definition about 180,000 District residents had low incomes in 2005.

Two Hundred Percent of the Poverty Line by Family Size and Number of Related Children, 2005

| Size of family unit | Related children under 18 years old | | | | |
|---------------------|-------------------------------------|------------|------------|--------------|-------------|
| | <i>None</i> | <i>One</i> | <i>Two</i> | <i>Three</i> | <i>Four</i> |
| One person * | 20,320 | | | | |
| Two persons * | 26,156 | 26,922 | | | |
| Three persons | 30,554 | 31,440 | 31,470 | | |
| Four persons | 40,288 | 40,948 | 39,612 | 39,748 | |
| Five persons | 48,586 | 49,292 | 47,782 | 46,614 | 45,902 |

Source: U.S. Census Bureau

Notes: *For persons or householders under 65 years of age.

There are additional thresholds for larger families not shown here.

Overall, the authors find that:

- **An estimated 51,000 to 61,000 low-income working-age District residents could benefit from workforce development services to increase their skills, employment, and earnings.**¹ The vast majority of the population is “less-skilled,” with no education beyond a high school degree. Although a quarter of these individuals work a full-time, year-round job, no work and underemployment are serious problems for the rest of the population.² In fact, roughly one out of five individuals in this population is seriously disconnected from the labor market, reporting that they have not worked in the last five years.³ About 9 percent are out-of-school youth who do not work at a full-time, year-round job. Almost half of these individuals live east of the Anacostia River, reflecting the city’s geographic divide. Moreover, households containing at least one member of this population are more likely to have housing affordability problems than the city’s average household.
- **Less-skilled workers face serious barriers to work and limited earnings opportunities in Washington’s highly-skilled labor market.** In a high-skill labor market, demand for less-skilled workers may lag demand for higher-skilled workers, even during periods of economic growth. The average unemployment rate of Washington residents without a high school degree is five times greater than that of college graduates. In addition, factors like employer preferences, competition with suburban workers, racial discrimination, and weak ties to the labor market may make it difficult for less-skilled District residents to find a job. Moreover, employment alone does not guarantee that less-skilled workers will move into the middle class. Less than 10 percent of DC jobs in occupations that are most accessible to the least skilled (food preparation and building and grounds cleaning and maintenance) pay wages sufficient to put a single mother with two children above the low-income threshold.
- **The District lacks a citywide strategy to increase the skills, job readiness, employment, and earnings of less-skilled unemployed and under-employed residents.** The city’s education and training programs are scattered across a number of agencies with little consensus on how to work together. There are highly regarded individual programs, but there is not a strong system of programs able to provide appropriate services along the skills and work readiness continuum, from adult basic education or English as a Second Language to community college. The system does not strategically target leading industries in order to identify employer needs and train and place residents accordingly.

¹ The figure includes individuals below 200 percent of the poverty line with the following characteristics: between the ages of 16-64; educational attainment below a four-year college degree; not enrolled in school or in the armed forces; not self-employed, and not collecting supplemental security income (SSI) or retirement income. Data are from the 2005 American Community Survey Public Use Microdata Sample.

² For married persons, annual hours are the sum of both spouses’ hours.

³ This figure refers to individuals aged 25-64 who do not have a spouse working a full-time, year-round job and have themselves not worked in five years.

- **The District has limited education and training capacity.** Although the city has recently invested more local dollars into workforce development, relatively few residents are participating in education and training programs funded by either federal or local funds. The city's limited workforce capacity is the natural result of federal programs' work-first orientation coupled with the absence of a strong local commitment to education and training over time. The District's workforce development capacity is hindered by the dearth of career and technical education offerings within DC public schools, the absence of a full-fledged community college, the small number of employment-oriented programs for adults with low reading and math skills, and few specialized workforce development programs for "hard to serve" residents, such as out-of-school youth and ex-offenders. Most nonprofit programs are relatively small, and there is little information on the quality and performance of workforce programs, either public or nonprofit.
- **A combination of workforce development, work supports, and good housing policies can help low-income District residents move into the middle class.** Take, for example, a single mother of two children who earned close to \$24,000 annually working as a full-time nursing aide in 2005 (a salary at 150 percent of the federal poverty line). Through a health care career ladder program, this mother could keep her job while becoming certified as a licensed practical nurse (LPN). Work supports like the earned income tax credit, the additional child tax credit, and subsidized child care would boost her nursing aide income as she works towards her LPN certification. With these supports, she would have a take-home income of \$24,500 (after accounting for taxes and subsidized child care costs), an amount higher than her actual earnings. After receiving her certification, she would earn \$41,000 as an LPN, bringing her and her children to well above the low-income threshold. Increased earnings do expand affordable housing options as individuals move up career ladders. However, there is a severe shortage of affordable units for low-wage earners like nursing aides. In addition, middle-income residents face a shortage of affordable units.

