JOB SEARCH OR BASIC EDUCATION PARTICIPATION FIRST:

Which Improves Welfare Recipients' Earnings More in the Long Term?

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There is a longstanding debate about whether helping welfare recipients quickly find work or helping them to first obtain some basic education and training better improves their economic well-being.

Proponents of quick job entry argue that any job is better than no job and that individuals can improve their economic prospects over time by gaining skills on the job. Their argument is bolstered by findings from a random assignment (or experimental) study conducted in the 1980s by MDRC of the California Greater Avenues for Independence (GAIN) program that compared six counties in California and found the largest effects in Riverside County, where staff emphasized the importance of finding jobs quickly.[1]

By contrast, proponents of an education-focused strategy argue that increasing human capital offers the best chance of helping people find better and more stable jobs that will lead to greater earnings growth over time. Supporting that position is a nonexperimental reanalysis of information from the GAIN study that pooled four counties from the original evaluation and found larger long-term effects in counties where individuals were more likely to be assigned to education activities relative to job search activities.[2] However, that reanalysis assumed that the mix of education and job search activities was responsible for systematic differences in impacts across counties and when individuals entered the study, but other factors may have played a role as well.

The question of which approach might have better longer-term effects has received renewed attention this year, on the twentieth anniversary of the most recent major reform of the federal welfare system: the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). This legislation limited the time families could receive federal cash assistance, specified how activities

1 Riccio, Friedlander, and Freedman (1994) presents three-year results. An unpublished MDRC report presents estimates over a five-year follow-up period.

2 Hotz, Imbens, and Klerman (2006).

could and could not count toward a state's welfare participation rates, and devolved many aspects of welfare programs to the states.

This brief contributes to the debate by presenting long-term findings from three sites in the seven-site National Evaluation of Welfare-to-Work Strategies (NEWWS), a multiyear random assignment study designed to directly and very reliably test the effects of alternative approaches to helping welfare recipients find jobs.[3] At these three sites, the MDRC research team randomly assigned individuals to initially look for work, initially receive basic education or training services, or have no access to welfare-to-work program services (the control group). Because the study involved randomly assigning individuals to one of these three conditions, it provides the most reliable assessment of the two program approaches. As part of NEWWS, the research team followed study sample members for five years.[4] This brief extends the follow-up period, presenting the effects of the interventions during a period that falls roughly 10 to 15 years after individuals entered the study.[5]

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In particular, the brief focuses on comparisons within each of the three sites between a welfare-to-work program approach that emphasized short-term job search assistance and encouraged people to find employment quickly (referred to as "labor force attachment" or "LFA" programs) and an approach that emphasized longer-term skill-building activities, primarily basic education but also vocational training (referred to as "human capital development" or "HCD" programs). Individuals assigned to either of the program groups were required to participate in activities as a condition of receiving their full welfare benefits. Overall, the sample sizes analyzed were large: In Atlanta (Georgia), Grand Rapids (Michigan), and Riverside (California), the research team randomly assigned over 15,000 welfare recipients from 1991 to 1994 to three groups: an LFA-eligible group, an HCD-eligible group, or a control group. Because the team randomly assigned individuals to one of the three research groups, differences between the groups can be reliably attributed to the set of services they were initially assigned to receive. Since the research team conducted random assignment within each site, comparisons across the three groups in each site hold constant contextual features

3 Conceived and funded by the U.S. Department of Health and Human Services, NEWWS received additional support from the U.S. Department of Education. MDRC conducted the study.

4 Hamilton et al. (2001); Hamilton (2002). Individuals in these three sites entered the study between June 1991 and January 1994. Thus, the five-year follow-up period for these sites ended in 1996 for early study enrollees and in 1999 for the last study enrollees.

