Evidence from the past 4 years confirms that private sector jobs are the best and first resort for welfare recipients seeking to enter the workforce and that the private sector can well absorb the entry of these new workers. The model of wage-based transitional employment may be a more effective means of helping hard-to-employ welfare recipients make the transition from welfare to work than large-scale workfare programs are. Programs providing wage-based transitional employment allow participants to take advantage of the Earned Income Tax Credit to supplement their earnings, and they instill the expectations of the working world in participants. Wage-based programs typically supplement job placements with training, education, or counseling to assist participants in overcoming obstacles to employment, and they also benefit employers and communities. The most successful wage-based transitional jobs programs incorporate the following elements: (1) generous work supports and postprogram transitional services; (2) flexible, performance-based administration under a public/private model; and (3) safeguards against displacement of existing workers. The following programs are examples of successful wage-based transitional jobs programs: EarnFair (New York); the Transitional Work Corporation (Philadelphia); Community Jobs (Washington State); the Industrial Exchange (Tulsa, Oklahoma); the Community Service Employment Program (Vermont); and Jobs Plus (Oregon). (11 references) (MN)
Anne Kim

TRANSITIONAL JOBS: A BRIDGE INTO THE WORKFORCE FOR HARD-TO-EMPLOY WELFARE RECIPIENTS
Transitional Jobs
A Bridge Into the Workforce for Hard-to-Employ Welfare Recipients

by Anne Kim

The past four years have witnessed the transformation of welfare from a system focused on income maintenance to a system focused on employment. "Work first" was the message of welfare reform, and in many respects that message was delivered successfully. In 1999, the percentage of working welfare recipients reached an all-time high of 33 percent—nearly five times the percentage in 1992 and three times the percentage in 1996. Work was also the driving factor behind the dramatic shrinkage in caseloads since the enactment of welfare reform in 1996. According to an Urban Institute survey, more than two-thirds of welfare "leavers" cite work as their reason for dropping off the rolls.

This experience confirms the conviction long held by the Progressive Policy Institute (PPI) that private sector jobs are the best and first resort for welfare recipients seeking to enter the workforce, and that the private sector can well absorb the entry of these new workers. The decline in caseloads is slowing, however, and those left on welfare are likely to have trouble finding employment. Compared to four years ago, welfare recipients today are less likely to have finished high school, less likely to have had significant work experience, and more likely to face multiple obstacles to employment such as mental and physical disabilities or problems with drugs and alcohol. Absent a great deal of help, work first is unattainable for many of these disadvantaged individuals.

To provide this help, states have employed a variety of approaches—training, education, job search assistance, "job clubs," interviewing workshops, and the like. But in some cases, the best option may in some ways be the simplest: If a recipient can't find a job, the state should provide one. While PPI does not advocate a massive public jobs program, publicly funded transitional jobs may offer some recipients the best bridge into private sector employment.

Publicly funded work, however, comes in various guises, some more effective than others. "Workfare," which became prevalent in the mid-1980s, is probably the best-known type of public work program. Also known as "unpaid community work experience," workfare is used on a large scale in some places, most notably New York City. The concept of workfare is simple: Recipients work in exchange for their welfare checks. Workfare participants, however, generally do not enjoy all the benefits of a "real" job. They are not eligible to apply for the Earned Income Tax Credit (EITC), for example, and they do not receive a paycheck determined by the hours worked. Because of these and other drawbacks discussed below, large-scale workfare programs may not be the best means of helping hard-to-employ recipients make the transition from welfare to work.
A far more promising model is "wage-based transitional employment," variations of which are being used effectively in Oregon, Washington State, Philadelphia, and a few other states and localities. The principal benefits of these programs derive from their "job-like" aspects. Wage-based programs, for example, offer participants a paycheck based on hours worked. As "employees," participants are also able to take advantage of the EITC to supplement their earnings. Wage-based programs also instill in participants the expectations of the working world, while at the same time providing a structured environment to smooth the transition to work for individuals unaccustomed to holding down a job. These programs also typically supplement job placements with training, education, or counseling to assist participants in overcoming obstacles to employment.

Intensive programs such as these are undeniably expensive. The decline in caseloads, however, has provided states with a generous surplus in funding for welfare programs—approximately $8 billion as of 1999. Some of this money would be well spent investing in programs aimed at helping welfare's toughest cases.

