

# Welfare reform, employment, and advancement

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The idea that work is the gateway to self-sufficiency and the solution to poverty is a simple, powerful message. Work-based welfare reform aligns the structure of the safety net with the central values of Americans who are not on welfare. Indeed, it is difficult to see how the safety net for disadvantaged families could fail to embrace work when almost three-quarters of all women aged 21 to 64 are in the workforce. Work-based reform also builds on academic research—particularly early results from a California program, Greater Avenues to Independence—showing that families in welfare programs that emphasize immediate work make considerably larger short-run gains in family resources than do families in programs that invest more in skill development. It was perhaps inevitable, then, that one of the goals of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 should be to “end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.”<sup>1</sup>

The rhetoric of self-sufficiency is appealing, but it collides with an exceptionally difficult reality. To satisfactorily meet the goal of PRWORA, families must be able to find and hold jobs that allow them to nurture the physical and psychological well-being of the adults and children in the household. But the labor market skills of families on welfare are generally very weak. Among the nearly 55,000 welfare recipients in Wisconsin in July 1995, for example, 44 percent had less than a high school diploma. Nearly two-thirds had earned less than \$2,500 in the two years up to July 1995, and only 17 percent had earned more than \$7,500. Given that these families had, on average, more than two children, the ability of the adults to support the family at anything even close to poverty-line earnings was limited.<sup>2</sup>

The characteristics of families on welfare in Wisconsin mirror the characteristics of the welfare caseload nationally. In 1995, just before welfare reform, 42 percent of the adults in families that received welfare benefits at some point during the year had less than a high school

diploma, and the overall employment rate of prime-age workers with less than a high school diploma was 68 percent. As the average educational attainment of workers increases over time and technological changes in the economy place an ever-increasing premium on skills, the employment and earnings handicaps facing low-skilled workers will only increase.

Given these facts, many were skeptical, as the reforms of the 1990s unfolded, that welfare recipients could get and hold jobs, absent major investments in child care, health insurance, transportation assistance, and training.<sup>3</sup> At least from the vantage point of the critics, the subsequent reduction in welfare caseloads, from a peak of 5.1 million families in March 1994 to 2.1 million families in March 2001, has been stunning. Some of this reduction has surely been the result of purposeful efforts to discourage eligible families from receiving benefits (so-called “diversion” efforts), but virtually everybody agrees that there have been far-reaching changes in the way states implement and run programs. These changes share a common feature—they emphasize work, and a large portion of the families who are no longer receiving welfare benefits are working.

Despite the programmatic changes in welfare policy, there nevertheless is considerable uncertainty about the underlying factors driving this steep decline in welfare caseloads.<sup>4</sup> The economy was very strong until 2001, creating more than 17 million new jobs and pushing unemployment rates to their lowest levels since 1969. Wages grew throughout the income distribution, as they did not during the economic expansions in the 1980s. In addition, during the growth in a significant earnings support program for low-income families, the Earned Income Tax Credit (EITC), which is discussed in more detail later in this article. Real EITC benefits more than doubled over this period. The coincidental timing of welfare changes, the strong economy, and EITC expansions means that many more low-skilled people are working now than before.

Employment is an important first step for families trying to achieve self-sufficiency, but the earnings of most families who have left welfare in the 1990s are well below the poverty line, even many years after their exit. Hence, the degree to which work will be the primary antidote to poverty will depend on the ability of low-skilled people to maintain employment that, over time, offers a progression of incomes that allows families to be self-sufficient. The great challenge in antipoverty employment policy is to identify policies that help people keep jobs and increase earnings.

## The next frontier in antipoverty employment policy

Skeptics worry that work-based welfare reform will just push low-skilled households into dead-end jobs, adding stress to already harried families. Single parents may have even less time to care for children and have additional work-related and child care expenses, while their labor market earnings may be little more than their previous welfare benefits. Supporters hope that most people will find jobs and that wages, even if low to begin with, will increase to a self-sufficient level with time.

Even with an exceptionally strong economy and rapid job creation, there is no doubt that the earnings of those leaving welfare are very low. Moreover, as any employer of low-skilled labor will attest, job turnover is very high. A considerable amount of prior research has examined earnings growth among families leaving welfare. Estimates range between 2 percent per year and 4.5 percent per year for real log wage growth.<sup>5</sup> For example, people induced to work by the Self-Sufficiency Project (SSP) in Canada experienced real log wage growth of about 2.5 to 3 percent per year. This growth rate is similar to rates for other workers, including the growth rate for control-group members in the SSP. A study of the SSP concluded “The slow rate of real wage growth for people who were induced to enter work by the financial incentives of SSP suggests a limited role for work experience to boost the earnings of welfare leavers.”<sup>6</sup> Another study of the rate of wage growth for less well-educated women relative to other groups cautions that “work experience is not a magic bullet . . . evidence indicates that low-skilled workers will not have huge wage gains from work experience.”<sup>7</sup>

For at least three reasons Wisconsin is a particularly good place to seek additional evidence about the antipoverty implications of employment for families leaving welfare. First, the state’s economy was very strong over this period. Wisconsin’s unemployment rate in 1995, for example, was 3.7 percent, compared to the national rate of 5.6 percent; in 1999 it was 3.0 percent, against a national rate of 4.2 percent. Second, Wisconsin’s welfare reform program, Wisconsin Works (or W-2), was implemented well before other programs, so that the early Wisconsin experiences may be a harbinger of what families in other states may experience. Third, W-2 places great emphasis on work; to make work feasible, it provides more generous support for health insurance and child care than most other states. With aggressively work-oriented programs in place and a very strong state economy, the labor market experiences of people leaving welfare in Wisconsin are likely to be as good as we will find anywhere.

Researchers affiliated with IRP have studied the earnings of two groups of women leaving welfare in Wisconsin.<sup>8</sup>

Among those who left welfare in the fourth quarter of 1995, average earnings for the year after they left were \$9,108 (the median was \$8,608). Average earnings rose to \$10,294 in the second year after exit, and to \$11,450 in the third year.<sup>9</sup>

So, three years after leaving welfare, most of these families still had average earnings significantly below the poverty line. Log wage growth was somewhat slower (between 1 and 1.5 percent) than in the studies mentioned above. Even if we incorporate earnings supplements from the federal and Wisconsin EITCs, only 37.4 percent of families that had left welfare in the fourth quarter of 1995 had after-tax (and after EITC) earned incomes exceeding the poverty line in 1998, despite the extremely strong Wisconsin economy.

For those who left welfare in the fourth quarter of 1997, the picture was less favorable: average earnings in the first year were \$7,709 (the median was \$6,662). The lower earnings of those in the second group of leavers are perhaps not surprising, since those remaining on welfare in 1997 appear somewhat more disadvantaged than those leaving in 1995. They were, for example, less educated; in 1997, 54.4 percent of recipients had less than a high school diploma, compared with 43.6 percent in 1995.

Data from California show a similar picture.<sup>10</sup> If we consider a representative sample of welfare recipients from four California counties, the earnings of those who left welfare in 1993 were essentially flat for the first three years after exit, averaging around \$5,300. Five years after exiting, average earnings were only \$8,051. Very similar figures apply to individuals who left welfare in 1995. If we instead look at the earnings of women on welfare in October 1992, their earnings increase over time, going from under \$1,000 in 1992 (in 1998 dollars) to over \$5,500 in 1998 (this is roughly 4 percent growth of real log wages). Earnings grew rapidly, yet they grew from a very low base, so that even six years after the date the sample was defined, average earnings were still far below the poverty line, despite the strong California economy.

The preceding studies of earnings focus exclusively on the earnings of *individuals*. At least two sources of additional resources may be available to *families*. First, although welfare benefits have sharply declined, other types of income- and asset-conditioned benefits are available. The 1996 PRWORA legislation made relatively minor changes to the food stamp benefits available to families with children.<sup>11</sup> Moreover, since food stamps is a federal program, state welfare policy changes might have been expected to have relatively minor effects on food stamp receipt. In fact, food stamp expenditures fell 37 percent between 1992 and 1999. This is far larger than the reduction in the percentage of people in poverty—15.1 percent over this period.

The Wisconsin data provide some perspective on the importance of food stamps in family budgets. In the first year after leaving welfare 57.4 percent of families received food stamps. The average food stamp benefit amount among recipients was \$1,343. Three years after exit more than one-third of families were still receiving food stamps, with an average benefit among recipients of \$1,170. Given the levels of earnings noted above, food stamp benefits are rarely large enough to raise the income of recipient families to the poverty line. Looking more broadly at trends in earnings and benefit receipt over the 1990s, we can see that, on average, families with low-skilled workers are now receiving less support through welfare and food stamps and have somewhat higher earnings, augmented with the earned income tax credit.<sup>12</sup>

The second income source for families could come from earnings of other family members. Older studies of welfare exits suggested that changes in *individual* income account for only 40 to 50 percent of exits from welfare.<sup>13</sup> To have a complete picture of the effects of welfare reform, analysts need information on other economic and demographic changes occurring in the family. But Unemployment Insurance records—the source of the income data that are used in the studies from Wisconsin and California—fail to include nonemployment income and income of partners.

This is a significant omission, but it is unclear just how economically important such sources of income are. Daniel Meyer and Maria Cancian found, for example, that five years after leaving welfare 64.2 percent of women still had incomes below the poverty line, but that when they took into account the broader family unit, only 40.5 percent had incomes below the poverty line. In a related calculation, however, Wendell Primus and his colleagues concluded that “for most single-mother families, including the income of unrelated male individuals does not materially change the picture drawn of a decline in overall disposable income between 1995 and 1997.”<sup>14</sup> More needs to be learned about the role of this issue in assessing the level and trend in family well-being following welfare reform.

Despite this important caveat, it nevertheless appears that the earnings of people leaving welfare frequently do not exceed the poverty line, even several years afterward. Yet our data cover a period when the economy was very strong, and at least in Wisconsin there were significant state expenditures for work-supporting child care and health insurance programs. Families clearly need additional resources if they are to have incomes above the poverty line.

## Enhancing self-sufficiency

Many issues arise in relying on “work-first” welfare reform strategies. Assuming that the existing evidence on

the level and growth of earnings is broadly representative of the experiences of families on or leaving welfare, few families will earn enough to have incomes above the poverty line, even many years after leaving welfare. Other portions of the safety net, including housing assistance, food stamps, Medicaid, and school nutrition programs, could provide critical support for eligible families. Access to these benefits is sometimes made more difficult by the presence of earned income, even when earnings are well below income limits. Historically, Medicaid receipt was closely tied to AFDC eligibility, so families contemplating taking a job that would end AFDC eligibility would also lose health insurance for their children. Food stamp recertification procedures are considerably more stringent for families with earned income than they are for families without. Careful attention needs to be given to the way other safety net programs interact with work-based welfare reform.

Other types of support complement welfare reform and, in fact, are necessary to make it work. If mothers are to work, children need safe, reliable day care. If there are mismatches between the places people reside and the places with available jobs, effective transportation becomes a critical component of welfare reform. More broadly, a high-employment, growing economy is clearly helpful to low-skilled workers. Although monetary and fiscal policy debates sometimes seem far removed from the lives of the poor, the experience of the 1990s (and the 1960s) leaves little room for doubt that economic growth benefits low-skilled workers.

But even in a high-employment economy with generous work-conditioned child care, transportation, and health care subsidies, earnings of low-skilled workers are generally low. So the federal government and many state governments supplement earnings for low-income families through the earned income tax credit (EITC). The federal EITC provides a subsidy to earned income up to a specific income threshold and is adjusted for family size.<sup>15</sup> In 2001, taxpayers with one child could get a credit of 34 percent of income up to \$7,140, for a maximum credit of \$2,428, and taxpayers with two or more children could get a credit of 40 percent of earnings up to \$10,020, for a maximum credit of \$4,008.

In October 2001, fifteen states and the District of Columbia had EITCs as part of their state income taxes.<sup>16</sup> All but two are structured as percentages of the federal credit and use the same eligibility definitions. In New York, for example, the state EITC is 25 percent of the federal credit. Eleven of the state EITCs are refundable and most make the credit available to workers without qualifying children.

The EITC can clearly play an extremely useful role in enhancing self-sufficiency. Wisconsin’s state EITC, for example, was developed with explicit reference to the higher incomes that are needed to keep families with

three or more children out of poverty. The three-tiered Wisconsin state EITC schedule equals 4 percent of the federal credit for taxpayers with one child, 14 percent for taxpayers with two children, and 43 percent for taxpayers with three or more children. The state credits in combination with the federal credit can be substantial. A family with three or more children earning \$10,000 in Wisconsin, for example, could receive a combined state and federal EITC of \$5,720, or a 57 percent supplement to their earned income.

All standard economic models predict that EITC increases will increase work, and studies using a variety of datasets and methodological approaches suggest that it also induces some people to enter the labor market who otherwise would not work. In a recent article, we examined the effect of EITC expansions in the 1990s on the employment of welfare recipients to gain a better understanding of the effects of the credit.<sup>17</sup> In 1994 EITC benefits were expanded, but more sharply for families with two or more children than for one-child families. If the EITC alters employment and earnings, all else being equal, employment rates and earnings of comparable one- and two-or-more-child families should begin to diverge from 1994 on, as credit amounts available to these groups of families diverge. We found that indeed they did, and that the EITC had an economically (and statistically) significant, positive effect on employment rates of adults from families that were on welfare in California during the 1990s.

## Conclusions

Several things are suggested by this review. First, wage growth of low-skilled workers appears similar to that of workers with average skills, and neither group is likely to have huge wage gains from work experience. Second, data from Wisconsin show that the majority of households who have left welfare have earnings well below the poverty line several years afterward, even in a state that has an extremely strong economy and that has invested heavily in health and child care.

Because earnings growth rates appear quite low, families need additional income sources to have incomes above the poverty line. Food stamps supplement the incomes of many families exiting welfare. The federal EITC and, where they exist, state EITCs, also substantially augment incomes. Finally, given the difficulties of achieving self-sufficiency, policymakers might reasonably consider halting time limits for households that receive TANF benefits while also working extensively, but at income levels below the poverty line.

In competitive labor markets, workers are paid an amount equal to the value of their contribution to the business (in economists' jargon, this is the value of the

marginal product of labor). If we would like to see workers get paid more, then a natural way to approach the problem is to try to enhance workers' skills. As skills improve, workers can demand higher wages.

Training programs to enhance the productivity of low-skilled workers have proliferated from the earliest days of the War on Poverty, but it is clear from even a brief review of the evaluation literature that training offers no easy solution for the poverty problem. Although useful lessons have been learned (see the article in this *Focus* by Melissa Wavelet and Jacquie Anderson), the benefit-cost ratio of most programs has been low. Nevertheless, a work-based antipoverty strategy must continue to seek cost-effective ways of enhancing the skills of low-income workers.

The characteristics and skills of adults in poor families (the "supply side" of the labor market) have drawn much attention in the antipoverty literature. But additional insight is gained by paying attention to the perceptions of the employers of low-skilled workers (the "demand side" of the labor market), as the article by Harry Holzer makes clear. Employers' perspectives are obviously essential for training programs, since these programs are specifically designed to impart skills that employers desire. But they also may provide valuable insights for structuring laws—to combat discrimination, for example—or for designing TANF programs.

Intermediaries are playing an increasingly important role in low-wage labor markets. In their article, David Autor and Susan Houseman point out that the temporary help industry may account for as much as 10 percent of employment in America, and that its role may be even larger in the labor markets of central concern to welfare reform. A fascinating issue is whether these intermediaries are able to enhance the quality of employer-employee matches, and hence promote better jobs, or whether they merely help to channel workers into dead-end jobs.

Work-based welfare reforms must contend with the fact that complete success, defined as all people working in jobs without public assistance and with incomes above the poverty line, is impossible. As the articles by Sandra Danziger and Kristin Seefeldt and by Sharon Ramey and Bette Keltner show, portions of the welfare population confront difficulties that make steady employment difficult even in ideal circumstances—and the environment experienced by the poor is often considerably less than ideal.

It is apparent from this and the following articles that many factors—training and skill formation, labor demand and perceptions of employers, intermediaries such as the temporary help industry, and the disabilities and characteristics of potential workers—interact to determine the employment outcomes of families on welfare.



Our challenge as researchers, policy analysts, and policymakers is to combine insights from these different aspects of our experience in promoting employment and career advancement so as to use available resources in ways that best enhance the well-being of poor families. ■

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<sup>1</sup>See Section 401 of H.R. 3734.

<sup>2</sup>Numbers in this paragraph come from M. Cancian, R. Haveman, T. Kaplan, and B. Wolfe, *Post-Exit Earnings and Benefit Receipt among Those Who Left AFDC in Wisconsin*, IRP Special Report 75, University of Wisconsin–Madison, January 1999, on the IRP Web site at < <http://www.ssc.wisc.edu/irp/sr/sr75.pdf> >.

<sup>3</sup>See, for example, R. Haveman and J. K. Scholz, “Transfers, Taxes, and Welfare Reform,” *National Tax Journal* 47 (June 1994): 417–34.

<sup>4</sup>See, for example, the article by Ziliak in this *Focus*.

<sup>5</sup>D. Card, C. Michalopoulos, and P. Robins, “The Limits to Wage Growth: Measuring the Growth Rate of Wages for Recent Welfare Leavers,” Working Paper 8444, National Bureau of Economic Research, August 2001. There is considerable evidence that empirical models of wage growth are best fit using a logarithmic function. Hence, analysts typically measure the growth of wages in logs rather than in levels. Growth in log wages of 2 to 4.5 percent implies very rapid wage increases in the level of wages at low incomes.