5 Data for this later follow-up period were available from the fourth quarter of 2004 through the first quarter of 2007. Because individuals entered the study at different dates, this 2.5-year time span represents a follow-up period relative to random assignment that differs across individuals. For individuals in these three sites who were randomly assigned toward the beginning of the study, the longer-term follow-up period extends from years 12.5 to 15. For individuals randomly assigned toward the end of the study, the longer-term follow-up period extends from years 10 to 12.5 (Freedman and Smith, 2008).

such as population characteristics and local economies, allowing for a stronger analysis than comparing outcomes for counties or states with different welfare-to-work program approaches. In short, the findings described in this brief provide rigorous information on whether the LFA approach is more or less effective than the HCD approach more than a decade after individuals entered the study.

The original NEWWS study found that both the LFA and HCD approaches were effective at substantially increasing earnings relative to the control groups during the first five years of follow-up. Summarizing this brief, there is some indication that these two approaches continued to provide an earnings advantage in two of the three sites during several years falling at about the 10- to 15-year follow-up period. Directly comparing the two approaches to each other, the original study found that the LFA approach resulted in substantially higher earnings than did the HCD approach in the first few years of follow-up. In several years at the 10- to 15-year follow-up point, it appears that the HCD programs resulted in somewhat higher earnings than did the LFA programs. None of the earnings differences measured during the longer-term follow-up period — between the two approaches and the control groups or between the LFA and HCD approaches — are statistically significant. They thus represent weaker evidence of impacts than the findings from the early follow-up years. In addition, because the research team did not collect information over the entire 15-year follow-up period and the LFA-HCD earnings differences went in different directions during the early and later follow-up periods, it is unclear which approach — LFA or HCD — helped welfare recipients achieve more earnings overall. It is likely, however, that both the LFA and HCD approaches generally resulted in greater earnings relative to the control groups over the 15-year period.

Sample Characteristics, Program Approaches, and Participation Patterns

Across the three NEWWS sites, almost all study sample members were single parents at the time they were randomly assigned. The average sample member was a 31-year-old single mother with two children, at least one of whom was under 6 years of age. More than half of the sample members lacked a high school diploma or General Educational Development (GED) certificate when they entered the study, and around 6 in 10 had not worked in the year before random assignment.

The LFA program staff assigned most enrollees to job clubs (in which welfare recipients learned job-seeking skills and applied for jobs and staff encouraged them to find work as quickly as possible) as their first activity. Case managers in these programs stressed the value of starting off with any job, even a low-paying one, and then advancing toward more stable and better paying jobs in the future. Individuals could sometimes receive education or training, either in addition to looking for work if they were already enrolled in education or training when they entered the program (as sometimes happened in Grand Rapids) or after an initial job search (as happened in both Atlanta and Grand Rapids).

The HCD program staff initially assigned a large percentage of enrollees to some type of skill-building activity — primarily basic or remedial education or GED preparation (not college), with some vocational training assignments — before steering them toward the labor market. The types of activities to which staff first assigned enrollees in large part depended on their educational backgrounds and basic literacy skill levels. Those who lacked a high school diploma or GED certificate were assigned to GED preparation classes or, if they had low reading or math levels, to adult basic skills classes. HCD program staff generally placed individuals possessing a high school credential in vocational training or employment-oriented skills courses at local community colleges. Reflecting sample members' education credentials and literacy skill levels, assignments to GED preparation or basic education courses were most common in the HCD programs, with vocational training as the second-most common initial assignment (particularly in Atlanta and Grand Rapids). Once individuals completed their educational activities, program staff then assigned many enrollees to a job club or to an independent job search.

In the first two years of follow-up, a much higher proportion of enrollees in LFA programs than those in HCD programs conducted a job search and a much higher proportion of enrollees in HCD programs than those in LFA programs participated in education or training, reflecting the two program models' different emphases.

General program practices differed across the three sites, but were the same for the two programs within each site. For example, although all three sites could reduce welfare benefits for individuals who did not comply with program requirements, the programs in Grand Rapids were the most likely to use this sanction. The sites also differed in their child care policies and practices, with the two programs in Atlanta emphasizing the use of licensed child care and providing the strongest staff support for arranging for child care. In contrast, staff at the two programs in Riverside encouraged enrollees to find low- or no-cost informal child care.