Publicly funded transitional jobs should supplement, not replace, the array of tools already available to states in moving recipients from welfare to work. Moreover, the evidence indicates that widespread use of public jobs is likely to be unnecessary. Private sector employment remains the paramount goal, and transitional jobs should serve solely as a means to that end. Finishing the job of welfare reform means not only requiring work from all those capable of doing so, but empowering those who face obstacles to employment with the skills and supports to enter the workforce. For some hard-to-employ welfare recipients, a transitional job may be the best option for achieving that goal.

The Need for Wage-Based Transitional Employment

Publicly funded jobs have attracted growing interest as states begin to contemplate the challenges presented by the growing proportion of hard to serve recipients on the rolls and the increasingly stringent work participation requirements of the 1996 welfare reform legislation. Under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which eliminated the old welfare program with block grants for Temporary Assistance for Needy Families (TANF), states face financial penalties unless a growing percentage of adults receiving TANF either work or take part in work-related activities.

So far, states have had no trouble meeting work participation requirements. However, meeting future work participation requirements, especially if the economy goes into a downturn, could present a greater challenge to the states.

Welfare recipients today are also comparatively more disadvantaged than they were in the early 1990s, thereby supporting the view that a vast proportion of those who left the rolls included the most employable members of the welfare population. According to a survey by the Urban Institute, about 41 percent of welfare recipients have not completed high school, compared with about 29 percent of welfare "leavers." Moreover, 43 percent of current recipients reported that they last held a job three or more years ago.
Current welfare recipients are also more likely than welfare leavers to face multiple barriers to employment. The Urban Institute reports that more than four out of ten welfare recipients surveyed in 1997 reported at least two obstacles to work, and almost two out of five report three or more such barriers. Besides lack of education or lack of work experience, 15 percent of those surveyed had a child under age 1, a significant percentage did not speak fluent English, and 10 percent claimed not to own a car and to live outside a metropolitan area (an indicator of problems obtaining transportation). Not surprisingly, the Urban Institute found that recipients with the greatest number of barriers were also the least likely to have jobs. Of those recipients reporting three or more barriers to work, three out of four reported no work activity and only three percent reported working steadily.

In addition to logistical obstacles such as lack of child care or transportation, many welfare recipients have mental and physical disabilities as well. According to the Urban Institute, nearly half of the recipients reported suffering from either poor mental or general health. Other studies have concluded that significant numbers of welfare recipients suffer from clinical depression and other psychiatric illnesses, including post-traumatic stress disorder and general anxiety disorder. Studies in Kansas, Washington, and Utah have variously estimated that as many as one-third of recipients have learning disabilities.

If appropriately structured, wage-based transition jobs can provide hard-to-serve recipients with the transitional services and experiences that they will need to graduate into the labor market. Transitional employment can also soften the blow of time limits for those recipients who reach the benefits deadline but are still unable to find work.

Transitional jobs programs also need not—and should not—operate on a large scale to achieve these goals. Transitional jobs should serve as a last resort for those recipients who face the greatest number of barriers and as a consequence have been unable to find private sector jobs. No one knows for sure how many people on the welfare rolls should be considered hard to employ. However, some studies can provide a rough rule of thumb. According to the Urban Institute survey noted above, 17 percent of TANF recipients reported three or more obstacles to employment, and of these recipients, 73 percent were not employed at the time of the survey. While studies such as these may offer a rough idea of the numbers of recipients who are hard to place, the assumption shouldn’t be made that private sector jobs are unattainable for these individuals. Given the right set of supports, many of these recipients may be able to enter the workforce immediately, without the crutch of a transitional placement.

Indeed, some evidence shows that most welfare recipients would prefer a private sector job. Milwaukee’s New Hope Project, for example, was a pioneering welfare reform experiment that offered wage-based community service jobs to recipients otherwise unable to find work. The project, which has since ended, found that far fewer recipients than expected needed a community service job. Out of 678 participants in New Hope, an average of only 30 were enrolled in a community service job in any given month. At its highest point, participation in community service jobs peaked at 65 participants. Administrators credited this outcome to both a strong local economy and a perception that private sector jobs were preferable to subsidized work.
The Benefits of Wage-Based Transitional Employment

A paycheck is by far the best evidence that work pays. One of the most important advantages of wage-based transitional jobs over the alternative is that they provide participants with an obvious and direct connection between work and wages.

The advantages of wage-based jobs are most apparent in contrast with workfare-style programs that require either unpaid work experience or unpaid community service as a condition of receiving benefits. Over the years, "workfare" has attracted a great deal of criticism, including complaints of make-work, lack of training in marketable skills, and lack of assistance in landing "real" jobs.

