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WELFARE-TO-WORK PROGRAMS: THE CRITICAL ROLE OF SKILLS

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WELFARE-TO-WORK PROGRAMS: THE CRITICAL ROLE OF SKILLS

The 1996 welfare reform law, the Personal Responsibility and Work Opportunity Reconciliation Act, has made it increasingly urgent that welfare-to-work programs provide effective assistance to low-income people in finding and sustaining work, and advancing to better jobs. In particular, the imposition of lifetime limits on the receipt of welfare means that people who cannot support themselves and their families through work may face destitution.

Are current welfare-to-work programs up to the task? What do we know about their effectiveness to date? This paper reports and analyzes current research findings on these issues, to provide public officials, policymakers, and community leaders with the information they need to promote the development of effective welfare-to-work programs in their states and localities.

To succeed over the long term, welfare-to-work programs must meet two critically important challenges:

First, they must reach, and help, the most disadvantaged welfare recipients. While welfare recipients face a variety of barriers to employment, job retention, and job advancement, low basic skills stands out as both the most common barrier to steady work and, by far, the strongest single predictor of whether a recipient will work at all. Two thirds of welfare recipients score in the bottom fourth of all women their age on a test of basic skills, and half of those recipients—one-third of all recipients—have basic skills lower than 90 percent of other women their age.[1]

Second, programs must help welfare recipients find *better* jobs. Labor market data show that welfare recipients find predominantly low-wage, low-benefit jobs, and move up little over time. For example, a 1997 study that looked at twelve years of earnings for young women who were receiving welfare in 1979 found that they experienced very little wage growth during the period, moving from an hourly wage of $6.07 to only $6.72. By contrast, the wages of women not receiving welfare at the start of the period rose substantially, from a baseline $6.07 to over $10 per hour.[2] Because wages are strongly linked to people's basic skill levels and to the occupational or educational credentials they possess, helping welfare recipients acquire better skills and credentials will be key to enabling them to move beyond low-wage, dead-end jobs.

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1 LaDonna Pavetti, *Against the Odds: Steady Employment Among Low-Skilled Women* (Washington, DC: The Urban Institute, July 1997).

2 Gary Burtless, "Welfare Recipients' Job Skills and Employment Prospects" (*The Future of Children*, Vol. 7, No. 1, Spring 1997).

A third challenge, helping recipients sustain employment, is also critical to long-term success, but little is known about what works here. This problem involves issues of "soft skills," child care, health insurance, transportation, and job conditions. A certain amount of job loss is probably unavoidable, given the nature of the low wage labor market and the fact that many recipients have only recently entered the workforce and, like other new workers, will take some time to stabilize in it.

Surprisingly to many, a recent national demonstration in four cities of case management services for recipients who went to work failed to improve job retention or earnings.[3] New research has highlighted initial job quality—especially wages and benefits—as an important factor in who sustains employment over the long term.[4] This challenge, then, may be to some degree related to the second challenge of helping recipients move into better jobs.

A Shift from Basic Education to Job Search

In recent years, states and localities have shifted away from welfare-to-work programs that encourage people to build their skills toward strategies that require people to find jobs quickly. While this trend was already under way in the mid-1990's, passage of the 1996 welfare reform law accelerated it by requiring states to move increasing percentages of adults on welfare into work and discouraging training and education activities.

In the earlier skill-building programs, the most common activity was basic education, reflecting the generally low education levels of welfare recipients. Most programs focused on helping recipients obtain a high school diploma or the general educational development (GED) certificate. Because recipients typically did not meet the entry requirements for job training or postsecondary education, few skill-building programs made substantial use of these activities. Indeed, most skill-building programs had no direct links to employment, but rather promoted basic education as an end in itself.

Influenced by early findings that programs emphasizing quick job placement for all recipients could increase employment and earnings and reduce welfare payments, policymakers began to limit education and training in favor of quick-employment strategies. The most common activity in quick-employment programs has been

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[3] Rangarajan, Anu, Alicia Meckstroth, and Tim Novak, *The Effectiveness of the Postemployment Services Demonstration: Preliminary Findings*. (Princeton, New Jersey: Mathematica Policy Research, January 22, 1998).

