Can Low-Income Single Parents Move Up in the Labor Market?

FINDINGS FROM THE EMPLOYMENT RETENTION AND ADVANCEMENT PROJECT

By Cynthia Miller, Victoria Deitch, and Aaron Hill

A large fraction of the U.S. workforce earns wages that cannot lift a family above the poverty line, and although some of these individuals will move up over time to better and higher-paying jobs, many will not. Policymakers have expressed significant interest in finding ways to help these workers stay employed and advance in the labor market. Identifying effective strategies, however, has been a challenge.

The Employment Retention and Advancement (ERA) project is an early attempt to identify what might work. Launched in 1999, the project identified and tested a range of innovative program models that were designed to promote employment stability and wage or earnings progression among low-income individuals, mostly current or former recipients of Temporary Assistance for Needy Families (TANF). The programs were evaluated using an experimental research design, in which individuals were randomly assigned either to a program group, whose members were eligible to receive ERA services, or to a control group, whose members were not eligible to receive ERA services. In testing over a dozen different program models using randomized control trials, the ERA project has advanced public policy by identifying strategies that appear promising, as well those that do not. Box 1 provides more details about the ERA project.

While the main objective of ERA was to test a range of program approaches, the data collected as part of the evaluation also provide an important opportunity to look in-depth and over time at the work experiences of the more than 27,000 single parents — both those who received ERA services (program group) and those who did not (control group) — who were targeted by 12 of the programs. The single parents in the sample, nearly all of whom are mothers, were either receiving TANF or had recently left it prior to entering the study. They were relatively young at study entry; nearly half did not have a high school diploma or General Educational Development (GED) certificate; and the majority had at least one child under the age of six. In the analysis summarized here, work and earnings trajectories were tracked for the full evaluation sample — that is, parents in the program and control groups. Although the experiences of parents in the
parents who advanced tended to have higher-paying jobs that offered more benefits. These factors included incentives such as incentives for full-time work, assistance with finding better jobs, and the use of nongovernmental agencies to deliver services.

3. Finally, parents did not work in Year 3 if they had no reported UI earnings in Year 3.

4. See Chapter 2 for a detailed discussion of the criteria for advancement.

5. About four in ten single parents did not advance, meaning that they did not work during Year 3 or had increased their earnings by less than 10 percent. Parents did not advance if they had low or no earnings in Year 1 and had not moved up to medium or higher earnings by Year 3.

6. The ERA project was conceived and funded by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services and also supported by the U.S. Department of Labor. MDRC — a nonprofit, nonpartisan research organization — is evaluating ERA under contract to ACF.

7. The successful programs included features such as incentives for full-time work, assistance with finding better jobs, and the use of nongovernmental agencies to deliver services.


9. See Chapter 2 for a detailed discussion of the criteria for advancement.

10. The ERA tested 16 innovative models across eight states designed to help low-wage workers stay employed and advance in the labor market over time. Targeted largely to current or former recipients of Temporary Assistance for Needy Families, some who were working and some who were not, the models included features such as individual staff-client meetings, partnerships with nongovernmental agencies to deliver services, financial incentives for participation or employment, and encouragement of participation in education and training. The models were implemented between 2000 and 2005 and were evaluated using a random assignment design.

Findings presented in MDRC’s 2010 report on ERA’s impacts, covering three to four years after study entry and excluding the four models that solely served hard-to-employ individuals, show that three of the programs led to increases in employment and earnings for all or much of the follow-up period. The successful programs included features such as incentives for full-time work, assistance with finding better jobs, and the use of nongovernmental agencies to deliver services.

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Some limitations to using UI data to measure advancement. First, although these records cover most employment in a state, they do not capture certain types of jobs, including self-employment, federal government employment, military personnel, informal jobs, and out-of-state jobs. Second, they do not provide information on why earnings might change from one quarter to the next, since quarterly earnings are the product of the hourly wage, weekly hours worked, and weeks worked during the quarter. Finally, because they include only earnings, the UI data do not provide information on other ways in which workers might advance, such as by obtaining employer-provided benefits or by having greater job satisfaction. However, survey data generally are consistent with the classifications derived from the UI data, in that parents who advanced tended to have higher-paying jobs that offered more benefits.

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Parents advanced if they moved up to the medium- or high-earnings categories between Years 1 and 3 or, if their earnings were already high in Year 1, experienced an earnings increase between Years 1 and 3 of more than 10 percent. Parents did not advance if they had low or no earnings in Year 1 and had not moved up to medium or higher earnings by Year 5, had medium earnings in Year 1 but had not moved up to higher earnings by Year 5, or had higher earnings in Year 1 but had not increased their earnings by at least 10 percent by Year 5. Finally, parents did not work in Year 3 if they had no reported UI earnings in Year 3.

