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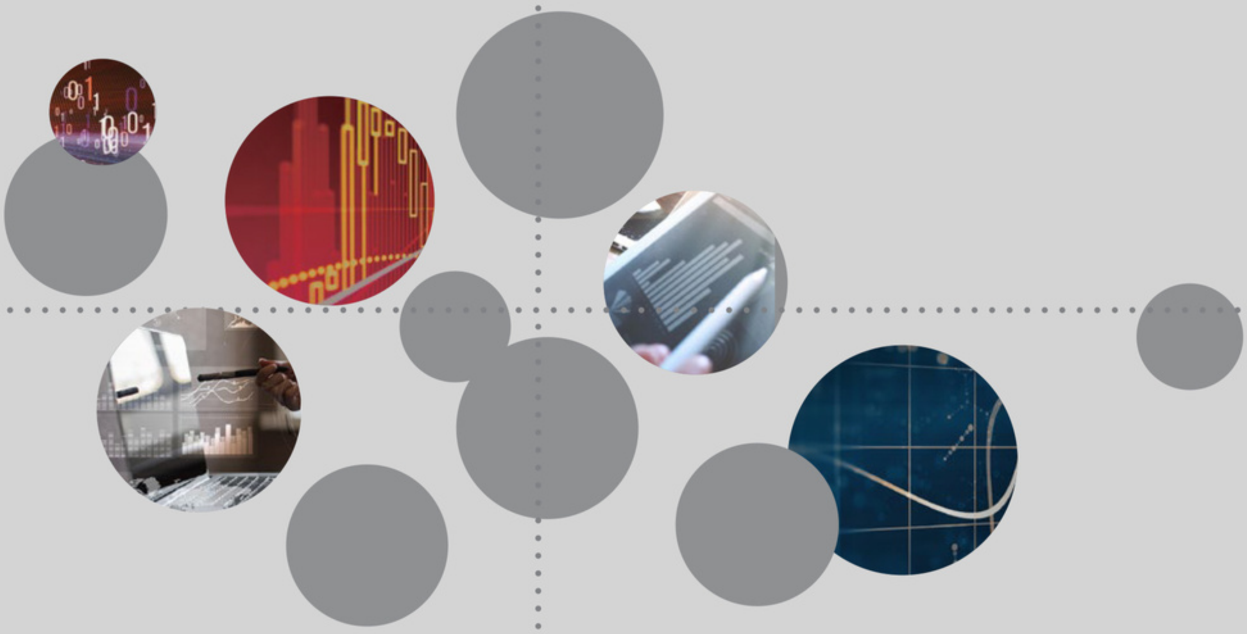

Issue 2: January 2021

FAST FACTS

NEW COVID RELIEF BILL

Critical support to small businesses, including $267.5 billion allocated for the Payroll Protection Program (PPP) and $13.5 billion for Economic Injury Disaster Loans.

About 9% of the total allocated by Congress—$25 billion—was set aside for businesses with fewer than 10 employees. However, these businesses make up a larger share of total employment—13% of employees are employed at such businesses.

Emergency COVID Relief Must Be Targeted to Businesses Struggling Most

On December 27, 2020, a new round of federal COVID-19 stimulus was signed into law. In addition to individual stimulus checks sent to Americans and the extension of several other programs and policies implemented by the CARES Act in March, the new relief bill includes a new round of critical support to small businesses, including $267.5 billion allocated for the Payroll Protection Program (PPP) and $13.5 billion for Economic Injury Disaster Loans (EIDL).

These aid programs are critical to keeping small and medium-sized businesses afloat during the pandemic. As November and December brought a new resurgence of COVID-19 cases to Northeastern Pennsylvania and much of the United States, and many public health officials have expressed concern that this wave could persist into 2021, it is necessary to provide support to businesses adversely impacted by the pandemic. These impacts include state and local restrictions on gathering sizes and building capacity, additional expenses incurred for personal protective equipment (PPE) and cleaning, staffing challenges due to ill or isolating employees, and effects of soft consumer demand in some sectors.

