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EXECUTIVE SUMMARY

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The Employment Retention and Advancement Project

Results from the Chicago ERA Site

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This report presents interim results for the Chicago site in the national Employment Retention and Advancement (ERA) project. Conceived and funded by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services, the ERA project is testing 15 innovative programs across the country that aim to promote steady work and career advancement for current and former welfare recipients and other low-wage workers. A great deal is known about how to help these groups find jobs, but there are very few proven strategies for promoting retention and advancement. MDRC — a nonprofit, nonpartisan research organization — is conducting the ERA project under contract to ACF and is producing a similar interim report for each site in the project.[1]

The Chicago ERA program, which operated from February 2002 to June 2004, targeted recipients of Temporary Assistance for Needy Families (TANF) cash assistance benefits who appeared to be stuck in low-wage jobs: individuals who had worked at least 30 hours per week for at least six consecutive months but who were earning so little that they remained eligible for TANF benefits. The program, which was funded by the Illinois Department of Human Services (DHS), provided a range of services designed to help participants increase their earnings.

Origin and Goals of the Chicago ERA Program

The importance of the Chicago ERA target group stems from two relatively generous Illinois TANF policies. First, the state disregards (that is, does not count) two-thirds of recipients' earnings when calculating their monthly TANF grants. As a result, recipients — particularly those with large families — can earn a substantial amount and still receive at least a partial

[1]For further information on the ERA project, see Anderson and Martinson, *Service Delivery and Institutional Linkages: Early Implementation Experiences of Employment Retention and Advancement Programs* (Washington, DC: U.S. Department of Health and Human Services, Administration for Children and Families, 2003). Earlier results for the Chicago site were presented in Bloom, Hendra, Martinson, and Scrivener, *The Employment Retention and Advancement Project: Early Results from Four Sites* (2005).

grant. Second, any month in which a recipient works at least 30 hours a week does not count toward the state's 60-month lifetime limit on TANF benefits.

When Illinois was considering its approach to the ERA program, DHS officials noted that a large number of TANF recipients were exempt from the time limit because they were working at least 30 hours a week and that many of these individuals had remained in this status for many months. DHS staff wanted to develop an initiative to help these employed recipients advance to higher-paying jobs, both to improve the clients' quality of life and to further reduce the state's TANF caseload. (The Illinois caseload dropped by 75 percent between 1996 and 2001.)

Many states share an interest in finding strategies to assist employed TANF recipients: In 2004, about 164,000 TANF recipients were working in unsubsidized jobs in a typical month. Strengthened work requirements mandated by the Deficit Reduction Act of 2006 make this issue even more salient.

The ERA Evaluation

As in the other ERA sites, MDRC is using a random assignment research design to assess the effectiveness of the Chicago program. Each month from February 2002 to June 2003, DHS identified all recipients in 10 selected Chicago welfare offices who met the ERA eligibility criteria — six consecutive months reporting full-time work — and who were scheduled for their annual benefit redetermination appointment in the coming month. Half of these individuals were assigned, at random, to the ERA group, and half were assigned to a control group. Control group members were not eligible for the ERA program, though they could receive employment-related services from other programs.

MDRC is tracking both groups, using data provided by the State of Illinois that show each individual's monthly welfare and food stamp benefits and their quarterly earnings in jobs covered by the Illinois unemployment insurance (UI) program. Two years of follow-up data are available for each person in the report's analysis. In addition, a survey was administered to a subset of ERA and control group members about one year after they entered the study.

Because individuals were assigned to the ERA and control groups through a random process, the two groups were comparable at the start. Thus, any differences that emerge between the groups during the study's follow-up period can be attributed to the ERA program; such differences are known as the *impacts* of ERA. A total of 1,615 people in the ERA and control groups are included in this report's analysis.

The ERA Target Population

Most of the Chicago ERA study participants were African-American single mothers with, at most, a high school diploma. Although most welfare recipients have one or two children, about two-thirds of the ERA sample members had three children or more. This pattern reflects the program's eligibility criteria: Recipients with large families receive larger welfare grants and are thus more likely to remain eligible for benefits after going to work.

In addition, it appears that many sample members were working outside the formal labor market. All sample members reported full-time work to DHS for six consecutive months before entering the study, but only about half worked in a UI-covered job during this period.

