

**New Strategies to Promote
Stable Employment and Career Progression**

**An Introduction to the
Employment Retention and Advancement Project**

**U.S. Department of Health and Human Services
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Overview

Welfare reform has dramatically increased the need for effective strategies to help low-income parents work more steadily and advance in the labor market. Although much has been learned about how to help welfare recipients prepare for and find jobs, the Employment Retention and Advancement (ERA) evaluation is the most comprehensive effort thus far to learn what works in promoting stable employment and career progression for welfare recipients and other low-income workers.

Conceived and sponsored by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services (HHS), the evaluation is being conducted under contract by the Manpower Demonstration Research Corporation (MDRC). As of fall 2001, a total of 15 ERA demonstration projects were operating or under development in nine states. Because the projects typically aim to help families for whom welfare reform efforts have been less successful, nearly all target current or former recipients of Temporary Assistance for Needy Families (TANF).

Key findings

- **Aligning goals and target groups.** Building on prior studies showing that many welfare recipients are able to retain employment, several of the ERA projects target narrower “hard to employ” groups that have demonstrated difficulty finding or holding jobs. Other projects target low-income working parents and focus specifically on helping participants advance to higher-paying jobs. A final group of projects has mixed goals: Most of these programs target welfare recipients who are seeking work, focusing first on placing participants into good jobs, next on stabilizing their employment, and finally on helping them advance.
- **Redefining case management.** ERA planners sought to learn from earlier projects such as the Post-Employment Services Demonstration (PESD), which found that follow-up case management did not improve employment retention. In most of the ERA projects, case management is seen not as the main service strategy but as the starting point to deliver other services or activities, such as education and training, financial incentives, career planning, rehabilitation services, and job search assistance. In several projects, case managers aim to build relationships with individuals who are searching for work that will be beneficial in the post-employment phase.
- **Early implementation lessons.** The ERA evaluation has already demonstrated some of the issues in implementing relatively large-scale retention and advancement programs. Encouraging and maintaining the participation of low-wage working parents is an ongoing challenge; sites are responding with aggressive outreach, tailored services, financial incentives, and advancement strategies that do not rely on traditional classroom-based education and training. The agencies that provide ERA services have restructured staff roles, trained staff to take on new responsibilities, and lowered worker caseloads — even as they forge the new linkages and interagency partnerships that are vital to delivering retention and advancement services.

Each ERA project is being evaluated using a research design that assigns people, by chance, either to a program group that receives the new services or to a control group that receives the services that were available before ERA was developed. MDRC will follow the two groups for up to three years and will produce both site-specific and crosscutting reports describing the programs and assessing their effects.

The states’ strong commitment to the ERA projects — even in the face of mounting budget pressures — suggests that their vision of welfare reform includes a focus on long-term self-sufficiency for families. The states’ ability to sustain and expand these efforts will likely depend on whether the funding level and the flexible approach of the 1996 welfare law are maintained when the TANF block grant is reauthorized.

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Executive Summary

The welfare reforms of the 1990s dramatically increased the need for effective strategies to help low-income parents work more steadily and advance in the labor market; long-term reliance on public assistance is no longer an option for most families. Yet, while a great deal is known about how to help welfare recipients prepare for and find jobs, there is little hard evidence about what works to promote employment retention and advancement.

The Employment Retention and Advancement (ERA) evaluation is the most comprehensive attempt thus far to understand which program models are most effective in promoting stable employment and career progression for welfare recipients and other low-income workers. Conceived and sponsored by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services (HHS), the ERA project includes up to 15 random assignment experiments across the country. The evaluation is being conducted under contract to ACF by the Manpower Demonstration Research Corporation (MDRC), a nonprofit, nonpartisan organization. MDRC, with assistance from the Lewin Group, is also providing technical assistance to help make the ERA programs as strong as possible.

This first report on the ERA evaluation, which began in late 1999, describes the emerging ERA programs and identifies some early lessons on the design and implementation of relatively large-scale retention and advancement programs.

I. The ERA Programs

As of fall 2001, a total of 15 ERA demonstration projects were operating or under development in nine states.¹ The projects are diverse and represent a range of goals, service strategies, target populations, and organizational structures. As shown in Table ES.1, the ERA projects can be divided into three broad groups according to their primary emphasis:

- **Advancement projects.** Six of the projects focus primarily on helping low-wage workers move up to better jobs. Services include career counseling, targeted job search assistance, close linkages with employers to identify or build career ladders, and education and training to help participants upgrade their skills while working.
- **Placement and retention projects.** Four projects focus mostly on helping participants find and hold jobs. These projects target various “hard-to-employ” groups — for example, welfare recipients who have disabilities or substance abuse problems — for whom advancement is considered a longer-term objective.

¹The nine states having demonstration projects discussed in this report are: California, Florida, Illinois, Minnesota, New York, Oregon, South Carolina, Tennessee, and Texas. Florida’s ongoing participation in the project is uncertain because necessary programmatic funding had not been secured when this report was completed. In addition, Ohio joined the project in late 2001 with an employer-focused project that will operate in Cleveland. The planned Florida program is discussed in this report, but the Ohio program is not.

The Employment Retention and Advancement Project

Table ES.1

Description of ERA Projects

State	Location	Target Group	Primary Service Strategies
Advancement Projects			
California	Los Angeles County (post-employment services)	Newly employed welfare recipients working at least 32 hours per week	Stabilization/retention services, followed by a combination of services to promote advancement: e.g., education and training, career assessment, targeted job development
	Riverside County (education and training)	Newly employed welfare recipients working at least 20 hours per week	Test of alternative strategies for promoting participation in education and training activities for working parents
	Riverside County (Post-Assistance Self-Sufficiency program, or PASS)	Individuals who have left welfare and are working	Intensive, family-based support services delivered by community-based organizations to promote retention and advancement
Florida	Duval (Jacksonville) and Leon (Tallahassee) Counties	Low-wage workers (details not yet specified)	Generous stipends to promote participation in education and training
Illinois	Cook (Chicago) and St. Clair (East St. Louis) Counties	Welfare recipients who have worked at least 30 hours per week for at least six consecutive months	A combination of services to promote career advancement: e.g., targeted job search assistance, education and training, assistance in identifying and accessing career ladders
Oregon	Medford and Eugene	Employed former welfare recipients	Stabilization/retention services, followed by a combination of services to promote advancement
Placement and Retention Projects			
Minnesota	Hennepin County (Minneapolis)	Long-term welfare recipients who were unable to find jobs through standard welfare to work services	In-depth family assessment; intensive monitoring and follow-up; emphasis on placement into unsubsidized employment or supported work with referrals to education and training, counseling, and other support services
New York	New York City (Personal Roads to Individual Development and Employment, or PRIDE)	Welfare recipients whose employability is limited by physical or mental health problems	Two main tracks: (1) Vocational Rehabilitation: Participants with severe medical problems receive unpaid work experience, job placement, and retention services tailored to account for medical problems; (2) Work-Based Education: a combination of unpaid work experience, remedial education, job placement, and retention services
	New York City (substance abuse case management)	Welfare recipients with a substance abuse problem	Intensive case management to promote participation in substance abuse treatment, links to mental health, employment, and other needed services
Oregon	Portland	Individuals who are cycling back onto welfare and those who have lost jobs	Team-based case management, job search/job readiness activities, intensive retention and follow-up services, mental health and substance abuse services for those identified with these barriers, supportive and emergency services

(continued)

Table ES.1 (continued)

State	Location	Target Group	Primary Service Strategies
Projects with Mixed Goals			
California	Los Angeles County (enhanced job club)	Welfare recipients who have been required to search for employment	Job search workshops using a “step-down” model: Participants initially target higher-paying jobs and then, if unsuccessful, gradually reduce their target wage.
Oregon	Salem	Welfare applicants	Job search assistance combined with career planning; once employed, education and training, employer linkages to promote retention and advancement
South Carolina	Chesterfield, Darlington, Dillon, Florence, Marion, and Marlboro Counties	Individuals who left welfare (for any reason) between October 1997 and December 2000	Individualized case management with focus on reemployment, support services, career counseling, education and training, and use of individualized incentives
Tennessee	Shelby County (Memphis)	Welfare recipients who have been assigned to look for work	Pre-employment career planning, job development, and job search assistance; post-employment follow-up to promote retention and advancement
Texas	Corpus Christi, Fort Worth, and Houston	Welfare applicants and recipients	Intensive, individualized team-based case management; monthly stipends of \$200 for those who maintain employment and complete activities related to employment plan

- **Projects with mixed goals.** The remaining projects focus on both retention and advancement, and most of them start working with welfare recipients who are searching for jobs. These projects focus first on job placement, next on retention, and finally on advancement.

