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Alternative Welfare-to-Work Strategies for the Hard-to-Employ

Testing Transitional Jobs and Pre-Employment Services in Philadelphia

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This report presents interim results from a rigorous evaluation of two different employment strategies for hard-to-employ public assistance recipients in Philadelphia. The study is part of the Enhanced Services for the Hard-to-Employ Demonstration and Evaluation Project, which is testing innovative employment strategies for groups facing serious obstacles to steady work. The Hard-to-Employ project is sponsored by the Administration for Children and Families and the Office of the Assistant Secretary for Planning and Evaluation in the U.S. Department of Health and Human Services (HHS), with additional funding from the U.S. Department of Labor. It is being conducted under contract to HHS by MDRC, a nonprofit, nonpartisan research organization, along with the Urban Institute and other partners.

The Policy Context: Welfare Reform and the Hard-to-Employ

As welfare caseloads nationwide have declined, policymakers, program administrators, and researchers have increasingly focused attention on long-term and hard-to-employ recipients who have not made a stable transition from welfare to work. Many of these recipients face significant barriers to employment such as physical and mental health problems, substance abuse, and limited employment and educational backgrounds.

Until the 1990s, recipients facing serious barriers to work were often exempt from requirements to participate in employment-related activities. During that decade, partly as a result of the 1996 federal welfare reform law, many states began to extend work requirements to a broader share of the Temporary Assistance for Needy Families (TANF) population.¹ Welfare time limits and economic fluctuations also increased the need to offer these recipients effective services to assist them in the transition from welfare to work. TANF reauthorization, passed in early 2006, further strengthened the work participation mandate, making it crucial that welfare agencies focus on working with hard-to-employ recipients.

¹In this report, “welfare” is used interchangeably with TANF.

Until recently, few welfare-to-work programs were designed specifically for the most disadvantaged recipients. When studies assessed whether broadly targeted programs were effective for this subset of recipients, they typically found that the programs succeeded in raising earnings for the most disadvantaged but still left them with very low employment rates and earnings. A series of current studies, including this project, is beginning to build a knowledge base about special models that target recipients who are facing the most serious barriers to employment.

Two Employment Strategies for Hard-to-Employ TANF Recipients

This study is testing two service models designed to increase the employment and earnings of hard-to-employ welfare recipients. The first is a transitional jobs model, which provides subsidized employment for up to six months combined with education and work-readiness activities, job search assistance, and job retention services. This model is based on the theory that recipients can best prepare for work by working, and that transitional jobs can allow program staff to identify and address workplace problems. The second model focuses on assessing and treating participants' barriers to employment up front, before they go to work. This model is based on the assumption that recipients will be better able to obtain and hold jobs if their employment barriers are addressed before they start working.

The transitional jobs model was operated by Transitional Work Corporation (TWC). Founded in 1998, TWC is one of the nation's leading transitional jobs programs. TWC's program begins with a two-week orientation teaching job-readiness skills. After the orientation, participants are placed in a transitional job, usually with a government or nonprofit agency. They are employed by TWC, which pays the minimum wage for up to six months. Office-based TWC staff and on-site work partners provide guidance and support. Recipients are required to work 25 hours per week and to participate in 10 hours of professional development activities at TWC. These activities may include job search and job-readiness instruction, as well as preparation for the General Educational Development (GED) exam and other classes. During the transitional work period, TWC staff work with participants to find permanent, unsubsidized jobs for them. TWC also provides job retention services and bonus payments to participants for six to nine months after they are placed in a permanent job.

The program focusing on pre-employment services, the Success Through Employment Preparation (STEP) program, was run by Jewish Employment and Vocational Service,² a nonprofit social service agency. STEP was developed specifically for this study and served only study participants. In the STEP program, outreach staff first conducted home visits and addressed barriers that might keep participants from coming into the office. Once participants enrolled, the program began with an extensive assessment period to identify their barriers to employment. Specialized staff analyzed the results of the assessments and then met with the participant and the case manager to design an individualized plan to address the barriers. Treatment could include life skills classes, GED preparation, English as a Second Language classes, support

²The organization's name has since changed to JEVS Human Services.

groups, professional development sessions and counseling by behavioral health specialists, as well as ongoing case management meetings. If participants' barriers were considered severe, staff could refer them to outside organizations for further assessment and treatment. Eventually, participants worked with job coaches and job developers to find jobs. The timing of the employment search process depended on participants' individual motivation levels and barriers to employment, but usually did not begin before they had at least completed the assessments and the team had designed a treatment plan.

