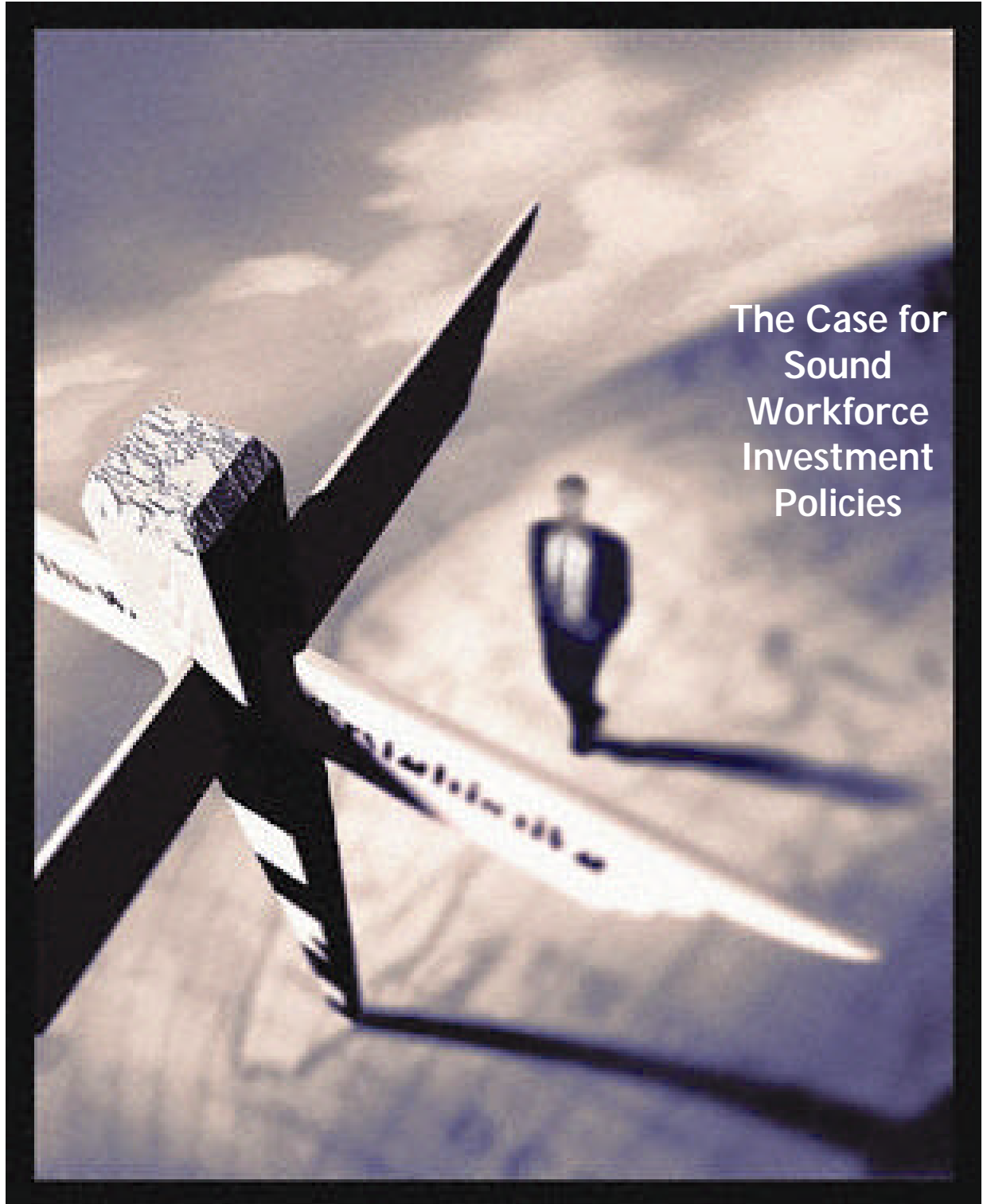


# TEXAS AT WORK:

TODAY AND TOMORROW



The Case for  
Sound  
Workforce  
Investment  
Policies



Center for Public Policy Priorities

September 2003

The **Center for Public Policy Priorities** ([www.cppp.org](http://www.cppp.org)) is a non-partisan, non-profit policy research organization committed to improving public policies and private practices to better the economic and social conditions and prospects of low- and moderate-income Texans.

The Center pursues this goal through independent research, policy analysis and development, public education, and technical assistance.

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# Texas at Work: Today and Tomorrow

## *The Case for Sound Workforce Investment Policies*

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**A Report by the Center for Public Policy Priorities**

**September 2003**

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## Acknowledgements

*Texas at Work Today and Tomorrow: The Case for Sound Workforce Investment Policies* is part of a multi-state effort to profile the difficult realities confronting many low-income workers across the United States. The project also examines how well, or poorly, states are providing the tools necessary for workers to escape poverty and build economic security. This report focuses on Texas, the conditions facing its low-wage workforce, and the state's efforts to build the skilled and competitive workforce necessary for a vibrant economy and prosperous future.

This project has been made possible by the generous support of the Annie E. Casey Foundation and the Ford Foundation. Much of the data included in this report was made available through federal sources such as the Department of Labor and the Bureau of the Census. The Population Reference Bureau was contracted to analyze census surveys, particularly the American Community Survey and the Current Population Survey. The Center for Public Policy Priorities thanks our funders and the project management team of Brandon Roberts and Associates – Brandon Roberts, Andrew Reamer and David Stevens. This report would not have been possible without their tireless assistance in compiling and analyzing the data and offering guidance throughout the project. The staff of numerous state agencies were also helpful in identifying and understanding additional data sources.

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## Introduction

“The Future is Texas,” declared the title of a recent cover story in *The Economist*.<sup>1</sup> The article highlighted the state’s diverse young workforce, abundant natural resources, and spirit of individualism and hard work. These and other traits give Texans much to be proud of and many reasons to be optimistic about the future. Texas clearly has tremendous social and economic potential.

This report examines one facet of that potential— Texas’ workforce. Of particular interest are the living conditions and public policies affecting hard working, but low-income, workers. State economic and workforce policies can have a disproportionate impact— positive or negative— on these workers. In this regard hopeful indications do exist. The Lone Star State is often hailed as a national model for innovative reforms in its education and workforce policies. In one example, the Corporation for Enterprise Development (CFED), in its annual Development Report Card for the States, gave Texas an “A” grade for “Business Vitality.”<sup>2</sup>

But, both *The Economist* and CFED tempered their glowing appraisals with troubling caveats. *The Economist* acknowledges that while the state is “generous to the successful, it is equally hard on the unfortunate.” The magazine goes on to caution that the real test of Texas as a “leading” state is “whether [it] can become a better place in the process.”<sup>3</sup> Similar concerns emerge in the CFED report. The “A” grade for “Business Vitality” was accompanied by an “F” in the category that examined employment, earnings, job quality, equity and quality of life. This is the conundrum facing the Lone Star State at a critical crossroads in its history. Enormous potential is threatened by emerging trends that could undermine the state’s long-range economic and social security.

The state’s official demographer, Dr. Steve Murdock, has identified this challenge in stark and undeniable terms. In his series of reports called *The Texas Challenge: Population Change and the Future of Texas*, Dr. Murdock points to inevitable demographic trends of an aging, wealthier, more skilled Anglo population being inexorably replaced by a younger, growing – and currently poorer and less skilled – non-Anglo population.

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<sup>1</sup> “The Future is Texas.” *The Economist*. December 19, 2002.

<sup>2</sup> Corporation for Enterprise Development. 2002. *Development Report Card for the States 2002*. <http://drc.cfed.org>

<sup>3</sup> *The Economist*, 2002.

The Texas State Data Center's examination of these trends and their implications points squarely to the essential factor that will shape the future of Texas: how well will the state improve the education and skills of its lower income and minority populations—the workforce on whom the future of Texas depends? Successfully addressing this challenge hinges directly on the state's education and workforce development systems. Here too, another dichotomy. The state can be proud of the workforce development system it has created in recent years, which is a model for the nation. But inadequate investments in education and training, continuing high levels of illiteracy and poor job skills, and inattention to job quality and work supports threatens to undermine all the efforts to date.

So, where from here? If Texas is indeed the future, as *The Economist* claims, what then does that future look like? The U.S. Bureau of Labor Statistics predicts that by 2030, 60 percent of Texans will have only a high school diploma or less.<sup>4</sup> The Texas State Data Center forecasts that “the future labor force of Texas will be less well educated, less skilled, earn lower salaries and wages, and thus be in greater need of labor force training (with substantial associated costs).”<sup>5</sup> If Texas is the future, there is reason for concern. The enormous potential of Texas will be squandered unless our state and its leaders decide now to invest in our most precious and important resource: Texans.

The decisions we make today will define the future economic security of our families, communities and the entire state. Too often, Texas has chosen a “low road” of economic and workforce development, investing the bare minimum to develop our workforce and promulgating state policies unresponsive to the needs of working families. The long-term impact of such short-sighted approaches will become increasingly clear as our population continues to grow, while wealth and opportunity become available to fewer and fewer people. Without significant and effective investments in our state's workforce, accompanied by public policies that support sustainable economic growth for all Texans, the state will hobble its economic potential.

Another Texas—a higher road—is possible. Economic security should be within reach for all working families in Texas. They deserve the ability to provide adequate housing, food and health care for themselves and their children. Working parents deserve the knowledge that while they are at work, their children are well cared for in quality child care. Businesses in Texas deserve a skilled and educated workforce. Young Texans about to enter the workforce deserve the education and training necessary to find and keep good paying jobs. Those currently relying on welfare benefits deserve a ladder off assistance and out of poverty. All taxpayers need to know their dollars are invested well, offering

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<sup>4</sup> See <http://www.window.state.tx.us/news/20507texasnextstep.html> for details.

<sup>5</sup> Murdock, Steve et al. Texas State Data Center. 2002. *A Summary of The Texas Challenge in the Twenty First Century: Implications of Population Change for the Future of Texas.* <http://txsdc.tamu.edu/pubsrep/pubs/txchal.php>

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effective job training and employment opportunities to those seeking to better their lives and build a prosperous future.

The key to this alternative path is a skilled, educated, and healthy workforce. Failure to adequately invest in the competitiveness of our workforce will impede the future economic success of all Texans, not just our lowest wage workers. By choosing a “high road” approach to economic and workforce development that invests both in its people and its businesses, Texas can set the bar higher for all its workers and itself.

This report examines Texas’ commitment to developing its workforce and supporting working families who struggle to make ends meet in an increasingly difficult economic climate. One indication of Texas’ efforts to increase the strength and competitiveness of its workforce is the socio-economic status of the state’s working poor population. Chapter 1 provides a snapshot of how Texas workers are faring in comparison to other workers in the rest of the United States. This first chapter will focus specifically on low-wage workers and the importance of creating pathways to prosperity that can ensure they both build, and benefit from, a vital business and economic climate in Texas.

Without significant increases in investments in education and occupational skills training, Texas workers may continue to rank near the bottom in critical indicators of economic competitiveness – a circumstance that threatens the state’s overall economic potential.

Chapter 2 provides an analysis of Texas’ response to a growing gap between the skilled workers needed by a modern economy and the level of attention to skill development in the workforce system. This chapter clearly demonstrates that Texas’ education and workforce development systems require significant new investments, not the stagnant or reduced funding experienced recently. Chapter 2 also highlights several state policies that do support career skills development for low-income workers. It also examines access to community college and workforce education and compares Texas’ efforts to promote post-secondary education and training with other states. The second part of Chapter 2 focuses on how well Texas uses critical federal funding streams, including adult education, the Temporary Assistance for Needy Families (TANF) block grant and Workforce Investment Act (WIA) funds. It examines the outcomes of programs funded through these federal systems in Texas and shows how limited state resources could be further maximized.

After examining some of the characteristics of the low-wage Texas workforce and the state’s efforts to bolster low-wage workers’ skill development, the report turns to state efforts to foster an economic climate that supports the creation of good jobs for entry-level and low-wage workers. Chapter 3 looks at economic conditions, including labor force participation and job quality, and state policies

designed to create better jobs for the working poor. Chapter 3 concludes with a discussion of the performance and effectiveness of these efforts.

After describing Texas' basic framework for educating and training workers and creating a climate that encourages employment opportunities for low-wage workers, the report addresses the quality of the jobs held by low-wage workers and state efforts to increase the self-sufficiency of families. Included in this analysis is a discussion of state efforts to ensure equal access to the critical support services that make work feasible for low-income Texas families, including: child care, unemployment insurance, and health insurance. As with previous chapters, Chapter IV examines the performance of state efforts to improve conditions of employment and work supports.

The report concludes with a set of recommendations for Texas policymakers. These recommendations offer ideas about how the state can actively choose a "high road" economic and workforce development agenda.

Texas has set the stage for the right choices. A strong, locally-driven workforce development infrastructure has created a unique opportunity to shape the state's economic future. However, this promise can only be realized if there is a significant shift in focus toward high-wage outcomes and away from administrative processes, toward more access to education and training and away from "work first" as the only employment model, toward more funding and away from shrinking workforce investments.

Though many challenges confront Texas, the careful use of our resources and the adoption of strategic policies to promote both worker security and business success will increase our state's long-term economic competitiveness. If Texas can ensure that its most vulnerable populations have access to opportunity and its employers have the skilled and effective workforce they need, we may yet avoid this future headline in *The Economist*: "Texas: Opportunity Squandered."

The challenges and choices are at hand.

## Methods

The core of the report is built around a framework of more than 100 indicators developed by Brandon Roberts and Associates specifically for this initiative. This framework was designed to be a tool for judging how well state workforce development systems address the skill development needs of their respective states. Of particular interest is the extent to which education, training, and wage advancement strategies are available to low-wage workers. Additional information was utilized from various state agency sources and other state and national reports. Citations for these sources can be found in the corresponding footnotes. Two detailed appendices providing definitions, sources and tables of all indicators can be downloaded from the CPPP website at:

<http://www.cppp.org/policy/workforce/appendices.pdf>.



## Chapter I: Economic Conditions Facing Working Families

- 
- ? Nearly 11 percent of working families in Texas live in poverty.
  - ? Nearly 17 percent of working families in Texas with a minority parent live in poverty.
  - ? In Texas, 63 percent of working families in poverty spent more than one-third of their income on housing.
  - ? In Texas, 60.5 percent of working families in poverty contain at least one parent without a high school diploma or GED.
  - ? Nearly 43 percent of low-wage parents in Texas are employed in the service sector.
- 

Working families form the backbone of the Texas economy. Unfortunately, for millions of hard-working Texans, work alone is often not enough to escape poverty. We all know and depend on these Texans. They work in restaurants where we eat, factories that produce our goods, stores where we shop, and they may even take care of our children. The level of commitment to the economic success of these families and their equal opportunity to prosper is a direct reflection of Texas' priorities. Unfortunately, this reflection is less than flattering.