Most of the ERA projects are operating in urban areas (including sites in the nation's four largest cities), and most are relative large in scale, enrolling 1,000 to 2,000 people over a one- to two-year period. The programs were typically developed to help families for whom recent welfare reform efforts have been less successful — for example, welfare leavers working unsteadily or in low-wage jobs or recipients who have been unable to find work. As a result, almost all the programs target current or former recipients of Temporary Assistance for Needy Families (TANF) cash welfare. (In many states, the TANF rules allow recipients who obtain low-wage or part-time jobs to continue receiving a partial grant to supplement their earnings.)

A number of the ERA projects are operated directly by state or local welfare agencies; others are operated by nonprofit organizations or colleges under contract to welfare agencies; and still others represent collaborations among welfare and workforce development agencies.

II. Program Design Strategies

In designing ERA projects, state planners sought to learn from earlier retention and advancement efforts, notably, the Post-Employment Services Demonstration (PESD), a four-site project that tested programs providing follow-up case management to welfare recipients who found jobs. A careful evaluation found that the programs generally failed to improve employment retention.

Whereas the PESD programs used the same basic service — case management — to promote employment retention for a diverse set of clients, the ERA projects are seeking to better synchronize their goals, target groups, and service strategies. For example, PESD found that many welfare recipients who found jobs were able to retain them without special help. Thus, most of the ERA projects that target employed people focus more directly on career advancement. The ERA projects that emphasize employment retention target narrower, “hard-to-employ” groups whose members have demonstrated that they have difficulty finding or holding jobs.

Similarly, while most of the ERA programs are built around case management, they have sought to refine their approaches based on the lessons of PESD. For example, rather than waiting until people have found jobs, many ERA projects begin working with participants while they are searching for work, aiming to establish relationships that can carry over into the post-employment phase. In addition, these projects seek to improve the quality of the initial job placement: Although they have maintained a “work first” focus, they use career planning and other strategies to promote better job matches.

Finally, in most of the ERA projects, case management is seen not as the main service strategy but, rather, as the means of delivering other services or activities designed to meet the program's goals — for example, education or training, financial incentives, career planning, rehabilitation services, or job search assistance.

III. Early Lessons on Operating ERA Programs

As the largest current project dedicated to building knowledge about retention and advancement strategies, ERA provides a rich learning laboratory. Although many of the programs have begun operating only recently, important lessons are already emerging:

- **Encouraging participation in retention and advancement services is an ongoing challenge.**

Low-income, single, working parents — the primary target population for the ERA programs — face daunting daily challenges juggling work and parenting. It should not come as a surprise that many such parents are reticent about participating in retention and advancement activities — even when such services are nominally mandatory for parents still receiving welfare.

Sites have addressed this challenge by designing aggressive marketing strategies, by offering services at convenient locations or at nonstandard hours, and, in a few cases, by offering financial incentives to encourage participation. In designing services and marketing strategies, several of the projects drew on surveys or focus groups to learn about the target population.

- **Agencies that operate retention and advancement programs often have to restructure staff roles, train staff to take on new responsibilities, and lower caseloads.**

Staff in ERA programs need to have specialized skills and knowledge. For example, they should understand how to “sell” services to working parents, how to work directly with employers to address retention issues and identify career ladders within firms or industries, and how to help participants identify and access flexible training or education programs in their communities.

Most staff in traditional welfare-to-work programs do not possess this diverse range of skills. Thus, ERA sites — with assistance from MDRC — have devoted considerable resources to staff development and training. Some programs have created case management teams that draw on staff who have specialized expertise. To facilitate more intensive services, several of the programs have reduced the number of participants assigned to each worker.

- **Interagency partnerships are vital to delivering retention and advancement services, but it can be difficult to develop and maintain such linkages.**

Most of the ERA projects represent collaborations among welfare and workforce agencies, community colleges, nonprofit providers, and others. In many sites, these linkages already existed to deliver employment services to welfare recipients, but, in a few sites, new partnerships were forged specifically for ERA. Although it is often difficult to develop and maintain such partnerships, they offer a range of benefits to participants by giving them access to the specialized expertise of multiple agencies (and, in some cases, additional funding for services). The choice of service providers was particularly critical in the projects serving hard-to-employ groups, because these clients often require specialized treatment or rehabilitation services.

One of the most ambitious strategies — likely to be pursued in a few sites — is to build linkages directly with targeted employers. The hope is that these linkages will go beyond the traditional emphasis on job placement to focus on identifying career ladders and helping ERA participants access them. The sites are crafting strategies that benefit both employers and participants.

- **It may be critical to develop advancement strategies that go beyond traditional classroom-based education and training.**

For reasons discussed earlier, many programs have found it difficult to recruit low-income working parents into education or training programs. A few of the ERA projects are tackling this issue head-on, designing new recruitment strategies and working with education agencies to develop working-parent-friendly classes. Others are trying to craft advancement strategies that do not rely as heavily on traditional education and training — including career counseling, targeted job search help, and in-depth work with employers to identify (or even create) career ladders. Such approaches are used across the country, but they are rarely implemented on a large scale.

IV. What Is Coming Up?

Each of the ERA projects is being evaluated using a random assignment design in which eligible clients are assigned, by chance, to a program group that is eligible for ERA services or to a control group that receives the services that were available before the ERA project was developed. MDRC will use surveys and administrative records to follow both groups for up to three years. Because individuals are assigned to the two groups at random, there are no systematic differences between the groups' members when people enter the study. Thus, any differences that emerge during the follow-up period are attributable to the ERA program being tested.

This design will allow ACF and MDRC to obtain reliable data about whether the programs increase employment rates, employment stability, wage progression, family income, and other important outcomes. The study will also assess whether results differ for important subgroups of the target population — for example, people with or without a high school diploma — and will compare the financial costs and benefits of the programs.

MDRC will produce a separate interim report describing the implementation and early effects of each ERA project. Crosscutting reports will draw lessons from across the many tests.

V. Policy Implications

Although still at an early stage, the ERA project has already demonstrated that states and localities can mount innovative, large-scale programs to promote employment retention and advancement for welfare recipients and other low-wage workers. The states' strong commitment to the ERA projects — even in the face of mounting budget pressures — suggests that their vision for welfare reform includes a focus on long-term self-sufficiency for families. These investments are particularly critical as time limits on the receipt of cash benefits expire and the economy weakens. In this environment, the importance of employment stability and wage progression is magnified.

The tremendous flexibility inherent in the block grant structure that was created in the 1996 federal welfare law has facilitated this evolution in welfare reform. As welfare caseloads declined, many states have been able to shift resources from providing basic assistance to building a new set of supports for low-income working families. The states' ability to sustain and expand these efforts will likely depend on whether the funding level and the flexible approach are maintained — and even enhanced — when the TANF block grant is reauthorized in 2002.

Chapter 1

Origins of the ERA Project

For at least a decade, policymakers and program operators have struggled to learn what kinds of services, supports, and incentives are best able to help low-income working parents retain steady employment and move up to better jobs. This issue has assumed even greater urgency in the wake of the 1990s welfare reforms, which made long-term welfare receipt much less feasible for families. And yet, while a great deal is known about alternative approaches to job preparation and placement, there is still relatively little hard evidence about effective strategies to promote employment retention and advancement.

The Employment Retention and Advancement (ERA) evaluation is the most ambitious, most comprehensive effort to learn what works in this area to date. The project, conceived and sponsored by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services (HHS), will involve up to 15 random assignment experiments, testing a diverse set of strategies designed to promote stable employment and/or career advancement for current and former welfare recipients and other low-income parents.¹ Over the next several years, the ERA project will generate a wealth of rigorous data on the implementation, effects, and costs of these alternative approaches.

This is the first report in the ERA evaluation, which is being conducted under contract to ACF by the Manpower Demonstration Research Corporation (MDRC), a nonprofit, nonpartisan social research organization. The report describes the origins of the ERA project (this chapter), introduces the ERA sites and programs (Chapter 2), and identifies some early lessons learned about designing and operating retention and advancement programs (Chapter 3). Appendix A offers a detailed description of each ERA program; Appendix B discusses some of the issues involved in developing the ERA research design; and Appendix C provides selected background information on the welfare rules in each of the participating states.

I. Why Focus on Employment Retention and Advancement?

The ERA project reflects a decade or more of growing interest in the working poor, prompted by broad economic trends as well as by the dramatic shift in welfare policy.

