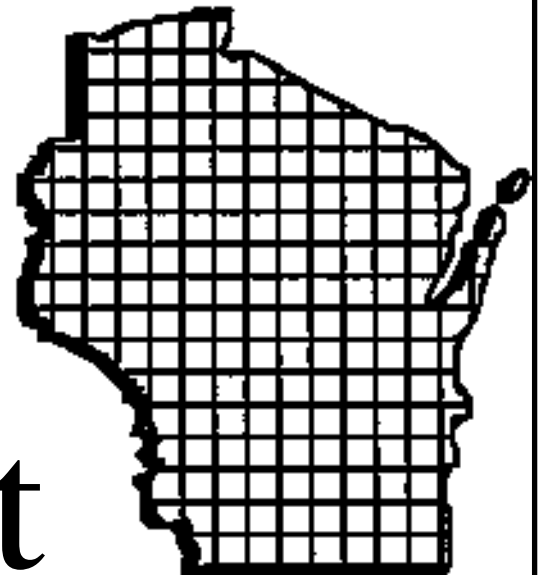


Wisconsin

Policy  
Research  
Institute

Report



April 2005

Volume 18, Number 3

# Road To Nowhere

*Education and Training Under  
Wisconsin Works*

## REPORT FROM THE PRESIDENT:

When Wisconsin Works (W-2) was introduced as the state's new welfare reform program a decade ago its philosophical framework was a new idea in social policy. Entitlements were to be replaced by personal responsibility, and the role of the state was to work with clients to obtain jobs and thereby help themselves economically in the future.

We asked Dr. David Dodenhoff, a nationally known welfare scholar, to examine the current state of W-2 in Wisconsin. This report describes a system where state bureaucrats are subtly reintroducing the concept of entitlement to our state's poor rather than a focus on personal responsibility. Education and training are the new mantras for our workforce development policies. Unfortunately there are two problems with this direction. First, very few people who are in these programs end up with credentials. Secondly, and most importantly, employers do not view these skills as most critical for entry-level position job applicants.

The most important part of this study is a unique survey of metropolitan Milwaukee area businesses. Companies were asked directly what skills they are looking for in new entry-level employees. Their responses indicate that a good work ethic and dependability are much more important than any kind of education or specific job training. Madison bureaucrats, who are detached from how Wisconsin businesses run, are simply not listening to the needs of the business community.

This report's recommendations for a restructuring of how Wisconsin spends money on welfare clients deserve serious consideration. At a time when state government faces major problems with our budget, this study raises issues that cross many areas. Elected officials and bureaucrats in Madison must stop spending millions of dollars especially on the programs for the poor that show little chance of success. We need new reforms and more accountability for the millions of dollars taxpayers in Wisconsin are spending on these programs. The direction should be to emphasize jobs, not adult education. We need to return to the guiding principle of employment in the private sector instead of failed feel-good policies. Everyone wants the poor to succeed, but is that the real goal of Madison bureaucrats?



James H. Miller

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# ROAD TO NOWHERE

## *Education and Training Under Wisconsin Works*

DAVID DODENHOFF, PH.D.

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## EXECUTIVE SUMMARY

Despite its ostensible focus on work, the Wisconsin Works program (W-2) devotes substantial resources to client education and training (also known as “human capital development”). At present, about 60 percent of the W-2 caseload is engaged in some sort of human capital development activity. Among the subset of clients who lack a diploma or high school equivalency, or who have a diploma but still lack basic skills, the number involved in education and training exceeds 90 percent.

Unfortunately, the state’s W-2 education and training strategy fails taxpayers, W-2 clients, and Wisconsin employers. There is abundant evidence for this in the evaluation literature on welfare programs, and in a Milwaukee-area employer survey conducted for this study.

For example, under W-2 the state strongly promotes adult education for clients who enter the program without a high school diploma or GED. Evaluation research shows, however, that adult education programs are ineffective in increasing participant employment rates and earnings.

Evaluation research also shows that only a small minority of welfare clients assigned to education and training activities can be expected to complete those activities — often as low as 10 or 15 percent, even after several years. Even so, the state continues to assign a majority of W-2 clients to education and training, knowing that the vast majority will never finish their assigned activities or earn a credential.

Furthermore, even among welfare recipients who do manage to earn an education or training credential, the marginal value of that credential is almost never sufficient to move a family out of poverty. Thus, the idea that education and training for welfare clients is a ticket to a middle-class existence is an illusion.

Finally, a survey of Milwaukee-area employers conducted for this project indicates that entry-level employers consider a good work ethic and dependability much more important than education or job-specific training. The W-2 program, however, continues to assign clients to education and training activities as if they were highly valued by employers.

In years past, when families could stay on welfare as long as they were financially eligible, enrolling clients in unproductive human capital development activities was less of a concern. But under the current welfare regime, in which clients are limited to five years’ worth of welfare use over the course of a lifetime, the state has an obligation to make every hour of participant time count. By channeling W-2 clients into often fruitless education and training activities, the state is failing in that obligation.

Based on these findings, the report makes the following recommendations:

- **The W-2 program should dramatically scale back the percentage of individuals it assigns to basic skills training, GED preparation, and high school diploma completion.**
- **No education or training activity should be available through a W-2 agency unless local employers or employer associations have either participated in its creation or affirmed that it is indeed a valuable activity.**
- **To the fullest extent possible, education and training activities should be put on a pay-for-performance basis — for both providers *and* participants.**
- **The W-2 program should emphasize education and training for the most job-ready individuals, rather than the least.**
- **The State of Wisconsin and W-2 agencies should create “bridge training” programs to help individuals qualify for vocational training.**
- **Community Service Job assignments for the hardest-to-serve clients could be reorganized along the lines of a supported work model.**
- **The state should adopt a modified version of Governor Doyle’s Trial Jobs Plus proposal.**

## INTRODUCTION

When Governor Tommy Thompson announced his Wisconsin Works (W-2) welfare reform proposal in late 1994, he established a number of philosophical principles to serve as a framework for the new program. Among them were the following:

- For those who can work, only work should pay.
- Everyone is able to work — or at least is able to contribute to society through work activity within one's abilities.
- Pride in work and self-sufficiency must be emphasized.<sup>1</sup>

These principles stressed the obligation of clients to work — *with* the state and *for* themselves, in order to improve their situation — rather than simply stipulating that the state would support its poor. The original principles did contain one mention of the state's obligation to provide services, but even that was telling: “The new system should provide only as much service as an eligible person asks for or needs.” This was known as the “light touch” philosophy, which encouraged provision of the minimum required complement of services, not the maximum possible one.

When Jim Doyle became governor in 2003, his Department of Workforce Development made changes to the W-2 principles. The new principles are dramatically different from those of Governor Thompson. Nowhere, for example, do the new principles cite the obligation of W-2 participants to seek, find, and keep employment. Furthermore, the revised principles strongly emphasize the services available to program participants. For example:

- Each W-2 agency shall explain the full spectrum of employment, education, and training and supportive services available to assist individuals and families to transition into the workforce.
- W-2 agencies will assist families with multiple barriers to employment, ensure that all participants have equal access to the full spectrum of resources, and avoid arbitrary and inappropriate sanctions.
- All programs and services shall be rendered in a fair and just manner, including adverse actions such as denials and sanctions, and participants will be informed of their appeal rights.

These revised principles place less emphasis on the obligation of clients to work, and more on the obligation of the state and W-2 agencies to provide clients with a “full spectrum” of services.

Among the available services under W-2 are education and training. These may include basic training in math, reading, and writing; GED preparation; English as a Second Language (ESL); high school coursework; and occupational skills training. All such activities are intended to develop the W-2 client's “human capital,” that is, the knowledge, skills, and abilities that make him or her attractive to an employer.

Ultimately, decisions about which clients will participate in education and training are determined between the clients themselves and their case managers. Consistent with the new W-2 principles, though, the state has provided some strong guidance on this point. Included in the 2003 Wisconsin state budget was the following language:

A Wisconsin Works agency shall conduct an educational needs assessment of each individual who applies for a Wisconsin Works employment position. If the individual and the Wisconsin Works agency determine that the individual needs, or would benefit from, education or training activities . . . the Wisconsin Works agency shall include education or training activities in any employability plan developed for the individual.<sup>2</sup>

In keeping with this policy, the state has encouraged W-2 agencies to place any client lacking a diploma or GED into one or more education activities: literacy and numeracy skills, GED preparation, ESL, and high school completion. (Some W-2 agencies have interpreted this policy more broadly, assigning even individuals who *do* have a GED to a high school completion track.) In addition, individuals who have a diploma may be assigned to more advanced, job-specific vocational training programs, such as specialized manufacturing, home health care, computer maintenance, automotive repair, or culinary arts.

The result of this emphasis on human capital development is that overall, about 60 percent of the W-2 caseload is engaged in some sort of education or training activity.<sup>3</sup> Among the subset of clients who lack a diploma or equivalency, or who have a diploma but still lack basic skills — these groups together constitute a small majority of the caseload — the number involved in education and training exceeds 90 percent.<sup>4</sup>

The financial commitment required for these activities is a significant one. During federal fiscal year 2003, the most recent one for which data are available, the state spent \$8.5 million in federal funds and \$1.6 million in state funds on education and training programs for W-2 clients.<sup>5</sup> Through the federal Welfare-to-Work grant program

administered by the Department of Labor, Wisconsin also spent a combined \$37 million in state and federal funds between 1998 and 2004 on supportive services for W-2 clients and non-custodial parents of children on W-2.<sup>6</sup> Those services included education and training.<sup>7</sup> Finally, Wisconsin has devoted millions of state and federal dollars to the One-Stop Job Center system, which also provides services to families on welfare (among other groups).

This commitment to education and training has greater implications for some W-2 clients than others. Some individuals come to the program already employed and in need of only supportive services — child care or transportation assistance, for example. Others are unemployed when they enroll in W-2, but have sufficient work experience or skills to find employment quickly. Education and training programs are available to these two groups if they wish to participate in them, but participation is largely discretionary on the client’s part.

This does not hold, however, for clients who enter the program unprepared to move directly into the workforce. These clients constitute a majority of the W-2 caseload at any given moment (about 60 percent at present). Education and training are usually integral parts of their assigned activities.

At present, about half of these individuals will be placed in the Community Service Job (CSJ) tier of W-2. In this tier, clients can be assigned up to 30 hours’ worth of unpaid work per week in a government office or a non-profit, and an additional 10 hours of education and training. The other half of the cases are placed in a component known as W-2 Transitions. This is reserved for individuals with severe barriers to work. These individuals can be assigned up to 28 hours’ worth of work-related or rehabilitation hours per week, and an additional 12 hours’ worth of education and training activities.

W-2 clients are compelled to participate in their assigned activities through a process known as sanctioning. For every hour of assigned activities that a W-2 client fails to attend, he or she is docked \$5.15 (an amount equal to the federal minimum wage). For participants who refuse to participate in assigned activities at all, their cases can be closed and payment of benefits completely stopped. Thus, W-2 clients have a strong incentive to participate in assigned activities, including education and training.

\* \* \*

The pages that follow contain an assessment of the wisdom of the state’s commitment to education and training under the W-2 program. The discussion is informed in large part by visits to five W-2 agency offices—four in Milwaukee, and one in rural Wisconsin — in the summer of 2004. During those visits, group and private discussions were held with a total of 26 agency staff members. Those discussions addressed the basics of education and training program administration under W-2, and staff members’ suggestions for improving the effectiveness of such programs.

This report also relies heavily on a review of the evaluation literature on the effectiveness of education and training activities for welfare participants. In addition, the report presents the results of a survey I conducted of Milwaukee-area employers in industries that hire entry-level workers with relatively low education levels. Other similar surveys are reviewed as well. Finally, the report includes a number of recommendations for ways in which the State of Wisconsin can improve education and training activities under the Wisconsin Works program.