[4] See especially Cancian, Maria and Daniel R. Meyer, *Work After Welfare: Work Effort, Occupation, and Economic Well-Being*, unpublished manuscript, July 1998, (CHECK – out now?) and Ranagarajan, Anu, Peter Schochet, and Dexter Chu, *Employment Experiences of Welfare Recipients Who Find Jobs: Is Targeting Possible?* (Princeton, New Jersey: Mathematica Policy Research, August 20, 1998.).

individual or group job search. Although some programs have employed a mixed-strategy approach, in which job search is combined with training and other services, currently most states and localities appear to be implementing welfare-to-work programs that offer job search assistance but provide very limited access to training opportunities.

In short, welfare policymakers may be in danger of abandoning one extreme, basic education with few links to employment, for another: work first programs that are, in practice, work-*only* programs because they provide virtually no opportunities for upgrading skills. Research suggests that this approach is flawed: rather than seeing employment and skills-building as competing strategies, policymakers should develop programs that combine both approaches, providing a wide variety of employment *and* training services. The few welfare-to-work programs that have succeeded in increasing earnings overall, helping the most disadvantaged recipients, and helping at least some groups of recipients find better jobs, have had this in common: a consistent focus on employment, coupled with a broad range of services to enable participants to build their job and basic skills.

The Benefits and Limits of Basic Education

Despite the prevalence of low basic skills among recipients, researchers have not found a significant economic benefit from past basic education welfare-to-work programs, according to a 1996 U.S. Department of Education report synthesizing research from all the evaluations of basic education services for welfare recipients then available. The evaluations compared the income and employment of recipients in the programs to those of control groups, the same method used in trials of medical treatments.

The report concluded that fewer than half of the programs considered had increased employment and average earnings of participants over those of the control group. Those programs that did increase earnings did so by helping people to work more, not by helping them to find better jobs.[5]

Nor did the study find more than a limited educational impact. While the programs did increase the rate of recipients who received a GED, the majority of participants did not obtain a GED, and most programs did not raise recipients' scores on a test of basic skills. Most significantly, the research failed to demonstrate any overall relationship between education impacts and increased earnings: programs that raised test scores or increased GED recipient rates did not always increase earnings,

[5] Edward Pauly with Cristina DiMeo, *Adult Education for People on AFDC: A Synthesis of Research* (Washington, DC: U.S. Department of Health and Human Services and U.S. Department of Education, 1996).

and some programs that had no education impact, either on test scores or GED rates, did increase earnings for those without high school diplomas.[6]

Why haven't basic education welfare-to-work programs been more effective? Although there has been no definitive answer to this question, research has suggested some possible reasons, as well as some ways to make skill-building strategies more effective.

A key insight is provided by a study that examined program and labor market data on 2,000 young welfare mothers who had dropped out of school. While the results are nonexperimental and should therefore be interpreted with caution, the analysis found that job training had a far greater economic payoff for these young mothers than basic education. Job training resulted in a 43 percent increase in income over three and a half years, while obtaining a GED resulted in a net economic benefit only if it was combined with further job training or college. Adult basic education services that did not culminate in a GED led to a net loss in income, as the mothers spent months in class that they could have been using to acquiring work experience that would have increased their earnings more.[7]

This study suggests that employers at the low-wage end of the labor market do not value increases in basic skills or a GED certificate as much as they do work experience or occupational credentials. For some recipients, the problem may also be one of credentialing: that is, participants who were successful in mastering basic skills but failed to earn a GED had no way of demonstrating their accomplishment to potential employers. In addition, from the perspective of participants, it may be that the focus of basic education programs on non-economic goals, such as obtaining a GED or improving reading skills, failed to motivate the many welfare recipients whose goals were primarily economic—finding a job and getting off welfare. Strategies targeted to specific occupational goals, through development of certifiable jobs skills or training for particular jobs, may therefore offer promise where basic education alone has proved ineffective.

Other nonexperimental research indicates that postsecondary education can have a high return. One study found that women with associate degrees earned between 19 and 23 percent more than their peers, and women who obtained bachelors decrees earned from 29 to 33 percent more, even after controlling for differences in

6 Pauly and DiMeo, 1996.

7 Johannes M. Bos, *Effects of Education and Educational Credentials on the Earnings of Economically Disadvantaged Young Mothers,* draft paper (New York, NY: Manpower Demonstration Research Corporation, October 1996).

ability and family background.[8] Another study found that each year of postsecondary education increased earnings by 9 to 12 percent.[9]

The disappointing results of past skill-building programs, therefore, may be due to an over-reliance on basic education as an end in itself, rather than to ineffectiveness of skill-building in general as a strategy. On the contrary, the research suggests that job training and postsecondary education offer significant potential for helping recipients earn more and obtain better jobs. A key to skill-building as a welfare-to-work strategy, it appears, is that skill-building efforts must relate more closely to specific employment goals. In addition, occupational training services must be made more consistently effective and more accessible to those with low skills.