<sup>6</sup>Card, Michalopoulos, and Robins, “The Limits to Wage Growth.”

<sup>7</sup>T. Gladden and C. Taber, “Wage Progression among Less Skilled Workers,” in *Finding Jobs: Work and Welfare Reform*, ed. D. Card and R. Blank (New York: Russell Sage Foundation, 2000), pp. 160–92; Gladden and Taber also note that with similar growth in the log of wages, the level of wages becomes more unequal with age. L. Pavetti and G. Acs, “Moving Up, Moving Out, or Going Nowhere? A Study of Employment Patterns of Young Women and the Implications for Welfare Mothers,” *Journal of Policy Analysis and Management* 20, no. 4 (Fall 2001): 721–36, also find little evidence that low-skilled women with children will easily move into jobs with additional labor market experience that allow them to have incomes above the poverty line.

<sup>8</sup>Cancian and others, *Post-Exit Earnings and Benefit Receipt*, and M. Cancian, R. Haveman, D. Meyer, and B. Wolfe, *Before and After TANF: The Economic Well-Being of Women Leaving Welfare*, IRP Special Report 77, University of Wisconsin–Madison, May 2000, on the IRP Web site at <<http://www.ssc.wisc.edu/irp/sr/sr77.pdf>>. In 1995, the poverty line for a two-person (parent-child) family was \$10,030; it was \$12,590 for a three-person family, and \$15,150 for a family of four. In 1997, the poverty line for a two-person (parent-child) family was \$10,610; it was \$13,630 for a three-person family, and \$16,050 for a family of four.

<sup>9</sup>All dollar amounts in this paragraph are in 1998 dollars.

<sup>10</sup>See V. J. Hotz, C. Mullin, and J. K. Scholz, “The Earned Income Tax Credit and Labor Market Participation of Families on Welfare,” on the Web at < [http://www.ssc.wisc.edu/~scholz/Research/JCPR-EITC\\_3-23-01\\_Germany\\_Draft.pdf](http://www.ssc.wisc.edu/~scholz/Research/JCPR-EITC_3-23-01_Germany_Draft.pdf) >, March 23, 2001, for more description of the sample and data. Also see V. J. Hotz, C. Mullin, and J. K. Scholz, “Welfare Benefits, Employment and Income: Evidence from the California Work Pays Demonstration Project,” on the Web at < [http://www.ssc.wisc.edu/~scholz/Research/AEA\\_paper\\_version4.pdf](http://www.ssc.wisc.edu/~scholz/Research/AEA_paper_version4.pdf) >, for data on earnings growth for a sample of households on welfare in California in the early 1990s.

<sup>11</sup>There were significant reductions in food stamp benefits available to immigrants, some of which have subsequently been repealed, and restrictions for able-bodied single people.

<sup>12</sup>The Medicaid program has been expanded to provide more families with health insurance for children. See J. K. Scholz and K. Levine, “The Evolution of Income Support Policy in Recent Decades,” in *Understanding Poverty*, ed. S. Danziger and R. Haveman (Cambridge, MA, and New York: Harvard University Press and Russell Sage Foundation, 2002), for additional details about trends in safety net spending in the 1990s and the antipoverty effectiveness of these programs across decades.

<sup>13</sup>See M. Bane and D. Ellwood, “The Dynamics of Dependence: The Routes to Self-Sufficiency,” report prepared for the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, by Urban Systems Research and Engineering, Inc., Cambridge, MA, 1983. H. Rolston, “The Income of Former Welfare Recipients,” unpublished paper, Department of Health and Human Services, Administration for Children and Families, September 21, 1999 emphasizes this point.

<sup>14</sup>D. Meyer and M. Cancian, “Economic Well-Being Following an Exit from Aid to Families with Dependent Children,” *Journal of Marriage and the Family* 60, no. 2 (May 1998): 479–92; W. Primus, L. Rawlings, K. Larin, and K. Porter, *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families*, Center on Budget and Policy Priorities, Washington, DC, August 1999.

<sup>15</sup>See V. J. Hotz and J. K. Scholz, “The Earned Income Tax Credit,” Working Paper 8078, National Bureau of Economic Research, 2000, for a comprehensive discussion.

<sup>16</sup>See N. Johnson, “A Hand up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2001,” Center on Budget and Policy Priorities, Washington, DC, December 2001, on the Web at < <http://www.cbpp.org/10-18-01sfp.htm> >.

<sup>17</sup>Hotz, Mullin, and Scholz, “The Earned Income Tax Credit and Labor Market Participation of Families on Welfare.”

# Promoting self-sufficiency: What we know about sustaining employment and increasing income among welfare recipients and the working poor

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The latter half of the 1990s saw unprecedented declines in state welfare rolls and increases in employment among poor, single-parent households. Yet even during a sustained period of low unemployment, many families formerly on welfare were stuck in low-wage jobs and struggling to make ends meet. As unemployment rises and the economy slips further into a recession, former welfare recipients and the broader low-wage working poor are especially vulnerable to layoffs and longer periods of joblessness. But the work requirements and time limits on cash assistance embedded in the welfare reforms of the 1990s make continued employment a necessity and welfare no longer a reliable recourse in emergencies.

The prospect of rising unemployment and the changed nature of cash assistance underscore the critical need for effective strategies to help current, former, and potential welfare recipients sustain employment and increase their earnings. Identifying promising strategies is certain to be central to the debates over the reauthorization of Temporary Assistance for Needy Families (TANF). This article seeks to outline what we currently know about factors that help sustain employment and increase income, strategies for creating retention and advancement services, and the future direction of research in this area.

## The policy and economic context

Welfare policies encouraging work have existed on paper since the late 1960s, but were not broadly implemented by most states until the 1980s. The focus on work was intensified by reforms that began with federal waivers in the early 1990s allowing states to reshape their Aid to Families with Dependent Children (AFDC) programs and culminated in the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which abolished AFDC and created the TANF block grant. These controversial initiatives expanded mandatory work requirements, increased penalties for noncompliance, and instituted a time limit on federally funded cash assistance.

These policy changes and the record-low unemployment of the later 1990s spurred a dramatic decline in the nationwide welfare caseload and a parallel increase in employment among single mothers. The rate of labor force participation among women who received welfare in the prior year grew from 30 percent in 1989 to 57 percent in 2000.<sup>1</sup> In the face of this evidence, the public debate over welfare has shifted focus from an earlier emphasis upon the possible consequences of time limits to the challenge of how best to support low-income working families who had left welfare (or never received it).

For many women, the path from welfare to work leads to unstable employment and low wages that contribute to persistent poverty and high rates of welfare recidivism. As a group, those who leave cash assistance for work tend to have low retention rates, and employment is often intermittent, at nontraditional hours (evenings, weekends), and without a fixed schedule.<sup>2</sup> National studies from the mid-1990s have found that 62–75 percent of those who left welfare worked at some point within one year after exiting, but only 35–40 percent worked in all four quarters; moreover, 23–35 percent of leavers returned to welfare within one year.<sup>3</sup> The jobs former welfare recipients obtained were often of poor quality, without benefits, and many were not receiving transitional benefits for which they were eligible, such as food stamps, subsidized child care, and Medicaid. These are reasons that welfare-to-work programs have usually failed to raise family income, despite their success in increasing work and reducing welfare receipt.<sup>4</sup> Welfare recipients, it seems, have been leaving welfare and joining the ranks of the working poor.

Changes in the larger low-wage, low-skilled labor market provide further insight into the employment trends among former welfare recipients. Long-term structural changes in the U.S. economy have reduced the number of “good” jobs available to workers with less than a college education. Between 1979 and 1997, the percentage of all full-time, year-round workers who earned hourly wages that would leave a family of four below 75 percent of the federal poverty line increased by over threefold (4.2 percent to 14.4 percent). During the same period, the inflation-adjusted, average hourly wages of workers without a college education fell by 12 percent, and those of workers without a high school diploma fell by 23 percent. Furthermore, low-wage workers are increasingly in “contingent” jobs that seldom provide benefits or opportunities for advancement and, by some measures, job security has declined.<sup>5</sup>

In addition, some studies suggest, job advancement among low-wage workers is limited. One study examined women's transitions from "bad" to "good" jobs during their twenties. A "good" job was defined as a job that paid \$8.00 or more per hour (1993 dollars) for 35 or more hours per week. The study found that less than half of high school dropouts (47 percent) ever worked in a good job between ages 18 and 27 (compared to almost three-quarters of women in general) and that only 15 percent of dropouts worked steadily in good jobs by age 27 (compared to about 40 percent of women in the overall sample). The average woman did not advance quickly: she took four years to transition from a bad job to a good one; one-quarter took six years.<sup>6</sup>

Although wages for the less skilled grew in the late 1990s, future wage growth is uncertain as the economy slows and unemployment rises. According to the Bureau of Labor Statistics, the unemployment rate rose sharply to 5.4 percent in October—its highest level since December 1996. In addition, not since May 1980 has payroll employment declined as much as it did in October—415,000 layoffs. Low-wage labor markets are particularly vulnerable to layoffs, and recent hires are often the first to lose their jobs. Individuals employed in service jobs such as hotel and retail are particularly under threat, since service employment has suffered the largest one-month job decline in the history of the series, which dates back to 1939—111,000 jobs.<sup>7</sup>

The combined effects of welfare-to-work policies, declining wages for less-skilled workers, and weakening labor demand have made it all the more urgent to deliver effective employment retention and advancement services. Gaining stable work experience and developing new skills are crucial if low-wage workers are to ward off long-term unemployment or quickly find reemployment.

### **Policy and programmatic responses: Strategies for serving welfare recipients and the working poor**

For many poor working families, low wages alone may be a major barrier to employment retention: these jobs make it hard to pay for necessities like rent, child care, and transportation, and the consequence may be housing instability, job loss, and welfare recidivism. Over the last decade, Congress has significantly expanded many of the supports for working families, particularly Medicaid and the Earned Income Tax Credit. Other necessary supports, such as subsidized child care and affordable housing, are not always available to those in need.

In addition to federal work supports, some states have tested whether earnings supplements (e.g., earnings disregards or cash payments to increase the household income of working families) contribute to stable employment. Other states have

implemented postemployment services that continue to support welfare recipients who leave for a job. These services range from troubleshooting on-the-job conflicts, connecting the individual to transitional support services such as child care subsidies, and career planning to identify the next better job. Creating services for welfare recipients as they enter the labor market and for those struggling to advance in it can provide critical support toward economic self-sufficiency.

Some families may need additional help sustaining employment because of limited skills, learning disabilities, or other personal issues such as substance abuse or mental health problems. Welfare recipients with multiple barriers, or the hard to employ, need a different range of services to sustain employment. A recent analysis of 20 welfare-to-work programs revealed that *increases* in earnings as a result of these programs were similar for the most disadvantaged sample members (defined as long-term welfare recipients with no high school diploma and no recent work experience) and for other less disadvantaged sample members. However, the most disadvantaged group had about one-sixth the earnings of the least disadvantaged group, earning an average of only \$1,000 per year.

These more disadvantaged families may at first find jobs, but they are more likely to return to the welfare rolls, to be sanctioned for nonparticipation, or to hit the time limit on cash assistance. For this population, many states and local areas are focusing more on removing barriers (e.g., through treatment for substance abuse and basic skills training) and keeping jobs (e.g., through supported work programs and intensive, postplacement follow-up).

### **Predictors of labor market success**

Some recent research attempts to understand the importance of the personal and job factors affecting labor market success among former welfare recipients—that is, what factors are *correlated* with sustained employment or increased earnings.<sup>8</sup> One striking implication is that obtaining work, sustaining employment, and moving up to a better job may all be somewhat separate challenges; different factors are more important for one goal than another. Among some of the themes that emerge are: (1) women who work steadily after first leaving welfare are more likely to be employed in later years, (2) women who work steadily at first do not as a result receive higher hourly wages in later years, (3) women who start out in better jobs (jobs with higher hourly wages or benefits) or in certain occupations are more likely both to be employed and to have higher wages in later years, and (4) the likelihood that women will work steadily and will find better jobs after first leaving welfare is related to other factors that are more difficult to observe, such as motivation, interpersonal and problem-solving skills, and differing labor markets.

**Table 1**  
**Effects of Employment-Focused Welfare-to-Work Programs on Sustained Employment**

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

**Notes:** LFA = Labor Force Attachment. Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: \* = 10%; \*\* = 5%; \*\*\* = 1%.

**Source:** R. Kazis and M. Miller, ed., *Low Wage Workers in the New Economy: Strategies for Productivity and Opportunity* (Boston, MA, and Washington, DC: Jobs for the Future and Urban Institute Press, 2001); C. Michalopoulos, *Sustained Employment and Earnings Growth: New Experimental Evidence on Financial Work Incentives and Pre-Employment Services*, MDRC, NY, November, 2001.

Educational attainment, not surprisingly, is one of the strongest predictors of advancement. Labor market information indicates that higher skills are associated with higher-paying jobs, jobs with benefits, and opportunities for wage progression. Higher skills can mean obtaining a G.E.D., a high school diploma, an occupational/vocational certificate or degree, or even an associate’s or bachelor’s degree. There is evidence that postsecondary education in general, and a community college education in particular, can increase earnings for the working poor population. Men with an associate’s degree earned 18 percent more than high school graduates or individuals with a G.E.D.; women earned 23 percent more when all other differences between the two groups were considered. There can also be a payoff to certificate programs, although it is moderated by the participant’s gender and the occupation in which he or she receives training.<sup>9</sup>

Although it is useful to be able to predict who may experience problems with labor market attachment or wage progression, such information provides limited guidance about what to do. For example, the current MDRC study, *Opening Doors to Earning Credentials*, which is examining how low-wage workers access and complete community college programs, is uncovering many of the barriers individuals face as they juggle multiple demands as parents, employees, and students—barriers that may prevent enrollment and completion of courses and foreclose any economic payoff.

## What we know about programs to encourage sustained employment and earnings growth

Although we know that effective programs exist to help low-income individuals find jobs, we know less about the types of programs and policies that will help people stay employed and increase their earnings over time. There is, nonetheless, some limited evidence about potentially promising strategies. In this section we summarize recent evidence on how pre- and postemployment services, financial work incentives, and other strategies may promote sustained employment and earnings growth.

### Preemployment services for welfare recipients

On the whole, the welfare reform efforts of the 1990s shifted the emphasis away from skill-building activities and toward a work-first, labor force attachment (LFA) model. The shift was due in part to research which suggested that programs emphasizing preemployment education or human capital development (HCD) had no greater effects on employment and earnings than did LFA models, and were more expensive to operate.<sup>10</sup> Work-first programs generally include mandatory job search and job search assistance (e.g., résumé development and interview preparation); some programs offer limited education and training opportunities to targeted participants.

Although the programs evaluated to date did not have any formal postemployment activities, one study suggests that some preemployment models may be more effective in



**Table 2**  
**Effects of Programs with Financial Work Incentives on Sustained Employment**

Employment Outcome	Program Group (%)	Control Group (%)	Difference (Effect)	Percentage Change (%)
<b>SSP</b>				
Ever worked	42.5	27.3	15.2***	55.6
Left work quickly	21.6	17	4.6***	27.4
Stayed employed for a year or more	20.9	10.4	10.6***	101.8
<b>MFIP Incentives Only</b>				
Ever worked	44.4	39.2	5.2	13.3
Left work quickly	12.2	13.5	-1.3	-9.6
Stayed employed for a year or more	32.2	25.7	6.5***	25.3
<b>MFIP</b>				
Ever worked	50.5	39.2	11.4***	29.1
Left work quickly	16.3	13.5	2.8	20.7
Stayed employed for a year or more	34.2	25.6	8.6**	33.6

**Notes:** SSP = Canadian Self-Sufficiency Program; MFIP = Minnesota Family Investment Program. Two-tailed t-tests were applied to differences between the outcomes for the program and control groups. Statistical significance levels are indicated as: \* = 10%; \*\* = 5%; \*\*\* = 1%. Effect may not appear to differ between the program group and control group owing to rounding.

**Source:** R. Kazis and M. Miller, ed., *Low Wage Workers in the New Economy: Strategies for Productivity and Opportunity* (Boston, MA, and Washington, DC: Jobs for the Future and Urban Institute Press, 2001); C. Michalopoulos, *Sustained Employment and Earnings Growth: New Experimental Evidence on Financial Work Incentives and Pre-Employment Services*, MDRC, NY, November, 2001.

promoting steady employment. The study examined how several welfare-to-work programs (all evaluated using random assignment) affected employment stability. Table 1, which focuses on four programs sponsored by the U.S. Department of Health and Human Services as part of its National Evaluation of Welfare-to-Work Strategies, shows that some of the work-first models had better outcomes for stable employment than others.

Of the four LFA programs shown in Table 1, the Riverside program had the largest effect on employment (10.6 percentage points), but much smaller effects on steady employment (only 4.0 percentage points). The Grand Rapids program also primarily increased short-term employment. In contrast, the Portland and Atlanta programs generated almost all of their effects by increases in steady employment. Although it is unclear what caused these differences, the Atlanta and Portland programs were more likely than Riverside and Grand Rapids to allow some participants (usually those most in need of basic skills) to pursue education and training. Case managers in Portland and Atlanta were about twice as likely to prefer skills-enhancement over work-first strategies, whereas almost all the Riverside staff preferred the work-first strategy. In addition, the Portland program encouraged people to hold out for better-paying jobs with benefits, rather than encouraging them to take the first job that came along.