For those desiring a preview of the analysis that follows, the main conclusions are these:

- At present, the state is devoting large amounts of client time and taxpayer money to education and training programs that are almost certainly ineffective; and
- If the state wishes to make W-2 education and training worthwhile, it will need to radically restructure its thinking, its program administration, and the specific activities to which it refers clients.

These arguments are developed in the next section.

## **WHAT DOES EVALUATION RESEARCH TELL US ABOUT EDUCATION AND TRAINING?**

### **Introduction — “human capital development” versus “labor force attachment”**

Welfare programs that place primary emphasis on education and training are known as “human capital development” models, or HCD. In HCD programs case workers enroll almost all clients in education and training as a first activity. Only after clients have completed education and training do they begin looking for employment.

Some welfare programs, however, do not include a significant education and training component. These programs are known as “labor force attachment” models, or LFA for short (also “work first”). In these programs, wel-

fare case workers attempt to put clients into paid employment immediately, regardless of their previous levels of employment, education, or training. The idea behind LFA programs is that an actual job is the best education and training one can get. The sooner one can go to work, therefore, the better.

In recent years both of these program models have been subject to rigorous evaluation. The most experienced evaluation agency in the field is the Manpower Demonstration Research Corporation (MDRC). MDRC was created by the Ford Foundation in 1974 to help evaluate the spate of new social welfare initiatives launched by Lyndon Johnson and Richard Nixon. It became heavily involved in evaluation of welfare reform programs in the 1980s. MDRC's work in this area is universally regarded as high quality, unbiased, and scientifically rigorous.

MDRC's most recent study on the comparative costs and benefits of LFA versus HCD programs reached the following conclusion:

In side-by-side comparisons in the same sites, the LFA and HCD approaches' five-year impacts on employment, earnings, months on welfare, and welfare payments were not the same, but the differences were generally not statistically significant — that is, it could not be confidently concluded that the differences in impacts did not occur by chance. Where there were statistically significant differences between the effects of the two types of programs, however — such differences were found for some early follow-up years and for some subgroups and outcomes — the LFA programs always came out ahead.<sup>8</sup>

In layman's terms, MDRC found that there was not much difference between the “work first” labor force attachment programs and the “educate and train first” human capital development programs in terms of important program outcomes. To the extent that there were differences, those differences favored the LFA programs. Thus, despite the intuitive appeal of education and training programs for welfare clients, such activities appear not to work as well as aggressive job placement in boosting client employment and earnings.

Effectiveness is only one criterion, however (albeit a highly important one). If the human capital development approach were substantially less expensive to administer than the labor force attachment approach, one might be willing to tolerate the HCD programs' somewhat lower level of success. The MDRC study found, however, that the opposite was true: “The HCD programs were 40 percent to 90 percent more expensive than the LFA programs that operated in the same sites.”<sup>9</sup>

### **The effectiveness of “mixed” programs**

With that, the case might appear to be closed. If labor force attachment programs are at least as effective as human capital development programs in producing the desired outcomes, but are substantially less expensive to operate, why provide any education and training opportunities at all?

Supporters of education and training argue that most of the programs evaluated by MDRC were “one size fits all” in nature. In the human capital development programs, for example, virtually all clients were referred to some sort of education or training component — regardless of their work-readiness, their employment history, their education and training background, or their prospects for success in classroom- or on-the-job training.

Perhaps this, then, was the reason that education and training programs did not perform as well as the work-first programs — poor targeting.<sup>10</sup> There is no inherent reason, after all, that a welfare program might not embrace *both* HCD and LFA approaches. If a program could channel job-ready candidates into a job search component, and reserve training only for those participants who clearly need it, such a program might validate the effectiveness of the HCD approach.

In fact, “mixed” programs of this sort do exist, and MDRC has found some of them to be highly successful:

Most of the programs with the largest effects on earnings used a mix of job search and basic education as first activities. People who appeared to be ready to work were required to look for work, but participants who lacked basic skills were allowed to enroll in basic education. For the more disadvantaged groups, programs with a mix of first activities were especially effective if they were also employment-focused, suggesting that program administrators may want to build programs that have a mix of services.<sup>11</sup>

Within the field of welfare reform, mixed programs have taken on the status of a Holy Grail, discovered at long last. Ask any researcher or practitioner what works best for improving welfare clients' employment and earnings outcomes, and the answer will inevitably come back: “A mixed approach.”

This ought to encourage supporters of W-2, which itself is a mixed program. The most work-ready clients — those who have already secured part-time work but are looking for more hours; those with at least a diploma or GED;

those who are not pregnant; those who score well in formal assessments; and/or those who have a recent work history — are assigned to immediate job search, or perhaps a few weeks' worth of orientation and work-readiness training, followed by job search. Less work-ready individuals are placed in one or more of a variety of education and training activities, often coupled with unpaid work experience in a government office or non-profit, and limited job search. This is a classic mixed approach.

Before contenting ourselves that this approach is sound, however, we must determine whether mixed programs are more successful than uniform programs *because* they are mixed. If so, we can have confidence that W-2 is on the right path. If not, W-2's emphasis on education and training may need to be revisited.

One cannot simply assume that mixed programs work best because they are mixed. For its part, MDRC cautions that the mix of activities in these programs is not necessarily what makes them successful:

There has been no direct, rigorous comparison of a program with a mix of first activities with a program that emphasized primarily job search or basic education. The success of the mixed programs could stem from other factors such as the state of the economy or program location (most of the programs that used a mix of first activities were in California, for example).<sup>12</sup>

One reason that mixed approaches are so often advocated in the policy literature is that two mixed programs — Riverside GAIN and Portland JOBS — produced exceptionally good outcomes (at least by the standards of social policy). Despite the old joke that “one is an anecdote, two are data,” one would like to see how other mixed programs perform in comparison with the more uniform models.

MDRC's research allows for such a comparison. In recent years, the company has released five publications designed to sum up some of its most important findings from welfare program evaluations:

- *Moving People from Welfare to Work* (2002);
- *What Works in Welfare Reform* (2002);
- *How Effective are Different Welfare-to-Work Approaches?* (2001);
- *How Welfare and Work Policies Affect Employment and Income* (2001); and
- *What Works Best for Whom? Impacts of 20 Welfare-to-Work Programs by Subgroup* (2000).

Between them, these five studies present evaluation results on 26 different programs. Six of these programs involve earnings supplements or subsidies alongside other program features. They are, therefore, in a different class than LFA, HCD, and mixed programs, and so will not be considered here. Of the remaining 20 programs, eight are mixed models, five are labor force attachment models, and seven are human capital development models.

MDRC has published two-year earnings gains for program participants in each of these programs. By comparing the earnings gains among the 20 programs, one can determine which kinds of programs had the largest earnings impact.

Table 1 presents the relevant data.

The table indicates that mixed programs hold the top three spots, and five of the top eight.<sup>13</sup> But labor force attachment programs are also interspersed among the top eight, and round out the last two spots in the top 10. Furthermore, three of the mixed programs also appear in the bottom half of the table; two of them, in fact, hold the last two spots.

These data demonstrate that a mixed or balanced approach is not always more effective than a pure LFA model, or even a pure HCD model.<sup>14</sup>

Where a mixed approach *is* effective, however, that effectiveness is argued to derive from better targeting of program participants. This means that only individuals who truly need and can benefit from education and training will be assigned to such activities. Those who are equipped to work right away are assigned to job search, rather than spinning their wheels in education and training activities that will not improve their employment prospects significantly. But those who lack the skills, attitude, or experience to find and succeed in a job are placed in education or training. Only once they have completed those activities, and have improved their employment prospects thereby, do they go out on the job market.

If this is the logic by which mixed programs succeed, it should be the case that individuals who need or want meaningful education and training actually get them in mixed programs. That assumption does not hold up well, though, when one looks at the data.

**TABLE 1 TWO-YEAR EARNINGS GAIN RANKINGS FOR TWENTY PROGRAMS EVALUATED BY MDRC<sup>15</sup>**

Program Name	Rank	Two-Year Percentage Gain	Program Type
Butte County GAIN	1	68%	Mixed
Riverside County GAIN	2	37%	Mixed
Portland JOBS	3	37%	Mixed
Riverside County LFA	4	28%	LFA
LA Jobs-First GAIN	5	27%	LFA
Alameda County GAIN	6	24%	Mixed
San Diego County SWIM	7	23%	LFA
San Diego County GAIN	8	22%	Mixed
Grand Rapids LFA	9	17%	LFA
Atlanta LFA	10	16%	LFA
Grand Rapids HCD	11	16%	HCD
Riverside County HCD	12	15%	HCD
Detroit	13	13%	HCD
Florida Project Independence	14	13%	Mixed
Atlanta HCD	15	8%	HCD
Columbus Integrated	16	8%	HCD
Columbus Traditional	17	8%	HCD
Oklahoma City	18	6%	HCD
Los Angeles County GAIN	19	4%	Mixed
Tulare GAIN	20	-2%	Mixed

Programs that involve significant education and training components, as mixed programs do, typically succeed in increasing client *participation* in these activities. But they do not necessarily succeed in helping participants earn education and training credentials. The table below presents education and training outcomes for participants who began one of the five most effective mixed programs without a high school diploma or GED. The table indicates whether or not each program had a statistically significant impact on the percentage of participants earning the specified credential, in comparison with similar individuals who did not participate in the program. (Data are not available for the Butte program. Associate's degree data are not available for the Portland program.)

**TABLE 2 MIXED PROGRAMS' IMPACT ON EARNING OF EDUCATION/TRAINING CREDENTIALS<sup>16</sup>**

Program	Significant Impact on GED or diploma attainment?	Significant Impact on Associate's degree?	Significant Impact on trade license or certificate?
Butte	n/a	n/a	n/a
Portland	No	n/a	<b>Yes</b>
Riverside	No	No	No
Alameda	<b>Yes</b>	No	No
San Diego GAIN	No	No	No

The table indicates that in nine out of 11 cases, the mixed programs did *not* have a sig-



nificant impact on the earning of an education or training credential for individuals who initially lacked a high school diploma or GED.

Two caveats are in order here. First, the Portland program did produce an education and training success not captured in the table. In Portland, there was a statistically significant impact on program participants' earning of two credentials together — a diploma/GED and a second training credential.<sup>17</sup>

But even in cases such as this, in which welfare-to-work programs do have a measurable impact on the earning of educational credentials, that impact is usually quite small. In the Alameda program, which was the only one with a statistically significant impact on diploma/GED attainment, only nine percent of individuals who began the program without a diploma or GED ended up earning the credential after three years.<sup>18</sup> Five years into the Portland program, which was the only one to show a statistically significant impact on the earning of a trade license or certificate, only 12 percent of individuals who began the program with no diploma or GED had earned some kind of trade credential.<sup>19</sup> And though Portland also achieved a statistically significant impact on participants' earning of two credentials—a diploma or GED combined with a second credential of some sort — only eight percent of Portland participants who began the program without a diploma or GED achieved this outcome.<sup>20</sup>

A second caveat to the table results is this: one could argue that the table neglects to capture a potentially important education and training outcome — specifically, an increase in skills that does not result in a specific degree or credential. One could improve reading and writing skills, for example, but still not earn a GED or high school diploma.

MDRC has performed some analysis of this question with respect to both mixed programs (the six California GAIN programs) and HCD programs (Atlanta HCD, Grand Rapids HCD, and Riverside HCD). With one exception — San Diego GAIN, one of the mixed programs — these programs did not produce a statistically significant impact on participants' math or literacy skills at the two-year measurement point.<sup>21</sup> Furthermore, in some cases the effect was in the wrong direction; that is, program participants showed *worse* results than similar individuals who were not participating in the programs.

We can undertake one final piece of analysis to help determine whether education and training effectively increase human capital, even if they do not result in a specific credential. At three different program sites — Atlanta, Grand Rapids, and Riverside — MDRC arranged to have LFA and HCD programs run side-by-side, with clients assigned to them at random. Relative to the LFA sites, individuals assigned to the HCD sites should have emerged from the programs with upgraded skills. Upgraded skills, in turn, should have resulted in higher earnings.