A. Growing Concern About the Working Poor

Until the 1980s, federal and state income security and employment policies paid little attention to people working in low-wage jobs. Employment policies were designed to help economically disadvantaged people prepare for work (for example, through education and training) and find jobs, while income support programs such as Aid to Families with Dependent Children (AFDC) mostly provided benefits to families with no working adults.² Work, in and of itself, was seen as a means to self-sufficiency, even for people with limited skills.

¹The U.S. Department of Labor has also provided funding to support the ERA project.

²The Food Stamp Program has always provided benefits to some working families but, until recently, families with earnings constituted only around 20 percent of the Food Stamp caseload.

Two parallel trends — declining economic opportunities for non-college-educated workers and the emergence of welfare-to-work policies — helped to focus more attention on low-wage workers.

1. Shrinking opportunities for non-college-educated workers. Beginning in the 1970s, long-term structural changes in the U.S. economy began to sharply reduce the availability of well-paying jobs for people without a college education. Some believe that government policies exacerbated this trend. In 1979, only 4.2 percent of all workers earned hourly wages that — with full-time, year-round work — would leave a family of four below 75 percent of the federal poverty line. By 1995, that figure had grown to 14.4 percent. During this same period, the inflation-adjusted average hourly wages of non-college-educated workers fell by 12 percent, and the average hourly wages of workers without a high school degree fell by 23 percent. The percentage of workers without a high school degree who had employer-provided health insurance coverage fell from 63 percent in 1979 to 45 percent in 1993. The 1980s also saw increases in employment instability, involuntary part-time work, and “contingent” or temporary work.

Many two-parent families coped with these trends by working more — hours worked by wives grew by around 30 percent in the 1980s — so declining wages were particularly problematic for single-parent families, who did not have this option. In 1995, 40 percent of single mothers who worked full time year-round did not earn enough to raise the standard of living for a family of four above the poverty level.³

Finally, in addition to declining wages, some studies suggested that job advancement among low-wage workers was severely limited. One study examined women’s transitions from “bad” to “good” jobs during their twenties. A “good” job was defined as a job that paid \$8 or more per hour (1993 dollars) for 35 or more hours per week. The study found that less than half of women who did not complete high school (47 percent) ever worked in a good job between ages 18 and 27 (compared with almost three-quarters of women in general) and that only 15 percent of those who did not complete high school worked steadily in good jobs by age 27 (compared with about 40 percent of women in the overall sample). The average woman in this sample did not advance quickly: She took four years to transition from a bad job to a good one; one-quarter of the women in the sample took six years.⁴

In further reflection of these trends, one study found that, in 1997, one in six nonelderly Americans lived in a family in which the adults worked at least half time but that total family income was less than 200 percent of the federal poverty line.⁵

Several years of sustained economic growth started to push wages back up in the late 1990s, but the future is uncertain: Will wages and job quality continue to improve for the working poor, or were the improvements of the late 1990s an aberration that will be followed by continued deterioration of economic opportunities for less-skilled workers?

2. The emergence of welfare-to-work policies. Just as these economic trends were reshaping the labor market, welfare reform policies began to encourage and, if necessary, require recipients of Aid to Families with Dependent Children (AFDC) — most of them single mothers with low levels of education and work experience — to enter the workforce. Such policies had

³All figures are from Mishel, Bernstein, and Schmitt, 1997.

⁴Pavetti and Acs, 1997.

⁵Acs, Phillips, and McKenzie, 2000.

existed on paper since the late 1960s but were not broadly implemented by most states until the 1980s.

A series of random assignment studies of low-cost welfare-to-work programs conducted by MDRC in the 1980s showed that programs emphasizing brief job search activities generally increased earnings and reduced welfare receipt. But, not surprisingly, participants usually obtained low-wage jobs without fringe benefits and ended up no better off financially as a result of the programs. In effect, these welfare-to-work programs moved participants into the growing ranks of the working poor. Moreover, results were less positive for recipients with the lowest levels of education and work experience.⁶ Finally, there were signs that employment retention was a problem. One study looked at results for several programs over a five-year period, finding that 50 percent to 70 percent of those who found jobs did not work steadily in the final year of follow-up.⁷

These results helped shape the Family Support Act (FSA), the federal welfare reform legislation of 1988. FSA created the Job Opportunities and Basic Skills Training (JOBS) program to fund state welfare-to-work programs, required states to devote program resources to the most disadvantaged recipients, and placed a strong emphasis on basic education and vocational training activities, in addition to job search assistance.

The welfare reforms of the 1990s greatly increased the importance of job quality, retention, and advancement. The reforms began with federal waivers that allowed more than 40 states to reshape their AFDC programs, and they culminated with the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which abolished AFDC and created the Temporary Assistance for Needy Families (TANF) block grant program to the states. Today, nearly all states have expanded work requirements to a much larger share of their welfare caseloads, increased the penalties for noncompliance with work requirements, and established time limits on welfare receipt for either adults or entire families.⁸ These changes make it imperative for recipients to find and hold jobs that can support their families without cash assistance. Simultaneously, most states dramatically shifted the emphasis of their welfare-to-work programs toward a “work first” approach stressing rapid job placement; pre-employment education and training were deemphasized.

The unprecedented 58 percent decline in the national welfare caseload between 1994 and early 2001 naturally led to a focus on two issues: the circumstances of families who have left welfare and the characteristics of the dwindling number still receiving assistance. Many states have conducted surveys of “welfare leavers,” typically finding that around 70 percent of leavers worked at some point in the year following their exit from welfare. However, only 31 percent to 47 percent (depending on the study) worked in all four quarters of the year, indicating a high level of instability. The studies have also found that most employed leavers are working full

⁶Gueron and Pauly, 1991; Bloom, 1997.

⁷Friedlander and Burtless, 1995.

⁸PRWORA prohibits states from using federal TANF funds to assist most families for more than 60 months, and it allows states to set shorter time limits. States may grant exemptions for hardship to up to 20 percent of the caseload, and they also may use their own funds to provide benefits to adults or entire families beyond the 60-month point.

time, or close to full time, in relatively low-paying jobs (although earning substantially above the minimum wage), often without fringe benefits.⁹

Most of the research on welfare leavers does not provide detailed information on their employment trajectories over time, but other studies have done so. One study, conducted as part of the HHS-funded National Evaluation of Welfare-to-Work Strategies (NEWWS), took a detailed look at employment patterns over a four-year period for welfare recipients who were subject to Job Opportunities and Basic Skills Training (JOBS) programs. As shown in Table 1.1, the study found that about one-fourth of the sample members who ever worked for pay were employed over 75 percent of the follow-up period. Slightly more than half the sample, however, worked less than half the time, indicating a high level of employment instability.

The Employment Retention and Advancement Project

Table 1.1

Findings for NEWWS Program Group Members Who Worked for Pay in Years 1-4

Employment, Earnings, and Job Characteristics	Ever Employed	Employed for Indicated Percentage of Follow-Up Years 1-4			
		<25%	26-50%	51-75%	76-100%
Percentage of sample	100	29.5	23.2	22.2	22.3
Average number of employment spells	1.9	1.4	2.3	2.4	1.6
Characteristics of first job					
Average earnings per hour (\$)	6.27	6.34	5.85	6.19	6.67
Average earnings per week (\$)	210	209	183	208	250
Employer-provided medical insurance (%)	27.3	16.6	20.4	25.0	44.1
Earnings over time					
Average earnings in first measured quarter (\$)	2,179	260	1,554	2,135	2,451
Average earnings in last measured quarter (\$)	2,845	286	1,675	2,658	3,623

SOURCE: Data from the National Evaluation of Welfare-to-Work Strategies (NEWWS). See Martinson, 2000.

Several studies have also looked at factors associated with employment stability and wage/earnings growth. As shown in Table 1.1, the NEWWS study found that individuals who worked most steadily during the four-year period had somewhat higher hourly wages and were much more likely to have employer-provided medical insurance in their first job, compared with those who were least successful. (It is impossible to say whether there is a causal relationship between wages, health insurance, and stability; the people who obtained higher-paying jobs with health insurance may have been better qualified to begin with.) The study also found that those who worked steadily were less likely to report facing barriers to employment (for example, family or personal problems). Those whose first employment spell lasted four quarters or more had higher education and basic skill levels, fewer barriers to employment, and shorter stays on welfare (not shown). Finally, the NEWWS Evaluation found that those with the most sustained employment experienced substantial earnings growth: Earnings in their last quarter of employment

⁹Assistant Secretary for Planning and Evaluation, 2001.

were 48 percent higher than in their first quarter of employment (which may reflect more hours of employment, higher wages, or some combination of the two).¹⁰

Other studies have also looked at wage and earnings growth over time. One study examined five years of data for a group of women who had left welfare, finding that hourly wages increased by about 1 percent per year. As in the earlier study, however, annual earnings increased more substantially, by more than 40 percent — a result that must have been driven primarily by increases in hours worked. That study also found that many people advanced by changing jobs rather than by keeping the same job, highlighting the importance of distinguishing *job* retention from *employment* retention.¹¹ Another study found that former welfare recipients who worked full time had substantially higher wage growth than those who worked part time.¹²

In sum, these data on welfare recipients and leavers are not surprising in light of the economic trends discussed earlier. They suggest that many welfare recipients who find jobs experience unstable employment and that many of those who are able to work steadily remain stuck in relatively low-paying jobs without fringe benefits.

