Alternative Strategies for Increasing Employment

Demetra Smith Nightingale and Pamela A. Holcomb

As states reform their welfare systems to emphasize work and self-sufficiency, they can draw on significant experience from efforts to promote employment. Work and training programs for welfare recipients and other disadvantaged individuals have been operating in every state for nearly 30 years.

Evaluations show that programs that encourage, help, or require welfare recipients to find jobs or participate in training or work-related activities can increase employment and earnings. In some cases, they reduce welfare costs. But even in the most successful programs, increases in earnings are not enough to move former welfare recipients out of poverty.

Two external factors will affect the success or failure of any attempt to move welfare recipients to work.

One is the labor market environment. Rebecca M. Blank (1995) points out that the labor market could absorb more low-skilled workers if great numbers were not expected to join the labor market all at once. And she says that the jobs available to people with few skills have deteriorated, offering low wages and few opportunities for advancement.

A second factor is the skills and experiences of the workers themselves. Gary Burtless (1995) writes that more than half of AFDC mothers in 1991 had not completed high school and had very limited basic skills. These limitations restrict their opportunities to find jobs. The jobs they do find usually do not pay enough to raise them above the poverty level or provide benefits such as health insurance.

There is no cheap solution to the welfare problem. Policy makers seem to agree that moving welfare recipients to work is their goal. But current trends in the labor market hold little promise that work will lead a family out of poverty. Policy makers must continue to search for ways to balance the social obligation to help poor children, with the strong sense that able-bodied adults should work and parents should assume full responsibility for their children.

Even in the most successful programs, earnings are not enough to move former welfare recipients out of poverty.
Most people now agree that work, not public financial assistance, should be the main component of a family’s income, even in single-parent families (Holcomb, 1993).

In 1996, Congress replaced both AFDC and the JOBS program with a new federal block grant for Temporary Assistance for Needy Families (TANF). The block grant gives states more authority to design welfare programs. It may dramatically change the types of work programs operating in states. But the lessons from past programs intended to increase employment of welfare recipients remain relevant.

This article examines what we can learn from research and operational experience.

Welfare reform objectives and priorities
As states and localities approach the opportunities and challenges presented by the new TANF block grant, each will focus on different priorities and objectives and create work-welfare programs that reflect their own priorities.

Welfare reform versus other issues
States place varying amounts of emphasis on welfare and welfare reform relative to other social policy areas such as economic development, health care reform, and work force development. States with low welfare grants, low state expenditures on welfare, or a declining welfare caseload may not see any urgent need to reform their welfare system. Other states have implemented several different welfare reform initiatives over the years and probably will continue to experiment with different strategies and policies in the future.

Employment within the welfare system
States vary in the importance they give to employment relative to other welfare concerns. The primary objective of the welfare system has been income maintenance—determining eligibility for assistance and issuing benefits. Now there is more discussion about converting welfare offices from income maintenance centers to employment centers—changing the culture of welfare offices.

Immediate employment or long-term self-sufficiency
States often have a long list of priorities for welfare reform, of which some, but not all, relate directly to work. Policy makers may seek to decrease welfare caseloads and expenditures, to improve administrative efficiency, to discourage out-of-wedlock childbearing, to increase rates of employment, or to protect the well-being of poor children and families. It is not unusual to see many, or even all, of these objectives put forward for welfare reform and welfare employment policy, although they may seem contradictory.
Different priorities influence the decisions about strategies for moving welfare recipients into jobs. There is no one ideal work-welfare program model.

**Strategies for increasing employment and earnings**

The most common strategies for promoting employment and increasing earnings are job training, education, subsidized employment, and efforts to move individuals directly into unsubsidized employment (see sidebar on page 4). The strategies for encouraging employment emphasize specific welfare reform objectives to varying degrees.

Three objectives most important for welfare policy are

- to help recipients of public assistance get regular employment,
- to make sure recipients participate in some work-related activities as a condition for receiving welfare, and
- to invest in skill development to improve the chances that an individual or family can become economically self-sufficient.

Short-term strategies such as job-search assistance emphasize the first aim by moving people into the regular labor market as quickly as possible, regardless of the wages at which they might be hired. Longer-term strategies such as education and training focus more on the third aim of increasing individuals’ employability and wage-earning potential. The second aim is stressed by public employment strategies, such as “workfare.” Workfare requires a person to work at a public job for a certain number of hours to qualify for a welfare check.

Many programs combine strategies. Some programs combine vocational training with basic skills. Others link pre-employment preparation with public jobs and ongoing counseling, education, and peer support.

