



WHAT WORKS DURING ECONOMIC RECESSIONS AND RECOVERIES?

Evidence from the Pathways Clearinghouse

In spring 2020, COVID-19 changed employment across the world in dramatic ways. In the United States, the unemployment rate more than tripled, increasing from 3.5 to 14.8 percent over only two months (U.S. Bureau of Labor Statistics 2021).¹ Although unemployment rates later decreased from those historic highs, as of September 2021, the unemployment rate remained around 4.8 percent. Moreover, unemployment was much higher for several groups (for example, 8 percent for Black men and 12 percent for youth). Much research suggests that even short periods of unemployment can have long-term negative effects on a person's earnings and employment (Filomena 2021).²

Evidence on programs that have effectively improved employment and earnings for people with low incomes during past recessions and recoveries can help policymakers and practitioners target their resources as they seek to improve employment in the wake of the pandemic and beyond. To support these decision makers, we turned to the research literature. We used that literature to inform a meta-analysis of data from the Pathways Clearinghouse to understand the interventions and types of services with the strongest evidence of success in improving employment, earnings, and related outcomes for people with low incomes during recessions and recoveries.³ We assessed the following questions:

- Do interventions designed to improve employment outcomes for people with low incomes show evidence of effectiveness during recessions and recoveries?

What is the Pathways Clearinghouse?

People who run programs for job seekers with low incomes need evidence on the interventions and strategies that can help their clients succeed in the labor market. Others need this evidence, too—including those making decisions on how to best allocate public resources and those seeking to expand the existing knowledge base.

To provide reliable, accessible information about what works to help job seekers find and keep gainful employment, the Office of Planning, Research & Evaluation at the Administration for Children & Families launched the Pathways Clearinghouse. The Pathways Clearinghouse is built on a foundation of rigor, credibility, and accessibility.

The Pathways Clearinghouse identifies interventions that aim to improve employment outcomes, reduce employment challenges, and support self-sufficiency for people with low incomes. The Pathways Clearinghouse systematically evaluates and summarizes the evidence of their effectiveness.

What is meta-analysis?

Meta-analysis is a tool for pulling together the findings from multiple analyses to learn more from past studies. The Pathways Clearinghouse used meta-analysis to understand the characteristics of the interventions and studies with the strongest links to improving employment, earnings, and related outcomes for people with low incomes, and how this varies during different economic conditions.

What did we find?

The Pathways Clearinghouse found that the interventions with the strongest evidence of effectiveness during recessions focused on providing case management or other supports, employment services, and work and work-based learning. Furthermore, the interventions with the strongest evidence of effectiveness during recoveries focused on providing education and training, work and work-based learning, and employment services.

- What specific types of interventions work to improve employment outcomes for people with low incomes during recessions and recoveries? Are specific types of interventions more or less effective during recessions or recoveries?
- How should providers consider altering operations in response to economic conditions?

For this analysis, we examined the effects of interventions for people with low incomes on employment, earnings, long-term public benefit receipt, and education and training outcomes. We did not examine effects on short-term benefit receipt—one of the outcomes the Pathways Clearinghouse typically examines—in this analysis because immediately reducing public benefit receipt might not be desirable in all economic conditions. We defined recessions as periods of rising unemployment (years in which the national unemployment rate grew by 0.5 percentage points or more), recoveries as periods of declining unemployment (years in which the national unemployment rate fell by 0.5 percentage points or more), and stable economic periods as those with steady unemployment (years in which the national unemployment rate neither rose nor fell by more than 0.5 percentage points).

This overview provides a brief summary of findings on interventions to improve outcomes during different economic conditions. [This full report](#) provides further information on methods and more findings.⁴

Why might interventions have different effects in recessions and recoveries?

Past research suggests that economic conditions can influence intervention effectiveness. Intervention effects might be stronger than usual during recessions if some workers cannot compete in the labor market during these difficult economic periods without the extra help interventions typically provide. Conversely, intervention effects might be weaker than usual during recessions if poor economic conditions limit opportunities for participants (for example, training programs cannot help people obtain jobs if none are available).