Millions of working Texans teeter on the brink of economic disaster. Compared to a national rate of 7.5 percent, 10.8 percent of working Texas families live in poverty.<sup>6</sup> These families make less than the Federal Poverty Level (FPL) which is \$18,400 per year for two parents with two children.<sup>7</sup>

Poverty is even more pronounced among working Texas families with a minority parent. According to the U.S. Census Bureau, 16.7 percent of working families with a minority parent lived in poverty compared to the national figure of 13.1 percent.<sup>8</sup>

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<sup>6</sup> U.S. Bureau of the Census. 2000. *Census 2000 Supplementary Survey*.  
<http://www.census.gov/acs/www/Products/Profiles/Chg/2001/SS01/index.htm>

<sup>7</sup> This figure is based upon U.S. Census Bureau federal poverty guidelines and is updated yearly. See [www.cppp.org](http://www.cppp.org) for more information on poverty in Texas.

<sup>8</sup> Census 2000 Supplementary Survey.

Many researchers, policymakers, and advocates are skeptical of the Federal Poverty Level as a true assessment of need, arguing that it is too low to accurately reflect the real cost of living. One need only reflect on a family of four living on \$18,400 to recognize that the dollar amounts associated with the official poverty measure are grossly inadequate to support even the most basic standard of living. A more accurate indicator of poverty would fully examine a family's ability to earn an income high enough to provide for all their basic needs.<sup>9</sup>

To better understand the **real** cost of living in Texas, the Center for Public Policy Priorities has produced its Family Security Index (FSI).<sup>10</sup> The Family Security Index uses a “market-basket” approach to determine the costs of meeting basic needs for working families. The Family Security Index adopts a methodology similar to the “self-sufficiency standards” and “basic family budgets” used by a growing number of researchers. It provides a realistic, yet conservative, estimate of the combination of wages, benefits, and public supports necessary to support working families in Texas. The FSI provides the most current available data detailing specific costs for different family types and it documents the variation in costs across Texas’ twenty-seven Metropolitan Statistical Areas (MSAs). See table below for the costs of living for three family types in eight of the MSAs.

<b>What does it <u>really</u> take to just get by in Texas?<sup>11</sup></b>			
Monthly costs of an austere standard of living that would have to be met with a combination of wages, benefits, and public supports.			
City	One Adult with No Children	Single Parent with One Child	Two Parents with Two Children
Austin	\$1,663	\$2,818	\$3,670
Dallas	\$1,669	\$2,732	\$3,622
El Paso	\$1,462	\$2,170	\$2,928
Houston	\$1,541	\$2,533	\$3,389
Brownsville/Harlingen	\$1,417	\$2,270	\$3,130
San Antonio	\$1,449	\$2,319	\$3,108
Lubbock	\$1,374	\$2,292	\$3,191
Amarillo	\$1,397	\$2,270	\$3,102

<sup>9</sup> For a discussion of alternative perspectives on more accurately gauging poverty, see Citro, Constance F., and Robert T. Michael (eds.) 1995 *Measuring Poverty: A New Approach*. National Academy Press, Washington, D.C.

<sup>10</sup> The Family Security Index is available on the Internet at <http://www.cppp.org/products/fsi.html>.

<sup>11</sup> Ibid. Data on additional cities can be viewed at the Family Security Index section on the CPPP web site – [www.cppp.org](http://www.cppp.org).

Among the living costs that families face, the percentage of their income spent on housing can offer an important indicator of the adequacy of their wages. Researchers generally argue that people should spend no more than one-third of their household income on housing. Using this indicator, Texas appears to be doing a better job of keeping housing costs in check for low-income families than many states. In Texas, 63 percent of working families in poverty spent more than one-third of their income on housing, compared to 72.5 percent nationally. Unfortunately, some of the cities in Texas with the greatest economic opportunities – Austin and Dallas for example – have the state’s highest housing costs, presenting a significant barrier to many low-income workers in these communities.

Because the Federal Poverty Level is too low to accurately reflect the living conditions of working poor Texas families, it is useful to look instead at the working Texas population living on an income of less than 200 percent of poverty. In other words, 200 percent of poverty means that the same three-person family mentioned above is earning double the Federal Poverty Level, or \$30,520 per year. This threshold is sometimes used to delineate the “working poor.”

While this figure more accurately reflects potential economic hardship, many families at this income level still would require public supports to afford many critical needs, such as health care. Once the analysis is expanded to include these low-wage workers, the magnitude of the challenge facing Texas becomes clearer. In Texas, 35.6 percent of working families must get by on less than 200 percent of the Federal Poverty Level, compared to 27.8 percent of the United States at large.<sup>12</sup>

With more than one-third of working families in Texas falling in the ranks of the “working poor,” it is worth examining both the causes and potential solutions to economic insecurity among so many workers. Inadequate education and limited skills acquisition are clearly important factors. In Texas, 60.5 percent of working families below 100% FPL contain at least one parent without a high school diploma or GED. The national figure is 43.6 percent.<sup>13</sup>

In Texas, 35.6 percent of working families must get by on income that is less than 200 percent of the Federal Poverty line, compared to 27.8 percent of the United States at large.

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<sup>12</sup> Census 2000, Supplementary Microdata compiled by Brandon Roberts and Associates.

<sup>13</sup> Ibid.

An additional measure of this low level of educational attainment can be found in the rates of poverty among working families with some post-secondary education. The data reveal that working families living in poverty in Texas are considerably less likely to have some post-secondary education. In Texas, 22.4 percent of working families living in poverty have some post-secondary education, compared to the national figure of 32.4 percent.<sup>14</sup>

What is the result of these education deficits? One byproduct is an increasing wealth and opportunity gap. In Texas, 42.5 percent of working parents with low hourly earnings are employed in the service sector of Texas' economy. Low-earning parents are also heavily represented in retail trade jobs (24.8 percent). These two sectors, which offer the lowest average weekly pay of any sectors, are also among the fastest growing sectors in the state economy.<sup>15</sup> Even though Texas boasts of many jobs in high wage industries, the state ranks 43<sup>rd</sup> nationally on measures of income equality among Texas families.<sup>16</sup> According to Census data, the most affluent families in Texas have eight times as much income as the state's least well off. Even the middle class ratio of three times the income of the least affluent families is one of the highest in the country, further reflecting Texas' disparity in family incomes. Despite their hard work, low-income Texans are losing ground compared to other Texas families.

With more than one-third of its working families living below 200 percent of the Federal Poverty Level, and the skill levels of low-wage workers stagnating, Texas is in danger of losing its quality workforce capacity. It is imperative that Texas develops an aggressive effort to reverse this reality if it is to maintain its competitive edge. Chapter 2 examines and evaluates Texas' response to this essential workforce challenge.

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<sup>14</sup> Ibid.

<sup>15</sup> See CPPP's report "Working But Poor" at <http://www.cppp.org/products/reports/wbpeccsum.html> for details.

<sup>16</sup> Census 2000, Supplementary Microdata.

Working Families in Economic Distress							
Indicator	Texas			All States and DC			
	Number	Percent	Rank*	High	Median	Low	U.S.
Number and percent of families below 100% of poverty engaged in work	285,120	54.2	NA	61.0	47.5	23.9	47.2
Number and percent of working families below 100% of poverty..	285,120	10.8	43	13.4	6.8	2.4	7.5
Number and percent of working families with at least one minority parent that are below 100% poverty.	233,172	16.7	41	25.6	12.9	3.3	13.1
Number and percent of working families with incomes less than 200% of poverty.	939,559	35.6	44	39.9	27.8	14.7	27.8
Number and percent of working families below 100% of poverty that spend more than 1/3 of their income on housing.	164,730	63.0	10	89.4	72.1	50.0	72.5
Number and percent of working families below 100% of poverty with at least one resident parent who does not have a high school diploma or equivalent.	172,475	60.5	48	62.6	35.6	12.7	43.6
Number and percent of working families below 100% of poverty with at least one resident parent who has some post-secondary education (education beyond high school).	63,997	22.4	NA	61.1	37.5	22.4	32.4
Ratio of total family income received by the top quintile of working families to the total family income received by the bottom quintile of working families.	NA	(ratio) 8.8	45	13.5	7.6	5.8	8.5
Ratio of total family income received by the middle quintile of working families to the total family income received by the bottom quintile of working families.	NA	(ratio) 3.0	43	3.2	2.8	2.4	2.9
Percent of working families below 100% of poverty with at least one parent who is self-employed.	41,397	13.6	NA	37.3	–	2.2	–
Number and percent of working families below 100% of poverty with at least one parent between the ages of 24 and 54.	238,370	83.6	21	95.9	85.4	73.3	85.4
Number and percent of working families below 100% of poverty with at least one parent without health insurance **	195,697	64.1	NA	66.6	NA	16.5	46.7
<p>* Rank is in relation to all states and the District of Columbia, with a rank of 1 being best.  ** Based on a three year average, 1999-2001.</p>							



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## Chapter 2: Education and Skills Training

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- ? More than 1 in 5 Texas adults aged 18-64 have not graduated from High School or do not have a GED.
  - ? Texas ranks dead last among the 50 states in adult education and literacy resources allocated for each adult without a HS diploma or GED.
  - ? Almost 1/3 fewer TANF recipients are enrolled in education or training opportunities in Texas compared to the national average.
  - ? Only 21% of Workforce Investment Act adult workforce expenditures in Texas went for training activities.
  - ? Texas is more than two-times as reliant on federal Pell grants for higher education than other states.
  - ? The state's share of community college funding has tumbled 35% over the last 15 years.
  - ? Jobs needing Associate Degrees will grow by 28% over the next five years in Texas
- 

### Education and Skills Status of Adults in Texas

Education and skills training are the foundation of long-term economic success and wage growth. The February 2003 announcement that Toyota would build a state-of-the-art automobile manufacturing facility in San Antonio highlighted the importance of a skilled workforce. As one auto industry observer put it, "They don't have any use for people who just stand around and screw parts on a car."<sup>17</sup> Luring this industry to Texas has been an important development and sets the stakes high for ensuring that there is a workforce ready, willing, and prepared to take these good jobs such as these.

While a new major employer in the San Antonio region has been good news, the current trends point to a Texas workforce becoming less skilled, not more. Too many other businesses weighing a relocation to Texas may see inadequate investments in its eager and willing workforce. The 2002 Development Report Card for the States highlighted this particular economic weakness in Texas. The

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<sup>17</sup> Lorek, L.A. "Toyota is driven to seek perfection." *San Antonio Express-News*. February 16, 2003.

report showed particular concern about the state's rankings of 44<sup>th</sup> in the percentage of working poor, 50<sup>th</sup> in high school attainment, and an overall grade of "C" in "Human Resources".

If Texas hopes for more success stories like the Toyota Plant, active efforts to build its workforce are required. So, what is Texas doing today to ensure a future stream of eager companies, interested in building the next generation of high wage jobs in our state? The evidence suggests that the answer is "not enough."

In Texas, 22.5 percent of adults 18 to 54 do not have a high school diploma or GED. The national rate is 16.5 percent.

Much has been made about the Governor's new "Enterprise Fund" and plans to use it to lure new businesses and economic development. If this fund becomes just another tool for giving away tax abatements, development incentives, and other subsidies, it will earn the "slush fund" moniker bestowed by critics. However, if part of this new fund is used to invest in workforce development, in helping Texans get the specific skills needed to lure high wage employers, it may live up to its promise.

The Texas workforce is our state's greatest potential asset and one of its most glaring current weaknesses. Texas is not investing in the productivity of its citizens. The results of this under-investment are clear and the implications for the state are profound. Education is the most tangible investment a state can make in ensuring its long-term competitiveness and attractiveness to employers. By many measures, Texas is not living up to its promise. Low investments in human capital, both in early education and higher education, further threatens Texas' future viability.

One of the most telling education statistics is the percent of a state's adult population without a high school diploma or General Equivalency Degree (GED). Census data shows that Texas has significantly more adults aged 18 to 64 without a HS diploma or GED than the national average, 22.5 percent compared to a national rate of 16.5 percent.<sup>18</sup>

When one looks at educational attainment by specific groups, the case for more investment in workforce development becomes even clearer. In order to have a more accurate vision of the actual labor pool, the United States Census Bureau carves out adults aged 25 to 54 for special consideration (these are considered

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<sup>18</sup> Census 2000, Supplementary Survey Microdata.

prime working years). According to Census data, 20.2 percent of Texas adults aged 25 to 54 years old do not have a high school diploma or GED, compared to the national rate of 14.2 percent. Given the demographic trends facing Texas, educational attainment for Hispanics is of particular interest. The news is not good. Fully 50% of Texas' burgeoning Hispanic population over 25 does not have a high school diploma.<sup>19</sup>

Benchmarks of post-secondary education in Texas offer a mixed appraisal. For example, 25.4 percent of Texans aged 25 to 54 have *only* a high school diploma or GED, compared to 28.1 percent of all Americans. Twenty-three percent of Texas adults have some post-secondary education, but did not earn a degree, compared to 22 percent of adults in the United States but up to 30% in some states.<sup>20</sup> Fifty-one percent of Texans 18 to 64 have some education beyond high school vs. a national rate of 54.3 percent.

The completion of an associate or higher degree is widely considered to be a yardstick of workforce preparedness and the foundation for enhanced lifetime earnings. Higher education is also a key to local and state economic development and growth of the state's tax base. Unfortunately, yet again, Texas does not compare well to the rest of the country. Compared to the national figure of 35.7 percent, only 31.4 percent of Texas adults aged 25 to 54 have completed an Associate Degree or higher.

The importance of education has never been more significant. As Table 2.1 (on page 20) shows, even low-end service level jobs are demanding high school graduates as the entire work world becomes more skill oriented. In short, most jobs require more education than they used to. Even more dramatic is the wage growth that accompanies each level of increased educational attainment. In 2000, 20% of all jobs required a Bachelors Degree and had average annual earnings of \$51,200 – more than two and a half times the earnings of high school dropouts (Table 2.2). State policies to encourage and support post-secondary education and reduce and prevent high school dropouts can have direct and dramatic impacts on economic security and workforce development.

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<sup>19</sup> Census 2000, Summary File Three.

<sup>20</sup> Ibid.

