**EVIDENCE-BASED APPROACHES FOR IMPROVING ECONOMIC SUCCESS FOR LOW-INCOME WORKERS**

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Given the labor market challenges in Wisconsin, there is growing interest in what works to engage and support as many workers as possible. Low-income adults often face a range of barriers to employment, including low levels of education and basic skills, child care and transportation difficulties, and substance abuse and health challenges. Rigorous evaluations and cost-benefit analyses have identified four successful approaches that can help low-income, low-skilled adults succeed: service- and treatment-focused preparation programs, financial incentives and work supports, employer-based training such as subsidized employment and apprenticeship, and skill-building programs such as career pathways. Successful programs tend to combine more than one approach and involve public-private partnerships. These programs have the potential to alleviate the economic and personal distress of low-income adults and their families, as well as to strengthen Wisconsin’s economy.

**WHAT BARRIERS DO LOW-INCOME INDIVIDUALS FACE IN THE LABOR MARKET?**

Over the past four decades, a substantial amount of research has focused on how to (1) move low-income individuals and those on welfare or at risk of dependency into the labor market, (2) help them remain employed, and (3) assist them in career advancement and wage growth. Through this research, we have developed a knowledge base about strategies that are effective in achieving these goals and those that are not. Given the challenges some Wisconsin employers face in finding labor, particularly skilled labor, there is a growing interest in what works to engage and support as many potential workers as possible. Such programs and approaches can not only alleviate the economic and personal distress of these individuals and strengthen their families, but also have the potential to help Wisconsin’s economy.

A range of factors affect the ability of low-income individuals to achieve success in the labor market. First, a range of personal barriers can make it difficult for low-income individuals to find or keep jobs without intervention or support. Many low-income individuals, including those receiving cash assistance through the Temporary Assistance to Needy Families (TANF) program, have at least one barrier to employment, and some have multiple barriers, including health issues and disability, substance abuse, criminal records, domestic violence, or other crises that cause them to be unable to find or keep jobs. Studies have shown that in about one-quarter of families with incomes less than 200 percent of the poverty level, neither parent worked in the past year or one parent worked only part of the year; in about one-third of these cases, a parent’s disability limited work.

Second, there are many people who work, but they do not work consistently enough or at jobs that pay enough to support a family. Low retention can be due to the nature of low-paying or entry-level jobs, which often have limited benefits, unpredictable hours,
Evidence-Based Approaches for Improving Economic Success for Low-Income Workers

Many low-income, low-skilled adults face barriers to completing training for skilled jobs including lack of basic academic skills, work and family responsibilities, few economic resources to cover tuition, and previous negative school experiences.

and few opportunities for advancement. High rates of worker absenteeism—often associated with child care, health, and transportation problems—can lead to workers leaving or getting fired from jobs that may lack adequate paid leave policies. Low-income single mothers in particular have high rates of turnover, even after accounting for their lower education levels, and the frequency of turnover rises with the number of children they have. State studies of employed former welfare recipients found that between 15 percent and 40 percent of parents report they have left a job or are not working because of child care problems. Some workers cannot find reliable, convenient child care because they work nonstandard hours.

Finally, in an increasingly global and competitive labor market, many workers lack the skills to meet U.S. businesses' workforce needs. Indeed, over the past 30 years, individuals with a high school education or less experienced stagnating wages and high unemployment, while those with postsecondary credentials experienced economic gains.

Middle-skill jobs, which generally require education beyond high school but not a four-year degree, make up a large share of the U.S. labor market, and approximately 20 percent of projected job openings are expected to be in middle-skill occupations with earnings greater than $30,000. While these “good jobs” are available, employers in key industries often cannot find sufficiently trained workers to fill them. Skill upgrades through occupational training appear critical to fill these jobs; however, many low-income, low-skilled adults face considerable barriers to completing the necessary training for skilled jobs including lack of adequate basic academic skills, work and family responsibilities, few economic resources to cover tuition, and previous negative experiences in school.

In sum, low-income adults face a range of barriers in the labor market. The good news is that research has identified effective approaches for engaging and supporting these workers.

WHAT PROGRAMS AND APPROACHES HELP LOW-INCOME, LOW-SKILLED WORKERS SUCCEED IN THE LABOR MARKET?

An extensive body of rigorous research points to four overarching approaches that can help low-income, low-skilled workers succeed in the labor market.

