

**What Works Best for Whom:  
Effects of Welfare and Work Policies  
by Subgroup**

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## Findings in Brief

This report examines the effects of welfare and work policies on earnings, welfare benefits, income, stable employment, and stable welfare exits across a range of subgroups using information from random assignment studies of 26 welfare and work policies studied by MDRC. No two of the programs are alike, but they used one of five broad approaches: (1) job-search-first programs required most welfare recipients to initially look for work; (2) education-first programs initially required most welfare recipients to enroll in education and training; (3) employment-focused mixed-activity programs stressed the importance of finding work but required more job-ready welfare recipients to look for work while allowing others to enroll in education or training programs; (4) education-focused mixed-activity programs likewise used a mix of initial activities but did not stress employment; and (5) earnings supplement programs provided extra financial payments to welfare recipients who went to work.

Among the key findings of the report are the following.

€ **Job search appears to be important for increasing employment and earnings.** Earnings and employment generally increased the most for subgroups and program models where job search was stressed more than education or that used earnings supplements to encourage employment. Despite the apparent importance of job search, education still appears to have a role to play. The most effective programs across a range of subgroups were employment-focused mixed-activity programs, which allowed some more disadvantaged recipients to enroll initially in education and training but stressed the importance of employment to all participants.

€ **Only earnings supplement programs consistently increased income.** Earnings supplement programs increased income across a range of subgroups while other approaches left income largely unchanged across a range of subgroups. All of the earnings supplement programs except one used enhanced earnings disregards, which allow welfare recipients to remain on welfare with more earnings. As a result, they encouraged people to combine work and welfare rather than to leave welfare for work.

€ **In general, effects of the different types of programs on stable welfare exits were similar across subgroups.** For virtually every subgroup that was examined and for each of the five program models, impacts on stable welfare exits were not significantly different across subgroups. In particular, several programs that extensively used partial family sanctions to enforce mandates had much larger effects on stable welfare exits than on stable employment.

€ **Performance indicators may be more indicative of impacts for more disadvantaged groups than for less disadvantaged groups.** For the most disadvantaged sample members, programs with larger impacts also tended to be the ones with higher outcome levels for program group members. This was not the case for the least disadvantaged sample members. This suggests that the use of performance indicators such as earnings levels for program participants might be a more accurate measure of the effect of a program for more disadvantaged groups.





## The Program Models

**The Saturation Work Initiative Model (SWIM)**<sup>2</sup> Operated between July 1985 and September 1987, the Saturation Work Initiative Model (SWIM) was an employment-focused program that was mandatory for most single-parent welfare-recipient households with no child under age 6. To provide help in finding employment, SWIM started most participants off with a two-week job search workshop. Participants who did not find a job after job search were referred to the Employment Work Experience Program (EWEP), which required them to work 20 to 30 hours per week for 13 weeks in public or nonprofit agencies in exchange for their welfare benefits. Those who were still not working after EWEP were referred to community education and training programs.

**Greater Avenues for Independence (GAIN)**<sup>3</sup> Implemented in the mid 1980s, Greater Avenues for Independence (GAIN) was California's welfare-to-work program. In six of the state's 58 counties, the effects of GAIN were studied in a random assignment evaluation begun in early 1988.<sup>4</sup> Participants in the welfare-to-work program were placed in one of two tracks after an initial assessment. Individuals who had neither a high school diploma nor a General Educational Development (GED) certificate, who obtained low scores on either a basic reading or math test, or who were not proficient in English were considered "in need of basic education." Most entered a program of basic education, GED preparation, or English as a Second Language (ESL). Most other participants were required to enroll in a job search activity, primarily job club or supervised job search. If a participant in either track completed her first activity without finding a job, she may have been referred to on-the-job training, work experience, supported work, or other education and training. Although the six GAIN counties that were studied shared a uniform program model, the characteristics of the counties and their implementation of the model differed somewhat. In particular, the program operated in Riverside was much more employment focused than the others. Nearly all staff in Riverside emphasized quick employment, while no more than half in any other county did so.

**The National Evaluation of Welfare-to-Work Strategies (NEWWS)** The National Evaluation of Welfare-to-Work Strategies (NEWWS) was a study of 11 welfare-to-work programs created or adapted to fit the provisions of JOBS.<sup>5</sup> The JOBS program was designed to help states reach the hard-to-serve who sometimes fell through the cracks in earlier programs. To this end, states were required to spend at least 55 percent of JOBS resources on potential long-term recipients or among the more disadvantaged groups, including those who had received welfare in 36 of the prior 60 months, those who were custodial parents under age 24 without a high school diploma or GED, those who had little work experience, and those who were about to lose eligibility for welfare because their youngest child was age 16 or over. Under NEWWS, 11 welfare-to-work programs were studied in seven sites: Atlanta, Georgia; Columbus, Ohio; Detroit and

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<sup>2</sup>For a more detailed discussion of the SWIM program, see Hamilton and Friedlander (1989).

<sup>3</sup>For a more complete description of the GAIN program design, see Riccio, Friedlander, and Freedman (1994), particularly Chapters 1 and 2.

<sup>4</sup>Although GAIN began before the Family Support Act was implemented, it met the provisions of the legislation and later became California's JOBS program.

<sup>5</sup>For more information on the Family Support Act and the JOBS program, see Hamilton and Brock (1994), Chapter 1.

Grand Rapids, Michigan; Oklahoma City, Oklahoma; Portland, Oregon; and Riverside, California.<sup>6</sup> The programs fell into three broad categories. Three sites — Atlanta, Grand Rapids, and Riverside — implemented “labor force attachment” (LFA) programs that required most participants to begin with job search activities. Seven programs — “human capital development” (HCD) programs in Atlanta, Grand Rapids, and Riverside;<sup>7</sup> two programs in Columbus that tested different forms of case management;<sup>8</sup> and programs in Detroit and Oklahoma City — operated education-first programs that required most welfare recipients to enroll in education or training. The eleventh program — in Portland — emphasized to clients that the goal of the program was to get a job but encouraged participants to wait until they found a “good” job and encouraged those in need of more skills to enroll in education or training initially and look for a job later.

**The Minnesota Family Investment Program (MFIP)**<sup>9</sup> The Minnesota Family Investment Program (MFIP) was begun in 1994 to test whether financial incentives would encourage welfare recipients to work. The financial incentive in MFIP was an enhanced earnings disregard that allowed working welfare recipients to continue receiving benefits until they earned 140 percent of the federal poverty threshold. Put another way, a mother of two who worked 20 hours per week and earned \$6 per hour would receive almost \$250 more in income under MFIP than under the usual welfare system (Figure 1.1 in Miller et al., 1997). In addition, MFIP required welfare recipients to participate in its welfare-to-work program after they had received welfare in 24 months over a three-year period. MFIP’s welfare-to-work program was an employment-focused program that assigned more job-ready individuals to jobs search but allowed others to enroll initially in education programs. This report describes results for two versions of MFIP, an incentives-only program that offered program group members the enhanced earnings disregard, and a full-services program that not only offered the enhanced disregard but also required long-term recipients to participate in the welfare-to-work program.

**The Family Transition Program (FTP)** Florida’s Family Transition Program (FTP) was a pilot version of a time-limited welfare program studied in Escambia County (Pensacola) beginning in 1994).<sup>10</sup> FTP required participants to engage in employment and training services, included a financial incentive that made work pay more than it did under the usual welfare rules, and imposed a time limit on receipt of welfare benefits. About 40 percent of the program group was considered more disadvantaged and allowed to receive welfare for 36 months in a 72-month

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<sup>6</sup>Descriptions included here are adapted from Freedman et al. (2000), Chapter 3.

<sup>7</sup>In Atlanta and Grand Rapids, people were randomly assigned to the control group, the HCD program group, or the LFA program group. In Riverside, those in need of basic education according to the GAIN criteria described above were randomly assigned to one of these three groups, but those not in need of basic education were randomly assigned to either the control group or the LFA program group.

<sup>8</sup>In Columbus, people were randomly assigned to the control group, a traditional case management group (in which one caseworker verified eligibility for welfare and a second managed program participation), or an integrated case management group (in which one caseworker both verified eligibility and managed program participation).

<sup>9</sup>For more details on the MFIP program, see Miller et al. (1997), Chapter 1. MFIP is also the name of Minnesota’s TANF program, which is a modified version of the MFIP program described here.

<sup>10</sup>The description of the FTP program is adapted from Bloom, Kemple, and Rogers-Dillon (1997), Chapter 1; information on implementation of the program is from Chapter 3.

period before reaching the program's time limit.<sup>11</sup> The remaining 60 percent of the program group was allowed to receive welfare for 24 months in a 60-month period before reaching the time limit. Unlike most of the other programs in this report the control group in FTP was also required to participate in services through Project Independence, Florida's JOBS program. Although both the control and program groups were required to participate in employment and training services, the mandate was different for the two groups in several ways. First, the welfare-to-work program for the control group was not fully funded during the period when FTP was studied. Second, control group members with a child under age 3 were exempt from the participation mandate. Third, mandates were much more strictly enforced for the program group than for the control group. Fourth, more participants in the program group were allowed to participate in education and skills development because they were not considered job ready.

**Connecticut Jobs First.**<sup>12</sup> Jobs First began operating in January 1996 as Connecticut's TANF program. With a 21-month time limit, Jobs First had the shortest time limit in the country. In practice, however, most families that reached the time limit while the program was being evaluated were granted an extension if they had earnings that were less than their welfare grant plus \$90. In addition to the time limit, the program required welfare recipients to enroll in employment and training services that included both job search and basic education. Welfare recipients were also encouraged to work through the program's generous financial incentive, which allowed them to keep their entire welfare check and food stamp benefit as long as they were earning less than the federal poverty threshold.

**The Vermont Welfare Restructuring Project (WRP)**<sup>13</sup> One of the earliest statewide welfare reform programs initiated under waivers of federal welfare rules prior to 1996, WRP used a number of policies to try to increase self-sufficiency by enabling families to supplement or supplant public assistance with earnings. To provide a financial incentive to work, WRP had an earned income disregard that allowed parents to keep more earnings after an initial period of work. To ease the transition away from welfare, WRP extended Medicaid and child care subsidies. To allow parents a means of finding and keeping a job, WRP permitted welfare recipients to own a more valuable car. Finally, to force parents to work if all other encouragement failed, WRP included a time limit that required parents to work after 30 months.

**The Canadian Self-Sufficiency Project (SSP)**<sup>14</sup> SSP offered a three-year earnings supplement to selected single-parent welfare recipients in British Columbia and New Brunswick. The earnings supplement was a monthly cash payment available to single parents who had been on welfare for at least one year and who left welfare for full-time work (30 hours or more per week) within a year of entering the program. The supplement was paid on top of earnings for up to three continuous years, as long as the person continued to work full-time and remained off welfare. While collecting the supplement, an eligible single parent received an immediate payoff from work; in most cases, her total income before taxes was about twice her earnings.

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<sup>11</sup>A person was given a 36-month time limit if she had received welfare for at least 36 of the 60 months prior to random assignment or if she was a high school dropout under age 24 with little or no recent work history.

<sup>12</sup>Bloom et al. (2002).

<sup>13</sup>For more details on the WRP program, see Scrivener, et al. (2002).

<sup>14</sup>For more details on SSP, see Michalopoulos et al. (2002) and Michalopoulos, Robins, and Card (Forthcoming).

Table 1.1 summarizes the main work-related components of each program. As the table indicates, nearly every program included mandatory welfare-to-work activities, and most of the programs had neither additional financial incentives nor time limits. However, eight of the sites or programs supplemented the earnings of those who went to work to provide additional financial incentive to work and to further increase the income of those who worked. In addition, two programs had time limits on how long families could receive benefits.

Table 1.2 further summarizes the self-sufficiency approaches used by the programs by placing them into one of five categories.