Key Findings on Program Implementation

- **For most of the study period, the Chicago ERA program was well managed, staffed, and funded, and it provided a clearly defined set of work-focused advancement services.**

The Chicago ERA program was operated under contract to DHS by a for-profit company, Employment and Employer Services (E&ES), which has extensive experience running job placement programs for welfare recipients and other disadvantaged groups.

Although the specific ERA services were tailored to individual participants, MDRC's field research suggests that the program's most common approach was to help participants move fairly quickly to a new job that paid somewhat more than their current job. The ERA service provider was well suited to implement this approach because it has strong relationships with many local employers. In addition, ERA paid for many of the upfront costs that were incurred as participants started new jobs (for example, for uniforms and training). In a smaller number of cases, ERA staff coached participants to ask for a raise or more hours in their current job or contacted the participant's employer directly to discuss advancement opportunities. The program also paid for some participants to attend short-term training programs.

The ERA program was generously funded until early 2004, when Congress canceled funding for the federal program that had supported ERA. The U.S. Department of Labor eventually provided a special grant to support the program, but there was a substantial disruption in ERA services. Thus, the program operated at full scale for less than two years.

- **A high percentage of the ERA group had contact with the program, and the ERA group was more likely than the control group to receive work-focused advancement services; however, staff struggled to keep people engaged in the program.**

Welfare recipients who were assigned to the ERA group were required to participate in the program. However, many potential participants had fairly small welfare grants and could have chosen to forgo those grants if they thought that the program was not worthwhile. Hence, the ERA program aggressively recruited ERA group members and offered financial incentives to encourage participation.

Ultimately, nearly 80 percent of the ERA group had contact with the program. Data from the 12-month survey indicate that the ERA group was much more likely than the control group to receive help finding a better job but was no more likely to participate in education or training.

Although most sample members had some contact with ERA, many did not participate consistently or for long periods, and obtaining even this level of participation was quite challenging for program staff. Many people in the ERA group were not interested in receiving program services, and both ERA and DHS staff believed that some potential participants requested to have their welfare case closed in order to avoid participating in ERA. Many of those who participated faced serious personal or family problems that hindered their ability to make progress, and ERA staff spent a great deal of time helping participants address these challenges.

Key Findings on Program Impacts

- **Analysis of unemployment insurance (UI) earnings records shows that ERA modestly increased employment during the first two years of the study period; this effect was somewhat larger in Year 2 than in Year 1.**

Table ES.1 summarizes ERA's impacts on employment, public assistance, and income in the first two years of the study period in Chicago. These results are based only on DHS records and UI earnings data. Differences between the two groups that are marked with asterisks are statistically significant, which means that it is very likely that ERA actually had an impact on these outcomes.

As shown in the table's top panel, the ERA group was somewhat more likely than the control group to work in a typical quarter during the two-year period (56 percent of the program group versus 53 percent of the control group). In Year 2, the ERA group earned $564 (9 percent) more than the control group, on average. (The earnings figures include all sample members, even those who did not work.)

- **It appears that ERA helped some participants move from informal jobs to somewhat higher-paying jobs in the formal labor market; in addition, the program seems to have helped some people who were not working find jobs.**

Particularly in the first year of the study period, ERA's impacts on UI-covered employment were concentrated among sample members who did not work in a UI-covered job in the six months before entering the study (not shown in the table). Because all sample members had been reporting employment to DHS during that six-month period, this pattern suggests that ERA helped some people in this subgroup move from non-UI-covered jobs into UI-covered