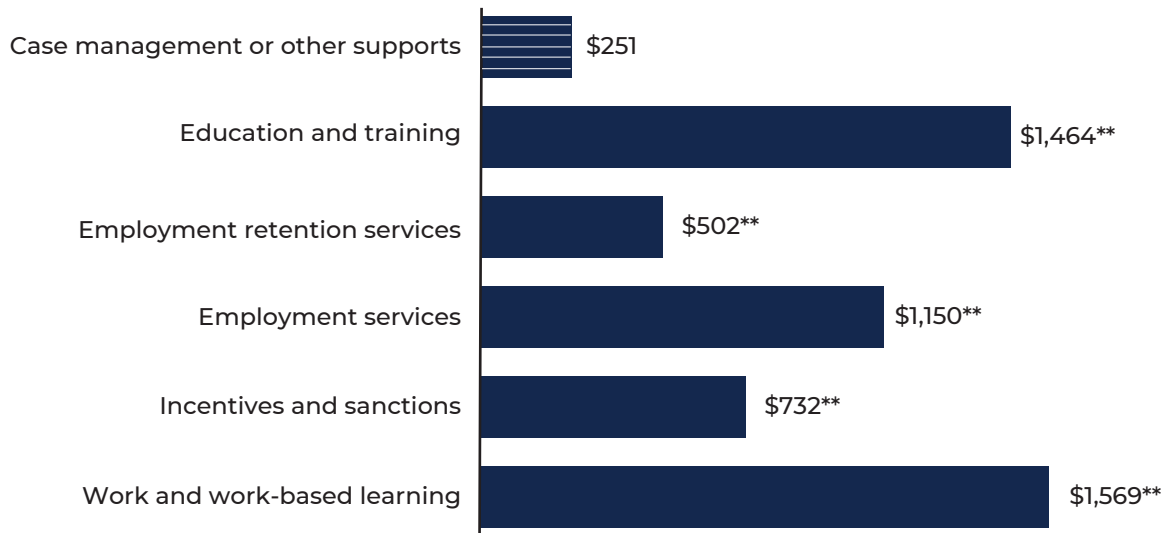
What types of interventions improve employment outcomes for people with low incomes when we do not look separately by economic conditions?

Based on their primary strategy for helping people with low incomes succeed in the labor market and obtain economic self-sufficiency, we grouped interventions into six service categories. These six categories reflect common theories of change for employment and training interventions. Creating these six groups allowed us to ensure enough data was available to draw meaningful conclusions on each group. Five of these six types of interventions significantly improve employment outcomes, on average, when we do not look separately by economic conditions: work and work-based learning, employment services (that focus on helping workers prepare for, find, apply to, and obtain jobs), incentives and sanctions, employment retention services (that focus on helping people keep the jobs they have), and education and training. Average effects were highest for interventions focused on education and training and work and work-based learning (Figure 1).

The six service categories and illustrative services

- **Case management or other supports:** intensive case management, health services
- **Education and training:** adult basic education, occupational training
- **Employment retention services:** counseling for on-the-job conflict, career advancement support
- **Incentives and sanctions:** cash bonuses for attaining employment, loss of benefits for failure to participate
- **Employment services:** job search assistance, job development
- **Work and work-based learning:** subsidized employment, apprenticeships

Figure 1. Average intervention effects by primary service provided, when we do not look separately by economic conditions (145 interventions)



Source: Pathways Clearinghouse database.

Note: The study team combined effect sizes for impacts on earnings, employment, public benefit receipt, and education and training to estimate average effect sizes, and then converted the effect sizes into annual earnings terms. Solid bars represent average effect sizes that are statistically significantly different from zero, at the 5 percent level. Striped bars indicate average effect sizes that are not statistically significantly different from zero, at the 5 percent level.

** Average effect size is statistically significant at the 0.05 level.

These types of programs had average effect sizes of \$1,464 and \$1,569 in annual earnings, respectively. Effect sizes for the group of interventions focused on employment services also exceeded \$1,000 in annual earnings. Average effects for interventions focused on incentives and sanctions and those focused on employment retention were somewhat smaller, at \$732 and \$502 in annual earnings, respectively.

