



## How Can We Encourage Job Retention and Advancement for Welfare Recipients?

Harry J. Holzer and Douglas Wissoker

Welfare reform in the United States to date has been remarkably successful at reducing welfare caseloads and raising employment rates among current and former welfare recipients.<sup>1</sup> Similar gains have not yet been noted in other aspects of employment, such as job performance, retention, and advancement. Ultimately, these factors will be among the most important determinants of the wages and benefits that welfare recipients earn in the labor market and of their ability to support their families and achieve financial independence. But the research evidence to date on these issues has been limited, and what is available has mostly suggested low rates of retention and advancement.<sup>2</sup>

This brief presents new evidence on job performance and retention among welfare recipients. In particular, new findings have been drawn from a recent survey that focuses on the experiences of employers from four large metropolitan areas in hiring welfare recipients. The study then considers what these findings imply for policies on retention and advancement of welfare recipients, in light of what is known from various program evaluations in this area.

### How Successfully Do Welfare Recipients Perform and Retain Their Jobs?

The evidence presented below is drawn from a new survey of roughly 3,000 employers in four large metropolitan areas—Chicago, Cleveland, Los Angeles, and Milwaukee—in 1998 and 1999.<sup>3</sup> The survey focused on whether employers

were willing to hire women on welfare; whether they had done so in the past two years; and, if they had, their experiences with their most recently hired welfare recipient.<sup>4</sup> A wide range of employer, job, and worker demographics were gauged in the survey as well.

The measures of employer experience with their most recently hired recipients included:

- Whether the employee had left the firm as of the survey date, and the reason for any separations that occurred (quits, discharges, etc.);
- Whether each of a set of problems was experienced with this employee, where the problems included absenteeism, poor basic or job skills, poor attitudes toward work, substance abuse, and relations with coworkers; and
- A rating of the employee's performance relative to other workers who have been hired into the same job, where the ratings included "better," "similar," or "worse."

Figures 1 through 3 summarize these measures of employer experience with recently hired recipients. The findings include:

- Only a fourth of the recently hired welfare recipients had left their jobs (even though an average of eight months had elapsed between the hire and survey dates).
- Most recipients are considered as good as or better than the typical employee

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in the same job, while only about a sixth are considered worse.

- Relatively few of the hired recipients suffer from deficiencies in basic or job-related skills (about 10 percent each), and far fewer experience difficulties with substance abuse (about 2 percent).
- However, sizable fractions of the recipients have problems with absenteeism (40 percent), attitudes toward work (15 to 20 percent), and/or relations with coworkers (15 to 20 percent).

Most hired welfare recipients perform at least reasonably well on their jobs and have retention rates higher than previously thought.<sup>5</sup> Still, significant fractions suffer from weak job performance or from turnover, and even more have one or more serious workplace problems.<sup>6</sup> Problems associated with “soft skills” (i.e., basic work-readiness and social skills) seem more prevalent than those associated with “hard skills” (i.e., cognitive and task-related abilities), *at least among those who have been hired and in the jobs that they hold.*<sup>7</sup>

The problems considered in figures 1 through 3 are strongly related to one another. Specifically, those who leave their jobs are much more likely than those retained to be rated “worse” than others, and those with retention and performance difficulties also have the highest rates of absenteeism and other problems at work.<sup>8</sup> Furthermore, while those who have quit

their jobs (who account for the largest share of separations) have better performance and fewer problems than those who have been discharged, they have much weaker performance and more severe problems than those who have been retained.<sup>9</sup> Thus, job leaving appears to reflect significant workplace problems, and not opportunities for advancement into better jobs.

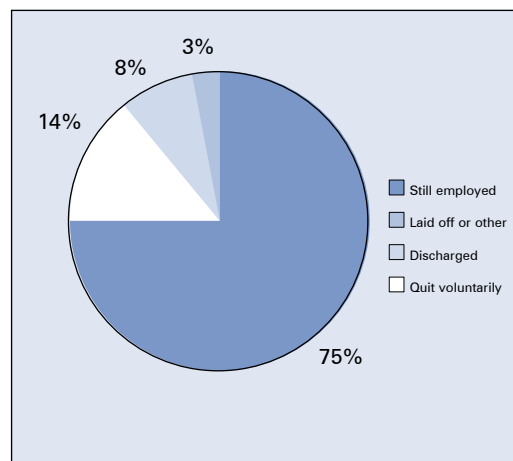
Some additional evidence on these problems appears in figure 4, which presents the sources of absenteeism among those that experienced it. The results suggest that difficulties with child care, health, and transportation are primary causes of absenteeism. Additional analysis shows that transportation problems are also related to the establishment’s location; suburban employers or those not accessible by public transit experience greater difficulties with such absenteeism than those located in the central cities or nearer to transit.<sup>10</sup>

### Worker/Job Characteristics, Performance, and Retention

Table 1 presents some data on characteristics of the worker and the job filled, according to whether the worker is still employed and whether the employer has experienced at least one of the problems listed in figure 3.