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Table ES.1

Impacts on UI-Covered Employment, Public Assistance, and Measured Income

Chicago

Outcome	ERA Group	Control Group	Difference (Impact)		P-Value
<u>Years 1-2</u>					
Income ($)					
Earnings	12,866	12,122	744		0.13
Amount of TANF received	1,909	2,430	-521	***	0.00
Amount of food stamps received	8,171	7,974	197		0.17
Total measured income[a]	22,946	22,527	420		0.39
Employment (%)					
Ever employed	73.8	71.1	2.7		0.11
Average quarterly employment[b]	56.4	52.7	3.7	**	0.01
Employed 4 consecutive quarters	55.0	51.1	3.9	*	0.05
Employed with earnings over $10,000[c]	38.8	35.9	2.8		0.16
<u>Year 1</u>					
Income ($)					
Earnings	6,270	6,090	179		0.45
Amount of TANF received	1,307	1,586	-279	***	0.00
Amount of food stamps received	4,066	4,041	25		0.71
Total measured income[a]	11,643	11,717	-74		0.75
Employment (%)					
Ever employed	69.6	65.9	3.8	**	0.02
Average quarterly employment[b]	57.8	55.2	2.6	*	0.07
Employed 4 consecutive quarters	45.5	43.5	2.0		0.29
Earned over $10,000	30.8	27.3	3.4	*	0.06
<u>Year 2</u>					
Income ($)					
Earnings	6,596	6,032	564	*	0.07
Amount of TANF received	602	844	-242	***	0.00
Amount of food stamps received	4,105	3,933	172	*	0.07
Total measured income[a]	11,303	10,809	494		0.10
Employment (%)					
Ever employed	65.1	61.0	4.1	**	0.04
Average quarterly employment[b]	55.1	50.3	4.8	***	0.01
Employed 4 consecutive quarters	43.5	38.5	5.0	**	0.02
Earned over $10,000	30.6	29.0	1.6		0.43
Sample size (total = 1,615)	800	815			

(continued)

Table ES.1 (continued)

SOURCE: MDRC calculations from administrative records from the State of Illinois.

NOTES: This table includes only employment and earnings in jobs covered by the Illinois unemployment insurance (UI) program. It does not include employment outside Illinois or in jobs not covered by UI (for example, "off the books" jobs, some agricultural jobs, self-employment, and federal government jobs).

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

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

Dollar averages include zero values for sample members who were not employed or were not receiving TANF or food stamps.

[a]This measure represents the sum of UI earnings, TANF, and food stamps.

[b]The average quarterly employment measure was computed by adding up the number of quarters employed and dividing by the total number of quarters potentially employed.

[c]This measure indicates whether sample members earned over $10,000 in either Year 1 or Year 2.

jobs. Further evidence on this point comes from the 12-month survey, which covers all employment that respondents' reported, whether or not the jobs are covered by the UI system. When all jobs are considered, ERA did not increase employment in Year 1. Nevertheless, movement from non-UI-covered jobs to UI-covered jobs can be seen as a form of advancement, since UI-covered jobs typically pay higher wages and are more likely to offer fringe benefits and other mandatory benefits, such as Social Security, unemployment benefits, and the Earned Income Tax Credit (EITC).

It also appears that ERA helped some participants who were not working find jobs. This group may have included both people who stopped working before they entered the program and people who were working initially but lost their job during the follow-up period.

- **ERA generated large reductions in TANF receipt, and it appears that some people left welfare to avoid participating in the program.**

Figure ES.1 shows the rates of TANF receipt (top panel) and food stamp receipt (bottom panel) for the ERA and control groups during the two-year follow-up period. As the top panel shows, the control group left welfare very rapidly, suggesting that DHS's concern about people remaining in "stop-the-clock" status for long periods may have been unwarranted. Nevertheless, ERA generated a large decrease in TANF receipt. For example, at the end of Year 1, 37 percent of the ERA group were receiving TANF, compared with 52 percent of the control group. Further analysis (not shown) found that, for some groups, ERA substantially reduced

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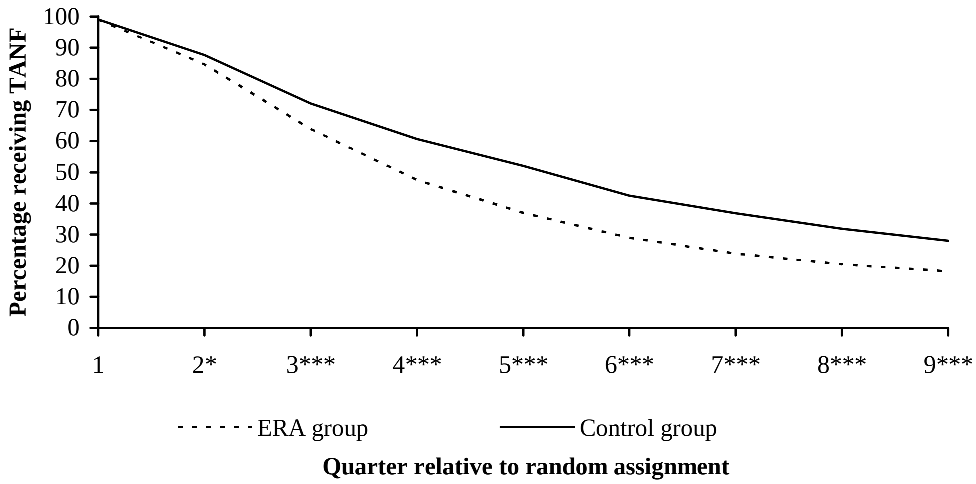
Figure ES.1