**Table 2.1**  
**Prime Working Age (30-59) Education Distribution ? Low-End Service Jobs**

<b>Education Level</b>	<b>1973</b>		<b>2000</b>	
	<i>Percent of All Jobs</i>	<i>Avg. Annual Earnings</i>	<i>Percent of All Jobs</i>	<i>Avg. Annual Earnings</i>
High School Dropout	41%	\$16,000	17%	\$14,900
High School Graduate	45%	\$20,800	40%	\$21,300
Some college, no degree	9%	\$30,400	18%	\$25,600
Associates Degree	n/a	n/a	8%	\$24,800
Bachelors Degree	4%	\$35,000	14%	\$37,700
Graduate Degree	1%	37,000	3%	\$42,800
<i>Figures adjusted for inflation</i>				
<i>Source: Texas Workforce Commission. 2002. The Texas Economy: A Descriptive Analysis of an Emerging Global Economy and its Impact on the US and Texas Economies.</i>				

**Table 2.2**  
**Prime Working Age (30-59) Education Distribution ? All Jobs**

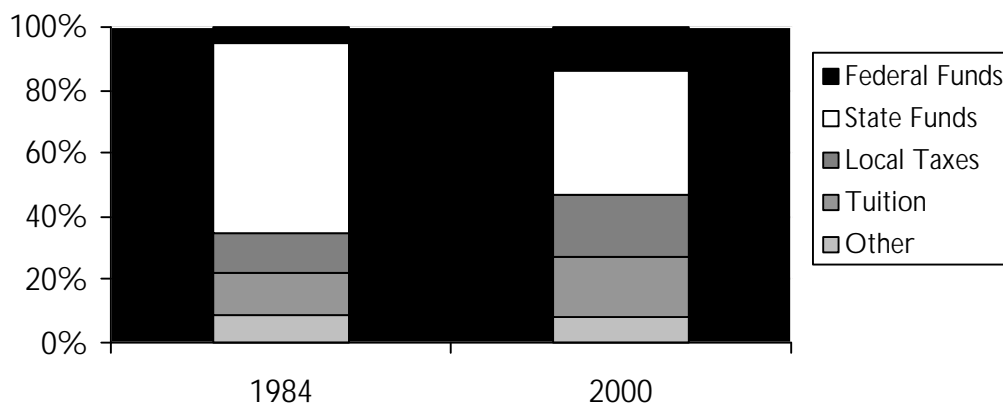
<b>Education Level</b>	<b>1973</b>		<b>2000</b>	
	<i>Percent of All Jobs</i>	<i>Avg. Annual Earnings</i>	<i>Percent of All Jobs</i>	<i>Avg. Annual Earnings*</i>
High School Dropout	32%	\$25,200	9%	\$20,100
High School Graduate	40%	\$31,100	32%	\$28,600
Some College, No Degree	12%	\$39,000	18%	\$35,500
Associates Degree	n/a	n/a	10%	\$36,500
Bachelors Degree	9%	\$49,600	20%	\$51,200
Graduate Degree	7%	56,300	11%	\$68,300
<i>Figures adjusted for inflation</i>				
<i>Source: Texas Workforce Commission, The Texas Economy: A Descriptive Analysis of an Emerging Global Economy and its Impact on the US and Texas Economies, September 2002.</i>				

Considering the education gap that exists between Texas and the United States as a whole, one would hope that Texas were doing all it could to close the gap and educate its workforce for the jobs of tomorrow. Unfortunately, Census figures

show that this is not the case. Examination of the percent of our state's young adult and adult populations enrolled in post-secondary institutions – the gateway for most workers to improved earnings and better jobs – clearly shows that Texas is sacrificing its future economic competitiveness. In Texas, 27.6 percent of young adults aged 18 to 24 are enrolled in post-secondary institutions, compared to 31.4 percent of young adults throughout the United States. Texas also lags behind in educating its adult population at its institutions of higher learning, serving only 5.3 percent of adults aged 25 to 54, compared to the national percentage of 6.2.

While access to higher education for many Texans may appear limited, the situation is projected to get even worse as the state confronts a deepening budget crisis. Proposals to cut funding for both community colleges and the state's universities and to "deregulate" (eliminate legislative control of) tuition fees at public institutions are likely to result in higher tuition costs for post-secondary students. Unless specific and adequate provisions are made for increased financial aid, low-income students will be particularly hard hit by these changes. Tuition has already risen significantly at post-secondary institutions and is increasing as the state's share of higher education costs is waning. Many would-be students may shy away from higher education because of higher tuition prices, while others will leave school saddled with even more student loan debt. In a vicious and downward cycle, low-income families may find it ever more difficult to afford the very tools they and their children need to escape a life of economic struggle. Figure 2.3 shows the sources of Texas' community college funding in 1984 and 2000.

**Figure 2.3**  
**Source of Community College Funding 1984 & 2000**



## State Policies that Support Skills Development for Low-Income Adults

The statistics above make it apparent that Texas can do better. Educating its workforce— a critical element in building economic competitiveness in the global economy— must become a top priority. This section examines how policies enacted by Texas deal with this growing challenge. Our policy discussion is divided into two categories: workforce development policies and post-secondary education policies.

### *Workforce Development Policies*

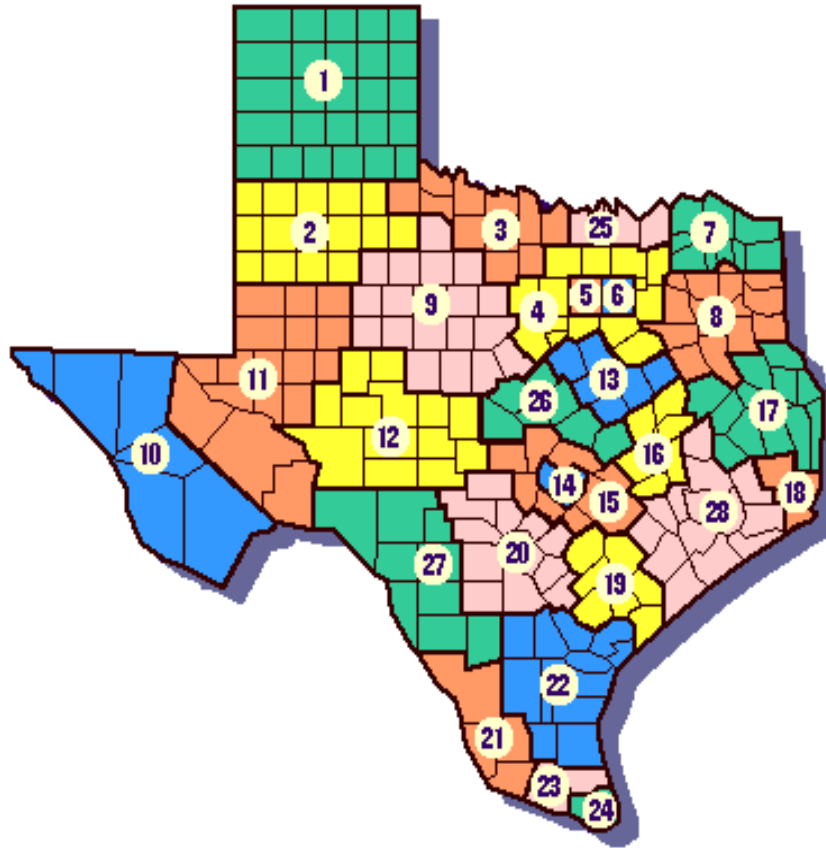
As discussed earlier, the workforce development system in Texas offers a contradictory reality ? a first-class structure and third-class results. In a number of ways Texas is considered a national leader in workforce development. But, inadequate state investments, overemphasis on process versus results, and limited community involvement have constrained the policies necessary to build a first-rate workforce.

In 1995, as part of a major welfare reform bill, the Texas legislature set in motion an overhaul of its workforce system (HB 1863 73<sup>rd</sup> Regular Legislative Session). The legislation created the Texas Workforce Commission and consolidated nearly all employment-related programs, including the subsidized child care program, into a single state agency.

The overhaul of the Texas workforce system created 28 local workforce development boards, funded these boards through block grants, and invested them with wide-ranging rulemaking and management authority. Local workforce boards are currently composed of appointed community volunteers from the business, labor, education, community, and child care sectors. Business interests must comprise at least 51 percent of each workforce board’s membership. While some boards encompass one urban county, others include multiple counties and may stretch over thousands of square miles; “Local” has a unique connotation in Texas. Figure 2.4 provides a map and listing of all twenty-eight Local Workforce Development Boards (LWDBs).

## Figure 2.4: Texas' Local Workforce Development Boards

*Directory of Texas' Local Workforce Development Boards*



- |                   |                      |                     |                       |
|-------------------|----------------------|---------------------|-----------------------|
| 1. Panhandle      | 8. East Texas        | 15. Rural Capital   | 22. Coastal Bend      |
| 2. South Plains   | 9. West Central      | 16. Brazos Valley   | 23. Lower Rio Grande  |
| 3. North Texas    | 10. Upper Rio Grande | 17. Deep East Texas | 24. Cameron County    |
| 4. North Central  | 11. Permian Basin    | 18. SE Texas        | 25. Texoma            |
| 5. Tarrant County | 12. Concho Valley    | 19. Golden Crescent | 26. Central Texas     |
| 6. Dallas         | 13. Heart of Texas   | 20. Alamo           | 27. Middle Rio Grande |
| 7. North East     | 14. Capital Area     | 21. South Texas     | 28. Gulf Coast        |

The Texas Workforce Commission and its network of twenty-eight local workforce development boards are charged with managing employment services, job training, child care, and a host of other services for low-income workers. While child care dollars represent the largest single funding stream in all local workforce development areas, funding from Workforce Investment Act (WIA) dollars provide the bulk of basic employment services and job training funding. The Texas workforce development system truly is a model for the co-location of numerous employment and work support services within its One Stop delivery system. In addition to the WIA and child care dollars managed by the local workforce development boards, local boards are also responsible for the implementation of the TANF employment services program, called “Choices,” and soon they will take over management of the state’s job training program for ex-offenders, Project RIO (Re-Integration of Offenders).

The Workforce Commission allocates multiple workforce development funding streams to the 28 workforce boards based on formulas that reflect area population, individual program requirements, and eligible populations. A handful of workforce systems in other states use an alternative funding formula to allocate additional workforce funds to local areas with higher levels of poverty. Texas does not, though poverty is among the factors considered in specific programs.<sup>21</sup>

Texas ranks dead last among the 50 states in adult education and literacy resources allocated each year for each adult without a high school degree or GED certificate.

Recently, several Texas legislators from the state’s border region have proposed targeting workforce development spending for high poverty and high unemployment regions of the state. These lawmakers have expressed particular concern about the allocation of dollars for child care and technology-related job training. Even

though state allocations have not been changed, local workforce boards have some flexibility to target their limited funding to address specific local priorities. Additionally, TWC has targeted some funds for specific local initiatives, most notably an initiative to address limited workforce services in rural areas.

Given the low levels of literacy and educational attainment in Texas, adult basic education should be a critical component of its workforce development efforts. While adult education is an important part of the system, it too is under funded

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<sup>21</sup> The National Governor’s Association has compiled information on such alternative funding formulae at [www.nga.org/center/divisions/1,1188,C\\_ISSUE BRIEF percent5ED\\_3748,00.html](http://www.nga.org/center/divisions/1,1188,C_ISSUE BRIEF percent5ED_3748,00.html).

and inadequately focused. It is also separated from other locally-managed workforce programs and administered by the Texas Education Agency. As discussed previously, Texas provides adult education services to very few of those who need them. In fact, Texas ranks dead last in its annual allocation of adult education and literacy resources as a proportion of its adult population without a high school degree or GED. Texas spends only \$9.12 per adult, compared to the high of \$155.40 in Michigan.<sup>22</sup> While some local coordination between local workforce development boards and adult education providers exists, it is not comprehensive or fully engaged and suffers from completely inadequate state investment.

In addition to the importance of basic skills education, it is widely recognized that many of today's well-paying jobs require some post-secondary education or advanced technical training. Despite state and federal laws allowing for such training, Texas has adopted a very rigid "work first" approach that pervades the entire workforce system. This singular focus on job placement over job quality has resulted in severely limiting access to intensive services (training) under the WIA program and any education or training in the TANF program. To be fair, this is a national trend, even if Texas has adopted a particularly single-minded version. However, recent research is pointing to more effective approaches that combine early attachment to jobs with access to short-term, intensive skill building. Such strategies become particularly important in economic downturns when the job market is much more competitive. In light of this, it is past time for Texas to re-examine its current strategies. Such a myopic focus on job placement has also created real schizophrenia within the workforce system itself. Performance measures under the TANF program are inordinately focused on process and on moving welfare recipients off assistance as fast as possible. At the same time most other programs within the system are judged by wage outcomes, job retention, job quality, and responsiveness to the business community. This has set up very real tensions in the system because significant time, energy, and money are focused on the relatively few welfare recipients in the system compared to other clients.

Of the thirty-six performance measures used to judge programs in the workforce system, six focus on a better educated and skilled workforce and only four measure higher per capita earnings.

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<sup>22</sup> Computed by Brandon Roberts and Associates and based on expenditure data submitted to U.S. Department of Education and Census data on number of adults without HS Diploma/GED.

This internal conflict in goals and performance is directly at odds with all the efforts to create an “employer driven” not “welfare driven” system. Caseworkers find themselves whipsawed between being judged for two very different types of outcomes depending on what program their clients are participating in. This not only works against true integration in the workforce system it also does not well serve those who depend on the system.

Despite the attention given to welfare recipients, the scope of employment assistance is limited. Without better access to education and training opportunities, many TANF recipients face continuing barriers that limit their potential contribution to the Texas workforce. In Texas, post-secondary education alone does not satisfy the state’s work requirement for welfare recipients.<sup>23</sup> In addition, Texas does not stop the ticking “TANF time-limit clock” for welfare recipients who are engaged in post-secondary education and training.<sup>24</sup> While these policies reflect the state’s strict adherence to its “work first” ideology, they do not support the state’s urgent need for a skilled and competent workforce both today and tomorrow. Additionally, such policies merely keep TANF recipients in poverty, instead of giving them a ladder with which to raise themselves to self-sufficiency. One indication of the failure of the current approach to truly build economic security for TANF recipients is the percentage of those who find themselves returning to public assistance. According to a report by the Texas Department of Human Services, 36.6% of current TANF recipients have recycled back onto the program after previously leaving for employment.<sup>25</sup> Even if state and federal policies remain focused on job placement there remains significant room for improved utilization of education and training, both pre- and post-employment.

Returning to a more balanced mix of employment services will also require a shift in TANF funding. Texas currently invests little of its TANF block grant in providing education, training and work supports for working poor Texans. In fact, Texas has not taken an overall strategic approach to using its block grant to provide services to working poor families. In particular Texas does not use direct or transferred TANF spending on child care for working poor families.<sup>26</sup> Texas has come to view the TANF block grant as yet another fungible source of federal funds available to supplant state spending. As a result, the funds now underwrite major portions of the child welfare budget and tangential services at numerous other state agencies. Of the annual allocation of over \$500 million, precious little

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<sup>23</sup> See [www.clasp.org/Pubs/DMS/Documents/1024591231.74/Postsec\\_table1\\_061902.pdf](http://www.clasp.org/Pubs/DMS/Documents/1024591231.74/Postsec_table1_061902.pdf) for complete discussion of state policies concerning access to post-secondary education and training under welfare.

<sup>24</sup> See [www.spdp.org/tanf/timelimits/Tlememtp2.PDF](http://www.spdp.org/tanf/timelimits/Tlememtp2.PDF) for discussion of state time limit policies.