It is also possible that these differences in employment stability outcomes were due to the local economies in each of the sites. Riverside had the highest level of unemployment in the four sites (its rate in 1993 was 11.5 percent, compared with 5.5 percent in Portland), and this may have made it harder for participants to find stable, well-paying

jobs. However, Grand Rapids had a strong economy during the follow-up period, suggesting that economic variables alone may not explain all the differences.

### **Financial incentives and earnings supplements**

To the extent that low earnings per se (as opposed to the characteristics of low-wage jobs, welfare recipients, or the working poor) contribute to unstable employment, programs that increase income through earned income disregards, earnings supplements, or other financial work incentives can increase employment stability. Not only do they increase stability through increased income but they serve as an incentive to keep working. Results from MDRC's studies of the Canadian Self-Sufficiency Program (SSP) and the Minnesota Family Investment Program (MFIP) show that financial incentives can both induce people to take jobs and help them sustain employment.<sup>11</sup> SSP was a full-scale demonstration project designed to test a work-based alternative to welfare that paid a substantial monthly earnings supplement, for up to three years, to long-term, single-parent welfare recipients who worked full time (at least 30 hours a week). These supplements usually raised the income of participants by \$3,000–\$5,000 a year. MFIP expanded the “earned income disregard”—the amount of earnings not counted when calculating a family’s benefits—and increased basic benefits by up to 20 percent for those who worked. For welfare recipients not working at least 30 hours a week, MFIP required participation in employment-focused services designed to help them find jobs.

Table 2 shows that SSP and two versions of MFIP (one that provided only a financial incentive and one that also provided mandatory employment services) had positive effects

on steady employment. Around two-thirds of the effect on employment of SSP, the most successful program in this respect, was due to increases in *steady* employment. Increases in employment under the MFIP program that included employment services were driven primarily by increases in steady employment. And although the MFIP incentive-only program did not have statistically significant effects on employment overall, it had a positive effect on steady employment (6.5 percentage points).

Although it is difficult to draw broad conclusions from only three studies, financial incentives and earnings supplements seem to be a promising strategy for promoting steady employment.

### **Postemployment job retention services**

Until fairly recently, formal postemployment services to increase retention and advancement outcomes were quite rare, and research on the best strategies for promoting steady work and better jobs among low-income workers is very limited. To date, only three rigorous studies have tested the effects of postemployment case management.

*Denver WIN Lab:* In the late 1970s, a study in Denver tested whether providing six months of postemployment case management to welfare recipients who found jobs through the Work Incentive (WIN) program would improve their retention and help them become reemployed faster if they lost jobs.

*Postemployment Services Demonstration (PESD):* A more ambitious study in the 1990s tested a postplacement case management model in four sites, targeting clients who found jobs through the Job Opportunities and Basic Skills Training (JOBS) program.

*SSP Plus:* SSP Plus tested whether the inclusion of preemployment services and job coaching for employed clients achieved better results than the basic SSP model.

Although each program achieved some positive results, none of them substantially improved employment retention or reduced welfare recidivism. Several consistent themes emerge from these studies.<sup>12</sup>

*The difficulty of engaging employed people.* Once an individual leaves welfare, participation in retention programs is usually voluntary. Each of the programs was unable to deliver the full range of intended services, in part because eligible participants did not want them (or, perhaps, did not understand them). For example, in SSP Plus, turnout for group activities targeted to employed clients was typically low. In both PESD and the Denver program, most participants did not want staff to talk directly to their employers, even though workplace problems were a key cause of job loss.

*Failure to address the causes of job loss.* Both the PESD and SSP Plus studies concluded that some people lost

jobs because they experienced serious health or personal problems that the programs were not designed to address. But job losses may also be attributable to the common characteristics of low-wage jobs (sudden changes in work hours, poor supervision, etc.).

*Low utilization rates for some work supports.* Although the range of publicly funded supports has expanded, many of these programs (e.g., Medicaid/CHIP, child care, and smaller-scale efforts like peer support groups) have experienced low take-up rates. The reasons include lack of aggressive outreach, misunderstandings about eligibility, burdensome application procedures, stigma, and a simple lack of time.

The PESD study noted that the programs tried to deliver the same services to the entire target group, even though some people needed little help. The study concluded that it might be preferable to target more intensive case management to those facing serious problems. But the experience of SSP Plus, although not definitive, raises questions about this approach; staff had small caseloads and provided intensive job coaching, but were still unable to prevent most job loss.

In a more recent project in Pittsburgh, known as GAPS, postemployment case management was provided by community-based organizations rather than welfare agency staff. A nonexperimental study of GAPS found that participants made steady progress. One in five participants experienced a wage increase of 30 percent or more, despite frequently cited barriers such as child care, transportation, and conflict management. The study also found that those who received services that directly addressed these problems were more likely to rate GAPS services as being useful. This finding indicates that supplementing case management with such services may help participants improve their outcomes.<sup>13</sup>

### **Industry-based efforts**

Industry-based programs, or sectoral workforce development programs, provide nonexperimental evidence of a strategy that goes beyond sustaining employment and increasing earnings. Industry-based efforts seek to provide disadvantaged people with access to good jobs that pay living wages. They offer opportunities for advancement by focusing on a particular industry or industrial sector in which the employment opportunities for low-wage individuals could be expanded or improved. They target an occupation or a set of occupations within the sector, employing strategies that address both the supply side and the demand side of the labor market: employment training, consulting services to the industry, and policy advocacy work. These programs are characterized by their depth of industry knowledge and deep roots in the low-income communities they serve.

The Sectoral Employment Development Learning Project (SEDLP), led by the Aspen Institute, has been evaluating

six leading industry-based workforce development initiatives over the past four years. All SEDLP programs are in urban areas of the United States and they provide training to participants as part of their sectoral strategy. Among the six projects, all run by local nonprofit organizations, are the Garment Industry Development Corporation in New York City, a collaborative venture among unions, city government, and companies that provides training for a range of garment industry occupations and technical assistance and marketing to firms; Focus: HOPE, in Detroit, a civil and human rights organization that offers precision machining and metalworking training to inner-city youth and young adults; and Project QUEST, in San Antonio, a community-based organization that works with employers, the local community college system, and others to develop training programs that prepare low-income workers for quality jobs in selected industries, including health care and business services.

The SEDLP study involves three components: a case study of each program, a longitudinal survey of program participants, and a statistical profile of the participating agencies. SEDLP was launched in April 1997 and was to be completed by December 2001.

The longitudinal survey of participants in the six programs has demonstrated sustained employment and earnings growth.<sup>14</sup> Participants in these six programs were indeed low-income. Among those who worked in the year before they started training, average annual earnings were \$12,295. Two years after the training, the average annual earnings of participants who worked had increased by 22 percent over the previous year and by 73 percent (\$8,921) over the baseline year.

This substantial improvement in earnings is due to increases in both hours worked during the year and earnings per hour. Ninety-four percent of participants were employed for some portion of year two (66 percent year round and 28 percent part of the year). Participants experienced a 31 percent increase in average hourly wages (\$2.69/hour) over the baseline year. The quality of the jobs they held following training also improved. Over three-quarters of employed participants had access to medical benefits through their jobs in the two years following training. The majority of jobs also provided paid vacation and sick leave, disability insurance, life insurance, and pension funds other than Social Security.

In general, the findings from the SEDLP study suggest that industry-based efforts may be a promising strategy for employment retention and wage progression.

### **Expanding our knowledge: Early lessons from the ERA evaluation**

Because rigorous research on effective strategies to promote job retention and advancement has been so limited,

the U.S. Department of Health and Human Services is sponsoring the national Employment Retention and Advancement (ERA) evaluation. This project, conducted by MDRC (in partnership with The Lewin Group), will test up to 14 strategies for promoting retention and advancement in nine states, using a random assignment research design. The evaluation will test the effectiveness of a range of approaches including financial incentives, education and training for working families, intensive, team-based case management and career counseling, and placement strategies designed to help clients find living-wage jobs with benefits. The target populations also vary among the sites and include current and former TANF recipients, the hard to employ, and low-income working families. The project is still in its development phase (five sites have started random assignment), but some early lessons have emerged from the design and implementation of these programs and services so far.

### **Promoting participation in retention and advancement services is an ongoing challenge**

Given the hectic schedules of low-income, single, working parents (particularly those who work full time), it is understandable that many are unwilling or unable to participate in programs and services during the evening and weekend. ERA sites have addressed this challenge in a number of ways. Some sites have created financial incentives to encourage retention and advancement outcomes directly (e.g., cash bonuses for maintaining steady employment), whereas others are offering smaller in-kind incentives (e.g., vouchers for clothing or meals) to encourage participation in program services such as career assessment or regular support groups for working families. Sites are also aggressively marketing their services to families—often through home visits, flexible hours, and ongoing contact. Some sites mandate that welfare recipients working part time participate in retention and advancement services in order to receive cash assistance. For example, someone working 20 hours per week could participate in a training program for 12 hours per week to meet a 32-hour per week work requirement.

### **Services should be targeted to the needs of the eligible population**

The PESD evaluation reported earlier suggests that targeting services to a smaller eligible population may be more effective than providing generic services to a larger group. For example, sites serving participants who have maintained employment for a period of time are offering services to help them advance through skill-building and job development. For those who work intermittently, the immediate challenge is to encourage job stability and address barriers to retention. Sites targeting hard-to-employ populations are more focused on the removal of barriers and intensive employment retention services such as supported employment or job coaching.



## **Agencies operating retention and advancement programs often have to restructure staff roles, train staff to take on new responsibilities, and lower caseloads**

Program staff may need to develop a new set of skills in order to provide effective retention and advancement services. For example, case managers must focus on longer-term career planning rather than immediate employment, developing relationships with employers and responding to their needs and concerns, and initiating interactions with participants in their neighborhoods, schools, and worksites. Because many case managers do not have extensive experience in these areas, sites are providing staff training. Some of the sites have also decided to lower caseloads so case managers can work more intensively with their clients.

## **Developing relationships with partners has been a crucial step in brokering services to ERA participants**

The larger system of agencies and organizations designed to serve low-income families offers a myriad of services—among them work supports, employment services, and education and training programs—to help participants obtain employment and advance in the labor market. In order for ERA participants to take full advantage of these services, the agencies and organizations administering retention and advancement programs are developing links with workforce boards, one-stop centers, community colleges, community-based organizations, and other social service providers. These links are particularly important for participants with serious barriers who may need more intensive services, including mental health or substance abuse treatment, in order to maintain steady employment.

Retention and advancement programs for low-income individuals increasingly involve employers. These partnerships include a broad range of strategies, for example, training supervisors on issues relating to low-income workers, developing internal career ladders or providing on-site job-readiness, education, or training programs, and developing Employee Assistance Programs for workers who need extra help.

The 2002 TANF reauthorization debates are an opportunity to review what has worked, what has not, and what to build on from the 1996 legislation. Sustaining employment and increasing income will continue to be important goals for policymakers and program operators, especially as the labor market further weakens. The last to leave welfare are often the first to lose their jobs in a recession. Rapid reemployment and employment retention are vital in preventing recipients from cycling on and off welfare and moving them toward economic self-sufficiency. A clearer understanding about programs and policies that have been successful in helping welfare recipients and low-wage workers as they try to keep their jobs, find new employment quickly, or advance to better jobs will provide a valuable contribution the debates. ■

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# The role of temporary employment agencies in welfare to work: Part of the problem or part of the solution?

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Although temporary-help agencies have supplied workers to American businesses since the 1940s, only relatively recently has the industry's explosive growth brought it sustained national attention. From 1972 to 2000, employment in the temporary-help industry increased five times more rapidly than employment economywide (see Figure 1).<sup>1</sup> The U.S. economy produced a record number of new jobs in the 1990s, and the temporary-help industry laid claim to fully 10 percent of all of this job creation.

The reactions of many to the rapid run-up in temporary employment were captured in a 1993 *Time Magazine* cover story entitled "The Temping of America."<sup>2</sup> In that article, *Time* opined that stable jobs were being rapidly replaced by a "fragile and frightening new order" of contingent work—substandard jobs, offering poor employment stability, low wages, meager fringe benefits,

and (at best) limited opportunity for advancement. Yet temporary agency jobs have also been heralded by some as providing important opportunities for disadvantaged workers to find a job, gain skills and experience, and move into traditional, more stable employment.

Against this backdrop, we consider the role that the temporary-help industry might play—or may already have played—in moving welfare recipients into jobs. Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996, the temporary-help industry has served as a major port of labor market entry for recipients of Temporary Assistance for Needy Families (TANF), the main cash welfare program created by the act. Whether this port has provided welfare recipients with safe harbor or merely led them onto the shoals of job insecurity is, at this point, unknown. The goal of this article is to point out these uncharted waters, argue that their exploration is central to welfare-to-work policy, and discuss how to conduct an expedition.

## The consequences of temporary-help employment: Three views

How does a stint of temporary-help employment affect the labor market advancement of a temporary worker? This is a surprisingly hard question to answer. Three

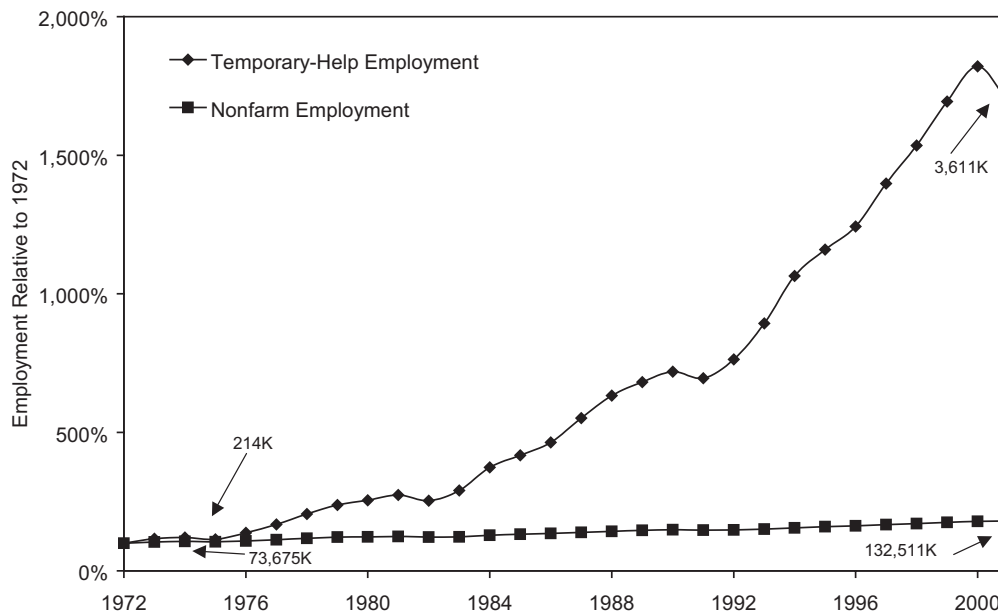


Figure 1. U.S. employment growth 1972–2001: Temporary-help and overall nonfarm employment.

Source: Bureau of Labor Statistics, National Current Employment Statistics, various years.

views may be gleaned from policy discussions, the economics and sociology literatures, and the popular press. We refer to these as the “secondary labor market,” “self-selection,” and “stepping stone” viewpoints.

The secondary labor market view, represented by (but not limited to) the *Time* article above, compares the wages, benefits, and job security of temporary workers to nontemporary workers and finds the comparison to be unfavorable.<sup>3</sup> Indeed, as is evident in Table 1, temporary agency workers earn less, receive fewer benefits, and have less job security than workers in traditional arrangements. Moreover, the majority of temporary workers report that they would prefer a traditional job arrangement to their temporary employment.<sup>4</sup> From these facts, some conclude that the temporary-help industry is responsible for the comparatively poor labor market status of temporary-help workers. By implication, were these workers *not* employed by the temporary-help industry, they would hold jobs with better remuneration and greater security.

Yet, as many social scientists will be quick to emphasize, correlation does not imply causation. An alternative reading of these facts—what we call the “self-selection” perspective—is that the negative characteristics associated with the temporary-help jobs reflect low skills and motivations of the average worker employed in the industry. From this viewpoint, there is *no* causal impact of temporary-help employment on the labor market outcomes of temporary-help workers; were these workers not employed in the tempo-

rary-help industry, they would be working in “traditional” jobs with equally unappealing characteristics. There is, indeed, evidence that workers who leave the temporary-help industry for traditional jobs experience modest initial pay gains on average, and in some cases no gains at all.<sup>5</sup> The low pay that the average temp agency worker receives therefore may reflect low average productivity among those workers rather than the poor remuneration of temporary-help jobs *per se*.

Though these two viewpoints differ markedly, what they hold in common is the implicit assumption that were it not for their temporary-help employment, temporary workers would otherwise be employed in some other traditional job—perhaps with better working conditions or perhaps not. Yet this need not be the case. Because temporary-help firms are able to screen and terminate unsuccessful workers at extremely low cost, they may be willing to hire individuals who would otherwise have difficulty finding *any* employment. In this view, temporary-help firms may provide initial opportunities to marginally employable workers—those with limited skills, experience, and credentials—thereby serving as a “stepping stone” into the labor market and potentially into more permanent employment.

Which of these three viewpoints is correct? At present, there is little evidence that can demonstrate conclusively how temporary workers would have fared were it *not* for their temporary-help jobs—indeed, each viewpoint could be true in some cases. Yet the answer to this question has important implications for welfare-to-work policy.