The Research Design

This evaluation uses a random assignment design to determine whether the TWC and STEP program models are effective strategies for increasing employment and earnings and reducing welfare receipt. Outcomes for recipients assigned to the two programs are being compared with outcomes for recipients in a control group who did not participate in TWC or STEP, but could enroll in other employment activities provided through the welfare agency or in the community. The study targeted TANF recipients who had received cash assistance for at least 12 months since 1997 (when Pennsylvania's TANF program began) or who did not have a high school diploma or the equivalent — and who were not currently employed or participating in work activities.

Recipients who met the study criteria were randomly assigned at four Philadelphia TANF offices into one of the two program groups or the control group. Recipients placed in one of the program groups were referred by TANF agency staff to the appropriate program — TWC or STEP — and received the services described above; they were required to participate. Control group members were encouraged to participate in work or education activities (other than TWC and STEP) but were not supposed to be penalized for failing to enroll in such activities. Random assignment ran from October 2004 to May 2006, and a total of 1,942 people entered the study. The study is tracking all three groups using surveys of study participants and administrative data, including welfare department records and unemployment insurance (UI) quarterly earnings records. Because individuals were assigned to the three groups through a random process, there should be no systematic differences in the groups' measured or unmeasured characteristics at the time they entered the study. Therefore, any differences measured later can be attributed to the effects of the different services provided. One and a half years of follow-up data are now available for all study participants.

Characteristics of the Study Participants

The average age of the study participants is about 29 years. The large majority are single mothers, and just over 80 percent are black/non-Hispanic; about 14 percent are Hispanic.

Many of the sample members have considerable barriers to employment, including low education levels, limited employment history, and responsibilities caring for preschool children. Approximately 92 percent of the sample had been employed previously, but two-thirds had worked

a year or less in the past three years. On average, sample members had received 40 months of TANF benefits since 1997.

Receipt of Employment Services by the Control Group

Findings from a survey that was administered about 18 months after sample members entered the study, along with welfare agency tracking data, were used to measure sample members' participation in work-related activities. Follow-up data for the control group, which describe the experiences of people who did not have access to the two special programs, are discussed first.

- **A large proportion of the control group participated in welfare-to-work activities.**

As discussed earlier, the study design called for the control group to be exempted from work participation requirements. Nevertheless, data from both the survey and the welfare agency records show that a large proportion of control group members participated in employment or education activities. For example, welfare agency data show that about 60 percent of the control group enrolled in a welfare-to-work activity while receiving TANF; in the survey, about 70 percent of the control group reported participating in an employment or education/training activity since entering the study.

Studies often find that many welfare recipients enroll in employment or education activities even when they are not required to do so. However, the rates of participation in this study are particularly high, raising the question of whether some control group members were required to enter such activities despite the study design. Special procedures were put in place to insulate the control group from participation mandates, but it was challenging to ensure that these procedures were followed in all cases because there were major changes in organizational structure and policies during the study period that emphasized the need for all TANF recipients to participate in work activities. The state's time limit on welfare receipt, though not strictly enforced, also may have spurred some control group members to seek employment services. There is no way to know for sure how many control group members volunteered for activities on their own, how many were encouraged to do so by staff, and how many were required to participate. It is clear, however, that very few control group members participated in either TWC or STEP, indicating that this key aspect of the design was administered correctly.

Results for the Transitional Jobs Model

- **Sixty-two percent of those who were randomly assigned to the TWC group actually enrolled in the program by completing the two-week orientation; half of the full TWC group worked in a TWC transitional job.**

As noted earlier, individuals entered the study at TANF offices and then, depending on the random assignment results, were referred to the appropriate program. Whenever random assignment occurs "upstream" from the point of program participation, it can be expected that not eve-

ryone will participate in the program that is being tested. Such a scenario was particularly likely in this case because TWC generally did not try to engage nonparticipants and the welfare agency did not strongly enforce participation requirements during much of the study period. Overall, about 11 percent of those who were assigned to the TWC group were never referred to the program by welfare staff (possibly because staff decided they should be exempt from work requirements); 27 percent were referred to the program but either never showed up or dropped out during the two-week orientation period; and 12 percent completed orientation but never worked in a transitional job. Those who entered a transitional job worked for about 30 days, on average. To preserve the integrity of the random assignment design, everyone who was assigned to the TWC group, including those who did not participate in the program, is included in the results described below. The inclusion of many nonparticipants in the sample may have affected the impact results discussed below.

Data from the survey and welfare agency records show that, although some members of the TWC group did not participate in TWC's program, and some members of the control group did participate in work activities (discussed earlier), the TWC group was still substantially more likely than the control group to participate in job search activities and (not surprisingly) in transitional jobs. There was no difference between the groups in participation in education and training activities.