Once again, the data fail to support this argument. For participants without a diploma or GED, Table 3 presents their average annual earnings, measured over five years, after participation in one of the LFA or HCD programs.

In each case, individuals without a diploma or GED who participated in an LFA program were just as well off after five years as those who had participated in an HCD program. In other words, if there was any net payoff to the education and training components of the HCD programs in Table 3, it does not show up here.<sup>23</sup>

**TABLE 3 ANNUAL WORK EARNINGS FOR CLIENTS LACKING A DIPLOMA OR GED, BY PROGRAM SITE<sup>22</sup>**

	Labor Force Attachment (LFA)	Human Capital Development (HCD)
Atlanta	\$3,037	\$2,790
Grand Rapids	\$3,671	\$3,232
Riverside	\$2,982	\$2,774

### Conclusions about mixed programs

So, are the successful mixed or balanced programs successful because they offer a mixed LFA/HCD approach? Though the data are limited, such data as are available indicate that the answer is “no.”<sup>24</sup>

To put that answer in more concrete terms, consider once more the Riverside GAIN program. Riverside, along with Portland, is often held up as evidence of the effectiveness of a mixed approach.<sup>25</sup> So let us imagine that 2,000 low-income single parents in need of financial assistance are divided into two equal groups at random. One of these

groups will participate in an exact replica of the Riverside program (the “Riverside group”), while the other will be left to its own devices (the “control group”). The control group will be free to pursue any education or training opportunities it can find on its own, but any such efforts will be purely voluntary and self-initiated. Some (though not all) members of the Riverside group, by contrast, will be required to participate in education and training activities, which will be provided through the program. The rest of the Riverside group will participate in immediate job search.

Extrapolating from the results of the actual Riverside program, if one tracked both groups, one would find that of the 1,000 members of the Riverside group, 207 had participated in an adult basic education or GED program over the program’s first three years. In the control group, only 48 would have done so. Furthermore, 268 of the Riverside group would have participated in vocational training or post-secondary education, compared with 286 of the control group.

As far as earning education and training credentials, 40 of the Riverside group would have succeeded in getting a GED or a high school diploma in the first three years. This compares with 35 among the control group. Ninety-eight of the Riverside group members would have gotten a trade certificate, compared with 92 of the control group members. And 32 of the Riverside group would have received an Associate’s or Bachelor’s degree, while 24 of the control group would have done so.

Finally, 380 members of the Riverside group would have participated in job search during the first three years, while 14 of the control group members would have.<sup>26</sup>

Table 4 summarizes all of this data, indicating the number of Riverside group members who completed various program activities who *would not have*, had they been in the control group instead. The number in each row is calculated by deducting the control group figures from the Riverside group figures in the narrative above.

**TABLE 4 MARGINAL NUMBER OF RIVERSIDE GROUP MEMBERS COMPLETING SPECIFIED PROGRAM ACTIVITIES**

<b>Program Activity</b>	<b>Number of Riverside Group Members Who Participated in Activity, Less Number of Control Group Members Who Participated in Activity</b>
Participating in adult basic education or GED program	159
Participating in vocational training or post-secondary education	-18
Receiving a GED or high school diploma	5
Receiving a trade certificate	6
Receiving an Associate’s or Bachelor’s degree	8
Participating in job search	366

Three things immediately stand out in this table.

First, a much higher number of Riverside group members participated in adult basic education or GED programs than did control group members. As noted above, this is not uncommon; welfare programs often produce statistically significant increases in human capital program participation.

Second, the differences in actual educational attainment between the two groups — earning of a GED, for example — are inconsequential. This illustrates again that increased *participation* in education and training programs may not result in increased educational *attainment*.

Third, the differences in job search participation between the two groups are enormous — the Riverside group engages in job search at a ratio of about 27:1 in comparison with the control group.

In light of these facts, common sense indicates that although Riverside was a mixed program, mandatory education and training activities had little to do with its success (note again the trivial educational attainment differential), and mandatory job search had a great deal to do with it.<sup>27</sup>

This further illustrates the need to abandon the presumption that mixed programs work *because* they are mixed, that is, because they include education and training components. Even programs that target their human capital devel-

opment services on individuals who need them most — and *only* on those individuals — may produce little or no gain from education and training.

### The limits of education and training under welfare reform

There are some who would selectively choose results from the foregoing discussion and conclude that education and training for welfare recipients are a waste of time and money.<sup>28</sup> A more measured conclusion would begin with the stipulation that budgetary resources, welfare client time and patience, and taxpayer and policymaker support for welfare programs are all limited. Working within these limits, a reasonable conclusion is that certain types of education and training for the disadvantaged can, for certain clients, increase educational attainment, job placement rates, and wages — though usually to only a small degree.

If that assessment seems unduly pessimistic and laden with caveats, it is also consistent with the best available research. Consider, for example, the results of the National Supported Work Demonstration, among the most successful education/training programs *ever* for long-term welfare recipients. At the end of that program, only 42 percent of program participants were employed, and the average participant was earning only \$9,876 per year.<sup>29</sup> And again, these results are considered exemplary.

In addition to being a successful program, the National Supported Work Demonstration was also a very expensive one, costing about \$12,700 dollars per participant (in 2004 dollars).<sup>30</sup> The Riverside program, by contrast, was also highly successful, but had a much more realistic price tag — about \$4,500 per participant.<sup>31</sup> Its results, though, tend to be fairly sobering for the uninitiated. At the beginning of the third year of program operations, only 31 percent of Riverside program participants were employed.<sup>32</sup> Over the course of the third year, program participants' average total earnings were only \$4,666.<sup>33</sup> Around 15 percent of program participants earned \$13,000 or more in the third program year. The other 85 percent earned less than that.<sup>34</sup>

The same kinds of results hold in terms of educational attainment. The Grand Rapids HCD program, for example, had strong results in terms of boosting participants' degree receipt relative to a comparison group of non-participants. Even so, only 22.5 percent of Grand Rapids program participants who lacked a diploma or GED at the beginning of the program had earned one at the end of five years.<sup>35</sup>

For those who are inclined to see education and training as a silver bullet, or a magic wand that can be waved over the heads of welfare families, transporting them magically to the suburbs and a middle-class existence, these results puncture that illusion. One needs to be realistic about what education and training can do for welfare clients, which is to produce very modest results for a small percentage of the caseload.

### What works and what doesn't?

Understanding this, W-2's administrators need to ensure that the activities in which they and program participants are investing time and money actually have a good chance of working. That is quite a challenge. It is not uncommon for scholars to refer to the "black box" of effective training programs — something is happening in these programs that makes them successful, but one cannot be sure what that something is.

One thing researchers do know for sure, however, is that adult basic education, GED preparation, and high school diploma completion — activities to which W-2 assigns almost all of its clients who enter the program without a diploma — are, for the most part, ineffective. Consider some of the relevant research findings:

- [T]here are clear differences across the various training types that are very robust to model specification. Four of the six training types are quite effective. Three of these training types — classroom skills training, OJT, and mixed classroom and workplace training — lead to similar increases in earnings that are well above one thousand dollars per year, while subsidized work results in somewhat smaller, but still substantial, increases. *Training involving basic education, on the other hand, appears ineffective.*<sup>36</sup> (italics added)
- [B]ased on the prodigious findings pointing to the economic benefits of education for the general population, there are strong reasons to expect positive earnings impacts of education for welfare recipients. However, little evidence to date supports this premise.<sup>37</sup>

- [S]tudies that have relied on objective outcome measures and that have controlled for the influence of other factors such as individual motivation have found inconsistent evidence of adult education programs' effects on literacy skills and labor market outcomes. At best, these studies suggest the possible impacts of adult education programs, but they are unable to provide compelling evidence of impacts.<sup>38</sup>
- Welfare-to-work programs that rely on adult basic education programs for the general population are unlikely to improve welfare recipients' basic reading and math skills.<sup>39</sup>
- Despite the prevalence of low basic skills among welfare recipients, basic education-focused programs in the past have also failed to help recipients find higher-paying jobs than they would have on their own and were not as consistently successful as job search in increasing employment rates and earnings.<sup>40</sup>

And yet, despite this wealth of evidence, the State of Wisconsin continues to direct large numbers of W-2 clients into these very programs. The recommendations section below will have much more to say about this.

If adult basic education and GED programs generally do not work for welfare clients, what does? Actually, there are not many alternatives left. The primary ones are:

- “work experience,” in which clients work off their grant — that is, work in exchange for their monthly W-2 check — in relatively low-level, unskilled positions;<sup>41</sup>
- vocational training, in which clients learn a specific skill or trade (usually in a classroom setting or in a combined classroom/workplace setting); and
- on-the-job training (OJT), in which clients learn a job by actually doing it in a real work setting.

Of these three types of training, the evaluation research has established that work experience — which is a part of W-2, through the Community Service Jobs tier — has not succeeded in boosting clients' occupation-specific skills, or their employment and earnings prospects.<sup>42</sup> In many respects, this should not be surprising. Employers who sponsor work experience sites are under no obligation to do any mentoring, training, role modeling, or intensive supervision. A work experience assignment is temporary, so there is essentially no chance for advancement or steadily increasing responsibilities. Furthermore, work experience sponsors often receive no compensation for taking on welfare participants (aside from free labor), so any investment they make in skills training for participants comes out of their bottom line. And as noted, such investments make little sense when the vast majority of participants will work at the site for no more than a few weeks or months, never to be seen again.

As for vocational training and OJT, it is somewhat hard to generalize about their results because the relevant programs are so diverse. Even so, one can safely say that well-administered vocational and on-the-job training programs *can* produce statistically significant increases in employment and earnings.

As for on-the-job training, W-2 does have its own version of this activity, known as a “trial job.” Under a trial job, an employer hires a W-2 client into a regular employment position, and agrees to provide him or her with real work experience and training. In exchange, the employer receives a subsidy from the state of \$300 per month. The hope is that this money will induce the employer to hire someone he or she might not otherwise hire. And the expectation is that, having done so, he or she will keep the hire as a regular employee.

These hopes have gone largely unfulfilled since the inception of W-2. Exceedingly few employers have been willing to hire clients off of welfare and into trial jobs at the subsidy rate of \$300 per month. The most recent available W-2 data indicate, for example, that among the more than 14,500 current W-2 participants, fewer than 30 have been assigned to trial jobs.<sup>43</sup>

### **Why isn't training for the disadvantaged more effective?**

In general, it is easier to talk about why training tends not to produce the desired results on a large scale than to identify the reasons that it does work (when it does). Fortunately, the former exercise yields some insights into the right ways to approach education and training; if we know some of the stumbling blocks, we can try to avoid them.

