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## Executive Summary

**T**his briefing report presents research on promising strategies for moving families out of poverty using employment, tax, and investment strategies.

Demetra Smith Nightingale of the Urban Institute draws upon what we have learned from work and training programs for welfare recipients and other disadvantaged individuals, which have been operating in every state for nearly 30 years. Evaluations show that programs that encourage, help, or require welfare recipients to find jobs or participate in training or work-related activities have more consistent effects on earnings than on rates of employment. But even in the most successful programs, increases in earnings are not enough to move former welfare recipients out of poverty.

Two external factors affect any attempt to move welfare recipients to work. One is the labor market. The jobs available to people with few skills have deteriorated, offering low wages and few opportunities for advancement. The second factor is the skills and experiences of the workers themselves. For example, more than half of AFDC mothers in 1991 had not completed high school and had very limited skills. These limitations restrict their opportunities to find jobs. The jobs they do find usually do not pay enough to raise them above the poverty level or provide benefits such as health insurance.

State and local welfare-to-work programs have always differed in the relative emphasis they place on training and education, public jobs, and immediate job entry. Evaluation findings support “work first” strategies because intensive training has had only modest impacts on employment and earnings.

Nightingale suggests three ways to improve performance and outcomes of welfare-to-work programs: increase participation, strengthen implementation, and build ties to the labor market. Welfare staff in some states say they believe time limits, serious participation requirements, and sanctions increase participation. The most effective programs are client-oriented, even when the program includes strong mandatory obligations. The keys to successful mandatory programs appear to be clear expectations and follow-through on both services and penalties. Successful welfare-to-work programs must also understand and work with the labor market by cultivating relationships with firms and industries, developing jobs, and staying informed about occupational or technological changes that define the skills required in the workplace.

Toby Herr, director of the successful Project Match, presents a welfare-to-work strategy based on 11 years of direct service to the Cabrini-Green community in Chicago. Research from the JOBS programs and other programs revealed that flexibility is the key to an effective program. Project Match found that the five

most important characteristics of a high flexibility system are attention to transitions and flexibility around scheduling hours in an activity, the duration of an activity, the sequencing of an activity, and combining an activity with others.

In Project Match, education was often not the first step in a natural pathway out of welfare. When people entered the program, most wanted to find a job. Herr believes that working is the best way to learn about work. Using real jobs as a training ground means the program must be more interested in serving participants than employers. Also, the program must view movement from job to job as natural and must support this movement with re-employment and advancement assistance. For re-employment, the key is immediate access to job search assistance. Job search staff and resources need to be available during the evening and on weekends.

Despite these successes, some participants have been left behind. Project Match has spent considerable time figuring out how to help unsteady workers and the “hard-to-employ.” Project Match created a whole new set of work-preparation activities that are part of a larger model—the Incremental Ladder to Economic Independence. Each rung represents an increase in skills, competencies, and expectations, and a gradual increase in time commitment.

To add lower rungs to the Ladder for the hard-to-employ, Project Match identified three groups of work-preparation activities—volunteer activities, activities with children, and self-improvement activities. Volunteering is effective job preparation because it uses a work or worklike setting to help welfare recipients who are not job-ready develop skills and behaviors that will help them gain regular employment. Parent/child activities have proven one of the best places to start learning how to adhere to a schedule because many welfare recipients seem more willing to do things for their children than for themselves. The two kinds of self-improvement activities are hobbies or athletics, and counseling, treatment, or support groups.

Counseling, treatment, and support groups must always be done in conjunction with other activities on the Ladder. This requirement parallels the real world, where people with problems usually have to get help while continuing to function as workers, parents, or spouses.

The Ladder helps participants develop natural pathways to self-sufficiency. Lower rung activities may be a state’s best option for helping hard-to-serve welfare recipients prepare for work.

David Olds, Professor of Pediatrics at the University of Colorado, has been developing and studying a program in which nurses make prenatal and early childhood home visits. The program serves low-income mothers who have had no previous live births. Many of the mothers are unmarried teenagers. A 15-year follow-up compared nurse-visited, low-income, unmarried mothers with a comparison group that received transportation and developmental screening. At age 15, the children had nearly 90% fewer verified reports of child abuse and neglect and over 50% fewer arrests. The mothers had 33% fewer subsequent births, over 70% fewer arrests and convictions, and 26% fewer months on AFDC, Food Stamps, and Medicaid.

State and local governments are financing home visiting through existing programs such as Temporary Assistance for Needy Families (TANF), Medicaid, child abuse funds, and crime-prevention dollars. The evidence indicates that home visiting programs for disadvantaged mothers more than pay for themselves in reduced government expenditures.

David Liebschutz, associate director of the Center for the Study of the States, has researched state policies for providing tax relief to the poor. Poor families are generally exempt from paying federal income tax, but they pay a large amount in taxes to state and local governments. In most states, state and local taxes take nearly 14% of income from the lowest-income families and well under 10% from those with higher incomes. This difference is largely due to general sales and property taxes, which tend to be highly regressive at the lower end of the income scale.

Although the federal government eliminated most of the income tax burden on the poor in 1986, the overall state and local taxation of the poor is greater than it was in 1986. Liebschutz proposes that it may be easier for state than local governments to finance tax relief for the poor because states have greater resources. Guidelines for states include relieving property and sales taxes as well as the income tax, making credits refundable if they exceed a family's income tax liability, providing greater benefits to large families than small families, indexing the relief or providing periodic review to adjust for inflation, and moving tax relief beyond senior citizens, who account for only one tenth of the poor. To limit the cost, relief can be targeted through credits that are phased out as income rises. Finally, tax provisions should recognize that single-parent families have more in common with two-parent families than single persons.