- ∉ **Job-Search-First Programs.** SWIM, Atlanta LFA, Riverside LFA, and Grand Rapids LFA required most welfare recipients to initially look for work.
- ∉ **Education-First Programs.** Atlanta HCD, Riverside HCD, Grand Rapids HCD, two programs in Columbus, and programs in Detroit and Oklahoma City required most welfare recipients to enroll initially in education and training. In Atlanta, Riverside, and Grand Rapids, education was usually adult basic education (ABE). In Detroit and Oklahoma City, services focused more on long-term education and training.
- ∉ **Employment-Focused Mixed-Activity Programs.** Riverside GAIN and the JOBS program in Portland stressed the importance of finding work but used a mix of initial activities, requiring more job-ready welfare recipients to look for work but allowing others to enroll in education or training programs. While Riverside GAIN used remedial education — ABE, GED preparation, or English-as-a-second-language (ESL) classes — Portland used both remedial education and vocational training.
- ∉ **Education-Focused Mixed-Activity Programs.** The GAIN programs in Alameda, Butte, Los Angeles, San Diego, and Tulare Counties were more education focused while using a mix of initial activities. Participants in these programs who had not graduated from high school or earned a GED, who lacked basic math or verbal skills, or who did not speak English were assigned to ABE, GED preparation, or ESL classes. Other participants were asked to look for work.
- ∉ **Earnings Supplement Programs.** The two versions of Vermont's WRP program, the two versions of the MFIP program, the two provinces in SSP, Florida's FTP, and Connecticut's Jobs First programs all supplemented earnings of welfare recipients who went to work. Sometimes earnings supplements were combined with requirements that welfare recipients engage in job search or education and, in Florida and Connecticut, combined with time limits on welfare receipt.

Different programs using the same basic approach might be more or less effective at engaging welfare recipients, or might rely more or less on job search compared with education. To further explore differences across the programs, Table 1.3 shows the impacts of the programs on four types of welfare-to-work activities: job search, basic education, vocational training, and unpaid work experience.

Not surprisingly, programs in the top two categories (job search first and employment-focused mixed activities) resulted in larger increase in job search than in education. Neverthe-

less, several of the employment-focused programs did increase the use of education and training. Among the LFA programs, for example, vocational training increased by 16 percentage points and basic education increased by 5.1 percentage points in Atlanta. Because they used a mix of initial activities, Riverside GAIN and Portland both increased the use of education and training, although Riverside's effects were exclusively on basic education while Portland increased the use of vocational training as well.

Likewise, programs that focused more on education activities (education-focused mixed activities and education-first programs) tended to have larger effects on basic education than on job search. There was considerable variation across these programs, however. Among the more education-focused programs, all except two increased use of basic education by more than 10 percentage points. The two exceptions were Detroit and Oklahoma City, which ran de facto voluntary programs during much or all of the period in which they were evaluated. Three programs included only more disadvantaged welfare recipients — the evaluation of Alameda and Los Angeles GAIN included only long-term welfare recipients and only those in need of basic education were randomly assigned to the Riverside HCD program — and all three increased use of basic education by more than 20 percentage points.

There is one dimension on which the more education-oriented programs were generally similar. Most of them emphasized short-term basic education rather than vocational training or post-secondary education. In all cases except one (Detroit), the programs' impact on use of basic education exceeded its impact on use of vocational training. Where impacts on post-secondary education were measured separately from vocational training (all programs not included in NEWWS), impacts on post-secondary education were small and therefore not included in the table.

Regardless of orientation — employment-focused, education-focused, or with earnings supplements — the ultimate goal of every program was to encourage work. Perhaps for this reason, nearly every program with a mandatory participation requirement (that is, excluding SSP and the incentives only versions of MFIP and WRP) increased job search activities by more than 10 percentage points.

Since this is a report about subgroups, it is important to understand the activities that different groups of people were assigned to. In the mixed-activity programs, in particular, job-ready participants were supposed to be assigned to different activities than those who were thought to need more education. To help understand subgroup differences in activities, Table 1.4 shows impacts on participation in GAIN and NEWWS for those who were not considered to need basic education, and for those who were. In NEWWS, the "in-need" group consists of individuals who had not graduated from high school or earned a GED certificate by the time of random assignment. In GAIN, an individual was considered in need of basic education if, at the time of random assignment, they had neither a high school diploma nor a GED certificate, had obtained low scores on either a basic reading or math test, or were not proficient in English. Because it is beyond the scope of the present study to calculate participation rates by subgroup, Table 1.4 relies on numbers that appear in published reports. Impacts on program participation are not shown for other subgroups because they were not consistently reported across studies. They are not shown for other programs because they were not calculated for these subgroups in other studies.



preference for work; barriers to work or program participation because of child care, transportation, and health or family problems; and degree of work-related parental concerns. Similar information was asked on a baseline survey in SSP.

## RESEARCH QUESTIONS

This report tries to answer the question of “what works best for whom” among welfare and work policies for single-parent welfare recipients. Implicit in this question are three broad research issues.

### € **Which groups were affected the most and the least?**

To answer the “for whom” part of the question, the report examines subgroups of single-parent families based on a number of characteristics, including educational attainment; work and welfare history; race, ethnicity, and sex; number and age of children; barriers to work because of child care, transportation, and health or emotional problems; preference for work over welfare; parental concerns about leaving family for work; and depression and feeling of mastery over life circumstances. To investigate results for a group of individuals expected to be especially hard to help, a most disadvantaged subgroup was defined to include long-term recipients (those who had ever been on welfare two years or more prior to random assignment) who had not graduated from high school and who had no earnings in the year prior to random assignment. Likewise, a least disadvantaged group was defined as individuals with none of these barriers, while individuals were considered moderately disadvantaged if they had one or two barriers. The report focuses on these three levels of disadvantage because they differ substantially in how much they would work and receive welfare in the absence of the policies that are examined.

### € **In what dimensions are the programs succeeding?**

In studying the policies, the report investigates a number of outcomes: earnings, welfare benefits, income, stable employment, and stable welfare exits. Policymakers may want to encourage welfare recipients to work; for them, the “best” program may be the one that increases employment and earnings the most. Other policymakers may be primarily interested in reducing spending on welfare; for them, the best program may be the one that reduces cash assistance the most. Welfare recipients and policymakers concerned about child and family poverty may care most about total income; for them, the best program may be the one that increases income the most. Finally, programs with similar effects on earnings and welfare receipt might differ in how much they encourage people to work steadily or to remain off the welfare rolls for a sustained period. For example, policies with similar effects on welfare benefit amounts might have different effects on how long people stay off the rolls if one program operates in a state with relatively generous welfare grants while the other operates in a state with relatively low grant levels.

### € **Which programs or program models work best?**

These programs vary in a number of ways, including how they helped clients make the transition from welfare to work, who was enrolled in the programs, how the programs were implemented, where the programs were implemented, and the economic conditions under which they were implemented. If programs with one set of characteristics consistently outperformed others for some subgroups, policymakers might want to repeat those programs for some welfare recipients.

## SUMMARY OF FINDINGS

- € **The group of programs with the most consistent effects on employment and earnings were employment-focused programs that allowed some welfare recipients to enroll in short-term education or training.**

One program model had the largest effects on earnings and employment across a wide range of subgroups. Programs in this group assigned job-ready individuals initially to look for work and assigned others initially to education or training activities. Even for those in need of education, however, the programs stressed that employment was the ultimate goal. There are several possible explanations for the success of this group of programs. Perhaps the use of both job search and education allowed each participant to initially do what was best for her, while the programs' employment focus ensured they were looking for work fairly quickly. This result should be interpreted cautiously, however, because there were only two programs in this category, and those two programs — Riverside GAIN and Portland's JOBS program — are perhaps the two most effective welfare-to-work programs ever studied using random assignment.

- € **Results point to the importance of job search in increasing employment and earnings.**

The employment-focused mixed-activity programs mentioned above had substantial effects on job search both for those in need of basic education and for others. Job-search-first programs, which obviously stressed job search, had fairly substantial effects on earnings and employment for a wide range of subgroups. Perhaps most revealing were the effects of education-focused mixed-activity programs. These programs had among the largest effects on earnings and employment for less disadvantaged groups, for whom they substantially increased job search activities, but had fairly small effects on more disadvantaged groups, for whom they stressed education activities.

- € **Education-oriented programs generated small impacts for more disadvantaged groups.**

For more disadvantaged groups, the two types of education-oriented programs had smaller effects on earnings, welfare benefits, and stable employment than the other three program models. Since education costs more than job search, this suggests that education as the primary welfare-to-work activity might not be the best approach for the most disadvantaged, and that education and training might be better targeted at groups that have already had success in school rather than those who appear to lack basic academic skills. Since these education-oriented programs did not necessarily use state-of-the-art education services, it is possible that a program that wants to use education and training to increase earnings for the most disadvantaged could do better than the programs studied by MDRC. Finally, it is important to recognize that a head-to-head comparison of education-first and job-search-first programs in three sites in the National Evaluation of Welfare-to-Work Strategies found that the two approaches had similar effects after the first year or two (Hamilton et al., 2000).

- € **Only programs that supplemented the income of parents who went to work consistently increased income, but they did so by increasing families' use of public assistance.**

Syntheses of the effects of welfare and work policies have found that programs that supplement earnings consistently increase household income while policies that use only work-related mandates do not (Bloom and Michalopoulos, 2001). This result holds for subgroups as well: earnings supplement programs increase income across a range of subgroups while other programs leave income largely unchanged across a range of subgroups. All of the earnings supplement programs except one used enhanced earnings disregards, which allow welfare recipients to remain on welfare with more earnings. As a result, they encouraged people to combine work and welfare rather than to leave welfare for work. Although these programs encourage self-sufficiency through work, in a world of time-limited welfare they also make it more likely that welfare recipients will use up their time on welfare quickly.

**€ In general, effects of the different types of programs on stable welfare exits were similar across subgroups.**

For virtually every subgroup that was examined, for each of the five program models, and for each of three outcomes that were examined, impacts on stable welfare exits were not significantly different across subgroups. Since differences were found in the impacts of the programs on stable employment by subgroup, this suggests that a number of programs are encouraging people to leave welfare without helping them find stable work. In particular, several programs that enforced participation mandates with extensive use of partial family sanctions had much larger effects on stable welfare exits than on stable employment.

**€ The most disadvantaged are much less likely to find stable employment or to have stable welfare exits than the least disadvantaged.**

Among most disadvantaged control group members, only about 5 percent worked at least 75 percent of the follow-up period, compared with more than one third of the least disadvantaged. About 25 percent of the most disadvantaged sample members stayed off welfare for four or more consecutive quarters, compared with more than half of the least disadvantaged sample members. These differences are not surprising since most disadvantaged sample members were long-term welfare recipients who had not worked in the year prior to random assignment, and history is often an excellent indicator of the future. However, the differences are much larger than for subgroups defined by the individual characteristics.

**€ Performance indicators may be more indicative of program impacts for more disadvantaged groups than for less disadvantaged groups.**

For the most disadvantaged sample members, programs with larger impacts also tended to be the ones with higher average outcome levels for program group members. This was not the case for the least disadvantaged sample members. This result may suggest that the use of performance indicators such as earnings levels for program participants might be a more accurate measure of the effect of a program for more disadvantaged groups, for whom earnings are expected to be consistently low across sites in the absence of a program, than for less disadvantaged groups, for whom earnings vary substantially across sites.

**Table 1.1**  
**Policy Components of the Programs**

<b>Evaluation or Program</b>	<b>Mandatory Services</b>				
	<b>Job search first</b>	<b>Education first</b>	<b>Mix of job search and education as initial activities</b>	<b>Earnings supplements</b>	<b>Time limited welfare</b>
<b>SWIM (San Diego)</b>	✓				
<b>GAIN</b>					
Alameda			✓		
Butte			✓		
Los Angeles			✓		
Riverside			✓		
San Diego			✓		
Tulare			✓		
<b>NEWWS</b>					
Atlanta LFA	✓				
Atlanta HCD		✓			
Grand Rapids LFA	✓				
Grand Rapids HCD		✓			
Riverside LFA	✓				
Riverside HCD		✓			
Columbus Integrated		✓			
Columbus Traditional		✓			
Detroit		✓			
Oklahoma City		✓			
Portland			✓		
<b>FTP (Florida)</b>			✓	✓	✓
<b>Jobs First (Conn.)</b>			✓	✓	✓
<b>MFIP (Minnesota)</b>					
Full Services			✓	✓	
Incentives Only				✓	
<b>WRP (Vermont)</b>					
Full Services	✓			✓	
Incentives Only				✓	
<b>Self-Sufficiency Project</b>					
British Columbia				✓	
New Brunswick				✓	







## Chapter 2

### Impacts on Earnings, Welfare Benefits, and Income

This chapter presents the effects of the 26 welfare and work policies by subgroup on earnings, welfare benefits, and income from earnings, cash assistance, and food stamps. Although a number of subgroups are examined, the chapter focuses on a composite subgroup based on three barriers to work: welfare history, recent work history, and high school credential. (Appendix A shows results for a number of other subgroups.) These barriers were used because the baseline information that was collected in most MDRC studies did not include information on psychosocial constructs such as depression, family problems, and barriers to work from child care and transportation. In addition, Michalopoulos and Schwartz (2001) found these barriers, especially recent work history, to be much better predictors of future success in the labor market than the psychosocial barriers.