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Parents who advanced stayed employed more consistently than other parents. In contrast, among those who did not work during Year 3, only 64 percent of the parents who were employed in a given quarter were still working in the next quarter. High rates of job loss help to explain why this group worked so little over the follow-up period.

Another explanation for these parents’ lack of advancement, however, is that once they left work, they suffered long spells of joblessness. Among those who were out of work in any given quarter, for example, fewer than 5 percent would move into work by the next quarter, meaning that 95 percent were still not working. Parents who advanced returned to work more quickly than other parents; among those who were out of work in any given quarter, nearly 40 percent were back to work by the next quarter.

• Parents who advanced experienced faster earnings growth while working than other parents, especially when they changed jobs.

A key assumption behind the earlier generations of welfare-to-work programs was that work experience was the best route to advancement, meaning that if programs could simply move individuals into work, increases in earnings would follow. However, recent data show that less-skilled workers experience fairly modest wage growth with work, they suffered long spells of joblessness. Among those who were out of work in any given quarter, for example, fewer than 5 percent would move into work by the next quarter, meaning that 95 percent were still not working. Parents who advanced returned to work more quickly than other parents; among those who were out of work in any given quarter, nearly 40 percent were back to work by the next quarter.

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A key assumption behind the earlier generations of welfare-to-work programs was that work experience was the best route to advancement, meaning that if programs could simply move individuals into work, increases in earnings would follow. However, recent data show that less-skilled workers experience fairly modest wage growth with experience. The ERA sample is no different. Parents who advanced were not more likely to change jobs than other parents primarily in terms of education, age, and work history. Parents who advanced were more likely to have a high school diploma or higher degree (53 percent), compared with parents who did not work in Year 3 but had not advanced (46 percent) and those who did not work in Year 3 (42 percent). Parents who advanced were similar in age to parents who worked in Year 3 but had not advanced, and somewhat younger than parents who did not work in Year 3 — only about 11 percent of parents who advanced were over the age of 40, compared with 16 percent of parents who did not work in Year 3. Parents who advanced also had higher earnings than other parents in the year prior to entering the study, earning, on average, $2,900 per quarter employed.

At the median, parents who advanced experienced earnings growth of 2.5 percent for an additional quarter of employment, or 10 percent per year. In contrast, earnings growth at the median was negligible for both of the other two groups: –0.5 percent for parents who did not advance, and –0.6 percent for parents who did not work in Year 3. Although it seems odd for a worker to experience negative earnings growth from one quarter to the next, reductions in quarterly UI earnings can occur because of a decline in hours or weeks worked or in real wage rates. Real wages can and do decline over time if they do not keep pace with inflation.

Previous research has demonstrated that low-wage workers who advance tend to do so by moving to better, higher-paying employers. Data for the ERA sample similarly show that single parents experience substantially larger earnings gains from changing jobs compared with those who stay with the same employer. At the median, all single parents in the ERA sample gained 0.4 percent in earnings from staying at the same employer from one quarter to the next, but those who changed employers gained 12.6 percent. Parents who advanced had higher earnings growth than other parents largely because they gained considerably more when they changed jobs. Although parents who advanced were not more likely to change jobs than other parents in any given quarter, when they did change jobs they gained (at the median) 21.1 percent in earnings, compared with gains of 5 percent to 6 percent for parents in the other two groups.

How Did the Parents Who Advanced Differ from Other Parents?

• Single parents who advanced had higher levels of education and were somewhat younger at study entry than other parents. They also had higher earnings in the previous year.

Single parents in ERA look, on average, similar to groups targeted by other employment and training programs for disadvantaged individuals. Many parents faced what might be considered barriers to staying employed and moving up over time. Over 40 percent, for example, did not have a high school diploma or GED certificate; the majority had at least one child under the age of six; and one in three parents had three or more children. In addition, earnings prior to study entry among those who worked were fairly low, averaging about $10,000 per year. Different racial and ethnic groups (for example, black, Hispanic, and white) were fairly equally represented in the ERA sample, although the proportions varied considerably within each ERA site.

Single parents who advanced differed from other parents primarily in terms of education, age, and work history. Parents who advanced were more likely to have a high school diploma or higher degree (53 percent), compared with parents who did not work in Year 3 but had not advanced (46 percent) and those who did not work in Year 3 (42 percent). Parents who advanced were similar in age to parents who worked in Year 3 but had not advanced, and somewhat younger than parents who did not work in Year 3. Parents who advanced were over the age of 40, compared with 16 percent of parents who did not work in Year 3. Parents who advanced also had higher earnings than other parents in the year prior to entering the study, earning, on average, $2,900 per quarter employed.
Education and training are potentially important avenues to advancement. As workers acquire more skills (or human capital), they become more productive and can command higher wage rates. A substantial amount of research documents, however, that persistence and completion are relatively low for less-skilled individuals, suggesting that many may need additional supports to increase their stock of human capital.

