

Can We Improve Job Retention and Advancement among Low-Income Working Parents?

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Low-Income Working Families

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CAN WE IMPROVE JOB RETENTION AND ADVANCEMENT AMONG LOW-INCOME WORKING PARENTS?

In the past decade, employment rates among low-income parents have risen dramatically. This is particularly true for single mothers, and especially those who had previously been on welfare. The labor force participation rate of single mothers rose from about 67 percent in the early 1990s to 78 percent by the end of the decade. Among those who had been on welfare in the previous year, labor force activity rose from about 30 percent to nearly 60 percent (Blank and Schmidt 2001). These employment increases, along with declining welfare rolls, have been widely attributed to welfare reform, improved supports for working families (like the Earned Income Tax Credit and child care subsidies), and the strong economy of the late 1990s.

But, while their employment rates are now fairly high, the annual earnings and income of many parents remain low. Acs and Loprest (2004) find that, among those leaving welfare, average earnings remain below \$3,000 per quarter and below \$10,000 per year. More broadly, the annual earnings of parents with less than a high school diploma, weak skills, and limited or spotty work experience are similarly low (Acs and Loprest 2005). And, for single parents with weak earnings capacities, the prospects of providing stable incomes for their families are very limited.

At least two factors limit the annual earnings of less-skilled adults in the U.S. labor market today. First, at least some of these workers have high rates of job turnover, or low job *retention*; they lose or leave their jobs frequently, and sometimes spend lengthy periods between jobs. This joblessness directly reduces their annual earnings and inhibits their wage growth over time. Second, even when working steadily, the wages and benefits of these workers are very low. Prospects for earnings growth through *advancement* in their current jobs (or other jobs) are very limited.

What public policies at the federal, state, and local levels might help improve job retention and advancement among low-income workers? Are there strategies that heavily involve the private sector where the activities and interests of private employers might be better used to improve worker outcomes? What does the research and evaluation evidence show about the effectiveness of strategies explored to date? Are there promising models that have not yet been fully evaluated, but that deserve more attention? If so, what are the appropriate next steps?

We explore these questions below. In the next section, we provide more evidence on the worker and employer characteristics that affect retention or advancement outcomes. Then we review strategies for improving these outcomes. The strategies include *financial incentives and supports*, such as earnings subsidies and tax credits; *case management* strategies to link workers to services; *skill development*, particularly through education and training; and *employer-focused* strategies. In each case, we review what we know or don't know about the strategies' effectiveness. We conclude by suggesting next steps for policymakers and researchers.

Retention and Advancement: The Problems and Their Causes

Job turnover occurs for various reasons: people quit their jobs voluntarily, or are laid off or discharged involuntarily. Workers may change jobs voluntarily because of dissatisfaction with their current job or personal circumstances (such as a sick child or parent who requires care) that make holding that (or any) job difficult, or workers may change jobs to pursue better opportunities with other employers. In contrast, involuntary turnover reflects either employer dissatisfaction with the individual employee (in the case of discharges) or broader reductions in workplace staffing associated with plant closings or reorganizations (in the case of layoffs).

The effects of job turnover on earnings are varied. Occasional voluntary job changes in which individuals rapidly move into other jobs often have beneficial effects on earnings. But voluntary changes occurring with no other jobs lined up, and involuntary changes more generally, are associated with wage stagnation or even declines (Bartel and Borjas 1981; Royalty 1998).¹ Frequent turnover, whether voluntary or involuntary, not only causes individuals to lose income while they are unemployed, but also prevents them from accumulating general work experience and seniority over time (or “job tenure,” in the lingo of economists), which are often associated with wage growth in the labor market.²

In any given year, about 20 percent of the U.S. workforce begins a new job (Farber 1999); the median length of time in a job is four to five years.³ Rates of turnover are highest among young workers, who frequently work part-time and short-term for discretionary income while in school, and who often engage in “job shopping” early in their careers.

But turnover is also relatively high among specific groups of young people or adults—including high school dropouts, those with weak cognitive skills, women with young children, and minorities (Holzer and LaLonde 2000). High school dropouts head about 20–30 percent of the low-income families in which employment levels are fairly high, and about 40 percent of those in which employment levels are low (Acs and Loprest 2005). Dropouts tend to have high rates of both voluntary and involuntary job turnover, and especially turnover in which no other jobs are lined up. Low-income single mothers have high rates of turnover, even after accounting for their lower educational attainment, and the frequency of turnover increases with the number of children they have (Holzer and LaLonde 2000). African Americans in particular quit jobs somewhat less frequently than other workers but are much

more likely to be discharged (Ferguson and Filer 1986). Adults in single-parent families and in low-income families have an average job tenure only one-half to two-thirds as high as adults in two-parent or middle-income families.⁴

High turnover and low retention have also been noted as particular problems for specific groups of less-skilled workers. Among welfare recipients that entered the job market in the 1980s and early 1990s, job turnover often occurred within nine months or less after accepting new jobs (see, for example, Hershey and Pavetti 1997). As many more recipients left welfare and entered the strong job market of the late 1990s, average job retention and tenure improved somewhat for this group—eventually averaging well over a year per job spell (Holzer, Stoll, and Wissoker 2004). However, some of these individuals ended up returning to the cash assistance rolls—in a national survey, of those who left welfare between 2000 and 2002, 25 percent were back on welfare in 2002 (Loprest 2003).

Overall, welfare recipients have an average job tenure well below that of the typical U.S. worker. In the five-year National Evaluation of Welfare-to-Work Strategies (NEWWS) sponsored by the U.S. Department of Health and Human Services, large majorities of former and current welfare recipients experienced some time without work even during the fifth year of the study (Hamilton 2002). High rates of worker absenteeism, often associated with child care, health, and transportation problems, frequently generate quits or discharges for this group (Holzer, Stoll, et al. 2004). Other groups, such as men with criminal records, have even worse records for job retention (see, for example, Bushway 2003).

