

Does Faith Work? A Comparison of Labor Market Outcomes of Religious and Secular Job Training Programs[†]

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Abstract

In this paper, we examine differences in job market outcomes of individuals who receive job training from faith-based versus secular providers using an instrumental variables regression approach to estimate causal effects. Our data are from two counties in Indiana and consist of demographic information, type of job training provider and labor market outcomes for the universe of individuals who received job training over a two and half year period. We find that faith-based and secular providers have the same rates of placement into jobs and that, conditional on employment, the jobs have similar wages. We also find that clients who receive training from faith-based providers are, conditional on employment, substantially less likely to work full time and substantially less likely to have health insurance through their employers.

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Federal, state and local government social service agencies have a long history of contracting with religious, or “faith based” organizations providing those services. Beginning in 1996, however, with the addition of Section 104 (Charitable Choice) to the Personal Responsibility and Work Opportunity Act (PRWORA), and subsequently with President Bush's “Faith Based Initiative”, the propriety of those contracts has become the focus of public debate.

There are a number of reasons given for the current efforts to make faith-based providers a larger part of the government-funded social safety net. The most prominent is a belief that religious providers are more effective than their secular counterparts. This is a belief that has never been tested; indeed, there is comparatively little research on the efficacy of social welfare programs in general. In this study, we compare the labor market outcomes of job-training programs conducted by secular and religious organizations. Note that this is a question with normative implications. If FBOs are found to be more effective, current outreach programs can be justified. If, on the other hand, FBOs are found to be no more effective, or less effective, than secular organizations, efforts to involve more of them as government contractors will need to be justified on other grounds.

There is relatively little research in the area of provision of social services by faith-based organizations. Chaves and Tsitsos (2001) examine what social services religious organizations provide and how they do it. Kramer, et al. (2002) ask similar questions but in the context of provision of employment related services. Monsma and Mounts (2002) examine how faith-based welfare-to-work programs differ from their secular counterparts in terms of funding from government and services offered. We have not been able to find, however, any published literature that examines differences in outcomes of clients who receive social services from faith-based versus secular providers. Perhaps this lack of literature is not so surprising in light of the fact that there is comparatively little evidence on the consequences of the differing organizational attributes of for-profit and non-profit providers for social welfare outcomes in spite of the fact that there is a large literature on their differences in other dimensions (Heinrich, 2000). In the context of non-profit versus for-profit providers, Salamon (1993) and Weisbrod (1989) suggest that the lack of empirical research on this

subject is due mainly to problems associated with measuring outcomes, particularly those of social welfare programs, where quality is not easily quantified and multiple objectives and constituencies frequently exist. These arguments are equally valid in examinations of differences between faith-based and secular providers of services. Job training programs arguably have the most easily quantifiable outcomes with well defined objectives. There is also there is considerable literature on evaluations of the efficacy of such programs (Bloom, et al., 1997; Heckman, et al., 1999; Orr, et al., 1996). Consequently, a comparison of job training programs provided by faith-based and secular providers of social services is a natural place to embark on such research.

Methods

The ideal study design would involve randomly assigning individuals into training programs and observing their outcomes over extended period of time post training. Unfortunately, our dataset is observational and consists of information on individuals who received job training from faith-based and secular programs over a two-and-half year period. Clients were assigned to faith-based and secular job-training providers by case-workers. They were assigned to case-workers in a systematic fashion based on the order in which they arrived at the welfare office. If we thought that case-workers were assigning individuals randomly into faith-based and secular programs then we could use statistical methods appropriate for randomized designs. That is, the causal effect of job training at a faith-based provider, as compared to training at a secular provider, could be obtained by a regression of labor market outcomes on an indicator for the type of training provider and controls for client characteristics. More plausibly, although client assignment to case-worker may be considered quasi-random, it is reasonable to believe that individual case-workers had systematic preferences for faith-based versus secular providers based on their own religious convictions, experience with the providers, or other predispositions. In this context, standard regression methods will provide biased estimates of the causal effects of type of job-training provider on labor market

outcomes. So, we use an instrumental variables (IV) regression approach to estimate the causal impact of type of job-training provider.