There are a number of reasons why education and training programs may fail to deliver the desired results:

- Individuals who are participating in education/training often find employment or otherwise drop out of the program before they can earn a credential;

- Training programs are sometimes taught “off the shelf,” rather than being designed to meet the special needs of welfare participants and/or those with limited English proficiency;<sup>44</sup>
- Welfare clients sometimes lack the persistence, self-esteem, discipline, or academic skills necessary to successfully complete a training program;
- Training providers may not employ effective instructors, materials, and pedagogical methods; and
- Welfare clients, particularly older adults, may not see the connection between participating in training activities and achieving economic self-sufficiency, which is their top priority.<sup>45</sup>

For these and other reasons, most individuals lacking a diploma or GED will never earn a credential under W-2. Of individuals who enter the program without a diploma or equivalent credential, the state expects only 66 percent to participate in W-2 education and training. And of that 66 percent, the state expects only 45 percent to earn a degree or diploma, or show a meaningful gain in literacy or numeracy.<sup>46</sup> On the basis of simple mathematics, then, one can see that the state’s expectation is that only 30 percent (.66\*.45) of individuals lacking a diploma or equivalent credential will end up earning one or showing a gain in basic skills.<sup>47</sup>

One final reason that education and training programs may fail to produce the desired results is that employers often do not value the skills that such programs teach. This is especially true of adult education programs. These programs often serve the interests and follow the models of professional trainers and educators, rather than being developed with an eye to employer expectations and needs. Specifically, the desired endpoint of most adult education is an academic credential or some indicator of increased academic skills. The desired endpoint for employers, though, is a command of English and math that can be used to communicate and solve numerical problems *in the workplace*. In other words, rather than general literacy and numeracy, employers are looking for *vocational* literacy and numeracy. Unfortunately, this is not what most adult education provides.<sup>48</sup>

All of this is true of the credential most readily accessible to welfare clients — the GED. This may be one reason that, up until a few years ago, the research consensus was that a GED had little effect on the wages of individuals who held the credential.<sup>49</sup> The problem was believed to be that:

While the GED process (beginning with the decision to take the test and ending with the GED credential) certifies basic cognitive skills, it usually does not generate them. Nor does it generate or certify non-cognitive human capital, such as good work habits, perseverance, and the ability to function well in organizations.<sup>50</sup>

Newer research, though, indicates that the GED may have value on the job market — but only for the least skilled individuals.<sup>51</sup> The skills and smarts that enable most people to earn a GED make them appealing to employers, with or without a credential. That is why higher-skilled individuals do not benefit from earning the GED. Lower-skilled individuals, though, have to genuinely upgrade their skills in order to earn a GED. Employers recognize this, and therefore value the credential among low-skilled drop-outs who are able to earn it.

If this research is correct, it leaves three difficult questions for policymakers and program administrators:

1. *How low must a welfare client’s skills be in order for a GED to serve as a valuable credential?*

As yet, there is no consensus on this question in the academic literature.

2. *What proportion of the existing welfare caseload falls into the “low skills” category?*

Obviously, one cannot answer this question without first answering the question about how one defines “low skills.” But studies by the Educational Testing Service and the Center for Law and Social Policy at least give a sense of the boundaries: between one-third and two-thirds of the current caseload have low skills.<sup>52</sup>

3. *What proportion of low-skilled welfare clients can be expected to complete a GED in a reasonable amount of time — say, six to nine months?*

Again, the data do not exist to answer this question. About the most one can say is that in recent years, roughly 70 percent of individuals who have taken the GED have passed the exams and received their credential.<sup>53</sup>

These three questions suggest one more unanswered question: with so much uncertainty surrounding the value of the GED, why are the State of Wisconsin and W-2 agencies so committed to education and training leading to this credential?

## Conclusions

The preceding pages have covered a great deal of material. Some review of the main points is in order here:

- Labor Force Attachment (LFA) programs generally perform as well as, and in some cases better than, Human Capital Development (HCD) programs in terms of employment and earnings outcomes.
- Some of the top-performing welfare programs follow a model that mixes LFA and HCD approaches. (W-2 itself is a mixed model.) But these programs' mixed approach appears *not* to be the reason for their success.
- Even highly successful welfare programs produce fairly unimpressive earnings, employment, and educational gains, and do so for only a minority of the caseload.
- Adult education is generally ineffective in improving employment and earnings outcomes for welfare clients.
- Vocational training and on-the-job training can be effective in helping build skills and boost earnings, but these kinds of training are inaccessible to most W-2 clients.
- Until recently, the consensus of economic research was that the GED was of negligible value to entry-level job-seekers.
- The most recent research on GED acquisition suggests that the credential does have economic benefits, but only for dropouts with very low skills. Insufficient knowledge exists at present, however, to draw policy guidance from this finding.

While these conclusions may seem grim, the next section — which discusses employers' thoughts on the skills they look for when making entry-level hires — contains better news.

## WHAT DO EMPLOYERS SAY ABOUT SKILL REQUIREMENTS FOR ENTRY-LEVEL POSITIONS?

### Milwaukee-area employer survey results

As part of this study, I conducted a written survey of Milwaukee-area employers whose businesses are in industries with relatively high proportions of non-college-educated employees. In all, 145 employers responded to the survey. Their responses are presented below. The methodology for the survey is described in Appendix B.

The first question in the survey was designed to determine the value employers place on various job-preparation activities that welfare recipients might undertake. The question read as follows:

Less experienced, entry-level job seekers may undertake a variety of activities to increase their employability. Below, please check the response that best describes the value to you, as an employer, of each of the listed job preparation activities.

The survey instrument then provided a list of six specific activities and asked employers to rate them as “very valuable,” “somewhat valuable,” or “not very valuable.” The results are listed in Table 5.

The responses in the table suggest four “tiers” of activities that employers value in terms of job preparation. In the first tier, indicating the greatest value to employers, are basic skills training and soft skills training. The next tier consists of life skills training and a diploma or GED. The third tier consists of job skills training. The final tier, a distant fourth, consists of Community Service Job experience.

The next question in the survey provided employers with a set of three scenarios in which they had to choose between two hypothetical job applicants. This question was intended to give a sense of the comparative value that employers place on different applicant qualifications. The basic question read as follows:

Imagine that you **MUST** hire one of two applicants, A or B, for an entry-level position in your company. In each situation below, please indicate whether you would be more likely to hire Applicant A or Applicant B.

The questionnaire then presented the following three scenarios, about which employers were asked, “Would you be more likely to hire Applicant A or Applicant B?”

- **Applicant A** has a high school diploma or GED, but no work experience.
- **Applicant B** has community service job experience, but no high school diploma or GED.

**TABLE 5 VALUE TO EMPLOYERS OF SPECIFIC JOB-PREPARATION ACTIVITIES**

Activity	“Very Valuable”	“Somewhat Valuable”	“Not Very Valuable”	Total
High school diploma or GED	57%	37%	6%	100%
Basic skills training in math, reading, and writing	79%	19%	1%	99%
Job skills training relevant to your specific business or industry	51%	44%	4%	99%
Training in “soft skills,” such as courtesy, punctuality, professional appearance, and good inter-personal communication	86%	13%	1%	100%
Training in “life skills,” such as locating reliable child care and transportation, balancing work and family responsibilities, and problem-solving (e.g., what to do when a child becomes sick on a work day)	67%	29%	4%	100%
Working at a community service job, which is an unpaid position with a government agency or a non-profit. These positions have a fixed schedule and normal work responsibilities. They are intended to help less experienced job seekers learn the habits of work and gain real-world work experience.	22%	53%	22%	97%*

Note: percentages may not add to 100 due to rounding.

\*Three respondents provided no answer to this question.

- **Applicant A** has job skills training relevant to your business or industry, but no high school diploma or GED.
- **Applicant B** has a high school diploma or GED, but no job skills training relevant to your business or industry.
- **Applicant A** has community service job experience, but no job skills training relevant to your business or industry.
- **Applicant B** has job skills training relevant to your business or industry, but no work experience.

The responses to this question are presented in Table 6.

In the first scenario, other things being equal, employers strongly preferred an applicant with a diploma or GED but no work experience to an applicant with Community Service Job experience but no diploma or GED.

In the second scenario, employers even more strongly preferred an applicant with job skills training but no diploma or GED to an applicant with a diploma or GED but no job skills training.

In the final scenario, employers overwhelmingly preferred an applicant with job skills training but no work experience to an applicant with Community Service Job experience but no relevant job skills.

The final survey question presented the employer with a list of skills or qualities that might describe an entry-level job candidate, and then asked him or her to select the three that he or she would consider most important in evaluating that candidate. The list of items was as follows:

- Community service job experience
- Positive attitude about the job
- Good “life skills”
- Strong work ethic
- High school diploma or GED
- Reliability/dependability

**TABLE 6 EMPLOYER PREFERENCES BETWEEN TWO HYPOTHETICAL JOB APPLICANTS**

Scenario	Applicant A	Applicant B	No Answer	Total
<ul style="list-style-type: none"> <li>• <b>Applicant A</b> has a high school diploma or GED, but no work experience.</li> <li>• <b>Applicant B</b> has community service job experience, but no high school diploma or GED.</li> </ul>	59%	39%	2%	100%
<ul style="list-style-type: none"> <li>• <b>Applicant A</b> has job skills training relevant to your business or industry, but no high school diploma or GED.</li> <li>• <b>Applicant B</b> has a high school diploma or GED, but no job skills training relevant to your business or industry.</li> </ul>	69%	30%	1%	100%
<ul style="list-style-type: none"> <li>• <b>Applicant A</b> has community service job experience, but no job skills relevant to your business or industry</li> <li>• <b>Applicant B</b> has job skills training relevant to your business or industry, but no work experience.</li> </ul>	17%	82%	1%	100%

- Basic skills in math, reading, and writing
- Good “soft skills”
- Job skills relevant to your business or industry

The survey question read as follows:

From the list below, please select the **three** items that you would consider most important when evaluating an entry-level job candidate. (Though many of the items may be important to you, we are looking for your **THREE** most important items only.)

Table 7 presents employers’ responses to this question.

**TABLE 7 EMPLOYER’S MOST IMPORTANT QUALITIES FOR ENTRY-LEVEL HIRES**

Skill or Quality	Percentage of Respondents Choosing Item Among Top Three
Community service job experience	1%
Positive attitude about the job	33%
Good “life skills”	6%
Strong work ethic	66%
High school diploma or GED	22%
Reliability/dependability	65%
Basic skills in math, reading, and writing	31%
Good “soft skills”	22%
Job skills relevant to your business or industry	51%

Again, the responses to this question fall into a number of different tiers. “Strong work ethic” and “reliability/dependability” constitute the first tier. “Job skills” is alone as a second tier. “Basic skills” and “positive attitude” form a third tier. “Diploma/GED” and “soft skills” form a fourth tier. “Life skills” and “community service job experience” form a fifth and final tier.



The results from these three survey questions suggest several important conclusions relevant to the structure of education and training under W-2.

First, a diploma or GED is not particularly important to Milwaukee-area employers. This fact is evident in responses to all three questions. The idea that a diploma or GED is a requirement for entry-level jobs in the Milwaukee area is clearly not borne out by the survey data.

Second, the first and third questions indicate that the most valuable skills to employers are not job-specific ones, but general “employability skills” — soft skills, a strong work ethic, a positive attitude, and reliability and dependability. Basic literacy and numeracy skills are also important, as are job-specific skills, but they rank lower than the more general employability skills.

Finally, the first and third questions indicate that employers place extremely little value on Community Service Job experience, which is a major activity under W-2. Given this, it is noteworthy that in the second question, 39 percent of employers *still* say that they would prefer to hire someone with community service experience and no diploma, to someone with a diploma and no work experience. This demonstrates again the relatively low importance that Milwaukee-area employers attach to a diploma or GED.

The obvious good news in these results is that the most difficult credentials for welfare recipients to acquire through W-2—a diploma, GED, or training certificate relevant to specific industries—are *not* at the top of employers’ wish list. What is at the top of their list is qualities that do not require a credential, qualities that would make someone a good employee in any position at any level in any industry.