While poor education and skills and limited experience among *workers* contribute to their retention difficulties, the characteristics of their *jobs* and *employers* can be important as well. For any worker with given personal characteristics, employment in large firms, unionized firms, or firms paying higher wages reduces job turnover (Freeman and Medoff 1984; Holzer and LaLonde 2000; Holzer, Stoll, et al. 2004). Higher wages generate greater incentives for workers to perform better and retain their jobs. The more professional human resources policies of larger employers and protective work rules at unionized establishments likely reduce turnover as well. Health benefits may contribute somewhat to better worker retention, while weak promotion prospects at jobs clearly limit retention.⁵ Turnover rates are also higher for lower-wage workers with part-time jobs (Blank 1990) and for those working nonstandard shifts (Henly and Lambert 2003).

Turning to labor market advancement, most workers make large wage gains early in their careers—sometimes by changing jobs early and then settling in and accumulating tenure with specific employers. Wage gains moderate over time but remain positive for most workers over much of their working lives. But this is less true of workers without high school diplomas and other less-skilled workers, whose wages grow more slowly with time or work experience.⁶ As noted above, the high rates of turnover that plague many workers clearly limit such advancement.

In a recent study, Andersson, Holzer, and Lane (2005) followed adult low earners in the labor market from 1993 to 2001.⁷ They found that, while most low earners enjoyed substantial earnings growth (especially in light of the strong labor markets that characterized much of this period), no more than a quarter seemed to permanently escape their low-earnings status.⁸ Of course, the personal skills and earnings capacity of these workers strongly contributed to their wage growth over time, but the characteristics of their *employers* mattered importantly as well. Employment in higher-wage sectors of the economy—such as construction, manufacturing, transportation, or health services—led to higher rates

of advancement for lower earners than employment elsewhere. Working in large firms and those with low turnover rates also helped raise advancement prospects, as these firms generally offered more on-the-job training and opportunities for promotion (Holzer and Reaser 1999).

But, even within detailed sectors of the economy and in particular geographic areas, firms often pay different levels of wages to workers with similar skills. Some seek to be competitive through a low-wage, low-cost strategy (the “Wal-Mart model”), while others rely more on improving productivity through higher skills, higher worker retention, and higher training. The wage premium that many firms pay is highly persistent over time, and does not put these firms at any competitive disadvantage over the long term; the high-wage firms are therefore not “dinosaurs” that will soon be driven out of existence by aggressive low-wage competitors.⁹ Whatever the merits of either approach from the employer’s point of view, employment in the higher-wage firms contributes significantly to advancement prospects from the worker’s perspective.

Furthermore, job changes that moved individuals from lower-wage to higher-wage employers generated not only higher earnings levels but also greater wage growth over time than did job retention over long periods at low-wage firms. This finding demonstrates an inherent weakness in strategies that emphasize job retention alone—particularly in low-wage firms and jobs that offer little hope of advancement. Instead, occasional job mobility can often lead to higher wage gains—as long as the move is to a higher-wage employer or job, and results in some retention thereafter.¹⁰

Of course, access to higher-paying firms might be limited for many workers—even if they have the requisite skills. For example, Andersson et al. (2005) show that high-wage employers are generally located relatively far away from the neighborhoods where most low earners reside. Many low earners, especially those without automobiles, lack transportation to higher-wage employers located in the suburbs. Others may lack information and access to informal networks that might help land these jobs (Ioannides and Loury 2004).

For African Americans and other minority groups, these “spatial mismatch” problems can sometimes be compounded by employer discrimination in hiring (Holzer 2001). A criminal record in the applicant’s background might also deter an employer from considering an otherwise qualified applicant for a job, and might diminish the potential employee’s interest in such work.¹¹

On the other hand, access to better employers for disadvantaged employees can sometimes be enhanced through third-party “intermediaries” in the labor market. One such intermediary—the temporary help agency—focuses on improving job placements for workers with limited access to employers (Andersson et al. 2005; Autor and Houseman 2002; Lane et al. 2003). Others play a broader role, helping disadvantaged workers with transportation assistance, general job training, or even some paid temporary work experience.¹² These additional services should help reduce various kinds of “mismatches” between employers and employees. By providing more information to employers about the skills of applicants from certain stigmatized groups, intermediaries can help overcome discrimination as well.

In sum, a range of problems limit the prospects for job retention and advancement among low-income adults. Their low levels of education and basic skills, poor work histories, low wages and benefits, child care and transportation difficulties, and the like often impede their ability to accumulate job tenure and advance. But their lack of access to higher-wage employers hurts them as well. Thus, job-market strategies for disadvantaged workers should seek to

- supplement low wages and benefits,
- address various personal and family needs,
- improve skills, and
- improve access to and interactions with employers in the hope of generating better retention and advancement outcomes.

Policy Approaches to Improving Retention and Advancement

Financial Incentives and Supports

Policymakers have often used financial incentives to improve the rewards associated with low-wage work since the 1990s. Evaluations of these efforts—many of which involve rigorous research designs—generally support the view that financial incentives that reward work can raise employment rates and earnings among low-wage workers. Table 1 provides examples of different programs that use financial incentives to encourage work.

The clearest example of a financial incentive program is the Earned Income Tax Credit (EITC), which now provides a roughly 40 percent earnings subsidy to low-income working parents up to about \$10,000 of earned income. In addition, 14 states and the District of Columbia have implemented their own earned income credits to supplement the federal program (Ross Philips 2004). Indeed, the research suggests that the federal EITC has successfully raised employment levels among low-income single mothers (see, for example, Eissa and Liebman 1996; and Meyer and Rosenbaum 2001).