We use dummy variables for case-workers as the instruments, i.e., we assume that predisposition of case-workers regarding faith-based versus secular providers of job-training drive systematic differences in assignments of clients to each type of provider, but that case-workers have no direct impact on the potential outcomes of the clients. This assumption is plausible because of the quasi-random assignment of clients to case-workers and the relative lack of involvement of case-workers once job-training commences.

Ideally, we would like to estimate the average treatment effect (ATE), which is the causal effect of the treatment on outcomes. However, except in special cases like constant treatment effects and certain types of randomized trials, the standard exclusion assumptions of IV are not sufficient to determine ATE, even in the population subject to treatment (see, for example, Angrist, 2001; Angrist, and Evans, 1998). Instead, the IV assumptions identify treatment effects on “compliers,” which Angrist, Imbens, and Rubin (1996) define as the subpopulation of treated individuals whose treatment status can be influenced by the instruments. In our case, the extent to which IV estimates determine ATE depends on the ability of case workers (instruments) to assign clients (treated individuals) to faith-based providers instead of secular providers of job training. Given that our population consists of individuals who are already seeking training, we feel it is reasonable to believe that most clients would not refuse training if they were assigned to a faith-based provider, or vice-versa, nor are most clients likely to insist on either type of provider. Therefore, our estimates are likely to determine ATE reasonably well for the subpopulation of individuals on welfare who choose to enroll in job training programs.

Data

The dataset was compiled from three sources: financial management reports, extracts from the Indiana Client Eligibility System (ICES), and monthly job placement reports submitted by the counties, recorded in

fiscal years (Oct. 1 - Sep. 30) 2000, 2001, and Oct. 1 through Dec. 31, 2002. Financial management reports were used to identify the provider of job training services. ICES contains basic demographic information for clients: sex, age, race, and education levels, and the identity of the case-worker. Monthly job placement reports were used to identify clients who were placed into jobs as well as that person's wage rate, hours worked and health insurance status.

Providers of job training services were categorized as faith-based or secular in the following way. Surveys of providers were used to measure eight dimensions related to the influence of faith in the organization (Bielefeld, et al., 2002). Organizations scoring positively on one to or more dimensions were classified as faith-based in this study. We considered only individuals receiving services in Marion and Lake counties as these were the only two counties that had faith-based providers of services at the time of data collection. After appropriate cleaning of the raw data files including manual verification of certain data elements on a case by case basis, the sample suitable for analysis contained 5683 observations.

The first measure of outcome is a binary variable for whether or not the client was placed into a job after training. Conditional on being placed, the outcomes are a binary variable for full time versus part time work status, the hourly wage rate and a binary variable for whether the client was covered by health insurance at the job. Full time work is defined as working at least 35 hours per week. However, to check the robustness of our results, we also estimate models in which full time work status is defined by at least 40 hours of work per week. The main control variable of interest is a dummy variable for whether the client was assigned by the case-worker to obtain job-training services from a faith-based provider. Other control variables include a dummy variable for whether they live in Marion county (as opposed to Lake county), gender, race (a dummy variable for White) and education (two dummy variables indicating whether the client has a high school diploma and whether the client has any additional education). In addition, to control for macroeconomic trends, we include two dummy variables for fiscal years 2001 and 2002 with fiscal year 2001 being the omitted category.

We identify the case-worker via a scrambled identifier. Each case-worker with a sufficient number of clients is assigned a dummy variable. These are our instrumental variables, i.e., we expect case workers to have differing propensities to assign clients to faith-based versus secular job training providers based on their own predispositions, but are not likely to directly affect labor market outcomes of clients post-training. We recognize that our instruments are a “black-box” and provide little insight into the assignment process, but they are potentially valid instruments for obtaining estimates of the causal effects of job training by secular versus faith-based providers.