The new round of PPP funding addresses several issues raised after the initial round funded through the CARES Act earlier in 2020, including clarifying tax impacts for loan recipients. About 9 percent of the total allocated by Congress—$25 billion—was set aside for businesses with fewer than 10 employees. However, these businesses make up a larger share of total employment—13 percent of employees are employed at such businesses.

As future state or federal relief programs take shape, it is important to ensure that a sufficient share goes to small businesses. Businesses with no paid employees (non-employers) also make up a large share of the regional and nationwide economy, and were largely missed by relief programs like PPP due to their structure. Firms with no employees (which may include home occupations and other sole proprietorships, as well as many part-time businesses) and independent contractors, and PPP, wherein many small and microbusinesses may need more tailored support. One approach could be to create a separate stream of small grants or forgivable loans for microbusinesses by covering unexpected expenses or replacing lost income.

Opportunities for Action

These existing support programs may also need to be supported by future aid that is more tailored to specific industries. This chart on the following page shows the relative level of disruption to broad industry groups from the initial pandemic and statewide shutdown orders, based on The Institute's analysis of several datasets, including percent of jobs impacted by statewide mitigation orders, change in job posting activity, a panel survey of economic development professionals, external economic projections, and estimated ability of industries to utilize telework.

The construction industry had high initial impacts in spring 2020 but has since shown signs of quick recovery.

The other three industries classified as having the highest disruption are:

-Retail
-Arts, Entertainment, and Recreation -Accommodation and Food service

Even within these broad industry classifications, significant variations occur in the types of impacts firms are experiencing. One way to better target future rounds of pandemic relief funds to businesses would be to create differing criteria for qualifying based on industry or business type, and/or reserve the largest shares of funds for businesses within the industries experiencing the most significant lingering impacts of the pandemic—particularly service or hospitality businesses linked to tourism, as some travel-related industries may see soft consumer demand through 2021 and perhaps beyond.

Disruption by Industry Summary Table

This chart shows the relative level of disruption to broad industry groups from the initial pandemic and statewide shutdown orders

NAICS Description	2-County Total Employment	Overall Qualitative Classification
Agriculture, Forestry, Fishing, and Hunting	560	Low-Medium Disruption
Mining, Quarrying, and Oil and Gas Extraction	369	Low-Medium Disruption
Utilities	2,312	Lower Disruption
Construction	10,466	High Disruption
Manufacturing	26,847	Medium-High Disruption
Wholesale Trade	9,594	Low-Medium Disruption
Retail Trade	29,673	High Disruption
Transportation and Warehousing	21,744	Low-Medium Disruption
Information	3,943	Lower Disruption
Finance and Insurance	10,432	Lower Disruption
Real Estate and Rental and Leasing	2,328	Medium-High Disruption
Professional, Scientific, and Technical Services	7,534	Low-Medium Disruption
Management of Companies and Enterprises	2,782	Medium-High Disruption
Administrative and Support and Waste Management and Remediation Services	16,490	Lower Disruption
Educational Services	18,616	Medium-High Disruption
Health Care and Social Assistance	48,309	Low-Medium Disruption
Arts, Entertainment, and Recreation	3,430	High Disruption
Accommodation and Food Services	20,259	High Disruption
Other Services (except Public Administration)	9,533	Medium-High Disruption

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EARLY CHILDHOOD EDUCATION: AT A GLANCE

9 hours of child supervision per day helped parents with employment and thus upward mobility.

Expanding access to full-time pre-K programs allows families to pursue employment, education, and further training.

Expanding Access to High-Quality Early Childhood Education

Early childhood education (ECE) has proven to effectively enhance children's lives, not only throughout primary and secondary school, but also later into early adulthood. ECE is connected to increased high school graduation rates, increased employment, and decreased likelihood to commit crimes. Considering that 6.6 million people have spent time in state or federal prisons, and that incarceration and the costs incurred by criminal activity amount to approximately $182 billion per year, the expense of supporting early learners could pay off even more significantly than previously calculated. Though the benefits of early childhood education are vast, 74.5 percent of 3-4 year olds in Pennsylvania did not have access to publicly funded, high-quality pre-K in 2018. Furthermore, only 38.8 percent of childcare centers meet high quality standards. The evidence proves that ECE is beneficial to children, but there is such a lack of ECE infrastructure and availability that only a small portion of the future will reap the benefits.