TABLE 1. Programs Providing Financial Incentives to Low-Wage Workers

Program (dates of operation)	Target group	Financial incentive
Earned Income Tax Credit (1975–present)	Low-income tax filers with earnings	Initially, provides 40 cents per additional dollar of earnings; diminishes by up to 21 cents with each additional dollar earned. Maximum credit of about \$4,000 for a family with two children.
Canadian Self-Sufficiency Program (1992–99)	Single parents who had been on cash assistance for one year	The supplement equaled half the difference between a participant’s earnings and an “earnings benchmark.” Most families received \$3,000 to \$7,000 a year through the program. Available to those who worked full-time (30 hours a week).
Texas Employment Retention and Advancement program (2000–04)	Cash assistance applicants and recipients	\$200 monthly earnings supplement for those who worked 30 hours a week for up to 12 months (\$2,400 a year).
Milwaukee’s New Hope program (1994–98)	Adults with household incomes no greater than 150 percent of the poverty level	Monthly earnings supplement for full-time work (benefit averaged \$1,500 a year), subsidized health insurance and child care, and community service job if full-time employment is not available.
Minnesota Family Investment Program (1994–98)	Cash assistance applicants and recipients	Individuals remained eligible for welfare until their income reached 140 percent of the poverty level. Typical benefit was \$1,800 a year.

Other programs have focused on providing earnings supplements to welfare recipients after they leave cash assistance and work full-time. These include the Canadian Self-Sufficiency Program (SSP) and the Texas Employment Retention and Advancement (ERA) program (the latter is part of a national evaluation of retention and advancement strategies sponsored by the U.S. Department of Health and Human Services). SSP operated outside the welfare system, while the Texas initiative was part of the local TANF welfare-to-work program. SSP showed large effects on employment, earnings, and job stability of program enrollees, and, unlike most other welfare-to-work initiatives, moved more individuals out of poverty (Michalopoulos and Berlin 2001). However, while only preliminary results from the Texas ERA evaluation are available, they show relatively small effects on employment levels in only one of the three sites where the program was studied (D. Bloom et al. 2005).

Another program that provided an earnings supplement was New Hope, a pilot project in Milwaukee that, in addition to the supplement, offered guaranteed health benefits, child care, and community service jobs. This program was available to a broader range of low-income parents than just welfare recipients. The New Hope program produced initial gains in employment and earnings, but the gains faded over time, in part because of the gains experienced by the control group (Berlin 2000).

Financial incentives also figure prominently in the Jobs-Plus demonstration that was recently evaluated by MDRC at six public housing projects (H. Bloom et al. 2005). At the experimental sites, residents were offered a reduced rate at which their rents increased with higher earnings. This decline in the rental “tax” on earnings was also supplemented with employment-related services and other efforts to build informal community supports for employment. Earning increases in the three sites where the implementation of the program was strongest averaged an impressive 14 percent a year, and roughly 20 percent in the fourth year of the program. On the other hand, it was unclear exactly which part of the treatment contributed most to the improvement, and how well these results would apply to residents outside of public housing projects.

Many states have provided financial incentives for welfare recipients to work through the TANF earned income disregard, in which some amount of earnings is exempted from reduced TANF payments.¹³ Examples of this strategy include the Minnesota Family Investment Program (MFIP), Iowa’s Family Independence Program (FIP), and the Connecticut Jobs First program. MFIP was the most successful of these efforts; like SSP, its financial incentives produced large gains in employment and earnings and reductions in poverty. The other programs also had positive effects, although not at the level of MFIP, and the results could not be directly connected to the earnings disregard.

Another approach is to provide supports such as health care coverage or child care subsidies to low-income workers with children. Frank et al. (forthcoming) review some studies that suggest positive effects of these supports on employment stability, though other studies focused on child care assistance have so far failed to support this finding (Gennetian and Michalopoulos 2003; Miller et al. 2003).

The research on SSP and MFIP indicates these programs are most successful when subsidies are tied to full-time work in the labor market or when accompanied by other work or job-search requirements.¹⁴ Unless the subsidies are permanent, their positive effects on work tend to fade over time—though they may not completely disappear.¹⁵ And the budgetary costs of permanent financial enhancements for low-wage workers can be substantial—especially in their more generous forms, such as SSP and New Hope.

The research evidence also indicates some potential limitations of these approaches. For one thing, tax credits or subsidies tied to family income—like the EITC—phase out as income rises.¹⁶ This could create incentives for those in the phaseout range—especially married couples where both parents work—to reduce their work effort, rather than increase it. Similarly, the EITC can create a tax on marriage, unless the credits to two-earner families are phased out more gradually than those of single earners (Eissa and Hoynes 2004).

Perhaps the largest question involves whether, or how well, financial incentives for work improve retention or advancement outcomes for those already in the labor market. The evaluation evidence on MFIP and SSP indicates that these subsidies generated more consistent work over the course of the year (Michalopoulos and Berlin 2001). But modest improvements in job retention likely have even more modest impacts on advancement over time—given the limited returns to work experience in the form of wage growth for low-wage workers (Gladden and Taber 2000).

Case Management and Service Provision

Various local programs, such as those listed in table 2, provide case management and links to other services to help low-wage workers start work and enhance their job retention and advancement prospects. This type of approach can provide a mix of pre-employment and post-employment services, case management, and skill development (education and training are discussed more extensively in the next section). *Pre-employment services* focus on initial job preparation and placement and largely cease once the worker has accepted a new job. *Post-employment services* start once an individual has found a job and generally focus on easing the transition to work through assistance with job-related issues, support services, and family and personal problems.