The data paint a somewhat mixed picture of employed welfare recipients and the jobs that they hold. For one thing, most

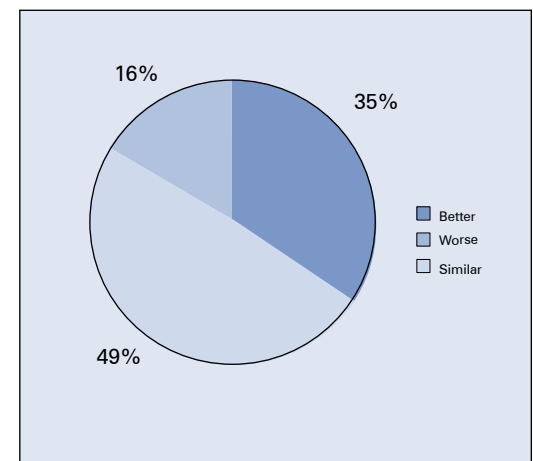
FIGURE 1. Retention of Recently Hired Welfare Recipients \*



Source: Survey of employers, 1998–99.

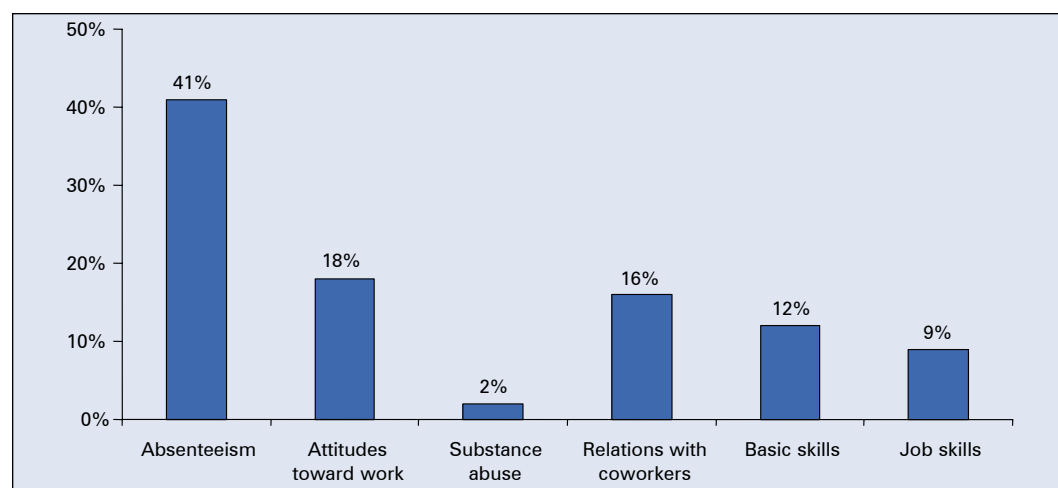
\* An average of eight months elapsed between the hire and survey dates.

FIGURE 2. Performance of Welfare Recipient Compared with Typical Employee in This Job



Source: Survey of employers, 1998–99.

FIGURE 3. Percent of Employers Reporting Former Welfare Recipient Employees with Specific Problems



Source: Survey of employers, 1998–99.

of these women are high school graduates, and almost half had specific work experience that was relevant to this job; many of the “hardest-to-employ” recipients are therefore not well represented here (see endnote 7). At just about \$7 per hour, median wages are fairly low. Although most establishments offer health insurance to these workers, low takeup rates by employees generate health insurance coverage that is actually much lower than these numbers imply.<sup>11</sup> Likewise, while promotions appear to be at least possible for most recipients on the job, this study’s measurements are limited to those who “perform well”—a category that may be fairly small, according to figure 2.<sup>12</sup>

The data also indicate that workers who have left their jobs or have workplace problems have somewhat less education and experience, and are also less likely to be in jobs offering health insurance and opportunities for promotion.<sup>13</sup> While starting wages are not related to turnover or performance in these data, elsewhere they appear to be.<sup>14</sup>