These results have been confirmed time and time again in similar surveys conducted by other researchers. Consider, for example, this excerpt from a research report by the Welfare to Work Partnership, a business organization committed to the hiring, retention, and advancement of current or former welfare recipients:

[E]mployers can overlook certain perceived deficits common among those struggling to leave the welfare rolls, but other barriers are harder to ignore. Although Partnership companies often *do* see a lack of education, job skills, or work history among new applicants, they are confident they can train an employee to perform the job. However, 40 percent of Partnership employers say they frequently encounter problems among their welfare to work applicants with so-called ‘soft’ or interpersonal skills — things like punctuality, appropriate dress, and common courtesy. And more than half (53 percent) of our businesses are reluctant to hire such a candidate for fear they will be unable to solve these problems alone.<sup>54</sup>

This same basic result has been replicated again and again, both nationally and in the Milwaukee area: low education levels and lack of job-specific skills are much less an obstacle to employment than general employability skills. It is not an overstatement to declare the evidence on this point overwhelming.<sup>55</sup>

Employer hiring practices give an added sense of the relatively relaxed requirements for formal education and training credentials. One survey of Milwaukee-area employers found that only 24 percent required a diploma or GED when hiring for entry-level positions, and only 13 percent required “industry specific trade skills.”<sup>56</sup> A separate survey of Wisconsin employers found that, with reference to their most recent entry-level hire, around 30 percent said that a diploma had been “mildly preferred” or “not at all necessary.” More than 60 percent described previous training or a vocational skill certification in the same terms.<sup>57</sup> A third survey of Milwaukee-area employers found that 40 percent had entry-level positions in their companies with no education or experience requirements.<sup>58</sup> The same survey found that among Milwaukee employers who had recently hired welfare recipients, 43 percent of those hires did not have a high school diploma.<sup>59</sup> And a survey of Wisconsin employers conducted by the Department of Workforce development determined that a diploma or GED was a requirement of between 45 percent and 65 percent of employers, and that job-specific skills were required by no more than one-third of employers.<sup>60</sup>

One needs to exercise some caution in interpreting these survey results, as many of the surveys were conducted during times of very tight labor markets. Still, the general thrust of the surveys, and of the one conducted for this project, is that the lack of education, a training credential, or job-specific skills generally do constitute bars to entry for many, many job seekers. This substantially reduces the pressure on the W-2 program to do what the evaluation research indicates is next to impossible — equip large numbers of welfare clients with educational or vocational training credentials, or specific job skills, that employers value.

## HOW SHOULD THE W-2 PROGRAM APPROACH EDUCATION AND TRAINING ACTIVITIES GOING FORWARD?

Based on the findings in the previous pages, this section of the report presents two sets of recommendations. The first set, the “primary recommendations,” require relatively little in the way of new resource commitments or political capital. These recommendations should be fairly easy to implement. The second set, the “secondary recommendations,” are more resource intensive and/or more politically controversial, and therefore will be more difficult to implement. They are not secondary in importance, but secondary in terms of their political practicality.

### Primary recommendations

The first recommendation is that W-2 administrators and agencies stop doing the most obvious thing they are doing wrong:

- **The W-2 program should dramatically scale back the percentage of individuals it assigns to basic skills training, GED preparation, and high school diploma completion.**

The current approach in Wisconsin — assigning virtually all individuals lacking a diploma to some kind of adult education activity — is worse than mere folly. It is potentially harmful to the very clients that the state and W-2 agencies are trying to help. Every day that a W-2 client spends in an adult education program — which will likely lead nowhere — is a day counted against the five-year lifetime limit allowed to families for participation in W-2. And hours that a W-2 client spends in a likely futile effort to earn a GED are hours that he or she could be working, gaining experience, and possibly learning skills on the job.

There is no empirical support whatsoever — in either program evaluations or employer surveys, or in the state’s own performance standards, which assume only a 30 percent completion rate for education and training programs<sup>61</sup> — for W-2’s current approach to adult education. In fact, all of the evidence points in the other direction: a policy that assigns more than 90 percent of individuals lacking a diploma or GED to adult education is a policy that will fail most of them.

The state, and W-2 participants, would be much better off if somewhere around 15 to 20 percent — and certainly no more than 25 percent — of individuals without a diploma or GED were assigned to adult education.<sup>62</sup> How should that 15 to 20 percent be chosen? Case managers must try to identify the 15 or 20 out of every 100 non-credentialed W-2 clients who have a reasonable chance of earning their GED. This would mean screening for individuals who are highly likely to complete the credential in a limited amount of time — say six to nine months<sup>63</sup> — and who are likely to see economic benefits from it. These would be individuals who have the ability to complete their pre-GED and GED coursework and pass the required tests, who want to do so, who are willing to defer employment until they have earned their credential, and whose skill levels are low enough that a GED would be a meaningful addition to their job qualifications.

If the state and W-2 agencies were to follow this approach, they could also adopt one of the strategies used to apparently good effect in the Portland program. There, clients were encouraged not to take the first job offer that came along. Instead, they were advised to hold out for a full-time job that paid above the minimum wage, that offered benefits, and that had opportunities for advancement. Under W-2, this approach could be replicated with a three- to nine-month job search schedule, during which time GED course work and Community Service Job activities would also be completed.<sup>64</sup>

Such an approach is not even worth considering, however, unless the state and W-2 agencies act on two other recommendations. These recommendations hold not just for adult education activities, but for vocational and on-the-job training as well:

- **No education or training activity should be available through a W-2 agency unless local employers or employer associations have either participated in its creation or affirmed that it is indeed a valuable activity.**
- **To the fullest extent possible, education and training activities should be put on a pay-for-performance basis — for both providers and participants.**

The world of education and training is replete with stories of failure. Training programs for out-of-school youth, for example, are notorious for their ineffectiveness. This has not stopped state and federal governments, however,

from spending billions of dollars and millions of man-hours on such programs, with no realistic hope that they will succeed. This is a classic case of soft hearts prevailing over hard heads.

Now that welfare comes with a five-year lifetime limit, W-2 clients cannot afford to spend any time in programs of questionable effectiveness. Accordingly, unless local employers have affirmed that a particular education or training activity offered by W-2 agencies will help produce more employable clients, the agency should not offer that activity. A simple way of securing this affirmation is by including employers in the process of creating human capital development programs, and soliciting their input on the kinds of clients who are the best candidates for those programs. Failing that, employer focus groups and surveys can provide the necessary information.

If either of these approaches should prove too logistically difficult, expensive, or time-consuming, then W-2 agencies can rely on a back-up rule: No education or training activity should be available through a W-2 agency unless that activity has been rigorously studied in another setting and proven to be effective for the welfare population, or for certain sub-groups within that population.

The second recommendation in the pair above suggests a pay-for-performance standard for education and training providers and participants. Providers of GED prep courses typically are paid on a per-student basis — the more students they enroll in their classes, the more money they make. Whether all the students ultimately receive their GED or none do, the providers receive the same amount of money.

Education and training providers should be offered a new deal — they will get paid for outcomes, rather than inputs. In the case of the GED course provider, for example, he or she would receive payment *only* for individuals who actually received their GED within a fixed time frame. There would be no compensation to the provider for individuals who sat through part or all of the GED course but never passed the test. (Or the compensation could be dramatically reduced, or it could be paid in installments, only as clients achieved certain milestones. Obviously, there are nearly limitless possibilities for structuring such an arrangement.)

The likely response to this from training providers is as follows: “That’s not fair. We can’t control who is going to complete the coursework, let alone pass the test. We can do our best with a particular participant, put in extra time with them, give them the best service possible, and they still may fail.”

All of that is true. Under a pay-for-performance system, therefore, education and training providers would have the ability to refuse to enroll individuals they deemed likely to fail. Only the best prospects, therefore, would be enrolled. The likely washouts would not waste any of their W-2 clock on activities for which they were ill-suited.

If, under this scenario, training providers still balked at offering services, this would be a good indication that such services show little promise of success in the first place.

If the state and W-2 agencies are unwilling to go so far as to put providers on a pay-for-performance basis, provider results at least should be made public on a regular basis. For example, the state and W-2 agencies could regularly publish the results of individual training providers in terms of: a) percentage of W-2 clients referred to each provider who eventually receive a training credential; and b) the percentage of clients credentialed through each provider who eventually receive a job offer in the relevant field. This would create an important source of non-financial pressure on education and training providers to perform. In the Milwaukee area, too, it would serve as a signal to the multiple W-2 agencies as to which providers were worth their clients’ time, and which were not.

Pay-for-performance should also apply to W-2 clients themselves. That is already the case in one respect — clients are sanctioned when they fail to engage in activities that are part of their employability plan. But clients should also be rewarded when, for example, they successfully earn their GED or a vocational training certificate. A \$500 or \$1000 cash bonus for successful completion of a credential would provide a healthy incentive.

A fourth recommendation is related to the finding that employers value general employability more highly than educational credentials or job-specific skills:

- **The state and W-2 agencies need to develop systematic knowledge on how Wisconsin employers size up job applicants’ general employability. A training curriculum should then be built around that process.**

It stands to reason that if employers are looking for individuals with general “employability skills” — positive attitude, work ethic, reliability, good interpersonal communication, etc. — they have some means of assessing those skills in the application/interview process. W-2 agencies undoubtedly have some anecdotal knowledge of what those means are. Many agencies also have “soft skills,” “life skills,” and “work preparedness” training modules to address the necessary competencies.

What they need, however, is a much more systematic understanding of how employers determine whether job applicants have the intangible skills that they consider so important. With that understanding, agencies could adopt an employability skills training curriculum based on the most common screens used by employers.

Consider, for example, this exchange between a researcher and a manager in a retail sales environment. The position under discussion is a cashier:

*Researcher:* Out of all those things (criteria for hiring a cashier), if you had to narrow it down to one important thing that you look for, what would you say that is?

*Manager:* The smile on that individual's face. An individual that's friendly and carrying a smile, you can deal with them. In this business you don't have to be real smart starting off.<sup>65</sup>

This is a fairly easy case, making for simple training: "Whatever else you do during the interview, be sure you SMILE. Now let's practice. . ." But consider a more complicated example:

*Researcher:* What kinds of skills and qualities do you look for?

*Manager:* We look for someone who basically has their personal life together. You have to have somebody that you can rely on, who will get to work every day, call in when they're not going to show up, not come in drunk or having stayed up all night and not been to bed so that they could hurt themselves here, or stuff like that. As I say, their personal lives have to be stable to the point where they can maintain a constant effort to make it to work. We call it "making it to work."<sup>66</sup>

How do employers size up a job applicant to determine whether he or she will "make it to work"? Perhaps they look for a lengthy employment history with a single company. Or perhaps they look for applicants who are married, or have children, or own a home and have a mortgage to pay, or have lived in the same neighborhood for years. Perhaps they look for churchgoing applicants, or individuals who attended certain schools, or (regrettably) individuals of certain racial or ethnic backgrounds. Perhaps they look to non-verbal cues, such as a firm handshake and sustained eye contact. Perhaps they look for what appears to be reliable transportation. Perhaps they look for an answer to the standard "tell me about yourself" question that indicates dependability.

All of these are possibilities. Employers, of course, are not permitted by law to ask about many of these things. Furthermore, there are many over which the job applicant has no control (race, for example). But there are also many cases in which the applicant can structure his behavior and responses in an application/interview session so as to give the employer the cue he or she is looking for.

For example, in response to the "tell me about yourself" question, the applicant could begin by saying, "Well, my wife and I got married right out of high school, and we've lived in a house in this neighborhood for the past 15 years." In one sentence, the applicant has conveyed that he:

- is married,
- has been married for many years,
- owns a home,
- lives near the employer, and
- has lived in the same location for a long time.

All of this may indicate a degree of stability and personal commitment that the employer is looking for.

The academic literature on how employers screen for such qualities is not well developed. Again, therefore, the State of Wisconsin, acting in cooperation with W-2 agencies, needs to invest some effort into: a) learning about the signals employers look for as indicators of the employability skills they desire, and b) developing a curriculum that will teach W-2 clients how to master those signals.

This should not be done at the expense of development of actual employability skills, but as a supplement to them. Obviously, W-2 clients must master basic workplace skills or be at serious risk of failure. It will do job-seekers little good to master such skills, however, and be unable to communicate that mastery during the application process. Thus, W-2 clients need to learn the requisite skills, but also learn how employers screen for them. Sufficient knowledge exists on the former point already. But much more needs to be developed on the latter. The state has the resources to develop that knowledge, through the university system or private sector think tanks.