**Evidence of effects**

Studies have shown that programs with activities directly related to employment, specifically job-search assistance and short-term work experience, can increase employment and earnings and, in some cases, reduce welfare costs (see summary of the effectiveness of 11 employment and training programs in Table 1). More intensive training and service strategies, such as supported work experience, can produce greater impacts on employment and earnings, but they cost more and serve fewer participants. Even the most successful interventions produce only small gains and have not been able to move individuals, children, and families permanently off welfare (Burtless, 1989; Greenberg & Wiseman, 1992; Gueron & Pauly, 1991; U.S. Department of Labor, 1994).

**Employment**

Most welfare reform demonstrations that have provided job-search assistance, work experience, training, or a combination of services showed positive, yet modest, effects on rates of employment—2 to 10 percentage points. But employment
Common Strategies for Promoting Employment

**Direct Employment Strategies**

*Job search assistance*, either in a group setting or through one-on-one counseling or coaching, sometimes through “job clubs” with workshops, access to phone banks, and peer support.

*Self-directed job search*, where individuals search and apply for jobs on their own. Sometimes individuals must submit a log of their job contacts to the welfare agency.

*Job development and placement*, where program staff identify or develop job openings for participants. Counselors refer individuals to openings, often using computerized job banks. In more intensive models, staff develop relationships with specific firms, gaining knowledge of potential job openings or commitments to hire through the program.

**Job Training Strategies**

*Classroom occupational training* by training or education institutions such as community colleges or vocational schools, community-based organizations, or nonprofit or for-profit training centers. Training may include formal post-secondary programs leading to certification or licensing in a particular occupation.

*On-the-job training (OJT)*, with public or private sector employers, who usually receive a subsidy to cover a portion of the wages paid during the training period. The employer subsidy may be drawn from welfare or food stamp payments that would be paid to the individual recipient.

**Education Strategies**

*Remedial education*, such as preparation for the GED, basic skills instruction in reading and mathematics, English-language classes for persons whose primary language is not English.

*Post-secondary degree programs* (e.g., associate or bachelor degrees), generally financed by grants, federal loans, or scholarships.

**Subsidized Public Employment Strategies**

*Work experience*, which can include unpaid workfare assignments, where recipients work in exchange for welfare benefits, or short-term unpaid work experience designed as basic exposure to the work environment. Stipends are sometimes provided to the workers.

*Community or public service jobs*, where individuals receive wages, typically minimum wage or slightly below, for the hours they work.

**Mixed Strategies**

*Vocational training plus basic skills*, either in the workplace or in instructional centers/classes.

*Supported work experience*, with pre-employment preparation, assignment to public job assignments, and gradually increasing hours and work responsibility, combined with ongoing counseling, education, and peer support.
rates often remain low. As Table 1 shows, a number of programs, such as the demonstrations of the Work Incentive Program (WIN), had virtually no impact on rates of employment, although they increased the wages of those who worked and reduced welfare costs.

**Earnings and welfare costs**

The welfare reform programs have had more consistent effects on earnings than they have had on rates of employment. Typically, participants in low-intensity services like job search and unpaid work earn about $250 to $700 a year more than those in the control group (Gueron & Pauly, 1991). Strategies that integrate basic education with vocational training can have much greater impact. In the Comprehensive Employment and Training Program (CET) in San Jose, California, after 5 years, teen parents were earning about $1,200 a year more than teen parents in a control group (Mathematica Policy Research, 1993).

Even when programs have positive effects on earnings, there are few consistent effects on time spent on welfare or grant levels (Gueron & Pauly, 1991). In large part, this is because few welfare recipients can stay employed in jobs that pay enough to make them self-sufficient. Before the recent welfare reform legislation, about half of all individuals who left welfare for a job returned to the public assistance rolls within a year. The new TANF block grant rules impose a 5-year lifetime limit on receipt of federal cash assistance. Many recipients will reach that limit. An important issue for states, then, will be to determine the appropriate balance between emphasizing immediate job placement for welfare recipients versus investing in the skills training needed for better jobs.

**Job placement or training?**

State and local welfare-to-work programs have always differed in the relative emphasis they place on training and education, public jobs, and immediate job entry. Currently, the trend is away from long-term training, education, and paid community service jobs and toward job entry and job-search requirements. There is a growing consensus that welfare recipients should work.