B. Policy and Programmatic Responses

At least four different types of policies and programs have emerged in response to the trends described above: (1) publicly funded work supports, (2) post-employment services to promote retention and advancement, (3) supply-side or industry-based strategies, and (4) services for the hard-to-employ.

1. Work supports. Beginning in the 1980s, the federal government gradually began to build a set of “work supports” — policies designed to assist low-income working families not receiving welfare. These policies are designed both to encourage work among welfare recipients and, more generally, to improve the condition of low-income working families.

The first steps in developing these supports for the working poor related to health insurance coverage. Until the late 1980s, eligibility for Medicaid (except for the elderly and disabled) was usually linked to eligibility for welfare. Thus, when families left AFDC for work, they often lost health insurance coverage. Between 1986 and 1991, Congress began to expand Medicaid coverage to include low-income pregnant women and children not receiving welfare. States are now required to cover pregnant women and children under age 6 with family income below 133 percent of the poverty line and, by 2002, will be required to cover all children under age 18 below 100 percent of the poverty line. The Family Support Act of 1988 required states to provide one year of transitional Medicaid coverage (and child care assistance) to most families leaving welfare for work.

Perhaps the most dramatic expansion of work supports came in 1990 and 1993, when Congress sharply expanded the Earned Income Credit (EIC), a refundable tax credit that mostly benefits low-income working families with children. In 2000, a family with two children earning approximately \$9,700 to \$12,700 could receive a credit of \$3,888.¹³ The total cost to the federal

¹⁰Martinson, 2000.

¹¹Cancian et al., 1999.

¹²Corcoran and Loeb, 1999.

¹³A worker with one child can receive a maximum credit of \$2,353. In addition, there is a much smaller credit for low-income childless workers. Families with more than one child and with annual income below \$31,152 are eligible for some level of the EIC.

government of the EIC exceeds \$30 billion per year, nearly twice the amount of the TANF block grant and substantially more than is spent on the Food Stamp Program.

PRWORA further expanded the network of work supports by formally “delinking” eligibility for Medicaid from eligibility for welfare and increasing federal funding for child care subsidies for low-income working parents. (States also use their own funds to support child care subsidies.) In 1997, Congress created the State Children’s Health Insurance Program (SCHIP) to provide health coverage to low-income children not already covered by Medicaid. Finally, since 1993, most states, as part of their welfare reforms, have expanded earned income disregards — policies that allow recipients to maintain some or all of their cash grant after going to work in a low-wage or part-time job.

Together, these changes have greatly strengthened the system of supports for low-wage workers. One study found that changes in federal entitlement programs such as the EIC and Medicaid led to a \$46 billion increase in annual federal spending on low-income families not receiving welfare (most of them working) between 1984 and 1999.¹⁴ Nevertheless, numerous studies have found that many eligible working families do not receive work supports for which they are eligible. The leavers studies typically found that only 35 percent to 60 percent of adult leavers were covered by Medicaid and that approximately one-third had no health insurance. (A smaller proportion of children were uninsured.) Food Stamp participation rates were even lower.¹⁵

2. Post-employment services. Work supports may, in themselves, promote employment retention by increasing the financial viability of low-wage work.¹⁶ However, there has also been an increasing emphasis on providing services that focus on retention and advancement, particularly to newly employed welfare recipients.

Until fairly recently, employment and training programs typically stopped providing services when participants found jobs. When post-employment follow-up existed, it usually consisted merely of phone calls to the employer a few weeks after placement to verify that the participant was still employed. During the 1990s, many employment and training programs added formal post-employment services. The most common approach — particularly in welfare-to-work programs — is to provide post-employment case management: Program staff follow up with participants who have gone to work to try to identify and help resolve issues that might lead to job loss. The Family Support Act of 1988 formally authorized up to 90 days of post-AFDC case management through the JOBS program. The Post-Employment Services Demonstration (PESD), discussed in the next section, rigorously tested an expanded version of this approach.

One particularly influential post-employment model is Project Match, a program that originally served long-term welfare recipients in a Chicago public housing project. Project Match conducted detailed research on participants’ trajectories, finding that job loss was a natural part

¹⁴Congressional Budget Office, 1998.

¹⁵Isaacs and Lyon, 2000.

¹⁶Ironically, work supports may provide a *disincentive* for advancement, since benefits phase out as income rises. One study examined income support policies in 12 states, finding that, on average, a mother with two children who moved from being unemployed to working part time at the minimum wage would experience a 51 percent increase in income. However, if the same mother moved from part-time to full-time work at the minimum wage (a 75 percent increase in work effort), her income would grow by only 20 percent, due in large part to the phasing out of work supports. If she moved from a full-time minimum-wage job to a full-time job at \$9 per hour (a 75 percent increase in hourly earnings), her income would grow just 16 percent (Acs, Coe, Watson, and Lerman, 1998).

of the path toward self-sufficiency. Thus, program services were designed to continue well past the initial job placement and to help participants learn from instances of job loss. Lessons from Project Match were used to develop the Pathways Case Management System, which is currently operating in several states.¹⁷

Another emerging focus is on post-employment education and training to promote career advancement. As noted earlier, in the late 1990s, nearly all states shifted the emphasis of their welfare-to-work programs away from providing pre-employment education and training — partly in response to research results.¹⁸ Recipients are generally expected to find jobs as quickly as possible. However, in response to findings from leavers studies and other evidence about the prevalence of low-wage and unstable employment, some states have begun to help working parents obtain further training or education. There is a particular emphasis on individuals who are working but continuing to receive welfare (and thus using up months toward time limits). As discussed further in Chapter 3, programs have found that it is very difficult to move large numbers of low-income working parents into education or training.

3. Industry-based strategies. In several communities, consortia — often including employers, community colleges, unions, and community-based organizations — have worked to create or articulate career ladders for entry-level workers targeting particular sectors or industries. Such sectoral- or industry-based programs are characterized by their depth of industry knowledge and their engagement within a specific industry or set of occupations. At the same time, these programs have deep roots in the low-income communities they serve. They engage a range of strategies, such as employment training, operating a business, providing consulting services to the industry, and engaging in policy advocacy work. At their heart, sectoral interventions attempt to change how low-income individuals enter the labor market and how labor market practices engage low-income individuals.

Consortia in which unions play a leadership role in connecting low-income individuals to growth occupations or industries are known as High Road Regional Partnerships. These efforts seek to build high-skill, high-wage regional economies through labor and community partnerships. These partnerships engage a range of strategies, such as upgrading skills of incumbent workers, modernizing the workplace, improving jobs through organizing, creating opportunities for entry into high-wage jobs, and building skill standards. One example is the Wisconsin Regional Training Partnership (WRTP), which supports a rich array of training, modernization, and workforce development services. It has a long history of collaboration with the metalworking industry in southeastern Wisconsin to provide training for incumbent workers and to establish certification standards that are used in school-to-work training and community-based training.

Lastly, there are other examples of how employers are working closely with public and nonprofit organizations to address retention and advancement challenges. Some nonprofits and community colleges have created customized training to meet the needs of their local employers. Others provide recruitment and hiring support, thus acting as a human resources department for some employers. There are examples of chambers of commerce, public school systems, and employers using common assessment tools such as the Secretary's Commission on Achieving Nec-

¹⁷Wagner and Zvetina, 2001.

¹⁸The NEWWS Evaluation found that programs emphasizing pre-employment education, or human capital development (HCD), did no better in terms of increasing employment and earnings than did labor force attachment (LFA, or work first) models and that the work first programs moved people into employment faster. However, the HCD programs were much more expensive to operate (Bloom and Michalopoulos, 2001).

essary Skills (SCANS)¹⁹ or Work Keys²⁰ to facilitate a better match between applicants and job openings. These tools provide a common language for employers and potential employees as well as outline a pathway for advancement within a particular organization or industry.