For interventions focused on case management or other supports (that focus on assessing people’s needs and linking them with services), the average effect size was small and not statistically significant. This means that there is insufficient evidence to conclude that the typical interventions focused on these services improved people’s outcomes on average, when we do not look separately by economic conditions.

Looking across intervention categories, we found that education and training interventions had significantly higher average effects than the typical intervention, while case management or other support interventions and employment retention interventions had significantly lower effects.

We know from past research, however, that intervention effects may be different across economic periods, so we further examined whether certain types of interventions were effective during recessions and recoveries and how the effects of different types of interventions vary across economic conditions.

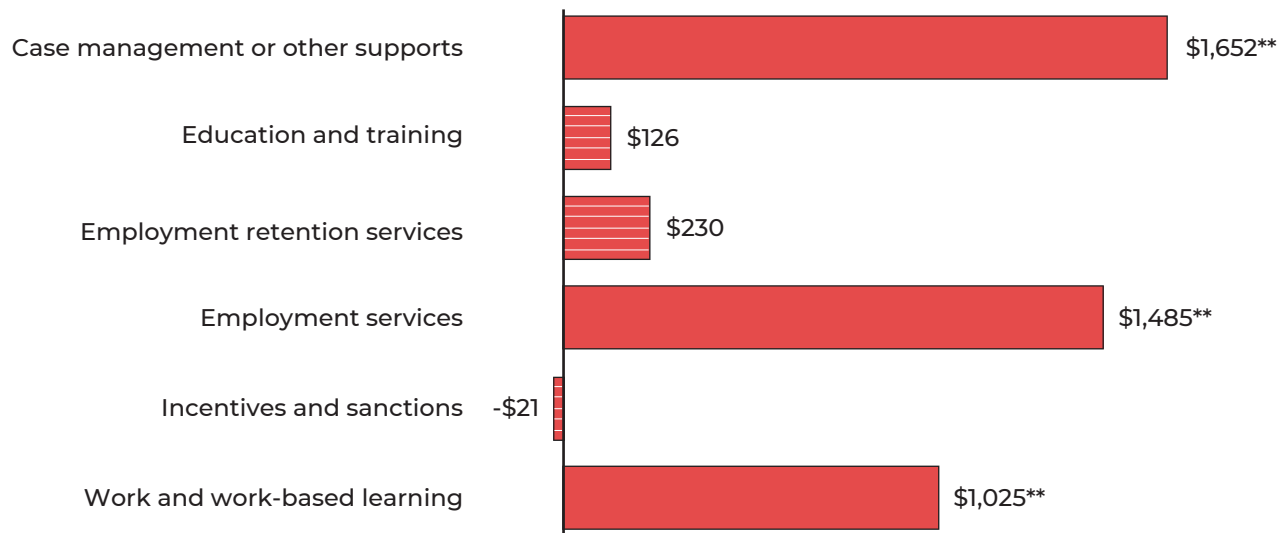
What types of interventions improve employment outcomes during recessions?

This analysis includes 30 interventions that enrolled participants with low incomes during recessions; 8 of these interventions (27 percent) had a statistically significant average effect.

On average, interventions that focused on providing case management or other supports, employment services, and work and work-based learning improved outcomes when implemented during recessions (Figure 2). The effects of case management interventions were particularly large as compared with other types of interventions implemented during recessions. During recessions, these interventions had an average effect of \$1,652 in annual earnings. Employment services interventions

improved outcomes during recessions by \$1,485 in annual earnings, and work and work-based learning interventions improved outcomes during recessions by \$1,025 in annual earnings. Other types of interventions, including education and training programs, incentives and sanctions, and employment retention services did not have statistically significant average effects when implemented during a recession. This means that there is not enough evidence to conclude that the typical interventions focused on these services improved people’s outcomes during a recession.