<sup>25</sup> Texas Department of Human Services. 2002. *Texas Families in Transition: Surviving without TANF. An Analysis of Families Diverted From or Leaving TANF*, p. 34.

<sup>26</sup> For discussion of child care funding in Texas, please see Center for Public Policy Priorities. February 2002. *The Texas Child Care Experience Since 1996: Implications for State and Federal Policy*, p. 11. Available at <http://www.cppp.org/policy/childcare/index.html>

TANF funding is targeted at the purported purposes of the program. The state does allocate about \$6 million per year in TANF dollars to the Texas Education Agency for adult education, literacy efforts, and other services which may benefit working poor families. While recognizing the importance of adult education funding, competing demands on TANF may necessitate a concentration of its TANF spending on improved access to training, child care, and other work supports, not a dissipation of the funds across a host of state agencies.<sup>27</sup>

A bright spot in Texas' use of TANF funds is the state's Self-Sufficiency Fund. The Self-Sufficiency Fund, managed by the Texas Workforce Commission and funded with roughly \$3 million per year in TANF funds, is an effort to provide customized training to TANF recipients and those at risk of going on welfare. The Self-Sufficiency Fund is discussed in more detail in Chapter 3.

Another emerging area of workforce policy is related to asset development among low-income families. In each of the past three legislative sessions bills have been filed, and two enacted, to promote asset-development strategies among low-income families. In 2001, TWC was charged with implementing a TANF funded Individual Development Account (IDA) program and it has just recently released a Request for Proposals for community-based organizations to use regulated savings accounts for low-income families.

For this and some other asset-related policies Texas received a "B" grade for Asset Policy in a new report from the Corporation for Enterprise Development – the *2002 State Asset Development Report Card*. Unfortunately, this same report card gave Texas an "F" for asset development outcomes.<sup>28</sup> Again, Texas has been slowly developing some positive policies but they remain limited, unfocused, and consistently under funded. The report compares Texas to other states and finds that few Texas families have the means to make it even at the poverty level for three months if they were to lose their jobs. The state ranks 43<sup>rd</sup> in the mean net worth of its households and 5<sup>th</sup> worst in the percentage of households with zero net worth. More attention to asset development and state policies to support families' efforts to save would be an important complement to more traditional workforce development efforts. It is also worth noting that one of the standard

Texas mandates that prison inmates who are deficient in basic skills and without a high school degree or GED receive adult educational services while incarcerated.

<sup>27</sup> For discussion of the Texas Legislature's use of the TANF block grant, see <http://www.cppp.org/policy/tanf/index.html>

<sup>28</sup> Corporation for Economic Development. 2002. *State Asset Development Report Card*. Available at <http://sadrc.cfed.org/>

uses of IDA accounts is to save money in order to help pay for education and training to improve wages and employment potential.

The education of incarcerated Texans is another important area of interest. Not only does prison education better prepare ex-offenders for re-entry into the “real world,” it also helps reduce recidivism and future state expense. Texas is to be commended for its efforts to educate and train its prisoners. Texas mandates that prison inmates who are deficient in basic skills and perhaps without a high school degree or GED receive adult educational services while incarcerated. In fact Texas goes one step further and offers occupational skills training in 19 course areas. The successful completion of a six-month program results in participants gaining 20 semester hours of college credit. However, like many other critical state programs, prisoner education and workforce programs have suffered reductions due to the state’s budget crisis.

## Workforce Development Performance

As mentioned already, Texas has been ahead of the curve on many of its state policies concerning workforce development. Unfortunately, the actual performance of the Texas system raises concerns about the success of the state’s “work first” approach and about the overall effectiveness of Texas efforts to open the door to economic security for its low-wage workers.

2.2 percent of Texas TANF recipients are enrolled in education and training activities, compared to the national figure of 5.7 percent.

The Workforce Investment Act (WIA) is a federal block used to fund Texas’ network of twenty-eight local workforce development boards. Via their One Stop Centers, local boards provide a host of services ranging from job search and placement to more intensive job training. Unfortunately, most low-wage, low-skill Texans who enter the doors of a One Stop may leave only with a job referral to another low-wage job, not to an education or training opportunity that could create the pathway to a better job. This is not to suggest that no skill development services

are available, but they are limited in the current system.

In Texas, 7,414 adults exited WIA services after receiving training services in Program Year 2001.<sup>29</sup> This figure represents 46 percent of all WIA exiters.<sup>30</sup> Of

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<sup>29</sup> Texas Workforce Commission. 2001. Annual WIA Performance Report, p. 29.

this total, 57 percent were employed in the first quarter after exit and received a training credential by the end of the third quarter after exit. For those clients who are granted access to WIA “intensive services,” the outcomes are positive. The WIA employment retention rate for Texas shows that the state’s adult WIA participants are staying employed, with 82.3 percent retaining employment six months after their initial job placement. However, if one compares the number of Texans receiving WIA training to the number of Texans without a high school diploma or GED (3,509,670), a sense of the scale of potential need is obvious. In Texas only 0.21 percent of low-skill workers received training support through WIA.<sup>31</sup>

In Texas, 0.21 percent of adults without a high school diploma or GED received WIA-funded training in program year 2001.

Why is Texas providing training services to only a handful of those who could benefit? An examination of the use of WIA federal block grant dollars may shed some light on the forces behind this gap between demand and availability. The Texas Workforce Commission reports that 21 percent of all WIA Adult expenditures were for training activities or individual training accounts (ITA’s). Basic one-stop operations, administrative costs, and indirect expenses paid to WIA contractors gobble up the remainder of WIA dollars block granted to the state’s workforce development boards. While many other “universal” services in One-Stop centers are supported with these funds, the limited amount spent on intensive services raises questions about high overhead costs in the current system design. Both at the state and national level these concerns are resulting in more interest from policymakers and even federal legislation to separate building and overhead costs from program and training costs. Unfortunately, federal proposals for both TANF and WIA also include provisions that would result in less federal funding to support education and training activities.

In addition to an analysis of participants in the state’s WIA programs, it is also important to discuss the effectiveness of the Texas TANF program in helping participants move toward self-sufficiency and higher earnings. Again, the state’s strict adherence to a “work first” model is evident. The U.S. Department of Health and Human Services reports that 2.2 percent of Texas TANF participants

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<sup>30</sup> The Texas Workforce Commission reported 16,020 WIA exiters to the United States Department of Labor, in program year 2001.

<sup>31</sup> This figure is derived from the number of WIA exiters receiving training services (7,414) relative to the number of adult Texans without a high school diploma or GED (3,509,670).

are enrolled in education and training activities, compared to the national figure of 5.7 percent.<sup>32</sup>

The real question in discussing the success of welfare reform and TANF employment services is an examination of the program's success in helping families get out of poverty and into family-supporting employment. Again, performance data show much room for improvement. According to research conducted for the Texas Department of Human Services, 70 percent of TANF "leavers were employed at some time in the year following their exit (from TANF) but only one-third held jobs in all four quarters after leaving TANF."<sup>33</sup> The 62 percent of TANF participants who found work are shown to be retaining some level of employment three consecutive quarters after initial placement. According to the study, TANF leavers were most likely to work in the retail and health care sectors.<sup>34</sup> TANF leavers were earning an average of \$7.20 per hour.<sup>35</sup> Approximately 29 percent of employed respondents reported some type of employee benefits, most typically vacation time (21 percent), some form of health insurance (17 percent), and/or sick days (18 percent). However, 17 percent of leavers did report that they were unable to afford the necessary employee contribution or co-payments for employer-provided benefits.<sup>36</sup>

Employment services in the TANF program are inadequately focused on the long-term success of clients. Adequate attention to concrete post-employment assistance, including targeted employment and training is missing from the current service design. Encouragingly, bills passed during the recent legislative session give specific direction to TWC to focus more on wage outcomes, job retention, wage advancement, and post-employment assistance. These directives should lead to a reexamination of current policies and perhaps the implementation of promising practices that are being implemented in other states. The economic well-being of the state's poorest families depends on it.

Utilization statistics and performance data on Texas' adult education system are also of interest. Again, using the number of adults in Texas without a high school diploma or GED (3,509,670) as a benchmark, Texas is serving only 2.94 percent of this target population or 103,204 adults. Of those most in need of remedial education only 2,013 students were enrolled in beginning literacy skills programming during the program year 1999-2000.<sup>37</sup> For those individuals who

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<sup>32</sup> U.S. Department of Health and Human Services. 2002. *Temporary Assistance for Needy Families: Fourth Annual Report to Congress*. Table 3:4.c. Available at <http://www.acf.dhhs.gov/programs/opre/ar2001chapter03.pdf>

<sup>33</sup> *Texas Families in Transition, 2002*. p.34.

<sup>34</sup> *Ibid.* p. 40.

<sup>35</sup> *Ibid.* p. 34.

<sup>36</sup> *Ibid.* p. 38.

<sup>37</sup> Texas Education Agency. 2001. *Annual Performance Report*.

are enrolled, it appears that modest improvements are gained. The Texas Education Agency reports that 59 percent of adult basic education (ABE) students improved beginning literacy skills. Of all the 103,204 adult education participants, 22 percent (22,873) successfully moved forward to obtain additional education and training.

## Post-Secondary Policies

Few can debate the central role played by education in securing enhanced earnings. In fact, it could be argued that the biggest bang for the education dollar may come from investing in more associate's degrees. Still, in 2000 only 5 percent of the Texas population was enrolled in higher education, which compares closely to a national average of 5.4 percent.<sup>38</sup> Nonetheless, that small percentage difference represents 80,000 students and future workers.

This section examines how well state policies support low-income workers efforts to secure additional post-secondary education and training in order to climb the economic ladder. While such skill development may have tremendous personal and financial rewards for the individuals involved, Texas also gains as its workforce educates itself for today's workplace and the jobs of tomorrow.

One measure of a state's commitment to educating its workforce is a comparison of state support for low-income individuals seeking post-secondary education as a proportion of the amount a state receives in federal Pell Grants. Across the country, state-funded aid for low-income students ranges from 0 percent of Pell Grants coming into the state to 136 percent of Pell Grant totals. Texas' investment in post-secondary education is equal to 30 percent of what it receives in federal Pell Grants.<sup>39</sup> As a result, compared to other states, Texas is extremely reliant on federal Pell resources for financial aid. Figure 2.5 shows how Texas supports students in need of financial aid. National averages, shown in Figure 2.6, clearly show Texas' comparative lack of state effort.<sup>40</sup>

This limited commitment creates real constraints in an essential component of the workforce system. Community college enrollment is forecast to be the fastest growing segment of post-secondary education in Texas over the next fifteen years and it is expected to grow almost twice as fast as enrollment at Texas universities over the next three years.<sup>41</sup> Community colleges have historically been open-door

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<sup>38</sup> National Center for Public Policy and Higher Education. 2002. *Measuring Up 2002: The State by State Report Card for Higher Education*.

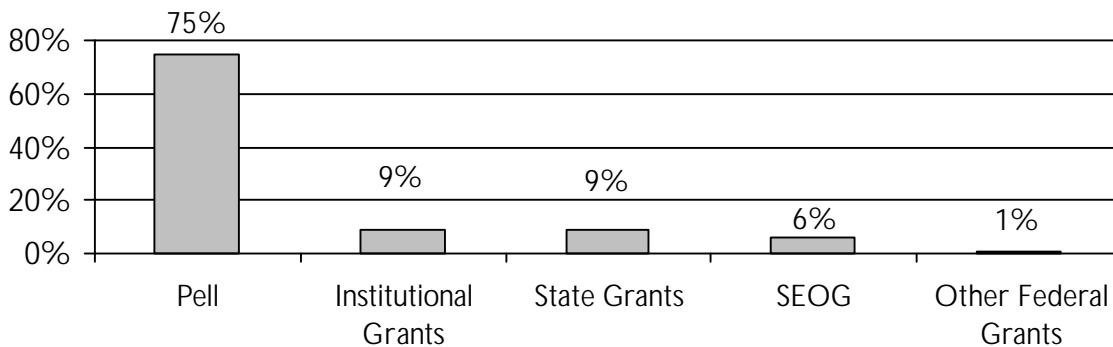
<sup>39</sup> National Center for Public Policy and Higher Education. 2002. *Losing Ground: A National Status Report on the Affordability of American Higher Education*.

<sup>40</sup> National Association of State Student Grant Aid Programs. 2002. *32nd Annual Survey Report 2000-2001 Academic Year*. State aid does not include grants that come from the institutions' own revenue sources.

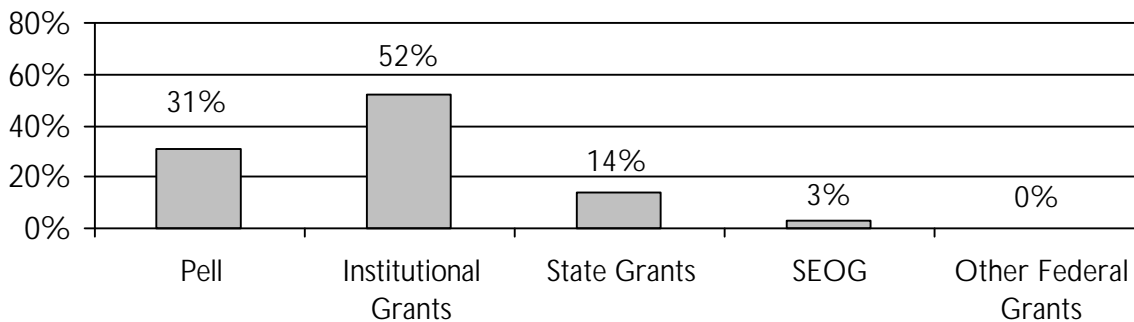
<sup>41</sup> Texas Higher Education Coordinating Board. January 2003. *Participation and Success Forecast, 2003-2015*. Available at <http://www.thecb.state.tx.us/reports/pdf/0518.pdf>

institutions that have served local communities and in particular economically disadvantaged students. A recent report on enrollment policies and student access at community colleges by the Education Commission of the States reveals that students with low socio-economic backgrounds are more likely to start their education at a community college.<sup>42</sup> Community colleges also play a critical role in providing developmental or remedial education.