4. Services for the hard-to-employ. As stated earlier, research indicates that welfare recipients with more personal barriers to employment (for example, substance abuse and low basic skills) may find it harder to maintain steady employment than recipients with fewer such barriers. The welfare reform legislation of 1996 — eliminating most exemptions from work requirements and establishing time limits on cash aid — magnifies the need to provide meaningful and effective employment services for this population, particularly for individuals who are grappling with difficult family and personal issues such as substance abuse, mental health problems, and domestic violence.

Services for the hard-to-employ generally have two major components: employment services and treatment. Whether programs are more focused on one component or the other depends on their goals and philosophy as well as the type and severity of the barriers. Employment services for the hard-to-employ usually include enhanced supports for working clients, such as sheltered worksites, workplace accommodations, and “natural” supports (for example, assistance from coworkers, friends, and family). Over time, such programs have increased their emphasis on job retention in addition to job placement. Treatment addresses barriers directly through such services as family counseling, one-on-one therapy, and medication. Although welfare and workforce agencies generally provide employment services themselves and make referrals for treatment services, some programs are attempting to integrate the two components. For example, the national CASAWORKS demonstration and the Los Angeles Tri-Cities Mental Health programs are attempting to combine employment and treatment services seamlessly into one program.

II. Previous Research on Retention and Advancement Services

Relatively little is known about the impact of programs designed to increase employment stability and promote earnings or wage growth. Most of the studies that have been completed have focused on welfare recipients rather than on low-wage workers in general.

A. Pre-Employment Services

Most of the welfare-to-work programs that have been studied to date included few, if any, formal post-employment activities (beyond transitional benefits). They provided various combinations of education, training, and job search assistance but typically stopped serving participants shortly after they found jobs. Nevertheless, it is plausible that specific types of pre-employment services might do a better job of promoting stable employment or wage growth.

One recent study examined how several different welfare-to-work programs affected both employment overall and stable employment. Each program was evaluated using a random as-

¹⁹The Secretary’s Commission on Achieving Necessary Skills was appointed by the Secretary of Labor in 1990. The commission outlined the fundamental skills and the five workplace competencies that all high school graduates should possess. The use of SCANS has moved beyond the school-to-work field and into the workforce development and welfare-to-work systems.

²⁰Work Keys is a product developed by ACT to serve both employers and educational institutions. It tests across eight foundational skills and is used to identify job requirements (job profiling) and internal training and hiring needs (individual assessment).

signment design, in which eligible welfare recipients were randomly assigned to a program group that was required to participate in a welfare-to-work program or to a control group that was not. Table 1.2, which focuses on four employment-focused programs from the HHS-sponsored NEWWS project, shows that the pattern of results can be quite different across programs. The table shows, for each program, the percentages of program and control group members who ever worked. Then, in the following rows, the table divides the people who worked into two groups: those who “left work quickly” (in less than one year) and those who “remained employed for a year or more.” The column labeled “difference” shows the impact, or effect, of the program on these outcomes.

The Employment Retention and Advancement Project

Table 1.2

Effects of NEWWS Employment-Focused Welfare-to-Work Programs on Sustained Employment

Employment Outcome	Program Group (%)	Control Group (%)	Difference (Effect)	Percentage Change (%)
<u>Atlanta LFA</u>				
Ever worked	74.6	71.1	3.5 **	4.9
Left work quickly	36.8	39.3	-2.5	-6.3
Remained employed for a year or more	37.8	31.9	5.9 ***	18.6
<u>Grand Rapids LFA</u>				
Ever worked	85.1	79.6	5.5 ***	6.9
Left work quickly	51.3	47.8	3.4 *	7.1
Remained employed for a year or more	33.9	31.8	2.1	6.6
<u>Riverside LFA</u>				
Ever worked	66.6	55.9	10.6 ***	19
Left work quickly	35.4	28.7	6.7 ***	23.3
Remained employed for a year or more	31.1	27.2	4.0 ***	14.6
<u>Portland</u>				
Ever worked	80.3	73.4	7.0 ***	9.5
Left work quickly	37.6	37.4	0.3	0.8
Remained employed for a year or more	42.7	36	6.7 ***	18.5

SOURCE: Data from the National Evaluation of Welfare-to-Work Strategies (NEWWS).
See Michalopoulos, 2001.

NOTES: Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

The Riverside, California, Labor Force Attachment (LFA) program generated the largest increase in the percentage of people who ever worked, but the Portland, Oregon, program had the largest impact on *sustained* employment. (Much of the Riverside program’s impact was on short-term employment.) There is no way to know why the patterns differed. Unlike the Riverside LFA program, the Portland program used some education and training and also encouraged participants who were looking for employment to “hold out” for jobs that paid higher than the

minimum wage and offered fringe benefits. It is also possible that varying economic conditions across the sites played a role.

The patterns identified from other research (not shown) suggest that programs emphasizing education or training were no more or less effective than the LFA programs in promoting stable employment. In addition, other evidence suggests that the programs generating the largest increases in sustained employment also generated the largest increases in the number of people whose earnings grew over time. In other words, sustained employment appears to be linked to earnings growth.²¹

B. Earnings Supplements

Programs that supplement the earnings of low-wage workers — either through earned income disregards or through payments delivered outside the welfare system — are designed both to persuade people to work and to promote employment retention. They may promote retention by giving people additional income to meet their expenses and/or by giving them a greater incentive to keep working. (The supplements help people only when they are employed.)

Table 1.3 is similar to Table 1.2 but focuses on three programs that provided earnings supplements: Canada's Self-Sufficiency Project (SSP) and two versions of the Minnesota Family Investment Program (MFIP) — one that provided a financial incentive only and one that provided the full program (an incentive along with mandatory employment services). As the table shows, all three programs increased employment overall, and all three also increased sustained employment. Other evidence from SSP (not shown) suggests that increases in *sustained, full-time* employment may be critical to promoting growth in hourly wages over time. (This is consistent with the correlational data described earlier.)

C. Post-Employment Case Management

Two random assignment studies have tested programs that assigned case managers to work with welfare recipients who obtained employment. The first such study, in the late 1970s, examined a small-scale program in Denver that provided six months of post-employment case management to welfare recipients who found jobs through the Work Incentive (WIN) program, the predecessor to JOBS. Recipients who found jobs were assigned, at random, to a program group that received the case management or to a control group that did not. Although there were some positive results, the group that received the case management did not work more steadily or stay off welfare longer than the control group.²²

The Post-Employment Services Demonstration (PESD), which operated at four sites between 1994 and 1996, was a more ambitious test of a similar model, using a nearly identical research design. The PESD evaluation found that extensive outreach enabled case managers to contact most clients in the program group. The most common services utilized were counseling and work-expense payments. While clients generally gave their case managers high marks, the impact evaluation found that, compared with the control group, PESD had little effect on increasing program group earnings, decreasing welfare, and promoting self-sufficiency.²³

²¹Michalopoulos, 2001.

²²Slaughter, Whiteneck, and Baumheier, 1982.

²³Rangarajan and Novak, 1999.

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Table 1.3

Effects of Programs with Financial Work Incentives on Sustained Employment

Employment Outcome	Program Group (%)	Control Group (%)	Difference (Effect)	Percentage Change (%)
<u>SSP</u>				
Ever worked	42.5	27.3	15.2 ***	55.6
Left work quickly	21.6	17.0	4.6 ***	27.4
Remained employed for a year or more	20.9	10.4	10.6 ***	101.8
<u>MFIP Incentives Only</u>				
Ever worked	44.4	39.2	5.2	13.3
Left work quickly	12.2	13.5	-1.3	-9.6
Remained employed for a year or more	32.2	25.7	6.5 ***	25.3
<u>MFIP</u>				
Ever worked	50.5	39.2	11.4 ***	29.1
Left work quickly	16.3	13.5	2.8	20.7
Remained employed for a year or more	34.2	25.6	8.6 **	33.6

SOURCE: Michalopoulos, 2001.

NOTES: Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

Rounding may result in small discrepancies in sums or differences.