The period during which our sample was collected coincides with an initiative by the state’s Family and Social Services Administration to encourage religious social service providers to contract with the state to provide job training and other social services to welfare clients. The program, called FaithWorks, succeeding in adding 6 providers to the existing set of job training providers for welfare clients. Because these providers are new to the welfare landscape (although some had been providing social services for quite sometime), differences between them and existing religious providers could contaminate the estimated effect of religious providers. Therefore, we have also conducted our analysis without them; the sample size in this case is 4666.

Characteristics of both samples are reported in Table 1 under the columns “including FaithWorks providers” and “excluding FaithWorks providers”. In the sample including FaithWorks providers, 40 percent of clients who engaged in job training are placed into jobs after training. Of those who are placed, 44.5 percent work at least 35 hours per week (35.4 percent if full-time status is defined as working at least 40 hours per week) and earn an average of \$6.88 per hour. Almost six percent of these individuals are covered by health insurance plans. These characteristics do not change substantially when FaithWorks providers are removed from the sample. The individuals in our samples are disproportionately female (77 percent) and non-White (20 percent White). While a little over half of the clients have high school diplomas, about 7 percent have additional education.

Results

Ordinary least squares regressions are used to estimate the determinants of assignment to faith-based providers for the samples including and excluding FaithWorks providers. These are the first-stage regressions implied by the IV procedures for the outcome regressions. In addition to client characteristics described in Table 1, the models contain dummy variables for 54 and 49 case-workers in the “including FaithWorks providers” and “excluding FaithWorks providers” samples respectively. There are considerably more case-workers in our sample, but we create dummy variables for only those case-workers with frequencies of at least 0.5 percent. All other case workers are grouped together in the baseline category. Parameter estimates and robust standard errors from these models are reported in Table 2.

We have not reported estimates for individual case-worker variables because these are not interpretable. However, it is important to note that the estimates of case-worker effects are jointly significant. The statistics for the null hypothesis that there is no case-worker effect, or in other words, that all case-workers are identical in their propensities to assign clients to faith-based providers, are highly significant. Thus case-workers are not homogeneous: they do differ in their propensities to assign clients to faith-based providers, *ceteris paribus*. Note that our model treats case-workers as a black-box so it is not possible to learn anything about why they differ. Women and minorities are significantly more likely to receive job training services from religious providers. Clients with more education are more likely to be assigned to faith-based providers, but these effects are not statistically significant once FaithWorks providers are excluded. As compared to FY 2001, clients were progressively more likely to be assigned to faith-based providers in fiscal years 2002 and 2003.

IV regressions for labor market outcomes are also estimated for both samples. Parameter estimates and robust standard errors from these models are reported in Table 3 for the “including FaithWorks providers” sample and Table 4 for the sample “excluding FaithWorks providers”. The estimates in Table 3 show that there is no significant difference in placement rates between faith-based and secular providers

of job training services. Women, minorities and those with high school education or more are significantly more likely to be placed into jobs. Clients are less likely to be placed in FY 2002, reflecting the macroeconomic downturn.

Among those who are placed, clients who received their training at faith-based providers are significantly less likely to work full time. Regardless of whether full time work is defined as working at least 35 or 40 hours, clients of faith-based providers are, on average, 22 percentage points less likely to be employed full time. Clients who live in Marion county and the relatively more educated are significantly more likely to work full while women are significantly less likely to work full time. Wages are not significantly different for clients who received training from faith-based providers compared to those who received training from secular providers. Workers who live in Marion county earn almost \$1 more, on average, than those who live in Lake county. Relatively educated clients earn significantly higher wages but women earn significantly lower wages. The final column in Table 3 reports estimates for the probability of having health insurance through the job. Here, as in the probability of full time work, we find that clients of faith-based providers are significantly less likely to have health insurance plans as compared to clients of secular providers. The probability of having health insurance is 8.6 percentage points lower for clients who received job training from faith-based providers. Those living in Marion county as well as the relatively more educated are more likely to have health insurance.