Evaluation findings also support “work first” strategies because many studies indicate that more intensive training strategies have had only modest impacts on employment and earnings. A major evaluation is comparing the effects of “labor force attachment” and “human-capital development.” Early results suggest that the labor force attachment strategies of immediate job search yield larger overall effects than strategies that build human capital through education and training (Freedman, 1995). Proponents of the human-capital approach, though, point out measurable positive effects may be lacking because the quality of the training was not high enough and the length of the training was too short.
Improving program performance and outcomes

Despite limited funding, work-welfare programs have been criticized for not serving enough people, not placing enough people in jobs, not helping people move out of poverty, and not reducing welfare dependency (Holcomb, 1993). What can be done to improve overall program performance? Three ways to improve performance and outcomes of work-welfare programs are

- increasing participation rates,
- strengthening implementation, and
- building ties to the labor market.

Increasing participation

Although several work-welfare demonstrations increased the earnings of those in the programs, most programs have not engaged substantial portions of the welfare caseload. In many of the programs, participation mandates extended only to women with no children under 6 years of age. Most work-welfare programs and demonstrations of the 1980s served no more than 5–15% of all AFDC adults (Gueron & Pauly, 1991).

A number of work-welfare programs in the 1990s have served substantially higher proportions of the AFDC caseload. For example, in Iowa about 50% of the AFDC adults now participate in JOBS activities, and about 90% of Utah’s AFDC adults are in activities designed to increase self-sufficiency (Pavetti & Duke, 1995). Most of these programs include specific efforts to increase participation. States have expanded participation mandates, introduced stronger sanctions, imposed time limits on benefits, and redefined participation to include a range of “desirable activities” in addition to work. Some states also have increased child care, case management, and other services to remove barriers to participation.

**Participation mandates.** The 1988 Family Support Act emphasized participation by setting goals for the proportion of welfare recipients who should participate in work-welfare programs funded by JOBS. By 1995, states were to serve 20% of clients who had children older than 3 years of age. Several states have gone further—reducing exemptions from participation mandates for women with young children and involving more participants than required by the JOBS program.

**Sanctions.** States have had authority to reduce a family’s welfare payment if an adult who was required to participate in a work program did not comply. But until the 1990s fewer than 5% of welfare households nationwide had their grants reduced.

Sanctions send a clear message that the welfare system has changed—that the agency will reduce or eliminate grants when new expectations imposed on recipients are not met. A credible threat of sanctions also gives case managers a valuable tool for motivating clients who might not otherwise participate (Blank, 1995; Friedlander & Burtless, 1995).

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A related policy limits the amount of time a family can receive benefits without working. A 5-year time limit is included in the new federal welfare law, but several states, including Virginia, Massachusetts, Florida, and Iowa, are experimenting with limits of 2 years or less. Welfare staff in some states say they believe time limits, serious participation requirements, and sanctions increase participation in work-related activities (Pavetti & Duke, 1995). The new message of welfare is, “We will help you, but only if you are serious about getting a job, and only for a short period of time.”

**Facilitating participation.** Some states have redefined the meaning of participation to include productive activities other than job search, training, or education. In Utah, for instance, substance abuse treatment, mental health counseling, and parent training classes can satisfy participation requirements. However, the new federal welfare law narrowly defines the activities that can count as participation for the purpose of meeting federal requirements.

Some agencies seek to lower barriers to participation in welfare-to-work activities. Many recipients need child care, case management, job counseling, job training, and remedial education. Wisconsin and Iowa have stated a commitment to provide help that enables welfare recipients to work.

Voluntary work-welfare programs have proved able to attract large numbers of participants without imposing mandatory participation requirements. Private-sector job training programs such as Project Quest in the San Antonio area and the CET program in San Jose do not have resources to serve all the people who want to participate (Mathematica Policy Research, 1993).

Keys to successful mandatory programs appear to be clear expectations and follow-through on both services and penalties.

**Strengthening implementation**

Evaluations of work-welfare demonstrations of the past 20 years show that employment, training, education, and work requirement programs can be cost-effective, as long as they are well executed. But not all evaluated demonstrations and programs show positive effects, and the effects of programs using similar strategies vary across sites and over time. One study compared high- and low-performing WIN programs in the late 1970s in order to understand why some programs succeed and others do not (Mitchell, Chadwin, & Nightingale, 1979). The high-performing programs shared certain characteristics not found in the low-performing programs.

- In successful programs administrators, managers, and staff agree on goals and priorities. For instance, if official welfare reform policy makes work and employment the top priority, but local welfare offices emphasize procedures for documenting eligibility for cash assistance, little progress will be made toward employment.
High-performing programs offer a broad range of employment, training, counseling, and other supportive services. Simply instituting job-search requirements may yield a large number of job placements, but they will not necessarily be jobs offering the stability or wages required for self-sufficiency.