Figure 2. Average intervention effects by primary service provided, interventions enrolling participants during recessions (30 interventions)



Source: Pathways Clearinghouse database.

Note: The study team combined effect sizes for impacts on earnings, employment, public benefit receipt, and education and training to estimate average effect sizes, and then converted the effect sizes into annual earnings terms. Solid bars represent average effect sizes that are statistically significantly different from zero, at the 5 percent level. Striped bars indicate average effect sizes that are not statistically significantly different from zero, at the 5 percent level.

*/** Average effect size is statistically significant at the 0.10/0.05 level.

Comparing average intervention effects during recessions and stable periods suggests that some types of interventions might be more or less effective during recessions. In particular, interventions focused on case management or other supports had significantly larger effects during recessions, while interventions focused on education and training had significantly smaller effects as compared with the same types of interventions implemented during stable periods.

That is, case management interventions were more successful and education and training interventions were less successful in recessions, or periods of increasing unemployment, than they were during times when the unemployment rate was stable.

How should program operations change during recessions?

Practitioners and policymakers should consider placing more emphasis on case management or other supports, and less emphasis on education and training, during recessions, when unemployment is increasing. Interventions focused on case management or other supports and employment services show the largest effects during recessions as compared with other types of interventions implemented during recessions.

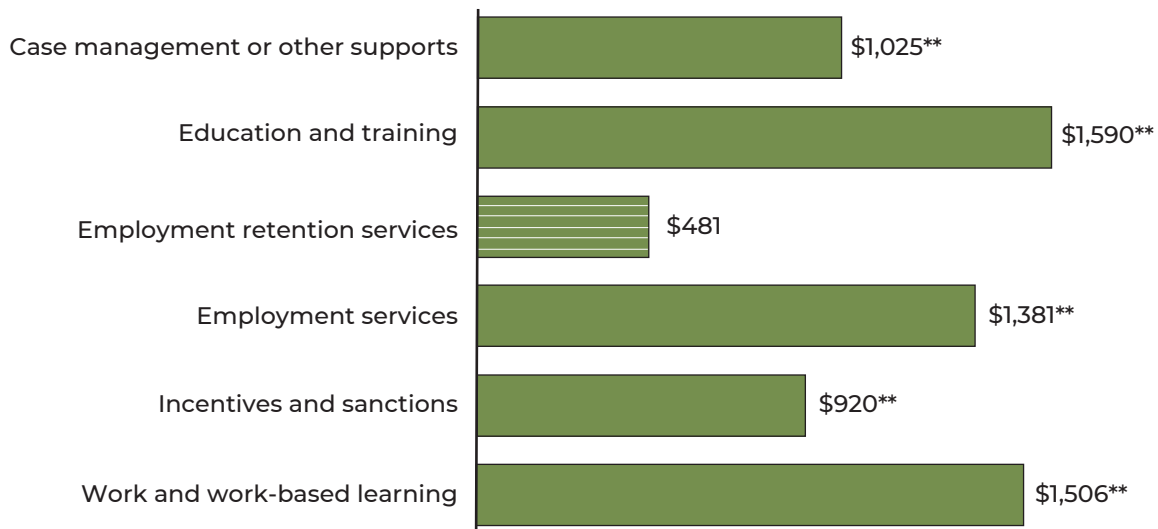
What types of interventions improve employment outcomes during recoveries?

This analysis includes 95 interventions that enrolled participants with low incomes during economic recoveries; 22 of these interventions (23 percent) had a statistically significant average effect.

Five of the six types of interventions improved outcomes during recoveries (Figure 3). In particular, interventions focused on education and training, work and work-based learning, and employment services had statistically significant average effects of \$1,590, \$1,506, and \$1,381 in annual earnings, respectively. Interventions that focused on incentives and sanctions or case management or other supports also significantly improved outcomes during recovery periods.

The average effects of interventions were generally similar during recoveries and stable economic conditions, with one exception. Interventions focused on case management or other supports had significantly larger effects during recoveries than during periods of stable unemployment. This finding—together with the result presented above, that case management interventions also had significantly larger effects during recessions as compared to stable economic periods—suggests that this type of intervention may be less effective during stable economic conditions. It may be that that interventions that primarily focus on case management give job seekers a particular leg up when unemployment is falling (during recoveries) or rising (during recessions).