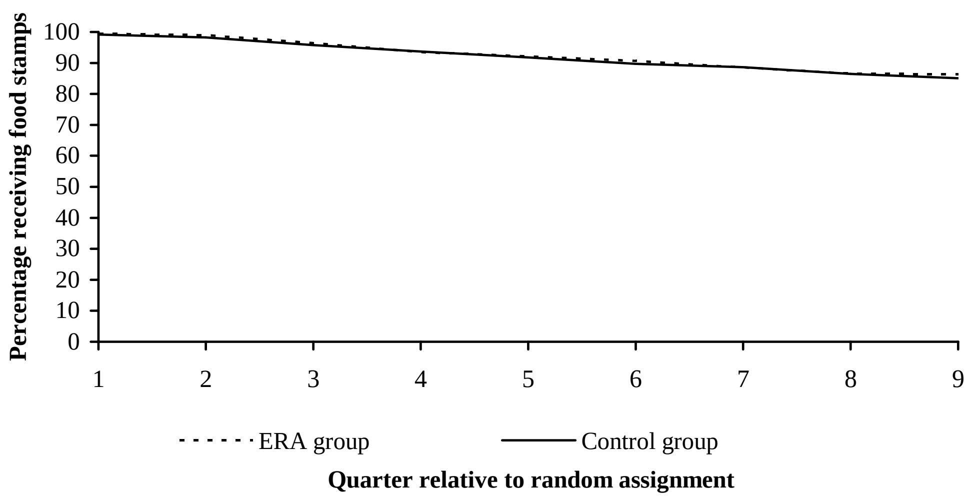
Impacts on TANF and Food Stamp Receipt

Chicago

TANF Receipt



Food Stamp Receipt



SOURCE: MDRC calculations from administrative records from the State of Illinois.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

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

TANF receipt without increasing employment. This finding, along with the implementation results discussed earlier, suggests that some people left TANF to avoid participating in ERA.

Interestingly, while sample members in both groups left TANF quickly, the bottom panel of Figure ES.1 shows that most leavers continued to receive food stamps; the same is true of Medicaid (not shown). Despite the ERA program's large impact on TANF receipt, Table ES.1 shows that, compared with the control group, the ERA group received slightly more in food stamps during Year 2, perhaps because their food stamp grants were adjusted upward to reflect the loss of TANF benefits.

Many have noted that families leaving TANF often stop receiving food stamps and Medicaid even when they remain eligible for these benefits, which can provide crucial support for low-wage workers. It is not clear whether Illinois is unusually good at helping families access supports after leaving welfare or whether the high receipt rates in this study reflect the fact that most ERA sample members have large families and thus qualify for relatively large grants.

Policy Implications

The results presented in this report are not the final word on the Chicago ERA program. MDRC will track both research groups for at least three to four years, using administrative records and a second follow-up survey, and will also assess the program's financial benefits and costs.

The results to date suggest that it is possible to help some employed welfare recipients — particularly those working outside the formal labor market — move to higher-paying jobs. The results also indicate that targeting employed recipients with mandatory services can produce substantial reductions in welfare receipt. Thus, the Chicago ERA model may be worthy of replication. However, there are several caveats to this conclusion.

First, the program was well funded and was operated by a firm that has unusually strong links to local employers. A program without these features might not produce the same impacts.

Second, although the Chicago results are notable, given the dearth of evidence on how to promote career advancement, the size of the employment gains is modest. With limited skills and many personal barriers, even successful ERA participants typically remained in low-paying jobs. Moreover, many sample members were reluctant to participate in ERA, possibly because the modest wage gains that the program could offer were not sufficient to justify major life changes and the risk of losing access to means-tested benefits.

Finally, some recipients appear to have left welfare in order to avoid participating in ERA. These individuals probably lost income as a result of the program, although there is no evidence that ERA decreased income for the research sample as a whole.