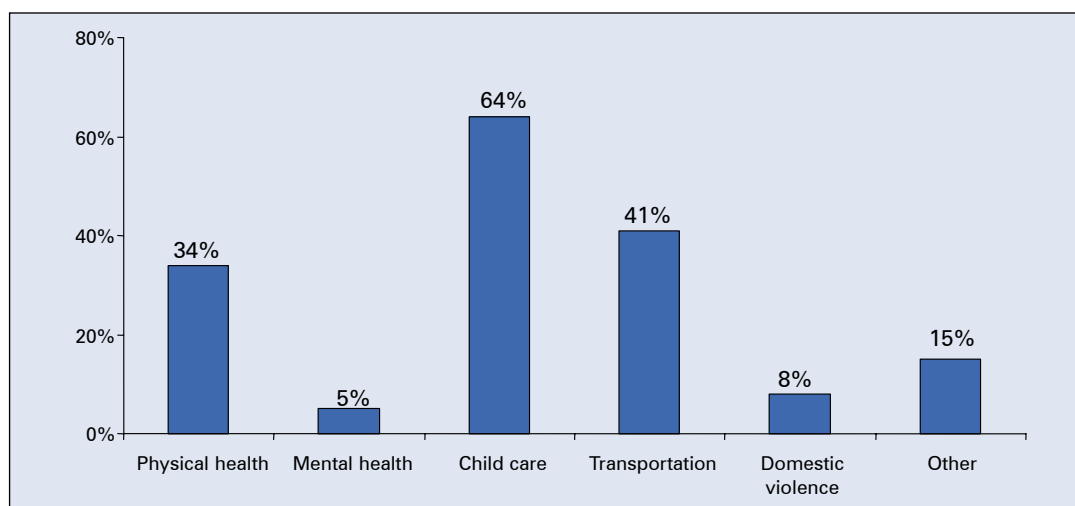
In sum, the data presented here suggest that there are three quite different groups of welfare recipients in the labor market. One group includes the majority of hired recipients who find and keep jobs, and who perform at least as well as their coworkers on those that they attain. However, this group generally suffers from

TABLE 1. Characteristics of Workers and Job by Whether Recently Hired Recipient Has Left Job and Whether Recipient Had Problems on the Job

	<u>Worker Has Left Job</u>		<u>Any Problems with Worker</u>		<u>Total</u>
	Yes (%)	No (%)	Yes (%)	No (%)	(%)
<b>Worker Characteristics</b>					
Has high school diploma	57.9	63.1	56.6	66.9	61.7
Has specific work experience	44.7	50.0	43.1	55.9	48.6
<b>Job Characteristics</b>					
Median wage	\$7.07	\$7.16	\$7.00	\$7.00	\$7.15
Health insurance offered	63.4	72.5	67.8	71.1	70.3
Opportunities for promotion for good performance	64.5	78.3	69.2	80.7	75.0

Source: Survey of employers, 1998–99.

FIGURE 4. Sources of Absenteeism among Recently Hired Welfare Recipients with Reported Absenteeism Problem



Source: Survey of employers, 1998–99.

relatively low wages and limited advancement prospects, either through promotions in their current jobs or movements into better ones. Another group includes those who have some difficulty with job performance and retention (roughly one-sixth to one-fourth of hired recipients) as well as those who suffer frequent absenteeism and/or other problems on the job (which includes up to half of them). A third group, which includes the “hardest-to-serve” recipients, has much more difficulty gaining employment in the first place and is not heavily represented in the data on new hires. The section below focuses primarily on the first two groups.

### Strategies for Improving Retention/Mobility: What Has Been Tried, and What Works?

The interest in promoting job retention and earnings growth at the state level has been fairly pronounced, and a wide range of approaches have been considered or implemented in this regard (e.g., Clymer, Roberts, and Strawn 2001). The approaches that are relevant for each of the first two groups discussed above, and what is known about their relative effectiveness, can be summarized as follows.

#### Improving Performance and Retention

**Work First**—Getting welfare recipients quickly into jobs has been a primary goal of welfare reform and is widely viewed as

one of the reasons for improved employment rates in this population. The primary benefit of maximizing the early work experience of welfare recipients is that retention rates for young and unskilled workers should improve for those accumulating such experience, as table 1 suggests (see also Holzer and Lalonde 2000). However, the wage growth and upward mobility associated with such “work-only” approaches are likely to be quite modest (Burtless 1995; Gladden and Taber 2000); and those with the most serious difficulties becoming or staying employed will likely accumulate too little experience to benefit much from this approach.