## The importance of the temporary-help industry to welfare recipients

Like the welfare-to-work population, the temporary-help workforce is concentrated in low-paying occupations and among less educated and minority workers. Whereas the prototypical temporary-help agency employee of the 1970s was a clerical worker (the “Kelly girl”), temporary agency employment has since expanded rapidly into other low-paying occupations. Today, substantially more than half of male temporary workers and over a third of female temporaries hold service, production, and laborer positions (Table 2). Though high school dropouts make up only 9 percent of the “traditional” workforce, they comprise 15 percent of temporary-help workers. Blacks comprise one-fifth of all temporary-help workers and only 11 percent of “traditional” workers.<sup>6</sup> Even after statistically adjusting for differences in education, occupation, and potential experience among blacks and whites, we find that blacks remain approximately 65 percent more likely than comparable whites to hold temporary-help jobs.

Given the occupational, educational, and racial characteristics of temporary workers and given the rapid growth in this sector in recent years, it should come as no sur-

Table 1

### Earnings, Health Coverage, and Job Security of Workers with Traditional and Temporary-Help Job Arrangements in 1999

	Temporary-Help Workers	Traditional Workers	Difference
<b>A. Weekly Earnings</b>			
Male	\$367	\$613	-40%
Female	331	474	-30
White	338	562	-40
Black	354	445	-20
Hispanic origin	296	396	-25
<b>B. Health Insurance Coverage</b>			
Male	36%	82%	-46%
Female	44	84	-39
White	43	84	-41
Black	31	77	-46
Hispanic origin	30	63	-32
<b>C. Expect Arrangement to Last 1 Year or Less</b>			
Male	25%	1%	24%
Female	23	2	22

Source: M. DiNatale, “Characteristics of and Preference for Alternative Work Arrangements, 1999,” *Monthly Labor Review* 124, no. 3 (March 2001): Tables 6, 8, and 9.

**Table 2**  
**Occupational Distribution of**  
**Temporary-Help Agency Workers in 1999**

	Males (42%)	Females (58%)
Executive, Administrative, and Managerial	4%	4
Professional Specialty	7	5
Technicians and Related Support	5	3
Sales Occupations	2	2
Administrative Support, Including Clerical	17	50
Service Occupations	5	10
Precision Production, Craft, and Repair	16	4
Operators, Fabricators, and Laborers	42	20
Farming, Forestry, and Fishing	2	0
Total	100%	100%

**Source:** M. DiNatale, “Characteristics of and Preference for Alternative Work Arrangements, 1999,” *Monthly Labor Review* 124, no. 3 (March 2001): Table 5.

prise that many welfare recipients have found employment in the temporary-help industry.<sup>7</sup> How many? To gauge the extent of contact, we use administrative data from the state of Washington to study the temporary-help employment of welfare recipients from 1996 through 1999. For each individual who entered the state’s employment program for welfare clients (Work First) during this period, we track unemployment, temporary employment, and nontemporary employment over six calendar quarters after entry.

As is demonstrated in Table 3, the extent of contact between Washington state welfare recipients and the temporary-help industry is large indeed. The industry was the major employer for 7 percent of nonblack females and 11 percent of nonblack males during at least one out of the six quarters.<sup>8</sup> And among blacks, these numbers are more than twice as high: 16 percent of black females and 22 percent of black males spent at least one quarter in temporary-help employment. These calculations include a substantial number of welfare recipients who did not work at all during six calendar quarters. If we restrict the sample to individuals who worked at least one calendar quarter in six, temporary-help employment shares are higher still. Most remarkably, among black males who found jobs, close to one-third spent at least one quarter in temporary-help employment.

Nor are these figures idiosyncratic to Washington state. Comparable data from Wisconsin, Georgia, and Missouri confirm that temporary-help employment is disproportionately prevalent among former welfare recipients, particularly among blacks and even more so among black

males.<sup>9</sup> Indeed, one thing that appears unusual about Washington State is the relatively small fraction of welfare recipients who are black. In states with a larger share of black welfare recipients, we typically find a larger share of welfare recipients working in the temporary-help industry.

These patterns lead us to conclude that, outside of public sector agencies, it is unlikely that any other employment-related institution has greater contact with the welfare population than does the temporary-help industry. Moreover, this expanding contact is likely a recent phenomenon. Prior to the 1990s, the temporary-help industry had neither the scale nor the appropriate job opportunities (recall the recent expansion into blue-collar and service occupations) to provide employment to large numbers of welfare recipients.

At least some of the growth in temporary-help employment among welfare clients appears to have been fostered by public policy. Historically, welfare agencies had discouraged contact between welfare recipients and temporary-help agencies. Interviews with TANF case workers indicate, however, that programmatic policies appear to have shifted in recent years, and that some state agencies are directly involving temporary-help agencies in placing welfare recipients into “temp-to-permanent” positions.<sup>10</sup> Though we are unable to estimate what fraction of the increased contact between welfare recipients and the temporary-help industry is due to intentional program policies, the current data make it abundantly apparent that the activities of the temporary-help industry and the process of welfare reform—knowingly or not—have become tightly linked.

### **Why the role of temporary help in welfare to work is controversial**

Given this tight linkage, it is useful to consider why the involvement of the temporary-help industry in the welfare reform process is controversial. We begin with the negatives.

From the perspective of welfare case workers, temporary-help jobs offer a variety of unappealing features, beginning with low pay, minimal benefits, and poor job security. In addition, temporary-help firms face limited incentives to make substantial investments in training, since they have only brief contact with most workers.<sup>11</sup> Moreover, it is often alleged that temporary-help agencies “skim the cream”—taking only the best of the job applicants—although it is difficult to see how this behavior differs markedly from that of other employers.

Temporary-help arrangements also present particular challenges for the TANF population and the programs that serve it. Temporary jobs, with frequent changes in assignments, hours, and location, demand flexibility in

**Table 3**  
**Temporary-Help Employment among Washington State TANF Recipients over Six Quarters, 1996–1999**

	Black Females	Black Males	Nonblack Females	Nonblack Males
Share of Those Employed in First Quarter Working in Temporary-Help Sector	11%	15%	5%	7%
Share Who Worked in Temporary-Help Sector during Six Quarters	16	22	7	11
Share Who Worked in Temporary-Help Sector, among Those Working at Least One Quarter	23	30	11	15

**Source:** Authors’ tabulations of unemployment and welfare data from Washington state. Individuals are classified as working in the temporary-help sector if the temporary-help industry is the highest-paying employer in the calendar quarter.

transportation and child care that welfare clients are especially ill equipped to handle. Moreover, the employment instability inherent in these positions creates administrative challenges. Welfare offices are structured by public mandate to close cases as recipients find reemployment. If these employment spells are temporary or sporadic, TANF recipients cycle through administrative portals repeatedly, generating complexity, irritation, and expense. In the near term, many recipients are denied benefits while they wait for their cases to reopen.

To compensate for these shortcomings, welfare program managers with whom we spoke discourage temporary firms from offering short-term assignments to their TANF clients. But informal agreements reached with temporary agencies are not enforceable and the agencies may face incentives to renege on them. Moreover, the length of temporary assignments ultimately is controlled by the temporary-help agencies’ customers, over whom they exercise limited control. Accordingly, even where welfare offices have explicitly contracted with temporary-help agencies to place workers in “temp-to-perm” positions, the results have been somewhat disappointing.<sup>12</sup>

Beyond these pragmatic concerns, many in the welfare community find the notion of for-profit intermediaries participating in a social welfare role repugnant. They view the 30–50-percent wage markup that temporary-help firms typically charge their clients as a form of “skimming” from the paychecks of workers whose earnings are already low. And they suspect that social service agencies implicitly, and perhaps unintentionally, subsidize temporary-help firms by providing TANF recipients with the skills, transportation, and child care that allow them to take otherwise unappealing jobs.

Given these many trenchant concerns, one must ask why welfare recipients seek temporary-help positions in increasing numbers, with the approval of social service providers in many cases. Clearly, one critical reason is that temporary-help firms are “where the jobs are.” By seeking temporary employment, many TANF recipients

will draw a paycheck sooner than if they had sought a traditional job—which may be reason enough. We suspect, however, that the temporary-help industry possesses several attributes that increase its appeal.

One advantage of temporary jobs stressed by the “port of entry” view is that traditional employers may be willing to employ workers at arm’s length through temporary arrangements whom they would be reluctant to hire directly. Accordingly, temporary assignments may provide TANF recipients with a toehold in the labor market. A series of such assignments may help them develop skill sets, workplace exposure, and résumés. Because temporary-help firms specialize in matching workers to tasks, the assignments are likely to be appropriate to TANF recipients’ skill levels and hence they face reasonable odds of success. As a result, temporary assignments will sometimes result in workers being hired directly. For example, extensive case studies of Massachusetts manufacturing show that many firms hire high school dropout and high school graduate production workers exclusively through temp-to-perm arrangements.<sup>13</sup> In interviews with TANF case workers in Michigan and Georgia, we heard similar reports.

In the majority of cases, however, temporary-help positions will not end in direct hire. Paradoxically, this outcome may be advantageous for some TANF recipients. As several case workers and human resource managers we spoke with stressed, workers auditioning a job through a temporary-help arrangement are not formally dismissed if they are unsuccessful at their positions; rather, the temporary-help firm simply ends the assignment (sometimes offering a new assignment, sometimes not). For many TANF recipients—and indeed most workers—a documented termination can significantly impede labor market advancement. Hence, though temporary arrangements may make it “too easy” for employers to fire unsuccessful workers, they may also insulate workers from the scarring effect of firing.

Finally, although the notion of for-profit intermediaries participating in welfare placement may cause some



**Table 4**  
**Temporary-Help Employment among Washington State TANF Recipients over Six Quarters, 1996–1999**

	Status in First Quarter	Earnings in Prior 5 Quarters (\$)	Distribution of Employment Outcomes over Quarters 2–6			Earnings in Next 5 Quarters (\$)
			Unemployed (%)	Temporary Employment (%)	Nontemporary Employment (%)	
Black Females	<i>Unemployed</i>	1,730	75%	3%	22%	2,280
	<i>Temp</i>	4,310	36	29	35	8,750
	<i>Nontemp</i>	5,450	30	5	66	9,350
Black Males	<i>Unemployed</i>	1,840	76%	5	19%	2,040
	<i>Temp</i>	2,840	43	20	37	6,600
	<i>Nontemp</i>	7,240	27	6	68	11,010
Nonblack Females	<i>Unemployed</i>	1,840	76%	1%	20%	2,190
	<i>Temp</i>	3,910	34	25	41	7,950
	<i>Nontemp</i>	4,820	29	2	70	8,850
Nonblack Males	<i>Unemployed</i>	3,120	76%	2%	22%	2,370
	<i>Temp</i>	4,920	31	23	46	8,510
	<i>Nontemp</i>	8,050	27	2	70	10,180

**Source:** Authors’ tabulations of unemployment and welfare data from Washington state. Temporary Employment refers to employment in the temporary-help industry.

people discomfort, the profit motive also provides temporary-help firms with a particular advantage in fulfilling a staffing role: credibility with private sector employers. Because the financial success of temporary-help firms depends upon providing adequately screened and matched workers to their customers, employers place some confidence in the workers that these firms supply—even if those workers have a poor prior labor market history. By contrast, many employers are understandably skeptical of well-intentioned social service agencies seeking to place disadvantaged workers directly into jobs. As these employers correctly perceive, the social service role is often inimical to the profit motive. These observations bolster the case that employers who would not directly hire TANF recipients may nevertheless be willing to audition them through temporary assignments.

### **The consequences of temporary-help employment for welfare recipients: What we don’t know and how we could know it**

Because understanding how temporary-help employment aids or hinders TANF recipients’ labor market advancement is crucial to welfare policy, we discuss how to study these consequences rigorously. Before we do, we ask briefly what the current TANF data *cannot* tell us.

#### **What don’t we know?**

As underscored earlier, the data lend themselves to several interpretations. Consider a comparison of earnings and employment of TANF recipients from Washington state found in Table 4. From 1996 to 1999, on average, one in ten TANF recipients who took a job in the first

quarter of entering a welfare-to-work program took a temporary-help position (see Table 3). Those who took temporary jobs earned considerably less—from 10 to 50 percent less—than those who took nontemporary jobs among all four gender and race groups. Moreover, the TANF recipients who initially obtained temporary-help jobs spent a substantially greater fraction of the subsequent five quarters in unemployment than did those who took regular jobs. These facts can be readily taken to support the secondary labor market view, i.e., “bad jobs at bad wages.”

However, consider the *prior* (pre-TANF) earnings of individuals who found employment immediately after entering the welfare-to-work program (column 2 of Table 4). Even prior to their temporary-help employment, the individuals who subsequently took temporary-help positions typically earned substantially less than those who took nontemporary positions. Hence, the “self-selection” view is also supported.

Finally, consider the outcomes of TANF recipients who took temporary employment relative to those who remained unemployed in their first quarter of TANF receipt. Over the subsequent five quarters, the temporary employees earned two to three times as much as those unemployed in the first quarter and spent 50 percent fewer quarters in unemployment. Hence, if some TANF recipients who worked as temps would otherwise have remained unemployed, temporary-help employment may have served them well. Potentially supporting this view is the fact that those who took temporary-help employment rarely remained in these positions for an extended period. In the five quarters after taking a temporary-help position, TANF recipients typically spent one additional

quarter in temporary-help employment, two in unemployment, and two in nontemporary positions. Hence, it is plausible, but far from certain, that the temporary-help sector provided a “stepping stone” to some (clearly not all) TANF recipients.

Whichever of these three viewpoints the reader finds compelling, the contrast among them should underscore the difficulty in assessing the *causal* impact of temporary-help employment on the labor market advancement of welfare recipients. The fundamental obstacle is that we do not observe how TANF recipients who took temporary-help positions would have fared otherwise—both in the short term (i.e., the current quarter) and over subsequent months of potential labor market advancement or stagnation.

### How could we know?

Two distinct approaches to surmounting this obstacle are feasible, both of which the authors of this article are currently undertaking.<sup>14</sup> The first is to conduct a large-scale statistical study comparing the short- and long-term labor market advancement of TANF recipients who take temporary-help positions with otherwise similar TANF recipients who do not. There exists a voluminous literature assessing the efficacy of various reemployment programs for the labor market performance of disadvantaged populations. A general conclusion of this literature is that forming a sample of individuals whose labor market performance would otherwise be comparable to a disadvantaged population *but for* some “treatment”—in this case, a spell in temporary-help employment—is an exceedingly difficult problem.

A number of recent statistical advances, however, offer powerful and transparent tools for performing such comparisons credibly. Foremost among these are so-called “matching” methods used for identifying samples of individuals who appear in most important respects indistinguishable from those who take a treatment or, in our case, obtain a form of employment.<sup>15</sup>

These techniques are not without drawbacks. They make considerable demands of the richness and accuracy of demographic and labor market data and additionally require important assumptions, not all of which are testable. However, the matching approach is clearly the best near-term means to begin to understand how temporary-help employment affects the labor market advancement of the many TANF recipients who obtain it. Accordingly, with the support of the Russell Sage, Ford, and Rockefeller foundations, we are conducting, a large-scale, multistate “matching” study to evaluate the labor market performance of TANF recipients who obtained temporary-help employment relative to otherwise comparable TANF cases who sought other employment.

The second approach to assessing how temporary-help employment affects TANF recipients’ labor market per-

formance is to conduct a randomized experiment. Randomized experiments are a natural substitute (or complement) to statistical studies, and constitute the benchmark in social policy research. The hurdles to conducting experiments are different from, but at least as formidable as, the obstacles to conducting a convincing statistical study.

As a starting point, randomized experiments are invariably expensive. In the present case, however, the greater obstacles are methodological and institutional. Methodologically, it is essentially impossible (ethical considerations aside) to randomly assign individuals to stints of temporary-help employment. Such decisions are within the domain of the worker and of the employer, and any assignment achieved by compulsion would not replicate an actual employment situation. Hence, for an experiment to attain a degree of institutional verisimilitude, a more subtle approach is needed.

We are presently piloting an experiment that may overcome some of these challenges.<sup>16</sup> Our design builds on the fact that there is considerable variation in the extent to which service providers encourage temporary agency employment among clients. For instance, some provide clients with little or no direct contact, whereas others make frequent referrals to temporary-help agencies and host mandatory meetings between agencies and welfare recipients. Although some of the cross-site differences reflect different opportunities for temporary-help employment, often they reflect philosophical differences in service providers’ views about temporary employment.

The planned experiment would provide the kind of variation in exposure to temporary-help agencies within participating sites that currently exists across sites. Specifically, the experiment will provide randomly chosen TANF recipients with enhanced services that may encourage temporary-help employment: additional exposure to temporary-help agency recruitment fairs; supplemental information about temporary-help job opportunities; information on the location of local temporary-help employers, etc. Provided this encouragement induces some TANF recipients to obtain temporary-help employment who otherwise would have either remained unemployed or sought traditional employment, this experiment will provide a valid foundation for causal inference.<sup>17</sup>

The advantages of randomizing *encouragement* versus randomizing temporary-help employment per se are several. First, as noted above, assigning workers to jobs with private sector employers is neither feasible nor in any sense a realistic simulation of policy. By contrast, encouraging TANF recipients to seek temporary-help employment is well within the bounds of institutional feasibility. Second, ethical concerns about denying service to one group of subjects while providing it to another—often an issue in experiments—are substantially dimin-

ished when the treatment provided is a small enhancement to existing services rather than the selective denial of access to certain benefits. Finally, an experiment where individuals are encouraged to seek temporary-help employment has the potential to answer *two* important policy questions simultaneously.