But one criticism stands out, which is that unpaid work experience fails to give participants a stake in success. Workfare is an end in itself and not a transition to something better. Under a workfare-type program, recipients aren’t working to earn their grants but to prevent losing them. Recipients typically receive an unvarying grant amount, without reward for additional effort. And if a recipient fails to put in the required number of hours, the sanction typically consists of a deduction from the following month’s check.

The lack of a real stake can also affect employers’ attitudes. Employers who don’t see workfare participants as true employees are less likely to invest in training and advancement. Unpaid workers may also face stigmatization from co-workers and lesser expectations from their supervisors.

Wage-based work eliminates many of the drawbacks of workfare and provides numerous advantages.

Benefits to employees. The benefits to employees of wage-based work are financial, psychological, and practical. Financially, welfare recipients holding wage-based jobs are far better off than they would be on welfare alone. For example, under the Community Jobs program run by Washington State, participants earn and receive an average of $11,328 annually, nearly double the average of $6,552 received by those on TANF alone. This earnings boost can spring from two sources. Wage-based jobs permit workers to supplement their income with the EITC—both at the state and federal level. They can also boost workers’ income in combination with an “earned income disregard,” which allows workers to keep a portion of the welfare payments they would otherwise have lost because of earned income from a job. Another financial benefit of wage-based jobs, which is not as immediate but is equally important, is the credit earned toward future Social Security benefits via payroll taxes paid on wages.

As new research from the Manpower Demonstration Research Corporation (MDRC) concludes, increased income benefits not only workers but their families. MDRC’s study of several groundbreaking welfare reform efforts found that higher incomes led to improved school achievement and fewer behavioral problems among the school-age children of welfare recipients. (See ppionline.org for more on this topic.)

The psychic benefits of wage-based jobs, though harder to measure, are not insignificant. Properly structured, wage-based jobs can infuse workers with the expectations of real-world work, thereby making the transition to the labor market that...
much easier. Learning by doing, employees can acquire "soft skills," such as interpersonal communication skills and the standards of professional behavior. Moreover, holding down what’s considered to be a real job can instill in employees a degree of self-esteem and confidence that would otherwise be lacking, especially in comparison with an unpaid work slot stigmatized as "workfare."

Wage-based transitional jobs can also provide several practical benefits to workers seeking to enter the workforce. Again, if appropriately structured, wage-based transitional jobs can provide workers with real-world skills that can translate readily to unsubsidized work. Washington State’s Community Jobs program, for example, trains its participants to take on work in areas such as construction, office administration, child care, and bus driving. When supplemented with education and training, wage-based job programs can also provide participants with the skills not only to find a job but to move up the ladder. For example, EarnFair, a newly established transitional job program in New York, provides participants with remedial education through the City University of New York, personal financial management training, including consumer credit education, and ongoing job coaching and assistance. But even at the most basic level, transitional work can provide workers with a valuable passport to the labor market—a job reference.

**Benefits to employers.** For private employers, transitional jobs programs can potentially serve as an effective workforce development strategy. One example is Industrial Exchange Inc. (IndEx) in Tulsa, Okla., a business-led transitional work program that in part trains participants to fill specific worker shortages in the local economy. Flexibly designed to respond both to regional labor market trends and the entry-level hiring needs of local employers, IndEx offers its participants a combination of education and training, along with a potentially permanent placement with a private employer. So long as they are cautiously crafted to prevent displacement of existing workers, transitional work programs could provide employers with a valuable source of labor.

Transitional work programs can benefit public and nonprofit employers as well. Because the wages paid to participants can be subsidized through TANF or other state funds, transitional workers can be effectively deployed at nonprofit organizations that need the additional help but can’t afford to hire extra staff on their own. Programs that focus on "community service" placements in particular can help alleviate this need while at the same time giving participants enough real-world work experience to make their way in the for-profit sector later.

**Benefits to communities.** The benefits provided by transitional work programs to both workers and employers can also create significant spill-over benefits for communities. Besides providing much-needed public services or private labor, transitional jobs programs can help infuse neighborhoods with additional income and spending power. Moreover, by providing communities with examples of individuals who are working their way toward self-sufficiency, these programs can create a powerful "neighborhood effect" that reinforces the message of work first.