A variety of studies conducted as early as the 1960s identify significant returns on investment, including stronger academic performances, better graduation rates, and lower crime rates. The benefits extend to their children, as well. Children of ECE participants demonstrate higher levels of education, better employment, and lower criminal activity compared to their counterparts.

Access to high-quality early childhood education also benefits parents or guardians and their financial well-being. These programs offer training that equips parents with the means to support their children's education at home. Furthermore, a majority of families work outside the home and therefore cannot attend to their children during the day. The study showed that only 27 percent of mothers lived with partners, so nine hours of child supervision per day helped them with employment and thus upward mobility. Expanding access to full-time pre-K programs allows families to pursue employment, education, and further training.

There is also research proving that "children attending full-day programs did better on mathematics and literacy tests than children in a 2.5- to 3-hour public preschool program and the achievement gains continued at least until the end of first grade."

74.5% of 3-4 year olds in Pennsylvania did not have access to publicly funded, high-quality pre-K in 2018. Furthermore, only 38.8 % of childcare centers meet high quality standards.

Expanding pre-K access to 3-5 year olds could also significantly benefit working families. The cost of pre-K and childcare is an average of $10,807 in Pennsylvania (state college tuition, by comparison, is $14,534). Childcare for one child is 17.5 percent of the average household income ($59,195) in Pennsylvania. Childcare for two children – an infant and a 4 year old – costs $21,614 on average, or 36.5 of the average income (or 138.5 percent of minimum-wage income). A childcare worker would have to spend almost half of their salary to put their own child through childcare – even with a discount. Twenty-six percent of parents have switched from full-time to part-time and 25 percent of mothers have left the workforce. Of the working parents who participated in the 2019 Cost of Care survey, 31 percent put themselves further into debt, 37 percent stopped paying off debt, 37 percent stopped saving money, and 44 percent made major budget cuts. Parents across the income spectrum need help when it comes to childcare costs. The current situation does not benefit families or the economy at large.

EARLY CHILDHOOD EDUCATION: AT A GLANCE

$21,614
Annual childcare cost for two children – an infant and a 4 year old

51%
Percent of mothers who have switched from full-time to part-time work or left the workforce entirely

75%
Percent of families in Pennsylvania without access to publicly funded, high-quality pre-K

39%
Percent of childcare centers meeting high-quality standards

Opportunities for Action

To better secure and improve the economy, as well as the future of the next generation, the Commonwealth could consider expanding access to high-quality ECE through various means and enhancing available ECE programs.

With help from various pay-for-success programs and social impact bonds, the state and its Department of Education could explore a pilot program of universal pre-K. California, New Jersey, and Florida all have some form of universal pre-K, and Utah and Chicago fund their ECE through social impact bonds and pay-for-success programs. One approach would be to convert the existing Head Start program into a Universal Head Start model. All federal monies allotted to Head Start would remain solely for qualifying and enrolled children, as well as their educators. The funds from pay-for-success programs and social impact bonds, like PA Early Learning Investment Commission and PA Promise, would support children who do not qualify for Head Start, as well as any additional educators needed under this model. Though made possible through different funding sources, all children would receive the same high-quality early childhood education that Head Start provides its students. Universal Head Start could also extend in kind to Early Head Start.

Local Head Start and Early Head Start branches are at capacity and have wait lists longer than their enrollment lists. Expanding state funding for Head Start would allow more children to reap the benefits of ECE while better preparing the economy with people positioned to be successful throughout their lifecycles.

Finally, legislators can support the Quality Rating Improvement System (QRIS) in Pennsylvania—the Keystone STARS. Legislators can push to make the QRIS more widely known, raising awareness of the meaning behind four stars so when families choose facilities, they can do so with confidence.