The proximate question is that identified above: How does temporary-help employment promote or hinder TANF recipients' labor market advancement? The second question, arguably of equal moment, is whether TANF programs are able, through plausible programmatic enhancements, to influence the extent of contact between TANF clients and the temporary-help industry. If public policy can have little effect on the amount of temporary-help employment among TANF clients, then, to some degree, the question of the effect of temporary employment on labor market advancement is moot. If, however, policy can significantly affect contact between temporary-help agencies and welfare clients, then understanding the labor market impacts of temporary employment is of even greater salience.

## Conclusion and policy issues

A decade ago, the temporary-help industry might have seemed an unlikely participant in welfare reform. Our analysis indicates that, intentionally or otherwise, it has become a central actor. At present, the causal effects of temporary-help employment on the earnings, employment, and labor market advancement of welfare recipients are unknown. It is often presumed that these impacts are adverse, but there are cogent reasons to believe that they could be beneficial in many instances. What is unambiguous is that these impacts demand careful study.

Whether or not public policy significantly affects the incidence of temporary employment in the TANF population, it is clear that many welfare recipients will continue to gain employment with temporary agencies. And if research ultimately reveals that temporary employment promotes their labor market advancement, the relationship between welfare agencies and the temporary-help sector will receive further scrutiny. Accordingly, we close by considering how public policy could improve this interface.

Ushering welfare recipients into insecure temporary-help positions with limited benefits strains the administrative structure of welfare offices. How could states adjust the administrative structure to better accommodate these transitions? One means is to place TANF cases in a transitional holding status when recipients obtain employment rather than to close their cases immediately. Additionally, states might provide recipients with interim health or child care benefits while their cases are in transition. Indeed, some states already offer these services. These steps might both alleviate the administrative

burdens of "revolving door" cases and reduce the risk that TANF recipients suffer benefit lapses while taking fledgling steps into the workforce. Of course, any policy intended to provide a safety net to welfare recipients in insecure employment would have to be applied evenhandedly across employer types, both temporary and traditional.

A second approach to assisting the welfare-to-work transition may lie in a separate strand of the social safety net. As Alan Krueger noted in recent congressional testimony, the U.S. Unemployment Insurance (UI) system is structured to provide income security to full-time workers with stable employment. Consequently, the UI system may fail to cover many recent welfare recipients.<sup>18</sup> This is particularly lamentable given that UI taxes are levied on all employees, even nontraditional workers who may later fail to qualify for UI benefits. Could the UI system offer additional security to the expanding share of workers who fall into these nontraditional categories?

The answer is uncertain. The UI system inherently faces a tradeoff between offering income security and providing incentives for displaced workers to seek reemployment rapidly. Expanding the inclusiveness of the UI system might weaken these incentives and encourage malingering. Moreover, any attempt at expanding the program would undoubtedly face strong opposition from employers. Nevertheless, because public policy has spurred many welfare recipients to reenter the labor force, it is worth considering whether the social safety net takes adequate account of their needs. ■

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<sup>1</sup>Temporary-help industry growth averaged 10.4 percent annually over these 28 years, versus 2.2 percent for other non-farm employment. Consequently, temporary employment increased by 1,700 percent while other non-farm employment increased by 80 percent. See D. Autor, "Outsourcing at Will: The Contribution of Unjust Dismissal Doctrine to the Growth of Employment Outsourcing," *Journal of Labor Economics*, forthcoming 2003.

<sup>2</sup>*Time Magazine*, "The Tempering of America," March 29, 1993.

<sup>3</sup>For example, see the General Accounting Office report, *Contingent Workers: Incomes and Benefits Lag behind the Rest of the Workforce*, GAO/HEHS-00-76, June 2000, available at < <http://www.gao.gov/> >.

<sup>4</sup>See, for example, M. DiNatale, "Characteristics of and Preference for Alternative Work Arrangements, 1999," *Monthly Labor Review* 124, no. 3 (March 2001): 28–49.

<sup>5</sup>L. Segal and D. Sullivan, "Temporary Services Employment Durations: Evidence from State UI Data," Working Paper #WP-97-23, Federal Reserve Bank of Chicago, December 1997, and "The Growth of Temporary Services Work," *Journal of Economic Perspectives* 11, no. 2 (Spring 1997): 117–36. However, this calculation makes no adjustment for workers' fringe benefits, which are likely to be higher in traditional jobs.

<sup>6</sup>Hispanics comprise 13.6 percent of temporary-help workers.

<sup>7</sup>Notably, the industry has contracted extremely rapidly during the current economic downturn, shedding 393,000 jobs between January

and October of 2001 (Bureau of Labor Statistics, National Employment, Hours and Earnings, available at < <http://stats.bls.gov> >).

<sup>8</sup>In our sample, the major employer is the industry that provides an individual with the greatest total pay in a quarter. Since workers in the temporary-help industry typically work less than full time and earn comparatively low wages, we are likely to significantly undercount the number of spells of temporary-help employment in the sample population.

<sup>9</sup>There are relatively few black males in our sample of welfare recipients, but the patterns of temporary employment we find for black male welfare recipients are also evident among other black male populations, such as Employment Service registrants.

<sup>10</sup>L. Pavetti, M. Derr, J. Anderson, C. Trippe, and S. Paschal, "The Role of Intermediaries in Linking TANF Recipients with Jobs," MPR Reference Number 8543-400, Mathematica Policy Research, Princeton, NJ, February 2000.

<sup>11</sup>However, many temporary-help agencies do offer free computer skills training. See D. Autor, "Why Do Temporary Help Firms Provide Free General Skills Training?" *Quarterly Journal of Economics* 116, no. 4 (November 2001): 1409–48.

<sup>12</sup>See, for example, A. Bugarin, "Linking Welfare Recipients to Jobs: The Role of Temporary Help Agencies," Working Paper #CRB-98-017, California Research Bureau, California State Library, November 1998; L. Williams, "Study and Evaluation of W2 Workers and Temporary Employment in Milwaukee, Wisconsin," mimeo, Nine to Five: National Association of Working Women, January 1999.

<sup>13</sup>J. Ballantine and R. Ferguson, "Labor Demand for Non-College Educated Young Adults," unpublished paper, Harvard University, Kennedy School of Government, 1999.

<sup>14</sup>We are unable to present preliminary results at this time.

<sup>15</sup>See P. Rosenbaum and D. Rubin, "The Central Role of the Propensity Score in Observational Studies for Causal Effects," *Biometrika* 70 (1983): 41–55; R. Dehejia and S. Wahba, "Causal Effects in Nonexperimental Studies: Reevaluating the Evaluation of Training Programs," *Journal of the American Statistical Association* 94 (December 1999): 1053–62; J. Heckman, H. Ichimuro, and P. Todd, "Matching as an Econometric Evaluation Estimator," *Review of Economic Studies* 65, no. 2 (1998): 261–94.

<sup>16</sup>The study is also being conducted with the support of the Russell Sage, Ford, and Rockefeller foundations. Although pilot sites for the experiment have been selected, the authors are presently seeking additional states to participate in the final study.

<sup>17</sup>The experimental validity of randomizing encouragement to obtain treatment versus randomizing treatment per se is discussed in greater detail in G. Imbens and J. Angrist, "Identification and Estimation of Local Average Treatment Effects," *Econometrica* 62, no. 2 (1994): 467–75.

<sup>18</sup>A. Krueger, "The Economic Outlook and Policies in Light of Recent Events," testimony before the Budget Committee of the United States Senate, Washington, DC, October 2, 2001.



# Employers and welfare recipients: What their interactions imply for public policy

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To what extent have welfare recipients been successful in the labor market under welfare reform? The answer to this question depends on a variety of labor market outcomes for them, such as the extent to which they have been hired and retained, the wages and benefits at which they have started, and whether or not their performance has led to advancement, either with their initial employers or with others. Clearly, all of these outcomes depend not only on the welfare recipients themselves, but also on the attitudes and behaviors of employers in low-wage labor markets, and how they interact with welfare recipients in the workplace. Yet most analyses of welfare recipients in the labor market have paid little attention to employers, their workplaces, and how they contribute to the outcomes for recipients that we observe.

To fill this gap, I administered a series of phone surveys to about 3,000 employers in four large metropolitan areas—Chicago, Cleveland, Los Angeles, and Milwaukee—in 1998–99. The surveys gauged the extent to which employers were willing to hire welfare recipients, whether or not they had already done so, and if they had, what their experiences had been.<sup>1</sup>

In this article, I summarize what we have learned from these data about the employment rates of welfare recipients and their performance and retention rates after being hired. I also consider the implications of these findings for public policy, especially as we debate the reauthorization of Temporary Assistance for Needy Families (TANF) over the next year.

## Employment of welfare recipients: How easily can they find jobs?

Given the very tight labor markets of the late 1990s, and the extent to which employment rates for poor single women rose during that decade, there is a widespread perception that it is relatively easy for most welfare recipients to become employed. Yet studies of “welfare leavers” generally show that only 50–60 percent are employed during any quarter soon after they leave the rolls.<sup>2</sup>

To what extent do these employment rates reflect limited access to jobs for at least some women who have been on welfare? Our data indicate the following:

- *Employer demand for welfare recipients has been quite strong in recent years.*

Specifically, employers claimed at the time of the survey that they either had filled or would be willing to fill up to 3–4 percent of all of their jobs with welfare recipients. This level of demand represents more than enough jobs in the aggregate to absorb all recipients who have entered the labor force and need work.<sup>3</sup>

But this overall demand is quite uneven, in terms of which recipients get hired, what kinds of jobs exist and where they are located, and the economic conditions on which the demand depends. Specifically:

- *Some groups of recipients, such as high school dropouts and minorities, become employed less frequently than their counterparts who are high school graduates and/or white.*

For instance, in our midwestern metro areas, we find that African American women account for about 55 percent of welfare recipients that have recently been hired by employers but constitute about 65 percent of poor, female-headed households. High school dropouts also account for fewer hires than their share of the low-income female population would suggest. Several factors might account for the lesser tendency of employers to hire African American women—among them, greater skill deficiencies on their part, greater transportation problems, weaker employment networks, or less active job search behavior. But the particular underrepresentation of that group in the retail sales sector and in small establishments, relative to white and Latino welfare recipients, raises at least the possibility that employer bias has played some role.<sup>4</sup>

- *Skill requirements on most jobs for welfare recipients are not trivial, in terms of reading and arithmetic requirements, use of computers, and the like.*

Over half of the jobs into which recipients were hired required reading or writing on a daily basis. Over half also required the use of arithmetic, and over 40 percent involved the use of a computer. Almost three-fourths of the jobs involved direct contact with customers, and over half were in either clerical or sales positions. Thus, the hardest-to-serve welfare recipients with very poor skills and other personal limitations might find it particularly difficult to fill most of these jobs.<sup>5</sup>

- *Jobs at firms that are located in the suburbs, or further away from public transit, are much less accessible to welfare recipients than those located in the central cities and/or near public transit.*

Although suburban employers report a somewhat greater interest than their central-city counterparts in hiring welfare recipients (reflecting their somewhat higher job vacancy rates), they have actually hired considerably fewer of them. Employers in the central cities have filled about 3 percent of all jobs with recipients whereas those in the suburbs have filled only about 2 percent. The data are thus consistent with the existence of a “spatial mismatch” between the locations of inner-city welfare recipients and many suburban employers. Such a mismatch might reflect not only transportation problems in commuting from central-city residences to suburban employers, but also a lack of information about which suburban employers have appropriate job openings and geographically based employment networks that do not extend to those suburban areas. The greater proximity of central-city employers to welfare recipients may not necessarily be a problem, so long as there are sufficient numbers of jobs located there for all welfare recipients who seek them. But this did not appear to be the case even before the economic downturn began.<sup>6</sup>

- *The degree of job availability for recipients seems to be quite highly sensitive to the business cycle, implying that much of it could disappear during a serious downturn.*

The willingness of employers to hire welfare recipients is very highly correlated with the presence of vacant jobs across establishments. Vacancy rates were very high during the tight labor markets of the 1990s, with median rates over 2 percent and mean rates of about 5 percent. During a serious recession, however, most of these vacancies are likely to disappear. Thus, new hiring of recipients will almost certainly diminish as well. It is somewhat harder to infer the extent to which those who have already been hired and retained will be laid off, given their accumulation of work experience over the past few years. But employment rates will almost certainly decline significantly for this group during any recession, particularly in the geographic areas that are hardest hit.<sup>7</sup>

Overall, these data imply a somewhat mixed picture of the ability of welfare recipients to gain employment. Although employment opportunities have been quite plentiful, certain recipients face limited access to jobs because of their own personal characteristics (skills or other), spatially based issues, and possibly racial discrimination.<sup>8</sup> The availability of jobs for this group is also quite sensitive to the strength of the economy.

One final point must be made about employment rates of young women on welfare relative to those of other groups:

- *Although employment among single mothers and young minority women has expanded dramatically in the past decade, it has continued to fall for young African American men.*

For instance, employment rates of young, less-educated black women rose from 40 to 52 percent between 1989 and 1999/2000; comparable rates for young black men declined from 59 to 54 percent in the same period.<sup>9</sup> The employment rates of these men did improve modestly in response to tightening labor markets between 1992 and 1999, but the long-term secular decline in their employment continued despite these positive conditions.

What explains the different trends over time in employment for these men and women? In addition to the effects of welfare reform and tight labor markets on their labor force activity, less-skilled young women have benefited from the Earned Income Tax Credit, extensions of Medicaid and other publicly provided health insurance, and other work supports (such as subsidies for child care) associated with welfare reform.<sup>10</sup> In contrast, young men who are not custodial parents of small children were largely unaffected by these developments. Instead, (1) the labor market for their services continued to decline, at least along some dimensions (such as the availability of blue-collar or manufacturing jobs)<sup>11</sup>; (2) the earnings of noncustodial fathers have been effectively taxed through more pervasive child support orders and arrearages; and (3) rising incarceration rates have kept many young men from working, and many employers from hiring out of this population. As many of these young men return to their communities and reenter society after being incarcerated, they will find serious difficulty achieving any labor market success.

In short, the difficulties of young, less-skilled men and of other groups among the working poor cannot be ignored as we discuss the fate of young women who have recently been on welfare.

### **After gaining employment: Job quality, retention, and advancement**

Of course, welfare recipients (like any other workers) need more than just an ability to become employed. They also need to be able to retain jobs, to earn adequate levels of wages and benefits, and to perform well enough to have some chances of advancement over time, either with their current employers or others.

To what extent do welfare recipients enjoy these other traits on their jobs? Our data are based on the sample of employers that have (to their knowledge) hired at least one welfare recipient in the previous year, and focus specifically on the jobs held and their experiences with

their most recently hired recipient. These data indicate the following:

- *Starting wages averaged about \$7 per hour for recipients and most were able to work full time (i.e., 35 hours or more a week).*

Only about a third of these workers earned \$6 per hour or less, and fewer than a third worked 30 hours or less per week.

- *A majority are offered some type of health insurance coverage on the job, and there is at least some possibility for promotions in most cases.*

Nevertheless, there is evidence that take-up rates on health insurance are fairly low (below 50 percent among those who are offered it), because of high copayments and deductibles. Promotion is also reserved for those with particularly strong performance on the job.

- *Retention rates appear to be higher than previously thought. In these data, about three-fourths of hired recipients are still working with the same employer, even though about 8 months have elapsed, on average, since the time of hiring.*

Among those who have left the firm, average durations of employment were about 4–5 months; but the vast majority of these workers are likely to have job spells of over a year with the same employer. These data imply turnover rates below the national average for the overall workforce of about 40 percent per year.

- *Job performance has also been relatively positive on average, with over 80 percent of welfare recipients rated as good as or better than employees typically hired into the same positions.*

About a third of these workers were considered better than the typical employee and about half were considered as good. Of course, they were generally being compared to other less-skilled workers in the same low-wage jobs.

These data paint a relatively positive picture of performance and job retention for the average welfare recipient hired. At the same time, a number of other findings generate some cause for concern. For instance:

- *Absenteeism on the job is a pervasive problem, experienced by over 40 percent of employers that have hired welfare recipients. The most frequent causes of absenteeism are problems with child care, transportation, and health.*
- *Other problems related to “soft skills,” such as poor attitudes toward work or relations with coworkers, are noted in significant numbers of cases.*

Almost 20 percent of employers indicated that their welfare-recipient employees had poor attitudes toward work, and about 15 percent indicated that they had difficult relations with coworkers. In contrast, under 10 percent complained about poor basic skills or job-related skills.

- *Poor performance and turnover are frequently associated with absenteeism or attitude problems.<sup>12</sup>*

Among those who left their jobs, 43 percent were considered worse than average and 75 percent experienced absenteeism problems. Comparable estimates for those still employed were 8 percent and 29 percent respectively.

- *Those who quit their jobs demonstrated performance almost as negative as those discharged. Thus, relatively few quits seem to reflect opportunities for movement into better jobs.*

Among those who quit their jobs, 36 percent were rated worse than others and 70 percent experienced absenteeism problems. Among those who were discharged, the comparable estimates are 57 percent and 88 percent, respectively.

- *Performance and retention problems seem related to the characteristics of jobs filled as well as the individuals in the job. Where welfare recipients have been more aggressively pushed into the job market, problems seem somewhat more plentiful.*

Those in jobs that provide health insurance or opportunities for advancement experience fewer problems than those in jobs without these features. All else equal, higher wages on the job are also associated with lower turnover among less-skilled workers.<sup>13</sup> Thus, the quality of the job attained may independently affect outcomes experienced by these workers. Finally, the incidence of performance and retention problems was highest in Milwaukee, where employment has been pushed very aggressively among welfare recipients (as part of the “Wisconsin Works” program), and much lower in Los Angeles, where implementation of welfare-to-work activities has proceeded more slowly. These problems are, to some extent, part of the price paid for the rapid entry of many unskilled welfare recipients into some labor markets around the country.