**Work Supports and Benefits**—Given the apparent importance of child care, health care, and transportation difficulties in generating absenteeism and poor performance, policies that focus on these supplemental benefits and work supports are likely to generate higher retention as well (Strawn and Martinson 2000). Although employers frequently provide health benefits to their employees and might have some incentive to assist with child care and transportation as well, many recipients do not actually receive health benefits on the job (Loprest 2001), and few employers even offer child care or transportation assistance for this population of workers (Holzer, Stoll, and Wissoker 2001).

**Make Work Pay: Earnings Supplements**—The literature cited above

suggests that job retention may be related to earnings levels on the job. This view is supported by a variety of careful evaluations—such as the Minnesota Family Investment Program, the New Hope project, the Canadian Self-Sufficiency Project, and others—showing that cash earnings supplements can lead to increased retention as well as higher employment rates among those with the greatest employment difficulties (e.g., Michalopoulos 2001).

**Post-Employment Services**—Many states and welfare-to-work programs provide some post-employment case management and services (e.g., Clymer et al. 2001; Nightingale 2001), including job mentoring, peer support, counseling, and the like. In theory, these should be useful for addressing the kinds of “soft-skill” and absenteeism problems noted above. However, these approaches failed to generate any positive impacts in the Post-Employment Services Demonstration (Rangarajan 1998). More careful targeting of services to those with retention difficulties, or greater integration of these services with other incentives and supports, might generate more positive outcomes for those with retention and performance problems. Pre-employment “soft-skills” training or transitional work experience in a community service job might also help to address some of these workplace difficulties.

### **Improving Wage Growth and Job Advancement Prospects**

**Education and Training**—Policies that aim to generate significant upward mobility among welfare recipients, particularly those who do not currently experience great performance and retention problems, must include an education or training component. In contrast to the approaches that were stressed in the earliest years of welfare reform, a growing number of states have been allowing parts of their Temporary Assistance for Needy Families (TANF) surpluses to be spent on education and training activities (Clymer et al. 2001).

Of course, the earnings gains associated with short periods of training for the disadvantaged have been quite limited (Lalonde 1995); and, while the benefits of educational credentials (such as associates degrees) are higher, the costs of providing

them in large numbers are much higher as well. Still, evaluations of approaches that combine education and training with “work-first” activities have suggested positive results (Michalopoulos 2001), and the benefits of training appear to improve over longer periods of time (Hotz, Imbens, and Klerman 2000). Subsidies to employers for providing on-the-job training to less-advantaged workers might also generate positive outcomes, though the research evidence here is limited.<sup>15</sup>

### **Job Placement and Mobility**

**Strategies**—The data imply that the characteristics of the jobs that workers obtain can have important effects on performance and retention. This suggests that the potential benefits of careful job placement activities might be quite high. In fact, a few programs that have stressed pre-employment services and better initial job placements show some evidence of higher retention and earnings among recipients (Strawn and Martinson 2000). These approaches might be extended to include career planning and “ladders” for those who successfully master their initial placements (Nightingale 2001). The approaches should also be combined with job training that is targeted toward strong sectors of local labor markets (e.g., Aspen Institute 2001). However, careful and rigorous evaluations of these approaches have not been performed to date, and more should be known about the sectors in which less-skilled workers perform well before such policies are strongly advocated.

## **Conclusion**

Most welfare recipients who are hired seem to perform at least adequately in their jobs and have fairly high retention rates. Still, most also earn relatively low wages and have limited prospects for advancement, either in these jobs or elsewhere. And significant fractions of these workers experience major difficulties with job turnover, absenteeism, and other aspects of performance.

A wide range of approaches has been tried to address these concerns at the state level, with at least some preliminary evidence of success. Still, promising innovations need to be carefully developed and rigorously evaluated before they are



implemented. Alternatively, federal funding across states might be tied more closely to performance measures for retention and advancement (Strawn, Greenberg, and Savner 2001), so that states would have additional incentives to learn what works best for their own welfare populations.