These barriers were used to define three levels of disadvantage. The “most disadvantaged” group consists of long-term recipients (those who had been on welfare for at least two years prior to random assignment) who had not graduated from high school or worked in the year prior to random assignment. The “least disadvantaged” group consists of people who had none of these barriers. The “moderately disadvantaged” group consists of people who had one or two barriers.

This chapter examines impacts by level of disadvantage in four ways. Impacts are first shown for each of five program models, defined by the self-sufficiency approaches described in Chapter 1. Once the most and least successful program models are identified, impacts for individual programs are examined to determine whether a program model’s success was shared by all programs of that type. If there is variability across programs, the next question is whether differences in impacts across programs can be explained by the intensity of what the programs did. This is done by relating impacts by subgroup and program to the effects that the programs had on job search and education, their part-time and full-time work incentives, and whether they had a time limit on welfare benefits. The penultimate section of the chapter tackles a very different issue by comparing impacts to program group outcomes as the beginning of an investigation into the usefulness of performance standards as a means of evaluating the effectiveness of welfare-to-work programs. The chapter ends by briefly examining pooled impacts by program model for a number of additional subgroups.

### SUMMARY OF FINDINGS

⊄ **Job search assistance produced the most consistent gains in earnings across subgroups, particularly for more disadvantaged groups.** Programs that required all welfare recipients to initially look for work generated substantial impacts for more disadvantaged subgroups. Employment-focused programs that used a mix of activities, but that primarily increased job search assistance, generated large effects on earnings across subgroups. Perhaps most telling, education-focused programs that used a mix of activities focused on job search for job-ready participants and generated substantial earnings gains for groups of more job-ready participants. By contrast, programs that required most participants to engage in education — primarily remedial education — generated fairly small effects for most subgroups.



Table 2.1 suggests that the best way to increase the earnings of the most disadvantaged welfare recipients over a three-year period is to stress employment, either through case management or financial work incentives, but not to rely too much on education. Of the five program models, only the education-focused mixed-activity programs failed to significantly increase earnings over the three-year period, while the education-first programs had relatively small effects on earnings for the most disadvantaged. While the effects of both education-oriented approaches were greater in the third year, they still lagged behind the effects of the other programs.<sup>16</sup>

If the primary goal is to increase earnings for the most disadvantaged without regard to income, an administrator should probably choose either the job-search-first programs or the mixed-activity programs with an employment focus. Both types of programs used primarily job search to encourage work among the most disadvantaged, an approach that has been found to save money or to be relatively inexpensive to run. In contrast, programs that supplement earnings generally cost more — sometimes substantially more — than the programs they replaced.

***Which program model increased earnings the most for the moderately disadvantaged?***

All of the program models generated significant earnings gains for the moderately disadvantaged, but impacts were largest — \$1,406 per year over the three-year period and \$1,558 in Year 3 — for the employment-focused mixed-activity programs. In fact, earnings gains for the full sample were greatest for the moderately disadvantaged (not shown on the table) and were significantly larger than for the other two subgroups.

Results in Table 2.1 are consistent with the notion that job search is an effective way to increase earnings for the moderately disadvantaged, a group that includes some people in need of basic education and some job-ready welfare recipients. Both the job-search-first programs and the employment-focused mixed-activity programs would have had large effects on job search for such a mixed group, and impacts on earnings for the moderately disadvantaged were largest for these program models. Likewise, education-first programs would have had the smallest impact on job search for such a group, and they generated the smallest impacts on earnings. Finally, education-focused mixed-activity programs would have had modest effects on job search, and programs in that category had modest impacts on earnings for the moderately disadvantaged.

***Which program model increased earnings the most for the least disadvantaged?***

Among the least disadvantaged participants, both categories of mixed-activity programs generated substantial effects on earnings, while none of the other program models significantly increased earnings.

The fact that mixed-activity programs had larger effects on earnings for the least disadvantaged than the job-search-first programs presents a bit of a mystery. All three program models substantially increased job search for high school graduates (recall that all of the least

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<sup>16</sup> Although it is not reported on the table, a statistical test was performed to determine whether impacts across the five program models were significantly different for each subgroup. For each of the six outcomes shown on Table 2.1, impacts were significantly different across the program models at the 1 percent significance level (or better) for each of the three subgroups.

disadvantaged had a high school diploma or GED at random assignment) and had much smaller effects on education and training. If job search were responsible for large increases in earnings, impacts on earnings should have been substantial for job-search-first programs as well. Perhaps the large impact of the mixed-activity programs suggests that they successfully targeted education services at the least disadvantaged welfare recipients who were best able to benefit from education. Recall, however, that Chapter 1 showed that the mixed-activity programs had larger effects on job search among high school graduates than did the job-search-first programs. Their larger effects on earnings might reflect their larger effects on job search. Finally, it is worth noting that impacts on earnings for job-search-first programs were not statistically significantly lower for the least disadvantaged than for the other groups.

The results in Table 2.1 suggest that if one program had to be designed to increase earnings for a broad range of welfare recipients, it should be employment focused with a mix of initial activities. It was the only program model with effects on annual earnings exceeding \$800 for all three groups. Moreover, it had the largest effects for both the most disadvantaged and moderately disadvantaged. Although using education for most welfare recipients was not an effective approach, these results suggest it might be important to use education for those in need of basic skills, especially if the ultimate goal of finding a job is stressed.

Cost might also point away from the education-focused programs and toward the employment-focused programs. In the NEWWS evaluation, for example, the Atlanta, Grand Rapids, and Riverside LFA and HCD programs were run side-by-side, allowing rigorous comparisons of the two approaches. In each case, the LFA program cost less or saved more than the HCD programs. For example, in Grand Rapids, the LFA program saved the government \$2,908 per program group member over a five-year period, while the HCD program cost the government \$308. The most cost-effective program studied in NEWWS was Portland, which is also an employment-focused program, and which saved the government more than \$5,000 per program group member over five years. Finally, the evaluation of GAIN, the Riverside program generated the largest savings, and several of the more education-focused generated smaller welfare savings than their programs cost to operate.<sup>17</sup>

### **Impacts on Cash Assistance Payments**

#### ***Which program model saved the most welfare dollars for the most disadvantaged?***

The middle set of results in Table 2.1 show the effects of the program models on welfare payments. If the sole goal of a welfare-to-work program were to save welfare dollars, these results suggest that a program should be employment-focused, and probably should require all welfare recipients to work. This makes some sense, since welfare payments in most of these programs were reduced when earnings increased, and the more employment-focused programs had larger effects on earnings for the most disadvantaged than did the more education-focused programs.

Although most welfare-to-work programs are designed to reduce welfare use, they are typically not judged solely on their welfare savings, but on whether welfare savings stem from increased self-sufficiency. Thus, it is important to compare the levels of welfare savings to the level

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<sup>17</sup> Hamilton, et al, 2001 for NEWWS; Riccio et al., 1994, for GAIN.

of earnings gains in judging the effectiveness of the various program models. In this regard, the employment-focused mixed-activity programs stand out. They generated the largest effects on earnings among the most disadvantaged, but reduced welfare payments by less than they increased earnings. In contrast, the job-search-first programs reduced welfare payments by more than they increased earnings. Another way to think of this is that the employment-focused mixed-activity programs had significantly larger effects on earnings for the most disadvantaged than the job-search-first programs, but the two program models generated about the same level of welfare savings.

There is one other important distinction across the program models. With the exception of SSP, which worked by supplementing the income of people who left welfare for full-time work, the earnings supplement programs made it easier for people to combine work and welfare. As a result, those programs did not reduce cash assistance payments to the most disadvantaged. In contrast, all of the other program models reduced cash assistance payments for the most disadvantaged.

***Which program model saved the most welfare dollars for the moderately and least disadvantaged?***

As for the most disadvantaged, welfare savings for the moderately disadvantaged were a mirror image of earnings gains. Among the mandatory welfare-to-work programs, welfare savings were largest for the more employment-focused programs, just as earnings gains for this group were largest for these programs.

For the least disadvantaged, in contrast, welfare savings from program models other than the earnings supplement programs were fairly consistent, ranging from \$235 per person among education-focused mixed-activity programs to \$364 for the job-search-first programs. In contrast, the effects on earnings across the subgroups and program models ranged from close to \$0 to more than \$1,400. This might reflect the fact that the least disadvantaged were likely to leave welfare on their own, limiting the amount that a welfare-to-work program could save for them. The best conclusion from the point of view of welfare savings may be that different welfare-to-work activities are somewhat equally effective.

If one program had to be designed to save welfare dollars for a broad range of welfare recipients, the results in Table 2.1 suggest that it should be a job-search-first program. The effects of job-search-first programs on welfare benefits were the largest for the most and least disadvantaged, and they generated considerable welfare savings for the moderately disadvantaged. Since their effects on earnings were not generally as large as the mixed-activity programs, however, the job-search-first programs may have saved welfare dollars without providing large benefits for their participants.

The effects on earnings across subgroups also suggest an important role for job search. For job-search-first programs, which focused on job search for all participants, impacts on earnings were not significantly different across the subgroups. Employment-focused mixed-activity programs likewise had substantial effects on job search for high school graduates and non-graduates, and impacts on earnings were substantial for all three subgroups. Education-first programs had fairly small impacts on job search across the board, and these programs had fairly small effects on earnings for all three subgroups. Perhaps most telling, however, are results for the education-focused mixed-activity programs. These programs focused on job search for participants

who were not thought to need basic education, but they focused on basic education for other participants. Consistent with this difference, education-focused mixed-activity programs had their largest effects on earnings for the least disadvantaged, modest effects for the moderately disadvantaged, and no effect for the most disadvantaged.

### **Impacts on Income**

With regard to income, the story is clear: to increase income across a broad range of welfare recipients, use earnings supplements. Earnings supplement programs were explicitly designed to increase income by supplementing the earnings of program group members who went to work more than the earnings of control group members who went to work. In contrast, the other programs reduced cash assistance payments by the same amount for program group and control group members who worked the same amount. Because those programs increase earnings, they also reduced welfare benefits (as discussed above), and had smaller effects on income by design.

Results with regard to income from earnings, cash assistance, and food stamps are shown in the last two columns of results in Table 2.1.<sup>18</sup> The distinction between earnings supplement programs and other program models is apparent. While the other program models generally had modest effects on income because individuals traded welfare checks for work checks, the programs with earnings supplements had quite large effects on income, ranging from \$873 for the most disadvantaged to \$1,166 for the moderately disadvantaged over the three-year follow-up period and from \$822 for the most disadvantaged to \$1,769 for the moderately disadvantaged in year 3.

Other than earnings supplement programs, the biggest effects on income occurred where program models had large effects on earnings. In particular, employment-focused mixed-activity programs significantly increased income for the most and moderately disadvantaged groups, while education-focused mixed-activity programs significantly increased earnings for the least disadvantaged. Because these program models raised earnings much more than they reduced welfare payments for those subgroups — presumably because many people gained so much in earnings that they left welfare entirely — they increased income for all three groups over the three-year period.

## **IMPACTS FOR INDIVIDUAL PROGRAMS**

Having established the relative benefits of different program models, it is reasonable to ask how consistent programs are within the five program models. In particular, examining impacts by program provides an opportunity to further explore the notion that job search is key to generating impacts among programs with mandatory program participation. This section addresses the question by showing the effects of each program on annual earnings over three years. The results are shown in three figures, one for each of the subgroups.<sup>19</sup>

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<sup>18</sup> Income for SSP and the San Diego SWIM program does not include food stamps benefits since data on food stamps were not collected for SWIM, and Canada does not have a Food Stamps Program. In addition, income in SSP includes earnings supplement payments.

<sup>19</sup> Impacts for earnings, cash assistance payments, and income (from earnings, cash assistance, and food stamps benefits) are shown in Appendix Table A.10, along with significance levels of impacts and differences across subgroups for each program.