The Benefits and Limits of Quick-Employment Strategies

The strengths and limitations of quick-employment strategies have been demonstrated by several recent studies, including the National Evaluation of Welfare-to-Work Strategies (NEWWS), which reviewed findings from programs in eleven localities around the nation, and evaluations of California's GAIN program at sites in six counties. Again, the evaluations compared the income and employment of recipients in the programs to those of control groups. Results from the NEWWS sites are available for the first two years of the programs' operations, while the GAIN evaluations followed participants for five years.

Programs considered in the evaluations have included some that were based entirely on job search and others that employed a mixed-strategy approach, combining job search with skill-building services. In three of the NEWWS sites, researchers have been able to compare side-by-side job search-only programs and basic education-focused programs, enabling them to be confident that the differences in impacts they found were the result of the programs themselves and not of other variations in site characteristics.[10]

This research confirms previous findings that quick-employment programs increase employment and earnings and reduce welfare payments, providing a real benefit to the public and to welfare recipients. However, the studies show that this

[8] Thomas J. Kane and Cecilia Elena Rouse, "Labor-Market Returns to Two- and Four-Year College". *American Economic Review* (June 1995); U.S. Department of Labor, 1995.

[9] *What's Working (and What's Not)*, U.S. Department of Labor, 1995.

[10] For results from these programs, see Gayle Hamilton, Thomas Brock, Mary Farrell, Daniel Friedlander, and Kristen Harknett, *Evaluating Two Welfare-to-Work Program Approaches: Two-Year Findings on the Labor Force Attachment and Human Capitol Development Programs in Three Sites* (Washington, DC: U.S. Department of Health and Human Services and the U.S. Department of Education, September 1997).

impact is limited, peaking early and generally diminishing over time, typically after the first one or two years. This occurs as many program participants lose the jobs they have found initially, and do not earn more while employed. At the same time, many of the welfare recipients assigned to control groups in these studies eventually found on their own the same kinds of jobs as recipients enrolled in the programs.

How quickly and to what extent the impact of a program faded depended primarily on whether the program offered only job search assistance or provided a range of employment and training services. In job search-only programs, the initial impact was smaller. In those job search-only programs evaluated over a five-year period, the impact disappeared entirely after three or four years. That is, after three or four years recipients who had participated in the program were doing no better than those who had not participated.[11] In those programs evaluated over a two-year period, impacts were declining at similar rates.

In contrast, job search-focused programs that offered a mix of services had larger and longer-lasting impacts. Although impacts did decline after the first year or two, the decline leveled off, and in programs evaluated over five years a significant impact persisted. In addition, mixed-strategy programs were more likely to help the most disadvantaged recipients than were job search-only programs.

The most striking evidence of the importance of a skill-building component came from evaluations of two successive welfare-to-work programs in Riverside, California. The earlier program increased earnings and employment over a five-year period by 42 percent and 16 percent, respectively, and reduced welfare payments by 15 percent. Researchers believe that the unusually large impacts from the program, which included impacts on recipients with low skills and without high school diplomas, as well as the persistence of impacts over time, may be due to its mix of a quick-employment philosophy combined with substantial use of skill development: 60 percent of participants received education or training. In contrast, the current, redesigned Riverside GAIN program, which relies almost exclusively on job search, has been far less successful: earnings impacts were much smaller and were already declining in the second year of follow-up.[12]

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[11] For a discussion of the long-term effects of different strategies, see Daniel Friedlander and Gary Burtless, *Five Years After: The Long Term Effects of Welfare -to-Work Programs (*New York, NY: Russell Sage Foundation, 1995). For five year impacts from the California GAIN study, see Stephen Freedman, Daniel Friedlander, Winston Lin, and Amanda Schweder, *The GAIN Evaluation, Working Paper 96.1, Five Year Impacts on Employment, Earnings and AFDC Receipt* (New York, NY: Manpower Demonstration Research Corporation, July 1996).

[12] See Dan Bloom, *After AFDC: Welfare-to-Work Choices and Challenges for States* (New York, NY: Manpower Demonstration Research Corporation, 1997) and Hamilton, et al, 1997, cited above.

