

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.¹ 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.² 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

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BOX 1

THE EMPLOYMENT RETENTION AND ADVANCEMENT (ERA) PROJECT

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.

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 2003 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.

*Richard Hendra, Keri-Nicole Dillman, Gayle Hamilton, Erika Lundquist, Karin Martinson, and Melissa Wavelet with Aaron Hill and Sonya Williams, *The Employment Retention and Advancement Project: How Effective Are Different Approaches Aiming to Increase Employment Retention and Advancement? Final Impacts for Twelve Models* (New York: MDRC, 2010).

BOX 2

DETERMINING WHO ADVANCED

Quarterly earnings data reported to the state unemployment insurance (UI) system are used to define advancement. First, parents are classified in follow-up Years 1 and 3 as having “low earnings,” defined as earning less than \$8,000 during the year; “medium earnings,” defined as earning between \$8,000 and \$14,999; and “high earnings,” defined as earning \$15,000 or more during the year. Using these earnings categories, parents are divided into three groups (advanced, did not advance, and did not work in Year 3) based on how much they progressed between Years 1 and 3.

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 3, had medium earnings in Year 1 but had not moved up to higher earnings by Year 3, or had higher earnings in Year 1 but had not increased their earnings by at least 10 percent by Year 3. Finally, parents did not work in Year 3 if they had no reported UI earnings in Year 3.

There are 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.

control groups represent what would have happened in the absence of the ERA services, the work and earnings trajectories were similar for parents in the program groups. That is, including the program groups in the sample — which increases the sample size and thus increases the reliability of the observed findings — does not significantly change the results in this analysis, particularly since only three of the twelve program models affected employment and earnings.

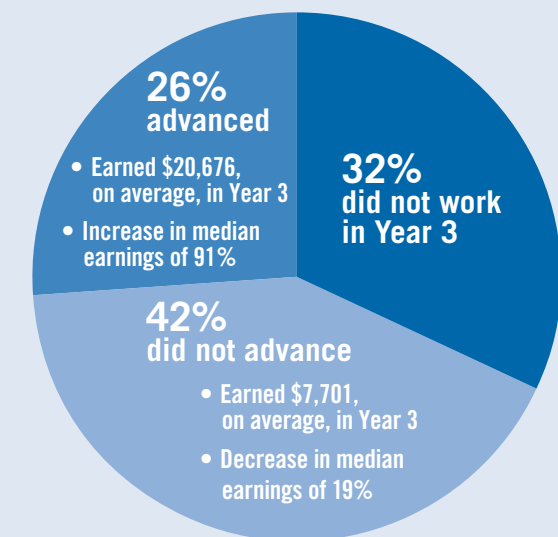
How many of these single parents advanced in the labor market after entering the study? How did their work and other experiences differ from the experiences of those who did not advance? Although such an analysis is descriptive and cannot be used to identify the exact causes of advancement, examining the characteristics of single parents who advance and the pathways by which they do so can inform the design of the next generation of retention and advancement programs.³

HOW MANY SINGLE PARENTS ADVANCED OVER TIME?

Single parents' employment and earnings experiences varied after they entered the study and are classified here among three groups — those who advanced, those who did not advance, and those who did not work during Year 3 of the study follow-up period — as described in Box 2. The ERA data indicate that about one in four parents *advanced*, meaning that they experienced a notable increase in earnings reported through unemployment insurance (UI) records between follow-up Years 1 and 3. The median worker in the group that advanced experienced a 91 percent earnings gain from Year 1 to Year 3, although average earnings during Year 3 were still fairly low, about \$20,700 in 2008 dollars (see Figure 1). As a comparison, the federal poverty line for a family of three is \$17,346.

FIGURE 1

One in four single parents advanced over time, one in three parents were not working in the final year, and the remaining 40 percent of parents worked but did not advance.



SOURCE: MDRC calculations based on state unemployment insurance earnings records.

About four in ten single parents *did not advance*, meaning that they worked during Year 3 but did not experience a notable earnings gain relative to Year 1. In fact, the median worker in this group saw her earnings fall between these two years, and average earnings were only \$7,700 during Year 3.

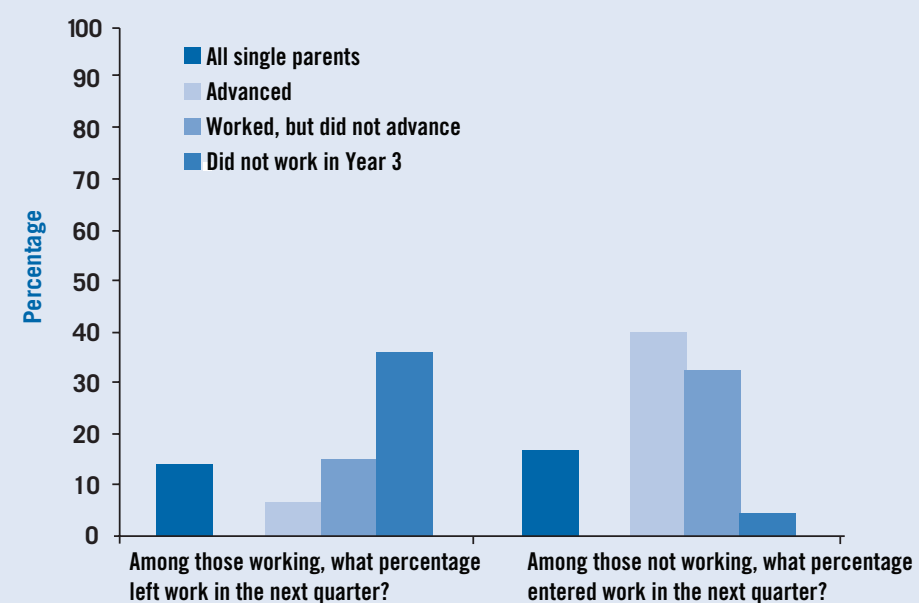
Finally, one in three parents in the sample *did not work during Year 3*, according to UI records. Just under half of this group also did not work during Year 1, suggesting that a significant number of these parents are very disconnected from the labor force, at least as indicated by employment in UI-covered jobs.