There are a few caveats with regard to these findings. For instance, the positive findings on performance and retention may at least partly reflect the fact that those who have the most difficulty finding employment at all will be underrepresented in these data on recent hires, as will be those who work mostly in the informal sector. The relative lack of problems associated with basic skills in these data no doubt reflects some of the same characteristics of the sample—in other words, among those welfare recipients who manage to work, and in the jobs that they currently obtain, limited basic skills are not in most cases viewed as serious problems. But these skills are likely to be more serious impediments among those who cannot easily obtain work or those who seek and aspire to better jobs.

Nevertheless, an overall view of the performance of welfare recipients in the workplace emerges from these data, and once again the picture is mixed. The majority of

working welfare recipients do not suffer from serious performance problems or poor retention in their current jobs. At the same time, wages and benefits are modest on the jobs they have obtained, and few seem to be leaving to find better work elsewhere. Poor performance and/or retention are observed in a more limited fraction of cases (about a fourth of these workers), and some problems like absenteeism are even more pervasive, and frequently linked to child care and health issues. These broader problems will no doubt limit workers' potential for wage growth on these jobs as well as their mobility to other firms. And the "hardest-to-serve" among recipients, who work relatively little, constitute a somewhat different group altogether with more severe labor market problems.

### **What do these findings imply for TANF reauthorization and other policies?**

These findings about the relationships between employers, their workplaces, and welfare recipients have a number of important implications for policy that should be kept in mind as we discuss TANF reauthorization and other issues.

- *Those with difficulties gaining employment should be able to receive a range of work-related supports and services under TANF and related programs.*

As indicated above, most of the jobs available to welfare recipients may be out of reach of those with serious deficiencies in basic skills and other personal limitations; they will need other options (such as "supported work" or community service jobs) while on welfare or afterwards. For other recipients, problems related to "space" (such as transportation or social networks) and "race" (such as employer discrimination) may well limit employment options. State and local TANF agencies should be encouraged to address these problems, and may require both technical and financial assistance from the federal government in such efforts.

- *Welfare recipients will be vulnerable to an economic downturn, and so appropriate "safety nets" need to be in place when this occurs.*

The traditional response to diminishing job availability in a downturn is for low-wage women to return to the welfare rolls. However, many women will be unable to do so, either because of time limits or other state actions that limit their access to the rolls. Furthermore, although eligibility among former welfare recipients for Unemployment Insurance may be somewhat greater than was originally thought, most recipients will remain ineligible for this program as well.<sup>14</sup> States will also be under financial pressure to limit the work support programs that many have put into place, as rising caseloads consume the TANF surpluses that they had accumulated, and they may have difficulty meeting their TANF work requirements.

All of this suggests that a number of steps should be taken during reauthorization to limit the potential damage to poor women during a recession. For one thing, certain changes should be made in how TANF rules regarding work requirements and time limits are applied during recessionary times. The rules could be suspended (or TANF "time clocks" stopped) during a downturn—the suspension might be triggered by state unemployment rates. Alternatively, the definitions of work that count toward the requirements could be broadened to include various education and training activities.

On the financial side of TANF, a serious "contingency fund" needs to be made available to states that face financial difficulties during such a downturn. The earlier contingency fund, which has already expired, was hampered by too little funding (about \$2 billion nationally) and by triggers for state participation too severe to be reached by most states in a moderate downturn.<sup>15</sup> A new contingency fund should be authorized with greater (perhaps uncapped) federal funding and lower triggers relevant to more moderate recessions.

Other legislative changes can be made outside of the TANF system. The Unemployment Insurance system might be revised to make it more accessible to low-wage men and women during a downturn.<sup>16</sup> Technical assistance or funding for community service jobs could be made available to states with particularly high unemployment rates.

- *A variety of approaches could be implemented to help those who suffer from performance and retention difficulties in the workplace, and to encourage job advancement more broadly among current and former welfare recipients.*

"Work-first" policies alone will generate some improvements in retention as work experience grows, but for those with particularly difficult personal and family situations, only small improvements in wages or retention are likely. There is some evidence that policies to "make work pay" with earnings subsidies and more generous earned income disregards, or work supports such as child care and health insurance, can improve performance and retention among welfare recipients. In contrast, postemployment services have not so far proven very effective; perhaps they can be made more effective with more careful targeting to the limited population that needs them and greater integration into preemployment assistance and planning.<sup>17</sup> More support for education and training, perhaps when combined with strict work rules, might generate greater potential for advancement among working welfare recipients. So, too, might policies to assist workers move into better jobs, with the same or other employers, beyond their initial job placements.

Since our understanding of what works in these areas is relatively limited, and since many states are experiment-



ing with several different approaches, perhaps the most appropriate goal for TANF is to strengthen financial incentives for states to demonstrate progress in retention and advancement, and to provide support and technical assistance for states that choose to embark on more ambitious efforts. More rigorous evaluation efforts are needed as well.

- *A wider range of efforts, under TANF and elsewhere, is necessary to address the employment difficulties of low-income men and of families that have not been recipients of cash assistance.*

One approach might be to incorporate noncustodial fathers more fully into the TANF system; for example, fathers' work experience might count toward work requirements or other employment incentives across states, and their access to various services might be increased. Of course, more TANF funding would likely be necessary in that case.

More broadly, states need to (1) improve educational outcomes and early work experience among low-income young men; (2) make available more training, community service jobs, and other supports for those with the most severe employment difficulties; (3) reform child support systems to reduce penalties on fathers with employment limitations and to raise their incentives to make their payments; and (4) make greater efforts to reintegrate exoffenders into the labor market.

On the last two points, the incentives and abilities of noncustodial fathers to accept jobs and make payments could be improved by passing through more of such payments to the families and children, or by making the noncustodial fathers eligible for the Earned Income Tax Credit and/or Medicaid.<sup>18</sup> For exoffenders, such efforts might include greater access to private employers before prisoners are released; greater access to "bonding" that would insure employers and their customers against risks associated with dealing with offenders; greater support for case management services and employment-related services by intermediary agencies right after release; and a greater availability of community service jobs for those who cannot find private sector employment shortly after release. ■

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<sup>1</sup>The survey instrument, and many sampling issues that resulted from its administration, are discussed at length in two reports by H. Holzer and M. Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace*, Public Policy Institute of California, San Francisco, 2001, and *Meeting the Demand: Hiring Patterns of Welfare Recipients in Four Metropolitan Areas*, Center on Urban and Metropolitan Policy, Brookings Institution, Washington D.C. The survey was administered over the phone to the individual responsible for entry-level hiring at the establishment. The sample of establishments chosen was random but stratified by size, and larger establishments were oversampled to reflect the distribution of workers across establishment-size categories.

<sup>2</sup>G. Acs and P. Loprest, *Initial Synthesis Report of the Findings from ASPE's Leaver Grants*, Urban Institute, Washington, DC, 2001.

<sup>3</sup>About 2 million women have left the rolls in recent years and joined the workforce, and employment has also increased among those still on the rolls. Present and former welfare recipients thus account for about 2 percent or less of the current labor force.

<sup>4</sup>For evidence on hiring discrimination against African Americans more generally in those sectors see H. Holzer, "Why Do Small Establishments Hire Fewer African-Americans than Larger Ones?" *Journal of Human Resources* 33, no. 4 (1998): 896–914, and H. Holzer and K. Ihlanfeldt, "Customer Discrimination and the Employment Outcomes of Minority Workers," *Quarterly Journal of Economics* 113, no. 3 (1998): 835–68.

<sup>5</sup>See also the article in this *Focus* by Danziger and Seefeldt.

<sup>6</sup>For more discussion of this issue see Holzer and Stoll, *Meeting the Demand*.

<sup>7</sup>H. Holzer, *Unemployment Insurance and Welfare Recipients: What Happens When the Recession Comes? Assessing the New Federalism Policy Brief*, Urban Institute, Washington, DC, 2001.

<sup>8</sup>These same issues limit the abilities of less-skilled minorities more generally to gain employment or earn high wages; see H. Holzer, *What Employers Want: Job Prospects for Less-Educated Workers* (New York: Russell Sage Foundation, 1996).

<sup>9</sup>These rates are based on the author's tabulations from the Outgoing Rotation Groups of the Current Population Survey.

<sup>10</sup>See, for instance, B. Meyer and D. Rosenbaum, "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers," *Quarterly Journal of Economics* 116, no. 3 (2001): 1063–114.

<sup>11</sup>Real wages declined by over 20 percent for less-educated men from the mid-1970s until the second half of the 1990s, at which point they began to improve as a result of tight labor markets, productivity growth, and statutory increases in minimum wage levels.

<sup>12</sup>For a fuller discussion of these issues see Holzer and Stoll, *Employers and Welfare Recipients*.

<sup>13</sup>H. Holzer and R. Lalonde, "Employment and Job Stability among Less-Educated Young Workers," in *Finding Jobs: Work and Welfare Reform*, ed. D. Card and R. Blank (New York: Russell Sage Foundation, 2000).

<sup>14</sup>See, e.g., Holzer, *Unemployment Insurance and Welfare Recipients*.

<sup>15</sup>The state triggers were based on unemployment rates and food stamp caseloads. But the former fell from about 5.3 percent in 1996 to about 4.0 percent over the next several years, and the latter fell nationally by almost half in that time period.

<sup>16</sup>Holzer, *Unemployment Insurance and Welfare Recipients*.

<sup>17</sup>J. Strawn and K. Martinson, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce*, Manpower Demonstration Research Corporation, New York, 2000; A. Rangarajan, *Keeping Welfare Recipients Employed: A Guide for States Designing Job Retention Services*, Mathematica Policy Research, Inc., Princeton, NJ, 1998.

<sup>18</sup>See articles in this *Focus* by Cancian and Meyer and by Fremstad and Primus.

# Barriers to employment and the “hard to serve”: Implications for services, sanctions, and time limits

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The sharp drop in welfare caseloads following the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) has led to a proliferation of “leaver” studies analyzing how families leaving welfare have fared. The U.S. Department of Health and Human Services funded leaver studies in ten states and three localities, and many other states conducted their own studies. The methodologies of these studies have varied, but most have found that employment rates of former recipients range between 50 and 70 percent.<sup>1</sup>

The falling welfare rolls have also caused researchers, policymakers, and front-line service delivery staff to focus on those remaining on the caseload, the “stayers.” Those in this group are frequently labeled “hard to serve” or “difficult to employ” because of their seeming inability to respond to the new employment-oriented and time-limited welfare system. Yet beyond the shared feature of welfare receipt, their characteristics and the factors associated with their being “hard to serve” are not well understood. One report noted, “more needs to be known about how and when conditions handicap recipients’ ability to work, what portion of the cyclers or long stayers are in fact those with unidentified handicapping conditions.”<sup>2</sup>

In this article, we describe what we have found in the first three years of the Women’s Employment Study (WES), which follows a cohort of welfare recipients. We compare the characteristics of women who accumulated a relatively continuous amount of work experience from 1997 to 1999 with those who worked less; we also compare women who remained welfare recipients for most of this period with those who received welfare in fewer months. We first discuss how these findings build on existing research; next, we examine the barriers to employment associated with welfare recipients who are often defined as “hard to serve” and discuss the ways in which policies such as sanctions and time limits may affect these recipients.

## Research findings about the “hard to serve”

The phrase “hard to serve” entered the welfare reform vernacular as a way to categorize individuals who have difficulty in the post-PRWORA welfare system. “Hard to serve” implies that the needs of some recipients may be beyond the scope of services that are typically available in welfare or welfare-to-work offices.<sup>3</sup> Clients labeled “hard to employ,” which is used interchangeably with “hard to serve,” have characteristics that impede their ability to find and keep jobs. PRWORA’s work requirements and its 60-month federal time limit on benefit receipt are based on the supposition that relatively few people will be unable to find work and move off the rolls on their own through current program supports; states are allowed to exempt no more than 20 percent of the caseload from the time limit.

From the beginning, some analysts have questioned whether this proportion is large enough to cover all who might need additional time on assistance. A study by the General Accounting Office (GAO) has noted that although more adult heads of welfare cases are engaged in work or work-related activities than ever before, the majority are not. In fiscal year 1999, 42 percent of TANF cases were in activities that could be counted toward the federal work participation rate defined in PRWORA—employment, job search, and other employment preparation activities. The GAO suggests that some of this failure to participate may be due to the work barriers faced by long-term recipients.<sup>4</sup>

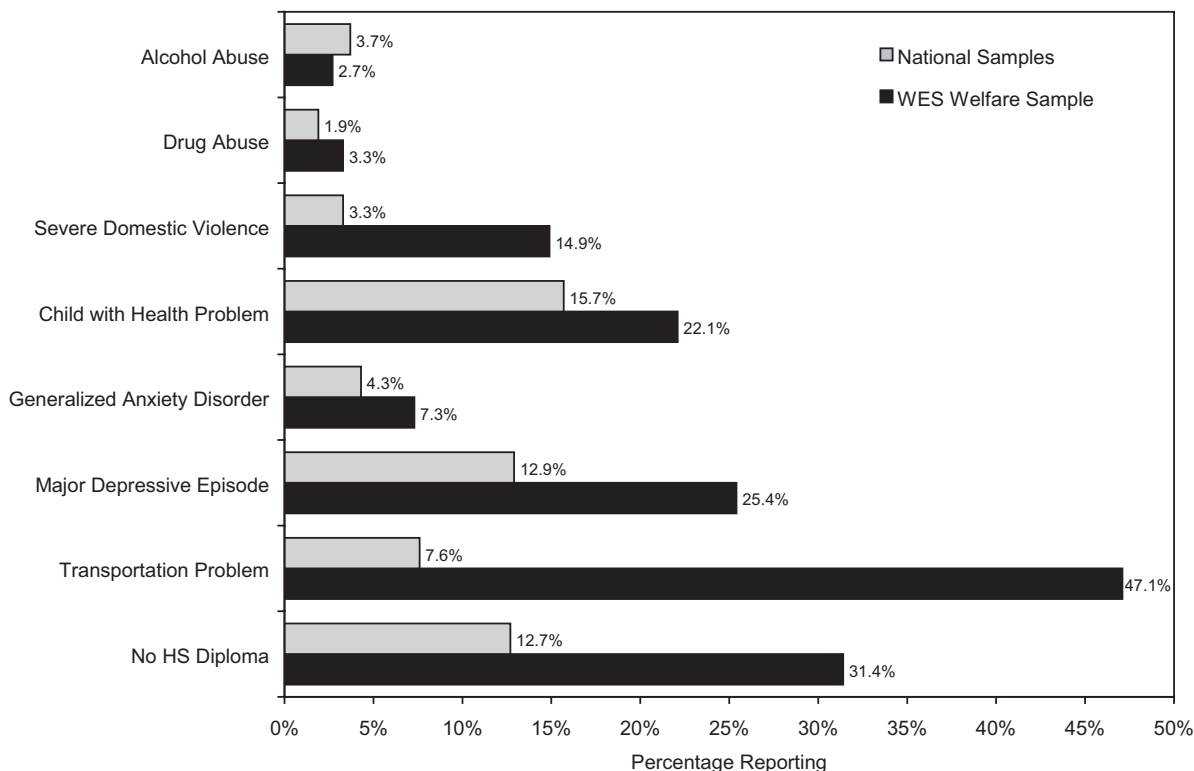
What barriers could make welfare recipients “hard to serve?” Several reviews suggested, even before PRWORA was enacted, that personal and family challenges might impede welfare recipients’ ability to find jobs.<sup>5</sup> These problems could be employment-related—low basic skills and learning disabilities, lack of recent work experience, lack of “work readiness” or “soft skills,” experiences with employer discrimination. They might be related to physical disabilities, health limitations, substance abuse, or mental health problems of parents or children. They might include family breakdown or instability: domestic violence, involvement with the child welfare system, housing instability. Child care and transportation problems, limited English proficiency, and prior felony convictions might also impede employment.<sup>6</sup>

Estimates of the proportion of recipients who faced such barriers and of how closely the barriers were associated with welfare and work varied greatly, depending on the study.<sup>7</sup> But as welfare caseloads continued to decline, more policymakers and front-line staff became concerned that those still receiving assistance might be disproportionately difficult to employ.

More recent analyses have questioned whether those who remain on the caseload are in reality more disadvantaged than those who have left welfare. Sheila Zedlewski, using data from the National Survey of America's Families, looked at barriers to employment in each state between March 1994 (when national welfare caseloads were at their peak) and February 1997 (the beginning of TANF implementation). Welfare recipients living in states with steep caseload declines should be "harder to serve," since those states will already have moved the most employable off the rolls. But Zedlewski found that welfare recipients living in states with the greatest caseload declines were less likely to report barriers to work than respondents in states where caseload declines were low or moderate. Zedlewski acknowledged that these results were exploratory and could change as states began

implementing welfare reform in earnest.<sup>8</sup> Several other studies have found few differences in employment, work experience, education, and other measures between groups that left welfare at an earlier stage of the post-1996 reform and those that left later, thus refuting the assumption that those who left welfare early were better off.<sup>9</sup>

These studies may, however, underestimate the employment difficulties that face those remaining on welfare if many important barriers to employment are mismeasured or not measured at all. Furthermore, studies that take a snapshot of individuals at one point in time cannot address the extent to which barriers persist over time and the possible effect of such persistent barriers on consistent employment or longer-term welfare use. We draw upon three years of panel data from current and former welfare recipients to make two sets of comparisons that seek to illuminate the characteristics of those who may be hard to serve. We compare former recipients who have maintained consistent employment with those who have worked less, and recipients who have remained nearly continuously on welfare with those who have less time on the rolls.