## Most Disadvantaged

Figure 2.1 shows the effects on earnings over the three-year follow-up period for each program for the most disadvantaged. Results were fairly consistent for the employment-focused mixed-activity programs (quite successful), for the education-first programs (moderately successful), and for the education-focused mixed-activity programs (generally not successful at increasing earnings).<sup>20</sup> With only two programs in the employment-focused mixed-activities category, however, conclusions regarding that program model should be made cautiously.<sup>21</sup>

Less consistent among the most disadvantaged are the job-search-first and earnings-supplement programs. While two of the job-search-first programs had sizable effects, two had more modest effects. Likewise, four of the earnings supplement programs had relatively large effects among the most disadvantaged, but four had almost no effect.

Differences across the earnings supplement programs may reflect differences in the generosity and form of the incentives in those programs. For example, the earnings supplement in the Vermont WRP programs was only more generous for most workers after they had combined work and welfare for four months, and the Full WRP program did not require welfare recipients to participate in welfare-to-work activities until they had received benefits for 28 months. This might explain why the Vermont programs — represented by the fifth and sixth bars among the earnings supplement programs — did not have much effect on earnings. In addition, earnings disregard policies may encourage some people who would have worked full time to cut back their work effort, while the SSP supplement is not expected to have this effect because it rewards only full-time work and the Full MFIP program might have reduced this effect by requiring people to participate in welfare-to-work activities or work for 30 hours per week. This might explain why the impact on earnings of the MFIP incentives-only program (the fourth bar among the earnings supplement programs) are much less than in either Full MFIP (the third bar) or SSP (the first two bars). The likely effect of different types of incentives is examined in more detail in the next section.

## Moderately Disadvantaged

Figure 2.2 shows similar results for the moderately disadvantaged.<sup>22</sup> With the exception of the earnings supplement programs, results are more consistent across programs for this group,

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<sup>20</sup> Statistical tests confirm what the figure apparently shows. Differences across programs within a program model were not statistically significant at the 10 percent level for the mixed-activities employment-focused programs (p-value of .243), for the mixed-activity education-focused programs (p-value of .545), or for the education-first programs (p-value of .354). However, differences were statistically significant among the job-search-first programs (p-value of .056) and the earnings supplement programs (p-value of .017).

<sup>21</sup> A third program that fits into this category is Florida's Project Independence (PI) program, which was not used in this report because only two years of follow-up information are available. As shown in Bloom and Michalopoulos (2001), PI had much smaller effects than the Riverside GAIN and Portland JOBS programs, although the program's relative lack of effectiveness is probably due to how it was implemented.

<sup>22</sup> For the moderately disadvantaged, differences across programs within a program model were not statistically significant at the 10 percent level for the job-search-first programs (p-value of .178), the employment-focused mixed-activity programs (p-value of .911), or for the education-focused mixed-activity programs (p-value of .312). Differences were statistically significant among the education-first programs (p-value of .083) and the earnings supplement programs (p-value less than .001).

perhaps because this group is the largest for many of the programs. As for the most disadvantaged, both employment-focused mixed-activity programs were very successful. Compared to the most disadvantaged, however, the education-oriented programs were more consistently effective for the moderately disadvantaged. Finally, the earnings supplement programs were generally ineffective at increasing earnings for this group, with the exception of the two SSP programs.

### **Least Disadvantaged**

Figure 2.3 shows similar results for the least disadvantaged.<sup>23</sup> Although results are quite variable across the programs, this is partly a consequence of the small number of least disadvantaged individuals in the studies. As Appendix Table A.10 indicates, individual programs' impacts on earnings were usually not statistically significant even when they were several hundred dollars per year. For example, the SWIM program increased earnings by nearly \$1,500 per person, while the other job-search-first programs had little effect on earnings for the least disadvantaged. However, these differences are not statistically significant, in part because the SWIM results were estimated from only 352 people (including both program and control group members).

Despite the small sample sizes, two program models had significant differences in earnings impacts across programs. For the two employment-focused mixed-activity programs, the Riverside GAIN program increased earnings by \$1,769 per year, while Portland had virtually no effect on earnings for the least disadvantaged. Among the earnings supplement programs, the SSP program in New Brunswick increased earnings by more than \$2,600 per person (although there were few least disadvantaged participants in this program), while the MFIP incentives-only program significantly reduced earnings for this group. Once again, this might reflect differences in the incentives for different programs. Least disadvantaged sample members might be likely to work full time on their own, but MFIP's earnings disregard provided an incentive to reduce hours of work from full time to part time while the SSP earnings supplement only rewarded full time work.

## **EXPLAINING DIFFERENCES IN IMPACTS ACROSS PROGRAMS**

Figures 2.1 through 2.3 showed that programs that did not supplement earnings were fairly consistent in their effects, particularly for the most and moderately disadvantaged. But factors other than program model varied from site to site, and there was variation in how many people received welfare-to-work services and the degree to which the earnings supplement programs provided financial work incentives. In addition, if the types of welfare-to-work activities that a program used are really responsible for its large or small effects, then programs that used more education should have smaller effects on earnings than programs that used less education, all else equal. This section uses regression techniques from the meta-analysis literature to further explore how subgroup impacts vary with the impact the program had on job search and education work activities, the

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<sup>23</sup> For the least disadvantaged, differences across programs within a program model were not statistically significant at the 10 percent level for the job-search-first programs (p-value of .192), the education-first programs (p-value of .443), or the education-first programs (p-value of .666). Differences were statistically significant among the employment-focused mixed-activity programs (p-value of .023) and the earnings supplement programs (p-value of .041).

generosity of the welfare system and financial work incentives, the presence of time limits, and the state of the local economy.<sup>24</sup>

### **Factors Examined in the Analysis**

**Program participation.** Welfare-to-work services are likely to be more effective if people use them. To explore the relationship between the use of services and program impacts, impacts on job search activities and basic education are included in the analysis.<sup>25</sup> Although this seems clear, there are at least three problems with using impacts of a program on activities. First, we know how many people participated in activities but we do not have consistent information on how long they participated in those activities on average. Second, while impacts on job search might indicate that a program ran effective job search services, it might indicate other factors, such as having had more job-ready participants.

A final difficulty in using information on program participation is that participation rates were not available by level of disadvantage. For programs not included in GAIN or NEWWS, impacts on program participation were available only for the full sample, and those impacts were used for all three subgroups. As discussed in Chapter 1, GAIN and NEWWS published impacts on participation for high school graduates (those not in need of basic education) and high school non-graduates (those in need of basic education). Impacts on participation for high school graduates were used for the least disadvantaged, since all of them had a high school credential at the time of random assignment. Impacts on participation for high school nongraduates were used for the most disadvantaged, since none of them had a high school credential at random assignment. Impacts for the full sample were used for the moderately disadvantaged.

**Financial work incentives.** Financial work incentives are expected to increase a program's effects on earnings and income. To investigate this relationship, a program's financial work incentive was calculated as the difference in income from earnings, cash assistance payments, food stamps, and SSP earnings supplement payments between the old and new program rules. Because part-time work incentives might have different effects than full-time work incentives, this difference was calculated for someone who worked 20 hours per week and for someone who worked 40 hours per week. In both cases, it was assumed that the parent had two children, had no other sources of income that would reduce cash assistance payments, and earned \$6 per hour. By this measure, part-time work incentives ranged from \$0 in SSP, which required people to work full time to receive its supplement, to \$345 per month in Jobs First. Full-time work incentives ranged from \$0 in Vermont and FTP to \$542 in the British Columbia SSP program.

**Time limits on welfare receipt.** Time limits are expected to reduce income and cash assistance payments relative to what they would have been, and might encourage employment and increase earnings. To capture the effects of time limits, the regressions include a variable that

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<sup>24</sup> The statistical model underlying this analysis is sometimes referred to as a random effects model, which is estimated using a method described by Raudenbush (1994).

<sup>25</sup> The GAIN evaluation did not estimate the impact of the Butte program on participation in job search or education. Therefore, Butte is not included in the analysis described in this section. In NEWWS and GAIN, impacts for vocational training were not separated from impacts on post-secondary education. In SWIM, impacts were presented for all educational activities combined, so the impacts on education was divided equally into basic education and vocational training for purposes of this meta-analysis.

equals one for the time-limited welfare programs in Florida and Connecticut. Both time-limited programs included financial work incentives as well, but participants could receive them only until they hit the program's time limit. In Florida, we therefore multiplied the part-time work incentive described above by  $2/3$ , since many recipients were eligible for welfare benefits for only 24 months in the 36-month follow-up period. In Connecticut, we multiplied the full-time work incentive by  $21/36$  since families would have lost eligibility for welfare after 21 months if the parent had been working full time. Since a parent working part time in Connecticut could have received an extension when she reached the time limit, the part-time incentive in Connecticut was not adjusted for the presence of the time limit.

**The economy.** To explore the effects of local economic conditions, the regressions include the local unemployment rate when the study began. It is not clear how program impacts would be affected by these conditions. Weak economic conditions imply that few people will be able to find work and that jobs will pay little. At the same time, a weak economy will result in a less disadvantaged caseload if it brings people onto the rolls who will leave welfare quickly. Both factors are true for both the control and program groups, however, and impacts may therefore be either higher or lower when the economy is in bad shape. Using individual-level data from 59 welfare offices involved in several of the welfare-to-work experiments included here, Bloom, Hill, and Riccio (2001) found that an increase in the unemployment rate of one percentage point was associated with an increase in the annual impact on earnings of \$94, all else equal.

**Welfare grant levels.** The final factor examined in the analysis was cash assistance grant levels. Grant levels might be related to a program's effectiveness because of who enters the caseload and the incentives to leave welfare for work. The welfare guarantee in Riverside was close to \$700 per month for a single mother with two children, among the highest levels in the country, but about \$300 per month in Atlanta. This suggests that a person receiving welfare in Atlanta would have few other prospects for economic support, and that sample members in Atlanta are likely to be more disadvantaged than sample members in Riverside. In other words, among the most disadvantaged, Atlanta sample members are probably even more disadvantaged in other ways than Riverside sample members. At the same time, sample members in low-grant states like Georgia are likely to be on welfare for only a short period of time because benefits are so low. In low-grant states, almost any job will pay enough to make a person ineligible for welfare benefits; in a high-grant state, it is easier to combine work and welfare. This suggests that programs will have a harder time reducing welfare use and, presumably, increasing employment and earnings in low-grant states than in high-grant states.

## **Results**

**Earnings.** Consider Table 2.2, which shows the relationship between these factors and the impacts on earnings over the three years following random assignment by level of disadvantage. According to these results, a program that wants to increase earnings for the most and moderately disadvantaged should increase the amount of job search that is done and increase full-time work incentives. In particular, a 1 percentage point increase in the impact on job search activities is associated with a \$19.80 increase in the impact of a program on annual earnings for the most disadvantaged, and an increase of \$29.70 for the moderately disadvantaged. Increasing full-time work incentives by \$1 per month would increase the impact on earnings by about \$2 to \$3 per year per person. Although none of the factors were associated with earnings impacts for the least

disadvantaged, this reflects the relative imprecision of impact estimates for this group (as reflected by the large standard errors of the estimated coefficients), which is a consequence of the small size of the subgroup in many of the programs.

Two recent analyses by other researchers using some of the same data have also attempted to estimate the effects of increased program participation for the full sample (that is, not by subgroup). A meta-analysis of mandatory U.S. welfare-to-work programs conducted by researchers in the United Kingdom used the studies included in this report except for SSP, and also included earlier programs and programs evaluated by organizations other than MDRC (Ashworth et al., 2001). Results from the meta-analysis implied that a 1 percentage point increase in the impact on job search assistance was associated with earnings gains of \$10.64 per year, that basic education was not associated with any change in earnings, that vocational training was associated with a decrease of \$27.20 per year in earnings, and that work experience was associated with an increase in earnings of \$2.84 per year.

A recent MDRC study of the effects of management practices in NEWWS, GAIN, and Florida's Project Independence found that an emphasis on moving clients into jobs quickly was associated with higher earnings impacts, but that job search assistance per se was not associated with higher earnings gains (Bloom, Hill, and Riccio, 2001). The study of management practices also found that basic education was associated with a reduction in earnings impacts of \$16 per year, and that vocational training did not significantly affect earnings impacts.

Results in Table 2.2 are consistent with the main finding from the other two analyses, namely that an emphasis on employment is associated with larger earnings gains and that there is little evidence that mandatory basic education will increase earnings.

