

# Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform

By Karin Martinson and Julie Strawn

**F**ederal welfare funding, through the Temporary Assistance for Needy Families (TANF) block grant, gives states unprecedented flexibility to help low-income parents move into employment. States are generally given broad authority to craft their own approaches for meeting the law's goals, with an important exception: TANF discourages states from allowing welfare recipients to participate in education and training programs. Specifically, the law limits the extent to which these activities count toward federal work participation requirements, effectively restricting the

length of full-time education and training to 12 months and capping it at no more than 30 percent of TANF participants.

These TANF restrictions on education and training are at odds with recent research findings on the experiences of welfare recipients in the labor market and on the effectiveness of different welfare-to-work strategies. This paper shows that a person's skill set makes a difference in the labor market, even for entry-level jobs, and that the low skills of welfare recipients are an obstacle to finding lasting employment and earning enough to support a family. The welfare-to-work programs that have been most successful in helping parents work more and increase their earnings over the long run are those that have focused on employment but also made substantial use of education and training,

### ABOUT THIS PUBLICATION

This brief summarizes the report, *Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform* by Karin Martinson and Julie Strawn. To read the full report on how education and training can contribute to successfully moving people from welfare to work, visit the CLASP or National Institute for Literacy (NIFL) websites at [www.clasp.org](http://www.clasp.org) or [www.nifl.gov](http://www.nifl.gov), or call (202) 906-8000 to order a printed copy.

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### About the Authors

Karin Martinson is a consultant who specializes in workforce development issues, and Julie Strawn is a Senior Policy Analyst at the Center for Law and Social Policy.

together with job search and other employment services.<sup>1</sup>

Job training and other post-secondary education can have an especially large payoff.

Even those with lower skills can benefit from job training, if basic education programs provide a substantial number of instructional hours each week, close attention is paid to quality, and basic education is linked to further training and employment. While it can take an extended amount of time to complete both basic education and job training, the payoff is significant and much larger than basic education services alone.<sup>2</sup>

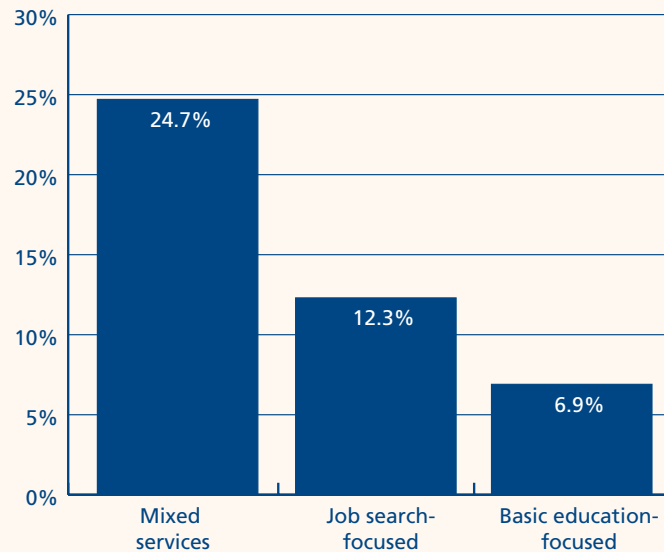
### Welfare Recipients, Skills, and Employment

There is a strong demand for cognitive skills by employers, even in entry-level jobs. In contrast, welfare recipients often lack basic skills needed in the labor market, and many have low levels of formal education.<sup>3</sup>

- **Current or former welfare recipients who are working are in low-wage jobs and experience little wage growth.** Not surprisingly, given their low skills and educational levels, many welfare recipients fare poorly in the labor market. In general, those who have

FIGURE 1

#### Average Increase in Earnings Over Five Years for Three Welfare-to-Work Strategies



Source: Hamilton, G., Freedman, S., Gennetian, L., Michalopoulos, C., Walter, J., Adams-Ciardullo, D., et al. (2001). *How effective are different welfare-to-work approaches? Five year adult and child impacts for eleven programs*. Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families and Office of the Assistant Secretary for Planning and Evaluation; and U.S. Department of Education. Available at [www.mdrc.org](http://www.mdrc.org).