A. Service- and treatment-focused employment preparation

Aimed at people with significant barriers to employment (the “hard to employ”), this approach focuses on strategies that provide targeted services and/or treatment services (e.g., substance abuse treatment, mental health services, domestic violence assistance, supports for physical and/or learning disabilities), in combination with employment services. These strategies address underlying barriers and focus on improving employability by conducting assessments, defining service plans, and providing or arranging for services and treatment. Some programs take a “treat first” approach, by reducing the barriers to the point that an individual can take advantage of more employment-oriented activities, while others integrate employment and treatment options in some fashion.
For example, there is evidence that some specific treatment approaches improve employment outcomes for those with mental health issues such as depression, anxiety, and other conditions. These approaches include improving access to and quality of mental health care and integrating employment interventions with mental health treatment.\textsuperscript{13, 14}

\begin{quote}
\textbf{What Works: IPS and WeCare}

The Individual Placement and Support model has produced positive economic effects for people with mental illness\textsuperscript{15} and is being implemented in many states, including Wisconsin. IPS provides rapid placement in unsubsidized jobs selected to match the participants’ preferences, and a team of specialists provide a range of supports. Because of its success for those with mental health issues, IPS also is being tested for people in methadone maintenance, people in the justice system with mental illness, youth transitioning to adulthood, and those receiving or applying for Social Security Disability Insurance.

The Wellness, Comprehensive Assessment, Rehabilitation, and Employment (WeCare) program in New York City is another example of this approach. The program provides employment-focused services to cash assistance recipients who have physical and mental challenges. One pillar of the model is comprehensive assistance that includes a medical examination and interview that incorporates the participants’ psychological histories, case management, and customized services planning – all linked to specialized employment services that accommodate participants’ limitations.\textsuperscript{16}
\end{quote}

\textbf{B. Financial incentives to stay employed and work supports}

Even when they find jobs, low-income workers can face challenges in making ends meet and remaining in the labor market in part because of the nature (e.g., unpredictable hours) and wages of some low-skill jobs. To address these challenges, many states have created or expanded financial incentives and rewards that provide greater economic stability for low-wage workers and their families. Some policies are designed to encourage work through financial incentives, such as tax credits and wage supplements, while others are designed to provide support for basic needs for low-income families while they are working, such as the Supplemental Nutrition Assistance Program (SNAP), child care subsidies, and Medicaid. Importantly for employers, these incentives and supports can also promote job retention, thereby reducing the costs associated with high job turnover.\textsuperscript{17}

\textbf{The Earned Income Tax Credit (EITC).} Evaluations generally support the view that financial incentives that reward work can raise employment rates and earnings among low-wage workers. The clearest example of a financial incentive program is the Earned Income Tax Credit (EITC), which provides a roughly 40 percent earnings subsidy to low-income working parents up to about $10,000 of earned income. In addition, 26 states including Wisconsin have implemented their own earned income credits to supplement the federal program.\textsuperscript{18} Research shows that the federal EITC has had large, positive impacts...
Research shows that the federal EITC has had large, positive impacts on the net incomes of low-income families who work and dramatic improvements in well-being among their children. In 2015, approximately 394,000 Wisconsin workers claimed an average of $2,194 from the federal EITC and 253,000 workers claimed an average of $394 from the state EITC.

Other Earnings Supplements. Other programs provide earnings supplements to welfare recipients after they leave cash assistance and work full-time. Studies of such programs, including TANF earnings disregards (where individuals maintain part of their cash benefit when they return to work) and other types of supplements offered outside of TANF, found that these models can encourage work and increase income. However, the effects on welfare use varied with the structure of the earnings supplement. Families that had to leave welfare to receive the program’s earnings supplement reduced their use of welfare. Families that had to remain on welfare to receive the earnings supplement increased their use of welfare above what it would have been. The effects of the programs diminished over time, in part because the programs ended, and in part because the early employment effects did not lead to lasting wage gains. Combining earnings supplements with employment services produced larger effects than supplements alone.

What Works: New Hope

The New Hope pilot program operated between 1994 and 1998 in Milwaukee. In addition to providing an earnings supplement, the program offered guaranteed health benefits, child care, and community service jobs. The program was available to a wider range of low-income parents than just welfare recipients. A rigorous evaluation showed New Hope increased employment, income, and parents’ well-being over an eight-year period. Adults in the program were more likely to work as a result of participating, and the combination of earnings supplements and the EITC resulted in higher incomes. New Hope affected children’s environments by increasing parents’ use of center-based child care, led youth to spend more time in structured, supervised out-of-school activities, and had positive effects on children’s academic performance and test scores.