To make high-quality early childhood education accessible across the country, legislation to expand federal funding for Head Start or for Child Care Developmental Block Grants (CCDBGs) is needed. For almost 30 years, CCDBGs have helped low-income working families pay for childcare and have improved the quality of childcare for all children.

The existence of CCDBGs also allows parents to pursue or further their education and job opportunities.

This policy was derived from a more detailed policy brief produced by The Institute in 2019. The full brief contains all of the original citations and additional detail on proof of the benefits of ECE and other regional data. To request an electronic copy of the complete brief, please send an email to info@institutepa.org

Incentive Programs to Increase Workforce Participation

Once we start to reopen the economy and business rebounds, we will again see signs of a very tight labor market. We will likely still see about 30 percent of the eligible labor force not working. To reduce the burden on social assistance programs, alleviate poverty, promote the values of self-sufficiency and personal responsibility, and meet workforce requirements, it is critical that all who are able to work are brought into the labor force.

The Government Accountability Office has reviewed an array of research on various programs to increase workforce participation through incentives. Findings suggest that approaches combining job search assistance with some education and training are more effective than those that employ just one type of support.

Attaching work requirements to public benefit programs is one option for inducing labor market participation among low-income adults. This subject is explored in greater depth in another brief in this publication.
Additionally, there are several incentive-based approaches that could effectively expand the labor force while bringing individuals reliant on assistance programs into self-sufficiency.

Human capital development programs help people subject to work requirements build their skills and improve their education. In Portland, for instance, recipients who participated in vocational training or post-secondary education were more likely to be employed, work in jobs that offered benefits, and receive higher wages than others.

In the case of career pathways, contextual learning is facilitated to build skill levels and help people access high-demand occupations. Math, writing, and reading skills are honed using real-world and industry-related content. These initiatives are most effective in the form of short-term assignments (as opposed to programs such as GED preparation and remedial education, which sometimes leave participants languishing with no clear progress).

In Washington state, the I-Best program is offered in 34 technical and community colleges, where participants sharpen basic skills and literacy while earning degrees or certificates. Doing so qualifies them for high-demand jobs. The goal is for individuals to complete the program and enter jobs earning at least $13 hourly in fields such as early childhood education, health care, advanced manufacturing, etc.

A seemingly effective welfare-to-work program is found in Portland. It reports a high level of employment and earnings outcomes, and subsequently high ROI for government. The program maximizes impact by combining job search activities with education and training. Staff with relevant experience are carefully vetted and hired and–unlike policies in most other programs–encourage participants to wait for promising work opportunities instead of requiring them to take the first jobs offered.

The Employment, Advancement and Retention Network (EARN) is perhaps the best known system for navigating the barriers to employment throughout Pennsylvania. It balances many of the methods described above, such as skills training, job placement, comprehensive case management, and more. There is special emphasis on services for young parents people with limited English proficiency. Depending on individual need, EARN may offer funding for childcare along with subsidized and unsubsidized employment opportunities. It operates in conjunction with the Work Ready, Keys, and Snap 50/50 programs.

There are also regional programs in place to incentivize workforce participation. The Pennsylvania Work Incentives Planning and Assistance (WIPA) program is funded by the Social Security Administration (SSA). Representatives help recipients of SSI or SSDI understand how their benefits are affected as they seek or increase employment.

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WORKFORCE INCENTIVE PROGRAMS:
The goal is for individuals to complete the program and enter jobs earning at least $13 hourly in fields such as early childhood education, health care, advanced manufacturing, etc.

DEFINING "BENEFITS CLIFF:"
A term to describe a barrier for low-income families trying to move up the economic ladder. It describes situations where going to work or getting a raise causes a family to backslide.

EMPLOYMENT

FAST FACTS

DATA ABOUT JOBS PLUS INITIATIVE (JPI):

Jobs-Plus similarly concluded that voluntary training programs are able to boost employment without threatening to end assistance for people unable to meet work requirements.