The most effective programs are client-oriented, even when the program includes strong mandatory obligations. Analysts and program administrators suggest 10–15% of new applicants for welfare may be diverted by strong participation requirements. Another third may obtain jobs through a required job search. The remaining 50% probably need the help of job brokers or case managers, not just enforcers of welfare rules. Welfare workers who document eligibility for welfare assistance cannot be expected to serve as employment coaches unless their caseloads are reduced. Policy makers must be realistic about what programs can achieve without significant funding increases.

Building ties to the labor market

Successful welfare-to-work programs must understand and work with the labor market. Yet, few programs cultivate relationships with firms and industries, develop jobs, or stay informed about occupational or technological changes that define the skills required in the workplace. In contrast, some small-scale nonprofit training programs and institutions such as Project Quest and CET use detailed knowledge of the labor market to prepare participants for jobs that are in demand. These programs succeed in part because they can select and serve a few recipients. But their success also suggests that stronger ties to the labor market can benefit a wide range of programs.

The labor market defines the limits of the success welfare-to-work programs can achieve. If the objective is to move welfare recipients into jobs, common sense suggests that this transition will be more likely to occur when unemployment rates are low and employer demand for workers is high. In the study of high- and low-performing WIN programs mentioned earlier, between 30% and 50% of the variation in program performance was explained by labor market and demographic conditions. These conditions include employment growth in the area, the proportion of local jobs requiring limited skills, the local poverty and unemployment rates, and the prevailing hourly wages (Mitchell et al., 1979). Concerns about the ability of the labor market to serve as the economic vehicle to move people out of poverty have spurred development of a variety of other approaches for welfare recipients.

One example is the New Hope Project being tested in two low-income neighborhoods in Milwaukee. New Hope participants are guaranteed their income will be above poverty as long as they work. The program provides subsidized community service jobs to workers who cannot find a full-time job in the regular labor market. Workers receive wage supplements in addition to wages and can buy into a health care plan and child care, for fees based on their income.
The model is promising because it attempts to compensate for the weaknesses in the labor market. Welfare reform strategies that increase the amount of earned income that is “disregarded” when the welfare grant is calculated also represent efforts to make it worthwhile for welfare recipients to work in the regular job market, even in low-paying jobs. In New Hope, low wages are directly supplemented. In the welfare projects, low wages are indirectly supplemented by allowing workers to continue to receive some welfare payment.

Conclusion

The nation is entering a new phase in the history of its social policy. However, our past experience can help guide welfare reform decisions in the coming years. The main message from our experience is that there is no single answer to the problems of poverty and welfare dependency. Simply requiring individuals to work is not enough to make them permanently self-sufficient if they do not have adequate skills, if jobs are not available, or if wages are too low. States should offer a broad range of services and encourage a variety of employment-related strategies to meet the needs of a very diverse population. In the end, the success of state and local programs may depend on how well leaders understand the local labor market and how well they incorporate that understanding into their work-welfare strategies.