TABLE 2. Case Management and Service Provision Programs to Promote Employment Retention and Advancement among Low-Wage Workers

Program (dates of operation)	Target group	Services
Portland NEWWS program (1993–96)	Cash assistance applicants and recipients	Pre-employment program providing job search, education, training, and case management. Strong employment focus, with emphasis on high-quality jobs.
Post-Employment Services Demonstration (1994–96)	Cash assistance recipients who found jobs	Counseling and support, job search assistance, resolution of benefits issues, and service referral.
Illinois Employment Retention and Advancement program (2002–present)	Employed cash assistance recipients (working at least 30 hours a week for six consecutive months)	Job matching, job placement assistance, career and personal counseling, and service referral.
South Carolina’s Moving Up program (2001–05)	Former cash assistance recipients who left the rolls and did not return within a year	Case management, job placement and re-employment assistance, career counseling, and service referral.
Pennsylvania’s GAPS initiative (1997–2000)	Current and former cash assistance recipients	Counseling, child care and transportation help and referrals, job placement assistance, job-related advice, and service referral.

In terms of pre-employment services, there is some evidence that a *mix* of services might be more effective than services or treatments provided separately. For instance, the Jobs-Plus demonstration provided public housing residents with employment services, financial incentives, and community supports. Welfare-to-work evaluations have also found that providing a mix of services—including job search, education and training, and case management—while maintaining pressure on most individuals to gain employment produces the best results (Hamilton 2002). The Portland, Oregon, site in the NEWS evaluation used this approach and generated large increases in employment, earnings, and job stability—surpassing the other sites in the NEWS evaluation as well as results from other evaluations.

The Portland program is also notable because, while it stressed the need for clients to gain employment fairly quickly, it also encouraged them to find higher-wage jobs and employers whenever possible. Other programs that provided primarily job search services and focused on finding immediate employment in NEWS and other studies have also generated strong results in the short run, although these gains were not as large as in Portland and they did not persist.¹⁷

A wide range of for-profit temporary agencies or nonprofit groups often play some role in providing pre-employment services, particularly job search or job readiness services. From our point of view, the key question is whether these groups can improve the quality of the jobs low earners access—in terms of starting wages and benefits, as well as growth potential—above and beyond what individuals obtain on their own. As noted earlier, the research evidence to date suggests some positive effects of private temp agencies in this regard, though there is currently little evidence on a wider range of for-profit and nonprofit job developers (such as America Works).

Case management services provided after individuals find jobs have generally not affected job retention and advancement, although studies underway should provide more information in this area. In the Post-Employment Services Demonstration (PESD) of the late 1990s, welfare agency staff sought to contact individuals who found employment and provide them counseling and support, job search assistance, resolution of benefits issues, and service referral. This approach generated disappointing results in terms of promoting greater retention (Rangarajan 1998). But the employment services rendered were limited, especially since case workers managed very large caseloads, and the services were not targeted to those in need.¹⁸

Several sites in the national ERA evaluation are testing the effectiveness of post-employment case management services, but it is too early to draw firm conclusions about these results. One site in Illinois targets TANF recipients that appear “stuck” in low-wage jobs and provides services to help them increase their earnings in their current job or find a better job. This program has shown early effects on earnings and welfare receipt. However, South Carolina’s Moving Up program, which provides similar services to individuals who have been off welfare for long periods, has shown no effects at this point (D. Bloom et al. 2005).

Skill Development Strategies

States and localities have undertaken extensive efforts to improve the retention and advancement of low-wage individuals through increasing their skill levels and human capital. This has primarily taken the form of providing education (primarily English as a Second Language, basic education, and GED programs) and job training. Table 3 outlines several programs that use this approach.

Like other employment-related services, education and training can be provided before employment—often through TANF welfare-to-work efforts—or after individuals are working. A range of institutions and systems provide education to low-income individuals, including community colleges; the Workforce Investment Act (WIA) system, which provides a range of services through local one-stop centers;¹⁹ the adult education system; and nonprofit and for-profit providers. Pell Grants are an increasingly important source of funding for those pursuing education and training, particularly at community colleges. (Employed-based education and training efforts are discussed in the next section.)

The nature and content of education and job training at least partly determine their effectiveness in promoting retention and advancement, particularly pre-employment. For instance, programs with a strong focus on basic education but only limited links to employment or job training—a more common approach before TANF was implemented—have generated limited earnings gains, with most performing worse than mixed-service or job search-focused interventions (Martinson and Strawn 2002; Pauly 1995).

Indeed, this may partly account for the lack of impacts of skill development strategies at many sites in the NEWWS evaluation (outside Portland).²⁰ The basic education provided in these programs—with a focus on building basic skills and obtaining a GED—was likely not conducive to labor-market advancement. Indeed, much of what was provided was unrelated to specific jobs that were available in the local labor market and, as discussed above, did not generate an increase in credentials that would be recognized or rewarded by private-sector employers.