- **The TWC group had significantly higher employment and earnings than the control group, though the impacts appeared to fade after the first year of the follow-up period.**

Figure ES.1 summarizes TWC's impacts on employment over time. The lines show the percentage of the TWC and control groups who worked in each quarter of the follow-up period. In the top panel of the figure, the employment rates include both TWC transitional jobs and non-TWC employment that was covered by unemployment insurance (UI). Quarters in which the difference between groups was statistically significant (that is, very likely to reflect a true impact) are labeled with asterisks.

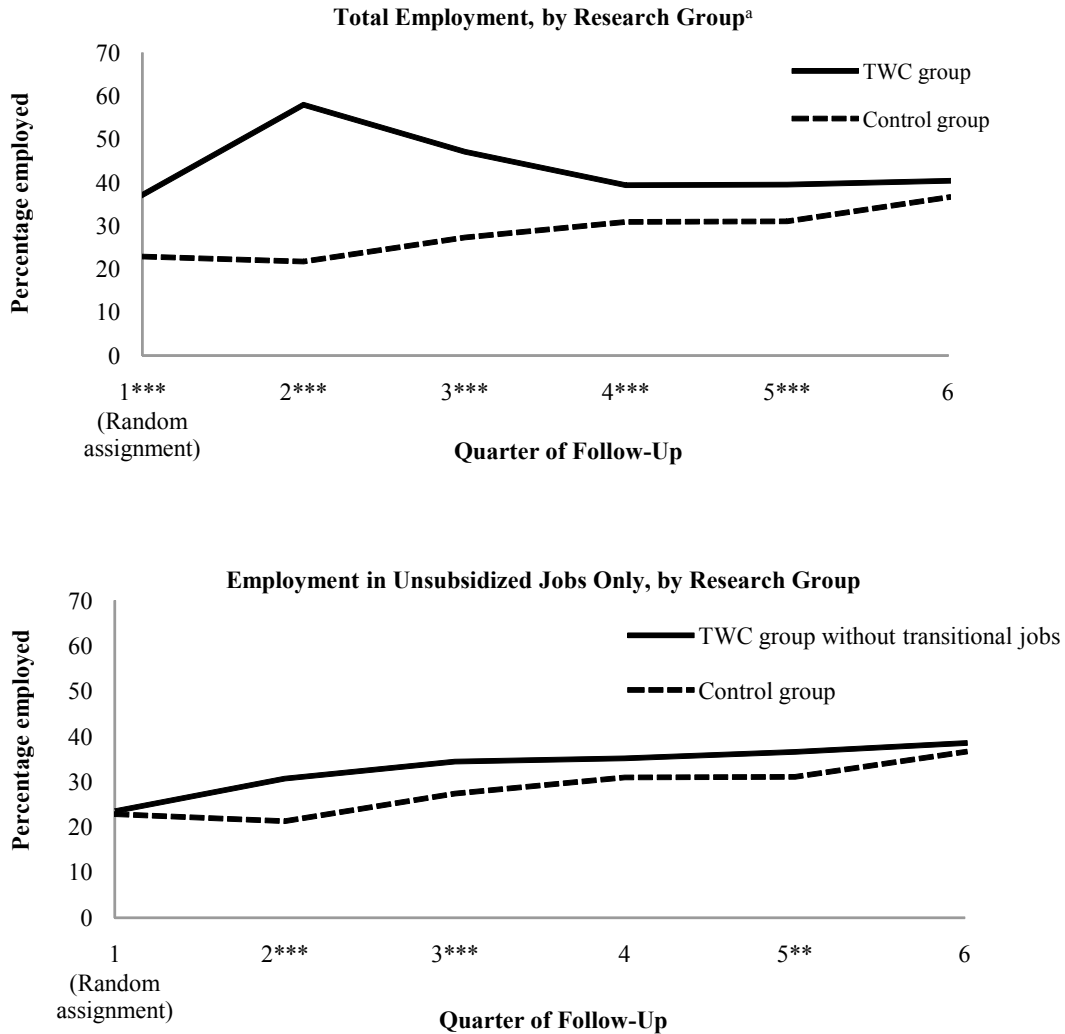
The figure shows that the employment rate for the control group rose gradually over time, but remained well below 40 percent throughout the period, confirming that the study is targeting a relatively hard-to-employ population. The TWC group was more likely than the control group to work in most of the quarters. The largest differences between the groups were in quarter 2 (36 percentage points) and quarter 3 (20 percentage points), when many TWC group members were working in transitional jobs. Moreover, when earnings from transitional jobs and unsubsidized jobs are combined, the TWC group earned nearly \$1,000 (26 percent) more than the control group over the six quarters (see Table ES.1). However, in the last quarter of the follow-up period, the difference in employment between the groups was no longer statistically significant, as shown in Figure ES.1.