Most enrollees started and finished program-assigned activities during the first two years of follow-up. In those two years, a much higher proportion of enrollees in LFA programs than those in HCD programs conducted a job search and a much higher proportion of enrollees in HCD programs than those in LFA programs participated in education or training, reflecting the two program models' different emphases. Importantly, participation rates in employment-related activities were much higher for enrollees in both types of programs than for those in the control group, who were not eligible for welfare-to-work program services but who could seek out similar services in their communities on their own initiative.

Over a five-year follow-up period, a larger number of individuals actively participated in employment-related activities, reflecting increased participation by some enrollees in program-assigned activities but primarily reflecting participation in activities individuals

Table 1
Impacts on Participation in Employment-Related Services Over Five Years, by Site

Site	Control Group	LFA Group	HCD Group	LFA-Control Group		HCD-Control Group	
Atlanta							
Years 1-5 (%)							
Job search or job club	30.1	59.2	43.7	29.2	***	13.6	***
Education or training	35.3	42.2	61.2	6.9	**	25.8	***
Sample size	552	519	594				
Grand Rapids							
Years 1-5 (%)							
Job search or job club	21.3	51.6	39.5	30.3	***	18.2	***
Education or training	55.2	54.4	69.3	-0.7		14.1	***
Sample size	562	535	547				
Riverside[a]							
Years 1-5 (%)							
Job search or job club	19.6	58.2	49.6	38.5	***	30.0	***
Education or training	47.1	46.0	68.9	-1.0		21.9	***
Sample size	402	355	376				

SOURCE: MDRC calculations from responses to the five-year client survey.

NOTES: Sample sizes indicate the number of individuals who responded to the five-year client survey.
A two-tailed t-test was applied to differences between outcomes for research groups. Statistical significance levels are indicated as: * = 10 percent; ** = 5 percent; and *** = 1 percent.
[a]Statistics shown are for Riverside sample members who lacked a high school diploma or equivalency certificate or who lacked basic skills, which were the only individuals assigned to the HCD program.

initiated on their own. As Table 1 indicates, however, the patterns among the research groups described above persisted. In Atlanta, for example, about 59 percent of LFA group members participated in job search activities at some point during the five years, compared with 44 percent of HCD group members. Over these same five years, 61 percent of HCD group members in Atlanta participated in education or training activities at some point, compared with 42 percent of LFA group members. The same pattern held in Grand Rapids and Riverside. In addition, participation rates in both types of activities were much higher than those in the control groups.[6] These numbers were derived from surveys of study

6 While the HCD programs engaged large numbers of sample members in basic education and vocational training (40 percent and 28 percent, respectively, combining the three programs and over a five-year follow-up period), control group members, on their own, were more likely to enroll in vocational training than in adult education. As a result, HCD-control impacts on participation were more common and larger for adult education than for vocational training.

sample members and therefore included the services that members in all three research groups sought out on their own in the general community, as well as the services they received through welfare-to-work programs.

People who were randomly assigned to the LFA or HCD groups had more earnings over the entire 15-year follow-up period, on average, than did their control group counterparts, with the largest additional earnings occurring during the first five years after study entry.

The research team ceased collecting data on participation in employment-related activities at the end of the fifth year of follow-up. At that point, only about 30 percent of all study sample members were still on the welfare rolls, and LFA and HCD group members were generally equally likely to be participating in job clubs, searching for work, or engaging in education or training (not shown in Table 1), although there were still small increases in participation in some activities relative to the control groups. In addition, given that the NEWWS study concluded at the end of the fifth year of follow-up, individuals in all three research groups who were still receiving welfare at the start of the sixth year of follow-up became eligible for whatever services — LFA-oriented or HCD-oriented — that their state's welfare-to-work program offered at the time. Thus, in the years after the fifth year of follow-up, it is likely that differences in participation rates between members of the LFA and HCD groups would have been nonexistent or negligible, as they were at the end of the fifth follow-up year.