The causal effects of provider type on labor market outcomes for the sample in which FaithWorks providers are excluded are qualitatively identical to those in which they are included. Clients of faith-based job training providers, as compared to those of secular providers, are equally likely to be placed into jobs and, among those with jobs, have similar wages but are less likely to work full time and have health insurance. The magnitudes of the causal effects are, however, somewhat smaller. Nevertheless, the analysis of this sample suggests that differences between faith-based and secular providers are not driven by the inclusion of new, inexperienced faith-based providers.

Conclusions

In this study we have examined the issue of whether labor market outcomes of job training programs provided by faith-based organizations are different from those of secular job training providers. We have controlled, as best possible, for the possibilities of selection on observable and unobservable characteristics into training programs provided by faith based and secular organizations. We find that faith-based and secular providers have the same rates of placement into jobs and that the jobs have similar wages. However, we also find that clients who receive training from faith-based providers and are placed into jobs are substantially less likely to work full time and are less likely to have health insurance through their employers. These findings suggest that secular providers of services may have access to job opportunities of better quality as compared to faith-based providers.

We have estimated our models for two samples of data, one of which excludes faith-based organizations that received government funding only recently as a result of a recruitment initiative targeted towards such organizations. We find that our results are quite similar for the two samples. Therefore, differences between these “new” faith-based providers and older, more established ones are not the source of our findings. In other words, there is no evidence that the new faith-based organizations are substantially different (better or worse) than older faith-based organizations.

These findings, although robust within the samples of data we have used, should be treated with some caution for two reasons. First, in spite of our careful statistical treatment of self-selection, our study does not have the same validity as an experimental study would have. Second, our data are from two counties in Indiana and so obvious questions of external validity can be raised. Nevertheless, we do believe our results are plausible, likely to have external validity in similar environments, but are counter to the recent political rhetoric.

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Table 1
Summary Statistics

Variable	Definition	including FaithWorks providers			excluding FaithWorks providers		
		N	Mean	St. dev.	N	Mean	St. dev.
placed	=1 if the client was placed into a job; 0 otherwise	5683	0.397	0.489	4666	0.397	0.489
full-time (35)	=1 if the client worked 35 or more hours per week	2258	0.445	0.497	1852	0.464	0.499
full-time (40)	=1 if the client worked 40 or more hours per week	2258	0.354	0.478	1852	0.367	0.482
hourly wage	wages in \$ per hour	2252	6.875	1.928	1849	6.897	1.956
health insurance	=1 if the client has health insurance from the employer; 0 otherwise	2231	0.057	0.233	1826	0.059	0.236
religious provider	=1 if the job training provider was a faith-based organization; 0 otherwise	5683	0.378	0.485	4666	0.242	0.429
marion county	=1 if the client lived in Marion county; 0 if the client lived in Lake county	5683	0.371	0.483	4666	0.430	0.495
female	=1 if the client was female; 0 otherwise	5683	0.770	0.421	4666	0.771	0.420
white	=1 if the client was White, Non-Hispanic; 0 otherwise	5683	0.202	0.402	4666	0.219	0.414
high school diploma	=1 if the client has a high school diploma only; 0 otherwise	5683	0.521	0.500	4666	0.502	0.500
beyond high school	=1 if the client has some education beyond a high school diploma	5683	0.069	0.253	4666	0.065	0.247
FY 2001*	=1 if record is from Oct. 1 to Sep. 30, 2001; 0 otherwise	5683	0.356	0.479	4666	0.367	0.482
FY 2002*	=1 if record is from Oct. 1 to Dec. 30, 2002; 0 otherwise	5683	0.077	0.266	4666	0.054	0.225

Note:

* FY 2000, if record is from Oct. 1 to Sep. 30, 2000, is the omitted category.