In contrast, many studies have shown positive effects of job training on earnings for disadvantaged adult women. This result emerged clearly in the national evaluation of the Job Training Partnership Act

TABLE 3. Skill Development Programs to Promote Employment Retention and Advancement among Low-Wage Workers

Program (dates of operation)	Target group	Services
Riverside Employment Retention and Advancement program (2000–present)	Newly employed welfare recipients working at least 20 hours a week	Two programs to promote participation in education and training combined with employment are being evaluated: one requires individuals to work 20 hours a week and one has no work requirement.
New Visions Self-Sufficiency and Lifelong Learning Project, Riverside, CA (1998–present)	Individuals working at least 20 hours a week with a high school diploma or GED	Twenty-four weeks of preparatory classes followed by a short sequence of regular college courses providing training for a specific job.
Center for Employment Training, San Jose, CA, and others (initial program 1982–88; replication program 1995–present)	Low-income youth, single mothers on welfare	Contextualized basic skills and training provided in work-like setting; full-time commitment by participants; employer involvement in design of training; job placement assistance.
Kentucky Community and Technical College System (1997–present)	Low-wage workers	Range of systemwide adaptations to accommodate working students: rapid course and program approval, academic credit for workforce training, fractional credits, and incentives to develop and offer for-credit courses.

(JTPA), which was the forerunner of WIA.²¹ Earnings impacts for low-income adult women were large when measured relative to dollars spent per trainee, and on-the-job training produced larger earnings gains than standard classroom training (Orr et al. 1996).

This finding has appeared consistently in the literature on training for this group, even though the generally modest investments in training for these women often generate correspondingly modest improvements in their annual earnings (LaLonde 1995). Even a nonexperimental analysis of three sites in the NEWWS evaluation (excluding Portland) found the high school non-graduates in basic education activities had substantially larger increases in longer-term earnings if they also participated in job training (Bos et al. 2002).

The evidence for low-income men, in JTPA and elsewhere, generally shows somewhat smaller impacts on earnings per dollar spent than for women, though the impacts are often substantial relative to their cost. Improvements in earnings generally reflect increases in wages (reflecting advancement) as well as more steady employment (reflecting better retention), though impacts have often been greater on the latter than on the former.

Training efforts that lead to established credentials that employers recognize and value have produced particularly strong results. Nonexperimental studies have found that adults who obtain associate's degrees and other certification at community colleges have fairly positive returns (Grubb 1996; Kane and Rouse 1999; Leigh and Gill 1997; Mathur 2004). In addition, the successful Portland program in the NEWWS evaluation increased the proportion of high-school dropouts who obtained a high school diploma or GED and a second education or training certificate (usually a trade license or certification) (Hamilton 2002). None of the other NEWWS sites produced increases in this type of credential.²²

Efforts to ensure the training is relevant to local employers with available jobs may be important as well. The Center for Employment Training (CET) in San Jose, California, integrated basic education and job training, and linked the training to employers. This program produced strong results in early studies (Burghardt et al. 1992). Efforts to replicate this model in other sites have thus far proved disappointing, though the impact evaluations to date might be understating the benefits of this approach.²³

There have been fewer studies of education and training efforts as a post-employment strategy. Several efforts in Riverside, California, focus on increasing participation in education and training among low-wage workers, with one targeting welfare recipients who are working but remain on assistance (see table 3). Early evidence from the experimental studies of these programs indicates they are not affecting labor-market outcomes, although follow-up may be too short to see impacts of an education-focused intervention (D. Bloom et al. 2005; Fein et al. 2003). But other efforts to provide training on the job to incumbent workers fall into this category and are discussed more fully in the next section.

Of course, a major limitation of skill development approaches is that low-income parents can find it difficult to work and go to school, given the family and work demands they face. In addition, many individuals with low skills or limited English have restricted access to existing training programs due to entry requirements. Some efforts are under way to address these issues and make skill development programs, particularly those at community colleges, more accessible to low-income working families (Biswas, Mills, and Prince 2005; Liebowitz and Taylor 2004; Purnell and Blank 2004; Strawn and Martinson 2000). These include the following:

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- Curricula and instructional reforms such as “bridge” programs to prepare low-skill workers for training. These efforts also focus on creating easier transitions from non-credit to credit programs and allowing for multiple entry and exit points from degree programs.
 - Accelerating learning to allow more rapid progress. This includes compressing programs so they can be completed quickly and dividing programs into “chunks” that can be completed at different times.
 - Providing greater student supports such as counseling, tutoring, child care, and transportation.

A few of these efforts are taking place at the state level. For example, between 1997 and 2000, Kentucky launched reforms designed to make the community college system more responsive to the skills and needs of working adults (see table 3). Others are initiatives of individual institutions. For example, Tacoma (Washington) Community College recently integrated its basic skills and training programs in early childhood education and health areas to create direct pathways from low-literacy into degree programs. Portland (Oregon) Community College created similar pathways by breaking degree programs into manageable pieces based on employer skill needs. Most of these efforts have not been evaluated thus far.

A very different variant of such training, aimed primarily at those with multiple barriers to work who are considered “hard to serve,” is the “transitional jobs” approach that combines training and support services with paid work experience for a certain period, usually less than a year (Danziger et al. 2000; Zedlewski and Loprest 2001). Prominent examples of this approach include the Transitional Work Corporation efforts in Philadelphia (Greenwald 2002) and the Center for Employment Opportunities (CEO) program in Manhattan for ex-offenders.

As for programs that provide transitional work experience with some training and supports to the “hard-to-serve,” the best evidence available comes from the Supported Work demonstration project from the 1970s. In this project, the post-program earnings of welfare recipients increased substantially for participants relative to those in the control group. No overall impact was observed for adult men or youth, though a recent reexamination of these data suggests more positive results for adult men with criminal records in their late 20s or older (Uggen 2000). Rigorous evaluation evidence is not yet available for many of the more recent “transitional work” efforts, though preliminary data on outcomes have been fairly encouraging (for example, Kirby et al. 2002). A new evaluation of several efforts to improve outcomes for the “hard to serve” including CEO for ex-offenders is now under way (funded by HHS) and will hopefully generate impact estimates within the next few years.