PATTERNS OF WORK AND EARNINGS FOR PARENTS WHO ADVANCED

- Parents who advanced had more stable employment than other parents and returned to work more quickly if they were not employed.

Examining the characteristics of single parents who advance and the pathways by which they do so can inform the design of the next generation of retention and advancement programs.

FIGURE 2
Single parents who advanced stayed employed more consistently than other parents and returned to work more quickly if not employed.



SOURCE: MDRC calculations based on state unemployment insurance earnings records.

Parents who advanced worked about 80 percent of the time during Years 1 and 2, compared with 70 percent for parents who did not advance, and 25 percent for parents who did not work during Year 3. Underlying these differences in total time employed are marked differences in the rate of leaving and returning to work. UI data were used to

construct transition rates into and out of employment.

Parents who advanced were employed more consistently than other parents over the three-year period.

The data show that parents who advanced were employed more consistently than other parents over the three-year period (see Figure 2). Among parents in this group who were employed in a given quarter, for example, only about 6 percent left work (or made the transition out of work) by the next quarter. Or, in other words, 94 percent of these parents were still employed. 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 experience.⁴ The ERA sample is no different. On average, earnings, adjusted for inflation, increased for single parents in ERA by 0.8 percent per quarter of work, for an annual rate of 3.2 percent.⁵

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 negative 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.⁶ 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 worked 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,

Single parents experience substantially larger earnings gains from changing jobs compared with those who stay with the same employer.

Parents who advanced had higher earnings growth than other parents largely because they gained considerably more when they changed jobs.

compared with \$2,600 for parents who worked in Year 3 but did not advance, and \$2,200 for parents who did not work in Year 3. The ages and number of children in the household were not strongly associated with advancement status: parents in the three groups had similar numbers of children, and parents in the group that did not work in Year 3 were only slightly less likely to have young children at home than parents in the other two groups.

Education and age can affect advancement through a variety of avenues. Analyses for the ERA sample, for example, indicate that education level is strongly and positively associated with employment stability (more educated workers are less likely to leave work) and is also, although less strongly, positively associated with the speed at which unemployed individuals return to work.

More educated workers were also more likely than other workers to change jobs in a given quarter, which, as the previous section noted, often brings substantial gains in earnings. Finally, more educated workers were also more likely 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 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.⁷ 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.⁸

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 during Year 1, particularly college courses, and were somewhat more likely to have earned college credit or a certificate or license. By month 42, however, differences across the groups had narrowed considerably. By that point, for example, 21 percent of parents in the group that advanced had earned a license or certificate, compared with 20 percent of parents in the group that worked in Year 3

but did not advance and 18 percent of parents in the group that did not work in Year 3. However, there were differences in the types of certificates obtained by month 42. As an example, parents who advanced were the most likely of the three groups to have earned a certificate in nursing and the least likely to have earned a certificate in cosmetic occupations.

Participation in education can affect a worker's earnings in several ways. Analyses for the ERA sample indicate that individuals who participated in education and training during Year 1, compared with those who did not, were more likely to subsequently change jobs after Year 1, to move back to work more quickly if not employed, and to experience greater earnings gains from changing jobs. However, the associations documented between training and subsequent outcomes are not necessarily causal, and these analyses cannot determine whether they are causal. Training may indeed lead to faster reemployment or higher earnings growth, although the types of people who take up training may have experienced these outcomes in any case.

- **By the end of the follow-up period, 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.⁹ 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 offered employer-provided health coverage, although the proportion of parents with this benefit was still less than 50 percent.

By the 42-month point, the overall picture for the full sample of single parents had improved. Average wages were just over \$10 per hour, and rates of offered employer-provided health coverage were near the 50 percent mark. Differences across the three groups of parents, however, had widened. Parents in the group that advanced were earning over \$11 per hour, compared with under \$10 per hour for the other two groups. Parents who advanced were also much more likely to work full time and to be offered health coverage in their jobs (see Table 1). They were also more likely to be labor union members and to work in large firms. These differences in job and employer

Helping workers access good jobs might be one strategy for advancement.

TABLE 1
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.

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

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.¹⁰

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.

Finding effective strategies to help workers advance should remain a key priority.

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NOTES

¹ Andersson, Holzer, and Lane (2005).

² Four of the 16 programs targeted harder-to-employer individuals and are not included in the analysis.

³ This brief presents highlights from the full analysis presented in Miller, Deitch, and Hill (2010).

⁴ Gladden and Taber (2000); Card, Michalopoulos, and Robins (2001); Connolly and Gottschalk (2006).

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).

⁷ Day and Newburger (2002).

⁸ See Brock and LeBlanc (2005) for a discussion of low completion rates among community college students and examples of efforts to increase persistence.

⁹ Andersson, Holzer, and Lane (2003).

¹⁰ Holzer, Lane, and Vilhuber (2004).

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CHANGE SERVICE REQUESTED

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

Findings from the Employment Retention and Advancement Project

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he 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.