The PESD study, however, did provide a wealth of information about the implementation of post-employment case management and about the employment patterns of welfare recipients. For example, the evaluators concluded that the PESD programs may have been hindered by their attempts to provide a similar level of services to all participants, regardless of differing levels of need, and they argued for better targeting of resources. They also noted that PESD case managers had difficulty engaging some clients because they did not begin to work with the clients until after they had found jobs. Finally, the study found that while many instances of job loss were caused by circumstances in the workplace, many PESD participants were reluctant to have staff contact their employers.²⁴

A more recent project in Pittsburgh, known as GAPS, examined post-employment case management provided by community-based organizations rather than welfare agency staff. Although there was no impact evaluation of GAPS, the study found that participants made steady economic progress. One in five participants experienced a wage increase of 30 percent or more, despite frequently cited barriers such as child care, transportation, and conflict management. The study also found that those who received services directly addressing such problems were more likely to rate GAPS services as being useful — a finding that indicates that supplementing case management with these services may help participants improve their outcomes.²⁵ It is also inter-

²⁴Rangarajan and Novak, 1999.

²⁵Wood and Paulsell, 1999.

esting to note that, in this study, the service provider with the strongest links to a particular neighborhood was most successful in recruiting clients.

D. Services for the Hard-to-Employ

As mentioned earlier, results from the PESD evaluation suggest that job retention and advancement services may be more effective if they are tailored to meet the needs of different target populations. Clients who maintain steady employment on their own may nonetheless need help accessing work supports (for example, subsidized child care and the EIC) and identifying career advancement opportunities. Many hard-to-employ clients, of course, may have trouble maintaining steady employment for a variety of reasons. Some lack previous work experience, some are facing substance abuse or mental health problems, and others have low basic skills or a learning disability. These clients may need more intensive on-the-job support, therapeutic counseling, or basic skills training.

The argument for targeting services to the hard-to-employ is also supported by evaluations of traditional welfare-to-work programs. A recent analysis of 20 welfare-to-work programs revealed that increases in earnings were similar for long-term welfare recipients without a high school diploma or recent work experience (the most disadvantaged in the sample) and for other, less disadvantaged clients. However, the most disadvantaged group earned only one-sixth the amount earned by the least disadvantaged group. So, although these programs had impacts on the employment and earnings of the hard-to-employ, such individuals may need more intensive retention and advancement services in order to support themselves economically.²⁶

A similar point is illustrated by Table 1.4, which looks at the same four welfare-to-work programs shown in Table 1.2. Impacts on both employment and sustained employment were largest for the most disadvantaged clients, but, despite these gains, only 18 percent of program group members in the most disadvantaged subgroup were able to work steadily for one year or more (compared with 51 percent for the least disadvantaged subgroup). Moreover, among the most disadvantaged, only 41 percent of program group members who worked managed to sustain their employment ($18.0/44.2 = 0.41$). The comparable figure for the least disadvantaged was much higher, about 59 percent ($50.8/85.4 = 0.59$).

Financial incentive/work support programs showed similar outcomes for the most disadvantaged. The Minnesota Family Investment Program (MFIP), a program that provided generous earning disregards to welfare recipients, had similar impacts for the most and the least disadvantaged clients, but the most disadvantaged continued to earn less.²⁷ Similarly, the New Hope Project (a project that provided wage supplements, health care, and child care to low-income families in Milwaukee) had the biggest employment and earnings impacts for those with no barriers or only one barrier to employment. New Hope showed very little impact for those with two or more barriers.²⁸

²⁶Michalopoulos and Schwartz, 2000.

²⁷Knox, Miller, and Gennetian, 2000.

²⁸Bos et al., 1999.

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Table 1.4

Effects of Employment-Focused Welfare-to-Work Programs on Employment Retention, by Level of Disadvantage

Employment Outcome	Program Group (%)	Control Group (%)	Difference (Effect)	Percentage Change (%)
<u>Most disadvantaged</u>				
Ever worked	44.2	34.6	9.7 ***	28.0
Left work quickly	26.3	22.8	3.5 ***	15.5
Remained employed for a year or more	18.0	11.8	6.1 ***	52.0
<u>Moderately disadvantaged</u>				
Ever worked	68.2	61.6	6.7 ***	10.8
Left work quickly	33.9	32.2	1.6 ***	5.0
Remained employed for a year or more	34.4	29.3	5.0 ***	17.2
<u>Least disadvantaged</u>				
Ever worked	85.4	83.2	2.2 ***	2.7
Left work quickly	34.6	34.6	0.0	-0.1
Remained employed for a year or more	50.8	48.5	2.2 ***	4.6

SOURCE: MDRC calculations using data from Michalopoulos, 2001.

NOTES: Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; *** = 1 percent.

Rounding may result in small discrepancies in sums and differences.

Nonetheless, supported employment models have achieved some success over the years in increasing employment and earnings among hard-to-employ populations. The National Supported Work Demonstration found substantial impacts for long-term welfare recipients and those without a high school diploma.²⁹ Structured Training and Employment Transitional Services (STETS) — a model similar to supported work with the addition of up-front assessment and work readiness training — also had positive impacts on employment and earnings for mentally retarded young people.³⁰ Finally, although persistence in treatment is often a problem when trying to address mental health difficulties, substance abuse, and domestic violence, there is some evidence from clinical trials that treatment for substance abuse can be effective in reducing abuse and increasing employment.

III. The ERA Project

The ERA project is explicitly designed to build on the evidence described above by rigorously testing a wide variety of approaches to promoting employment retention and advancement for a range of populations. The project is divided into two phases: planning and evaluation.

²⁹MDRC Board of Directors, 1980.

³⁰Kerachsky et al., 1985.

A. Phase I: Planning and Technical Assistance

The Administration for Children and Families (ACF) was mindful that earlier studies did not identify approaches that helped welfare recipients retain jobs and advance. However, those past studies provided clues. For example, the research suggests that the nature of a client's initial job placement may affect later patterns of retention and that employment retention, particularly in full-time work, may be associated with advancement.

In addition to helping policymakers understand which approaches hold the most promise, the earlier experiments also highlighted the importance of using an experimental evaluation design. Measuring only participant outcomes, without comparing outcomes for a randomly assigned control group, can make interventions appear more successful than they really are. PESD, for example, appeared successful when only employment outcomes among the program group members were considered. In all four sites, the proportion who remained employed after job start during the two-year evaluation period ranged from 59 percent to 80 percent. But including the control group outcomes shows that similar proportions of welfare recipients would have been employed in the absence of the demonstration.

To encourage states to develop and refine job retention and advancement interventions, in 1998 ACF awarded planning grants to 13 states.³¹ The states were encouraged to develop bold, innovative strategies that built on past research and to pioneer new approaches. The grants were awarded to state welfare agencies, but the ERA programs did not need to be operated by these agencies, nor did they necessarily need to target TANF recipients.

ACF contracted with the Lewin Group to provide technical assistance during the planning phase. This included a synthesis of the research; three conferences for ACF and the states to discuss program and evaluation issues; a program design manual to provide a conceptual framework that states might follow when designing their programs; and site visits to each state to learn about its current program and to discuss planned interventions and evaluation issues. Program design issues varied by site and included focusing on better jobs, mixing work with education and training, the use of incentives to encourage program participation, and linkages to the workforce and other systems.

B. Phase II: Further Technical Assistance and Evaluation

The second phase of the ERA project involved funding an evaluation and selecting sites for participation. After a competition, ACF selected MDRC to conduct a rigorous, multisite evaluation of the ERA programs. Once the evaluation contract was in place, ACF held a series of competitions beginning in fall 1999 and selected nine states — including six that had participated in the ERA planning phase and all four that had been part of PESD — to participate in program planning as part of the evaluation. (One of these states did not continue, and another was added later.)³²

Although the evaluation was intended to begin just after sites were selected, it quickly became apparent that more technical assistance was needed to ensure that the study would test

³¹The planning-phase states were California, Illinois, Maryland, New Jersey, North Carolina, Ohio, Rhode Island, South Carolina, Tennessee, Texas, Virginia, Washington, and Wisconsin.

³²Among the planning-phase states, California, Illinois, South Carolina, Tennessee, Texas, and Virginia moved to the second phase. Florida, Minnesota, and Oregon entered the project even though they had not participated in the planning phase. Virginia later left the project, and New York was added.

well-designed and well-implemented programs. Thus, before the formal study begins in each site, MDRC and the Lewin Group work intensively with each site to develop, refine, and pilot-test its proposed demonstration project and to put in place the random assignment and data collection protocols necessary to implement the evaluation. The site development work involves extensive interactions with local program operators to understand their current program and to think through the design of the model to be tested. Once a model is thoroughly conceptualized in each site, MDRC and Lewin are supporting the staff training and start-up process and conducting an assessment of a pilot study to ensure that the model is being operated as planned and that the flow of clients is consistent with both program and evaluation requirements. Finally, prior to start-up, each site makes refinements in its program model and implements the random assignment and baseline data collection protocols needed for the evaluation. Several months after random assignment begins, MDRC conducts an early assessment to identify program challenges and develop recommendations to strengthen implementation.