## Secondary recommendations

What steps, if any, the state chooses to take beyond the ones already suggested depends on its basic philosophy toward the purposes of education and training. If the state has been emphasizing education and training because it believes that most welfare clients cannot find a job without it, that belief is clearly mistaken. But if the state feels an obligation to try to enhance the human capital of W-2 participants, even those who are currently employable, there are a few additional things it should be doing differently:

- **The W-2 program should emphasize education and training for the *most* job-ready individuals, rather than the least.**

In recent years, W-2 has been pursuing the opposite strategy — focusing its education and training efforts primarily on individuals without a high school diploma. The Educational Testing Service has estimated, however, that the least-skilled welfare recipients could require as much as 900 hours' worth of education and training to boost their annual incomes by \$5,000 per year. For the most-skilled welfare recipients, on the other hand, 200 hours' worth of education and training could increase incomes by \$10,000 per year, and move these families into the middle class.<sup>67</sup>

While these earnings estimates appear to be on the extremely optimistic side, they still illustrate an important point: targeting education and training resources on welfare clients who are already well-equipped for work can have a much larger impact than targeting resources on the least job-ready. Though this conclusion may be counter-intuitive, it does make sense. The least well prepared welfare clients tend to be *so* poorly prepared, even large infusions of resources produce relatively little net benefit. The best-prepared, on the other hand, may be close enough to a highly desirable skill set that a small investment can reap large rewards.

This approach, while sensible, still leaves the problem of those welfare recipients least prepared for work. A 900-hour investment in education and training is almost certainly out of the question — primarily in terms of the time commitment required, but also in terms of fairness to working Wisconsin families footing the bill for W-2. What, then, can we do for the particularly hard-to-serve clients? The state should consider adopting three additional recommendations:

- **The State of Wisconsin and W-2 agencies should create “bridge training” programs to help individuals qualify for vocational training.**

As noted above, most W-2 clients cannot qualify for existing vocational training programs because they lack a high school diploma and/or the necessary TABE (Test of Adult Basic Education) scores. Bridge training seeks to address this problem, not by helping clients earn a diploma or boosting their TABE performance, but by helping them master a specific set of skills required to succeed in vocational training modules.

Following are two brief examples of bridge training programs that have been adopted with some measure of success:

Chicago Commons Employment Training Center's bridge training prepares women with third- to sixth-grade skills to enter programs in auto mechanics, woodworking, skilled industrial trades, and health care. The bridge training for manufacturing, for example, includes job-specific skills, such as blueprint reading, as well as more general workplace skills, such as reading, writing, and math. Bridge training can also help people gain access to employer-provided in-house training. Steps to Success offers Steptronics, six weeks of bridge training that prepares people to enter employer-sponsored training in the semi-conductor industry and other electronics manufacturing.<sup>68</sup>

Obviously, training providers and employers must be prepared to accept a bridge training credential as a substitute for a diploma and/or strong TABE scores. Furthermore, bridge training programs tend to require extensive counseling, supportive services, encouragement, and follow-up to ensure that participants do not become overwhelmed by the requirements of the training program and drop out. Inevitably, some of the least-skilled and least work-ready clients *will* drop out. Determining who are the best candidates for bridge training will involve some trial and error.

An alternative to bridge training is for the state to build a capacity for vocational training programs with lower entry requirements. The Center for Employment and Training (CET), based in San Jose, California, pioneered this approach and has replicated it in various sites nationwide.

CET allows adults and out-of-school youth to train for a variety of skill positions at their own pace, and regardless of their educational background. The Center's “contextual learning model” combines vocational instruction and basic skills education. Traditional supportive services — child care, counseling, alcohol and drug treatment, etc. — are also available to participants.

A unique aspect of CET's approach is that it places students in a hands-on, simulated workplace environment where they spend 35 hours per week. The majority of students' time involves learning by doing, rather than listening to lectures or doing pen-and-paper exercises. Both students and teachers treat training as if it were a job — with time cards, appropriate dress, and supervisor-subordinate relationships.

CET's training has been rigorously evaluated and has been shown to produce impressive, sustained earnings and employment gains. The Center itself claims that its most recent group of graduates, from 2003/2004, earn an average of about \$25,000 per year, including the value of benefits.<sup>69</sup>

As a second recommendation, the state should consider restructuring the Community Service Job (CSJ) component of the W-2 program, at least for some clients:

- **Community Service Job assignments for the hardest-to-serve clients could be reorganized along the lines of a supported work model.**

The survey conducted for this report indicated that Milwaukee-area employers place very little value on the CSJ component of W-2 as currently constituted. Furthermore, as noted above, evaluations of CSJ-type programs have shown them to be ineffective in enhancing participants' skills and employability.

This is not to denigrate the value of CSJ work experience. When the state adopted the CSJ approach under W-2, it changed the basic contract between welfare recipients and the state. Under W-2, anyone who wanted assistance from the state was expected to work. This requirement helped reinforce an important social norm.

If the state wishes to go beyond this, however, and use the CSJ to help boost W-2 clients' human capital, it will have to restructure the program along the lines of a supported work model. As noted above, this model has proved very effective in improving employment and earnings outcomes for hard-to-serve clients, the ones likely to be assigned to a CSJ in the first place.

In a supported work model, participants are expected to do real work, just as in a CSJ. As with a CSJ, too, the work environment is somewhat more forgiving than in traditional competitive work. The length of the site assignment is extended, however, from just a few months to a full year or more. Over the course of that time period, participants receive close supervision, constant mentoring and coaching, abundant feedback, and peer support. Their responsibilities are steadily increased, as is the stress of their work environment. Toward the end of the assignment, participants are assisted with placement in a traditional work setting.

Obviously, this kind of approach is substantially more resource-intensive than a CSJ assignment. Specifically, whereas W-2 agencies generally pay nothing to the organizations that provide CSJ work slots, a supported work position can cost \$10,000 or more.<sup>70</sup> Cost considerations would probably limit the availability of a restructured CSJ program to a relatively small subset of very hard-to-serve W-2 clients.

As a final recommendation,

- **The state should adopt a modified version of Governor Doyle's Trial Jobs Plus proposal.**

In his current budget document, Governor Doyle has proposed a "Trial Jobs Plus" tier in W-2 to replace the largely ineffective existing Trial Jobs component. Under the latter, employers are paid \$300 per month as an inducement to hire welfare clients into regular, though temporary, wage-paying positions. Unfortunately, almost no employers have taken advantage of this program.

Under Governor Doyle's proposal, the state would cover up to 100 percent of an employer's costs for salary and benefits required to hire a W-2 participant, for up to 30 hours per week at the minimum wage. The work assignments would be expected to last in the range of six to nine months. After that, employers would commit to making a "good faith effort" to hire trial job participants.

The Trial Jobs Plus proposal is very similar to what, in other contexts, has been called "on-the-job training." There are two reasons to support such an approach. First, it requires clients to do actual, real-world work. In that respect it shares the most important virtue of a Community Service Job position. Second, unlike a CSJ, a trial jobs-style approach has proven successful in boosting participant skills and earnings in some settings — keeping in mind that "success" is a relative term when it comes to social policy. Thus, a revised Trial Jobs program could serve as an important addition to W-2's human capital development offerings.

The governor's proposal could benefit, however, from a few changes.

First, it should be an expectation of any placement under Trial Jobs Plus that a participant will learn marketable skills during the course of that placement. The specific skills to be learned, and the manner in which they will be assessed, should be part of the agreement between the employer and the W-2 agency. Employers who fail to impart the agreed-upon skills should be on the hook for reimbursement of part, or possibly all, of the state-provided subsidy.

This is simply another version of the pay-for-performance proposal made above. A Trial Jobs Plus placement should be seen as a contract between the state and the employer. The state provides the employer with a fully-subsidized employment position. In exchange, the employer provides the Trial Jobs Plus participant with work experience and a set of agreed-upon skills. To the extent that the employer does not uphold his or her part of the bargain, he or she should be required to make partial or total reimbursement to the state.

Second, the state should consider adopting a market-based arrangement for payment of the employer subsidy. Specifically, employers interested in participating in the program could be asked to bid on the amount of reimbursement they require per placement. Employers would receive placements in order of their bid, from lowest bid to highest, assuming that they met other minimum qualifications. The state would have the right, of course, to reject all bids if the subsidy amounts requested were too high.

Finally, the state should consider some financial incentive that would encourage employers to hire their Trial Jobs Plus participants on a permanent basis. For example, employers who chose not to hire their participants at the end of the trial period could be required by the state to reimburse part of the subsidy. Those who did hire their placement, on the other hand, would owe the state nothing.

## CONCLUSION

Compassion dictates that we help the poor. A belief in personal responsibility dictates that we help them not through unrestricted handouts, but by providing avenues for them to improve their lot in life. Common sense and personal experience dictate that the best way to do this is through education and training.

Unfortunately, all of this compassion, common sense, and personal experience have produced the wrong answers under W-2. The State of Wisconsin and W-2 agencies have pursued a much-too-ambitious education and training agenda with respect to W-2 clients. Training programs — particularly ones constituted as the state's now are — simply cannot produce the results that would justify the state's commitment to them.

There is some argument to be made, in fact, for abandoning all but the most basic, short-term (i.e., one or two week) work readiness initiatives. At present, there is no evaluation evidence establishing that mixed LFA/HCD programs are effective because they are mixed — and substantial evidence explicitly contradicting that thesis. Furthermore, LFA programs have been shown to perform as well as, if not better than, HCD programs — even among sub-groups who are supposed to benefit the most from education and training.

A reasonable reading of the evaluation research, however, is that education and training can work, although in limited circumstances, with a very limited client population, and generally to modest degrees. Is that enough to justify a continued investment in education and training under W-2? Given the miserable economic circumstances of most families on welfare, I think so. In any event, the politics of the state are such that abandoning education and training under W-2 is not an option.

But the state clearly needs to re-think some of its fundamental assumptions about human capital development. Most important, it needs to end its commitment to adult education for the vast majority of clients currently enrolled in such programs. It also needs to re-tool the administration of existing training to maximize the probability of success, and create new education and training components to supplement existing ones. The specific changes are described in the pages above.

Unfortunately, none of this can be done on the cheap. Families who end up on welfare usually do so as a last resort. In the most difficult cases, welfare families have been plagued by many years' worth of bad choices, bad luck, bad relationships, and a variety of personal, mental, and physical problems. It takes tremendous effort, initiative, and creativity to move such families from the dead end of welfare into regular employment. That effort is required not only of those trying to help, but of the families requesting help. And such efforts become all the more challenging when resources are scarce and when the time to get the job done is limited by law.

Under W-2, the state has denied many of these realities and has spread itself thin, offering unproductive education and training opportunities to a majority of the caseload. This has been an exercise in ineffective compassion.

The state now needs to rebuild its W-2 education and training capacity along the lines suggested in this report. It then needs to make education and training available to as many W-2 clients as possible, but no more than can realistically be expected to succeed with the opportunity (undoubtedly a minority of the caseload). That would be the beginning of real, effective compassion.

## APPENDIX A — ORIGINAL AND REVISED PRINCIPLES GUIDING THE WISCONSIN WORKS PROGRAM

### Original principles

- For those who can work, only work should pay.
- W-2 assumes everyone is able to work or, if not, is at least capable of making a contribution to society through work activity within their abilities.
- Families are society's way of nurturing and protecting children, and all policies must be judged according to how well they strengthen the responsibility of both parents to care for their children.
- The benchmark for determining the new system's fairness is by comparison with low-income families who work for a living, not by comparison with those receiving various government benefit packages.
- There is no entitlement. The W-2 reward system is designed to reinforce behavior that leads to independence and self-sufficiency.
- Individuals are part of various communities of people and places. W-2 operates using methods that enhance the way communities support individual efforts to achieve self-sufficiency.
- The W-2 system provides only as much service as an eligible individual asks for or needs. Many individuals will do much better with just a light touch.
- W-2's objectives are best achieved by working with the most effective providers and by relying on market and performance mechanisms.