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Figure ES.1

Quarterly Employment Rates for Unsubsidized Jobs and Transitional Jobs:
Transitional Work Corporation

Philadelphia Report



SOURCE: MDRC calculations from the National Directory of New Hires and TWC payroll records.

NOTES: A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent.

TWC = Transitional Work Corporation.

^aEmployment rates include both TWC transitional jobs and all other jobs covered by unemployment insurance.

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Table ES.1

**Selected Impacts on Employment, Earnings, Public Assistance, and Income:
Transitional Work Corporation**

Philadelphia Report

Outcomes, Q1-Q6	TWC Group	Control Group	Impact	P-Value ^a
<u>Employment and earnings</u>				
Ever employed ^b (%)	80.5	57.7	22.7 ***	0.000
In a TWC transitional job	50.6	0.6	50.0 ***	0.000
In an unsubsidized job	67.3	57.4	9.9 ***	0.000
Total earnings ^b (\$)	4,941	3,968	973 **	0.014
From TWC transitional job	472	1	471 ***	0.000
From unsubsidized employment	4,469	3,967	502	0.205
<u>Public assistance receipt and measured income</u>				
Number of months received TANF	13.8	14.6	-0.8 ***	0.002
Total TANF (\$)	5,500	6,097	-596 ***	0.000
Number of months received food stamps	16.1	16.3	-0.3	0.112
Total food stamps (\$)	5,985	6,124	-139	0.169
Total measured income ^c (\$)	16,354	16,314	40	0.923
Sample size (total = 1,217)	731	486		

SOURCE: MDRC calculations from public assistance records from the Pennsylvania Department of Public Welfare, earnings records from the National Directory of New Hires, and TWC payroll records.

NOTES: A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as follows: *** = 1 percent, ** = 5 percent, and * = 10 percent.

Rounding may cause slight discrepancies in sums and differences.

TWC = Transitional Work Corporation.

TANF = Temporary Assistance for Needy Families.

^aStandard errors are presented in this report for all impacts with a p-value of 0.000. Following are the standard errors for all TWC impacts with a p-value of 0.000 (presented in the order in which they appear in the table): 2.561, 1.823, 2.685, 28.141, and 130.657.

^bEmployment rates and earnings include both TWC transitional jobs and all other jobs covered by unemployment insurance (UI).

^cMeasured income includes earnings from UI-covered jobs, TANF payments, and food stamps.

The bottom panel of Figure ES.1 includes only unsubsidized jobs that were covered by unemployment insurance.³ (That is, TWC transitional jobs are excluded.) The control group line is the same as in the top panel because that group did not work in TWC jobs. This graph shows that TWC's impacts on employment were not driven entirely by the transitional jobs. The TWC group was significantly more likely than the control group to work in unsubsidized UI-covered jobs in several quarters. Similarly, Table ES.1 shows that the TWC group was more likely than the control group to work in an unsubsidized job at some point during the follow-up period. As with total employment, however, the impact on unsubsidized employment faded by the end of the follow-up period. Further analysis (not shown in the table) suggests that TWC's impact on unsubsidized employment was concentrated among the most disadvantaged sample members — those with little or no recent work history and long-term welfare receipt.

- **The TWC group received less cash assistance than the control group.**

Welfare-to-work programs that increase employment often generate decreases in cash assistance (that is, TANF) receipt and payments. Indeed, as shown in Table ES.1, the TWC group received almost \$600 (about 10 percent) less in cash assistance over the follow-up period. In addition, the TWC group was significantly less likely to receive cash assistance in each of the last three quarters of follow-up (not shown in the table). The decrease in cash assistance offset the increase in earnings, leaving the TWC and control groups with roughly the same overall income; poverty rates were quite high for both groups.⁴

Results for the Pre-Employment Services Model

- **Seventy-seven percent of the STEP group participated in the program, though the average number of hours of participation was fairly low.**

Program staff were aggressive about contacting those who were assigned to the STEP group, usually making home visits to introduce the program and begin to identify barriers to participation. Ultimately, almost 80 percent of the STEP group came to the program office to enroll in the program. However, despite this aggressive follow-up, sample members did not participate in the program for many hours: on average, those who enrolled attended a total of 68 hours of activities at the program site (plus, in some cases, other activities in the community). This translates into two to three weeks of full-time participation.

