



## The skills of American workers in today's labor market

Are the education and skills of American workers adequate to the demands of today's jobs? Beginning in the 1980s, some economists and sociologists concluded that the demand for an educated and skilled workforce was outrunning the supply. This "skills mismatch," it was argued, could only grow worse as the pace of economic change accelerated and the workplace became more dependent on information technology. The blame for this perceived crisis was laid squarely on workers and the country's educational system.

Yet before the recent recession, robust U.S. economic growth had again begun to reduce wage inequality, and the United States regained unchallenged international economic dominance. Even today, high-achieving Japan remains in the doldrums. Were workers made the scapegoats for poor economic performance whose real sources lay elsewhere?

This article asks in exactly what ways the skills of the American work force are believed to be deficient, and examines the evidence for these claims.

### The conclusions

There are clear difficulties in the skills mismatch thesis. Different groups of workers have been charged with lacking essential skills, and correspondingly different qualities are argued to be in short supply, some of them not skills strictly speaking, but rather work-related attitudes. Various claims have been made regarding younger workers, older workers, high school graduates in general, and disadvantaged minorities in particular. Scarcities have been identified alternately as insufficient basic cognitive skills, insufficient higher education, lack of computer and other technical skills, and poor general problem-solving, teamwork, work motivation, diligence, and respect for authority. Nor is it clear whether the hypothesized skills deficits represent declines in absolute levels among workers or shortfalls relative to rising employer requirements.

The most readily available measures of workers' skills—educational attainment, measured by years of school, and educational quality, measured by trends in test scores—offer weak or inconclusive evidence for a skills mismatch. Educational attainment has risen steadily. Test scores are imprecise measures of skill and show little trend in the last 25 years. The important National Adult Literacy Survey shows that among those still working, younger groups perform better than older groups, and the race gap in literacy is shrinking.

<http://www.irp.wisc.edu/publications/focus/pdfs/foc231c.pdf>

## The children of New Hope, five years later

The New Hope Project, designed and implemented in Milwaukee, Wisconsin, in the mid-1990s, offered low-wage workers a "cafeteria" of supports such as child care, health insurance, and wage supplements that participants could tailor to their own

needs. Children themselves received no direct services. One of the most important questions, therefore, was whether a program of work supports for parents would improve the lives and long-term development of their children, an issue discussed in this article.

A benchmark study conducted by an independent analyst, MDRC, two years into the program had shown that New Hope had strong effects on children's experiences outside the home, with families making greater use of formal, center-based care and after-school care. The evaluators found little measurable effect on the home environment or on parent-child relations.

### The conclusions

Because structured activities are known to promote positive psychological, intellectual, and social development, a key research question is whether New Hope continued to have significant effects on child care practices and children's activities at the five-year mark. Children spent more time in center-based care, less time in home-based care or unsupervised. Adolescents especially participated more frequently in organized activities and classes, in many cases sponsored by religious institutions. Significantly, participating parents reported fewer problems managing their children, especially their teenagers.

Strong effects were found in children's educational achievement. Across all age groups, New Hope children, especially boys, were performing better academically, in the view of both parents and teachers, and as test results demonstrated. This is especially significant given the length of time that had elapsed since the end of the program, the relatively modest though persisting effects of New Hope on parents' income, employment, and general well-being, and the absence of programs directed specifically to the children.

<http://www.irp.wisc.edu/publications/focus/pdfs/foc231d.pdf>

## Respect, support, and accountability

IRP asked Julie Kerksick, Executive Director of the New Hope Project, to reflect upon what had been learned from the experiment. In her article, she highlights three values that she believes were crucial in the mutual relationship of New Hope staff and participants—respect, support, and accountability:

"I took for granted that an antipoverty employment program would treat participants with respect, deal with them on an individual basis, and follow up even after they had begun working. I didn't like the evaluators making such a big deal out of how "nice" our staff were to the participants, as if that was the revolutionary characteristic of our work. I did not want the need for economic support to be pushed aside. . . . As I studied the New Hope results—positive and inspiring in some ways, but more modest than I would have hoped in others—I began to understand that how we worked with people was as important as what we and they did together, or the economic supports we offered. This realization was strengthened over the next several years, as I looked at employment and welfare reform programs in Wisconsin, other parts of the United States, and the United

Kingdom. I saw that programs needed to address both economic and noneconomic needs of individuals who do not have consistent or stable employment, and that I was taking too much for granted in assuming that program managers understood how to position and train staff to support participants effectively.”