Figure 3. Average intervention effects by primary service provided, interventions enrolling participants during recoveries (95 interventions)



Source: Pathways Clearinghouse database.

Note: The study team combined effect sizes for impacts on earnings, employment, public benefit receipt, and education and training to estimate average effect sizes, and then converted the effect sizes into annual earnings terms. Solid bars represent average effect sizes that are statistically significantly different from zero, at the 5 percent level. Striped bars indicate average effect sizes that are not statistically significantly different from zero, at the 5 percent level.

*/** Average effect size is statistically significant at the 0.10/0.05 level.

How should program operations change during recoveries?

Practitioners and policymakers should consider targeting resources towards interventions other than those focused on employment retention services during recoveries, when the unemployment rate is falling. Interventions focused on education and training and work and work-based learning show the largest effects during recoveries as compared with other types of interventions implemented during recoveries.

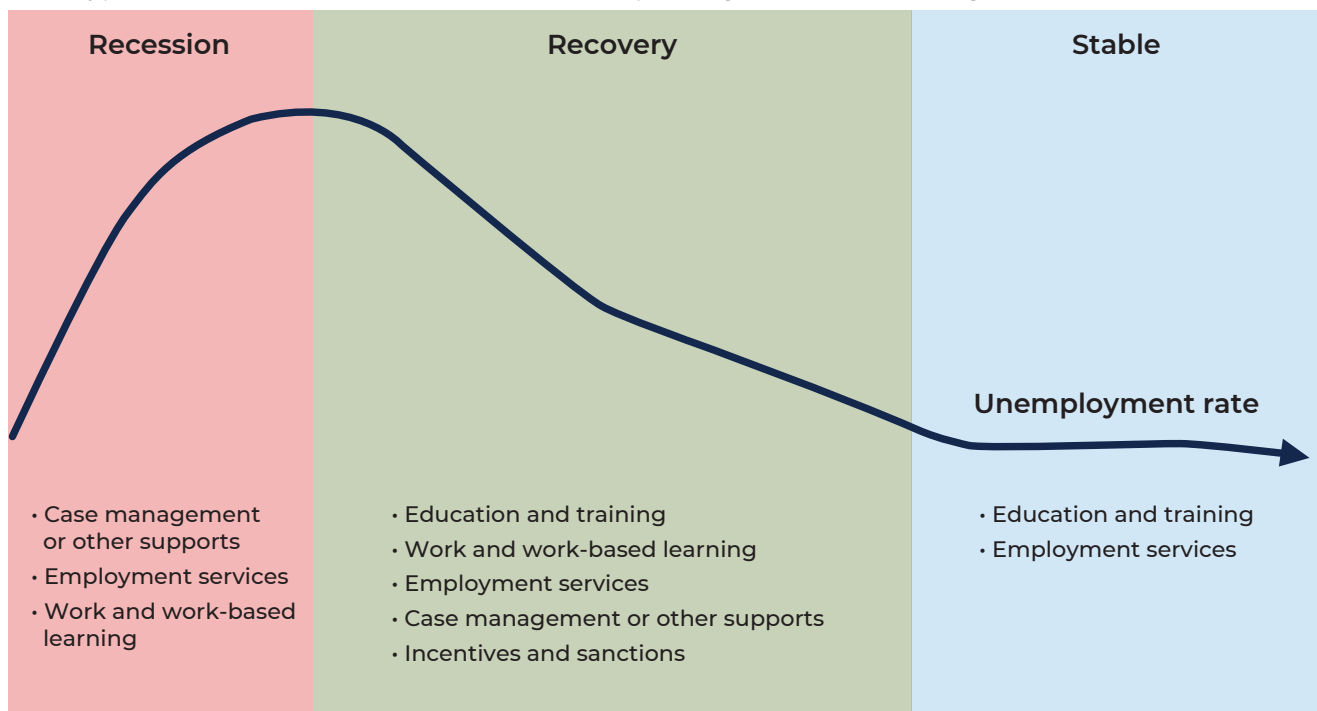
How should providers consider altering operations in response to economic conditions?