Employment programs free of work requirements help disadvantaged individuals increase earnings without the repercussions associated with mandates. Jobs Plus Initiative (JPI) is a federal program for residents in public housing. These individuals have access to training and employment services, along with rent accommodations that allow them to keep significant percentages of their earnings. For up to 48 months, program participants earn as much as they can without negatively impacting their housing eligibility. Jobs Plus has been successful in terms of scope and scale, creating impact in cities of various demographics. Although the program is voluntary, 75 percent of residents in four sites opted to participate. In the Dayton, Los Angeles, and St. Paul sites, residents sustained increased earnings at least three years after program completion. These earnings were approximately 14 percent higher than those in a comparison group in the following nine years.

The initiative described above also helps to mitigate issues posed by the benefits cliff–the disincentive to earn caused by income thresholds for social assistance programs. In other words, individuals receiving a certain benefit may have financial incentive to work only enough to maintain eligibility for that program–earning a small amount more may put the family further behind when considering the lost value of public assistance from which they would be disqualified.

Opportunities for Action

With multiple components of these evidence-based models already in place in Pennsylvania, it is recommended that additional funding and resources be allocated to thoroughly evaluate the most promising approaches and identify and eliminate barriers to fully realizing them. To remove disincentives to earn through work, public assistance eligibility guidelines could be structured in a way that phases out benefits gradually as families' incomes grow. This could involve a window of time in which families can have unlimited earnings without losing eligibility for assistance, and/or a stepped approach where families that no longer meet income thresholds see benefits phase out proportionately to their income.

Programs that attempt to bring adults into the workforce could also adopt the approach of the Portland model described, in which participants are encouraged to seek work that pays sustainable wages rather than simply taking the first jobs they find.

While more research may be necessary, this approach could provide long-term savings by helping participants achieve lasting self-sufficiency.

The federal government could also evaluate changes to assistance program eligibility guidelines to reduce the impact of the benefits cliff. Social Security Disability is one program that could be restructured to provide incentives (or, minimally, reduce disincentives) for those able to return to the workforce on a part-time or full-time basis.

The federal government should also extend support to states for the enhancement of employment and training programs in accordance with the recommendations described above.

In order for any these to be truly effective, however, issues regarding childcare and transportation must also be addressed.

This policy was derived from a more detailed policy brief produced by The Institute in 2019. The full brief contains all of the original citations and additional detail on incentive programs for workforce participation. To request an electronic copy of the complete brief, please send an email to info@institutepa.org.

EMPLOYMENT

FAST FACTS

DATA ABOUT SNAP BENEFITS:

Among non-disabled adults who receive SNAP benefits in a typical month—

52% worked in that month

74% worked within the year

The majority of adults participating in Medicaid are also employed—

63% of Medicaid adults who are non-elderly, non-SSI, and non-dual eligible were working as of 2017

Work Requirements & Alternatives for Public Assistance Programs

Programs like the Supplemental Nutrition Assistance Program (SNAP), also known as food stamps, and Temporary Assistance for Needy Families (TANF), as well as some forms of housing assistance, generally require people to work or participate in job training programs for a certain number of hours every month. There has been a recent movement to implement stricter work requirements for beneficiaries of safety net programs. The stated purpose of these work requirements is to "reflect the importance of work and responsibility" and to "end the dependency of needy parents on government benefits by promoting job preparation [and] work." In January 2018, the Centers for Medicare and Medicaid Services (CMS) issued a guidance encouraging states to introduce work requirements for Medicaid, saying that doing so would "improve Medicaid enrollee health and well-being." Since then, work requirement waivers have been approved in several states.

Research suggests that work requirements are not reliably effective for improving the financial well-being or self-sufficiency of enrollees in safety net programs. In fact, introducing or expanding such requirements would likely result in a loss of benefits for significant numbers of people who are already working or who are unable to work.

The impact of work requirements for SNAP and Medicaid recipients on employment, income, and poverty has not been studied sufficiently. However, there is a larger body of research concerning the effects of work requirements as a part of welfare reform in the 1990s. One major study from the research organization MDRC found that mandatory welfare-to-work programs did often lead to increases in employment, but those increases were modest and faded within a few years. A RAND study showed that the programs usually failed to increase recipients' incomes or reduce poverty by statistically significant amounts, unless the programs were supplemented with generous financial incentives for work.