The effect of job search could help explain why some programs were more effective than others. Compare the Riverside and Los Angeles GAIN programs. Riverside GAIN increased job search among those in need of basic education by 31.3 percentage points, but Los Angeles GAIN increased job search for this group 7.4 percentage points. The regression implies that this difference of 23.9 percentage points (31.3-7.4) explains a difference of \$473 per year ( $\$19.8 \times 23.9$ ) in the impact on earnings for the most disadvantaged between the two programs, or about half of the \$939 difference that actually existed for the most disadvantaged.

The other significant correlate of earnings gains for the most disadvantaged is full-time work incentives. A \$1 increase in the monthly incentive to work full time is associated with about a \$2 to \$3 increase in the annual impact on earnings. This could explain why some programs with financial work incentives had larger effects than other programs. For example, the full-time work incentive in MFIP was calculated at \$148 per month for a single parent with two children earning \$6 per hour. In the two SSP programs, by comparison, the full-time work incentive was \$542 per month in British Columbia and \$436 per month in New Brunswick, while in Vermont there was no incentive to work full time. Impacts on earnings correspond closely to these different incentives. For the most disadvantaged, results in Table 2.2 imply that the MFIP incentives increased earnings by \$411 per year, that SSP's incentives increased earnings by \$1,363 in British Columbia and \$843 in New Brunswick, and that WRP's incentives did not significantly affect earnings. This is not surprising: more generous work incentives have larger effects on earnings than less generous work incentives.

Note that part-time work incentives are not associated with a significant increase in the impact on earnings for the most disadvantaged, but are associated with a significant reduction in earnings for the moderately disadvantaged. This suggests that enhanced earnings disregards such as the ones used in WRP and MFIP, which typically have larger part-time incentives than full-time incentives, will have smaller effects on earnings than programs such as SSP that provide a large incentive to work full time.

For the moderately disadvantaged, a \$1 increase per month in the incentive to work part time is associated with a reduction in annual earnings of \$3.63 per year. Although this result might seem counterintuitive, it is well grounded in economic theory. The idea is as follows. Some welfare recipients would have gone to work full time on their own. Providing extra income to those who work part time allows parents who would have worked full time to curtail their work effort with less of a reduction in their income than under the old welfare system. Reducing their work effort might allow them to spend more time with their children, or it might simply allow them to work less hard without suffering as much financially.

Compare the MFIP incentives only program to the SSP program in British Columbia. MFIP provided a part-time work incentive of \$237 per month and a full-time work incentive of \$148 per month. As mentioned above, SSP in British Columbia provided a full-time work incentive of \$542 and no part-time work incentive. Results in Table 2.2 for the moderately disadvantaged imply that MFIP's incentives would have encouraged the average moderately disadvantaged parent to reduce her earnings by \$458 per year ( $2.72*148-3.63*237$ ). The results likewise imply that SSP's incentives encouraged the average participant in British Columbia to increase her earnings by \$1474 per year ( $2.72*542$ ). In actuality, the MFIP incentives only program reduced earnings for the moderately disadvantaged by \$427 per year, while SSP increased earnings among the moderately disadvantaged in British Columbia by \$1,488, quite close to the results implied by the regression results shown in Table 2.2.

Another way to think about the results in Table 2.2 is that they present two different means for increasing the earnings of welfare recipients. For the most and moderately disadvantaged, a program could increase earnings by increasing job search participation by one percentage point or by increasing full-time work incentives by about \$10 to \$11 per month. Which approach the program should take might depend on the relative costs of the two approaches, and other benefits (such as income gains) that are associated with the two approaches.

**Cash assistance payments.** Table 2.3 shows how the program components are related to impacts on welfare payments by level of disadvantage. The most consistent determinant of impacts on cash assistance payments is part-time work incentives, which considerably increase benefit amounts for all three groups. In addition, job search is associated with smaller benefit amounts (although significantly so only for the most disadvantaged), which is consistent with their positive effects on earnings. Finally, time limits are associated with decreased cash assistance payments (again, significantly so only for the most disadvantaged).

The effect of financial work incentives on welfare savings reflects the way that the incentives were offered. In each program that provided a part-time work incentive, welfare recipients in the program group were allowed to keep more of their welfare check when they worked than would have been the case under the usual welfare rules. However, earnings disregards in Minnesota, Vermont, and Florida provided greater incentives to work part time than full time,

and the full-time work incentive in SSP actually reduced welfare payments because people were required to stop receiving welfare to receive the SSP earnings supplement.

With regard to time limits, their negative association with welfare payments is certainly not a surprising result, but three things should be remembered when interpreting this result. First, no family reached a time limit until near the end of the second year in Connecticut and until the end of the second year in Florida. Thus, the effect of time limits over the three-year period probably masks a larger effect in the third year after random assignment. Second, time limits were studied in one state with a relatively low benefit level and one state with a relatively high benefit level. The average effect of time limits shown in Table 2.2 might not be representative of either state. Finally, the time-limited welfare programs in Florida and Connecticut also included financial work incentives and welfare-to-work activities. Thus, the total welfare savings generated by those programs are much less than the effects of time limits alone. For example, over the three-year period in Connecticut, program group members received higher cash assistance payments on average than did control group members.

**Income.** Table 2.4 shows similar results regarding which factors were associated with impacts on annual income for the three subgroups. Several results are noteworthy.

First, welfare-to-work activities by themselves are generally associated with neither an increase nor decrease in income. This has been noted before in individual studies such as the NEWS and GAIN evaluations and in syntheses of the effects of welfare and work activities, and was seen in the figures shown earlier in the chapter.<sup>26</sup>

Second, policies with financial work incentives increase the income of people who are offered the incentives. According to Table 2.1, a \$1 increase in the monthly incentive to work part time is associated with a \$5.24 increase in annual income for the average most disadvantaged sample member. Likewise, a \$1 increase in the monthly incentive to work full time is associated with an increase in annual income ranging between \$2.52 and \$6.22 per family, depending on the subgroup. This is again consistent with other syntheses of the effects of financial incentive programs.<sup>27</sup>

Finally, note that time limits are associated with a decrease in income of about \$917 per family for the most disadvantaged, resulting largely from a reduction in cash assistance payments. As mentioned above, it is important to remember that both time-limited programs included in the analysis also had financial work incentives. Thus, the total effect those programs had on income was not negative, but adding the time limit to the financial work incentives resulted in smaller income gains than providing the financial work incentives without time limits on welfare. According to the final reports in the two studies, Jobs First substantially increased income for the average sample member over the three years covered in this report, and FTP had modest positive effects on income.

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<sup>26</sup> Hamilton et al, 2001; Riccio et al, 1994; Bloom and Michalopoulos, 2001.

<sup>27</sup> Berlin, 2000; Bloom and Michalopoulos, 2001.

## USE OF PERFORMANCE INDICATORS

Having compared impacts across subgroups and explored how programs affected earnings, welfare payments, and income by subgroup, the chapter uses subgroup impacts to explore the possibility of using earnings levels of program group members to assess the effectiveness of a program. Because it is difficult to reliably determine whether a program or service provider is having an impact on outcomes of welfare recipients, many policymakers and administrators use performance indicators as a means of judging whether the program is effective. Outside the welfare system, the Job Training and Partnership Act (JTPA) and Workforce Investment Act (WIA) included the use of performance measures to judge whether local service providers were effective.

Although the use of performance indicators has an intuitive appeal, most evidence indicates that the effectiveness of programs is not very closely linked to how well individuals do because it is often not clear whether services helped someone do better or whether they were capable of doing well on their own. Using the random assignment evaluation of JTPA, for example, Barnow (2000) concluded that “there is only a weak correspondence between [performance and impacts] and that the Department of Labor should avoid making significant rewards or sanctions based on the current performance management system.” Heckman, Heinrich, and Smith (2002) reached a similar conclusion that “short run measures used to monitor performance are weakly, and sometimes perversely, related to long run impacts.”

Using similar data from a random assignment study of the National Job Corps, Burghardt and Schochet (2001) concluded, “The performance measurement system does not distinguish well among centers with large impacts and centers with small or no impacts. Consistently low-performing centers produced positive impacts that were not distinguishable from the impacts produced by consistently high-performing centers or centers that fell in a middle group that was neither consistently high nor consistently low. This finding is troubling, because the lowest-ranking centers may be penalized financially or otherwise for not showing satisfactory performance, even though they provide the same value added for their students as do high-performing centers.”

With regard to welfare programs, Friedlander (1988) investigated the use of performance indicators in welfare-to-work programs of the 1980s and found little relationship between outcomes and impacts. Some of the programs that changed outcomes the most served clients with relatively poor outcomes and vice-versa. On the other hand, results from the AFDC Homemaker-Home Health Aide experiment (Zornitsky and Rubin, 1988) found a more consistent relationship between impacts and outcomes: “A key result that emerged from our validation analysis is that there are candidate measures that represent valid predictors of both earnings gains and reductions in welfare dependency. Of over twenty separate correlations evaluated, fourteen or 70 percent were found to be significant and with the expected sign. As was anticipated, however, some measures performed better than others.”

Taken as a whole, these studies suggest that performance indicators appear to work poorly for a wide range of people. Perhaps they are more useful for subgroups of individuals. Figure 2.4 compares, for most disadvantaged sample members over a three-year period, the impacts on earnings of each program used in this report (the vertical axis) to the outcomes for program group members in the various programs (the horizontal axis). If average earnings levels revealed which programs were most effective, then sites with higher earnings levels for program group members

would also be the sites with the largest impacts on earnings. On the figure, they would appear to the right and near the top of the figure. Likewise, the least effective programs would also have low program group earnings and would appear on the left and to the bottom of the figure.

Figure 2.4 implies that earnings levels are a fairly good, though not perfect, indicator of which programs were most effective. For example, three program groups had earnings of nearly \$2,500 per year, and these three programs had among the largest impacts for the most disadvantaged. One of the three was the only program to increase earnings by more than \$1,200 per year. Likewise, each of the programs in which individuals earned less than \$1,000 per year had among the smallest impacts on earnings. Overall, the correlation between program group earnings levels and program impacts was 0.579 for most disadvantaged sample members, indicating a substantial degree of correlation between the two measures.

A very different and less promising story is told by Figure 2.5, which shows the same results for the least disadvantaged sample members. In this case, there is no clear relationship between program group earnings and program impacts on earnings. For example, the least disadvantaged sample members in one program earned nearly \$12,000 per year on average, but the impact for this program was in the middle of the range shown in Figure 2.5. Overall, the correlation between earnings for the average program group member and a program's impact on earnings was only 0.031 for the least disadvantaged, indicating very little relationship between the two.

These results suggest that performance indicators may be more useful measures of how much effect a program has for more disadvantaged welfare recipients than for less disadvantaged sample members. The reason is that earnings for the most disadvantaged are relatively low in all sites and relatively consistent across sites, so differences in earnings levels of people who passed through programs in different places gives a reasonable — though not perfect — indication of the effect of the program. In contrast, earnings of the least disadvantaged program group members vary substantially from place to place and less disadvantaged sample members who earned a lot in a site may have done so even in the absence of welfare-to-work services.

## **IMPACTS FOR OTHER SUBGROUPS**

This section presents pooled results for four other sets of subgroups: (1) by welfare status prior to random assignment (long-term recipients, short-term recipients, and new applicants); (2) by high school credential; (3) by earnings in the year prior to random assignment; and (4) by number of children at random assignment. In addition, Appendix A presents impacts on earnings, welfare benefits, and income for a range of other subgroups, both pooled within the five program models and by program.

**By prior-year earnings.** Table 2.5 shows pooled impacts by program model on earnings, welfare benefits, and income over three years for three subgroups defined by earnings reported to the UI system in the year prior to random assignment: (1) those with no earnings, (2) those with \$5,000 or less in earnings, and (3) those with more than \$5,000 in earnings. Recall that whether someone worked in the year prior to random assignment was one of the three criteria used to define level of disadvantage. In general, results by prior-year earnings are similar to results by level of disadvantage. Job search activities and a focus on employment appear to be most effective for groups with less recent earnings, implying that they benefit more from help finding work than other groups, and implying that they benefit more from employment than from basic education.

The benefits of an employment focus are less clear for the high-earnings group. While mixed-activity programs, which would have emphasized job search for this group, increased their earnings by about \$1,000 per year per person, the job-search-first and earnings supplement programs did not significantly increase their earnings. The effects of the earnings supplement programs might be especially instructive. Perhaps because many of the incentives in these programs encouraged primarily part-time work, they had little ability to encourage those who would have worked anyway to work more.