Economic Impacts Over Three Follow-Up Periods

Table 2 shows annual earnings for each of the three research groups (the LFA, HCD, and control groups) at each of the three sites. To show how differences between the two approaches changed over time, the table presents the results for three follow-up periods: the first two years after individuals entered the study, follow-up years three through five, and a later follow-up period that fell between 10 to 15 years after random assignment.

As indicated in Table 2, within the first two years of follow-up and between years three and five, individuals assigned to both the LFA and HCD program groups had greater earnings on average than those in the control groups. For example, in Atlanta during the first two years, LFA group members earned on average \$540 more than control group members while the HCD group members earned on average \$322 more than control group members. From years three to five, LFA group members in Atlanta earned on average \$474 more than control group members while HCD group members earned on average \$434 more than control group members.[7] During the 10- to 15-year follow-up period, the LFA-control and HCD-control differences

7 These results for the first two years of follow-up, as well as for follow-up years three to five, are based on administrative records. Results for these two follow-up periods were very similar when they were calculated based on sample member survey responses.

Table 2
Impacts on Average Annual Earnings, by Follow-Up Period and Site

Site	Control Group	LFA Group	HCD Group	LFA-Control Group		HCD-Control Group		LFA-HCD Control	
Atlanta									
Years 1-2 ($)	3,350	3,890	3,671	540	***	322	**	219	*
Years 3-5 ($)	6,121	6,595	6,555	474	*	434	*	40	
Years 10-15[a] ($)	9,371	9,632	9,906	261		534		-274	
Sample size	1,946	1,887	1,935						
Grand Rapids									
Years 1-2 ($)	3,105	3,803	3,493	698	***	389	**	310	
Years 3-5 ($)	6,806	7,026	6,915	220		109		111	
Years 10-15[a] ($)	10,230	9,956	10,135	-274		-95		-179	
Sample size	1,455	1,557	1,542						
Riverside[b]									
Years 1-2 ($)	2,117	2,793	2,345	676	***	228		448	***
Years 3-5 ($)	3,300	3,837	3,736	537	**	436	*	101	
Years 10-15[a] ($)	8,949	8,964	9,268	15		319		-304	
Sample size	1,539	1,586	1,596						

SOURCE: MDRC calculations from statewide unemployment insurance earnings records and National Directory of New Hires quarterly wage records.

NOTES: Earning amounts for each follow-up period are converted to constant (2006) dollars to control for inflation.

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

[a]Long-term follow-up period covers 2.5 years within this time span, but the specific quarters covered within this span differ by site.

[b]Statistics shown are for Riverside sample members who lacked a high school diploma or equivalency certificate or who lacked basic skills, which were the only individuals assigned to the HCD program

("impacts") in earnings were positive at two of the locations, but none were statistically significant (meaning there is a reasonably high chance there was no impact on earnings during this longer-term period.) Overall, these results suggest that people who were randomly assigned to the LFA or HCD groups had more earnings over the entire 15-year follow-up period, on average, than did their control group counterparts, with the largest additional earnings occurring during the first five years after study entry.

Directly comparing annual earnings between the LFA and HCD groups, Table 2 shows that the LFA approach resulted in substantially higher earnings than did the HCD approach during the first two years of follow-up. For example, individuals assigned to the LFA group in Atlanta earned on average about $3,890 per year, compared with about $3,671 earned by those assigned to the HCD group. This difference of $219 is statistically significant at the 10 percent level. Results in Grand Rapids and Riverside showed a similar early pattern, in which the LFA approach resulted in greater earnings than did the HCD approach.

The results favoring the LFA approach over the HCD approach, however, declined over time. In follow-up years three through five, differences between the two approaches narrowed and were no longer statistically significant. For example, in Atlanta, LFA group members earned on average $6,595 annually during this period compared with $6,555 for HCD group members, a difference of only $40.