Based on these findings, this paper recommends that the city: (1) improve the overall functioning of the workforce development system; (2) work with area service providers, employers, and foundations to create or expand workforce development programs; (3) expand local work supports; and (4) increase housing assistance.

Improving the Workforce Development System

- **The Mayor and the City Council need to set workforce development as a major policy priority for the city and improve the overall functioning of the workforce development system.**
 - Appoint a Workforce Coordinator in the Executive Office of the Mayor charged with ensuring that the city's workforce programs form an integrated whole. The coordinator, who could report to the City Administrator or the Deputy Mayor for Planning and Economic Development, should make sure that District residents are able to progress up a series of steps to greater skills and self-sufficiency.

- Strengthen the capacity of the local Workforce Investment Council (WIC), an entity mandated by the federal Workforce Investment Act, and charge it to work with the city, service providers, and the private sector to develop and oversee an effective workforce development strategy to increase District residents' skills, work readiness, and access to the labor market.
- Charge the workforce coordinator, the WIC, and city agencies with aligning publicly-funded programs towards the goals outlined in the citywide strategic workforce plan. Develop a strategy to assist and incentivize programs to work collaboratively towards shared goals.
- **The Workforce Investment Council should take a leadership role in developing and overseeing workforce development policy and vigorously engage employers.**
 - Develop a strategic plan to connect less-skilled District residents to training and employment opportunities. The goal is to develop a comprehensive menu of services available to residents according to their skills and circumstances, with clear transitions from one program or service to another.
 - Develop an inventory of the various federally and locally funded programs, including funding restrictions and required performance measures, in order to set a baseline of service capacity and identify service gaps.
 - Continue to engage employers to identify in-demand occupations and training needs and to obtain input on workforce development policies and programs.
- **The WIC, in close collaboration with the city, should review and assess all publicly-funded workforce programs, including the Department of Employment Services, the State Education Agency, the Income Maintenance Administration, District of Columbia Public Schools and chartered public schools, and the University of the District of Columbia.**
 - The WIC should increase its supervision of the Department of Employment Services' (DOES) use and allocation of federal WIA funds and local funds. It should also monitor the services and performances of the One-Stop employment centers, other WIA-funded programs, and DOES-operated locally-funded programs like the Summer Youth Employment Program and the Transitional Employment Program. In addition, the WIC should evaluate mechanisms for collecting and analyzing performance data, and consider the use of locally-established performance measures.
 - The WIC and the city should review the current goals, strategies, and performances of other publicly-funded workforce programs to assess their compatibility with each other and the citywide strategic workforce plan.

- **The WIC and the city should assess the organizational capacity of the nonprofit service provider network that delivers publicly-funded services, and consider a strategy to enhance providers' ability to provide high-quality services.**
- **The public sector, foundations, and employers should create a funding collaborative to make strategic investments in workforce programs.** The Boston SkillWorks organization provides a strong model.
 - Make flexible, long-term investments to develop and support workforce programs, such as occupational training that integrates adult basic education into the curriculum and workforce intermediaries that meet employers' and low-income residents' needs.
 - Increase the number of stakeholders and investors in the workforce system.