**By welfare status.** Table 2.6 shows pooled impacts for long-term recipients (those who had been on welfare for at least two years prior to random assignment), short-term recipients, and new applicants. Results for this subgroup might help an administrator target services by how long someone has been on welfare. Differences by program model are also important to the extent that long-term recipients are the group most likely to hit welfare time limits. In general, results are consistent with results by level of disadvantage, with larger impacts for groups and program models where job search was emphasized. One interesting result is the large impact on earnings of education-first programs for new applicants. This result is somewhat mysterious since within the education-first programs, a large proportion of the new applicants came from Oklahoma City where impacts on earnings were quite small.

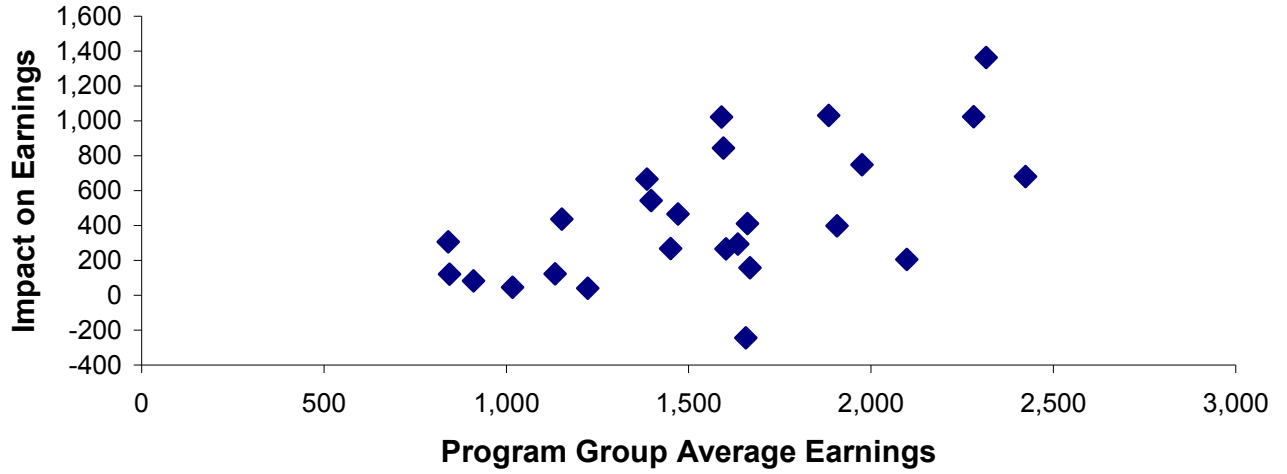
**By high school credential.** Table 2.7 shows pooled impacts by high school credential. Results for this subgroup may shed light on whether mandatory remedial education has been an effective means of increasing the earnings of welfare recipients who lack a high school diploma or GED. In addition, these subgroups correspond most closely to the subgroups shown in Table 1.4, which showed the impacts of programs in GAIN and NEWS on participation in activities such as job search and education. Impacts on earnings by high school credential might provide the strongest evidence in favor of job search. In the job-search-first programs, where emphasis on job search would have been similar for the two groups, impacts on earnings were similar for the two groups. Most striking are results for the education-focused mixed-activity programs, where impacts on earnings were significantly greater for high school graduates — a group where job search was emphasized — than for nongraduates, for whom education received more emphasis.

**By number of children.** Table 2.8 shows pooled impacts for families with one, two, or three or more children at the time of random assignment. Impacts vary more widely across these three subgroups than for the subgroups presented above. In each case, impacts over the three-year period are smaller for families with one child than for families with three or more children. This is a somewhat surprising result in light of the notion that larger families will face more barriers to work, such as child care. It might reflect the fact that smaller families in the control group had higher earnings than larger families, leaving less room for the programs to benefit smaller families.

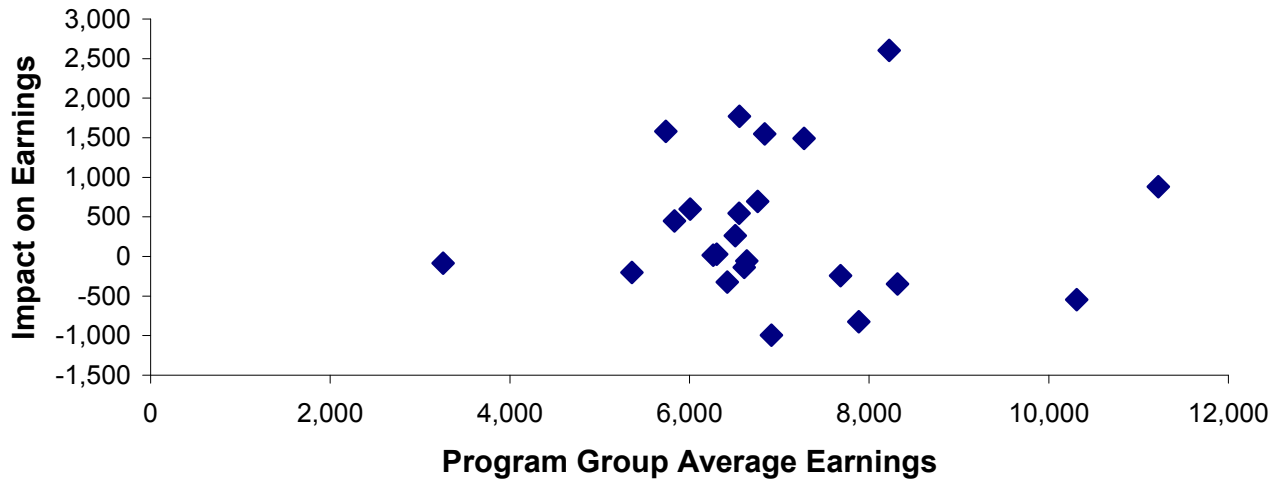




**Figure 2.4**  
**Program Group Earnings Compared to Earnings Impact**  
**Most Disadvantaged Sample Members**



**Figure 2.5**  
**Program Group Earnings Compared to Earnings Impact**  
**Least Disadvantaged Sample Members**







**Table 2.2**  
**Estimated Determinants of Impacts on Earnings Over Three Years**  
**by Level of Disadvantage**

	Level of Disadvantage		
	Most	Moderate	Least
<b>Welfare-to-work participation</b>			
Impact on Job Search	19.8 *** (7.7)	29.7 *** (6.7)	14.5 (20.3)
Impact on Basic Education	-3.9 (4.8)	-3.0 (6.5)	34.1 (28.5)
Impact on Vocational Training	15.8 (16.4)	24.4 (16.4)	4.3 (54.5)
Impact on Work Experience	-32.3 (20.0)	-44.0 ** (19.8)	-12.5 (62.5)
<b>Financial work incentives</b>			
Part-time (20 hours per week)	-0.06 (1.17)	-3.63 *** (1.02)	-4.21 (3.07)
Full-time (40 hours per week)	1.75 ** (0.72)	2.72 *** (0.68)	1.10 (2.04)
<b>Time limit</b>	-282 (266)	-62 (247)	385 (725)
<b>Economic factors</b>			
Welfare grant level for a family of 3	0.00 (0.45)	-0.19 (0.60)	2.81 (1.80)
Unemployment rate	0.5 (26.2)	-22.3 (28.7)	-67.0 (106.2)
<b>Intercept</b>	153 (278)	277 (340)	-1130 (1168)

Notes: Estimates are the result of a random-effects regression using subgroup impacts.

Individuals were classified as most disadvantaged if they had no earnings in the year prior to random assignment, did not have a high school diploma or GED at random assignment, and had received welfare for two years prior to random assignment. Individuals were classified as moderately disadvantaged if they faced one or two of these barriers, and they were classified as least disadvantaged if they faced none of the barriers.

Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; and \*\*\* = 1 percent. Standard errors are shown in parentheses.

The part-time work incentive is estimated as the difference in income from earnings, cash assistance payments, and Food Stamps (for U.S. studies) or earning supplement payments (for SSP) between the new and old programs for a parent with two children who works 20 hours per week and earns \$6 per hour. The full-time work incentive is defined in a similar way if the parent works 40 hours per week.

**Table 2.3**  
**Estimated Determinants of Impacts on Welfare Payments Over Three Years**  
**by Level of Disadvantage**

	Level of Disadvantage		
	Most	Moderate	Least
<b>Welfare-to-work participation</b>			
Impact on Job Search	-12.8 * (6.8)	-14.4 (10.3)	-9.7 (13.5)
Impact on Education	1.4 (4.4)	6.2 (9.6)	7.5 (17.4)
Impact on Vocational Training	-2.8 (14.3)	4.1 (25.1)	18.9 (33.8)
Impact on Work Experience	16.3 (20.5)	11.7 (28.4)	27.0 (38.1)
<b>Financial work incentives</b>			
Part-time (20 hours per week)	6.03 *** (1.28)	8.23 *** (1.63)	10.35 *** (2.38)
Full-time (40 hours per week)	-0.83 (0.65)	-0.96 (0.98)	-1.18 (1.33)
<b>Time limit</b>	-380 * (216)	-318 (377)	-571 (485)
<b>Economic factors</b>			
Welfare grant level for a family of 3	-0.52 (0.37)	-0.29 (0.89)	0.48 (1.22)
Unemployment rate	-13.2 (27.5)	-22.1 (42.1)	0.4 (69.4)
<b>Intercept</b>	51 (248)	-34 (522)	-624 (739)

Notes: Estimates are the result of a random-effects regression using subgroup impacts.

Individuals were classified as most disadvantaged if they had no earnings in the year prior to random assignment, did not have a high school diploma or GED at random assignment, and had received welfare for two years prior to random assignment. Individuals were classified as moderately disadvantaged if they faced one or two of these barriers, and they were classified as least disadvantaged if they faced none of the barriers.

Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; and \*\*\* = 1 percent. Standard errors are shown in parentheses.

The part-time work incentive is estimated as the difference in income from earnings, cash assistance payments, and Food Stamps (for U.S. studies) or earning supplement payments (for SSP) between the new and old programs for a parent with two children who works 20 hours per week and earns \$6 per hour. The full-time work incentive is defined in a similar way if the parent works 40 hours per week.

**Table 2.4**  
**Estimated Determinants of Impacts on Income Over Three Years**  
**by Level of Disadvantage**

	Level of Disadvantage		
	Most	Moderate	Least
<b>Welfare-to-work participation</b>			
Impact on Job Search	-3.0 (9.9)	4.0 (9.8)	-12.3 (23.7)
Impact on Education	-3.3 (6.0)	-1.4 (9.4)	29.8 (31.8)
Impact on Vocational Training	-1.7 (20.6)	43.1 * (23.8)	48.2 (62.4)
Impact on Work Experience	8.0 (26.7)	-18.0 (27.7)	38.2 (69.3)
<b>Financial work incentives</b>			
Part-time (20 hours per week)	5.24 *** (1.56)	0.82 (1.44)	-2.26 (3.77)
Full-time (40 hours per week)	2.52 *** (0.89)	5.90 *** (0.96)	6.22 ** (2.64)
<b>Time limit</b>	-917 *** (353)	-586 (358)	-212 (834)
<b>Economic factors</b>			
Welfare grant level for a family of 3	-0.09 (0.53)	0.05 (0.86)	4.95 ** (2.19)
Unemployment rate	-20.4 (36.1)	-21.3 (41.4)	-57.1 (121.9)
<b>Intercept</b>	98 (349)	-66 (500)	-2348 * (1339)

Notes: Estimates are the result of a random-effects regression using subgroup impacts.

Individuals were classified as most disadvantaged if they had no earnings in the year prior to random assignment, did not have a high school diploma or GED at random assignment, and had received welfare for two years prior to random assignment. Individuals were classified as moderately disadvantaged if they faced one or two of these barriers, and they were classified as least disadvantaged if they faced none of the barriers.

Income includes earnings, cash assistance welfare payments, Food Stamp benefits, and SSP earning supplement payments.

Statistical significance levels are indicated as: \* = 10 percent; \*\* = 5 percent; and \*\*\* = 1 percent. Standard errors are shown in parentheses.

The part-time work incentive is estimated as the difference in income from earnings, cash assistance payments, and Food Stamps (for U.S. studies) or earning supplement payments (for SSP) between the new and old programs for a parent with two children who works 20 hours per week and earns \$6 per hour. The full-time work incentive is defined in a similar way if the parent works 40 hours per week.