<http://www.irp.wisc.edu/publications/focus/pdfs/foc231e.pdf>

## How do welfare sanctions work?

Financial sanctions to oblige welfare recipients to comply with program rules have become more important and more severe under TANF. They have not, however, been systematically studied, despite their great variability and the likely impact on families. The two projects summarized in this article break new ground in their use of longitudinal data to examine the dynamic patterns of sanctioning and the consequences for sanctioned families.

### Wisconsin

The Wisconsin Works (W-2) program imposes especially stringent work requirements on participants. It also has a unique pay-for-performance sanctions policy that reduces the benefit by \$5.15 for every hour of work obligation unfulfilled. Researchers used four years of administrative data to examine the incidence, severity, and duration of sanctions. The study’s use of event-history analysis to estimate the relationships between a woman’s characteristics, her W-2 experience, and her likelihood of being sanctioned revealed complex and somewhat unexpected patterns of sanctioning.

For women still on welfare after a year, the risk of sanction was actually quite high; about 51 percent of W-2 participants were sanctioned in their first year, though no more than 14 percent of women ever lost the entire benefit to sanction in the first year. Most sanctioned women returned rather quickly to full benefits, often in the next month. Hispanic women, despite relatively short spells on welfare, and urban black women, who were generally on welfare longer, were at greater risk of being sanctioned, but the calculated magnitudes of differences by race and ethnicity are very sensitive to different approaches to estimation. And even relatively advantaged white participants living in rural areas ran a sanction risk greater than 30 percent. Women sanctioned shared many of the characteristics of long-term and very disadvantaged recipients, such as lower education, poorer health, or spottier work histories.

### Illinois

Illinois policy for moving TANF recipients into work combines somewhat generous incentives with a three-step sanctions policy that moves from partial- to full-grant sanctions if women continue not to comply with program requirements. Focusing on women participating in the Illinois Families Study of TANF recipients in rural and urban areas from 1999 to 2001, this research used administrative and survey data to examine the effects both of actual sanctions and of the threat of sanctions.

About 20 percent of women in the study were sanctioned; for a further 8 percent, sanctions were initiated but lifted before the

grant was actually reduced. As in Wisconsin, sanctioned women had the characteristics of the more disadvantaged among welfare participants. Researchers found no evidence that sanctions, or threats to sanction, encouraged work and reduced welfare dependency; in fact, sanctions were associated with less work and lower earnings, and the sanctioned were more likely to be experiencing food hardship. Thus sanctions, it appears, are not primarily working to bring about behavioral change but are instead negatively affecting those who do not follow the rules.

<http://www.irp.wisc.edu/publications/focus/pdfs/foc231f.pdf>

## Benefit-cost analysis in the evaluation of child welfare programs

Broad evaluation of the financial consequences of social programs has been somewhat of an orphan stepchild of policy analysis, especially within states. A full benefit-cost analysis is expensive to implement and takes time to do properly. But with many jurisdictions actively considering how best to integrate their social welfare programs, such an analysis should be a central tool of program evaluation.

This article offers a model of a benefit-cost analysis of child welfare programs, describing the structure of the analysis, identifying potential data sources, and noting the advantages and the difficulties of a thorough estimate of the full effects of particular programs. Spanning multiple programs at the local, state, and federal levels, child welfare expenditures have for some decades been growing substantially, and states have experimented with different arrangements for organizing and delivering child welfare services. These experiments were frequently carried out under federal waivers that required a rather narrowly framed, fiscally oriented evaluation of the policies and services offered. This article advocates a wider frame of reference that considers cost effectiveness and cost shifting as well as cost neutrality, and it explores ways of determining the economic and social benefits of a program to the family, to government, and to the wider community.

<http://www.irp.wisc.edu/publications/focus/pdfs/foc231g.pdf>

## A cost-benefit analysis of the Chicago Child-Parent Centers

The procedures outlined above are effectively demonstrated by this analysis of the Chicago Child-Parent Centers, a large-scale, publicly funded early childhood intervention for preschool children and their families. Although children participated in the program for at most six years, the analytic horizon extends over two decades, from the point children entered the program until they entered adulthood. The analysis was able to determine an impressively high ratio of benefits to costs. These benefits encompassed savings in school remedial services, in child welfare, and in the criminal justice system, and large increases in children’s lifetime earnings prospects because of their greater academic achievement.

<http://www.irp.wisc.edu/publications/focus/pdfs/foc231h.pdf>

# Focus

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