As of yet, there are few rigorous evaluations of wage-based transitional jobs programs. The evidence that exists, however, suggests that wage-based transitional jobs may be more effective than workfare-type programs. In a survey of its past research on
unpaid work experience programs, MDRC concluded that (1) little evidence indicates that unpaid work experience can translate into consistent employment or earnings for participants; and (2) no clear evidence demonstrates that unpaid work experience helps participants leave the welfare rolls or lessens the amount of welfare payments they receive. In contrast, MDRC found that nearly 43 percent of the New Hope Project’s community service jobs participants moved from unemployment or unsteady employment to a private sector job. And of these participants, nearly four out of five found steady work. Only one out of five participants ended up unemployed again after a stint in the community service work program.

More evidence of success comes from Washington State’s Community Jobs program. According to a report released by the Seattle-based Economic Opportunity Institute (EOI), two-thirds of participants in that program found work immediately after leaving the program and slightly more than half of participants were employed one year later. The EOI report also found that graduates of Community Jobs earn higher wages over time. In their fourth quarter of employment after finishing the program, participants reported a median earned income of $2,172 for that quarter, a 137-percent increase over the median reported first-quarter income of $914.

Examples of Model Programs

Wage-based transitional jobs programs can and should be flexibly designed to balance the needs of participants with those of the community and the local labor market. The most successful efforts, however, include these common elements, all of which future programs should strive to incorporate:

- **Generous work supports and post-program transitional services.** The welfare recipients for whom transitional jobs are ideal are also those who face the most serious barriers to entering the workforce. As a consequence, wage-based transitional jobs programs should provide participants with all of the tools necessary to overcome those obstacles, including assistance with child care, transportation, and health insurance, as well as remedial education, substance abuse counseling, and other individualized services to the extent necessary. Many recipients will also need job coaches or other on-the-job mentors to ease the transition into work and provide assistance in moving up the ladder. In addition, to encourage employment and increase income, programs should not penalize participants for earning income by reducing benefits dollar-for-dollar. Programs should instead institute either generous earnings disregards (e.g., at least 50 percent) or other supplements. Although the ideal transitional job is temporary (no more than one year), at least a minimum of work supports (such as child care assistance and health insurance) should continue past the initial placement for an appropriate period.
Flexible, performance-based administration under a public/private model. Wage-based jobs programs should be small-scale, community-based efforts tailored to meet local needs, whether public or private. In administering jobs programs, government should avoid creating bureaucracies and instead partner itself with an array of private actors; both for-profit and not-for-profit. Such an arrangement can provide programs with both the flexibility to meet the changing demands of the local labor market and a larger range of work sites to meet the interests and skills of participants. Moreover, governments should structure jobs programs to reward results and encourage effective, entrepreneurial solutions. Incentives should focus on job retention and advancement as much as on initial placement.

Safeguards against displacement of existing workers. Transitional workers should not supplant current workers from their jobs, and any wage-based transitional jobs program should include sufficient safeguards to ensure that displacement does not occur. Unless the economy slackens drastically, however, displacement should not be a major concern for program designers. First and foremost, the absolute number of potential participants in transitional jobs programs is relatively small. The shrinkage of the rolls is likely to continue, though the pace is slowing, and research shows that the labor market has had and will continue to have little difficulty in absorbing former recipients. The Urban Institute, for example, predicts continuing growth in the low-skill labor market, and recent surveys of employers indicate a continuing dearth of qualified applicants for open positions.

The following are examples of current programs that effectively incorporate the elements described above and serve as models for future initiatives:

EarnFair (New York). A national effort co-sponsored by Seedco, the Local Initiatives Support Corporation (LISC), and other nonprofit organizations, EarnFair recently began operations with a pilot program in New York City. EarnFair functions in approximately the same fashion as a for-profit staffing agency, and workers compete in the labor market for placements in various businesses and nonprofit organizations. Workers also receive, however, a variety of benefits designed to move them up the ladder and into self-sufficiency. During the two years in which a worker may participate in the program, workers have access to such services as "job readiness" training, remedial education, personal financial education, and job coaching. Workers also get help in obtaining child care assistance and Medicaid. Uniquely, EarnFair also offers its participants a chance to open individual development accounts. The program aims to place at least 2,000 workers over the next three years. The program is administered through neighborhood organizations, which act as "home bases" for services.