The multiyear evaluation will employ a random assignment methodology and will focus on three components:

- Impacts (for example, the extent to which the programs improve retention, advancement, and other outcomes)
- Program implementation (for example, the operation of the programs and the challenges they encounter)
- Costs and benefits of the programs

The ERA evaluation will produce a mix of site-specific reports and crosscutting documents that summarize results and lessons from across the sites.

Chapter 2

The ERA Programs and Sites

This chapter introduces the Employment Retention and Advancement (ERA) programs by describing their goals, target groups, service strategies, organizational structure, and funding. Unlike the Post-Employment Services Demonstration (PESD; see Chapter 1), the ERA evaluation is not designed to test a particular model or approach. Rather, the Administration for Children and Families (ACF) gave states general parameters and urged them to develop models that reflected local objectives and conditions. ACF also contracted with MDRC and the Lewin Group to assist the states in developing and implementing their ERA programs.

With no proven models to build on, the sites had no roadmap and ended up taking paths that reflect differing policy objectives, organizational structures, welfare rules, and funding sources. However, as discussed below, three clusters of common approaches have emerged: (1) projects that focus primarily on career advancement, (2) projects that focus primarily on job placement and retention, and (3) projects with mixed goals (focusing on a combination of placement, retention, and advancement).

Section I provides an overview of the ERA sites and programs, and Sections II, III, and IV describe the programs in each cluster. (Appendix A provides a more detailed description of each program.) Section V describes clients' characteristics using early baseline data, Section VI outlines the organizational structure of the projects, and Section VII briefly describes the "counterfactual" — the benchmark against which the ERA programs are being compared.

I. Overview of the Programs and Sites

As of fall 2001, there were 15 ERA demonstration projects (also referred to as "experiments" or "tests") operating or under development in nine states.¹ As Table 2.1 shows, none of the projects operates statewide. Two of the states (Minnesota and Tennessee) are operating or planning a single demonstration project in one location, while four others (Florida, Illinois, South Carolina, and Texas) are planning or operating a single project in more than one city or county. California, New York, and Oregon are hosting multiple projects. There are a total of four experiments in California: two in Los Angeles County and two in Riverside County. Two separate tests are planned for New York City. Oregon will conduct three tests: one in Portland, a second in Medford and Eugene, and a third in Salem.²

¹The nine states having demonstration projects discussed in this report are: California, Florida, Illinois, Minnesota, New York, Oregon, South Carolina, Tennessee, and Texas. Florida's ongoing participation in the project is uncertain because necessary programmatic funding had not been secured when this report was completed. In addition, Ohio joined the project in late 2001 with an employer-focused project that will operate in Cleveland. The planned Florida program is discussed in this report, but the Ohio program is not.

²Final design decisions had not been made in Oregon when this report was finalized. Since it is likely that the Eugene model will resemble the Medford model, the two are considered a single test at this point.

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**Table 2.1
Overview of the ERA Programs and Sites**

State	Location and Name of Project (for states with multiple projects)	Actual or Projected Start Date of Random Assignment
California	<u>Los Angeles County</u>	
	Enhanced Job Club (EJC)	Early 2002
	Enhanced Post-Employment Services (PES)	Early 2002
	<u>Riverside County</u>	
	Education and Training (ET)	January 2001
	Post-Assistance Self-Sufficiency Services (PASS)	Early 2002
Florida	Jacksonville (Duval County) and Tallahassee (Leon County)	No date set
Illinois	Chicago (Cook County) and East St. Louis (St. Clair County)	Early 2002
Minnesota	Minneapolis (Hennepin County)	January 2002
New York	<u>New York City</u>	
	Personal Roads to Individual Development and Employment (PRIDE)	December 2001
	Substance Abuse Case Management (SACM)	Early 2002
Oregon	<u>Portland</u>	
	Placement and Retention for the Hard-to-Employ (HTE)	Early 2002
	<u>Medford and Eugene</u>	
	Enhanced Post-Employment Services (PES)	Early 2002
	<u>Salem</u>	
	Enhanced Pre- and Post-Employment Services (PPES)	Early 2002
South Carolina	Chesterfield, Darlington, Dillon, Florence, Marion, and Marlboro Counties	October 2001
Tennessee	Memphis (Shelby County)	August 2000
Texas	Corpus Christi, Fort Worth, and Houston	October 2000

The second column of Table 2.1 shows that almost all the tests are occurring in urban areas. In fact, the project includes sites in the nation's four largest cities (New York City, Los Angeles, Chicago, and Houston), as well as several medium-size cities (for example, Jacksonville, Memphis, Minneapolis, and Portland). The South Carolina project is occurring in six rural counties, and the Medford, Oregon, site is also rural.

Many of the experimental programs are called "the ERA program," so, for the most part, this report refers to the projects by the name of the state in which they are occurring. Table 2.1 lists the names that are used to refer to the multiple projects in California, New York, and Oregon. The far-right column shows that two of the 15 tests began in late 2000, another began in January 2001, and a fourth began in October 2001. The other tests were slated to begin random assignment in late 2001 or early 2002.

Although not shown in Table 2.1, most of the ERA programs are fairly large in scale and expect to enroll 1,000 to 2,000 people per site over a one- to two-year period. A few programs (for example, Riverside ET and New York PRIDE) are substantially larger (although not all participants will be part of the research), while others may be somewhat smaller.

In characterizing the ERA projects, it is useful to consider the flow diagram in Figure 2.1, which outlines the key stages in participants' movement from unemployment to self-sufficiency in a work first environment. The initial focus is on pre-employment activities (for example, job search workshops) that lead quickly to job placement. The focus then shifts to services designed to stabilize employment (for example, case management, incentives, connections-to-work supports) and, finally, to advancement services (such as job search to find a better job, education and training). Ongoing retention and stabilization services continue even after advancement.

As described below, the ERA projects start at different points in this process. For example, the Texas project starts in the pre-employment job search phase; the Los Angeles PES project starts immediately after a participant finds employment; and the Illinois project starts once an individual has been employed for six months.

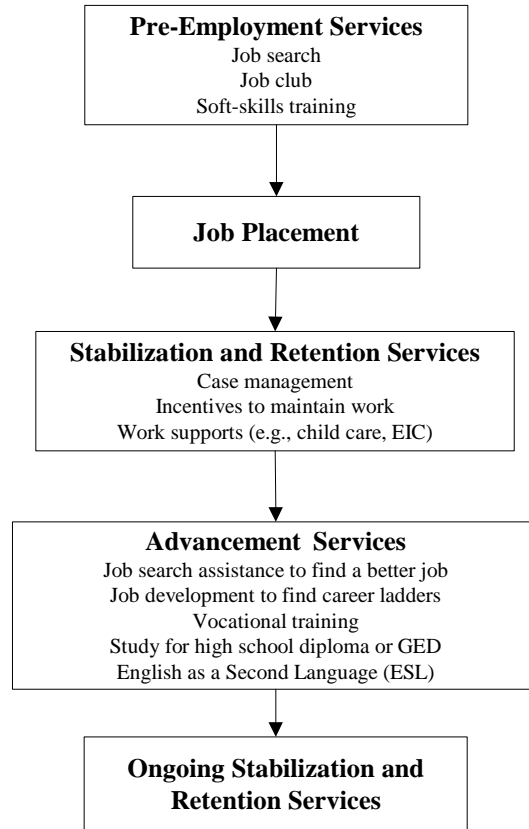
Of course, many real-life participants would not move steadily through this sequence, but the figure illustrates that, in the current environment, rapid employment is typically the first objective, with the assumption that many participants will then need retention services. Advancement is likely to be feasible only after the participant has adjusted to employment. (An alternative strategy, discussed in Chapter 1 but not common today, would use pre-employment education or training activities to try to prepare the participant for a better initial job, in the expectation that this would lead to increased employment stability.)