The most common of these financial incentives is currently the Earned Income Tax Credit (EITC), which primarily benefits families with children. Individuals and families without children tend to receive only small EITC payments, however, so they are less likely to benefit from work requirements in SNAP or Medicaid. Additionally, the stagnation of wages for people with lower educational attainment would likely limit the effectiveness of work requirements in alleviating poverty. For many welfare recipients, any increases in earnings from mandatory work are largely offset by subsequent reductions in cash and food assistance payments. It is also unlikely that Medicaid work requirements would positively impact recipients' health–many people only have access to low-wage jobs that do not offer benefits like employer-sponsored health insurance or paid sick days.

Most able-bodied adults receiving welfare do work, even when they are not subject to work requirements. Only a very small subset of SNAP and Medicaid participants are able to work but choose not to. Among non-disabled adults who receive SNAP benefits in a typical month, 52 percent worked in that month and 74 percent worked within the year. The majority of adults participating in Medicaid are also employed–63 percent of Medicaid adults who are non-elderly, non-SSI, and non-dual eligible were working as of 2017. Stricter work requirements could cause large numbers of working enrollees to lose needed assistance.

Furthermore, people who work in low-wage jobs often face inconsistent hours or experience seasonal unemployment, which means meeting a required number of work hours for each month would be difficult. Some workers may also struggle to meet reporting requirements due to a lack of internet or computer access.

EMPLOYMENT

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DATA ABOUT SNAP'S EMPLOYMENT AND TRAINING (E&T) PROGRAMS:

The United States Department of Agriculture, which oversees SNAP, conducted a best practices study of (E&T) programs in 2016.

The study found that E&T programs are MOST EFFECTIVE when participation is VOLUNTARY, rather than mandated as a condition of eligibility.

Some people would be subject to work requirements even though they face significant barriers to work. These barriers include family caregiving responsibilities, chronic physical or mental health conditions, transportation issues, homelessness, and other factors. Individuals struggling with these challenges are not always considered exempt from work requirements. If people lose program benefits because they are unable to meet new work and reporting requirements consistently, the loss of support could further impact their well-being and ability to earn. In the case of Medicaid, coverage losses would likely lead to an increase in providers being uncompensated for medical care.

Finally, there is no guarantee that people subject to work requirements will be able to find work; a review of New York City's Personal Roads to Individual Development and Employment (PRIDE) program–which included work requirements–showed that two-thirds of participants did not find work, and many lost their only source of cash income as a result.

Jobs-Plus, an employment program for public housing residents, similarly concluded that voluntary training programs are able to boost employment without threatening to end assistance for people unable to meet work requirements.

Opportunities for Action

Pennsylvania and other states could refrain from expanding work requirements on safety net programs until further research is completed on the impact of such requirements on SNAP and Medicaid recipients.

Currently, the evidence suggests that work requirements are more likely to harm working families and individuals than to encourage work. There are ways to increase job participation among program enrollees that do not risk lost benefits to enrollees. The United States Department of Agriculture, which oversees SNAP, conducted a best practices study of SNAP's employment and training (E&T) programs in 2016.

The study found that E&T programs are most effective when participation is voluntary, rather than mandated as a condition of eligibility. USDA also found that E&T programs tend to produce better results when they lead to academic credentials or community college certificates, and that partnering with non-profit organizations and community colleges can be a useful strategy for workforce development.

An evaluation of Jobs-Plus, an employment program for public housing residents, similarly concluded that voluntary training programs are able to boost employment without threatening to end assistance for people unable to meet work requirements. States that hope to build more engaged and self-sufficient workforces should consider following the best practices identified by USDA, investing in voluntary jobs programs that help workers earn credentials and develop valuable skills.

This policy was derived from a more detailed policy brief produced by The Institute in 2019. The full brief contains all of the original citations and additional information on work requirements. To request an electronic copy of the complete brief, please send an email to info@institutepa.org.

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