**Figure 2.5: 1998-1999 State Support for Student Aid - Texas**



**Figure 2.6: 1998-1999 State Support for Student Aid - United States Average**



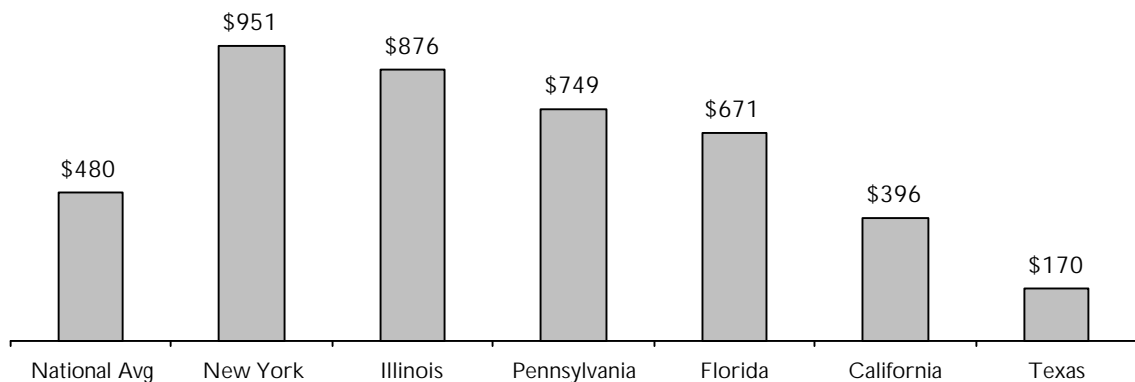
A critical indicator of post-secondary access is the affordability of community college. In Texas, community college tuition expenses for one student equal 20 percent of the median family income.<sup>43</sup> As a benchmark, keeping community college tuition below 25% of median family income is considered a positive sign.

<sup>42</sup> Phelan, Daniel J. Education Commission of the States. 2000. *Enrollment Policies and Student Access at Community Colleges*.

<sup>43</sup> *Measuring Up*, 2002

State funding still provides the greatest share of general operating funds to community and technical colleges. However, as mentioned above, tuition's share of community college costs has increased significantly over the last twenty years. This share will likely climb as the state's fiscal condition forces community colleges to increase their tuition to make up for lost state support, particularly for faculty and staff health care costs.<sup>44</sup> This cost-shifting has important implications for access to post-secondary education, particularly for low-income Texans, considering Texas is already one of the lowest investors in state financial aid when compared to other states of similar size. Figure 2.7 shows Texas at the low end among large states with state grant aid per student averaging \$170 compared to the national average of \$480.

**Figure 2.7: State Grant Aid per Student**



*Source: 32nd Annual Survey Report 2000-2001 Academic year, National Association of State Student Grant Aid programs, April 2002.*

One bright spot in Texas is the relatively new Texas Grants program. Texas has historically been more reliant on federal student financial aid and offered less state financial aid per student than most other states. The Texas Grants program, created in 1998, is an unprecedented effort to increase access to higher education by economically disadvantaged students through state aid. Texas Grants are limited to Texas residents who can show financial need and meet certain academic standards. The state recently created Texas Grants II, which extends awards to community and technical college students. Awards range from \$635 and \$870 for community and technical college students (including three-quarter time enrollment in workforce education and certificate programs) to \$1,475 per semester for university students.

<sup>44</sup> *Enrollment Policies and Student Access at Community Colleges, 2000.*

The Texas Grants program is in its infancy. A recent survey of high school students and graduates indicates that fewer than half of 9-12 graders are aware of Texas Grants and less than a third of high school graduates who did not go on to college are aware of the program. In 2001, Texas funded an aggressive ad campaign and significant increases to its budget for community college grants. While the proposed budget for 2004-2005 does not make cuts, it does not meet increased projections for enrollment. Time will tell whether Texas Grants will improve Texas' historically poor performance in helping low-income students get to college.

While the state of Texas does pay a portion of community college and post-secondary education costs, there are few state resources for workforce education tuition. Other states do provide student financial assistance for short-term, non-degree career programs. The Texas Grants program will provide up to \$800 for a *full time semester* in technical or career certificate classes, but there is little money available for *short-term* certificate and training courses, making intensive job training even more difficult to access for working poor adults.<sup>45</sup> However, on a positive note, Texas does provide equal support to community colleges for students in non-credit career classes and for students enrolled in academic programs.<sup>46</sup> One benefit of this funding mechanism is that community colleges in Texas can focus as much on efforts to prepare lower educated workers for specific occupations as on preparing students for associate degrees or for transfers to four-year universities.<sup>47</sup>

Another measure of state support for post-secondary education is the degree to which states utilize federal career/technical program resources, notably from the Carl D. Perkins Vocational and Technical Education Act, or simply Perkins dollars, for post-secondary education. In fiscal year 2002, 39 percent of the federal Perkins funds were distributed for use in post-secondary systems nationwide. While twelve states allocate 50 percent or more of their Perkins dollars to post-secondary, Texas allocates 42 percent of its Perkins funds to post-secondary.<sup>48</sup> Local community and technical colleges can apply for Perkins funds directly from the state Higher Education Coordinating Board and are not required to seek prior approval from local workforce boards.

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<sup>45</sup> FutureWorks. 2002. *Held Back: How Student Aid Programs Fail Working Adults*. p. 53. Available at [http://futureworks-web.com/images/held\\_back\\_report.pdf](http://futureworks-web.com/images/held_back_report.pdf)

<sup>46</sup> Education Commission of the States. Community College Policy Center. 2000. *State Funding for Community Colleges: A 50-State Survey*. Table 18.

<sup>47</sup> See the Texas Association of Community Colleges website <http://www.tacc.org/resguide/funding.html> for more information on community college funding formulas.

<sup>48</sup> Texas Higher Education Coordinating Board. correspondence with the authors. June 2003

## Post-Secondary Performance

In terms of judging the performance of the Texas post-secondary system, success must be gauged both by the degree to which low-income individuals are able to access education services and the success of these services in helping workers get credentials and on the path toward high wage-jobs and economic security.

States use a variety of indicators to measure the performance of their community college and post-secondary education systems. The most common performance indicator for all states is job placement, followed closely by transfer and graduation/certification rates. Texas does monitor job placement rates as a performance measure. However, in comparison to other states, Texas does not link the performance of many workforce and post-secondary education programs directly to their state funding.

Some states create incentives for community colleges to increase credentialing and job placement rates. Texas bases its state funding formula on the number of student contact hours. While Texas does not utilize direct incentive payments, it does set a standard of 90 percent job placement for most community and technical college career programs. Some argue that because community colleges serve a range of students, from the continuing education student to the associate degree and transfer student, it is difficult to use one standard like job placement as a means to judge success.

A key post-secondary performance indicator in which community colleges have traditionally played a critical role is ensuring that students in need of developmental or remedial education obtain these fundamental skills. In fall of 2000, 39 percent of all first-time-in-college students attending a public community or technical college in Texas enrolled in one or more remedial courses.<sup>49</sup> Less than 30 percent of students required to participate in developmental education in any given year complete it within the next two years and an even smaller percentage go on to complete certificates or degrees.<sup>50</sup> Texas has tested a pilot project that links performance on developmental education goals to increased funding. However, few community colleges have opted to participate in the program and there has been no evaluation of its effectiveness in improving remedial education goals.

A significant goal of community colleges is to serve as a gateway to higher education. Economically disadvantaged groups and minorities are more likely to start their higher education at a community college. As many as 38 percent of students enrolled in a community college will go on to get their associates degree

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<sup>49</sup> Texas Higher Education Coordinating Board. 2002. *Statewide Factbook*

<sup>50</sup> Texas Higher Education Coordinating Board. October 2002. *Mathematics Developmental Education in Public Institutions of Higher Education*.

or transfer to a university.<sup>51</sup> Of course community colleges also serve a number of workforce education students seeking sub-baccalaureate certificates. One measure of the emphasis that states place on occupational specific training is the ratio of community college certificates to the number of community college associate degrees. Texas has a ratio of .68, meaning that for every three students seeking an associate degree, two are attending community colleges for continuing education and certificate courses.<sup>52</sup>

How successful is Texas in placing its community college students in good jobs following graduation? Unfortunately, this data is difficult to ascertain, as many key performance measures are not tracked. For example, Texas does not evaluate the success of its post-secondary system in placing students in high-wage jobs.<sup>53</sup> A compounding problem is that while the Texas Higher Education Coordinating Board compiles data on community colleges, the Texas Workforce Commission tracks wage outcomes. As a result, there is little comprehensive information about the quality of job placements or wage outcomes for sub-populations of community college students, key indicators in other states of how the post-secondary system helps move low-income workers into higher wage employment.

The Texas Workforce Commission does track earnings for selected community college exit cohorts. Median quarterly earnings for the 1999-2000 exit cohort that completed technical college programs were \$6,234, and continuing education students predictably fared even better with quarterly earnings of \$7,413.<sup>54</sup> The most common industry for technical college completers in Texas was health care, with 36 percent of graduates working in hospitals, clinics, and nursing facilities.<sup>55</sup>

Access to, and utilization of, higher education is an indisputable gauge for how states are preparing their workforce. Texas ranks near the bottom nationally in terms of state high school students going on to enroll in college. Only 31 percent of Texas high school freshmen go on to enroll in college. National rates range from 24 to 59 percent.<sup>56</sup> There are some positive steps being taken to improve these numbers. In 2000, the Texas Higher Education Coordinating Board (THECB) introduced a plan, *Closing the Gaps by 2015*, to increase enrollment at the state's institutions of higher learning by as many as 500,000 more students

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<sup>51</sup> Texas Higher Education Coordinating Board. Office of Institutional Effectiveness. 2002. *Annual Data Profile*. <http://www.thecb.state.tx.us/ctc/ie/ctcadp/ctcadp.cfm>

<sup>52</sup> American Association of Community Colleges. (no date) *National Profile of Community Colleges: Trends and Statistics*. 3rd Edition. Available at <http://www.aacc.nche.edu>

<sup>53</sup> *State Funding for Community Colleges: A 50-State Survey*, 2000. Table 24.

<sup>54</sup> Texas Workforce Commission, Office of Career Development Resources. July 2002. *Automated Student and Adult Learner Follow-Up System, Final Report Program Year 1999-2000*.

<sup>55</sup> *Ibid*, p59.

<sup>56</sup> *Measuring Up*, 2002.

and increase the number of certificates and degrees awarded by 50 percent by 2015.

One troubling factor working against these efforts is the link between family income and access to education. The Higher Education Coordinating Board estimates that 56 percent of 18 to 24 year olds from high-income families enroll in college, compared to 20 percent of those from low-income families. Even for those Texas students making it to a community college, Texas again ranks near bottom in the number of students who return for their second year, with only 41 percent returning; across the country state averages range from 40 percent to 67 percent.<sup>57</sup>

A significant percentage of state workforce and vocational education programs are paid for through the Perkins Act. As mentioned above, Texas is about average in its allocation of Perkins funds between secondary and post-secondary education. Perkins funds spent at the post-secondary level would typically be used for equipment or classroom materials. Of participants in Perkins-funded vocational programs, 36 percent complete their programs and obtain a degree or certificate.<sup>58</sup> In the past, states were required to set-aside roughly 10 percent of their Perkins grant for “Special Populations”, including persons with disabilities and economically disadvantaged students. This is no longer required and Texas chose not to have a state set-aside, but many community colleges still reserve a certain portion of Perkins funds for special populations at the local level.

While Texas does not measure job placement rates or the wages of students funded solely through Perkins, as many as 32 percent of all special populations, including 33 percent of economically disadvantaged students, complete a degree or certificate or transfer within four years of enrollment.<sup>59</sup> Texas does evaluate the success of all students in completing their courses of study and technical proficiency, but there are few state incentives to make extra efforts to encourage community colleges to improve access to low-income economically disadvantaged students.

Adult learners also appear to have limited access to post-secondary education. Similar to other indications of Texas’ limited investments in human capital, Texas serves only 8.8 percent of adults without post-secondary education through Perkins grants. The total percentage of working-aged adults (25 to 54) enrolled at least part-time in some post-secondary institution is 5.3 percent in Texas.<sup>60</sup>

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<sup>57</sup> Ibid.

<sup>58</sup> Texas Higher Education Coordinating Board, *Data Resources for Perkins Measures and Standards*. Program Year 2001-2002. <http://www.thecb.state.tx.us/ctc/ie/perkdata/perkdata.cfm>

<sup>59</sup> Ibid.

<sup>60</sup> *Measuring Up*, 2002.



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## Chapter 3: Employment Opportunity

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- ? Labor force participation for men in Texas is 78 percent, while the rate for women is 59 percent. The national figures for men and women are 67 percent and 60 percent respectively.
  - ? Male Hispanics in Texas are the men most likely to be in the labor force, with a participation rate in excess of 81 percent, compared to 78 percent for white men and 70 percent for African-American men.
  - ? The unemployment rate in Texas was 6.8 percent for May 2003. This is the highest May rate since 1993.
  - ? In Texas, 4.99 percent of workers over 18 hold more than one job. Nationally, the figure is 5.74 percent.
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All-too-often “economic development” is perceived to be merely a mix of state and local incentives, tax abatements, and other concessions designed to “lure” businesses into the state. There is, however, an alternative approach. And even more importantly, it is an approach that business actually prefers. If Texas were to focus on creating and supporting a skilled, productive, and creative workforce, businesses would compete to come here. Texas must think strategically, and for the long term, about how it can best create the vibrant economy it needs to prosper and grow in the twenty-first century. This is the central challenge presented by the Texas State Data Center’s report - *The Texas Challenge*, discussed earlier. Demographic trends may not be destiny but they demand action today to ensure broadly shared socioeconomic growth.<sup>61</sup>

Continued reliance on low-wage, low-skill jobs will not advance our economy. Instead, such an approach will actually stagnate economic growth. Without a shift in focus, more and more Texans will enter jobs that pay wages so low that these workers will have no choice but to turn to state and federally funded supports to simply get by, and will not have the income to purchase, invest, and participate in a vibrant economy. Businesses will look elsewhere for the workforce their increasingly competitive world demands.

Recent proposals to cut state and federal assistance programs, ranging from health care to job training, are already undercutting the current and future

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<sup>61</sup> Murdock *et al*, 2002.

economic security of our families and communities. While cuts in social services and employment programs may appear to save our state money in the short-term, the long-term costs of such shortsighted public policy will be tremendous in both human and economic terms.

## Labor Force Participation

Like Americans everywhere, low-income Texans work hard day in and day out. In fact, the Texas labor force participation rate of 68 percent mirrors the national labor force participation rate of 67 percent.<sup>62</sup> Clearly, Texans work hard.

Total	68 percent
Women	59 percent
Men	78 percent
“Non-White”	67 percent

Labor force participation rates get very interesting when one digs a bit deeper into the numbers and examines employment patterns for specific groups of Texans, sorting for gender and ethnicity. Again, like the national data, men in Texas are considerably more likely to be engaged in the workforce than women. According to the United States Department of Labor’s Bureau of Labor Statistics, the labor force participation for men rests at 78 percent in Texas, while the rate for women is 59 percent. The national

figures for men and women are 67 percent and 60 percent, respectively, again showing that Texas is in line with national statistics.<sup>64</sup> Recent analysis of labor force participation of women suggests that those aged 35 to 44 had the highest rate of labor force participation, followed closely by those aged 25 to 34.<sup>65</sup>

Examination of labor force participation among non-white Texans reveals some interesting facts about who exactly constitutes the Texas workforce. While “non-white” Texans have a labor force participation of 67 percent overall, labor force participation varies dramatically when sorted by both ethnicity and gender. For example, African-American women have a labor force participation rate of 65

<sup>62</sup> Labor force participation figures reflect the percent of the civilian non-institutional population in the labor force. Data are taken from the Geographic Profile of Employment and Unemployment, published by the United States Department of Labor Bureau of Labor Statistics, and based on the 2000 Current Population Survey. Available at [www.bls.gov/opub/gp/pdf/gp00\\_12.pdf](http://www.bls.gov/opub/gp/pdf/gp00_12.pdf)

<sup>63</sup> Geographic Profile of Employment and Unemployment, 2000.