Finally, the evaluations found that neither mixed-strategy nor job search-only quick-employment programs were successful in helping recipients find better jobs. Again, they increased average earnings primarily by helping recipients work more. In the earlier, successful Riverside program, participants actually had *lower*-paying jobs than controls, and were *less* likely to have health benefits. And participants in the program remained poor: after three years, 81 percent had income at or below the poverty line, with 46 percent earning less than $5,000 per year. Only 31 percent were employed, although 67 percent had worked at some point over the three years. As a consequence of low earnings and sporadic employment, after five years there was no difference between participants in the GAIN program and the control group in the percentage of those on welfare: about one third of each group were receiving AFDC.[13]

Overall, then, the research shows that job search-focused welfare-to-work strategies produce real benefits by helping single parents work more than they would have otherwise. The benefits were limited, however, because recipients tended to enter the same types of low-skill, low-wage, frequently insecure jobs they would have found eventually on their own.

Toward a New Model: Shorter-Term Skill-Building for Better Jobs

A few innovative welfare-to-work programs have had success in helping recipients find better jobs. They have done so by making the attainment of better jobs a central program goal and by providing a mix of services, primarily job search, life skills, basic education and job training.

The most successful example of such programs to date is Steps to Success in Portland, Oregon, which in the mid-1990's combined job search and job readiness activities with a variety of other services, including in-depthassessment, basic education and GED preparation, vocational training, volunteer work experience, and on-the-job training. Steps to Success placed a strong emphasis on helping welfare recipients find “good” jobs in a short time frame. Part of the program’s strategy involved the creation of high quality, shorter-term basic education and job training services. One component, for example, provided two months of full-time training to bridge the gap between recipients’ skills and those required to enter employer-provided training in Portland’s booming electronics and semiconductor manufacturing industry.

Steps to Success was evaluated through the NEWWS study, and the results are extremely promising. While employment and earnings impacts were already fading at the end of two years in the job search-only NEWWS sites, the impacts in Portland were still growing in the second year, and were among the biggest ever seen. Participants

13 James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York, NY: Manpower Demonstration Research Corporation, September 1994).

worked more, showing a 43 percent increase in employment at the end of two years. Even more significantly, they earned higher wages—among those who were employed after two years, 13 percent higher. They also had a higher rate of finding jobs with health insurance, by 19 percent.[14]

In addition, the Portland program helped the most disadvantaged recipients to become more employable. Among those without a high school diploma or GED when they enrolled, the program more than tripled the percentage of recipients who obtained an education or training credential. The program was especially helpful in enabling these high school dropouts to earn a trade license or certificate, increasing by more than four times the percentage who obtained such occupational credentials.

The results in Portland are similar to those from earlier demonstration programs stressing better jobs, such as Baltimore's OPTIONS program, which provided intensive, individually tailored services aimed at helping participants become more economically secure. Activities included job search, on-the-job training, basic education, classroom training, and unpaid work experience. OPTIONS produced earnings impacts that were still strong after five years, and appeared to be growing over time. These long-term earnings impacts were primarily due to participants earning more on the job (in the fifth year, a 6.5 percent increase in average earnings per quarter employed).[15]

Creating More Effective Welfare-to-Work Programs

Although evaluations of welfare-to-work programs do not provide any one definitive blueprint for successful welfare reform, they do suggest some guideposts for designing programs that have the capacity to increase earnings overall, help the most disadvantaged recipients, and help at least some groups of welfare recipients find better jobs.[16]

> **The most effective welfare-to-work programs share a flexible, balanced approach that offers job search, education, job training, and work.** They offer a wide range of individualized services. They have a central focus on employment and close ties to local employers. They are intensive, setting high expectations for participation.

14 *National Evaluation of Welfare to Work Strategies: Implementation, Participation Patterns, Costs and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program*, U.S. Department of Health and Human Services and the U.S. Department of Education, May 1998.

15 Burtless and Friedlander, cited above.

16 See Strawn, 1998 for a detailed discussion of this research.

Job training in the classroom or workplace and access to postsecondary education are key components of a strategy aimed at better jobs. However, training must be made more consistently effective, and more accessible to those with low basic skills. Job training that ends in a degree or certificate is more likely than job search or basic education services to increase the earnings potential of recipients.

Work can be a critical part of increasing recipients' employability if it is part of a broad range of employment and training services. Paid employment has been a key element in some programs that were especially effective with very disadvantaged recipients. Unpaid employment may also be effective if designed as a learning experience; it should be noted, however, that "workfare" programs tried in the 1980s did not increase employment or earnings .