A few additional caveats should be listed here as well. For one thing, these data imply that different services should be targeted to those with limited wages or prospects for advancement as opposed to those with performance/retention problems (or those who have the most difficulty just getting hired). But since the standard measures are often poor predictors of exactly which recipients will have these difficulties (e.g., USGAO 2001), such targeting might be difficult to accomplish. Also, in a serious economic downturn, the resources available within the TANF system to deal with these problems will dwindle as caseloads and cash payments rise. Those groups that are likely to have the greatest difficulties gaining employment in the first place need special services and consideration as well.

Finally, remember that many low-wage workers, in addition to those on welfare, suffer from difficulties with retention and advancement. Strategies that broadly address these problems should be developed for the working poor.

## Endnotes

1. Despite the striking improvements in employment rates, only 50 to 60 percent of former recipients are employed in any given quarter (Loprest 2001), and some groups of recipients (particular minorities and high school dropouts) have more difficulty gaining employment than do others (Holzer and Stoll 2001).
2. For instance, Burtless (1995) and Hershey and Pavetti (1997) show high turnover rates and limited wage growth among welfare recipients who have left the rolls in earlier time periods. More recent data (e.g., Rangarajan 1998) suggest some improvements in job retention by the mid-1990s. Data from the Welfare-to-Work Partnership (1999) suggest some employer satisfaction with welfare recipients hired, but these data provide little evidence on retention and reflect a highly nonrandom sample of employers.
3. Of these four metro areas, Los Angeles has the most ethnically diverse welfare population and the most geographically dispersed employer community. The policy environments differed somewhat across areas as well, with Milwaukee being part of Wisconsin's aggressive program ("Wisconsin Works") to reduce rolls and employ welfare recipients, while reform

efforts in Los Angeles were administered much more slowly. These differences are explored in more detail in Holzer and Stoll (2001).

4. The establishments represent a random sample stratified *ex ante* by establishment size, with larger ones oversampled to reflect the distribution of establishment sizes in the workforce. The phone survey was administered to individuals responsible for entry-level hiring at the establishment. Response rates of about 70 percent were achieved in establishments where the contact person was reached. About 800 establishments, nearly a third of those surveyed, indicated that they were quite certain that they had hired one or more welfare recipients in the recent past. The survey data are described more fully in Holzer and Stoll (2001).

5. See Holzer et al. (2001) for more detailed estimates of hazard rates of job turnover in these data. It is possible that the data overstate employment retention by omitting "informal" jobs or other spells of employment besides the most recent. But evidence from the 1999 National Survey of America's Families also indicates lengthier employment durations among welfare recipients than had previously been observed (Loprest 2001).

6. About half of all employed recipients have one or more of the problems listed in figure 3.

7. Since this is a sample of hired recipients, the sample will substantially underrepresent those recipients with the greatest difficulties getting hired, who often have serious "hard-skill" deficiencies (Danziger et al. 2000). The data also reflect their skills relative to the needs of particular jobs attained by these recipients, rather than more broadly.

8. For instance, among those who have left their jobs, 43 percent are rated worse than others and 75 percent experienced absenteeism problems. Comparable estimates for those who retained their jobs are 8 percent and 29 percent, respectively.

9. Among those who have quit, 36 percent are rated worse than others and 70 percent experienced absenteeism problems; among those who were discharged, comparable estimates are 57 percent and 88 percent, respectively.

10. Absenteeism rates are about 8 percentage points (or 20 percent) lower in establishments that are easily accessible by public transit. See Holzer et al. (2001).

11. Takeup rates by employees appear to be limited by high copayments and/or deductibles for health care benefits. Thus, actual coverage appears to be well under half the rate suggested in the table (Loprest 2001).

12. Performance measures in figure 2 are based on comparisons with the "typical employee in this job," who is often a very unskilled or inexperienced worker as well. Even so, only about a third of the welfare recipients hired perform better than this comparison group in the employer's perception.

13. Standard errors on the differences in percentages range from 3.5 to 4.5 percentage points. Attainment of a high school diploma and specific work experience are significantly related to the presence of problems; provision of health insurance is significantly related

to retention; and opportunities for advancement are significantly related to both presence of problems and retention.

14. Lower turnover rates have been linked to wages in other studies (e.g., Holzer and Lalonde 2000); the lack of an observed effect here might reflect too little variation in that outcome measure among workers who had all been welfare recipients. Also, there is always some question about whether observed relationships between job attributes and worker turnover really capture the effects of the job, or those of the people who fill them.

15. Employer tax credits designed to improve retention, such as those that increase the amount of credit available after individuals have been retained for some length of time, have similarly not been evaluated to date and generally have very low takeup rates.

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