### Revised principles

- Substantially all citizens want to be able to support their families, want to be economically self-sufficient and want to be employable members of the workforce.
- W-2 shall be participant friendly. Each W-2 agency shall explain the full spectrum of employment, education, and training and supportive services available to assist individuals and families to transition into the workforce. When individuals and families are given adequate information about employment services, they will make an informed choice about whether or not to pursue those services.
- Individuals determined to be eligible for participation in W-2 are obligated to cooperate with their employability plans or face sanctions. W-2 agencies rendering the services are obliged to properly and carefully assess each individual's specific needs in order to promote success in transitioning into the workforce.
- Families are the foundation of society and are the vehicle through which children are nurtured and protected. W-2 programs and policies designed to assist participants in family formation will be evaluated in light of how well they strengthen and promote healthy, nurturing, and economically secure families where both parents are responsible.
- W-2 agencies will assist families with multiple barriers to employment, ensure that all participants have equal access to the full spectrum of resources, and avoid arbitrary and inappropriate sanctions.
- All programs and services shall be rendered in a fair and just manner, including adverse actions such as denials and sanctions, and participants will be informed of their appeal rights.
- Individuals are part of various communities of people and places. W-2 operates in ways that enhance the manner in which communities support individual efforts to achieve self-sufficiency.
- W-2 goals are best achieved by working with providers, who are committed to customer-friendly service, who partner with employers and other service providers, who are innovative, and who strive to continuously improve the provision of service.



**APPENDIX B — METHODOLOGY FOR MILWAUKEE-AREA EMPLOYER SURVEY**

In September 2004, I requested that Survey Sampling, Incorporated pull a sample of 833 Milwaukee-area business establishments in industries with low proportions of college-educated workers. Those industries were selected on the basis of SIC Codes and industry names listed in the Urban Institute publication, “Job Prospects for Welfare Recipients, Employers Speak Out,” published on August 1, 1998.

Survey Sampling also stratified the sampling frame by firm size, measured both in terms of number of employees and annual sales volume. This was to ensure that the sample matched the population on these attributes.

Working from the sample of 833 establishments, research assistants attempted to make contact with each by telephone in order to: a) inform the establishment that they would be receiving a survey, b) ask for the name of the person to whom the survey should be directed, and c) verify the correct mailing address.

Many of these establishments had disconnected or perennially busy phone numbers, and many others said they were not interested in participating (or indicated as much by hanging up).

When all was said and done, there were 314 Milwaukee-area establishments left for which I believed I had correct contact information, and which had not objected to receiving the survey. These establishments were sent an introductory letter in late October 2004, and a follow-up letter one week later. The follow-up letter included the survey instrument (which was postage-paid and pre-addressed), and a \$1 cash incentive to encourage participation.

Letters returned by the Post Office after the initial two mailings indicated that 12 of the original mailing addresses were invalid and could not be corrected. This left the total number of businesses in the sub-sample at 302.

Among these 302 businesses, 145 returned completed surveys. This works out to a response rate of 48 percent, which is excellent for a written survey of this kind.

Survey Sampling had provided statistics on the “universe” of Milwaukee-area businesses so that I could compare their characteristics with those of respondents. The respondent group fairly significantly under-represented small firms — small in terms of both number of employees and annual revenues. For example, while firms with fewer than five employees constitute 62 percent of all firms in the Milwaukee area, they constituted only 49 percent among the respondent group. Similarly, while firms with annual revenues under \$1 million constitute 75 percent of firms in the Milwaukee area, they constituted only 60 percent of the respondent group.

In order to determine the extent to which, if any, the under-representation of smaller firms among respondents would bias the survey results, I weighted establishment survey responses by size, according to their proportions within the universe of Milwaukee-area businesses. In no case did this change any of the percentages reported in the text by more than a percentage point. Accordingly, I have reported the unweighted numbers in the text, confident that they accurately represent the opinions of Milwaukee employers.

A copy of the survey instrument is reprinted on the following page. Responses to Question 3 were given in reverse order on half of the survey instruments, so as to avoid any potential bias from respondent “fatigue.”

## Milwaukee Area Business Survey – Wisconsin Policy Research Institute

**Instructions:** Please check the most appropriate response for each item below. When you have finished the survey, please fold the form with the bottom flap over the top flap, seal it at the top with the enclosed sticker, and drop it in the mail. Thank you!

1. Less experienced, entry-level job seekers may undertake a variety of activities to increase their employability. Below, please check the response that best describes the value to you, as an employer, of each of the listed job preparation activities.

**High school diploma or GED**

Very Valuable	Somewhat Valuable	Not Very Valuable
_____	_____	_____

**Basic skills training in math, reading, and writing**

Very Valuable	Somewhat Valuable	Not Very Valuable
_____	_____	_____

**Job skills training relevant to your specific business or industry**

Very Valuable	Somewhat Valuable	Not Very Valuable
_____	_____	_____

**Training in “soft skills,” such as courtesy, punctuality, professional appearance, and good inter-personal communication**

Very Valuable	Somewhat Valuable	Not Very Valuable
_____	_____	_____

**Training in “life skills,” such as locating reliable child care and transportation, balancing work and family responsibilities, and problem-solving (e.g., what to do when a child becomes sick on a work day)**

Very Valuable	Somewhat Valuable	Not Very Valuable
_____	_____	_____

**Working at a community service job, which is an unpaid position with a government agency or a non-profit. These positions have a fixed schedule and normal work responsibilities. They are intended to help less experienced job seekers learn the habits of work and gain real-world work experience.**

Very Valuable	Somewhat Valuable	Not Very Valuable
_____	_____	_____

2. Imagine that you **MUST** hire one of two applicants, A or B, for an entry-level position in your company. In each situation below, please indicate whether you would be more likely to hire Applicant A or Applicant B. (The first situation is presented at the top of the next column.)

The applicants have *identical qualifications*, except:

- **Applicant A** has a high school diploma or GED, but no work experience.
- **Applicant B** has community service job experience, but no high school diploma or GED.

Would you be more likely to hire:

\_\_\_\_\_ Applicant A, or  
 \_\_\_\_\_ Applicant B?

The applicants have *identical qualifications*, except:

- **Applicant A** has job skills training relevant to your business or industry, but no high school diploma or GED.
- **Applicant B** has a high school diploma or GED, but no job skills training relevant to your business or industry.

Would you be more likely to hire:

\_\_\_\_\_ Applicant A, or  
 \_\_\_\_\_ Applicant B?

The applicants have *identical qualifications*, except:

- **Applicant A** has community service job experience, but no job skills training relevant to your business or industry.
- **Applicant B** has job skills training relevant to your business or industry, but no work experience.

Would you be more likely to hire:

\_\_\_\_\_ Applicant A, or  
 \_\_\_\_\_ Applicant B?

3. From the list below, please select the **three** items that you would consider most important when evaluating an entry-level job candidate. (Though many of the items may be important to you, we are looking for your **THREE** most important items only.)

\_\_\_\_\_ Community service job experience  
 \_\_\_\_\_ Positive attitude about the job  
 \_\_\_\_\_ Good “life skills”  
 \_\_\_\_\_ Strong work ethic  
 \_\_\_\_\_ High school diploma or GED  
 \_\_\_\_\_ Reliability/dependability  
 \_\_\_\_\_ Basic skills in math, reading, and writing  
 \_\_\_\_\_ Good “soft skills”  
 \_\_\_\_\_ Job skills relevant to your business or industry

## NOTES

1. The original and revised W-2 principles appear in their entirety in Appendix A. Governor Thompson identified “pride in work and self-sufficiency” as a philosophical principle when he unveiled his W-2 proposal. That principle was not included, however, among the final written program principles. The press release on the announcement of the W-2 proposal is available on-line at: <[http://www.dwd.state.wi.us/dwd/newsreleases/1998/2396\\_536.htm](http://www.dwd.state.wi.us/dwd/newsreleases/1998/2396_536.htm)>.
2. State of Wisconsin, 2003 Wisconsin Act 33, Section 1223p, p. 206, July 24, 2003.
3. David Dodenhoff, “Wisconsin Works: Only Work Should Pay,” Wisconsin Policy Research Institute Report, Volume 16, Number 7, October 2003, p. 5. The data on which the 60 percent figure is based are now two years old. The W-2 case-load, however, is much more substantially composed of W-2 Transitions cases than it was at the time I arrived at the 60 percent estimate. Because Transitions cases are more service-intensive than other W-2 cases, 60 percent is probably on the low end of the proportion of current W-2 clients actually participating in education and training.
4. The exact figure is 93 percent. This figure was calculated based on DWD’s “2002-03 Final Performance Standards Results,” available at: <<http://www.dwd.state.wi.us/dws/w2/pdf/PS2002-03.pdf>>.
5. Source: Fiscal year 2003 TANF Financial Data Tables A and B2, available on-line at: <<http://www.acf.hhs.gov/programs/ofs/data/>>.
6. Source: U.S. Department of Labor, Employment and Training Administration’s Welfare to Work Formula Grant reports, available on-line at: <<http://www.doleta.gov/wwt/formula/>>. The \$37 million figure is actually the amount allocated to Wisconsin under the Welfare-to-Work grant program, rather than the amount spent. Though one would normally expect the state to spend its entire allocation, Congress rescinded any unspent grant funds in January of 2004. Though Wisconsin had spent the vast majority of its Welfare-to-Work funds by then, and though the rescission legislation allowed for additional spending during a phase-out period, the state may not in fact have spent the entire \$37 million.
7. Spending of Welfare to Work funds on education and training was not permitted until the year 2000.
8. Gayle Hamilton, “Moving People From Welfare to Work: Lessons from the National Evaluation of Welfare to Work Strategies,” Manpower Demonstration Research Corporation, July 2002, pp. 29, 32.
9. *Ibid.*, p.35.
10. One also must recognize, however, that the work-first programs likely suffered from the same problem. Though virtually everyone in these programs was assigned to immediate job search, some clients almost certainly would have been more successful had they received up-front education and training.
11. Charles Michalopoulos and Christine Schwarz, “What Works Best for Whom: Impacts of 20 Welfare-to-Work Programs by Subgroup,” Manpower Demonstration Research Corporation, August 2000, p. ES-18.
12. *Ibid.*
13. Though the Butte County program places first in the table, the Portland and Riverside programs are more often held up as models. This is because results after five years (as opposed to two) in both Portland and Riverside surpassed those in Butte County, at least on some measures. Furthermore, both the Portland and Riverside programs sent a strong message to program participants about the importance of employment. The Butte program did not.
14. It is generally recognized that human capital development programs take a longer time to produce results than labor force attachment programs. By extension, mixed programs — which contain elements of HCD — might overtake some of the LFA programs in the table, given enough time. For the 18 programs for which five-year earnings data are available, mixed programs hold the first five spots, the ninth, and the 15th. The mixed programs do, therefore, rank higher in this scenario. Two of them, though, are still surpassed by a number of uniform programs. Furthermore, another mixed program, Florida Project Independence, almost certainly would have finished in the bottom half of the list if five-year earnings data on it were available. See the chart on page 4 of Judith M. Gueron and Gayle Hamilton, “The Role of Education and Training in Welfare Reform,” Brookings Institution, Welfare Reform and Beyond Policy Brief No. 20, April 2002.
15. Source: author calculations from Appendix Table C.1 in Dan Bloom and Charles Michalopoulos, “How Welfare and Work Policies Affect Employment and Income,” Manpower Demonstration Research Corporation, May 2001, pp. 61-64. The percentage referred to in the table is the percentage by which participants’ post-program earnings exceeded the earnings of a similar group of individuals who did not participate in each program. Calculations based on absolute dollar differences between groups produce very similar results.
16. Source: James Riccio, Daniel Friedlander, and Stephen Freedman, “GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program,” Manpower Demonstration Research Corporation, September 1994, Table 2.9, p. 48; and Gayle Hamilton, Stephen Freedman, et al., “How Effective are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs,” Manpower Demonstration Research Corporation, December 2001, Table 3.5, p. 79.