## Chapter 3

### Impacts on Stable Employment

This chapter presents results on employment stability by subgroup. Although results on earnings presented in Chapter 2 are likely to generally reflect the impact of programs and program models on employment overall, two programs with similar effects on earnings might have different effects on stable employment. One might operate in a higher-wage labor market than the other, or one might result in sustained employment for a relatively small number of people while the other results in sporadic employment for many more people.

Knowing which programs improved stable employment is useful because stable employment is likely to produce other positive effects. For one, nonexperimental research has found that earnings and wages grow more quickly for individuals who work steadily, so programs that encourage stable employment are more likely to help participants eventually escape poverty and the need for public assistance.<sup>28</sup> Moreover, welfare-to-work activities that help participants achieve stable employment are also likely to help them avoid reaching welfare time limits.

The chapter presents results for three measures of stable employment: whether someone worked in the year after random assignment and then worked in six of the eight quarters in the second and third years after random assignment; whether they worked in nine of the twelve quarters of the three years after random assignment; and whether they worked in six out of the eight quarters in the second and third years after random assignment (whether or not they worked in the first year after random assignment). Each of these measures defines stable employment as having worked at least 75 percent of the time over some period, and follows the example set by work in NEWWS.<sup>29</sup> Each measure of stable employment is based solely on quarterly reports to the UI system.<sup>30</sup> As a result, only jobs in the formal sector count as employment and contribute to the measures of stable employment. Moreover, there is no way to distinguish between stable employment that involved one day of work each quarter from employment in which a person worked full-time every week for several consecutive quarters.

The chapter follows the same format as Chapter 2. Impacts are first presented by level of disadvantage, starting with pooled results by program model, a graphical presentation of results by program, and a meta-analysis to explore which factors are associated with larger or smaller impacts on stable employment. The chapter then compares impacts to program group levels as a means of exploring the usefulness of performance indicators to assess the effectiveness of welfare-to-work programs. The chapter ends with a brief discussion of results for subgroups defined by earnings in the year prior to random assignment, welfare status, high school credential, number of children, and risk of depression. Since the conclusions drawn by looking at other subgroups are essentially the same as the conclusions drawn from the results in this chapter, results for the additional subgroups are presented in Appendix B.

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<sup>28</sup> Corcoran and Loeb (1999); Gladden and Taber (1999).

<sup>29</sup> Freedman (2000).

<sup>30</sup> An exception is SSP, where employment was measured through follow-up interviews.

As discussed in Chapter 2 three levels of disadvantage were defined. The “most disadvantaged” group consists of long-term recipients (who had been on welfare for at least two years prior to random assignment) who had not graduated from high school or worked in the year prior to random assignment. The “least disadvantaged” group consists of people who had none of these barriers. The “moderately disadvantaged” group consists of people who had one or two barriers.

## SUMMARY OF FINDINGS

∄ **The most disadvantaged are much less likely to find stable employment than the least disadvantaged.** Among most disadvantaged control group members, only about 5 percent worked at least 75 percent of the follow-up period, compared with about 20 percent of the moderately disadvantaged and more than one third of the least disadvantaged. However, the same is not true for new applicants, who were only slightly more likely to find stable employment than were long-term welfare recipients. This suggests that knowing someone is a welfare applicant provides limited useful information on their likely employment prospects.

∄ **A focus on employment, either through job search or full-time work incentives, appears key in using pre-employment policies to increase stable employment among welfare recipients.** Job-search first, employment-focused mixed-activity programs, and programs with earnings supplements — particularly supplements for full-time work — were most effective at increasing stable employment for the most disadvantaged and moderately disadvantaged. By contrast, the two types of education-oriented programs had smaller effects on stable employment than the other three program models.

∄ **Impacts on stable employment tended to be larger for groups with less work experience.** Effects on stable employment were generally larger for people with no earnings in the year prior to random assignment than for individuals with substantial employment, and were generally larger for the most disadvantaged group than for the least disadvantaged group. This may reflect the fact that that program participants with a more substantial recent work history are better able than others to find stable work on their own: The least disadvantaged control group members were about 10 times as likely as the most disadvantaged to find stable employment.

∄ **Impacts on stable employment tended to be larger for groups who might be better able to respond to participation requirements and work incentives.** Effects on stable employment were generally larger for high school graduates than for nongraduates and were generally larger for people with a low risk of depression than for those with a high risk of depression. This might reflect the ability of individuals in the different groups to take advantage of program services and earnings supplements. Regardless of services and incentives they are offered, high school nongraduates might face difficulty convincing a good employer to give them a chance. Likewise, those at a high risk of depression might have difficulty putting lessons learned through job clubs into effect.

∄ **Performance indicators may be more indicative of program impacts for more disadvantaged groups than for less disadvantaged groups.** For the most disadvantaged sample members, programs with larger impacts on stable employment also tended to be the ones with more employment stability among program group members. This was not the case for the least

disadvantaged sample members. This result may suggest that the use of performance indicators such as whether program participants stay employed for several quarters in a row might be a more accurate measure of the effect of a program for more disadvantaged groups, for whom stable employment is expected to be low across sites in the absence of a program.

## **POOLED IMPACTS BY PROGRAM MODEL**

Table 3.1 presents pooled impacts on the three measures of stable employment by level of disadvantage for the five program models described in Chapter 1. As discussed in Chapter 2, to calculate the pooled results, the sample from the various studies was pooled, and impacts were calculated from the pooled sample, taking into account the program and site that an individual came from. This is essentially the same as taking a weighted average of the impacts across programs, with weights representing the proportion of a subgroup that came from a particular study.

Because differences in the level of employment stability by subgroup have not been explored in previous analyses of random assignment studies, Table 3.1 shows not only impacts on stable employment but also the proportion of control group members who had stable employment. It is striking — but not surprising — how much less stable employment there was for the most disadvantaged than for the least disadvantaged. For example, in random assignment studies of job-search-first programs, only 4.8 percent of the most disadvantaged control group members worked in six of the eight quarters after they found work (the first measure shown on the table) compared with 18.3 percent of moderately disadvantaged sample members and 36.1 percent of least disadvantaged sample members. Looking across all program models and all three measures of stable employment, only about 4 to 13 percent of most disadvantaged control group members had stable employment. Among the moderately disadvantaged, the level is generally two to four times as high, ranging from about 15 to about 31 percentage points. And among the least disadvantaged, stable employment is even more likely. For example, more than half of the least disadvantaged control group members in earnings supplement studies worked in at least 6 of the first 8 quarters after random assignment.

In terms of impacts, there have been two prior attempts to use random assignment evaluations to synthesize the effects of random assignment studies of pre-employment strategies on stable employment. Freedman (2000) found that Portland's employment-focused mixed-activities approach generated the largest effects on stable employment among programs studied in NEWWS, perhaps because of the use of both job search and education activities, but perhaps because the program operated in a strong economy or because it encouraged participants to take good jobs that paid more than the minimum wage, involved full-time work, and provided fringe benefits. Freedman (2000) also found that job-search-first programs generated somewhat larger effects on employment stability than education-focused programs, although many of the people who found work quickly in the Riverside LFA program also lost their jobs quickly. Adding MFIP and SSP to this synthesis, Michalopoulos (2001) found that the two earnings supplement programs generated even larger effects on stable employment on average than programs that used only welfare-to-work services. The monthly incentive provided by those programs may have encouraged recipients to stay at work when they felt like quitting or to find new jobs if they lost their first jobs. This chapter

expands on the prior two syntheses by examining results for about twice as many programs and by examining impacts on employment stability by subgroup.

For the most disadvantaged, results in Table 3.1 generally confirm the results from Freedman (2000) and Michalopoulos (2001), and are similar to the impacts on earnings described in Chapter 2. For the most disadvantaged welfare recipients, earnings supplement programs and the two program models that stressed job search for the most disadvantaged all resulted in greater steady work, while the two program models that stressed basic education for this group had relatively small effects on stable employment.

For the moderately disadvantaged, all of the program models generated statistically significant increases in stable employment using all three measures, with impacts ranging from 1.5 percentage points (or about 7 percent of the control group level) to 10.2 percentage points (or about 47 percent of the control group level), depending on which measure and which program model are examined. According to all three measures, however, the more education-oriented program models resulted in substantially smaller increases in stable employment than the other program models.

Results for the least disadvantaged sample members also point to the importance of an employment focus. The two versions of mixed-activity programs (employment-focused and education-focused) had the largest effects on stable employment, and both primarily increased job search among job-ready participants. By contrast, education-first programs reduced the proportion of the least disadvantaged that worked in 6 of the 8 quarters in years 2 and 3 by 3.8 percentage points.

## IMPACTS FOR INDIVIDUAL PROGRAMS

Having established the relative benefits of different program models, it is reasonable to ask how consistent programs are within the five program models. This section addresses the question by showing the effects of each program on annual earnings over three years. The results are shown in three figures, one for each level of disadvantage.<sup>31</sup>

Figure 3.1 shows for the most disadvantaged the effects of the programs on the proportion of sample members who worked in nine of the twelve quarters during the three years after random assignment (the second outcome shown in the tables). In general, impacts within each program model are fairly consistent. In fact, differences across programs within a program model were statistically insignificant for the five program models.<sup>32</sup> Both employment-focused mixed-activity programs had substantial effects on employment stability, three of the four job-search-first programs had modest effects, and the education-focused mixed-activities and education-first programs generally had small effects for the most disadvantaged.

Less consistent among the most disadvantaged are the earnings supplement programs. One of the programs generated among the largest increases in stable employment for the most disadvantaged and several generated increases in stable employment that were larger than any of

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<sup>31</sup> Impacts by program are shown in Table B.10.

<sup>32</sup> The p-values of q-statistics of homogeneity were 0.156 for job-search-first programs, .105 for education-first programs, .220 for employment-focused mixed-activity programs, .848 for education-focused mixed-activity programs, and .142 for earnings supplement programs.

the education-oriented programs. However, several of the earnings supplement programs generated fairly small increases in stable employment. Especially ineffective were the two versions of the Vermont WRP policy, which had the least generous supplement of all the programs shown in Figure 3.1 (shown as the fifth and sixth bars among the earnings supplement programs). This suggests that generous earnings supplements can help individuals maintain steady work, perhaps because they provide a constant incentive to remain at work. Even among earnings supplement programs, however, differences in impacts on stable employment were not statistically significant.

Figure 3.2 shows that results for the moderately disadvantaged are similar to results for the most disadvantaged. Impacts are fairly consistent and fairly positive for the job-search-first and employment-focused mixed-activity programs, fairly consistent but less positive for the two education-oriented sets of programs, and less consistent for the earnings supplement programs.

As for the most disadvantaged, several earnings supplement programs generated sizable impacts on stable employment for the moderately disadvantaged, but the two versions of WRP and the MFIP Incentives Only program did not. Because the programs generally had more moderately disadvantaged than most disadvantaged sample members, however, differences across the earnings supplements were statistically significant for the moderately disadvantaged. This provides more rigorous evidence that some incentives — presumably the more generous incentives — encourage more stable employment than other incentives.<sup>33</sup>

Figure 3.3 shows similar results for the least disadvantaged. In general, few of the programs generated sizable effects on stable employment for the least disadvantaged. This may be due to the relatively high levels of stable employment for this group. The most notable exception is the SSP program in New Brunswick, which increased stable employment by 17 percentage points, but which had few least disadvantaged sample members (which suggests that the increase in stable employment may be as much statistical fluke as a real effect).<sup>34</sup>

## **EXPLAINING DIFFERENCES IN IMPACTS ACROSS PROGRAMS**

Pooled results by program model implied that job search and earnings supplements were effective methods for encouraging stable employment. However, some programs with earnings supplements generated much larger effects on stable employment than others, and there was likewise variation across the programs that used mandatory employment-related services. This section explores the relationship between policies and impacts on stable employment using meta-analytic techniques that were motivated and described in Chapter 2.

Table 3.2 shows the relationship between various factors and impacts on whether someone worked in 9 of the 12 quarters following random assignment. Results using the other two measures of stable employment were quite similar and are therefore not presented.

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<sup>33</sup> The p-values of q-statistics of homogeneity were .753 for job-search-first programs, .291 for education-first programs, .164 for employment-focused mixed-activity programs, .371 for education-focused mixed-activity programs, and less than .001 for earnings supplement programs.