This meta-analysis reveals that there is important variability in the kinds of interventions that work during different economic conditions. Some types of interventions appear to improve outcomes across different economic periods, whereas other types

appear successful only under certain conditions (Figure 4 lists the intervention types with evidence of improving outcomes by economic condition, with those with the biggest effects listed first). Nevertheless, interventions supporting employment and economic self-sufficiency for people with low incomes have been successful in a variety of economic conditions.

As the economy enters a period of recovery from the COVID-19-induced recession, decision makers can use these findings to target resources. However, it is important to keep in mind that while the differences in effects during recessions and recoveries could be caused by actual differences in effectiveness during recessions and recoveries, these differences may also be driven by differences in the types of individuals who enroll in programs or nuances of the programs provided. That is, we do not (and cannot) compare the same interventions delivered to the same types of people during different economic conditions. Moreover, economic conditions in the economy as a whole might differ from the conditions faced by a specific group of clients or in a specific area. People who support or run programs should therefore consider both these overall findings and the characteristics of their clients and specific economic context when selecting a program.

Figure 4. Types of interventions with evidence of improving outcomes among workers with low income



Source: Pathways Clearinghouse database.

Note: The types of interventions with the biggest effects within recessions, recoveries, and stable economic periods are listed first in each column. The trend in the unemployment rate is a stylized representation of economic conditions from 2007 to 2019.

Endnotes

¹ U.S. Bureau of Labor Statistics (2021). *Labor force statistics from the Current Population Survey*, Washington, DC: U.S. Bureau of Labor Statistics. Retrieved from FRED, Federal Reserve Bank of St. Louis: <https://fred.stlouisfed.org/categories/32447>.

² Filomena, M. (2021). *Unemployment scarring effects: A symposium on empirical literature*, Working paper, Ancona, Italy: Marche Polytechnic University, Department of Economic and Social Sciences.

³ Although we considered a wide variety of outcomes, all effects in this paper have been converted into equivalent changes in annual earnings in 2018 dollars. See Stanczyk et al. (2021) for details.

⁴ Stanczyk, Alexandra, Dana Rotz, Erin Welch, and Andrei Streke (2021). *Synthesis report: Which employment and training programs work during economic recessions and recoveries? Evidence from the Pathways Clearinghouse*, Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

Goals of the Pathways Clearinghouse

The Pathways Clearinghouse systematically evaluates and summarizes the evidence on the effectiveness of interventions that aim to improve employment outcomes, reduce employment challenges, and support self-sufficiency for populations with low incomes. It has several goals:

- Conduct a transparent, comprehensive search to identify studies of employment and training interventions designed to improve employment, increase earnings, support self-sufficiency, or advance education and training for populations who are low income.
- Rate the quality of those studies to assess the strength of the evidence they provide on the different interventions.
- Determine the evidence of effectiveness for those interventions.
- Share the results, as well as other Clearinghouse products, on a user-friendly website to help state and local TANF administrators, policymakers, researchers and the general public make sense of the results and better understand how this evidence might apply to questions and contexts that matter to them.
- Synthesize the overall state of evidence in the field by creating and disseminating a variety of reports, briefs, and other products.

For more information, see <https://pathwaystowork.acf.hhs.gov>.

November 2021

OPRE brief: 2021-230

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Suggested citation: Rotz, Dana and Alexandra Stanczyk. (2021). Overview of Findings: What Works During Economic Recessions and Recoveries? Evidence from the Pathways Clearinghouse. OPRE Report # 2021-230, Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

This brief was funded by the Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, under contract number HHSP2332015000351/HHSP23337034T.


Disclaimer: The views expressed in this publication do not necessarily reflect the views or policies of the Office of Planning, Research, and Evaluation, the Administration for Children and Families, or the U.S. Department of Health and Human Services.


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