

Welfare to Work: Is It Working?

Since the early 1990s, employment rates among welfare recipients have risen substantially. Although this development is partly due to welfare reform, many questions about welfare-to-work efforts remain. What are the employment prospects of the least-skilled and least-experienced welfare recipients? Once hired, how well do these workers perform? Are their wages and benefits sufficient to achieve financial independence over time?

In *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace*, Harry Holzer and Michael Stoll draw on detailed employer survey data to answer these and other questions. The survey, which was administered in 1998 and 1999 to employers in four metropolitan areas (Los Angeles, Chicago, Cleveland, and Milwaukee), focuses on employers' willingness to hire welfare recipients, the extent to which they have already done so, and the nature of their experiences with these new employees. It also asks about the demographic characteristics of those hired, the sorts of jobs these employees tended to fill, and their performances in those jobs. In addition to analyzing the survey responses, the authors gauge the relative success these four cities have enjoyed in moving welfare recipients into the workforce.

Demand Is Strong, But Access Is Key

Perhaps the most important finding is that the overall demand for these workers is strong. Between 30 and 40 percent of the employers surveyed said that they had hired welfare recipients over the past two years, and the demand was especially strong in the retail trade sector and among minority-owned businesses. However, the authors also found that hiring rates for welfare recipients were very sensitive to job vacancy rates at these establishments. This sensitivity suggests that employer demand for these workers will diminish significantly during an economic downturn.

Another key finding is that hiring is strongest at establishments that are easily accessible to recipients. One com-

ponent of accessibility is location. Establishments located near public transit stops or the neighborhoods of welfare recipients are more likely to hire from this group. However, accessibility includes other factors as well. For example, welfare recipients had better access to jobs at minority-owned establishments and those that had contact with local welfare-to-work agencies, regardless of who initiated the contact. This pattern suggests that mediation and outreach efforts can affect the rate at which welfare recipients make the transition to paid employment.

Skills, Wages, and Job Performance

Other factors that are relevant to the hiring rates of welfare recipients include their race and educational attainment. Minority recipients are hired less frequently than whites. High school dropouts were hired less frequently than high school graduates, and although most jobs filled by welfare recipients did not require education or experience, the necessary cognitive and social skills were not trivial. For example, over half of the jobs in Los Angeles required reading, writing, arithmetic, or the ability to use a computer. Almost half of these jobs (46 percent) were clerical; another quarter were service jobs, and one-fifth were in sales.

For all four cities, the jobs filled by welfare recipients paid an average of \$7 per hour and generally provided 40 hours of work a week. Employers contributed to the provision of health insurance in approximately two-thirds of them. The jobs in Los Angeles paid better than average (\$7.83 per hour), but a lower percentage of these jobs (59 percent) provided health benefits. High turnover and weak job performance were problems in a fourth to a third of the cases in all four cities. Absenteeism was particularly pervasive and was often linked to child-care and transportation issues.

Despite these problems, employers reported that most of the welfare recipients were as good as or better than other

workers in the same jobs. Furthermore, the turnover rate for these workers was no higher than the national average. On average, workers hired in Los Angeles were given better ratings than those in the Midwest, and those hired in Milwaukee ranked lowest among the four cities (see the figure). However, hiring rates were relatively high in Milwaukee and low in Los Angeles; thus, the better performance of recipients hired in Los Angeles seems to come at least partly at the expense of more-disadvantaged recipients who were not hired there.

The relatively limited hiring of welfare recipients in Los Angeles is partly attributable to general labor market characteristics, such as that city's lower job vacancy rate and the fairly advanced skills demanded among the jobs filled there. But it may also be related to the slower and less-aggressive implementation of welfare reform in California, especially compared to the efforts undertaken in Milwaukee, where employers are significantly more likely to have had contact with a local welfare-to-work agency.

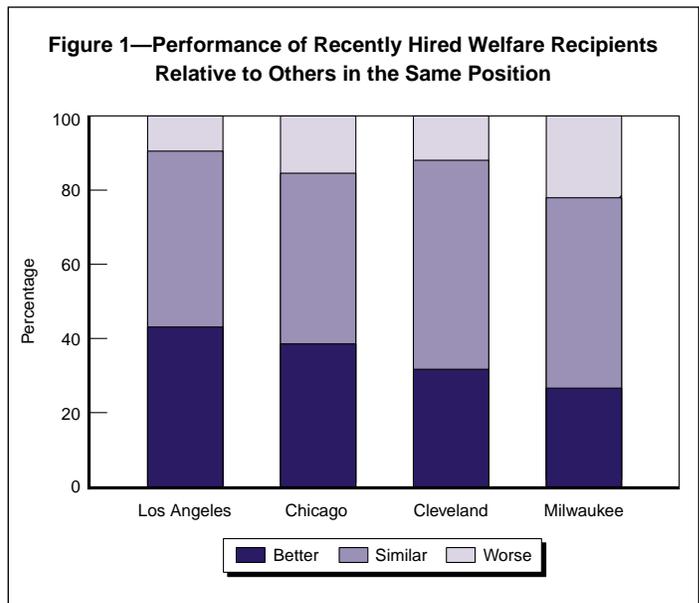
Implications for Policy

The authors note that the current strong economy and tight labor market suggest that now is a good time to invest in training and supportive services, such as child care and transportation. Work experience gained by welfare recipients in this environment should lead to at least some wage growth and employment stability over time. The authors also warn that some portion of this demand for welfare recipients will no doubt disappear during the next cyclical downturn. Workers who do not qualify for Unemployment Insurance or Temporary Assistance for Needy Families (TANF) are likely to need other forms of public assistance or policy relief. Such relief might include changes in the Unemployment Insurance program, more community service jobs, and perhaps temporary suspensions of TANF time limits or work requirements for high-unemployment states.

Improving access to suburban jobs may become a more pressing need when labor markets slacken. Local intermediary agencies could become more involved in the job placement process for welfare recipients. Because relatively few

employers in any given area have contact with local welfare-to-work agencies, the authors note that improving agencies' funding as well as their outreach to local employers might be worthwhile goals. Also, local workforce boards and agencies might focus on retention issues and reducing absenteeism as well as job placements.

Given that skill requirements on jobs filled by welfare recipients are generally not trivial, and that many long-term recipients have poor skills and other personal characteristics that limit their employability, the authors note the need to develop other employment options (such as community service jobs or "sheltered workshops") as the most disadvantaged portion of the welfare caseload approaches time limits. The surveys indicate that many other groups—for example, those with criminal records—face barriers to employment even more severe than those faced by welfare recipients. Thus, efforts to promote more training, early employment opportunities, and income supplements to low-income (often noncustodial) fathers and other disadvantaged groups, such as those with criminal records, are critical.



Employers reported that most of the welfare recipients they hired were as good as or better than other workers in the same jobs. This was especially true in Los Angeles.

*This research brief summarizes a report by Harry J. Holzer and Michael A. Stoll, *Employers and Welfare Recipients: The Effects of Welfare Reform in the Workplace* (2001, 170 pp., \$15.00, ISBN: 1-58213-057-4). The report may be ordered by phone at (800) 232-5343 [mainland U.S.] or (415) 291-4415 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California. This project was supported by PPIC through an Extramural Research Program contract.*