

# WORK SUPPORT CENTERS: A CONCEPT PAPER

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California, and indeed the country, faces an unusual opportunity, and challenge, to respond to the large number of low-income families whose heads work — and may continue to work — in low-wage jobs that provide little opportunity for wage advancement, increased income, and movement out of poverty or near-poverty. The opportunity grows out of the serious and growing commitment of policy makers, administrators, and practitioners to support low-income working adults and their families, both in their current jobs and in efforts to assist those who can to advance in the labor market. In California, where a quarter of the children live in poverty, this commitment has particular salience. The challenge comes in two areas: from the lack of knowledge, in some instances, about *effective services* to support low-income people and to help promote skill and wage advancement; and from the absence of an *institutional structure* with the vision and responsibility for responding effectively to the needs of low-income workers. The paper first discusses the context of rapid, simultaneous change in the labor market and public systems, particularly over the past five years, and the major issues they pose for public policy. It then suggests one potential course of action in relationship to the institutional structure.

## Context

**Labor market.** The bifurcation of the labor market, with most jobs paying either relatively high or relatively low wages — and few in the middle — has come to mean, in California, that a *substantial majority of job openings in the State are in low-wage occupations in the service industry*,<sup>1</sup> and the projections for the next decade indicate that the bifurcation — with most job openings located in lower-wage occupations — will continue.

**Public systems.** The two major public systems charged with responsibility for moving low-income people into work — the workforce system established by the Workforce Investment Act (WIA); and the welfare system, established by the Temporary Assistance for Needy Families (TANF) program — have adopted “Work First” approaches, with the emphasis on moving people into work quickly, even a low-wage job, with less attention paid to people after they found work. While entry into low-wage jobs may be partially driven by labor

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<sup>1</sup> One prime example is the four-county “Silicon Valley” area, where one might expect greater demand for higher-skilled and higher-wage jobs. But a substantial bifurcation in the nature of the jobs in-demand has occurred over the past half-decade, and — while there is substantial demand for people with higher-level skills — the majority of job growth is concentrated in *unskilled and low-skilled* occupations. A survey of the Employment Development Department (EDD) records on job growth in that area shows the most rapidly growing occupations — which mirror those of the state as a whole — are in unskilled and low-skilled categories. The occupations with the largest number of openings across the four-county area are retail sales clerk, followed by cashier, waiter/waitress, and general office clerk. In Santa Clara and San Mateo Counties, higher-level occupations — electrical engineers, systems administrators, and computer programmers — also register in the top ten growing occupations, but across all four counties, account for less than half of total job growth, and many of these jobs are being filled through H1-B visas, not by the local labor force.

market demand, it also results from other factors shaped largely by public policy:

- For the workforce system, recent changes in the intake process, the establishment of One Stop Centers, and requirements for universal upfront job-search services prior to referral to skills training have resulted in programs having relatively fewer resources available for skills training than just a few years ago. Similarly, skills training and education funds in TANF are very limited and are typically available mostly to people who were enrolled in these programs *before* they apply for TANF.
- Since both the workforce and welfare systems have also focused (until recently) on moving low-income people into jobs (i.e., *providing pre-employment services*), until very recently, few resources have been devoted to job retention and career advancement services (*post-employment services*). As a result:
  - Many skills training service providers (the largest being community colleges, and non-profit and for-profit training providers) have developed strong pre-employment training services, but little in the way of post-employment retention and advancement services, and they have not, by and large, developed user-friendly structures: classes are usually operated during work hours, night classes do not typically provide child care for parents with family responsibilities, and skills training often take one or more semesters of schooling; as a result, take-up in these classes by low-income parents working full-time is low.
  - While there is a substantial knowledge base about what works and doesn't work in moving people into jobs, *very little is known about effective retention and advancement strategies* that could provide guidance to public systems about effective post-employment services.<sup>2</sup>