**Figure 1. Employment barriers facing welfare mothers in the Women's Employment Study and those facing a national sample of women of comparable ages.**

**Sources:** Current Population Survey, 1998: percentage of all women aged 18–54 who do not have a high school diploma or equivalent; 1990 census: percentage of all women aged 18–54 who live in households with no vehicle available; 1994 National Co-morbidity Survey: percentage of all women aged 15–54 who meet clinical criteria for a major depressive episode, Generalized Anxiety Disorder, or drug or alcohol abuse; 1994 National Longitudinal Survey of Youth: percentage of all mothers aged 29–36 with children who have one of six limitations; 1993 Commonwealth Fund Survey and 1985 National Family Violence Survey: percentage of all women aged 18 and over who report current, severe, physical abuse. HS = high school.

## The Women's Employment Study

The Women's Employment Study (WES) measures a comprehensive set of potential barriers to employment among welfare recipients. The measures encompass a range of domains previously shown to have a negative effect on employment.<sup>10</sup> These include:

**Work skills, training, and experience** (less than a high school education, low work experience, knowledge of few workplace norms such as those concerning lateness and absenteeism, few job skills, perceived discrimination on previous jobs, learning disability, low literacy);

**Psychiatric disorders or substance dependence within the past year** (Generalized Anxiety Disorder, social phobia, major depressive disorder, Post-Traumatic Stress Disorder or PTSD, drug dependence, alcohol dependence);

**Physical health problems** (maternal health problems or child with health problems);

**Other barriers** (domestic violence, transportation problems, child care problems, criminal convictions).

The WES sample was drawn from the February 1997 TANF rolls in one urban Michigan county. Sample members were all female, single-parent heads of TANF cases between the ages of 18 and 54 and either white or African American. In 1997, 753 women (an 86 percent response rate) were interviewed, in 1998, 693 (a 93 percent response rate), and in 1999, 632 (a 91 percent response rate).<sup>11</sup>

Figure 1 shows how WES respondents compared to national samples of adult women in the prevalence of some of these barriers when we first interviewed them. WES respondents were much more likely than all women of comparable ages to be without a high school diploma, to have a transportation problem, to meet the criteria for a major depressive and/or a Generalized Anxiety Disorder, to have a child with a health problem, and to have recent experience with severe domestic violence. However, they were no more likely to report drug or alcohol abuse.

Although other studies have examined the prevalence of various barriers to work, the WES is the only one to date that provides information on the effects of these barriers on employment. Multivariate analyses of WES data from the initial interview showed that the likelihood that a respondent was employed part time was significantly reduced if she had any of the following: no high school diploma, little work experience, few job skills, perceptions of discrimination, a transportation problem, met the diagnostic screening criteria for depression, and had a maternal or child health problem.

Table 1 compares women in the sample that have the highest work and welfare histories to the remainder of the sample, examining the persistence of characteristics that are both more prevalent among TANF recipients

than among the general population of women and/or significantly related to the women's probability of employment and welfare receipt at a particular time. In columns 1 and 2, WES respondents who accumulated a great deal of work experience from 1997 to 1999 are compared with those who worked less over the same period. In columns 3 and 4, respondents who continued to receive TANF cash benefits for most of this period are compared with those who received benefits in fewer months. We consider that those who worked in at least 75 percent of the months in the study period are least likely to be "hard to serve." In contrast, women who spent at least 75 percent of those months as welfare recipients are most likely to be "hard to serve."

We first examine employment-related barriers, as determined at the baseline interview (these characteristics could change over time as a function of later work experience). We then examine, in turn, the other possible barriers identified earlier in this article, paying particular attention to the duration of these conditions or circumstances—for example, whether women experienced problems in only one year of the study, in two years, or in all three.

### Employment duration and barriers over time

From Table 1 it is clear that those who worked in fewer months—50 percent of the sample—are significantly less likely than women who worked at least 75 percent of the months to have a high school degree; they also have used fewer job skills, reported four or more experiences of discrimination in the first year of the study, and are significantly more likely to have experienced the other barriers in multiple years. For example, 31 percent had no access to transportation in all three years, compared to only 12 percent of those who worked most of the time. And they were more likely to experience mental health problems than those who worked most of the time.

The consistently employed group only rarely reported barriers persisting over time. There is one exception: a substantial minority, 18.9 percent, of this group reported a serious physical health problem in all three years of the study. These respondents may have found jobs which accommodated their health limitations. A significantly larger proportion, about one-quarter, of those who worked less had persistent physical health limitations.

### Long-term welfare use and barriers over time

About one-third of the respondents received welfare for 75 percent or more months of the study period. These women are significantly more likely to have six of the nine problems. For example, just under a third reported persistent transportation (29.6 percent) and health problems (29 percent) in all three years, compared to fewer than one-fifth of women who were mostly not on welfare. Persistent welfare users were also more likely to experience severe domestic violence in one or two years.



**Table 1**  
**Barrier Conditions over Time and Relationship to Employment Duration and TANF Receipt, Women's Employment Study, 1997–99**

Barriers	Employment		TANF Receipt	
	% employed 75%+ of months (n = 291)	% worked < 75% of months (n = 290)	% rec'd TANF 75%+ of months (n = 186)	% rec'd TANF < 75% of months (n = 395)
<b>High School Diploma/GED (1997)</b>				
Yes	80.4	60.7***	62.4	74.4***
No	19.6	39.3	37.6	25.6
<b>Job Skills (1997)</b>				
Used 4+	88.0	72.4***	75.3	82.5**
Used <4	12.0	27.6	24.7	17.5
<b>Perceived Job Discrimination (1997)</b>				
< 4 types reported	90.0	82.1***	84.9	86.6
4 + types reported	10.0	17.9	15.1	13.4
<b>Transportation</b>				
Has car/license each year	59.8	38.3***	37.1	54.7***
No car/license one year	16.5	15.2	14.0	16.7
No car/license two years	11.7	15.5	19.4	10.9
No car/license all three years	12.0	31.0	29.6	17.7
<b>Mental Health</b>				
No mental health problems any year	50.2	39.3**	40.9	46.6
Problems in one year	25.1	27.9	24.2	27.6
Problems in two years	17.5	20.3	22.0	17.5
Problems in all three years	7.2	12.4	12.9	8.4
<b>Physical Health</b>				
No high physical health limitations any year	39.2	25.9***	25.3	35.9***
Limitations in one year	21.6	20.7	17.7	22.8
Limitations in two years	20.3	27.6	28.0	22.0
Limitations in all three years	18.9	25.9	29.0	19.2
<b>Children's Health</b>				
No children with health limitations any year	68.0	60.0**	56.5	67.9***
Limitations in one year	21.6	21.0	22.6	20.8
Limitations in two years	7.2	12.4	12.4	8.6
Limitations in all three years	3.1	6.6	8.6	3.0
<b>Domestic Violence</b>				
No severe domestic violence any year	46.0	36.2**	34.4	44.3**
Severe domestic violence only before 1997	26.8	29.3	28.0	28.1
Severe domestic violence in one year	20.3	19.7	23.7	18.2
Severe domestic violence in two years	5.5	11.7	12.4	6.8
Severe domestic violence in all three years	1.4	3.1	1.6	2.5
<b>Alcohol and Drugs</b>				
Never meets dependence criteria any year	93.5	86.9**	88.7	90.9
Meets criteria in one year	4.1	11.0	8.6	7.1
Meets criteria in two years	2.1	1.7	2.2	1.8
Meets criteria in all three years	0.3	0.3	0.5	0.3

\* p<.1, \*\* p<.05, \*\*\* p<.01

**Note:** We exclude from our analyses 24 respondents who moved from the TANF rolls onto the Supplemental Security Income (SSI) program for low-income disabled persons.

Given the high prevalence of these barriers among women who spent more months on TANF and the persistence of these barriers over time, it seems reasonable to conclude that those left on the rolls have attributes which make them “hard to serve,” particularly in a work-first environment.

## Policy and program implications

The kinds of skill deficits and personal problems documented for Michigan TANF recipients in Table 1 are not frequently nor systematically addressed within the rapid-employment, welfare-to-work model now widely used across the country. What most local agencies do offer unemployed recipients includes job search readiness activities, such as résumé writing and mock interviews, and/or job search experiences, such as bringing employers on site for interviews. These activities are typical of “work first” programs that have been implemented nationwide in recent years. Most welfare agencies also have experience determining the extent to which education, child care, and transportation are barriers to employment and have the resources to address these problems.

When we examined the implementation of Michigan’s welfare-to-work programs, however, we found that a number of the barriers shown here, particularly mental health, domestic violence, and other barriers not easily observed by staff are not commonly identified. In Michigan, moreover, self-disclosure is the primary means by which a caseworker may find out about a recipient’s personal problems and refer her to treatment or other services.<sup>12</sup> In many states clients are screened for various barriers to employment, but this process is typically done through a structured interview with the TANF caseworker that does not include use of specialized tools or assessment instruments designed to uncover barriers such as domestic violence or mental health problems.<sup>13</sup>

Michigan program managers told us that they would like to have the flexibility to provide a wider range of screening, assessment, and referral services and to have more time to work with the most disadvantaged recipients. A large part of the “hard to serve” issue, then, is not that recipients’ characteristics inherently make them “difficult” individuals but that the services stressed in work-first programs are not oriented to their needs. Welfare-to-work programs that focus mainly on providing job-seeking skills to recipients are likely to find multibarrier clients “hard to serve,” given the mismatch between their services and clients’ needs.

A few states have developed programs that identify a wide range of problems and provide mental health, substance abuse, and other counseling/treatment services. For example, TANF workers in Utah screen clients for a number of barriers using a standardized tool. If the results from that screening indicate a possible mental health or substance abuse problem, the client is seen by a

trained social worker who administers further diagnostic assessment tests.<sup>14</sup>

The failure to identify problems puts the “hard to serve” at higher risk of sanctions if their problems make them less likely to comply with welfare program requirements. After the passage of welfare reform, many states increased the severity of their sanction policies. Thirty-six states now terminate benefits entirely, either at the first point of noncompliance or after a period of noncompliance. Seven of these states use “lifetime” sanctions against recipients who are in continued noncompliance—in effect, such sanctions function no differently from the time limit.<sup>15</sup>

Recipients who have left welfare because they have been sanctioned, as opposed to those leaving for other reasons, have been shown to have more work barriers, including lower education levels, mental health problems, and child care and transportation difficulties.<sup>16</sup> Moreover, former recipients who left welfare because they were sanctioned are much less likely to work than those leaving welfare for other reasons.<sup>17</sup> Since WES respondents whom we categorize as “hard to serve” because of their long-term welfare use do not include those who may have already been sanctioned (and thus have not accumulated many months on welfare), our definition of “hard to serve” is limited. Follow-up interviews with sanctioned families, or assessment and referral before the sanction is levied, could potentially uncover some problems and help another group of the hard to serve receive the services they need.

There are, moreover, few options of last resort for recipients who reach state time limits, especially if they lack work skills or transportation or have one or more of the other problems we have identified. In early 2001, just over half (28) of states were following the federal, 60-month cumulative time limit. Five states had imposed shorter time limits, ranging from 21 months in Connecticut to 48 months in Georgia. Another 13 states were using the “fixed-period” time limits, whereby a recipient may receive welfare benefits for a certain amount of time, for example 24 months, but then cannot receive TANF again for a period of time. In all but one of these states, the cumulative time on assistance was 60 months. Finally, five states specified that the time limit would primarily affect adults on assistance; children would continue to receive assistance, either up to 60 months or indefinitely.<sup>18</sup>

By mid-2000, it appeared that roughly 60,000 families nationwide had lost welfare benefits because of time limits, the majority of them in three states (Connecticut, Massachusetts, and Louisiana). In two states where random assignment to time limits was in effect (Connecticut and Florida), there is little evidence that the time limits increased work, but some evidence that they may have reduced incomes and caused some families to leave wel-

fare earlier than necessary in order to save months of eligibility.<sup>19</sup> The results of these studies are not definitive, however, and the effect of time limits on individual families will depend upon the mix of other policies in place in a state, particularly the state's policies regarding extensions and exemptions to the time limit. Currently, there is little information on the extent to which states are granting extensions or exemptions to recipients and for what reasons.

There is every reason to believe, but little evidence to date, that a disproportionate number of the women who will exhaust their time limits will be similar to the WES respondents who had already accumulated, on average, 30 months on welfare between early 1997 and late 1999. They will have more—and more persistent—barriers to employment if they exhaust their benefits without receiving assessment, referral, and treatment or supportive services.

The WES study does not include new entrants, but follows women who were receiving TANF in early 1997. It is likely that a greater proportion of new entrants might have multiple persistent barriers, given that caseloads fell between 1994 and 2000, and the economy probably absorbed more potential welfare recipients with few barriers to employment. It seems, then, important to screen new entrants as well as those who have been on the rolls for many months. Job-search programs could be supplemented to address the kinds of problems we documented, and corrective actions could be taken in response to individualized screening and assessment. Another potentially promising avenue is supported work programs, in which recipients are placed in highly structured and supervised workplaces and are provided with case management services.<sup>20</sup>

Whatever the methods chosen, states should be encouraged to increase assessment, referral, and use of a wide array of services. For example, states could count toward their own work requirements the activities that are aimed at resolving barriers to employment. Work-based welfare programs that do not diversify services to address persistent and multiple barriers risk penalizing, through the policy levers of sanctions and time limits, the most vulnerable TANF recipients and their families. ■

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<sup>7</sup>A. Johnson and A. Meckstroth, *Ancillary Services to Support Welfare to Work*, Mathematica Policy Research, Inc., Princeton, NJ, 1998.

<sup>8</sup>S. Zedlewski, *Work Activity and Obstacles to Work among TANF Recipients*, New Federalism: Issues and Options for States, no. B-2, Urban Institute, Washington, DC, 1999.

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<sup>10</sup>Kalil and colleagues, "Getting Jobs."

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<sup>12</sup>S. K. Danziger and K. Seefeldt, "Ending Welfare through Work First," *Families in Society* 81, no. 6 (2000): 593–604; T. Thompson and K. Mikelson, *Screening and Assessment in TANF/Welfare-to-Work: Ten Important Questions TANF Agencies and Their Partners Should Consider*, U.S. Department of Health and Human Services, Washington, DC, 2001.

<sup>13</sup>S. Brawley, *TANF Client Assessment: State Uniformity, Types of Workers and Staff-Related Actions, Tools and Information Sources, and Information Sharing*, American Public Human Services Association, Washington, DC, 2000.

<sup>14</sup>Thompson and Mikelson, *Screening and Assessment*.

<sup>15</sup>K. Seefeldt, *CQ Vital Issues Series: Welfare Reform*, A. Lin, series ed. (Washington, DC: Congressional Quarterly Press, forthcoming).

<sup>16</sup>D. Fein and W. Lee, *Carrying and Using the Stick: Financial Sanctions in Delaware's A Better Chance Program*, Abt Associates, Cambridge, MA, 1999; H. Goldberg and L. Schott, *A Compliance-Oriented Approach to Sanctions in State and County TANF Programs*, Center on Budget and Policy Priorities, Washington, DC, 2000; K. Westra, *Arizona Cash Assistance Exit Study*, Arizona Department of Economic Security, Phoenix, AZ, 2000; M. Derr, "The Impact of Sanctioning on Utah's TANF Families," paper presented at the Association for Public Policy and Management Annual Research Conference, October, 1998. This information is mostly descriptive; forthcoming analyses will examine the characteristics and barriers that predict sanctioning.

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# Welfare reform and the vulnerability of mothers with intellectual disabilities (mild mental retardation)

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The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 represents landmark legislation in the history of public assistance. Multiple political, social, and economic forces propelled this legislation, with consequent major impact on many families as well as on local, state, and federal programs.<sup>1</sup> This article focuses on an especially vulnerable group of mothers from among those eligible for Temporary Assistance for Needy Families (TANF), the main cash welfare program. These are mothers with intellectual disabilities, whose cognitive impairment may be variously labeled as “mild mental retardation,” “borderline intelligence,” or “learning disability” by school authorities, psychologists, physicians, and social and health service agencies.

Perhaps the most startling fact is that mild mental retardation—defined as having an IQ between 55 and 70 or 75 coupled with significant deficits in adaptive behavior (e.g., social behavior, communication skills, personal responsibility, academic skills, community living skills)—typically is not diagnosed clinically until the middle school years, when children encounter repeated difficulty in the academically demanding school environment. Further, when these children leave school, their intellectual disability often becomes less apparent, and young adults do not like using “mentally retarded” as a term to describe themselves. Thus, the presence of mild mental retardation often is overlooked or unrecognized by agencies and clinics that serve large numbers of very low income mothers and children.<sup>2</sup>

Although the school label of mild mental retardation may be dropped for understandable reasons in adulthood, this does not indicate that these mothers no longer have serious difficulties in negotiating their daily lives. Particularly salient are challenges in fulfilling their parental responsibilities and achieving the goal of economic self-sufficiency. Indeed, there is substantial evidence that mothers with mild mental retardation are a highly vulnerable group; so, too, are their young children, who are at high risk for mental retardation themselves.<sup>3</sup>

Mothers with intellectual disabilities are especially vulnerable during periods when major support programs are

in flux, in large part because the nature of their disability limits their capacity to readily comprehend their rights and responsibilities, to negotiate complex and fragmented service delivery systems, and to obtain appropriate assistance in times of dire need.<sup>4</sup> Changes in systems can be disconcerting for those who work in them and can create additional barriers for those who need to use them. Further, the social stigma of mental retardation is so great for many of these mothers that they often actively conceal the disability to protect their dignity and to maintain parental rights.