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<table>
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<tr>
<th>Program name and start date</th>
<th>Program components</th>
<th>Evaluation setting</th>
<th>Cost per person (in 1995 dollars)</th>
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<tr>
<td>ET Choices (MA) 1986</td>
<td>Voluntary job search, training, education, supported work</td>
<td>State work-welfare program, in 58 local AFDC offices</td>
<td>$1,922 per year</td>
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<tr>
<td>Family Independence Program (WA) 1992–93</td>
<td>Voluntary job search, training, education</td>
<td>State welfare reform program, in 10 local sites</td>
<td>Not available</td>
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<tr>
<td>GAIN (CA) 1988</td>
<td>Mandatory job search, education, training, unpaid work</td>
<td>In welfare offices and community orgs in 6 counties</td>
<td>$3,610 per year (net)</td>
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<tr>
<td>Job Start 1985</td>
<td>Education, vocational training, job placement</td>
<td>13 community orgs, vocational schools, Job Corps Centers</td>
<td>$1,072 per month</td>
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<tr>
<td>Job Training Partnership Act 1987</td>
<td>Voluntary job search, classroom and on-the-job training</td>
<td>In JTPA-funded job training programs in 16 sites</td>
<td>$3,063 per year</td>
</tr>
<tr>
<td>Minority Female Single Parent Demo 1984</td>
<td>Remedial education, job training, support services</td>
<td>In community organizations in 4 cities</td>
<td>$596 to $1,079 per year</td>
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<tr>
<td>New Chance 1989</td>
<td>Comprehensive education, parenting, employment services</td>
<td>16 community orgs, private industry councils, schools</td>
<td>$1,706 per month</td>
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<tr>
<td>Supported Work Demonstration 1975</td>
<td>Paid work experience, counseling, support services</td>
<td>In community organizations in 10 cities</td>
<td>$8,281 per year</td>
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<tr>
<td>SWIM (San Diego) 1985</td>
<td>Mandatory job search, education, job training, unpaid work</td>
<td>In welfare offices in San Diego County</td>
<td>$1,251 per year</td>
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<tr>
<td>Teen Parent Welfare Demonstration 1987</td>
<td>Mandatory education, job preparation, case management services</td>
<td>In welfare offices in 3 cities</td>
<td>$300 per month</td>
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<tr>
<td>WIN 1982</td>
<td>Mandatory job search, unpaid work (in MD, also education and job training)</td>
<td>In county welfare offices in VA, AK, and Baltimore, MD</td>
<td>VA: $609 per yr AK: $198 per yr Baltimore: $418 per yr</td>
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<tr>
<th>Program name</th>
<th>Study design &amp; sample size</th>
<th>Enrollment to last follow-up</th>
<th>Employment-related outcomes for participants</th>
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<tr>
<td>ET Choices (MA)</td>
<td>Matched comparison groups, 17,000</td>
<td>1 year</td>
<td>Employment rate(^a) = 45%, P &gt; C***&lt;br&gt;Monthly earnings(^b) = $290, P &gt; C***&lt;br&gt;Monthly AFDC = $293, P &gt; C***</td>
</tr>
<tr>
<td>Family Independence Program (WA)</td>
<td>Comparison sites, 17,800 (ongoing cases)</td>
<td>3 years</td>
<td>Employment rate = 31%, P = C&lt;br&gt;Monthly earnings = $129, P = C&lt;br&gt;Monthly AFDC = $391, P &gt; C***</td>
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<tr>
<td>GAIN (CA)</td>
<td>Random assignment, 33,000</td>
<td>3 years</td>
<td>Employment rate = 57%, P &gt; C***&lt;br&gt;Monthly earnings = $228, P &gt; C***&lt;br&gt;Monthly AFDC = $424, P &lt; C***</td>
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<tr>
<td>Job Start</td>
<td>Random assignment, 508 teen parents</td>
<td>4 years</td>
<td>Employment rate = 49%, P = C&lt;br&gt;Monthly earnings = $260, P = C&lt;br&gt;Monthly AFDC = $271, P = C</td>
</tr>
<tr>
<td>Job Training Partnership Act</td>
<td>Random assignment, 6,102 adult women</td>
<td>18 months for empl. rate, 30 months for earnings &amp; AFDC</td>
<td>Employment rate = 80%, P &gt; C***&lt;br&gt;Monthly earnings = $500, P &gt; C***&lt;br&gt;Monthly AFDC = $74, P = C</td>
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<tr>
<td>New Chance</td>
<td>Random assignment, 2,088 young mothers</td>
<td>18 months</td>
<td>Employment rate = 43%, P = C&lt;br&gt;Monthly earnings = $85, P = C&lt;br&gt;Monthly AFDC = n/a(^d)</td>
</tr>
<tr>
<td>Supported Work Demonstration</td>
<td>Random assignment, 1,620 AFDC recipients</td>
<td>19–27 months for AFDC, 25–27 months for employment rate and earnings</td>
<td>Employment rate = 42%, P &gt; C*&lt;br&gt;Monthly earnings = $664, P &gt; C***&lt;br&gt;Monthly AFDC = $632, P &lt; C**</td>
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<tr>
<td>SWIM (San Diego)</td>
<td>Random assignment, 3,210</td>
<td>5 years</td>
<td>Employment rate = 34%, P &gt; C***&lt;br&gt;Monthly earnings = $329, P &gt; C**&lt;br&gt;Monthly AFDC = $95, P &lt; C***</td>
</tr>
<tr>
<td>Teen Parent Welfare Demonstration</td>
<td>Random assignment, 5,297 teen parents</td>
<td>2 years</td>
<td>Employment rate = 48%, P &gt; C**&lt;br&gt;Monthly earnings = $160, P &gt; C**&lt;br&gt;Monthly AFDC = $282, P &lt; C**</td>
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Notes:

a. P = participant group; C = control or comparison group; P = C indicates that the outcomes for the two groups were not different, to a degree considered significant in a statistical sense. * indicates that a difference exists that would occur by chance only 1 time in 10; ** indicates a difference that would occur by chance 1 time in 20; *** indicates a difference that would occur by chance 1 time in 100.
b. Earnings have not been adjusted to reflect different costs of living in different locations.
c. The Outcomes column reflects only the fraction of the sample that were ongoing AFDC cases when the program began, not new recipients.
d. n/a = data not available in this form.
Bibliography