Table 2
Regression (IV first stage) of Assignment to a Faith-based Provider of Job Training

	including FaithWorks providers	excluding FaithWorks providers
marion county	-0.053* (0.016)	0.075* (0.015)
female	0.043* (0.015)	0.037* (0.014)
white	-0.116* (0.015)	-0.079* (0.013)
high school diploma	0.056* (0.013)	0.016 (0.012)
more than high school	0.049* (0.025)	-0.005 (0.024)
FY 2001	0.070* (0.014)	0.080* (0.013)
FY 2002	0.461* (0.020)	0.436* (0.031)
F test of case-worker effect	4.120*	5.160*
D.F. for $F(v_1, v_2)$	54, 5621	49, 4609
R ²	0.132	0.130

Notes:

Robust standard errors are in parentheses.

* Statistically significant at the 5 percent level.

+ Statistically significant at the 10 percent level.

Table 3
IV Regressions of Labor Market Outcomes: Sample Includes FaithWorks Providers

	placed	full-time (35)	full-time (40)	wage	insurance
religious provider	0.028 (0.073)	-0.221* (0.088)	-0.218* (0.084)	0.177 (0.300)	-0.086* (0.031)
marion county	0.010 (0.015)	0.174* (0.023)	0.119* (0.023)	0.940* (0.086)	0.049* (0.012)
female	0.178* (0.015)	-0.078* (0.030)	-0.072* (0.030)	-0.590* (0.149)	-0.007 (0.015)
white	-0.065* (0.019)	-0.017 (0.030)	0.020 (0.030)	0.218+ (0.123)	-0.023 (0.014)
high school diploma	0.062* (0.014)	0.085* (0.023)	0.075* (0.022)	0.541* (0.081)	0.017* (0.010)
more than high school	0.087* (0.027)	0.110* (0.041)	0.086* (0.041)	0.977* (0.199)	0.064 (0.025)
FY 2001	0.005 (0.015)	0.022 (0.022)	0.002 (0.022)	0.119 (0.087)	0.014 (0.011)
FY 2002	-0.137* (0.042)	0.118+ (0.063)	0.126* (0.061)	0.139 (0.238)	0.030 (0.023)
R ²	0.036	0.022	0.046	0.087	0.019

Notes:

Robust standard errors are in parentheses.

* Statistically significant at the 5 percent level.

+ Statistically significant at the 10 percent level.

Table 4
IV Regressions of Labor Market Outcomes: Sample Excludes FaithWorks Providers

	placed	full-time (35)	full-time (40)	wage	insurance
religious provider	0.073 (0.074)	-0.162 ⁺ (0.093)	-0.196* (0.089)	-0.343 (0.314)	-0.065* (0.027)
marion county	0.002 (0.015)	0.175* (0.023)	0.133* (0.023)	0.961* (0.087)	0.058* (0.012)
female	0.168* (0.016)	-0.113* (0.033)	-0.103* (0.033)	-0.563* (0.167)	-0.008 (0.017)
white	-0.063* (0.019)	-0.014 (0.031)	0.020 (0.030)	0.252 ⁺ (0.132)	-0.015 (0.015)
high school diploma	0.055* (0.015)	0.082* (0.024)	0.075* (0.023)	0.551* (0.086)	0.012 (0.011)
more than high school	0.077* (0.030)	0.106* (0.046)	0.083 ⁺ (0.045)	0.958* (0.230)	0.046 ⁺ (0.027)
FY 2001	0.001 (0.017)	0.024 (0.025)	-0.001 (0.025)	0.143 (0.101)	0.023 ⁺ (0.012)
FY 2002	-0.154* (0.046)	0.090 (0.078)	0.119 (0.077)	0.330 (0.300)	0.016 (0.031)
R ²	0.031	0.0317	0.044	0.096	0.018

Notes:

Robust standard errors are in parentheses.

* Statistically significant at the 5 percent level.

⁺ Statistically significant at the 10 percent level.