Welfare to Work Programs

The Issue

The economic fallout from COVID-19 and policy responses to it have changed the employment landscape in Texas from one of historically low unemployment to historically high unemployment in a matter of weeks. While Texas is on the road to recovery, the number of Texans whose livelihoods have been destroyed is still far too high.

Well-intentioned policies to help the unemployed weather crises can turn into no-win traps for those very same people by creating "welfare cliffs." At the same time, the always scarce resources of taxpayers are even more constrained by the recession of 2020. Assessing the viability of these programs in successfully targeting actual welfare recipients—those who are most in need of training and services—is vitally necessary. Ensuring that workforce boards and local employers partner with community-based organizations to identify these individuals and target resources carefully is vitally important to giving people the chance to prosper.

Further study of the effectiveness of workforce-related programs is impeded by the paucity of randomized controlled trials that evaluate Texas workforce development programs. Indeed, this is a problem nationally, as "evaluations are implemented with relatively few participants, use nonrandom samples from the population of interest, and are concentrated in the most populous urban areas and U.S. states." The Foundation, in partnership with the Lab for Economic Opportunity at Notre Dame, currently has an RCT underway to evaluate four welfare-to-work programs in Texas. The study will be published in late 2021 or early 2022.

Gaining a better understanding of which educational and training programs lead to better labor market outcomes would assist individuals in making more informed choices, enhance employers' ability to cultivate talent pipelines, and provide taxpayers with information on which programs offer the best return on investment.

A barrier to better alignment between career and technical education and the labor market is that the Texas Workforce Commission does not currently request information from employers on the job titles, hours worked, or worksites for individuals applying for unemployment insurance. Without these data, which most employers already collect, quarterly unemployment insurance reports are only a partial picture of actual workforce demand, which in turn does not provide lawmakers and educational institutions with relevant and timely information about which programs are most likely to lead to well-paying occupations at a regional level. Understanding the return on taxpayer dollars requires being able to answer such questions as: Did graduates of training programs get jobs? Were those jobs related to the training? Did that training enhance their earning power? Without improving our state's informational infrastructure by simply adding three additional fields to unemployment insurance wage records, taxpayers and lawmakers will not be able to hold institutions accountable for outcomes.

Most successful programs are not one-size-fits-all. A better understanding of different program models and their return on investment is needed. The costs of the program to taxpayers versus the workforce outcomes of participants should be the key factor in determining the viability of programs. In order to arrive at this metric, better measurement instruments are needed as well as stronger incentives for external evaluations of workforce programs. Too often, workforce programs are black boxes that do not allow policymakers and taxpayers to make determinations about the effectiveness of various interventions, including training programs.

Using tax dollars wisely to help the unemployed reengage their pursuit of the American Dream will ensure that Texas continues to be a beacon of prosperity. Texans should insist that programs dedicated to providing financial assistance be transparent in their outcomes and impact.

The Facts

- The six key social assistance programs in Texas are:

  - Temporary Assistance for Needy Families (TANF) program: 44,517 recipients (June 2020).

  - Supplemental Nutrition Assistance Program (SNAP): around 1.74 million recipients (June 2020).

  - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): 669,804 recipients (April 2020).

  - Medicaid: 3.88 million recipients (January 2020).

  - Housing assistance (Section 8): 631,000 Texas residents (June 2020).

  - Free and reduced-price (FRP) lunch program in public schools: Over 3 million students were eligible for free and reduced-price lunch as of the 2014-2015 school year.

- A possible scenario to illustrate the cost of supporting individuals and families versus the benefit of graduating off of public benefits and into the labor market: A single mother with two dependent children would qualify for a maximum TANF amount of $3,636 per year, maximum SNAP benefits of $6,108 per year, and Medicaid savings in the range of $2,976 for each adult and $2,966 for each child, therefore averaging out to $8,908—assuming the family is able to obtain healthcare coverage through work. Combining these three programs yields a savings in the range of $18,652 per year for moving a family off this assistance and into the workforce.

- Understanding which educational and training interventions lead to jobs with good wages and high growth is impeded by the fact that the Texas Workforce Commission's Unemployment Insurance wage record administrative database does not collect information that is already part of most employers' existing human resources systems, namely payroll job titles, hours worked, and county worksite codes. As of September 2018, four states (Alaska, Louisiana, Indiana, and Nebraska) have enhanced quarterly UI wage reporting.

Recommendations

- Provide greater data access for researchers and more researcher-practitioner partnerships could be a first step. A national example of this is the Foundations for Evidence-Based Policymaking Act, which establishes procedures for agencies to make data accessible and plan to develop statistical evidence to support policymaking. Texas already has some of this infrastructure through the Texas Education Research Center, with a longitudinal database that links students from Texas schools to their education and labor market data.

- Amend the Texas Unemployment Compensation Act, Subtitle A Sec. 201.027(b) to include budget-neutral incentives for employers to voluntarily report job title or job description, hours worked, and county worksite code in the quarterly reporting requirements.

Resources

Promising Approaches to Workforce Development in Texas by David Bass and Erin Davis Valdez, Texas Public Policy Foundation (July 2020).

Classroom to Career: Leveraging Employment Data to Measure Labor Market Outcomes by Rachel Zinn, Workforce Data Quality Campaign (May 2016).

"Enhanced State UI Wage Reporting," National Payroll Reporting Consortium (Sept. 13, 2018).

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