Data from the ERA evaluation show a relatively high rate of participation in education and training. Among all single parents, about 30 percent participated in at least some activity (that is, college classes, vocational training, basic education, or English as a Second Language) during Year 1. By follow-up month 42, as indicated by survey data, more than 60 percent had participated in some activity. The most common activities by the 42-month point were college classes and vocational training. Although the rates of participation were high, completion rates, as measured by credits earned or certificates received, were fairly low. By month 42, for example, only 20 percent of parents (or one-third of all education and training participants) had earned a certificate or license, and less than 3 percent had earned an associate’s or higher degree. Parents who advanced were somewhat more likely than other parents to have participated in education and training activities after study entry, particularly college courses and vocational training. Similarly, parental age is associated with advancement, although in different ways. For example, older workers tended to stay employed more consistently, but they also took longer to return to work if not employed.

- Single parents who advanced were somewhat more likely than other parents to participate in education and training activities during follow-up Year 1 and were more likely to obtain a license or certificate during Year 1. By follow-up month 42, however, these differences had narrowed.

Education level is strongly and positively associated with employment stability. For example, parents who advanced were more likely to work full time, earned $9.40 per hour, and was not offered paid sick days or employer-provided health coverage. Parents who advanced started out in better jobs than other parents, although not much better. Parents who advanced, for example, earned $9.90 per hour, compared with $9.08 for parents who did not work in Year 3. Parents in the former group were also more likely to be labor union members and to work in large firms. These differences in job and employer benefits were one strategy for advancement.

Parents who advanced, compared with other parents, were more likely to work full time and earned higher wages. They also worked in different types of jobs — jobs with larger employers and more often covered by a union agreement. In addition to the characteristics of the workers themselves, recent research suggests that job characteristics also matter for advancement, in that both “good” and “bad” jobs are available to low-wage workers. Certain industries, for example, tend to pay higher wages than others, and, even within narrow industry categories, larger firms tend to pay more than smaller firms. In this case, helping low-wage workers access these good jobs might be one strategy for advancement. Where workers start employment can also matter. Some jobs are less likely to offer training than others, some have higher turnover rates, and others have limited career ladders.

Survey data indicate that single parents in the ERA study who worked during Year 1 tended to work in low-wage, service-sector jobs. The typical worker, for example, worked full time, earned $9.40 per hour, and was not offered paid sick days or employer-provided health coverage. Parents who advanced started out in better jobs than other parents, although not much better. Parents who advanced, for example, earned $9.90 per hour, compared with $9.08 for parents who did not work in Year 3. Parents in the former group were also more likely to be labor union members and to work in large firms. These differences in job and employer benefits were one strategy for advancement.
By month 42, single parents who advanced were more likely than other parents to work in jobs that paid higher wages, offered key benefits, were covered by a union agreement, and were in larger firms.

<table>
<thead>
<tr>
<th>OUTCOME</th>
<th>ADVANCED</th>
<th>WORKED, BUT DID NOT ADVANCE</th>
<th>DID NOT WORK IN YEAR 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worked in year prior to 42-month survey (%)</td>
<td>94.7</td>
<td>85.7</td>
<td>56.3</td>
</tr>
<tr>
<td>Among those who worked</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Worked full time (35+ hours) (%)</td>
<td>79.2</td>
<td>62.5</td>
<td>59.4</td>
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<tr>
<td>Hourly wage ($)</td>
<td>11.12</td>
<td>9.78</td>
<td>9.25</td>
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<tr>
<td>Offered paid sick days (%)</td>
<td>52.4</td>
<td>40.6</td>
<td>23.7</td>
</tr>
<tr>
<td>Offered medical plan (%)</td>
<td>59.8</td>
<td>46.6</td>
<td>28.4</td>
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<tr>
<td>Member of labor union (%)</td>
<td>23.1</td>
<td>17.7</td>
<td>10.3</td>
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<tr>
<td>Service occupation (%)</td>
<td>35.0</td>
<td>41.2</td>
<td>46.4</td>
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<tr>
<td>Self-employed (%)</td>
<td>1.5</td>
<td>1.6</td>
<td>13.0</td>
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<td>Firm size (%)</td>
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<tr>
<td>Less than 50 employees</td>
<td>42.6</td>
<td>51.3</td>
<td>71.0</td>
</tr>
<tr>
<td>50 to 499 employees</td>
<td>32.4</td>
<td>32.6</td>
<td>18.9</td>
</tr>
<tr>
<td>500 or more employees</td>
<td>24.9</td>
<td>16.2</td>
<td>10.1</td>
</tr>
<tr>
<td>How job was found (%)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Friend or relative</td>
<td>35.2</td>
<td>36.9</td>
<td>43.2</td>
</tr>
<tr>
<td>Newspaper ad or Internet</td>
<td>18.0</td>
<td>16.0</td>
<td>10.9</td>
</tr>
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</table>