left welfare are working for low wages with limited benefits, and they experience little wage growth over time. Wages grow slowly for low-skilled workers because they have limited opportunities for upward mobility.<sup>4</sup>

- **Current or former welfare recipients who have not found jobs or who return to the rolls after leaving**

**TANF have low education and skill levels.** Three at-risk groups—those individuals who remain on the welfare rolls and are not working, those who leave TANF without finding employment, and those who leave TANF but return to the rolls—all have low education and skill levels.<sup>5</sup> This indicates that strategies focused on

these groups are needed if welfare reform is to successfully move people with lower skills into lasting employment.

### Which Welfare-to-Work Strategies Work Best?

Employment services for welfare recipients have been evaluated extensively, and these studies provide important lessons on how to most effectively provide these services.

- **“Mixed” strategies providing a range of different services are the most effective.** The most successful welfare-to-work programs are those that do not rely primarily on one kind of activity but provide different services to recipients as needed, including job search activities but also education and training. One program that used this “mixed service” approach—in Portland, Oregon—far outperformed other evaluated welfare-to-work programs, producing large increases in employment, earnings, job quality, and employment stability. Other mixed-service pro-

grams have also been found to be highly effective.<sup>6</sup>

- **The successful program in Portland emphasized participation in a range of activities (though typically just one at a time), tailored services to individual needs, and stressed job quality.** Portland substantially increased participation in education and training programs—particularly job training and other postsecondary education—and emphasized job quality while maintaining an employment focus. The Portland program also helped more recipients earn both a GED and an occupational certificate than any other program yet studied. Those who were most work-ready received help in finding “good” jobs right away—ones that paid more than minimum wage, had benefits, and were full-time—while those with less education and work experience typically participated in life skills, education and training, and job search activities. Recipients typically were in just one activity at a time.<sup>7</sup>

- **The Portland program performed better than “one-size-fits-all” programs (figure 1).** The Portland program performed far better than programs that were exclusively focused on job search and those exclusively focused on education (which provided primarily basic education, not job training). Its impacts were both larger initially and persisted longer, even after five years of follow-up.<sup>8</sup>

### When Does Education and Training Pay Off?

There is a growing body of evidence pointing to the importance of both job training and other postsecondary programs in improving employment outcomes for welfare recipients.

- **Job training and other postsecondary programs can substantially increase earnings and job quality.** Welfare recipients—whether with a high school diploma or without—can experience significant financial gains from these programs. Those with lower skills realize these

gains if basic education and training are closely linked.<sup>9</sup>

- **Particularly for those with lower skills, it can take a substantial amount of time to complete both adult basic education and job training—more than a year on average—yet that combination pays off much more than basic education alone (figure 2).** In one recent, nonexperimental study, nongraduate participants in basic education who went on to job training boosted their earnings 47 percent more in the year after attending the program than those who were in basic education only.<sup>10</sup>
- **Whether upgrading skills pays off in the labor market depends on the quality of education and training and on maintaining a strong employment focus.** For education and training to be effective, it is critical to provide it within the context of a program whose central focus is employment, to offer a substantial number of instructional hours each week, to closely monitor participation, to link it closely to training and job search, and to empha-