Despite the relatively low levels of intensive participation in the program, the STEP group was more likely than the control group to participate in job search activities and to receive mental health treatment. There was no statistically significant difference between groups in the percentage who enrolled in education or training.

³The term “unsubsidized jobs” is used to refer to jobs that are recorded in the unemployment insurance earnings data. It is possible that some of these jobs were, in fact, subsidized with public funds (some could have been transitional jobs with organizations other than TWC), but there is no way to know this from the available data.

⁴The finding that TWC did not affect total income holds even after estimating the effect of federal taxes, including the Earned Income Tax Credit.

- **Patterns of employment, earnings, and welfare receipt for the STEP group were similar to those for the control group.**

As shown in Table ES.2, employment rates and earnings for the STEP group were almost identical to those for the control group throughout the study period. Likewise, there were very few statistically significant differences in welfare receipt or payment amounts. It will be important to see whether these patterns change with longer follow-up, since STEP was designed to address barriers before helping participants look for jobs.

Conclusions and Implications

This study is not complete. A later report will present results over a three-year follow-up period. Nevertheless, the results presented here add to the growing body of evidence about employment strategies for hard-to-employ TANF recipients.

The study experienced some challenges. The policy and program environment in Philadelphia was in flux during the study period and it is possible that some control group members were required to participate in welfare-to-work activities. Although not consistent with the original research design, given the current environment in the welfare system, this may have created a more “real-life” benchmark against which to compare TWC and STEP. Moreover, very few control group members accessed TWC or STEP services, so this key aspect of the design was implemented successfully.

The transitional jobs model produced a large, though relatively short-lived, increase in employment and earnings. There are reasons to believe that the results may be a conservative estimate of the model’s potential. TWC’s funding was substantially reduced near the end of the study period and many staff were laid off. Although managers did their best to maintain services for the research sample, the program environment was certainly affected. In addition, as discussed earlier, the impacts reflect the fact that many people in the TWC group did not participate in the program. However, the rate of unsubsidized employment at the end of the study period for the subset of the TWC group that enrolled in the program (42 percent) was only slightly higher than the rate for the full group (39 percent). This finding suggests that many TWC participants struggled with the transition to permanent jobs.

The STEP program was new and experienced some implementation problems, so it could be argued that the disappointing results from this study to date apply to a particular program, not to the model in general. Nevertheless, other, similar programs have produced similar results. For example, a program in Hennepin County, Minnesota, tested as part of the multisite, HHS-funded Employment Retention and Advancement project, also relied on comprehensive assessments, intensive case management, and individualized services to address barriers to employment facing long-term welfare recipients. That program also failed to increase employment and earnings, and it experienced similar problems engaging recipients in activities that were

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Table ES.2

**Selected Impacts on Employment, Earnings, Public Assistance, and Income:
Success Through Employment Preparation**

Philadelphia Report

Outcomes, Q1-Q6	STEP Group	Control Group	Impact	P-Value
<u>Employment and earnings</u>				
Ever employed (%)	60.8	57.7	3.1	0.226
Total earnings (\$)	3,741	3,968	-226	0.569
<u>Public assistance receipt and measured income</u>				
Number of months received TANF	14.4	14.6	-0.2	0.410
Total TANF (\$)	6,152	6,097	55	0.674
Number of months received food stamps	16.2	16.3	-0.1	0.517
Total food stamps (\$)	6,119	6,124	-5	0.958
Total measured income ^a (\$)	16,001	16,314	-313	0.452
Sample size (total = 1,211)	725	486		

SOURCE: MDRC calculations from public assistance records from the Pennsylvania Department of Public Welfare. Employment and earnings records from the National Directory of New Hires.

NOTES: A two-tailed t-test was applied to differences between outcomes for the program and control groups. There are no significant differences between the research groups on any measures in this table.

Rounding may cause slight discrepancies between sums and differences.

STEP = Success Through Employment Preparation.

TANF = Temporary Assistance for Needy Families.

^aMeasured income includes earnings from jobs covered by unemployed insurance, TANF payments, and food stamps.

designed to address employment barriers. It will be important to see whether the STEP program produces impacts over a longer follow-up period.

Finally, when results to date for the TWC and STEP programs are compared, it is interesting to note that TWC produced larger increases in employment and earnings, while STEP enrolled a larger share of its target group. It would be interesting to learn whether and how the impacts of a transitional jobs model would be affected by adding more extensive outreach to reluctant participants.