Other Work Support Programs. Low participation rates in existing work support programs such as SNAP and Medicaid may exacerbate the poor economic well-being of low-income individuals. Workers may not be aware of programs or how to access them, and must navigate a complex and fragmented system with varying eligibility criteria and program rules administered by multiple bureaucracies in different locations. Workers may also decline participation because of stigma associated with the welfare system or inability to access programs due to work schedules. In some cases, limited public funding limits program participation.

As a result, several states have undertaken comprehensive efforts to connect workers with multiple work supports at a single point of access other than welfare offices, and have created centralized websites that provide information and eligibility screening for multiple programs.
Some subsidized employment programs have had positive effects on other outcomes such as decreased family public benefit receipt, improved school outcomes among children, and decreased criminal justice involvement among workers and their children.

Subsidized Employment
Subsidized employment, also known as transitional employment (especially in the nonprofit or public sector) and on-the-job training (in the workforce development system), is one type of employer-based training. Employers receive subsidies—usually public funds—to provide jobs, training, and support for a specified time period. Participants receive a paycheck from the employer (in part paid by the subsidy), pay taxes, and qualify for the EITC, while typically receiving supports and training beyond what standard employees receive.

Research has shown that subsidized employment programs have a wide range of potential benefits. For example, several rigorously evaluated programs dramatically improved employment and earnings while the jobs were in place, but the evidence is mixed as to whether they produce lasting improvements in participants’ labor market outcomes. Some programs have had positive effects on other important outcomes such as decreased family public benefit receipt, improved school outcomes among workers’ children, increased workers’ school completion, decreased criminal justice system involvement among workers and their children, improved psychological well-being, and reduced longer-term poverty. All of the studies involving a cost-benefit analysis suggest the programs were cost-effective (see Figure 1).

Based on current evidence, subsidized employment programs with longer-lasting interventions and complementary supports may be particularly likely to improve employment and earnings. Other promising key components appear to be strong employer engagement, wraparound services, and longer-term post-placement retention services.
### FIGURE 1
Cost-Benefit Analyses of Rigorously Evaluated Subsidized Employment Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>TARGET POPULATION</th>
<th>COST-BENEFIT ANALYSIS RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aid to Families with Dependent Children (AFDC) Homemaker-Home Health Aide (HHHA) Demonstration</td>
<td>AFDC recipients, primarily single mothers</td>
<td>Counting the value of the work itself, social benefits outweighed costs in 6 out of 7 demonstration states.</td>
</tr>
<tr>
<td>Center for Employment Opportunities (CEO)</td>
<td>Formerly incarcerated</td>
<td>Cost-effective for taxpayers, victims, and participants primarily due to reduced criminal justice system expenditures.</td>
</tr>
<tr>
<td>National Supported Work Demonstration</td>
<td>Multi-year AFDC mothers; recovering addicts; formerly incarcerated; young high school dropouts</td>
<td>Social benefits far outweighed social costs for mothers participating in welfare. Smaller net benefits for recent drug treatment participants. Cost-benefit results were unclear for the formerly incarcerated, and negative for the youth-dropout group.</td>
</tr>
<tr>
<td>New Hope for Families and Children-Milwaukee</td>
<td>Low-income people seeking full-time work</td>
<td>Highly cost-effective, largely due to improved behavior among boys.</td>
</tr>
<tr>
<td>On-the-Job Training (OJT) in Job Training Partnership Act (JTPA)</td>
<td>Welfare participants; young people not in school; young males arrested since age 16</td>
<td>Cost-effective for adults, but not for youth.</td>
</tr>
<tr>
<td>Structured Training and Employment Transitional Services (STETS) Demonstration</td>
<td>Youth with intellectual disabilities, ages 18-24</td>
<td>Socially cost-effective for targeted participants within 4.5 years of enrollment.</td>
</tr>
<tr>
<td>Transitional Employment Training Demonstration (TETD)</td>
<td>Supplemental Security Income (SSI) recipients with intellectual disabilities, ages 18-40</td>
<td>As a result of higher net incomes among participants and savings from reduced public outlays, cost-effective from a social standpoint.</td>
</tr>
</tbody>
</table>

The Wisconsin Department of Children and Families offers subsidized employment programs (e.g., Transform Milwaukee, Transitional Jobs, and Trial Employment Match Program) in some counties.

