Engaging All Workers in Wisconsin’s Economy: What Does the Evidence Tell Us?

Given the tight labor market in Wisconsin, there is growing interest in what works to engage and support as many workers as possible, including low-income, low-skill adults. This issue brief summarizes the barriers faced by low-income, low-skill adults and describes the four approaches that decades of research have shown to help them succeed in the workforce.

What barriers do low-income, low-skill adults face in the labor market?
These adults face structural and personal barriers that limit their ability to be successful in the labor market. Structural barriers include geographic mismatches of jobs and workers, and jobs that do not pay enough to support a family. Low-wage and entry-level jobs often have limited benefits, unpredictable hours, and few opportunities for advancement. Access to reliable transportation and child care also pose barriers for many workers.

Physical or mental health factors play a role as well. Many low-income adults have at least one barrier, including health issues and disability, substance abuse, criminal records, domestic violence, or other crises that prevent them from finding or retaining employment. Finally, these workers also face challenges to increasing their skills and credentials, such as financial constraints, low basic skills, and work and family demands that compete for their time and attention.

What are evidence-based strategies for helping low-income, low-skill adults find, keep, and advance in jobs?
Decades of rigorous research and cost-benefit analyses have identified four leading approaches to help them succeed in the labor market.

(1) Specialized services and treatment
These programs address underlying barriers and improve the employability of “hard to employ” adults through in-depth assessments and service plans. They also provide or arrange for services and treatment for physical or learning disabilities, mental health concerns, substance abuse, and domestic violence. A relatively small share of low-income adults need these intensive services. The Individual Placement and Support model, being implemented in Wisconsin and other states, has been shown to improve employment and economic outcomes for people with mental illness.

(2) Financial incentives and work supports
These approaches encourage work through financial incentives (e.g., tax credits and wage supplements) and help support low-income families’ basic needs while they are working (e.g., through child care subsidies, food assistance, and Medicaid). Importantly for employers, these incentives and supports can increase job retention, thereby reducing the costs associated with high job turnover.

Research indicates that to improve child academic outcomes, programs must not only increase the parent’s employment level, but also boost family income (e.g., through wage supplements and child care subsidies). For example, the federal Earned Income Tax Credit (EITC) has led to large increases in the net incomes of low-income, working families, as well as large improvements in child well-being.

(3) Employer-based training
These programs build workers’ skills on the job and typically include technical skills training for a particular job or occupation as well as soft skill support. Several subsidized employment programs dramatically improved employment and earnings while the jobs were in place, but evidence on long-term improvements is mixed. Research points to several key components of successful programs: longer-lasting interventions, strong employer engagement, wraparound services, and long-term post-placement services. Numerous studies suggest that subsidized employment programs are cost-effective. Studies on apprenticeship, which is growing in the U.S., also show a high return on investment for workers and to taxpayers. A recent study of 10 states estimated returns of $28 for each dollar spent.

(4) Education and training
The fourth approach focuses on helping low-income adults increase their skills and education, which translates into increased earnings and lower unemployment rates. The career pathways approach is a promising strategy that bundles several evidence-backed training strategies, including public-private partnerships, stackable credentials, structured pathways, and support services. Research on Project Quest shows participants earned $5,080 more per year than non-participants six years after the program. The Pathways for Advancing Careers and Education (PACE) program being implemented at nine sites, including Madison College, looks promising in early evaluations as well.

Key Takeaways
Helping low-income workers upgrade their skills is critical for increasing their wages and access to family-supporting jobs. When parents go back to school, their children have better academic outcomes. However, even in a strong economy, states need strategies to support people who work consistently, but don’t earn enough to support their families. Successful strategies combine elements of these four evidence-based approaches and include strong employer partnerships.

Julie Strawn was one of three speakers at the 36th Wisconsin Family Impact Seminar, “Opportunities for Strengthening Wisconsin’s Workforce.” She is a Principal Associate of Social and Economic Policy at Abt Associates. This issue brief, written by Heidi Normandin, summarizes her seminar presentation and an accompanying briefing report chapter written by Karin Martinson, Principal Associate at Abt Associates. The presentation, report, and other seminar resources can be downloaded from wisfamilyimpact.org/fis36.