<sup>64</sup> Ibid.

<sup>65</sup> United States Department of Labor. Bureau of Labor Statistics. February 16, 2000. *Changes in Women’s Labor Force Participation*. Monthly Labor Review. Available at <http://www.bls.gov/opub/ted/2000/feb/wk3/art03.htm>

percent, compared to 59 percent for white women and 56 percent for Hispanic women.<sup>66</sup>

Not surprisingly, ethnicity data also reveals variation in the labor force participation of Texas men. Male Hispanics are the men most likely to be in the labor force, with a participation rate in excess of 81 percent, compared to 78 percent for white men and 70 percent for African-American men.<sup>67</sup> Age may play a significant role in these figures, as the Texas Hispanic population is younger than its white and African-American counterparts.<sup>68</sup>

The data are clear. Texans are working hard. Their socioeconomic status is not a result of an unwillingness to work, but more accurately is a reflection of the inability of many to secure good, well-paying employment.

Even with these strong rates of labor force participation, recent jumps in unemployment highlight the fact that many would be workers still struggle to find, and keep, a job. In order to enhance our understanding of the work lives of low-income Texans, an analysis of unemployment, part-time employment, and the prevalence of workers holding multiple jobs is needed.

Too many Texans are not “fully employed” in comparison to national figures. Workers fall in this category if they are unemployed, marginally attached to the labor market, or employed part-time for economic reasons. In Texas, 7.96 percent of persons aged 18 to 64 who are in the labor market or are marginally attached to the labor market are not fully employed compared to the national figure of 7.84 percent.<sup>69</sup>

Unemployment remains a serious concern for working Texans. Layoffs throughout the state, notably in the technology centers of Austin and Dallas, have had a tremendous impact on the state’s economy and the sales tax reliant Texas budget. According to the Population Reference Bureau’s analysis of Current Population Survey data, 4.59 percent of Texans were unemployed in 2001 (U.S. rate was 4.49 percent).<sup>70</sup> It is important to note that this particular unemployment figure is not the standard unemployment rate, as the denominator includes workers marginally attached to the labor market. The most recent traditional measure of Texas unemployment by the Texas Workforce Commission puts the rate at 6.8 percent for May 2003. This is the highest May rate since 1993 when it reached 7.2 percent. Since January 2002, the

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<sup>66</sup> Ibid.

<sup>67</sup> Ibid.

<sup>68</sup> *A Summary of The Texas Challenge in the Twenty-First Century*, 2002. p. 7.

<sup>69</sup> Data compiled from U.S Census Bureau. 2001. Basic Monthly Survey of the Current Population Survey.

<sup>70</sup> Ibid.

unemployment rate in Texas has been at or above 6 percent. This is a significant jump from the January 2001 figure of 4.3 percent. The increase of 2.5 percentage points reflects the shedding of nearly 290,000 Texas jobs in just over two years.<sup>71</sup>

In Texas, 2.67 percent of persons aged 18 to 64 who are working or are marginally attached to the labor force are working involuntarily part-time.<sup>72</sup> Between 2000 and 2002 involuntary part-time employment increased 28.7 percent at the national level.<sup>73</sup> According to the United States Department of Labor's Bureau of Labor Statistics, in 2001 American workers who were working part-time (less than 35 hours per week) due to economic reasons worked an average of 23.2 hours per week.<sup>74</sup> Analysis conducted by the Economic Policy Institute reveals that the Texas figures parallel the national numbers, with Texans who are involuntarily working part-time also logging less than 24 hours per week.<sup>75</sup>

Many factors can contribute to involuntary underemployment. Workers may be unable to find full-time work.<sup>76</sup> For example, low-wage workers in rural Texas are more likely to be employed in the service and retail trade industries which are less likely to offer full-time hours.<sup>77</sup> Certain job categories may require shift work schedules that preclude standard full-time work. Texas employers may not offer full-time work to their employees in order to avoid providing expensive employee benefits packages. Individual family circumstances can also contribute to underemployment. Families with children may simply be unable to afford the high cost of child care that would enable them to work full-time. Parents caring for a disabled child or family member may be forced to work part time to care for their loved-one, either by choice or because they cannot afford to pay a caregiver. Young, low-income, non-custodial fathers face the quandary of needing adequate income to provide child support assistance, yet having few programs designed to

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<sup>71</sup> For analysis of current and historic Texas unemployment, please visit the Texas Workforce Commission's Texas Labor Market Information unemployment web site at <http://www.twc.state.tx.us/lmi/lfs/type/unemployment/unemploymentstatewide.html>

<sup>72</sup> Ibid.

<sup>73</sup> Mishel, Lawrence *et al.* Economic Policy Institute. March 2002. *Failing the Unemployed: A State-by-State Examination of Unemployment Insurance Systems*. <http://www.epinet.org/briefingpapers/bp122.html> p.223.

<sup>74</sup> Household Data Annual Averages. "Persons at work 1 to 34 hours in all and nonagricultural industries by reason for working less than 35 hours and usual full- or part-time status." Data derived from the Current Population Survey conducted by the United States Bureau of Census. United States Department of Labor Bureau of Labor Statistics. P. 193. "Economic reasons" include slack, part-time and seasonal work.

<sup>75</sup> Mishel *et al.* 2002.

<sup>76</sup> For a discussion of part-time work in Texas, see the United States Department of Labor. Bureau of Labor Statistics. Geographic Profile of Employment and Unemployment. 2000. Table 20 at <http://www.bls.gov/opub/gp/laugp.htm>

<sup>77</sup> United States Department of Agriculture Economic Research Service. 2000. *Rural Low-Wage Employment Rises Among Men*. Rural Conditions and Trends. vol. 11, no.2. p. 9.

help them obtain the skills necessary to get a job that pays enough to meet their obligations.<sup>78</sup>

Implementing family-friendly workplace policies has been a struggle in Texas. Efforts to require businesses to provide more flexibility for workers trying to meet family obligations have been routinely quashed. One bright spot has been the steady evolution of an extensive child care system in the state. For more than a decade, mostly driven by federal funding increases, more and more subsidized child care has become available for low-income working parents. Unfortunately, recent budget pressures threaten this progress. State-level policy proposals have been floated recently to virtually eliminate child care assistance to part-time workers, requiring that a parent be working 36 hours per week in order to be eligible for assistance. Not only do these proposals challenge the control of child care policy by local workforce development boards, they also ignore realities of the modern workplace. Millions of low-income Texans are working in service jobs and other industrial sectors dominated by low-wage, part-time work.<sup>79</sup> While some of these workers are able to cobble together at least 36 or more hours of work per week, others simply cannot find the full-time work they want and need. Child care is an essential work support even for these part-time workers.

In Texas, 9.6 percent of unemployed workers find themselves suffering from a prolonged inability to find a job.

For those unable to retain even part-time work, unemployment is often the reality. And with unemployment on the rise, Texas must be particularly concerned about members of its workforce slipping into long-term unemployment. Nationally, the percent of unemployed workers out of work for more than 26 weeks ranges from 3.8 percent to 19.2 percent. In Texas, 9.6 percent of unemployed workers find themselves suffering from a prolonged inability to find a job. This figure compares favorably to the national average of 11.4 percent of workers enduring more than 26 weeks of unemployment.<sup>80</sup>

Another facet of the experiences of low-wage workers is the prevalence of workers who are working more than one job. In Texas 4.99 percent of workers over 18

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<sup>78</sup> See "Poor Dads Who Don't Pay Child Support: Deadbeat or Disadvantaged" by Elaine Sorenson and Chava Zibman. Urban Institute. 2001.

<sup>79</sup>For complete discussion of the prevalence of service industry labor in Texas, please see the Texas Workforce Commission's Labor Market Information Service Industry web site at <http://twc.state.tx.us/lmi/lfs/industry/serviceshome.html>

<sup>80</sup> Geographic Profile of Employment and Unemployment, 2001. Available at [http://www.bls.gov/opub/gp/pdf/gp00\\_23.pdf](http://www.bls.gov/opub/gp/pdf/gp00_23.pdf)

hold more than one job. Nationally, the figure is 5.74 percent.<sup>81</sup> Workers holding down more than one job do so typically to make up for inadequate hours and/or wages available to them through one job. Generally, these and other “non-standard” work choices also come with fewer benefits, less job stability and fewer opportunities for advancement.

## State Policies Influencing Employment Availability

Though limited, the efforts Texas is making to improve the skills and training of its workers are to be commended. Model programs with national recognition exist in the state. The challenge is to build upon them and integrate their successes more broadly into the workforce system.

The Skills Development and Self-Sufficiency Funds are Texas workforce initiatives that have won accolades across the nation for their ability to bridge the workforce needs of businesses with the skill building needs of workers. Additionally, they use a collaborative model that links businesses directly with training providers such as local community colleges, technical programs, and community-based organizations.

In fiscal years 2002-2003 the Skills Development Fund will have financed \$25 million in state-funded grants to local community and technical colleges that offer customized training in conjunction with local business consortiums and unions. An additional \$6 million in TANF funds was appropriated for the Self-Sufficiency Fund, which funds partnerships between businesses and community colleges or community and faith-based organizations to train lower-income individuals.

The Texas Comptroller estimates that training provided through the Skills Development Fund results in a return on investment to Texas taxpayers of more than 25 percent above program costs.

The Skills Development Fund has been used as an economic development tool to connect new Texas employers to well-trained workers. Over 300 firms took part in these programs in 1998 and more than 15,000 workers were trained. The program awards about 10 percent of funds to projects working with new employers. The Texas Comptroller estimates that the median quarterly gain in earnings after training through the Skills Development

<sup>81</sup> Basic Monthly Survey of the Current Population Survey, 2001.

Fund was \$1,090, or \$4,360 over a full year, resulting in a return on investment to Texas taxpayers of over 25 percent above program costs.<sup>82</sup> With clear benefits to business, workers, and taxpayers, Texas could use even more of these unique resources to develop a well-trained workforce.

The Self-Sufficiency Fund Program, also administered by the Texas Workforce Commission, assists businesses by designing, financing and implementing customized job training programs in partnership with public community and technical colleges, a higher education extension service, and community-based or faith-based organizations for the creation of new jobs and/or worker retraining. This program specifically focuses on TANF and Food Stamp clients with the goal of moving them into employment and off of public assistance. During Fiscal Year 2001, TWC awarded 24 grants, totaling just under \$12 million, to 195 businesses with a commitment to create and/or retrain 3,607 individuals at an average hourly rate of \$8.36 per hour.

As with the Skills Development Fund, the Self-Sufficiency Fund requires that participants be prepared for jobs with specific employers. Therefore, those employers must participate directly in the application process. Additionally, before the application is submitted to the TWC, it must first be submitted to the appropriate Local Workforce Development Board for review, comment, and approval. Importantly, the Self-Sufficiency Fund also provides money for support services that are necessary to enable participants to take part in training activities and to make the transition from training to work.

It is a notable sign of the success and popularity of these programs that during the most recent legislative session, these programs retained their current funding levels for FY 04-05, despite a budget shortfall of over \$10 billion and major cuts to most other state programs.

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<sup>82</sup> For discussion of these savings, please see <http://www.window.state.tx.us/specialrpt/smartjobs/summary.html>.



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## Chapter 4: Conditions of Employment

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- ? Twenty-eight percent of Texas jobs are in occupations that pay below the poverty level.
  - ? In Texas, 23.4 percent of workers aged 18 to 64 do not have health insurance. The national figure is 16.2 percent.
  - ? In Texas, 69 percent of unemployed workers did not receive unemployment insurance benefits, compared to 57 percent nationally.
  - ? In Texas, 75 percent of workers are covered by workers compensation insurance compared to the national figure of 91 percent.
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As laid out in the preceding pages, many Texas workers face a daily challenge as they attempt to build a secure future for themselves and their families. Limited access to education and training hobbles even the most motivated. In addition to inadequate investments in skill building, Texas also presents its workers with an array of state policies that exacerbate an already difficult environment in which to get ahead.

This chapter examines the working conditions of Texas' low-income workforce. After briefly discussing the realities of the employment opportunities open to Texas workers, the chapter addresses state policies influencing the conditions of employment. Of particular interest are laws concerning wages, tax benefits, health care, child care, unemployment insurance coverage, and workers' compensation.

### Employment Conditions

In Texas, 41.2 percent of workers (3,714,820) are employed in occupations paying a median hourly wage of less than \$10 per hour.<sup>83</sup> Twenty-eight percent of Texas jobs are in occupations that pay below the poverty level.<sup>84</sup> As noted earlier, research on family economic security by the Center for Public Policy Priorities has concluded that Texans of all family types, including single workers without children, must earn significantly more than the federal minimum wage if they are

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<sup>83</sup> The Center for Public Policy Priorities. 2001. *Making It: What it Really Takes to Live in Texas*.

<sup>84</sup> Bureau of Labor Statistics. 2000. Calculations from the Occupational Employment Statistics program by Andrew Reamer and Associates.

to scrape together even the most modest existence. In fact, in most metropolitan statistical areas in Texas, only a single worker without children could get by on \$10 per hour without significant public assistance for food, medical care, housing, and child care.<sup>85</sup>

Aggravating this tenuous economic reality for many is the reliance on contingent or temporary work. Low-wage workers in Texas are more likely than their counterparts elsewhere in the country to be employed in the contingent workforce. The use of contingent or “temp” labor has increased dramatically and, according to the Economic Policy Institute, “economic forces may be pushing the economy toward ever greater use of temporary workers as firms increasingly use

contract labor rather than hire their own employees.”<sup>86</sup> In Texas, 1.49 percent of workers over 18 hold contingent jobs, compared to 1.18 percent nationally.<sup>87</sup>

In Texas, 41.2 percent of workers (3,714,820 in total) are employed in occupations paying a median hourly wage of less than \$10 per hour.

In addition to wages and hours, the scope of benefits that either come with employment, or are afforded because of it, provides another measure of economic security. Chief among these benefits is health care. Texas falls far behind the national average in the percent of workers with health insurance. In Texas an alarming 23.4 percent of workers 18 to 64 do not have health insurance.<sup>88</sup> The national figure is 16.2 percent of workers.