17. The source for this information is the same as for the data in the table.
18. Riccio, Friedlander, and Freedman, "GAIN," p. 48.
19. Hamilton, Freedman, et al., "How Effective," p. 79.
20. Ibid.
21. Johannes M. Bos, Susan Scrivener, et al., "Improving Basic Skills: The Effects of Adult Education in Welfare-to-Work Programs," Manpower Demonstration Research Corporation, 2002, Table 2.7, pp.56, 106.
22. Source: Gayle Hamilton, Stephen Freedman, et al., "How Effective are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs," Manpower Demonstration Research Corporation, December 2001, Table 4.3, p. 104. I divided the totals in Table 4.3 by five in order to calculate annual figures, and then adjusted the amounts for inflation. The figures in the table are in 2004 dollars.
23. One could argue that five years is not enough time to for the HCD programs to manifest the full pay-offs from their up-front investment in education and training. MDRC data show, however, that participant earnings in HCD programs peak in the third year and then begin falling sharply in years four and five. See Gayle Hamilton, "Moving People," Figure 8, p. 33.
24. A recent statistical study of this question comes to the same conclusion. See Robert Walker, David Greenberg, et al., "Successful welfare-to-work programs: Were Riverside and Portland really that good?" University of Wisconsin Institute for Research on Poverty, *Focus*, Vol.22, No.3, Summer 2003, pp.11-18. A revised version of the study will be published in the *Industrial and Labor Relations Review* later in 2005.
25. For example, MDRC's Gayle Hamilton, in "Moving People from Welfare to Work," writes: "[T]he Greater Avenues for Independence (GAIN) program that was run in Riverside, California, in the late 1980s — widely considered a paragon among welfare-to-work programs — was also an employment-focused, mixed-strategy program."
26. The foregoing calculations are based on Riccio, Friedlander, and Freedman, "GAIN," Table 2.5, p. 41. It is common in the discussion of the Riverside GAIN program to cite the participation rate in education and training activities as 60 percent, a substantially higher percentage than I have used to calculate the figures in the text. This 60 percent figure is misleading, however. It is true that 60 percent of Riverside GAIN participants who ever participated in a GAIN activity did so in at least one education and training component. But approximately 40 percent of individuals who registered for the program never participated in any activities at all. The vast majority of these individuals were not expected to participate, for reasons that could apply equally well to the control group. (In Riccio, Friedlander, and Freedman, see Table 2.1 and the discussion on pp. 27-29.) Thus, the appropriate comparison is between all members of the Riverside group, whether they ever participated in the program or not, and all members of the control group. In any event, The MDRC evaluations do not provide participation rates for the subset of control group members who ever participated in any education or training activity.
27. For readers who prefer peer-reviewed conclusions to those based on common sense, see the article cited in note 24.
28. The free-market Fraser Institute in Canada, for example, argues that, "A growing body of experimental research overwhelmingly suggests that 'active' labour-market training programs do not improve the prospects in the workplace for workers with low skills levels and little education." See Fazil Mihlar and M. Danielle Smith, "Government Sponsored Training Programs," *Fraser Institute Critical Issues Bulletin*, November 1997, p. 4.
29. LaDonna Pavetti and Debra Strong, "Work-Based Strategies for Hard-to-Employ TANF Recipients: A Preliminary Assessment of Program Models and Dimensions," Mathematica Policy Research, Inc., May 15, 2001, p. 5; and Lisa Plimpton and Demetra Smith Nightingale, "Welfare Employment Programs: Impacts and Cost-Effectiveness of Employment and Training Activities," Chapter 3 in Burt S. Barnow and Christopher T. King, editors, *Improving the Odds: Increasing the Effectiveness of Publicly Funded Training* (Washington, D.C.: Urban Institute Press, 2000), p. 66. I converted the monthly earnings figures on p. 66 from 1995 dollars into 2004 dollars and then multiplied by 12.
30. Irma Perez-Johnson, Debra Strong, Michelle Van Noy, "Understanding the Costs of the DOL Welfare-to-Work Grants Program," Mathematica Policy Research, Inc., August 2002, p. B5.
31. Riccio, Freedlander, and Freedman, "GAIN," p. 89.
32. Ibid., p. 323.
33. Ibid., p. 120.
34. Ibid., p. xxxiv.
35. Hamilton, Freedman, et al., "How Effective," p. 79.
36. David H. Greenberg, Charles Michalopoulos, and Philip K. Robins, "A Meta-Analysis of Government-Sponsored Training Programs," Maryland Institute for Policy Analysis and Research, September 2001, p. 29.

37. Barnow and King, *Improving the Odds*, p. 74.
38. Mary T. Moore and Tim Silva, "Evaluating the Effectiveness of Adult Education Programs: Findings from Recent Research," Mathematica Policy Research, Inc., August 23, 1999, p. 3.
39. Gayle Hamilton, "Moving People," p. 22.
40. Rebecca M. Blank and Ron Haskins, editors, *The New World of Welfare* (Washington, D.C.: Brookings Institution Press, 2001), p. 227.
41. I address work experience in this section for the sake of comprehensiveness. Traditionally, though, work experience is not included in the broad category of education and training activities.
42. David T. Ellwood and Elisabeth D. Welty, "Public Service Employment and Mandatory Work: A Policy Whose Time Has Come and Gone and Come Again?," in David Card and Rebecca M. Blank, editors, *Finding Jobs: Work and Welfare Reform* (New York: Russell Sage Foundation, 2000, p. 347; Judith M. Gueron and Edward Pauly, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), pp. 165, 6; and United States General Accounting Office, "Welfare Reform: Work-Site Based Activities Can Play an Important Role in Welfare Reform," Report GAO/HEHS00-122, July 2000, p. 28.
43. This figure is based on W-2 caseload tables for January 2005, available on-line at: <[http://www.dwd.state.wi.us/dws/rsdata/docs/docs\\_2005/w2\\_placement\\_jan05.xls](http://www.dwd.state.wi.us/dws/rsdata/docs/docs_2005/w2_placement_jan05.xls)>
44. Bos, Scrivener, et al., "Improving Basic Skills," p. 6.
45. Julie Strawn, "Beyond Job Search or Basic Education," Center for Law and Social Policy, April 1998, p. 26.
46. These percentages come from the state's performance standards for W-2 agencies.
47. In fact, the actual percentage is much lower. When the state calculates educational attainment, it excludes from the calculations: a) individuals who leave W-2 for employment; and b) individuals who leave W-2 for the federal Supplemental Security Income (SSI) program. Imagine, therefore, that over the course of a two-year agency contract period, the agency has a W-2 caseload of 100 individuals. Assume that none of these individuals has a diploma or high school equivalence. Consistent with the state's standard, assume that 66 of the 100 participate in education/training activities. During the contract period, though, half of these 66 individuals leave for work or SSI — a very conservative estimate. This leaves 33 individuals in education and training activities. Again, consistent with the state's standard, assume that 45 percent of these earn a credential or show an increase in basic skills. This works out to 15 individuals showing educational attainment. This is only 15 percent of the original 100 who started out in education and training — a percentage on par with the completion rates of the evaluation studies reviewed in this report. By the state's standards, however, this is a 45 percent educational attainment rate. That is because the attainment calculation does not apply to individuals who started an education or training component but left for work or SSI. The nature of this calculation explains how the state can claim very high levels (45 percent) of basic skill improvement and degree attainment under W-2.
48. Davis Jenkins, "Beyond Welfare-to-Work: Bridging the Low-Wage – Livable-Wage Employment Gap," Chicago Workforce Development Partnership, January 1999.
49. David Boesel, Nabeel Alsalam, and Thomas Smith, "Educational and Labor Market Performance of GED Recipients," United States Department of Education, National Library of Education, Office of Educational Research and Improvement, February 1998.
50. David Boesel, "The street value of the GED diploma," *Phi Delta Kappan*, Volume 80, Number 1, September 1998, p. 4.
51. John H. Tyler, "The Economic Benefits of the GED: Lessons from Recent Research," *Review of Educational Research*, Vol. 73, No.3 (Fall 2003), pp. 369-403.
52. Anthony P. Carnevale and Donna M. Desrochers, "Getting Down to Business: Matching Welfare Recipients' Skills to Jobs that Train," (Princeton, NJ: Educational Testing Service, 1999), p. 10; and Strawn, "Beyond Job Search," p. 10.
53. United States Department of Education, National Center for Education Statistics, *Digest of Education Statistics*, 2003 (Washington, D.C.: Government Printing Office, 2004), Table 105, p. 137.
54. The Welfare to Work Partnership, *The Bottom Line for Better Lives: A Report to the President on Welfare to Work*, Summer 2000, p. 12, available on-line at: <[http://www.welfaretowork.org/gov\\_affairs/bottomline.pdf](http://www.welfaretowork.org/gov_affairs/bottomline.pdf)>.
55. See Philip Moss and Chris Tilly, *Stories Employers Tell: Race, Skill, and Hiring in America* (New York: Russell Sage Foundation, 2001), p. 59; Michael J. Handel, "Skills Mismatch in the Labor Market," *Annual Review of Sociology*, Volume 29, August 2003, pp. 135-165; Christopher T. King, "The Effectiveness of Publicly Financed Training in the United States: Implications for WIA and Related Programs," in Christopher J. O'Leary, Robert A. Straits, and Stephen A. Wandner, editors, *Job Training Policy in the United States* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2004), p. 59; Greg Owen, Ellen Shelton, et al., "Whose Job Is It? Employers' Views on Welfare Reform," Paper presented at the Rural Dimensions of Welfare Reform Conference, Washington, D.C., May 4–5, 2000, p. 6; and Peter Cappelli, "Is the 'Skills Gap' Really About Attitudes?," *California Management Review*, Volume 37, Number 4, Summer 1995, pp. 108-124.

56. Marsha Regenstein and Jennifer Dickemper Hicks, "Job Prospects for Welfare Recipients: Employers Speak Out," Urban Institute Occasional Paper Number 10, August 1, 1998, p. 50.
57. Robert Jacobson and Gary Green, "Who's Hiring Whom for What?," Wisconsin Council on Children and Families, undated, p. 7, available on-line at: <<http://www.wccf.org/pdf/whohire2.pdf>>.
58. Harry J. Holzer and Michael A. Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace*, (San Francisco: Public Policy Institute of California, 2001), p. 16.
59. *Ibid.*, p. 45.
60. The survey results are presented as part of a report by the Governor's Wisconsin Works (W-2) Education and Training Committee, "Step Up: Building a Workforce for the Future," June 1998, available on-line at: <<http://www.dwd.state.wi.us/dws/w2/govw2etc.htm>>.
61. See note 46 and the accompanying discussion in the text.
62. These figures are rough estimates, based on the evaluation literature, of the percentage of W-2 clients who could be expected to see a significant skills upgrade or earn a diploma or GED over a six- to nine-month period.
63. The six-month time period was used in the Portland program.
64. In the Portland program, individuals typically participated in JOBS activities for between two and one-half and six months. See Susan Scrivener, Gayle Hamilton, et al., "Implementation, Participation Patterns, Costs, and Two-Year Impacts of the Portland (Oregon) Welfare-to-Work Program," Manpower Demonstration Research Corporation, May 1998, p. 52.
65. Moss and Tilly, *Stories Employers Tell*, pp. 59, 60.
66. *Ibid.*, p. 60.
67. Carnevale and Desrochers, "Getting Down to Business," Major Findings, p. 3.
68. Richard Kazis and Marc S. Miller, *Low Wage Workers in the New Economy* (Washington, D.C.: Urban Institute Press, 2001), p. 122.
69. The Center's programs and results are described at: <<http://www.cetweb.org/>>.
70. Pavetti and Strong, "Work-Based Strategies," p. x.

## ABOUT THE INSTITUTE

The **Wisconsin Policy Research Institute** is a not-for-profit institute established to study public-policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local levels. These public-policy decisions affect the life of every citizen in the state. Our goal is to provide nonpartisan research on key issues affecting Wisconsinites, so that their elected representatives can make informed decisions to improve the quality of life and future of the state.

Our major priority is to increase the accountability of Wisconsin's government. State and local governments must be responsive to the citizenry, both in terms of the programs they devise and the tax money they spend. Accountability should apply in every area to which the state devotes the public's funds.

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