**State Highlight: Washington**

While many subsidized programs are operated at the local level, several statewide programs also exist. For example, Washington’s Community Jobs program has served 25,000 TANF recipients with significant barriers to employment since its inception in 1997. The program, which places participants in six-month, 20-hour per week paid positions and includes 10 to 20 hours of individualized barrier management and skill development, is operated by more than 20 community-based organizations. Participants enroll in additional activities including education, job readiness training, job skills enhancement, life skills training, or community service.

**Apprenticeship**

Another type of employer-based training of growing interest in the United States is apprenticeship—learning under expert trainers that culminates in an industry-recognized occupational credential. Unlike learning in most career and technical education programs, apprenticeship learning takes place primarily at work sites, where participants provide value for the employer and receive training to achieve occupational mastery. Apprenticeship programs typically last two to six years, with the training provided primarily by the employer, although training providers are sometimes involved. Training is based on occupational standards that document the skill, education, and knowledge required to achieve an apprenticeship credential. Unlike most training programs, apprenticeships require states to make an up-front marketing investment to attract employers, but have the potential to yield a long-term flow of private training that involves little government funding.

Apprenticeships offer several potential advantages for building skills and helping workers enter rewarding careers. They allow workers to earn wages and produce value while gaining proficiency in an occupation. Apprenticeships typically emphasize learning by doing and applying skills over a classroom-based and theoretical approach, and align training content with employer demand. In addition, apprenticeships involve low opportunity and out-of-pocket costs for workers and low financial costs to government, because much of the training is delivered at work sites and is funded by employers. Workers can potentially earn more as apprentices than they would have in the absence of an apprenticeship. Apprenticeships may also benefit employers by reducing turnover, improving the process of selecting workers to fit well in the organization, ensuring permanent workers have the requisite skills, and lowering the costs of finding well-qualified workers.

Apprenticeship plays a major role in preparing workers for careers in Austria, Germany, Switzerland, Australia, Canada, and England. At any time, about 3 percent to 4 percent of the workforces in these countries take part in an apprenticeship. In contrast, U.S.
apprenticeships in the civilian sector make up only 0.2 percent of workers. Several factors have limited the growth of apprenticeship in the United States. One limiting factor is informational. Employers may not know about the availability and benefits of operating a program. Lack of funding for marketing and for financing the academic training linked to apprenticeship are two additional factors.

Research on the impacts of existing U.S. apprenticeship programs suggests a high return on investment for workers and taxpayers. For example, one study showed gains of $59,000 for apprentices and almost $12,000 for taxpayers within the first 2 1/2 years after completion; lifetime benefits totaled $332,000 for workers and $87,000 for taxpayers. These net gains were greater than those for participants in community college professional-technical programs. A recent study of 10 states estimated returns to apprentices of about $60,000 over nine years and returns to taxpayers of $28 for each dollar spent.

Research to Watch: Apprenticeships

In an effort to encourage the growth of apprenticeships, the U.S. Department of Labor provided grants in September 2015 of more than $175 million over five years to 46 public-private partnerships to develop and implement apprenticeships. Two Wisconsin grantees—the Milwaukee Area Workforce Investment Board and Wisconsin Department of Workforce Development—offer apprenticeships in information technology, manufacturing, health care, and construction.

D. Skill-building through training and education

Another approach to improve the retention and advancement of low-wage workers is to increase their skill levels. A significant body of research shows that higher education levels are associated with increased earnings and lower unemployment rates. However, as outlined above, many low-income adults face barriers to training, such as postsecondary institutions that are not prepared to serve non-traditional students, including low-income adults. Research shows that while some job training programs produced small, favorable earnings impacts, many showed no evidence of impact.

Career Pathways

The career pathways approach is a promising strategy to improve postsecondary education and training for low-income and low-skilled adults, and deliver larger and longer-lasting results than previous strategies. These programs seek to incorporate workforce development innovations (for example, targeting industry sectors) that potentially result in deeper labor market knowledge and stronger employer relationships. Thus, this approach creates a better match between training and in-demand skills than previous job-training efforts.