Employer-Focused Efforts

As indicated above, the research evidence on advancement suggests that employer characteristics can be important in generating advancement prospects for employees. Furthermore, the research literature on temp agencies and on skill development both show that efforts to tie the disadvantaged more closely to employers can have important payoffs. This likely occurs because the temp agencies improve the access of less-skilled individuals to better employers, and because the training provided in these situations is relevant for the needs of employers, and thus provides a better “match” between employers/jobs and potential employees than might be obtained through general training.²⁴

Table 4 describes various efforts that can be considered “employer focused.” Broadly speaking, we might think of two categories of employer-focused efforts: those that provide services and/or training to

employees for jobs with specific employers; and those that also try to influence employer human resource policies—including their recruitment, training, and compensation practices as well as job restructuring.

The efforts of temp agencies and training programs like CET clearly fit into the first of these two categories. Another approach is to provide *post-employment services*, addressing employee needs and supports at the workplace. For example, in the Cleveland Achieve program, which is being evaluated as part of the national ERA evaluation, an intermediary provides on-site case management and assistance on job-related issues to low-wage workers in the long-term nursing care industry (see table 4). Preliminary results from the evaluation of this program show these efforts have increased retention rates within the first 30 days after enrolling in the program, but retention gains appear to get smaller over time, particularly after six months (Hamilton 2004).

A range of approaches fit into the second category. For instance, *incumbent worker training*, in which employers are encouraged to provide more training for those who have already been hired into jobs, targets training to specific jobs and employers (Regional Technology Strategies 1999). Originating more than 30 years ago, these programs are typically operated by states, which provide employers with grants

TABLE 4. *Employer-Focused Strategies to Promote Employment Retention and Advancement among Low-Wage Workers*

Program (dates of operation)	Target group	Services
Cleveland Achieve program (2002–present)	Entry-level workers with family incomes less than 200 percent of the poverty level in nursing homes who have been in their current jobs less than six months	Regular on-site office hours for counseling, case management and support services, lunch meetings for social support and life skills, supervisory training for supervisors.
New Jersey Customized Worker Training Program (1992–present)	Incumbent workers	Grants to employers to offer customized training to incumbent workers. Includes basic skills grants for employers or individuals to increase job-related literacy skills.
Project QUEST, San Antonio, TX (1992–present)	Low-income individuals	Training tracks for numerous occupations within several industries, including health, business systems, and maintenance. Occupations are targeted based on demand by local firms.
Massachusetts Extended Care Career Ladder Initiative (1999–present)	Certified nursing assistants employed by nursing homes	Grants to nursing homes and home health agencies, which may partner with other long-term care facilities, community colleges, community-based organizations, workforce investment boards, and others to create new career ladders for direct care staff and address staff training, work environment, and quality of care issues.
Kentucky Career Pathways (2004–present)	Low-wage workers in targeted industries	Grants to partnerships of businesses and community colleges to develop and implement career pathways in a range of occupations.

to team up with training providers and offer specific training to their incumbent and, in some cases, new workers. The training is generally designed to provide opportunities for career advancement and potentially higher wages within the employer or industry. Many are funded directly by employer tax revenues, for example through unemployment insurance tax offsets or through separate state employer taxes (U.S. General Accounting Office 2004).

Although some incumbent-worker training programs vary significantly in scale and design, few focus specifically on low-wage workers. A handful of states, including New Jersey and Massachusetts, have set aside funds to provide basic skills and English literacy training (Duke, Martinson, and Strawn forthcoming). Studies of state-level programs that provided incumbent-worker training funding for employers have generated clear evidence of benefits to employers in terms of higher productivity and lower costs (Ahlstrand, Bassi, and McMurrer 2003; Holzer et al. 1993; Moore et al. 2003). It is less clear in these studies that these benefits have been shared with low-wage workers, though it is certainly plausible to assume they have.

Apprenticeships and internships, which traditionally are thought of as “school-to-career” programs for youth, broadly fit into this category as well. Their potential effectiveness as a means of raising skill development among youth has been stressed by Lerman (2002) and by Bassi and Ludwig (2000). More broadly, many studies find strong returns to privately provided training and to occupational training in vocational schools or community colleges (Bishop 1994; Loewenstein and Spletzer 1999; Lynch 1992). That these approaches might benefit some low-income adults seems at least credible.

Another approach that tries to affect both employee and employer behavior involves *sectoral* strategies, in which a few large and growing sectors of a region are targeted for job placement and training (see, for example, Pindus et al. 2004). Sectoral strategies seek to better match low-income or other targeted job seekers to employment opportunities in local and regional economies. Some well-known local examples of these approaches include Focus: Hope in Detroit (which trains disadvantaged workers for jobs in the auto industry) and QUEST in San Antonio (which targets employers in health care and financial services, among other sectors).

A central focus of many such efforts is to restructure recruitment, hiring, training, promotion, and compensation practices in selected industries—to improve the access of low-income populations in regional labor markets to existing jobs, and to increase the quantity and quality of jobs available within those industries to the low-income population. While no sectoral initiatives have yet been rigorously evaluated, longitudinal studies of participants in several sectoral initiatives found they experienced improvements in employment rates and wages (Conway and Rademacher 2004; Elliott et al. 2001).

A subset of sectoral initiatives seeks to build *career ladders* in low-wage occupational categories. These initiatives seek to lay out a sequence of connected skill upgrading and job opportunities, with each education step on the ladder leading to a job and/or further education or training. They generally focus on private-sector workplaces, so employees have more advancement potential on their jobs and more incentive to retain their employment. Unlike incumbent-worker training programs, career ladder efforts are generally not geared toward a specific employer but typically cover a certain sector or industry, such as health care.