Transitional Work Corporation (Philadelphia). Transitional Work Corporation (TWC) operates what is probably the largest and best-known transitional jobs
program in the country. Since beginning operation in late 1998, TWC has enrolled more than 2,600 participants and placed more than 900 graduates of the program in permanent, unsubsidized jobs. Four out of five of these placements are in the private sector, with average wages around $7 per hour. Participants who enter the program receive initial placements in short-term jobs at nonprofit organizations or government agencies. During the term of the job, participants receive an hourly wage, along with a full range of work supports, including food stamps, transportation, and child care assistance. Each participant is also partnered with both a "career adviser," a TWC staff member who checks in with the participant daily, and an on-the-job "work partner," who serves as a mentor at the work site. In addition to 25 hours of work experience a week, participants receive 10 hours of individualized training, education, or counseling. A hallmark of the program is its insistence on payment for performance—both for staff and participants. Workers are rewarded for staying on the job with a series of escalating retention bonuses. Staff members also earn bonuses for reaching enrollment and placement targets.

- **Community Jobs (Washington State).** Like EarnFair and TWC, the two-year-old Community Jobs program offers participants wage-paying work experience along with child care and other work supports, training, education, and counseling. Administratively, the program has a unique pay-for-performance structure under which community-based coalitions of nonprofit organizations compete for funding and are paid only upon the successful attainment of various milestones by participants (such as placement in a permanent job). The community-based focus encourages administrators to gear skills training opportunities toward local needs. For example, in response to a shortage of bus drivers in the area, Community Jobs administrators in the Puget Sound area created a program to train and place school bus drivers in jobs with local school districts, Head Start and other preschool programs, medical facilities, and corporate campuses. Many graduates of the bus driver training program later found unsubsidized positions paying from $8 to $15 an hour.

- **Industrial Exchange Inc. (Tulsa, Okla.).** One of the first transitional job programs in the country, IndEx was established by the Tulsa Chamber of Commerce in 1992. IndEx, which works through a partnership of businesses, government agencies, and charities, originally operated a light manufacturing workshop that contracted with local employers and in which welfare recipients spent four hours a day (with the remainder of the day spent in training or education). Although the original program provided only unpaid work experience, IndEx has since instituted a separate program in which participants are placed with outside private employers for a 30- or 60-day "trial" period with the possibility of a permanent job. During this initial period, workers earn an hourly wage (while continuing to receive their welfare checks) and receive skills training and daily visits from IndEx staff. The program also provides assistance with child care and transportation. The program serves approximately 70 participants at any given time.
Other notable initiatives include the following programs:

- **Community Service Employment Program (Vermont).** A small-scale program begun in 1995, the Vermont program was among the first to provide temporary, publicly funded minimum-wage jobs in public and nonprofit agencies for welfare recipients who are unable to find unsubsidized work. In addition to child care assistance and other supports, participants receive a cash stipend (as a supplement to wages) to reimburse payroll taxes and other work-related expenses.

- **Jobs Plus (Oregon).** To encourage participation by private employers, Oregon's program reimburses employers for up to six months' worth of wages, plus the employers' share of payroll taxes, unemployment insurance, and workers' compensation. Employers are, however, required to contribute funds toward an Individual Education Account (IEA) established for each participant. IEA funds are available for five years after a participant leaves the program and may be accessed by a participant only after obtaining unsubsidized employment.

**Conclusion**

For severely disadvantaged individuals, a mere mandate of work first is both plainly insufficient and unfair. Although work and self-sufficiency remain the ultimate goals, social policy should provide the means and supports by which hard-to-employ recipients can find and retain jobs in a competitive labor market. For some recipients, appropriately structured wage-based transitional jobs programs can provide these means.

The wage-based transitional jobs programs advocated here are in no way intended to duplicate the large-scale public jobs experiments of the 1970s. The job creation efforts in that era, primarily under the Comprehensive Employment and Training Act (CETA), have been widely branded as disastrous exercises in inefficiency, waste, and political patronage. Moreover, a primary motivation for the passage of CETA was to counteract the widespread unemployment accompanying recession. To be an effective element of post-reform welfare policy, wage-based jobs programs should not have as a principal focus their countercyclical effects.

Wage-based jobs programs should instead serve as a means of investing in the principle that work should pay. Welfare reform means not only demanding work but making work possible for those who lack the skills to make it into the labor force on their own. Although giving those persons this extra help may also require extra investment, the ultimate payoff should be as rewarding for society as it is for the individuals who acquire the means to self-sufficiency.

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For further information about the Working Families Project or PPI publications, please call the publications department at 202-547-0001, write: Progressive Policy Institute, 600 Pennsylvania Ave., S.E., Suite 400, Washington, DC 20003, or visit PPI's site on the World Wide Web at: http://www.ppionline.org/.
References


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