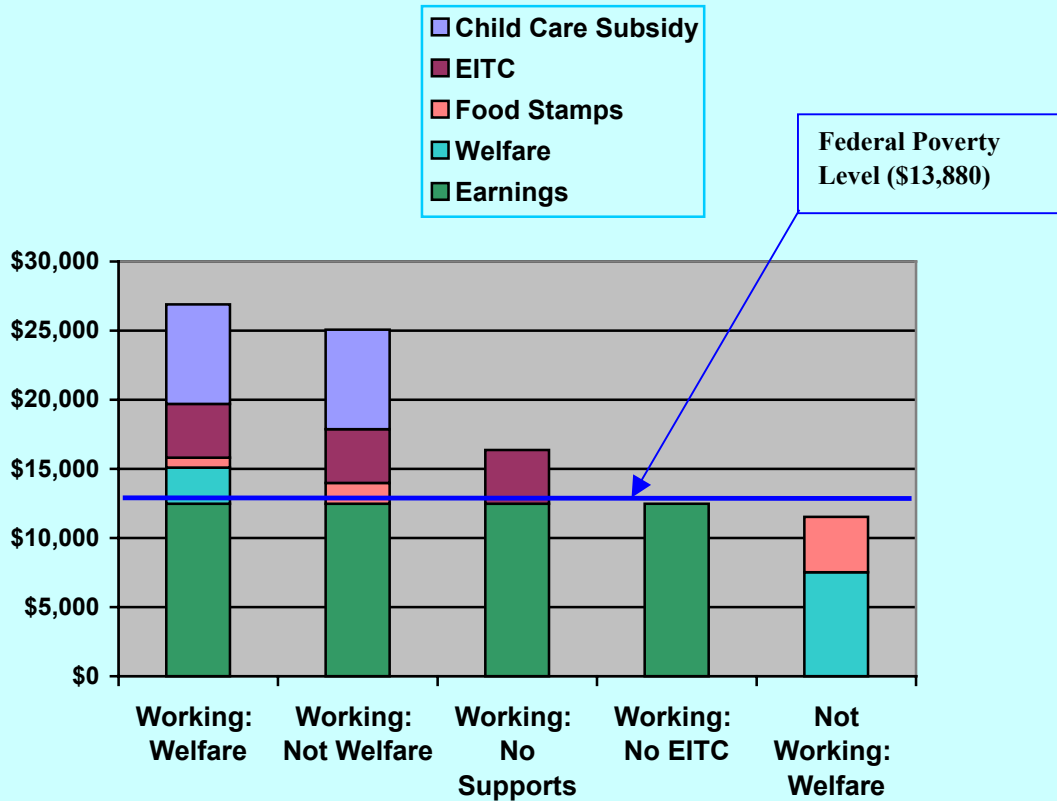
**Supports for low-income workers.** Somewhat mitigating the emphasis on moving low-income workers into "any" job has been the significant shift in the 1990s towards supporting working families, particularly through the Earned Income Tax Credit (EITC) but also other services and cash and non-cash earnings supplements for low-wage workers and their families. The EITC alone represents a major earnings supplement for low-wage workers, amounting to up to \$3,888 per year (for a working mother with two children). *Together, these supports and income supplements can fundamentally change the income calculus for low-wage work.* (See table, next page.) In California, these supports include, for low-income workers and families: subsidies for child care, medical insurance for children, Food Stamps, as well as the EITC. In addition, for low-income workers in California who also are/were welfare recipients, the supports include medical insurance for adults, transportation subsidies and work-related expenses, and, perhaps most importantly, a generous monthly income supplement paid by the welfare agency to eligible low-wage heads of household with children.<sup>3</sup>

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<sup>2</sup> MDRC is conducting the major national research to identify effective job retention and advancement strategies for low-wage workers for the U.S. Department of Health and Human Services, with support from the U.S. Department of Labor. It is called the Employment Retention and Advancement (ERA) evaluation. In addition, with grants from several national foundations, MDRC is working with community colleges in several states to develop and test promising retention and advancement approaches.

<sup>3</sup> For example, a mother of two children who works full-time at a job paying \$6.00 per hour can receive \$234 per month in income supplement for the welfare agency. This is among the most generous in the country.