Providing Workforce Development Programs

- **Establish sector-specific job training and placement programs in construction, hospitality, health care and administrative/computer support.** Programs should work closely with employers to build career ladders in leading industries and occupations that provide opportunities for less-skilled workers. Programs should have a “dual customer” focus and meet the needs both of employers and less-skilled residents.
- **Strengthen career and technical education in the public schools.** The District of Columbia Public Schools should carry out its plan to implement Career Academies in high schools, which give graduates strong options for employment, continued education, or apprenticeships. Chartered public schools should also be included in the plan.
- **Create a strong community college.** If the University of the District of Columbia commits to expanding and prioritizing its community college programs, the District should provide UDC with high-level political support and resources to do so. If UDC continues to emphasize its four-year and graduate programs, the city should find an alternative sponsor or found a free-standing community college with strong city support.
- **Develop programs for residents with low basic skills.** Bridge programs should prepare people with reading and math skills at about the ninth grade level or higher for career-focused postsecondary education or vocational programs. For students with lower skill levels, contextual skills programs should integrate basic reading and math skills with occupational skills.
- **Expand supported work programs for ex-offenders and out-of-school youth.** For ex-offenders and out-of-school youth who are likely to have difficulty finding employment on their own, supported work programs provide wage-paying short-term transitional jobs, supportive services, and assistance finding an unsubsidized job.

Estimated Costs of Workforce Development Programs

The city can fund a stronger, more robust workforce development system by using existing federal and local dollars more strategically and effectively; increasing local funding; and drawing more philanthropic support. Excluding start-up costs, we estimate that it would cost \$87 million over the next seven years to operate programs that would serve or place into employment 10,500 residents. Averaged across all the programs over the seven year time period, the sum comes to about \$8,200 per program completer. Accounting for more staff on the WIC and an executive branch workforce coordinator, the total cost comes to \$92 million over seven years. Given the city's recent increases in local funding for workforce development, these costs should not be a shock to the city's budget.

Expanding Local Work Supports

The District's commitment to providing work supports for its low-wage residents is impressive. For instance, the District offers a local Earned Income Tax Credit (EITC), health insurance that covers individuals and families earning up to twice the federal poverty line and in some cases up to 300 percent of the poverty line, and subsidized child care programs for working parents earning less than 300 percent of the federal poverty line. Still, expansion of existing programs and the creation of new ones would provide more incentives to work and further help low-wage workers make ends meet.

- **Increase EITC claims** by continuing to provide financial support for EITC outreach and free tax preparation for low-income residents.
- **Increase support for low-income, noncustodial parents** by forgiving portions of large child support arrearages and linking noncustodial parents to workforce programs.
- **Improve the medical safety net** by continuing to support Medical Homes DC and increasing DC Healthcare Alliance and Medicaid reimbursement rates to providers.
- **Reinstate a low-cost car ownership program** to help low-income residents buy used cars for transportation to and from work.

Increasing Housing Assistance and Developing Workforce Rental Housing

- **Implement the Comprehensive Housing Strategy Task Force's recommendations most relevant to low-income residents.** Build 55,000 new housing units, including 19,000 units affordable to low-income households; preserve at least 30,000 existing affordable housing units; provide local rent subsidies; and develop supportive housing for residents with special needs. Finance these programs by increasing revenues dedicated to the Housing Production Trust Fund and through annual allocations from the city's general operating budget.

- **Develop place-based employment strategies in the New Communities neighborhoods** by providing rent disregards and employment assistance to public housing residents participating in on-site workforce development programs.
- **Create a housing choice resource center** to help District residents learn about and access affordable housing options in the city.

Enacting the recommendations made in this paper would be a smart investment in the human capital of the city. In fact, if the city does not take decisive steps—accompanied by funding commitments—to increase the skills, earnings, and employment of its residents, it will suffer serious social and economic consequences: a significant minority of District residents will remain isolated from the economic mainstream and disconnected from the labor market; the city's tax base will suffer; and programs for low-income residents will continue to face budget pressures.

By helping more residents enter the workforce and by improving the skills of new and incumbent workers, the city can begin to rebuild its middle class from within. Doing so will steady the District's fiscal base while blurring economic, racial, and geographic divides.