

CW-STEP SUPPORTED WORK PROGRAM LEADS TO LASTING LABOR MARKET SUCCESS FOR TANF RECIPIENTS

Poverty Focus Area:
Economic Mobility

Partner:
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KEY TAKEAWAYS

- CW-STEP program enrollment increases formal-sector employment by 10 percentage points in the three years following program exit.
- Participants realized an average increase of \$861 in their quarterly earnings during the three-year post-exit period compared to the comparison group.
- The program is cost-effective, with participants' discounted earnings gains far exceeding program expenditures over the four-year follow-up period.
- While TANF receipt increased during the program, there was no substantial effect on receipt after services ended. Additionally, the program modestly reduced participants' average monthly SNAP receipt both during and after the program.

CONTEXT

Government safety net programs are far more common than many realize, currently supporting half of all U.S. children and a quarter of working-age adults.¹ Since the mid-1990s, a shift away from cash welfare to work-based programs has resulted in the majority of social safety net spending accruing to households with at least some positive earnings and income above the poverty line², raising the question of whether using primarily work-based safety net programs leaves the poorest families vulnerable. Temporary Assistance for Needy Families (TANF) is meant to serve families closer to the bottom of the income distribution than work-based programs like the EITC and Unemployment Insurance (UI). Unlike those other programs, TANF has failed to expand to meet rising needs during recent economic recessions.³

Many TANF recipients face significant barriers to entering the formal labor market, including limited work history and lack of employer confidence. Interventions struggle to provide lasting impacts, with early employment gains frequently fading quickly after services end. Programs that strengthen the labor force attachment of TANF recipients who face persistent barriers to employment are particularly valuable in our current policy context.

INTERVENTION EXPLANATION

The Colorado Works Subsidized Training and Employment Program (CW-STEP or STEP) provides TANF recipients with a comprehensive suite of employment support services designed to bridge the gap to permanent employment, combining personalized support with real-world work experience. Administered jointly by the Colorado Department of Human Services (CDHS) and the Colorado Department of Labor and Employment (CDLE), the program was implemented through local contractors, including county workforce centers and in some cases a workforce division of the county TANF office. A key component is access to a fully subsidized six-month internship with a local employer, designed with the intent that it may transition into a permanent job.

THE STUDY

The study focused on 1,072 STEP participants who applied between January 2018 and March 2020, and it tracked their outcomes for several years, using administrative data on employment, earnings, and safety net participation (TANF, SNAP) from the Colorado Department of Human Services (CDHS).

This study compares STEP participants against a matched group of eligible non-participants using a rigorous stacked difference-in-differences design suitable for staggered program entry.⁴ The comparison group was statistically adjusted to match the earnings histories and demographic backgrounds of the STEP program participants, including UI earnings histories and a rich set of baseline observables from TANF administrative data, such as TANF receipt histories, household structure, demographic characteristics, and recent TANF case notes. Both comparison and treatment groups followed a similar economic trajectory prior to enrollment, including facing similar earnings declines and financial shocks immediately before the treatment group enrolled. This parallel history supports the study's design, strengthening the interpretation that any post-enrollment success can be directly attributed to the STEP program rather than pre-existing differences between the groups.

MAJOR FINDINGS

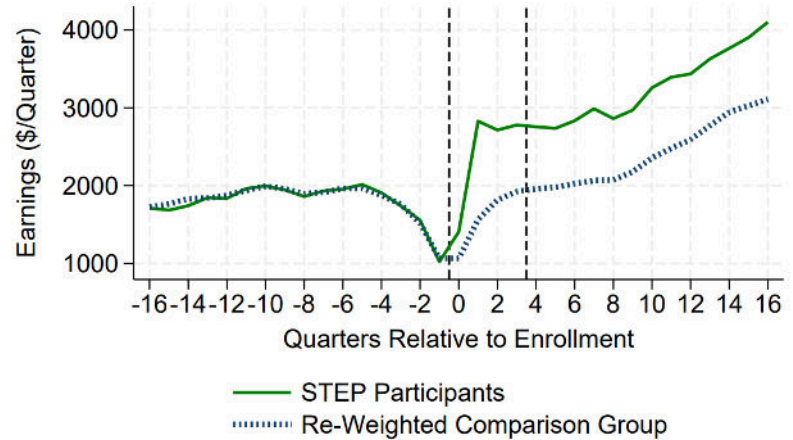
The study established that STEP generated strong, durable improvements in labor market outcomes, with fadeout effects being only moderate compared to similar programs.

Employment and Earnings Gains

Participation led to immediate increases in formal-sector employment and earnings when services started, with gains persisting well after program exit.

Mechanism of Success

The results suggest that the program succeeds by facilitating the formation of more stable employer-employee matches. By providing a subsidized trial period, the program allows employers and workers to assess fit, leading to more durable employment relationships.



Outcome Metric	Impact Magnitude	Duration
Employment rate	10 percentage point increase (20% relative to mean)	Sustained over 3 years post-exit
Quarterly earnings	\$861 per quarter increase (48% relative to mean)	Sustained over 3 years post-exit
Monthly TANF receipt	\$63 per month increase	Months 0-9; no effect in months 10-48
Monthly SNAP receipt	\$10-20 per month decrease	-\$10 in months 0-9; -\$20 in months 10-48 (sustained over 3 years post-exit)

WHAT THIS MEANS FOR FUTURE PROGRAMS:

- **Investment Pays Off:** The discounted earnings gains for participants far exceed the costs of the program over a four-year follow-up, justifying the upfront investment in subsidized wages and support services for TANF populations. Further, the long-term reduction in SNAP receipt offsets the short-term increase in TANF receipt as a result of the program.
- **Prioritize Match Quality:** The success of the program is likely driven by the quality of the match between employer and employee. Future programs should prioritize placements that have a high potential for becoming permanent, stable jobs.

¹ Macartney and Ghertner, 2023

² Hoynes and Schanzenbach, 2018

³ Bitler and Hoynes, 2016

⁴ Wing, Freedman and Hollingsworth, 2024