Career pathways programs create manageable training steps that lead to successively higher credentials and employment opportunities in growing occupations. The programs are designed to allow entries, exits, and re-entries at each step, depending on a worker’s skill level and prior training, employment prospects, and changing personal situation.
To effectively engage and retain participants, and to facilitate learning, career pathways programs include four additional elements: (1) comprehensive assessment, (2) integration of basic and occupational skills training, (3) academic and non-academic supports, and (4) strategies for connecting participants to employers. Programs vary in terms of emphasis placed on each core component, although all are comprehensive in order to address the needs of non-traditional students.39

**Research to Watch: Career Pathways**

Substantial research on career pathways is in progress, with encouraging early results. Several studies have shown strong employment impacts for programs focused on a sectoral approach, including the Sectoral Employment Impact Study and the WorkAdvance program.40, 41 An evaluation of Project Quest, which provides supports to help people complete training at community colleges, found earnings gains over six years.42 In addition, an evaluation of nine promising career pathways programs funded by the U.S. Department of Health and Human Services is underway, with Madison College as one site. Early results (available for only two sites) found the programs significantly increased the receipt of training and credentials, and the study is tracking whether this ultimately translates into sustained economic benefits.43, 44

**KEY TAKEAWAYS AND NEXT STEPS**

In Wisconsin and other states that are experiencing a potential labor shortage, particularly in high-skill, high-demand occupations, policymakers have the opportunity to alleviate some of the problem by engaging and supporting current and potential workers. This chapter highlighted some challenges faced by low-income, low-skilled workers to entering, staying in, and advancing in the labor market.

- Some workers have significant and multiple barriers to employment, including health issues and disability, substance abuse, criminal records, domestic violence, limited education, or other crises that cause them to be unable to find or keep jobs.
- Jobs that require some level of postsecondary education or training are even more difficult for low-income, low-skilled adults to obtain, with many facing considerable barriers to completing even short-term training for entry-level jobs.
- Many people work, but they do not work consistently enough or at jobs that pay enough to support a family. Low retention can be due to the nature of jobs that are typically low-paying or entry-level, with limited benefits, unpredictable hours, and few opportunities for advancement. High rates of worker absenteeism, often associated with child care, health, and transportation problems, as well as limited paid leave policies, can lead to job loss.
- Low-income single mothers in particular have high rates of turnover, even after accounting for their lower educational levels, and the frequency of turnover rises with the number of children that they have.

Career pathways programs create a better match between training and in-demand skills than previous job training efforts.
As legislators and other state policymakers consider which programs and approaches to support and invest in, research supports several key takeaways.

- Successful programs tend to combine elements from several approaches and provide a relatively comprehensive range of services. For example, numerous programs mix approaches such as combining skill development with subsidized jobs and linking access to work supports.

- Because of the comprehensive nature of successful programs, many involve multiple public- and private-sector partnerships. Stakeholders include workforce development agencies, community colleges, TANF agencies, community-based organizations, and employers. The programs often receive public-sector support from several funding streams, but with strong private-sector involvement.

- Given the nature of low-wage work with limited opportunity for advancement, strategies to support those who work consistently but earn little, and strategies to provide skills upgrades, either at a job site or through other institutions, are important.

- Given the growth of middle-skilled jobs and shortage of skilled workers in some sectors, skill development continues to be a critical employment strategy, with efforts involving apprenticeship and a career pathway approach showing promise.

- Addressing the needs of people facing substantial challenges to work such as mental health and substance abuse are likely to require a significant investment and comprehensive services.

These approaches can not only meet Wisconsin’s labor force needs, but they can also promote financial well-being for low-income people and their families.

Karin Martinson is a Principal Associate at Abt Associates with 30 years of experience evaluating a wide range of employment strategies for low-income families, including postsecondary education, apprenticeship and employer-based strategies, income support, welfare-to-work programs, and child support policies. She leads Abt’s work for the U.S. Department of Labor and previously worked on welfare reform for the U.S. Department of Health and Human Services. Prior to this position, she was a Senior Research Associate for the Urban Institute. Martinson has a Master’s Degree in Public Policy from the University of California at Berkeley.

Karin Martinson was unable to present at the Family Impact Seminar on January 31, 2018. We are grateful that her colleague Julie Strawn was able to participate in her place.

Julie Strawn is a Principal Associate at Abt Associates with more than 25 years of experience developing and analyzing policies and programs to help low-income adults gain the skills and credentials needed to advance to better jobs. She focuses on the Pathways for Advancing Careers and Education (PACE) project, a rigorous evaluation considered to be the first large-scale national assessment of career pathways. Prior to joining Abt, Strawn was a Senior Fellow at the Center for Law and Social Policy where, among other projects, she designed and led the Shifting Gears initiative. The initiative provided technical assistance and peer learning opportunities to six Midwest states.
(including Wisconsin) from 2007-2012 to scale up and sustain innovation in adult education, workforce development, and postsecondary education. She also has worked for the National Governors’ Association, the U.S. Department of Health and Human Services, and the U.S. House of Representatives. Strawn holds a Master’s Degree in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University.
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27) Ibid.