This dismal showing on health insurance coverage was a key element in the failing grade Texas received as part of the CFED Development Report Card discussed earlier.

Texas again falls short of the national average when measuring a worker’s access to unemployment insurance benefits. In Texas, 66 percent of unemployed workers did not receive unemployment insurance benefits, compared to 57 percent nationally.<sup>89</sup> State policies to ensure access to unemployment insurance become even more important during an economic downturn such as the one the state is facing today. Without unemployment insurance, many low-wage workers

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<sup>85</sup> Ibid.

<sup>86</sup> Mishel *et al.* 2002, p. 261.

<sup>87</sup> US Census Bureau. 2000. Contingent Worker Supplement of the Current Population Survey.

<sup>88</sup> “Health insurance” in this instance refers to medical coverage provided by an employer as a benefit or via a government-funded program. It is assumed that workers over age 64 are eligible for government-provided health insurance.

<sup>89</sup> U.S. Department of Labor. Office of Workforce Security, Employment and Training Administration. 2000. See <http://workforcesecurity.doleta.gov/unemploy/content/data.asp>

may have no option but to turn to the Texas welfare system for support. As is discussed later in this chapter, Texas could take small but important measures now to better serve the unemployed and keep low-income workers off welfare.

Finally, to round out the picture of the conditions faced by working Texans, workers compensation insurance must also be considered. Unfortunately, Texas falls behind yet again in comparison to the national average in covering its workers with workers compensation insurance. In Texas, 75 percent of workers are covered by workers compensation insurance compared to the national figure of 91 percent. Texas is the only state in the country that does not require its employers to carry workers compensation, leaving thousands of workers without basic protections for workplace injuries.

In Texas, 75 percent of workers are covered by workers compensation insurance compared to the national figure of 91 percent.

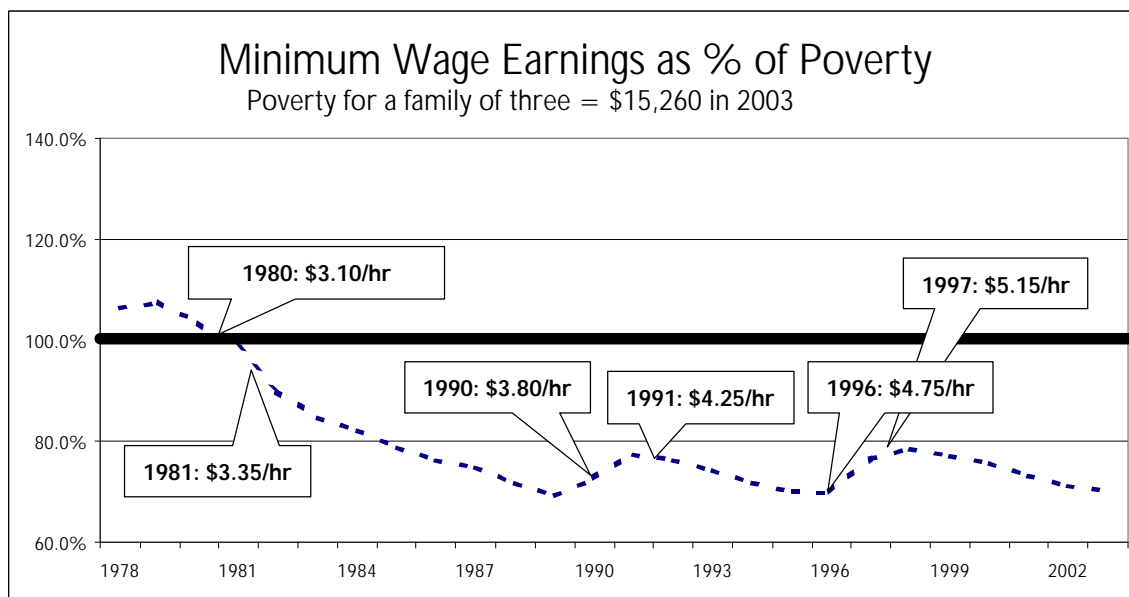
### *State Policies Influencing Employment Conditions*

The conditions discussed above do not occur in a vacuum, they are either addressed, mitigated or exacerbated by specific state policy and funding decisions. Low-income workers in Texas face significant barriers to obtaining adequate and family-supporting work. Low-wages, inadequate access to education and training, underemployment, and unsupportive state policies help to create a difficult economic reality for millions of Texans. All of these conditions could be improved with specific, targeted changes in state policies and investments. The *status quo* is no way to build a vital and prosperous future for these families or the state. Examining the policies that either hinder or promote progress toward a better economic future is a first step toward identifying what needs to change.

### **Earning an Adequate Wage: No Easy Task in Texas**

Despite the high cost of living in many Texas cities, millions of Texans are not making enough to provide even a bare bones existence for their families. Texas must decide whether it will take the low road ? of exploiting its human capital for cheap returns ? or the high road of investing in a workforce that can build a prosperous future for all Texans. Investments at all levels affect this equation. As state and federal governments back away from their already meager commitments to provide even the most basic support services to families, such as health care and child care, employers themselves may increasingly bear the cost and responsibility for ensuring the health and productivity of the Texas workforce.

An emerging national trend in recent years has been the establishment of state and/or local minimum wages or living wages that are set above the federal minimum. These wage policies have been adopted largely in response to the declining purchasing power of the federal minimum wage. Texas does not have an established minimum wage above the federal minimum wage. In fact, it is worth noting that until recently the state even had its own lower minimum wage for workers not covered by the federal minimum standards. And, in 2003, Texas passed a law prohibiting local communities from establishing a “living wage” higher than the federal minimum wage.<sup>90</sup> While contrary to Texas’ long-established predisposition to local control, efforts to cap wages have garnered the favor of the some in the Texas business lobby.



## A Taxing Situation for the Working Poor in Texas

Texas does not have a state income tax and is therefore heavily reliant upon sales and property taxes to fund state and local services. Because of this limited array of tax sources, the Texas tax system places the heaviest burden on those least able to pay. Texas taxes are regressive, meaning they take a much greater percentage of the income from a low- or moderate-income family than from a higher-income family. Texas’ state and local tax system is the fifth most regressive among the 50 states. For example, a family with a household income of under \$19,500 pays 11.9

<sup>90</sup> HB 804, 78<sup>th</sup> Texas Legislature. For CPPP analysis, please visit <http://www.cppp.org/products/policypages/171-190/171-190.html/PP189.html>.

percent of their income in taxes, while families with a household income over \$90,100 pay only 3.3 percent of their income in taxes.<sup>91</sup>

The main cause of this regressivity is the sales tax. Despite sales tax exemptions for groceries, residential utilities (gas, electric, water) and medicines, a sales tax is a tax on consumption. Consumption taxes are extremely regressive. Let's look at the same families described above. The family with the household income of less than \$19,500 pays 4.2 percent of that income in sales taxes alone. The family with the income over \$90,100 pays only 1.1 percent of its income in sales taxes.<sup>92</sup> Twenty-seven states have an average state and local tax burden of under ten percent for families in the bottom quintile of earnings. The national range is from 3.8 to 17.6 percent. Texas reliance on sales and property taxes puts the tax burden on the working poor at 11.4 percent.<sup>93</sup>

Driven by opposition to skyrocketing property taxes, the Texas legislature may soon be considering sweeping changes to its tax system and how it funds public education in particular. No real solution to this problem can be accomplished without significant new state-level taxes to replace the property tax. Unfortunately, many of the proposals under consideration would shift even more burden to sales taxes, potentially worsening the regressivity of the Texas tax system.

Texas' state and local tax system is the fifth most regressive among the 50 states.

The state's historic resistance to the adoption of a state income tax helps to create its regressive tax system. It also limits the state's options for supporting low-income working families through its tax system. For example, as of 2001 fifteen states had enacted some form of state Earned Income Tax Credit (EITC) which is specifically designed to provide a tax break for hard working, but low-income, families.<sup>94</sup> Texas cannot implement its own EITC without having an income tax first. Additional supports for working families, such as the deduction of child care and health care expenses from state income taxes, are also precluded.

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<sup>91</sup> Texas Comptroller of Public Accounts. January 2003. *Tax Exemptions and Tax Incidence*.

<sup>92</sup> Ibid.

<sup>93</sup> Institute on Taxation and Economic Policy. January 2003. *Who Pays: A Distributional Analysis of the Tax Systems in All 50 States*. <http://www.itepnet.org/whopays.htm>

<sup>94</sup> Center for Budget and Policy Priorities. August 2001. *The Poverty Despite Work Handbook*. p. 133. Available at <http://www.cbpp.org/pubs/eitc.htm>

Lastly, the current tax structure leaves Texas starved for adequate revenue to fund the basic needs of the state. Texas ranks 50<sup>th</sup> in the country in its per cap state expenditures. As much of the data in this report suggest, greater investments in education and training, in workforce development, and economic development are essential for the long-term vitality of the state. If the public school financing crisis finally forces Texas to address the embedded weaknesses of its outmoded tax system, it will be essential that any reforms also ensure adequate revenues for other state services and critical investments in its human capital.

### Health Care: Out of Reach for Too Many

A healthy workforce is a productive workforce. Unfortunately, Texas is doing far too little to ensure that its workforce is healthy and productive. The Census reports that 57.8 percent of Texans under 65 were insured through their own job, or a spouse or parent's job, in 2001 – down from 60.9 percent of Texans in 2000.<sup>95</sup> High costs and rapid price inflation in health insurance are making it harder for employers to help pay for their workers' benefits, and harder for workers themselves to pay premiums for their spouses and children.

According to the Kaiser Foundation's 2002 Annual Survey of Employer Health benefits, U.S. employers paid an average of \$670 per month for family coverage (coverage for the employee, a spouse, and 1 or more children). The Texas Department of Insurance has found that Texans' average family premiums for employer group coverage are higher than the national average. Although the employee-only premium is close to the national average, the premium to cover a spouse and dependents is significantly higher: 25 percent higher on average for all firms, and almost 50% higher for small firms.<sup>96</sup>

57.8% of Texans under 65 were insured through their own job, or a spouse or parent's job, in 2001 – down from 60.9% of Texans in 2000.

In Texas, coverage for school employees ("ActiveCare") in 2002 cost \$593 a month for family coverage with a \$3,000 deductible, \$789 per month for family coverage with a \$1,500 deductible, or \$997 per month for family coverage with a \$1,500 deductible only for out-of-network providers.<sup>97</sup> Coverage for state employees

<sup>95</sup> Employee Benefits Research Institute. December 2002. *Sources of Health Insurance and Characteristics of the Uninsured*. See CPPP's *Medicaid and CHIP Background Paper* for more information on the uninsured in Texas.

<sup>96</sup> Texas Department of Insurance. March 2002. *Working Together for a Healthy Texas*. pp. 29-31.

<sup>97</sup> House Research Organization. October 2, 2002. *Interim News No. 77*. pp12.

cost \$895 per month for family coverage under HealthSelect in 2002.

Individuals and families wanting to buy private insurance can be denied coverage (or charged an unlimited rate) based on their health history or condition. The Texas Health Insurance Risk Pool will cover persons denied coverage. For a non-smoking man aged 50 years, Risk Pool coverage (for him alone – no family members) ranges from a low of \$220 per month (\$5,000 deductible, least expensive region of the state) to \$744 per month (\$500 deductible, most expensive region of state).<sup>98</sup>

In a survey of small employers by the Texas Department of Insurance, 65 percent of small employers who do not provide coverage said they would not be willing to spend more than \$100 per employee per month for health benefits.<sup>99</sup> This suggests that the steep growth in premium costs is rapidly pricing most employers out of the market. The average increase in private health insurance premiums nationwide in 2002 was 12.7 percent. The Federal Employees Health Benefit Plan premiums jumped by 13.3 percent in 2002, and the Office of Personnel Management projects another 11 percent increase in 2003.<sup>100</sup>

As the examples above show, the only way for many low-income families to get health insurance with premiums low enough to be affordable is to accept a very large deductible. Unfortunately, while this approach will protect them from catastrophic costs, their family budgets often leave no room to pay for routine, preventive, and chronic care they may need.

Texas must do more to ensure that its workforce has health insurance. One way for the state to accomplish this goal is to open access to its Medicaid program to working poor adults. While some states offer Medicaid to workers earning up to 200 percent of federal poverty, Texas offers the assistance to only a very limited pool of workers earning only 33 percent of the federal poverty level. In real world terms, this means that a working single parent of two children must earn less than \$5,090 per year to be eligible for health care coverage under Medicaid. The income guidelines are somewhat higher for covering children only. Thus, while it is estimated that 55 percent of eligible workers without private health insurance utilize state Medicaid for themselves or their children, the income guidelines are so low that this number excludes a large number of working poor adults who need health insurance and do not qualify for it. Today, a parent working more than 19 hours per week at minimum wage (\$5.15/hour) would have income too high to continue receiving Texas Medicaid. As part of sweeping budget cuts in the

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<sup>98</sup> Texas Department of Insurance, <http://www.txhealthpool.org/>

<sup>99</sup> Texas Department of Insurance. January 2002. *Small Employers and Health Insurance: Final Results of the Texas Small Employer Survey 2001*. pp. 4.

<sup>100</sup> Kaiser Commission on Medicaid and the Uninsured. January 2003. *State Budget Constraints: The Impact on Medicaid*.

recent legislative session, Medicaid coverage has been scaled back even further, jettisoning hundreds of thousands of individuals out of the coverage they currently receive.

The current budget realities make it unlikely that Texas will expand publicly funded health insurance access to more working adults anytime soon. In fact, the reductions mentioned above will shrink coverage not just for a few working adults but also for many children, the disabled, and the elderly. If the fiscal picture improves, this is an option that should be explored. Texas also has some alternatives to publicly funded health care for working adults. Eight states currently offer some type of subsidy to employers and/or employees to help cover the cost of health insurance. If Texas is unwilling to provide health care for its workers directly it should consider ways to at least encourage and support employers and workers themselves struggling to retain some sort of access to health care.

### **“Without a Child Care Subsidy, I Can’t Afford to Work”<sup>101</sup>**

Few issues have as profound a short- and long-term implication for work as access to quality early care and education. Here too, Texas has much to be proud of. Texas implemented a fully integrated “brokering” system for all subsidized child care funding before many other states. Later, this system was included in the consolidation of all workforce programs, and child care has continued to be viewed as a critical component of successful workforce development. Good child care keeps Texans working today and ensures that our youngest citizens will have the foundation they need for school and life success. Not only do they benefit directly, the state gains a solid beginning for its future workforce. The research is clear that state expenditures on child care bring tremendous returns on investment. Despite this obviously good investment, Texas is still doing far too little to provide quality child care for working families.<sup>102</sup> As in other critical areas of state services, Texas relies heavily on federal funding for its child care system, targeting only the minimum state funds needed to access its federal share and relying more and more on local dollars. This limited state investment leaves the Texas child care system echoing a theme discussed earlier: an impressive delivery infrastructure hobbled by inadequate funding.