The LFA programs also cost substantially less to operate than did the HCD programs (not shown in Table 2) and resulted in greater reductions in welfare benefits across the entire first five years of follow-up. Thus, the LFA programs were clear winners in the short term with respect to government budgets. However, because the earnings gains were offset by reductions in welfare benefits, neither program approach resulted in systematically greater income or reduced poverty for welfare recipients (not shown in the table) and thus did not generally improve the economic well-being of the welfare recipients.

In the 2.5-year period during follow-up years 10 through 15, enrollees assigned to the HCD group actually earned more than those assigned to the LFA group, although these differences are not statistically significant. For example, in Atlanta, the average person assigned to the LFA program group earned $9,632 per year during follow-up years 10 to 15, compared with $9,906 for those assigned to the HCD program group. Results were similar in Grand Rapids and Riverside. While these differences are not statistically significant, the results indicate that members of the HCD group had slightly higher earnings during these later years than did members of the LFA group. Because the research team did not examine earnings between follow-up years 5 and 10, it is unclear whether the LFA group's substantial early advantage in earnings resulted in higher earnings for the LFA group, relative to the HCD group, over the entire 15-year follow-up period.

Discussion

This brief has presented long-term findings from a large-scale multisite randomized controlled trial to assess the relative effectiveness of requiring initial participation in job search activities or in basic education or training as part of mandatory welfare-to-work programs. Several findings stand out.

Both approaches were effective at increasing earnings for welfare recipients in the short term, relative to control groups. Thus, offering services to welfare recipients and requiring them to initially participate in either job search activities or education or training yields better labor market outcomes than not offering services and not requiring any such participation.

The strongest evidence in favor of one approach or the other occurred in the first two years after individuals were assigned to services, during which initial assignment to job search activities increased individual earnings by about $300 more per year than did initial assignment to basic education or training.

In later years, specifically during 2.5 years that fell between 10 and 15 years after enrollees entered the study, the enrollees who were initially assigned to basic education or training earned more than those who were initially assigned to look for work, although these differences were not statistically significant and thus represent weaker evidence of impacts than the findings from the early follow-up years. Overall, because there was a gap in follow-up between years 5 and 10, it is unclear whether these longer-term differences offset the initially larger, opposite impacts in the shorter term. Finally, it is not possible to assess whether the differences measured during the later follow-up years persisted past the fifteenth year of follow-up.

In interpreting these findings, it is important to keep in mind that the two approaches did not offer "only" job search or "only" education or training, respectively. After individuals in the HCD programs completed their initially assigned education or training activities, they were generally then asked to look for work. Similarly, in two of the three sites, many of the LFA program group members initially assigned to look for work were subsequently assigned to participate in education or training when they failed to find jobs over a certain period of time. Finally, at the end of the first five years of follow-up — a point at which less than a third of sample members were still receiving welfare benefits — individuals in all three research groups (including the control group) became eligible for whatever type of welfare-to-work services were offered in their state at the time.

The LFA approach resulted in substantially higher earnings than did the HCD approach during the first two years of follow-up. In contrast, during follow-up years 10 through 15, enrollees assigned to the HCD group actually earned more than those assigned to the LFA group, although these differences are not statistically significant.

In general, the NEWWS findings provide compelling evidence that welfare-to-work programs — regardless of whether they emphasize an LFA or HCD approach — can increase welfare recipients' earnings, compared with not offering such services. The findings also show, however, that such effects are not substantial past a five-year follow-up period. This result, coupled with the finding that the NEWWS programs did not reduce poverty, suggests a need to implement and test new initiatives that might increase low-income individuals' earnings and improve their and their families' well-being. Although some such initiatives have been tested in the recent past, only a few — such as sector-specific training programs — have found notable effects. For this reason, researchers and policymakers continue to look for ways to boost long-term self-sufficiency, including initiatives offering subsidized transitional jobs and expansions of the earned income tax credit. As earnings of the least-skilled

American workers continue to stagnate and welfare time limits reduce the number of people receiving cash assistance, the search for effective ways to improve the economic situations of the lowest-income families in the United States is even more urgent now than it was in 1996, when Congress enacted PRWORA.

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