What options are available to states and localities for carrying out these principles and developing effective, balanced welfare-to-work programs?

States and localities could use the substantial flexibility they have under the federal welfare law to invest in a mix of employability services, including education and training. States can spend the federal welfare block grant on a wide variety of services and supports designed to accomplish the broad purposes of the law. In addition, the law allows states to count drops in welfare caseloads since 1995 toward meeting federal work participation rates. With caseloads having dropped about 40% in that time nationally, most states have all or nearly all of their federal work participation rate simply through caseload reductions. This allows states to largely choose their own approaches to welfare reform, without fear of penalties for failure to meet federal work participation rates.

States and localities could retool education and training services to make them more effective and more accessible to welfare recipients with low skills. First, the quality of job training services should be improved by insisting (through performance standards, criteria for grants, or other means) that any training be closely tied to employers and prepare people for better-paying jobs in demand in each community. Second, activities to improve basic education skills should be made more focused on real work and life tasks, and closely linked to further training and work. At a minimum, the GED should not be promoted as an end goal but rather as a step toward obtaining job training or other post-secondary education. For those unlikely to get a GED, short pretraining programs can be developed that help them upgrade skills in a very targeted way. For example, the Chicago Commons Employment and Training Center has developed several such pretraining programs that help low-income women gain

entry to training for nurse assistants, auto mechanics, woodworking, and skilled trades. Their pretraining curriculum is tailored to each occupation and helps recipients upgrade work-related reading and math skills, as well as learn job-specific skills needed to succeed in the training program. In return, the training programs agree to accept graduates of the Center's pretraining.[17]

States and localities could work with education and training providers and employers to create more flexible schedules for upgrading skills. Welfare recipients and other low-income workers need a contiuum of education and training services that begin with shorter-term (six months or less) training for jobs with career potential and are followed by longer-term degree programs that can be taken in "chunks" when their schedule allows. One year occupational certificate programs at community colleges, for example, can often be compressed into shorter programs that meet full-time each week, rather than on a traditional academic schedule. For example, Seattle's Shoreline Community College and the Washington Aerospace Alliance have partnered to develop both entry-level and advanced training for Computerized Numerical Control (CNC) Machine Operators. The entry level training was adapted from an existing, year-long (900 hour) course which was shortened to ten weeks (300 hours). The advanced level training, which culminates in an associate degree, is broken into eight modules which workers can complete separately as their schedules allow.

States and localities could create innovative ways to support longer-term, full-time education and training for low-income parents outside the welfare system. For example, Maine and Wyoming have created state-funded student aid programs for low-income parents. These programs are outside the welfare system, but under the federal law's rules, spending on them counts toward each state's welfare maintenance-of-effort requirements.[18] The federal government may also need to examine the impact of its student aid policies on single parents; one study found that they had the greatest unmet student aid need of any group of undergraduates.

States and localities can also increase opportunities for low-income workers, including former recipients, to upgrade their skills. Most low-wage workers do not have a chance to upgrade their skills at work because businesses typically provide formal training only to professional and managerial staff. Several states, such as California and Ohio, are addressing this issue with policy initiatives to that help employers form

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17 For details of this approach, see Henderson, Ana, *Making "Welfare to Work" Work for the Hard to Employ: Strategies from the West Side* (Chicago, IL: March 1998).

18 *The New Framework: Alternative State Funding Choices Under TANF,* by Steve Savner and Mark Greenberg, CLASP, March 1997 (www.CLASP.org).

partnerships with education and training providers to do on-site training during work hours for employed former recipients.

Finally, leaders must be realistic about how much any work-to-welfare program can achieve. To date only a handful of programs evaluated have succeeded in helping welfare recipients earn more for as long as five years after beginning the program. And even the most effective programs have not been able to enable families to escape poverty or leave welfare permanently. With recipients limited to five years of cash assistance over a lifetime, it is clear that other measures, such as public jobs or wage supplements for some recipients and continued cash assistance beyond five years for others, will be necessary to protect the well-being of poor families and children.

For citations to the studies reported here, and additional discussion of these issues, see "Beyond Job Search or Basic Education: Rethinking the Role of Skills in Welfare Reform," by Julie Strawn, April 1998, available on CLASP's website, ***www.clasp.org****. This paper was compiled by Robert Echols, a CLASP consultant, from the earlier paper and other work by Julie Strawn.*

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