We have identified four key issues that we believe will enable the welfare system to improve outcomes for families previously unable to achieve and sustain self-sufficiency. These are (1) identifying mothers who have intellectual disabilities (mild mental retardation) with accuracy and compassion; (2) simplifying policies and procedures and improving ways to explain the criteria and the processes for acquiring eligibility; (3) establishing a community-based safety net for highly vulnerable families; and (4) enhancing the capacity of educational, vocational, health, and social service providers to assist mothers with mild mental retardation in achieving the desired program outcomes. We consider each in turn here.

## Accurate and compassionate identification of mothers with intellectual disabilities

The definitions of mental retardation are frequently in flux. Leading professionals take strong and divergent positions about matters such as the degree to which different words, used as diagnostic labels, inflict social stigma on individuals; the adequacy of standardized intelligence tests to measure important dimensions of applied intelligence (e.g., a person’s ability to solve everyday problems and understand real-life situations); the cutoff points to be used in classifying a person as mentally retarded (e.g., whether the IQ cutoff should be established as equal to or below 70 or 75); and how to measure adaptive behavior.

Over the past 50 years, the American Association on Mental Retardation has revised its guidelines for the diagnosis and classification of mental retardation four times; a fifth major revision is now in process.<sup>5</sup> Briefly, the most widely used definitions embrace the following elements: (1) significantly subaverage intellectual performance, as documented by performance on a standardized test of intelligence that is about two or more standard deviations below the mean; (2) significantly



subaverage adaptive behavior in multiple domains, such as communication skills, independent living skills, work skills, social skills, and academic skills; (3) onset in childhood or adolescence (prior to age 22); and (4) the anticipation of lifelong challenges associated with the person's intellectual and adaptive behavior limitations.

Estimates of the current prevalence of mental retardation in the United States range widely, from about 1 to 3 percent.<sup>6</sup> The uncertainty of the true prevalence reflects differences in the methodology, definitions, and populations used in these studies, as well as the well-documented inadequacies of administrative records, such as those available from special education, state mental retardation or developmental disabilities systems, and the Social Security Administration.

As for women receiving TANF, one study estimates that approximately 30 percent are eligible for Supplemental Security Income (SSI) under the administrative category of "mental retardation."<sup>7</sup> Although this estimate may appear high, it is consistent with findings from other studies. For example, in a recent, large-scale study of inner-city, Medicaid-eligible pregnant women, about 25 percent received scores on standardized tests of receptive language and/or literacy skills comparable to those of individuals with mild mental retardation; in an eight-site study of 985 premature, low-birthweight infants, 31 percent of their mothers earned scores equivalent to an IQ of 70 or below.<sup>8</sup> In the National Longitudinal Study of Youth, among adolescent mothers (predominantly from very low income families), 38 percent had very low tested intelligence, most within the range of mental retardation.<sup>9</sup> This finding is particularly relevant, because Isabel Sawhill reports that half of all current welfare recipients had their first child as a teenager.<sup>10</sup>

Given the likelihood that there are many mothers with low IQs in the welfare population, the challenge is how to train personnel to identify these mothers, so that their disability-specific needs are met. These needs are likely to include extra help as they apply for, enter, and leave the welfare system, as well as encouragement to participate in job training, to seek competitive employment, and to access subsidized child care.

Ideally, agency personnel should receive training about mild mental retardation and learning disabilities. They should learn how to seek information in ways that are easy to comprehend, sensitive to and respectful of the person's disability, and elicit useful answers. This training could increase the detection of likely intellectual disabilities, so that disability can be documented and subsequent administrative decisions, recommendations, and referrals will be well informed.

When TANF recipients with mental retardation are eligible for public assistance through other federal or state programs, early referral is likely to be beneficial. If it is

discussed in a straightforward, caring manner, a mother may be willing to undergo the required formal assessment. Recognition of mild mental retardation can help a mother avoid being unfairly judged as lazy, unresponsive, rude, or uncaring by those who have not considered that an intellectual disability is hindering compliance or full participation in welfare-to-work programs.<sup>11</sup>

## **Simplification of policies and procedures**

The policies and procedures associated with most federal and state programs for low-income families are complex and difficult to understand, even for individuals with no intellectual disability. For mothers with mental retardation, these complexities constitute a barrier, and could be considered a violation of the Americans with Disabilities Act of 1990. A thorough and systematic review of the clarity of policies and procedures could facilitate equitable treatment of low-income mothers with mental retardation.

## **Establishing a community-based safety net**

Many adults with mental retardation can be successfully employed for long periods and assume responsible roles in society.<sup>12</sup> Almost always, however, these individuals have multiple and sustained support systems as they transition from school into adulthood. When mothers exceed the TANF time limitations, the adequacy and stability of their supports to achieve self-sufficiency warrant consideration. If mental retardation is a primary contributing factor, then long-term income support from the SSI program under the disability category of "mental retardation" may be appropriate. To receive SSI entitlement, a good referral system is essential, because the SSI application and ascertainment process is cumbersome and quite lengthy.<sup>13</sup> Understandably, persons with mental retardation encounter difficulties in negotiating the SSI system without assistance.

## **Enhancing the capacity of community providers to serve mothers with mental retardation**

Because nearly all mothers with mild mental retardation are poor, understanding their range of life situations is vital to creating an effective safety net.<sup>14</sup> These women feel the brunt of social stigma, but they vary widely in their adaptive behavior and coping strategies, which are often based on early experience and training. Persons with mild mental retardation have the full range of temperaments and personal characteristics known in human nature, and desire and drive are associated with both temperament and experience. Co-morbid conditions—substance abuse, mental illness and affective disorders,

and physical disabilities—also occur in this group of women.

Family experience varies within a certain range for mothers with mental retardation (see the box on p. 85 for a detailed case history). Mild mental retardation has strong familial associations. Families with higher resources are much more likely to protect a daughter with mental retardation from becoming pregnant or from rearing her child. In contrast, in low-resource families, mothers with mental retardation often have mothers and other relatives who also have this disability. This familial pattern limits the natural support system for these vulnerable mothers.

In their affection for their children and their striving to take responsible actions, mothers with mental retardation are remarkably like most mothers in any culture: loving and highly motivated to do the best for their children. There are major challenges associated, however, with both parenting and employment; these challenges are magnified when such mothers are expected to fulfill both roles at the same time.

We have made the case that mothers with mental retardation are characterized by a range of attributes and do not have precisely the same abilities and limitations. Persons with mental retardation want respect and dignity just as other people do, and some of the behaviors that help them conceal their disability are those often associated with being lazy. Many persons with mild mental retardation have worked hard in school and received a diploma or “completion certificate,” but even for this group, basic academic skills are weak.

Persons with mental retardation easily become confused with multitasking demands of the kind that characterize parenting and now most jobs. They have often had unsuccessful classroom experiences and consequently are not attracted to classrooms, books, or reading material as ways of learning—yet job training programs often use classroom instruction and assume minimal reading and math skills. As adults, these individuals tend to be woefully inadequate in solving problems on the spot, such as deciding what to do when the bus doesn’t run, utilities are cut off, a check arrives late, the job demands change, or a child care provider closes down; indeed, such experiences can be paralyzing for a person with mental retardation. Thus routine changes or nuisances in life can jeopardize the basic ability of a woman with mental retardation who is both a mother and an employee.

For very low income women with mental retardation and parenting responsibilities, a comprehensive set of community services and referrals is essential. These range far beyond income maintenance programs and should include adult education and job training as well as the extensive supports in most states for children, including Early Head Start, Head Start, state-funded school readiness programs, health screening services, early interven-

tion for “at risk” children and children with disabilities, subsidized child care, and programs to prevent neglect and abuse.

Above all, the assurance of continuity in health care insurance (primarily Medicaid or new state programs) is likely to be a key factor in a mother’s willingness to leave welfare and seek employment.<sup>15</sup> Although the need for creating a coordinated system has been almost universally recognized for several decades, practical and legal issues of funding, regulatory compliance, and accountability provide virtually no incentives to create a safety net for mothers with mental retardation.

## Conclusion

A large, although not precisely known, proportion of women receiving TANF have significant intellectual disabilities, usually sufficient to qualify them as being “mentally retarded”—by some estimates 25–35 percent of TANF recipients may be mildly mentally retarded. Agency personnel are not sufficiently trained to detect the invisible disability of cognitive impairment (mild mental retardation) and seldom know how to interact in a more individualized and effective manner with these mothers. These recipients are among the least able to seek, obtain, and sustain employment and to fulfill the demanding role of being a good parent, unless their mental retardation is recognized in a timely and sensitive manner, their rights and responsibilities are clearly explained and reiterated to them, and communities establish a safety net for their highly vulnerable family units.

Without appropriate supports and opportunities for continued education and training in adulthood, these mothers are not likely to achieve satisfactory or stable economic and personal self-sufficiency. Further, their own children, even when born healthy, are likely to become intellectually compromised by the time they enter public school, thus contributing to an intergenerational pattern of incompetence, social marginalization, and societal dependence. Model programs of prevention and early intervention have been developed but rarely are adopted as part of ongoing social and health service delivery systems.<sup>16</sup>

Previous welfare reform efforts have failed to directly address the unique needs of this population. The urgency of this oversight is likely to become increasingly apparent as the time limits for TANF run out for many mothers in the near future, and other mothers whose TANF support recently ended are faced with insurmountable problems in their ability to survive and adequately care for their children. ■

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<sup>15</sup>R. Blank and R. Haskins, eds., *The New World of Welfare* (Washington, DC: Brookings Institution, 2001).

## Case History of a Former TANF Recipient with Mental Retardation

Linda B is a 20-year-old mother of Billy, age 3 1/2, and Kathy, age 6 months. Linda lives in a housing project near her divorced mother and two sisters. One sister is also a single parent of two children; the other sister has three children and is married to a construction worker who is very good at his job and stays consistently employed in an industry subject to seasonal and economic cycles. Linda's brother is in jail. His friends come to all of the family members from time to time asking for "loans" or emergency assistance.

Linda graduated from high school with a completion certificate and a record of perfect attendance. She reads at a second-grade level and has irregular abilities for the simplest of math computation. Consequently, she cannot accurately make change or manage money very well. She knew her address and phone number until her move six months ago and now can't remember more than the first three digits of the phone number. She knows her street name and apartment number but primarily says she lives "by the big church on the corner."

Linda is a loving mother but is very concerned that her children not be "spoiled" so she tries to be strict and expects adult behavior from them. Billy's mobility and curiosity have prompted several emergency room visits and an investigation by protective services. Because she loves Billy so much, she makes him sit in front of the television with several baby rattles and a Glow-worm for toys. She does not play with or talk with Billy except to give him orders to sit still and stop crying. Linda is basically very even-tempered, even indulgent, but she is becoming increasingly frustrated and angry because Billy does not seem to have any interest in potty-training. Even when she spansks him, he does not cooperate by going to the bathroom on his own. Kathy is a quiet baby who mostly eats and sleeps and Linda is proud of having such a "good" baby even though she has a "bad" boy. One day when Kathy was crying a lot and Linda was changing Billy's diaper during an episode of diarrhea, she simply covered Kathy's face with a blanket. Since this stopped her from crying, Linda now uses this technique to help Kathy to be a "good" baby. It is very important to Linda that she raise good children. She worked very hard in school and even though she was teased as a "retard" almost every day and sometimes had rocks thrown at her, she persevered because completing high school was her dream. She knows that people with high school

diplomas are better mothers and have more money for their families and she wants this desperately.

Linda is excited about working at a local fast food restaurant. Linda's mother, sisters, and brother have never worked anywhere for more than a month. Linda does not think to ask about benefits or continued eligibility for housing assistance. The idea of getting a check every single week for \$150 sounds like a great deal of money.

Billy and Kathy will go to a new day care center. The day care workers are former TANF recipients and many are people Linda knows. Two of her brother's former girlfriends work there as do the various past and present girlfriends of her brother's friends who continue to come around. Her sister and brother-in-law have expressed their concern to her and for a short period tried to take care of Linda's children, but the burden of extra children in the household and the fact that Linda always forgot to bring food, diapers, and could never pay her sister any money made this a very strained relationship.

When Linda was oriented to the fast food restaurant, she found that she could wrap the hamburgers really well and really fast. The manager said that she was better at this task and learned more quickly than anyone else she had ever trained. This positive affirmation surpassed anything Linda ever experienced in school. She would love to wrap hamburgers all of the time. However, it is necessary to be able to wrap hamburgers, make milkshakes, pour drinks, make French fries, package the French fries, keep supplies stocked, operate the computerized check register and make change for customers. The French fry machine and making change are very hard for Linda and she makes many mistakes. Some of her coworkers say angry or hurtful things to her. Another coworker tries to joke with her but Linda doesn't understand the joke and thinks it is a put-down. One day Linda worked 13 hours because she didn't know it was time to go home. The day care workers were furious because someone had to keep the center open until she came and they did not have her work phone number, which was just as well since she cannot take personal calls for any reason. When the bus did not come on a rainy day, she tried to walk to work with Billy and Kathy but got lost. Billy and Kathy were not dressed for bad weather; both became very sick and Kathy had to go to the hospital. Linda lost her job and child protective services are again investigating her fitness to be a mother.

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<sup>3</sup>B. Keltner and S. Ramey, "The Family," *Current Opinion in Psychiatry* 5 (1992): 638–44; M. Feldman, "Research on Parenting by Mentally Retarded Persons," *Psychiatric Clinics of North America* 9 (1986): 777–96; R. Goldenberg, M. DuBard, S. Cliver, K. Nelson, K. Blankson, and others, "Pregnancy Outcome and Intelligence at Age Five Years," *American Journal of Obstetrics and Gynecology* 175 (1996): 1511–15; S. Martin, C. Ramey, and S. Ramey, "The Prevention of Intellectual Impairment in Children of Impoverished Families: Findings of a Randomized Trial of Educational Day Care," *American Journal of Public Health* 80 (1990): 844–47; C. Ramey and S. Ramey, "Effective Early Intervention," *Mental Retardation* 30 (1992): 337–45.

<sup>4</sup>L. Karoly, J. Klerman, and J. Rogowski, "Impacts of the 1996 Welfare Reform: Changes to the SSI Program," in Blank and Haskins, eds., *The New World of Welfare*.

<sup>5</sup>R. Luckasson, ed., *Mental Retardation: Definition, Classification, and Systems of Supports* (9th ed.; Washington, DC: American Association on Mental Retardation, 1992); Ad Hoc Committee on Terminology and Classification, "Request for Comments on Proposed New Edition of *Mental Retardation: Definition, Classification, and Systems of Supports*," *American Association on Mental Retardation News & Notes* 14, no. 1 (September–October 2001): 9–12.

<sup>6</sup>B. McLaren and S. Bryson, "Review of Recent Epidemiological Studies of Mental Retardation: Prevalence, Associated Disorders, and Etiology," *American Journal of Mental Retardation* 92 (1987): 243–54; C. Boyle, M. Yeargin-Allsop, N. Doernberg, P. Holmgreen, and C. Murphy, "Prevalence of Selected Developmental Disabilities in Children 3–10 Years of Age: The Metropolitan Atlanta Developmental Disabilities Surveillance Program, 1991," *MMWR Surveillance Summaries* 45, no. SS-2 (April 19, 1996): 1–14.

<sup>7</sup>D. Stapleton, K. Coleman, K. Dietrich, and G. Livermore, "Econometric Analyses of DI and SSI Application and Award Growth," in *Growth in Disability Benefits*, ed. K. Rupp and D. Stapleton (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 1998), pp. 34–80.

<sup>8</sup>Goldenberg and colleagues, "Pregnancy Outcome and Intelligence at Age Five Years"; Ramey and Ramey, "Effective Early Intervention."

<sup>9</sup>D. Shearer, B. Mulvihill, and J. Wallander, "Childbearing in Adolescent Women with Low Cognitive Ability," paper presented at the 11th International Association for the Scientific Study of Intellectual Disabilities, August 2000.

<sup>10</sup>Isabel Sawhill, *What Can Be Done to Reduce Teen Pregnancy and Out-of-Wedlock Births? Welfare Reform and Beyond Policy Brief 8*, Brookings Institution, Washington, DC, October 2001, p. 2.

<sup>11</sup>National Organization on Disability, *N.O.D./Harris Survey of Americans with Disabilities, 1998: Survey Program on Participation and Attitudes*, July 23, 1998. Retrieved on May 17, 2000, from < <http://www.nod.org/presssurvey.html> >.

<sup>12</sup>E.g., F. Rusch, "Evaluating the Degree of Concordance between Employers' Evaluations of Work Behavior," *Applied Research in Mental Retardation* 4 (1983): 95–102.

<sup>13</sup>Karoly, Klerman, and Rogowski, "Impacts of the 1996 Welfare Reform Changes to the SSI Program."

<sup>14</sup>Keltner, "Caregiving by Mothers with Mental Retardation."

<sup>15</sup>A. Yelowitz, "The Impact of Health Care Costs and Medicaid on SSI Participation," in Rupp and Stapleton, eds., *Growth in Disability Benefits*, pp. 109–38.

<sup>16</sup>S. Ramey and C. Ramey, "Early Childhood Experiences and Developmental Competence," in *Securing the Future: Investing in Children from Birth to College*, ed. J. Waldfogel and S. Danziger (NY: Russell Sage Foundation, 2000), pp. 122–50.