**SOURCE:** MDRC calculations based on responses to the ERA 42-Month Survey.

characteristics give some hints as to the types of jobs that may offer the best advancement prospects, although these associations are not necessarily causal and may be a result of unobserved factors. For example, individuals with the highest motivation levels may be the workers who are both more likely to be hired by larger, better-paying firms and the ones who would command higher-paying jobs already. Nonetheless, the results are supportive of other research suggesting that job and employer characteristics play an important role in earnings and advancement.\(^\text{16}\)

Finally, the survey data illustrate the limitation of using UI data to measure advancement, as explained earlier in Box 2. Among parents who did not work in Year 3 according to the UI data, 56 percent reported that they worked in the year prior to the 42-month survey. Although part of the discrepancy may be the imperfect overlap of the two time periods, the UI earnings data do miss some forms of employment. For example, the UI data do not cover self-employment, which is more prevalent in this group (at 13 percent) than in the other two groups (2 percent). Nonetheless, the survey data are consistent with the UI data in that the group that did not work in Year 3 appears to be the most disadvantaged in terms of labor market outcomes, with lower wages, less full-time work, and fewer benefits.

**Conclusions**

Data from the ERA evaluation show that the experiences of single parents who are targeted for employment retention and advancement programs varied widely. While some parents experienced large gains in earnings over the three-year period, others experienced long periods of joblessness. Parents who advanced had more stable employment over the period than other parents and they had higher rates of earnings growth. They had characteristics and experiences that are typically associated with more positive work outcomes: they were relatively more educated and younger at study entry, and they were more likely to participate in education and training, particularly college courses, during Year 1. These parents also seemed to do better when changing jobs, experiencing much larger earnings gains than other parents. By the end of the follow-up period, they were working in better-paying, higher-quality jobs.

The findings suggest the need to better target program services to match individuals’ circumstances. The services that are best for parents in the group that advanced, for example, are likely to be very different from the services that would benefit parents in the group that did not work in Year 3. What those services would be remains an open question. The findings here, although suggestive only, are consistent with other research in pointing to the importance of changing jobs and of access to “good” jobs as strategies to help low-wage workers advance. What is clear is that finding effective strategies to help workers advance should remain a key priority. Most of the single parents in the ERA study lost ground over time or spent long periods out of the workforce, and their prospects have probably further deteriorated in the wake of the recent economic recession.

The results are supportive of other research suggesting that job and employer characteristics play an important role in earnings and advancement.
Acknowledgments

MDRC is conducting the Employment Retention and Advancement project under a contract with the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services (HHS), funded by HHS under a competitive award, Contract No. HHS-105-99-8100. Additional funding has been provided by the U.S. Department of Labor (DOL). The Lewin Group, as a subcontractor, helped provide technical assistance to the sites. HumRRo, as a subcontractor, fielded the client surveys.

The findings and conclusions presented herein do not necessarily represent the official position or policies of HHS.

Dissemination of MDRC publications is supported by the following funders that help finance MDRC’s public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The Ambrose Monell Foundation, The Annie E. Casey Foundation, Carnegie Corporation of New York, The Kresge Foundation, Sandler Foundation, and The Starr Foundation.


Notes

2. Four of the 16 programs targeted harder-to-employ individuals and are not included in the analysis.
3. This brief presents highlights from the full analysis presented in Miller, Deitch, and Hill (2010).
5. Earnings growth is calculated as the percentage change in earnings from one quarter to the next, measured only over “full employment” quarters, or quarters in which the individual worked all 12 weeks.
6. See, for example, the New Hope Project (Miller et al., 2008) or the National Evaluation of Welfare to Work Strategies (Hamilton et al., 2001).
8. See Brock and LeBlanc (2005) for a discussion of low completion rates among community college students and examples of efforts to increase persistence.

References


Can Low-Income Single Parents Move Up in the Labor Market?

Findings from the Employment Retention and Advancement Project

The Employment Retention and Advancement (ERA) project evaluated strategies to promote employment stability among low-income workers. This practitioner brief examines the work, education, and training patterns of single parents in the ERA project. Three years after entering the study, only one in four single parents had advanced. Most of the remaining parents either spent long periods out of work or they lost ground. Single parents who advanced worked more consistently over the study period than other parents and, if they were unemployed, they returned to work more quickly. They experienced faster earnings growth while working than other parents, especially when they changed jobs. At the end of the study period, they worked in better jobs, such as those with higher pay and more benefits, than parents who had not advanced. These findings support other research in underscoring the importance of changing jobs and of access to “good” jobs as strategies to help low-wage workers advance.