**Annual Gross Income of Single Parent with Two Children  
If Working Full-time, Full-year at \$6.00 per hour in California\***



\*However, note that many low-income single parents do not work full-time, full-year. Also, note that the child care subsidy is a direct offset to actual child care costs.

The availability of these services and income supplements has certainly been a factor in raising the proportion of welfare recipients in California who are working — from less than 10 percent in 1994-95 to over 40 percent in 1999-2000, with the rate reaching over 70 percent in some counties. It has also no doubt been a factor in the dramatic increase in labor force participation of single never-married women. Among other implications, this means that *the welfare/TANF system in California is becoming as much a work support as an income support system.*

Nevertheless:

- In many cases, eligible individuals do not receive the range of services and cash and non-cash income supplements for which they are eligible. Although the reasons for this are not entirely clear, the partially successful efforts in the past year in California to increase the “take-up” rates for Medicaid, Food Stamps, and the Child Health Insurance Program suggest that issues of inaccessibility

(including the need for people to go to multiple locations to secure different benefits), complexity of the application process, and lack of information about their availability are key factors in the still-low take-up rates — perhaps rather than a widespread disinclination to apply for or accept these supports.

- A further factor affecting take-up rates of these supports may, however, be their close administrative ties to the welfare system, with which many low-income workers (both non- and ex-TANF recipients) may not, for a variety of reasons, want to interact or be associated. But more needs to be learned about the reason for low take-up rates.

## The Bottom Line

Given the strong demand for low-wage jobs, the emphasis on Work First, and the availability of substantial income and service supports for low-wage earners, it is likely that many low-income people will continue to move into relatively low-wage work for the foreseeable future, but receive services and income supplements that raise their standard of living, in some cases, to above the poverty level. Certainly, many other low-income adults can be and are being trained for initial higher-wage jobs, but as research has shown, a greater number will continue to enter the labor market in low-wage jobs.

This fact need not, however, consign low-income parents to low-wage jobs permanently. For many of them, the ability to gain the skills needed to move up in the labor market while working and thereby command higher wages — and to move out of poverty and become self-sufficient — will depend on the capacity of public systems and their service providers (WIA, TANF, community colleges, and non- and for-profit service providers) to develop and implement, in concert with employers:

- more effective pre-employment training programs and related services that research has shown can help some move directly into higher-wage jobs;
- effective post-employment retention services that succeed in sustaining and supporting low-income workers who may not, for a variety of reasons, otherwise move up in the labor market or move out of poverty; and in helping these and others retain jobs or find reemployment opportunities quickly;
- effective post-employment skill- and career-advancement programs that assist low-wage earners who are able to increase their skills and move up the wage and career ladder;
- more effective marketing of training options, availability, and benefits (such as earnings supplement, etc.);
- simplified application procedures for non-cash benefits such as food stamps and medical coverage;<sup>4</sup>
- new institutional methods of operating that make services accessible to and convenient for low-income people who are working full-time, and that recognize that most of these people (many of whom are single parents) carry substantial family responsibilities. These new methods should include longer hours of operation, accessible locations for services, modularized and shorter-term training programs, and availability of on-site services such as child care to enable working parents to participate in services;

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<sup>4</sup> Work Support Centers would be only one of possibly many other places to gain access to these benefits (including potential access to the benefits via mail or the Internet), but it would be a logical access point, given the populations it would serve.

- stronger collaborations and more inclusive co-location of services among public agencies, and/or fundamental shifts in institutional responsibilities — for working people, away from the welfare system and into the workforce system — so that the services and income supports are readily accessible, viewed as work supports and not welfare, and hence disconnected from the welfare system; and
- close ties to employers as skill-advancement programs are developed to ensure they meet employer requirements and provide an easy stepping-stone into high-level job openings.