<sup>34</sup> The p-values of q-statistics of homogeneity were .278 for job-search-first programs, .252 for education-first programs, .246 for employment-focused mixed-activity programs, .850 for education-focused mixed-activity programs, and less than .236 for earnings supplement programs.

As anticipated, the two factors that are associated with larger increases in stable employment are impacts on participation in job search activities and full-time work incentives (but not part-time incentives). For the most disadvantaged and the moderately disadvantaged, an increase in job search of one percentage point is associated with an increase in stable employment of .24 percentage points and an increase in the monthly full-time work incentive of \$1 is associated with an increase in stable employment of .02 percentage points.

The effect of job search helps explain why some programs were more effective than others. Compare the Riverside and Los Angeles GAIN programs. Riverside GAIN increased job search among those in need of basic education by 31.3 percentage points, but Los Angeles GAIN increased job search for this group 7.4 percentage points. The regression implies that this difference of 23.9 percentage points (31.3-7.4) explains a difference of 5.8 percentage points (.24\*23.9) in the impact on stable employment for the most disadvantaged between the two programs, or about half of the 10 percentage point difference that actually existed for the most disadvantaged (an impact of 10.0 percentage points for Riverside GAIN and -0.1 percentage point for Los Angeles GAIN).

The other significant correlate of increases in stable employment for the most disadvantaged is full-time work incentives. This could explain why some programs with financial work incentives had larger effects than other programs. For example, the full-time work incentive in MFIP was calculated at \$148 per month for a single parent with two children earning \$6 per hour. In the two SSP programs, by comparison, the full-time work incentive was \$542 per month in British Columbia and \$436 per month in New Brunswick, while in Vermont there was no incentive to work full time. Impacts on stable employment correspond closely to these different incentives. For the most disadvantaged, the MFIP's incentives increased stable employment by 4.4 percentage points, SSP's incentives increased earnings by 6.5 percentage points in British Columbia and 6.8 percentage points in New Brunswick, and WRP's incentives did not significantly affect stable employment.

Finally, the results imply that a program can be especially effective if it combines an emphasis on employment with financial work incentives. By adding a participation requirement to its financial incentive, the full MFIP program increased stable employment among the most disadvantaged by 9.8 percentage points compared with 4.4 percentage points for the MFIP incentives-only program. Among the moderately disadvantaged, the full MFIP program increased stable employment by 6.5 percentage points, while the MFIP incentives by themselves did not significantly affect stable employment.

## **USE OF PERFORMANCE INDICATORS**

Chapter 2 showed that earnings levels might be a useful measure of the effectiveness of a welfare-to-work program for the most disadvantaged but not for the least disadvantaged. In light of the large number of welfare recipients that have gone to work since 1993, the focus of many welfare systems has turned to employment retention. This section explores whether levels of stable employment among program group members are likely to provide an indication of the effectiveness of a program at encouraging stable employment. As in Chapter 2, this section argues that performance indicators might be more useful among more disadvantaged groups than among welfare recipients more generally.

Figure 3.4 compares the proportion of most disadvantaged program group members with stable employment in a program to that program's impact on stable employment among the most disadvantaged. For this figure, a person is considered to have steady employment if she works in 9 of the 12 quarters following random assignment. The figure implies that levels of stable employment are a fairly good, though not perfect, indicator of which programs were most effective at encouraging stable employment. For example, in two programs, more than 15 percent of most disadvantaged sample members had stable employment, and both programs generated impacts on stable employment of more than 10 percentage points. Overall, the correlation between stable employment in the program group and program impacts was 0.667 for most disadvantaged sample members, indicating a substantial degree of correlation between the two measures.

A very different and less promising story is told by Figure 3.5, which shows the same results for the least disadvantaged sample members. In this case, there is no clear relationship between the proportion of the program group that achieved stable employment and program impacts on stable employment. For example, more than 60 percent of the least disadvantaged sample members in Jobs First had stable employment, but the impact of Jobs First on employment stability was in the middle of the range shown in Figure 3.5. At the other extreme, only about 25 percent of the least disadvantaged sample members in Oklahoma City had stable employment, but the impact of this program was also near the middle of the range shown in the figure. Overall, the correlation between stable employment in the program group and a program's impact on stable employment was -0.069 for the least disadvantaged, indicating very little relationship between the outcomes and impacts.

These results suggest that performance indicators may be more useful measures of how much effect a program has for more disadvantaged welfare recipients than for less disadvantaged sample members. The reason is that more disadvantaged groups are unlikely to find stable employment on their own in all sites, so differences in levels of stable employment of people who passed through programs in different places gives a reasonable — though not perfect — indication of the effect of the program. In contrast, levels of stable employment among the least disadvantaged program group members vary substantially from place to place.

## IMPACTS FOR OTHER SUBGROUPS

This section presents pooled results for four other sets of subgroups: (1) by welfare status prior to random assignment (long-term recipients, short-term recipients, and new applicants); (2) by high school credential; (3) by earnings in the year prior to random assignment; and (4) by number of children at random assignment. In addition, it presents results by program by risk of depression. Appendix B presents impacts on stable employment for a range of other subgroups, both pooled within the five program models and by program.<sup>35</sup>

**By prior-year earnings.** Table 3.3 shows pooled control group levels and program impacts by program model on the three measures of stable employment for three subgroups defined by earnings reported to the UI system in the year prior to random assignment: (1) those with no earn-

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<sup>35</sup> Appendix B also contains pooled results and results for psychosocial subgroups defined using Private Opinion Surveys that were administered in 19 of the 26 programs. Differences in impacts across these subgroups were generally small.

ings, (2) those with \$5,000 or less in earnings, and (3) those with more than \$5,000 in earnings. Recall that whether someone worked in the year prior to random assignment was one of the three criteria used to define level of disadvantage. In general, results by prior-year earnings are similar to results by level of disadvantage. Job search activities and a focus on employment appear to be most effective for groups with less recent earnings, implying that they benefit more from help finding work than other groups, and implying that they benefit more from employment than from basic education.

The benefits of an employment focus are less clear for the high-earnings group. While employment-focused mixed-activity programs substantially increased stable employment for the high-earnings group, the job-search-first and education-focused mixed-activity programs did not consistently result in more stable employment for them.

Also noteworthy is the contrast between the effect of the earnings supplement programs on stable employment and their effect on earnings. As shown in Chapter 2, the earnings supplement programs as a group had little effect on earnings for the high-earnings groups, most likely because the part-time work incentives contained in most welfare earnings disregards encouraged some members of this group to cut back their work effort from full time to part time. By contrast, the earnings supplement programs did significantly increase stable employment for the high-earnings group, although the impact is modest. This might reflect the ability of the programs to move some people into work and give them a constant incentive to stay there, even while they encourage some people to work fewer hours when they do work.

**By welfare status.** Table 3.4 shows pooled results for long-term recipients (those who had been on welfare for at least two years prior to random assignment), short-term recipients, and new applicants. Results for this subgroup might help an administrator target services by how long someone has been on welfare. Differences by program model are also important to the extent that long-term recipients are the group most likely to hit welfare time limits. In general, results are consistent with results by level of disadvantage, with larger impacts for groups and program models where job search was emphasized.

There is a striking contrast between impacts by level of disadvantage and impacts by welfare status for the groups that might be considered most job ready — the least disadvantaged and new welfare applicants. While more employment-focused approaches significantly increased stable employment for the least disadvantaged, they did not generally have much effect on stable employment for new welfare applicants. This may reflect the heterogeneous nature of new applicants. Some have encountered circumstances that have forced them on the rolls temporarily, but others are at the beginning of a long welfare spell. While the least disadvantaged also have recent work experience and a high school diploma, new applicants might have neither of these. This contrast also appears in the proportion of control group members who found stable employment. While the least disadvantaged control group members were 10 times as likely to find stable employment as the most disadvantaged, new applicants in many of the programs were no more likely than long-term recipients to find stable employment.

**By high school credential.** Table 3.5 shows pooled results by high school credential. Because of how stable employment is defined, it is not surprising that the more education-oriented approaches had relatively small effects on stable employment for high school nongraduates. If participants followed through with their education assignments, it would have been hard for them to

find work early enough to work in 9 of the 12 quarters following random assignment. If they did not follow through on their education assignments, on the other hand, it is unlikely that the programs would have much of an effect. The results make it clear that encouraging stable employment in the short term requires more of an employment focus.

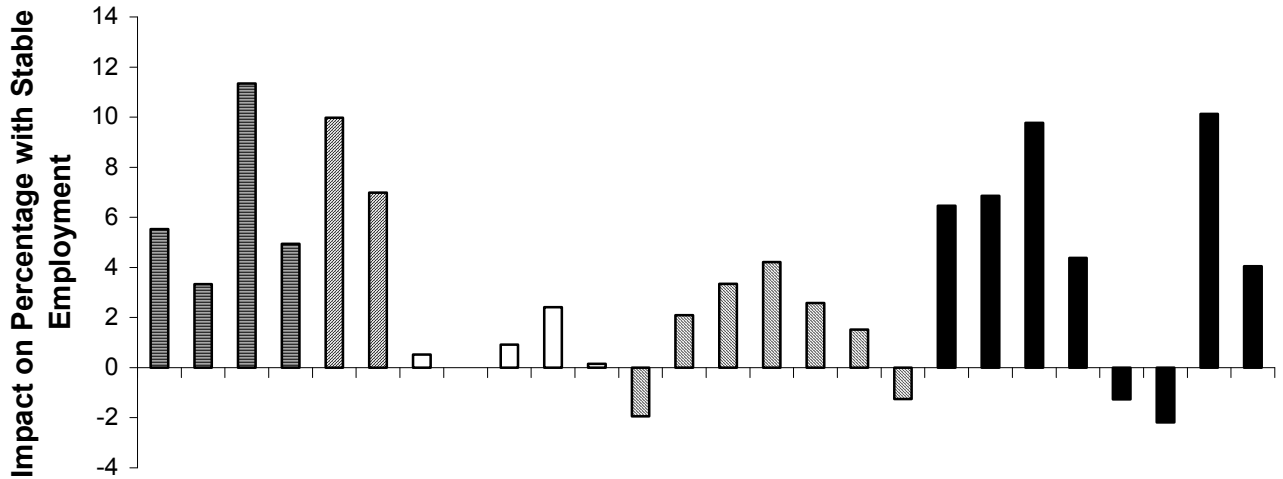
**By number of children.** Table 3.6 shows pooled impacts for families with one, two, or three or more children at the time of random assignment. Impacts are fairly consistent across the three subgroups for all of the program models.

**By risk of depression.** Table 3.7 shows results by risk of depression for nine programs where information was available on sample members' risk of depression at the time of random assignment. This subgroup is of interest for two reasons. First, many welfare recipients are at high risk of depression. For example, Brock et al. (2002) found that about one-fourth of current and former welfare recipients in high-poverty neighborhoods in Cuyahoga County (Cleveland), Ohio were at risk of depression. Second, previous subgroup analyses have indicated that welfare-to-work programs have been most effective for those at the lowest risk of depression, raising the question of whether this is true for other outcomes such as stable employment,

Risk of depression was assessed using sample members' responses to four items from the 20-item Center for Epidemiological Studies Depression (CES-D) Scale. Each respondent was asked how often in the prior week she felt sad, how often she felt depressed, how often she felt lonely, and how often she had trouble shaking the blues. Answers to these questions were used to assess an individual's risk of depression because the CES-D Scale has been found to be correlated with clinical depression. That is, individuals who say they suffer from many of the symptoms or suffer from some symptoms frequently are more likely than others to be judged by a psychiatrist to be depressed. Sample members were divided into three groups: those at high risk of depression, those at moderate risk, and those at low risk. (In the interest of brevity, those groups will often be referred to as the most depressed, the moderately depressed, and the least depressed.) For more details on how the subgroups were defined, see Appendix A of Michalopoulos and Schwarz (2000).

Because results are available for only nine programs, results are shown for each program. Because there are so few programs in each program model (and no education-focused mixed-activity programs), pooled results are shown across all programs. The pooled results indicate that the programs did not significantly increase stable employment for the highest risk group, but had larger effects for those at moderate risk of depression and the largest effects for those at low risk of depression.

**Figure 3.1**  
**Impacts on Percentage Employed in 9 of 12 Quarters**  
**for Most Disadvantaged Sample Members**



**Figure 3.2**  
**Impacts on Percentage Employed in 9 of 12 Quarters**  
**for Moderately Disadvantaged Sample Members**