While there are more than 1.2 million children potentially eligible for child care subsidies in Texas, the state is providing care to only 108,000 children. While all potentially eligible children may not need a child care subsidy, the fact that the state is serving only 9 percent of eligible children is an indication of the scale of

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<sup>101</sup> This quote comes from a single mother in Amarillo, TX when asked about the importance of her child care subsidy.

<sup>102</sup> For discussion of the greater than 7:1 return on investment ratio demonstrated by publicly-funded child care, please visit the Federal Reserve of Minneapolis’ report, entitled “Early Childhood Development: Economic Development with a High Public Return,” by Art Rulnick and Rob Grunewald. March 2003. Available at [www.minneapolisfed.org/pubs/fedgaz/03-03/earlychild.pdf](http://www.minneapolisfed.org/pubs/fedgaz/03-03/earlychild.pdf)

the gap between potential need and what the state provides. The state's waiting list for child care consistently hovers between 30,000 and 40,000 children. It is often called a "persistence list" by advocates and administrators as it is more a reflection of a family's persistence than need, as families must actively keep themselves on these lists. Recent changes by local workforce development boards to restrict child care eligibility may reduce the waiting lists but only further mask the real demand that exists.<sup>103</sup>

An emerging combination of funding and policy pressures is further threatening access to child care services for the working poor. Budget pressures are forcing competition for child care assistance between the poor and the very poor. This untenable situation is being created by the combination of stagnant funding and policies that place a high priority on providing child care to welfare recipients who are entering the workforce. Texas finds itself having to remove working poor families from its child care subsidy program to make room for mandated welfare populations. As a result, thousands of working Texans may be finding themselves without the child care assistance they need to remain employed. Congressional TANF reauthorization proposals currently under consideration could make this bad situation even worse. Serious proposals in both the House and Senate would increase the work requirements for welfare recipients while providing inadequate increases in child care funding to meet the demand.<sup>104</sup> If the final agreement is not accompanied by substantial increases in child care funding, more working Texans will face awful choices: stay employed and leave their children in potentially inappropriate situations, or leave their job and re-apply for public assistance. This emerging "work-to-welfare" versus "welfare-to-work" paradox reflects poor public policy and shortsighted decision-making.

As noted previously, Texas has devolved the management of its child care subsidy program to the Texas Workforce Commission's network of 28 local workforce development boards. These local boards are responsible for determining child care eligibility guidelines, co-payment and reimbursement policies, and quality-improvement efforts for their workforce area. As the Texas state budget crisis has sharpened, local retractions in child care availability are already developing. Local workforce development boards are

Budget pressures in the child care system are forcing local workforce boards to restrict income eligibility, increase co-payments, and curtail efforts to improve quality.

<sup>103</sup> See <http://www.cppp.org/products/PP192.html> for analysis of the Texas early care and education crunch.

<sup>104</sup> See <http://www.cppp.org/products/policypages/171-190/171-190html/PP180.html> for analysis of the impact of TANF reauthorization proposals on Texas.

lowering their income eligibility thresholds. TANF recipients are necessarily being prioritized over working poor families for child care subsidies under Texas law. Income eligibility has typically ranged from 150 percent of the Federal Poverty Level to 85 percent of the state median income. In recent months more local workforce development boards have set income eligibility at the lower threshold ? 150 percent of federal poverty.

Local workforce development boards are also increasing parent co-payments as a strategy to stretch their child care resources further. Under Texas law, TANF Transitional<sup>105</sup> and working poor child care recipients must pay a co-payment for child care. Currently, most local workforce development boards set the size of the co-payment at 9 percent of gross monthly income for one child and 11 percent of gross monthly income for two children. Unfortunately, budget woes are again being felt by the very poorest Texans as local workforce development boards are proposing increases in child care co-payments to levels as high as 15 percent of gross monthly income.

Local workforce development boards are also cutting reimbursement rates in an attempt to cope with budget pressures. While not as common as cuts in eligibility or increases in co-payments, proposals are starting to surface at local workforce development boards to cut reimbursement rates to child care providers. Reimbursement rates already provide only about 75 percent of actual operating costs. Further reductions threaten to undermine these already marginally viable businesses, particular in low income areas. Other casualties of the current budget situation are expenditures at the local level on quality improvement initiatives and higher reimbursement rates for higher quality providers.

Child care is among an array of family supporting workforce policies. Balancing the demands of work and family can be a challenge in the best of circumstances. This is another area where state policies and employer practices can make a difference. While many employers do assist in some way with dependent care or have flexible family leave policies, the state actually requires very little of its employers in helping workers grapple with family demands. Like most states, Texas does not require greater coverage for family medical leave than that spelled out under federal law. Recent proposals to create incentives for employers to create “family friendly” workplaces through preferential policies for those who offer medical and dependent care benefits were killed during the 2003 legislative session. On a positive note, a bill requiring that local workforce development boards promote state child care tax incentives for employers and federal child care tax credits for working families was recently approved by the Texas Legislature and signed into law. The legislature also passed a law requiring local workforce development boards to give at least thirty days notice to child care

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<sup>105</sup> TANF clients who have left public assistance and are employed are eligible for 12 months of “transitional” child care assistance.

subsidy recipients before their child care is terminated due to funding constraints.

### **Unemployment Insurance: Out of Work and Out of Luck**

The Texas Unemployment Insurance (UI) system does not adequately serve the needs of low-income workers. Access to the system is very restricted and as a result of certain policies low-wage workers in particular have a difficult time collecting unemployment insurance when they lose their jobs. While access to the system is restricted, if you can meet the strict standards, the maximum weekly benefit level for unemployment insurance in Texas is relatively high. Nationally, unemployment insurance maximum weekly benefits range from \$190 to \$562. In Texas, the maximum weekly benefit is \$319.<sup>106</sup> However, it is unlikely that most low-income workers would receive this maximum amount because UI benefits are directly tied to previous wages.

Improving access to unemployment insurance for low-wage workers should be a priority. The single most important improvement that could be made to the Texas unemployment system is the adoption of an alternate base period. Under current law, working Texans cannot count their most recent work months toward an unemployment insurance claim. This creates a real barrier for workers new to the workforce or those who have been recently moved from part-time to full-time work and then find themselves out of a job. The policy is based upon the outdated notion that the state's unemployment system requires adequate time to process paper forms documenting earnings and workforce participation. However, technology now allows the Texas Workforce Commission to capture information about much more recent work, meaning that the existing "lag" in state policy is inconsistent with current labor market trends and the state's information technology abilities.

There is a significant cost to Texas' lack of an alternate base period. When low-wage workers become unemployed it is very difficult for many, especially those recently making the transition from welfare to work, to access unemployment benefits because of their limited, and most recent, work history. These workers may have few options to fall back on as they seek another job, other than returning to, or going on, welfare for the first time.<sup>107</sup>

In addition to the adoption of an alternate base period, Texas must take other steps to ensure that all workers have equal access to the state's unemployment insurance system. One recent success in this area relates to victims of domestic

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<sup>106</sup> Economic Policy Institute. 2002. *Failing the Unemployed: A State-by-State Evaluation of Unemployment Insurance Systems*. Available at [www.cbpp.org/3-12-02ui.pdf](http://www.cbpp.org/3-12-02ui.pdf).

<sup>107</sup>Rangarajan, Anu et al. November 2002. *Study to Examine UI Eligibility among Former TANF Recipients: Evidence from New Jersey*. U.S. Department of Health and Human Services and the State of New Jersey Department of Human Services. pp. 41.

violence.<sup>108</sup> Historically, Texas has not extended benefits to workers who lost employment due to the fear of family violence following them to the workplace. After unsuccessful attempts in previous sessions to fix this glaring gap in UI policy, a law was enacted this past session which will extend unemployment insurance benefits to eligible victims of domestic violence.<sup>109</sup>

Other unemployment reforms are necessary to address another shortfall in the Texas system: an absent response to the reality of part-time and temporary work in the modern American workplace. With more and more parents in the workforce, many families choose to have one or both working parents employed part-time to accommodate dependent care demands. Because of a statute requiring that unemployment insurance recipients be available for full-time employment, Texas in effect penalizes parents who wish to stay home with their children and work part-time. This provision also negatively affects Texas workers who might choose to work part-time to care for a disabled relative.<sup>110</sup> As noted earlier, contingent work is a rapidly growing sector of the Texas workforce. Unfortunately, our unemployment insurance system does not recognize this reality and “temp” workers are often excluded from unemployment insurance benefits when they lose their jobs. Building ladders of opportunity for low-income workers requires more supportive policies to accommodate and mitigate the characteristics of the low-wage labor market. Addressing gaps in the unemployment insurance system would be a good place to start.

Finally, a discussion of state policies that regulate the conditions of employment must include a review of the state’s workers’ compensation system. Workers’ compensation is a state-regulated insurance program that pays medical bills and replaces some lost wages for employees who are injured at work or who have work-related diseases or illnesses. Texas’ workers compensation laws have incorporated the majority of nineteen recommendations set forth by the National Commission of State Worker’s Compensation. However, a standard “barometer” of the adequacy of a state’s worker’s compensation benefits is a comparison of the minimum weekly worker’s “comp” payment to 80 percent of minimum wage income or \$165 per week. Again, Texas falls short on this measure with its minimum weekly payment of \$80 providing less than half of the suggested 80 percent threshold.<sup>111</sup>

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<sup>108</sup> National Employment Law Project. March 2003. *Between a Rock and a Hard Place: Confronting the Failure of State Unemployment Insurance Systems to Serve Women and Working Families*. pp. 23.

<sup>109</sup> This provision was included in the Texas Workforce Commission’s Sunset legislation ? SB 280 in the 78<sup>th</sup> Regular Legislative Session.

<sup>110</sup> *Between a Rock and a Hard Place, 2003*. p. 26.

<sup>111</sup> Information on this topic is available from the United States Department of Labor, Employment Standards Administrations. Available at <http://www.dol.gov/esa/regs/statutes/owcp/stwclaw/stwclaw.htm>

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## Conclusion and Recommendations

The whole ethos of Texas is imbued with the belief that individuals can make a life for themselves through hard work and perseverance. The history of the state has been written by Texans known and unknown who have lived by this creed. This report has shown that individual effort is still a vital quality of the Texas of today. Texans work hard. Unfortunately, this report also points to major gaps in opportunity, despite the work ethic that prevails.

Too many Texas work every day only to find economic security slipping further and further out of reach. Low-wages, increasing costs of living, and limited access to critical work supports keep many working Texans poor. Workplace conditions in the low-wage labor market exacerbate already difficult circumstances. More and more jobs are temporary and part-time. Fewer jobs come with employee benefits such as health care and retirement benefits. While current conditions worsen, the path out of low-income jobs is becoming steeper. Current demographic trends raise serious concerns about the educational attainment and skill levels of the current and future workforce of Texas. And yet, investments in these essential workforce development tools is actually diminishing, not increasing. All of these troubling factors call out clearly for a more proactive and strategic response. Securing a vital state economy for the future requires a significant shift in the current direction of state budget and policy decisions.

Texas must set new priorities if it wants to be fully prepared for the economic challenges awaiting the state in the twenty-first century. The dramatic cuts in state services that emerged from the 2003 Legislature make the need for public investment in our workforce even more critical. In addition to budget cuts targeted at education and human services, the 78<sup>th</sup> Legislature also saw an increase in legislation designed to further limit working families' access to the tools necessary to get and stay off public assistance. Cuts in health care for working families, restrictions on access to public assistance benefits, cuts in school support services, and significant cuts in support for the state's community colleges will combine to make the road to "another Texas" ever more difficult to navigate.

Texas' potential is enormous: a young, hardworking population, expansive natural and intellectual resources, a geographic gateway to the economic development of the entire Americas, and an embedded pride that calls the state to greatness. But, this potential will not be realized without conscious effort and specific action – now, not later. The Center for Public Policy Priorities offers the

following recommendations to help ensure that a future headline of *The Economist* can read: “Economic Security for All: Texas Leads the Way.”

## Improve Economic Conditions

- ? All workforce programs should have not only job placement as a required performance outcome but also specific wage targets adequate to lift workers and their families out of poverty. Funding incentives should flow to programs that result in targeted wage gains for program participants.
- ? For workers not yet earning family-supporting wages, the workforce system should ensure they are connected to work supports and public and private benefits to help meet basic needs.
- ? Texas must work to reverse recent budget cuts to health care programs and expand health care assistance to low-income adults and children.
- ? State and local initiatives to increase access to affordable housing can help create job stability and ease the pressure of housing costs on the budgets of low-income workers.
- ? Texas should implement policies to encourage asset-building among low-income families; ease eligibility restrictions on savings and other resources and align the treatment of asset among all state programs. The state should also continue and expand the existing Individual Development Account (IDA) pilot program.
- ? Reduce the tax burden on low-income workers by reforming the state tax system so that it is less regressive and provides adequate resources for state services.

## Increase Access to Education and Training

- ? Texas should increase the share of WIA funding dedicated to education and training and provide immediate access to these services for low-wage workers.
- ? Funding allocations to the Skills Development and Self-Sufficiency Funds should be doubled during the next biennium.
- ? Education and training should be offered as allowable work activities for TANF recipients— to the full extent allowed under federal law, and should part of any post-employment service plan.
- ? The state share of funding for community colleges should be doubled in the next biennium.

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- ? Adult basic education programs should employ new workplace literacy programs and dramatically expand services targeted at those with limited English proficiency.
  - ? Any post-secondary tuition and fee increases resulting from “deregulation” must be accompanied by increased state-funded financial aid for low-income students.
  - ? Create or expand incentives for businesses that invest in their workers by offering on-the-job training and continued educational opportunities.

### Expand Employment Opportunities

- ? Connect all workforce programs to strategic employment goals at the local level. For example, link all training and placement efforts at the local level to specific employment sectors with promising wage advancement potential.
- ? Build on current efforts to more directly link economic development and workforce development strategies.
- ? Provide incentives or rewards to businesses that expand their employment opportunities from part-time and temporary positions to full-time jobs.
- ? Make sure that more low-wage workers are aware of, and have access to, training programs funded through Skills Development and Self-Sufficiency Funds.
- ? Develop and test a “community-jobs” model in areas where the state is investing in economic development (such as along the Texas-Mexico border). These, temporary, publicly-funded jobs could offer important stepping stones for workers in low-income communities.

### Improve Employment Conditions

- ? Reform the state unemployment insurance system to utilize current information technologies and make it more responsive to the realities of low-wage workers who are in-between jobs.
- ? Increase investments in businesses that offer benefits and/or employ family-friendly workplace policies.
- ? Improve access to Worker’s Compensation Insurance with the specific goal of increasing the percentage of Texans covered from 75 percent to 90 percent.
- ? Require that any state or local tax abatements or other business development incentives are tied directly to specific employment and wage targets at, or approaching, 200 percent of poverty.