Due in part to the many simultaneous and rapid shifts over the past four years described above, and the absence of research findings that identify effective strategies, public employment and training systems and programs are currently ill-equipped to provide the services and the accessible institutional arrangements to meet these needs of low-income workers. Although there are notable instances of innovation, experimentation, and one potential institutional structure (see below), *there is at yet no institution that has the vision, responsibility, or structure in place to address the issues confronting low-income working people.*

Two related major challenges therefore present themselves:

- developing effective *services* that succeed in helping some low-wage adults both move into and retain higher-wage initial jobs, and, for others — probably the majority — to increase their wage rates through skill development and training while working; and
- creating the *new institutional structure(s)* that make skills training, retention and advancement services, and income and other supports easily accessible to low-income workers.

## How Are These Challenges Being Addressed by MDRC?

- **Services.** MDRC is addressing the services challenge through its Supports for Work project, which has a number of components, the key ones being:
  - the federal ERA evaluation, which will have 8-10 sites studying innovative and promising retention and advancement programs across the country, including one and possibly two in California;
  - a study being conducted for the Welfare Policy Research Project (WPRP) on promising retention and advancement strategies being implemented in the welfare and workforce systems in California; and
  - a study, “Opening Doors,” of community colleges that are putting in place innovative programs aimed at retention and advancement (being supported by the Charles Stewart Mott, Annie E. Casey, and Joyce foundations), for which additional support is being sought.
- **Institutional Change.** Complementing the services research, on the institutional side MDRC is exploring the interest of foundations and public agencies in supporting MDRC’s efforts to create a demonstration of Work Support Centers aimed at addressing the needs of low-income workers.

The vision for **Work Support Centers** can be easily laid out. They would be easily accessible, one-stop centers (possibly built off of the WIA One-Stop Centers or other institutional venues) that:

- Provide pre-employment training and support services or ready access to

them (e.g., on-site motivational and world-of-work training, job search/job club, assessment, and referral to education and training programs, some of which would be on-site;

- Provide post-employment retention and skills-upgrading services or easy access to them, some of which would be located on-site;
- Work closely with community colleges and other skills training providers to help ensure that their programs were developed and structured to accommodate working people (e.g., hours of operation of the training classes, their modularized and shorter-term structure, availability of on-site child care, close to public transportation routes);
- Were themselves responsive to a working population in terms of hours of operation (i.e., open early in the morning to relatively late at night), location on major public transportation routes, and availability of drop-in child care;
- Provide aggressive outreach and marketing of and speedy, unencumbered access for eligible people to Medicaid, CHIP, Food Stamps, subsidized child care, work-related expenses, transportation subsidies, and assistance with the EITC;
- Provide the monthly income supplement for eligible welfare or ex-welfare recipients (a "work supplement" rather than a welfare check);
- Maintain ongoing, close relationships with large and small employers in their labor market area.

MDRC proposes to advance this agenda by seeking support from foundations and public agencies for one year to 18 months, during which time MDRC staff would:

- Conduct a combined case study/development effort, identifying and working with selected One Stop Centers and other organizations that may be moving in this direction, to document and learn from their experiences and provide on-the-ground insights into the challenges of creating Work Support Centers and potential ways to address them, and to understand the potential cost implications;
- As part of this phase, provide advice and assistance to those case study sites (and potentially others) that were interested in moving forward to develop a full version of One Stop Centers;
- Engage public agencies nationally and in California to secure their support and on-going advice and input (e.g., the US Departments of Labor, Health and Human Services, and Agriculture; and in California, the Health and Human Services Agency, Department of Social Services, Employment Development Department, and Community College Chancellor's Office);
- Engage public interest groups in California and nationally to secure their on-going advice and input (e.g., National Governors Association, National Conference of State Legislatures, National Association of Counties, Association of Public Human Services Administrators, California Workforce Association, California Welfare Directors Association, etc.);

- Prepare a detailed paper summarizing the salient lessons from the case studies and outlining recommendations and next steps, which might include a larger and longer-term state or national demonstration of the effectiveness (and benefits vs. costs) of the Work Support Centers that could both complement the national and state studies of effective pre- and post-employment services and provide the institutional framework for implementing those services which are found to be effective.

The William and Flora Hewlett Foundation and David and Lucile Packard Foundation; if funded, this work would begin on November 1, 2001. However, this is for work in California, and MDRC is also interested in undertaking the case study/development work nationally as well.

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