As shown in Table 2.2, the 15 ERA projects can be grouped into three clusters depending on where, in the stages described in the flow diagram, they place their initial or primary emphasis. Although some sites do not fit neatly into this scheme and there is great diversity within each cluster, the groupings are nonetheless useful for discussion purposes. It is important to note further that the clusters represent only those elements of the sites' welfare delivery system that are the focus of the ERA evaluation; they do not necessarily reflect the focus of the entire delivery system. The three clusters are:

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Figure 2.1

Participants' Movement from Unemployment to Self-Sufficiency in a Work First Environment



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Table 2.2

ERA Site Clusters

Advancement Projects	Placement and Retention Projects	Projects with Mixed Goals
Florida	Minnesota	Los Angeles EJC
Illinois	Oregon HTE	Oregon PPES
Los Angeles PES	New York PRIDE	South Carolina
Oregon PES	New York SACM	Tennessee
Riverside ET		Texas
Riverside PASS		

- **Advancement projects.** Six of the projects focus primarily on career advancement. These programs target individuals who are generally working in low-wage jobs, and they use a variety of strategies to help participants move into better jobs. A “better job” is commonly defined by an increase in earnings but can also mean shorter or more flexible work hours, additional fringe benefits, an easier commute, improved work conditions, and so on.
- **Placement and retention projects.** At the other end of the spectrum, four projects mostly emphasize the first steps in Figure 2.1: placement and retention. These projects target various “hard-to-employ” groups, for whom advancement is seen as a longer-term goal.
- **Projects with mixed goals.** The remaining projects stress both retention and advancement. Most begin working with people who are looking for jobs, focusing first on placement, next on retention, and later on advancement. One project targets a more heterogeneous group and tailors goals to individual circumstances.

Sections II and III describe the programs in each cluster, focusing on their target populations and service strategies.

II. Advancement Projects

A. Target Populations

The six advancement-focused projects grew out of concern about the quality of jobs that welfare recipients obtain after participating in welfare-to-work activities that strongly emphasize rapid employment. Thus, as shown in Table 2.3, all six of the ERA advancement projects target people who are working in low-wage jobs. The Riverside Education and Training (ET) and the Los Angeles Post-Employment Services (PES) projects target newly employed welfare recipients for inclusion in the study, while the Illinois project more narrowly targets recipients who have worked steadily for at least six months. The Riverside Post-Assistance Self-Sufficiency (PASS) project targets people who have just left welfare due to earned income or who are employed former recipients, and the Oregon Post-Employment Services (PES) project will target a similar

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Table 2.3

Advancement (“Working-Poor”) Projects

Project	Target Population	Primary Service Strategies
Florida	Low-wage workers (details not yet specified)	Generous stipends to promote participation in education or training (During a pilot test, weekly stipends of \$150 were provided to people who attended short-term education or training programs while working.)
Illinois	Welfare recipients who have worked at least 30 hours per week for at least six consecutive months	A combination of services to promote advancement through work-based strategies (identifying career opportunities in current position, job search assistance to find a better job, etc.) and education/training
Los Angeles PES	Newly employed welfare recipients working at least 32 hours per week	Stabilization/retention services, followed by a combination of services to promote advancement: education and training, career assessment, targeted job development, etc.
Oregon PES	Employed former welfare recipients	Stabilization/retention services, followed by a combination of services to increase enrollment in education and training and to promote advancement through work-based strategies
Riverside ET	Newly employed welfare recipients working at least 20 hours per week	Alternatives being tested: 1. <u>Training-Focused Group</u> – members encouraged to attend education and training programs; no specific work requirement while pursuing education and training 2. <u>Work Plus Group</u> – members encouraged to participate in education and training; no option to reduce work hours below 20 per week
Riverside PASS	Individuals who have left welfare due to earned income or who become employed within the 12 months following termination of cash aid	Intensive, individual and family-based support services administered and delivered by community-based organizations (The program goals are to aid participants to stay employed, to remain independent of cash aid, and to advance their career and/or earnings.)

group of employed former recipients. If the Florida project moves forward, it will likely target a mix of low-wage workers, most of whom are not receiving welfare.

The fact that several of the advancement projects in California and Illinois target employed *welfare recipients* is due in part to the welfare rules in those states. As shown in Appendix Table C.1, both states have generous earned income disregard policies that allow people earning well over \$1,000 per month to retain a partial welfare grant. Thus, in both states, large numbers of recipients are mixing work and welfare.

Florida also has a fairly generous earned income disregard, but its welfare benefit levels are lower than in the other states. Thus, individuals lose eligibility for benefits when their earnings exceed about \$800 per month (roughly 35 hours per week at just over the minimum wage). In addition, Florida has a stricter time-limit policy than either California or Illinois (see Appendix Table C.1), and consequently recipients in Florida who find jobs have a strong incentive to leave welfare entirely — thereby stopping their time-limit clock from ticking — even if they remain eligible for a small grant. Thus, Florida’s program would mostly target low-wage workers who are off welfare.³

Oregon’s welfare grant is somewhat higher than Florida’s, but the state does not have a generous earnings disregard (see Appendix Table C.1). Therefore, the level of earnings at which someone loses eligibility for assistance is even lower in Oregon than in Florida. In addition, because Oregon’s hourly minimum wage is higher than the federal standard (\$6.50 versus \$5.15), welfare recipients who find jobs are even more likely to lose eligibility for assistance. Thus, the Oregon PES project will likely target employed former recipients.

B. Service Strategies

The advancement-focused programs begin emphasizing advancement at slightly different points in the sequence described in Figure 2.1. The Florida, Illinois, and both Riverside projects start emphasizing advancement immediately after clients enroll in the ERA project, while the Los Angeles PES and Oregon PES projects will likely focus on retention and stabilization for most clients as a first step.⁴

To promote career advancement, these ERA projects are using two basic strategies. One is to encourage participants to enroll in and complete education and training programs while employed. The other is “work-focused” and emphasizes advancement by maintaining ongoing full-time work and helping individuals to find a better job, either with their current employer or with a new employer. The emphasis of the work-focused approach is on linkages with employers and identifying career ladders and requirements for promotion. In several cases, the ERA projects that focus on advancement combine elements of both strategies.

³The Florida project operated as a pilot test serving employed welfare leavers with low income. If the state participates in ERA, the target group will likely be expanded to include other low-wage workers.

⁴In fact, both the Los Angeles PES and the Oregon PES projects could be classified as having mixed goals, because they will focus on both retention and advancement. They are included in the advancement cluster because both target people who already have jobs; as discussed below, most of the programs in the mixed-goals cluster begin even earlier in the flow, by targeting job-seekers.

The Florida and Riverside ET projects are primarily focusing on the first approach. Both programs seek to encourage and assist employed parents to enter (and complete) classroom-based education or training programs:

- The Riverside ET project is explicitly testing whether alternate strategies for mixing work, education, and training for welfare recipients who have already found jobs can increase participation in high-quality education and training programs — and generate bigger impacts on the intensity and duration of advancement activities. Welfare recipients who find jobs are assigned at random to one of the two program groups or a control group. Participants in both program groups are strongly encouraged and assisted to enter education and training activities, but participants in one of the groups, the Work Plus Group (representing the county’s standard approach), are required to work at least 20 hours per week. Participants in the other group, the Training-Focused Group (operated by the local workforce development agency), are not subject to any specific work requirement.⁵ Recipients in the counterfactual group (the Work-Focused Group) receive some follow-up services focused on employment retention, but they are not actively encouraged to pursue education or training.
- If the Florida project moves forward, it will provide generous weekly stipends — plus free tuition, child care assistance, transportation assistance, and job search assistance — to low-income working parents who enroll in relatively short-term education or training programs. The stipends, which were \$150 per week when the program was pilot-tested in 2000, would potentially allow parents to reduce their work hours without losing much income. (The Texas project, discussed below, also uses financial incentives in part to encourage education and training participation.)

It is striking that two strongly work-focused welfare systems that began deemphasizing pre-employment education and training several years ago have begun to reemphasize these activities — and are doing it now, in the post-employment phase. In the past, programs have found it difficult to increase participation in education and training among working parents. For obvious reasons, most single parents have a hard time combining full-time work, school or training, and family responsibilities.⁶

The second advancement strategy flows from the evidence, described in Chapter 1, that employment retention may be associated with earnings or wage progression. This strategy involves helping low-wage workers sustain employment and then identify advancement opportunities — either with their current employer or with a new employer — that do not require classroom-based education or training. The Illinois, Oregon PES, and Los Angeles PES projects will seek to use this approach, which combines career counseling techniques, active job development (for example, aggressive outreach in the business community to identify employers providing “good” jobs), and targeted job search assistance to help participants find and obtain better jobs or

⁵The hypothesis is that allowing more flexibility in the hours worked while attending education and training will promote greater participation and completion in these activities and will allow for different types of training and education for occupations that may have greater earnings growth.

⁶Golonka and Matus-Grossman, 2001.

Appendix A

Descriptions of the ERA Programs

Appendix B
Evaluating the ERA Programs

Appendix C

Key Welfare Rules in the ERA States