size obtaining better quality jobs.<sup>11</sup>

### Implications for TANF Reauthorization

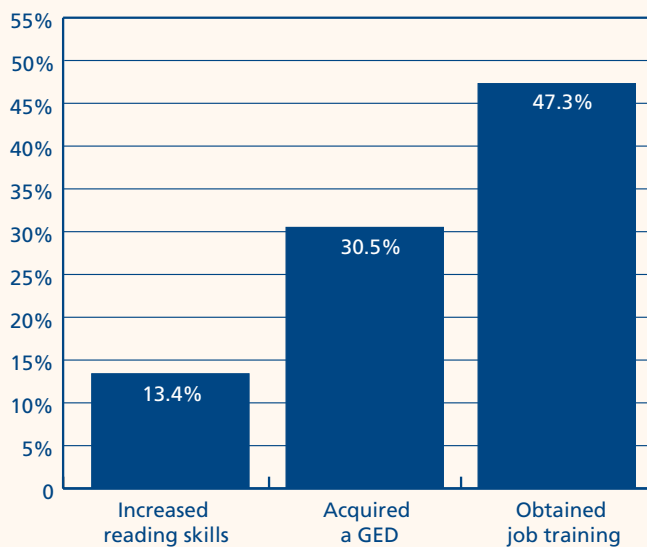
Despite clear research support for welfare-to-work strategies that include upgrading skills, both participation in, and spending on, education and training programs have declined substantially under TANF. Just 1.5 percent of federal TANF funds were spent on educa-

tion and training in fiscal 2001, and only 5 percent of TANF recipients participated in these activities in the same year.<sup>12</sup> This decline is attributable in large part to the discouraging signals the law sends to states on education and training.

As Congress considers legislation to reauthorize the TANF block grant, the decisions it makes concerning access to education and training are likely to have a pro-

FIGURE 2

#### Increase in Earnings for Adult Education Participants in Welfare-to-Work Programs, by Educational Outcome



Source: Bos, J., Scrivener, S., Snipes, J., & Hamilton, G. (2001). *Improving basic skills: The effects of adult education in welfare-to-work programs*. Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families and Office of the Assistant Secretary for Planning and Evaluation; and U.S. Department of Education. Available at [www.mdrc.org](http://www.mdrc.org).

found impact on the long-term success of welfare reform. Some important steps can be taken to increase access to and successful participation in education and training:

- **Ease some of the current restrictions on counting education and training participation toward federal work requirements.** There is clear evidence that providing a full range of employment, education, and training services is the most effective welfare-to-work strategy. States can not achieve successful, long-term employment outcomes if they are discouraged from allowing TANF recipients to upgrade skills as part of a comprehensive employment program.
- **Allow sufficient time for welfare recipients to move through both adult basic education and job training to obtain occupational certificates.** While it can take longer on average to complete both basic education and training than the current 12 months that such activities count toward TANF work rates, it is a worthwhile investment. The economic payoff is much larger than basic education or job search activities alone can provide.
- **Make it easier to balance work, family, and school by keeping the overall required hours of participation at a reasonable level.** The U.S. Department of Education finds that the more hours post-secondary students work, the larger the negative impact on their grades and ability to stay in school. More than half of students who worked full-time reported it hurt their grades, as did a third of students who worked 16 to 20 hours. Given that most students in the study did not have children, the effects of too many work hours on educational outcomes for single parents could well be worse.<sup>13</sup>
- **Offer incentives to states to provide support services and work-study positions to low-income parents who are students.** States should be encouraged to provide services and job opportunities that better enable low-income workers to balance work, school, and family. It is also important to clarify that student work-study jobs count toward TANF work rates. Congress should also examine in its reauthorization of the Higher Education Act how federal financial aid policies can better support both unemployed parents and low-wage workers in school.
- **Encourage states to provide job retention and advancement services.** Retention and advancement should be part of TANF's goals and federal grants given to spur the creation of public-private partnerships that help low-income workers upgrade their skills at the worksite.
- **Provide federal grants and technical assistance to build training program capacity in partnership with employers.** This is important particularly for those with low skills and/or limited English so they can gain marketable occupational skills as well as improve basic and language skills.

## Endnotes

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**Contact Information:**

**Karin Martinson**  
[kamartins@aol.com](mailto:kamartins@aol.com)

**Julie Strawn**  
[jstrawn@clasp.org](mailto:jstrawn@clasp.org)

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