Several states have recently embarked on statewide efforts to promote regional career ladder initiatives (Duke et al. forthcoming). For example, in 2004, Kentucky enacted the Career Pathways program,

which provides grants to develop and implement career pathways that assist low-income individuals in job advancement in occupations that meet employer needs. The grants are awarded to local partnerships of businesses and community colleges. Several industries are involved, although health and manufacturing are the most common. Attempts to build career ladders in nursing homes have been undertaken in Massachusetts (see table 4), the Bronx (by the Cooperative Home Care Associates program), and Chicago (by the Council on Adult and Experiential Learning), among other places.

All these efforts involved the use of third-party intermediaries. Intermediaries often work closely with employers as well, helping them develop better human resource policies and even career ladders, as we detail below (Giloith 2004). They thus attempt to bridge some of the “mismatches” that separate employers and potential employees, and to improve the work environment for potential employees. Some intermediaries work with particular groups, such as ex-offenders, and develop specific strategies for overcoming employer reluctance to hire them. Others focus on particular sectors of the economy, such as those that promise employment growth and higher wages, in particular local labor markets or nationally.²⁵

In all these cases, the intermediaries become more acquainted with the human resources needs and problems facing employers, and can sometimes craft interventions for disadvantaged workers that help meet these needs. Critical to these efforts, of course, is the credibility the intermediary maintains with the employer; in other words, the intermediary must be perceived as a balanced broker trying to meet the needs of both sides in the employment relationship, and not only as an advocate for the worker.

Decisions made by local job developers and intermediaries should also be informed by good local labor-market information about where job openings are likely to occur, and at what wages for different groups of workers. The recent development of local workforce summaries from the Longitudinal Employer-Household Dynamics (LEHD) data at the Census Bureau provides potentially important tools to local decisionmakers about where to target their efforts for low earners.²⁶

Of course, it is also important that the workers, and the training provided to them, not become too tightly tied to any one employer. The evidence above (Andersson et al. 2005) clearly show that mobility across employers can sometimes be very productive for low earners. Intermediaries might therefore plan for sequential work opportunities for these earners, even while providing benefits to the employers with whom they deal.²⁷

Overall, rigorous evaluation evidence to date on publicly supported, employer-focused strategies or intermediaries for the disadvantaged has been limited, and few efforts have been made to bring these intermediaries to a scale sufficient to affect local labor markets.²⁸ Nonetheless, what evidence does exist to date suggests that a range of employer-focused strategies can have positive effects on disadvantaged workers who are or become their employees. While more evidence is clearly needed, the potential benefits of linking training and other services for low-wage workers to the needs of employers in local labor markets seems well established.

Conclusion

The evidence summarized above documents the difficulties that frequently impede the retention and advancement prospects of low-wage workers. These difficulties include poor skills and work histories;

low wages and benefits, which provide little incentive to remain on the job and little hope of advancement; difficulties with child care, transportation, and other family issues; and limited access to better employers.

Our review of the policy evaluation literature left us with no “magic bullets,” and relatively few programs or efforts that solve these problems and improve retention and advancement with certainty. Many promising efforts have not yet been rigorously evaluated. Others have, but their success rate is mixed, and our ability to replicate successes and implement them on a large scale remains uncertain.

Nevertheless, the evidence is strong enough to warrant some conclusions, which could form the basis of some innovative policy activity in this area:

- Financial incentives and supports seem to generate more steady employment for low earners, especially if tied to full-time work; but these supports must be permanent, and their impacts alone on advancement are likely very limited.
- Temp agencies (and perhaps other intermediaries) can improve the access of low earners to higher-wage employers, where their retention and advancement are strengthened. Some post-employment services provided at the workplace seem to strengthen retention as well.
- Education and job training for low earners are most successful when they provide workers with credentials that employers value (such as associate’s degrees, and perhaps other training certificates), and when the training provides skills that match private-sector demands in local labor markets.
- The returns to privately provided training by employers are high.
- Some programs based on mixed strategies—especially those that provide some training, a range of services and supports, financial incentives, and access to better employers—have worked well, especially when implemented in an environment where pressures to gain employment are strong.

Various approaches that have not yet been formally evaluated nonetheless look quite promising. These include sectoral strategies, as well as efforts to build career ladders and improve employer human resource policies (including recruitment, training, and compensation of employees) in low-wage labor markets. Effective local intermediaries, informed by strong labor market data, may be critical to these efforts as well, though bringing them to sufficient scale to have broad impacts in these labor markets would be challenging. “Transitional jobs” for the hard to serve, like “Supported Work” for welfare recipients in the 1970s, look somewhat promising as well. It is very important that we continue to evaluate many of these innovative efforts, to gain a better sense of if and when they are effective. But, in the mean time, states and local areas should continue to experiment with the most promising examples of these kinds of programs.

A range of supportive public policies—including higher minimum wages, greater support for (or less opposition to) collective bargaining, tax credits for companies that provide more training or advancement opportunities to low earners, and TANF or WIA performance bonuses for states that improve retention and advancement outcomes—could also be implemented at the federal or state level to encourage these better outcomes. These could be part of comprehensive efforts to broadly *encourage the formation of more jobs at firms that offer higher wages and advancement opportunities for less-educated*

workers, rather than merely trying to ration a fixed number of better jobs across a larger number of deserving applicants.

These efforts should proceed with caution to avoid squandering energy or public resources on policy efforts that may not yield strong results. At the same time, the costs of the current lack of success in retention and advancement—to low earners, their families, and the nation more broadly—are also huge. Doing nothing has its own price tag. Therefore, the expenditures of greater effort and resources by public officials and private employers on promising efforts to improve these outcomes seem warranted.

NOTES

1. Wage losses are often the greatest when workers are permanently laid off, or “displaced,” from jobs they have held for several years owing to a plant closing or reorganization (Kletzer 1998). But these displacements do not affect disadvantaged workers more frequently or more negatively than others.
2. For instance, Ballen and Freeman (1986) show that frequent and lengthy periods of unemployment are interspersed with short periods of low-wage employment for inner-city youth. Ellwood (1982), Meyer and Wise (1982), and Gardecki and Neumark (1998) all show that limited early employment is associated with reduced employment or wages later on for young adults.
3. These numbers all reflect ongoing spells of employment, rather than completed spells.
4. Tabulations of job tenure from special supplements of the Current Population Survey are available from Austin Nichols at the Urban Institute.
5. See Holzer, Stoll, et al. (2004). Health benefits may limit worker movement across jobs simply because some fear they will be unable to obtain such benefits on their new jobs; evidence of such “job lock” appears in Madrian (1994).
6. See Gladden and Taber (2000) and Connally, Gottschalk, and Newman (2004).
7. This study uses the new Longitudinal Employer-Household Dynamics data at the Census Bureau, in which unemployment insurance records of individuals and their employers have been merged with other census datasets. See also Connally et al. (2004) and Schochet and Rangarajan (2004) for results that are based on other data but are at least broadly consistent with those described here.
8. In that study, low earners were those who were consistently earning less than \$12,000 a year early in the study period. By the end of the study, roughly 27 percent of initial low earners were consistently earning above \$15,000 a year. But some of these individuals appear to be second earners in families with income well above the poverty level. When the sample was restricted to those with poor education, low wages, or low-income families, only 15–20 percent of initial low earners ultimately were earning above \$15,000 each year.
9. See also Appelbaum, Bernhardt, and Murnane (2003) for discussions of how and why employers choose whether to compete through low wages versus training and higher productivity. There is no evidence in these industry case studies

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- of competitive disadvantages associated with pursuing the high-performance strategy, though such strategies sometimes flourish in firms with specialized niches of their respective product markets.
10. The largest earnings gains in Andersson et al. (2005) were observed for workers who changed jobs early, gained employment with a higher-wage employer, and then accumulated job tenure and wage growth by retaining the newer and better job in subsequent years.
 11. See Pager (2003) and Holzer, Raphael, and Stoll (2004) for evidence that employers are very reluctant to hire applicants, especially African American men, with criminal records.
 12. Autor (2001) shows that temp agencies often provide general skills training to their clients, at some expense to themselves, to signal the work-readiness and trainability of the client to potential employers.
 13. See the Urban Institute's Welfare Rules Database.
 14. On the other hand, the SSP evaluation showed some evidence that takeup was reduced by the full-time work requirement.
 15. The fading of beneficial effects after the subsidies were discontinued has been noted not only in New Hope, but also in SSP and MFIP.
 16. EITC payments are phased out for all earnings above roughly \$14,000 at the rate of 19 cents per additional dollar earned.
 17. While some have questioned whether the Portland results were driven by policy or the unique demographic characteristics of those in the study, Bloom, Hill, and Riccio (2003) cast doubt on the notion that the latter drove these results. But some programs that have chosen mixed strategies, such as Florida's Project Independence, have been less successful than Portland's. The exact mix of services provided and the quality of implementation no doubt affect the success of the program to an important extent.
 18. The Pennsylvania GAPS initiative, which operated in Allegheny County, used a similar approach to PESD, although services were provided by community-based organizations. A nonexperimental study of this program found participants experienced some earnings gains, but incomes remained low and job benefits were poor (Wood and Paulsell 2000).
 19. These funds are distributed by local Workforce Investment Boards and are supposed to reflect local labor market needs among both workers and adults. WIA funds are used to support local "one-stop" offices for workers that provide "core" or "intensive" services, like job placement and counseling, as well as training.
 20. The strong labor market of the late 1990s might also have contributed to this finding, in that those in the control group were able to work just as much as those in the treatment group in that environment.
 21. For instance, the costs of training per female participant averaged about \$1,300, while the annual increase in earnings generated was about \$850 (Orr et al. 1996).
 22. Researchers have debated whether the GED alone has any positive impact on the earnings of a high school dropout—see Cameron and Heckman (1993) as well as Murnane, Willett, and Tyler (1999).
 23. The 30-month evaluation of nationwide CET sites (Miller et al. 2003) showed modest impacts on earnings for women only. But this might be partly attributable to the strong labor markets that generated employment opportunities for controls as well as the treatment group. Also, the control group in this study had unusually higher levels of educational attainment, especially at community colleges. The earnings of those who received CET training compared favorably with those in the control group that received no other kinds of education or training. MDRC is currently preparing a 54-month follow-up report.
 24. As we note below, it remains important for the training provided to be at least partly general, so it does not diminish the worker's mobility prospects across employers. Training that provides a well-recognized occupational credential seems to meet that requirement.
 25. The Center for Employment Opportunities in New York and the Safer Foundation in Chicago are examples of intermediaries that specialize in the ex-offender population. In contrast, Focus: Hope in Detroit focuses primarily on training machinists and other skilled workers for the auto industry, while the Paraprofessional Health Institute in New York specializes in the long-term care sector.
 26. See www.lehd.dsd.census.gov. Quarterly data on employment, hiring, turnover, and earnings are now available for very detailed demographic groups at the county or metropolitan level for participating states.
 27. Basic labor market theory in economics suggests that more general training will require greater investments by the worker or by the public sector, as employers will be less willing to pay for training that might ultimately benefit other employers (Becker 1975).
 28. The Annie E. Casey Foundation's "Jobs Initiative" in six large cities is one example of an effort to bring the work of these intermediaries to scale.

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