

1995

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Citation

Eberts, Randall W. 1995. "Welfare to Work: Local Observations on a National Issue." *Employment Research* 2(2): 1, 3–4.
[https://doi.org/10.17848/1075-8445.2\(2\)-1](https://doi.org/10.17848/1075-8445.2(2)-1)

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W.E. Upjohn Institute for Employment Research

Employment Research - Fall 1995

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Welfare to Work

Local Observations on a National Issue

Central to the current welfare reform debate is how to best get people of welfare and into jobs. The current choice is between long-term training and education and short-term job search assistance and employability skills. Previous attempts at revamping the welfare system, such as the JOBS program under Family Support Act of 1988 and the Work Incentive (WIN) program in the early 1980s, emphasized longer-term training and education. While these programs have proven to have significant but modest impacts for participants, they are relatively more expensive and time consuming than rapid employment programs. Current thinking in Washington and among many states is moving in the direction of short-term job search assistance as the preferred way off welfare.

Several states have not waited for congress to come to any conclusion. Michigan started a program, called Work First, in October 1994 that focuses on providing AFDC recipients with short-term job search assistance and employability skills. The Upjohn Institute administers the Work First program, along with six JTPA training programs, for the local area. One of the JTPA programs, Title II-A adult retraining program, is targeted to the economically disadvantaged, many of whom are welfare recipients.

Work First and the JTPA training programs apply different philosophies to pursuing the common goal of getting people into jobs. The first stresses rapid job placement; the latter emphasizes long-term job retention and career mobility. No rigorous analysis of Work First has been conducted. However, the fact that the two programs are administered by the Institute and that they serve clients with similar characteristics in the same local labor market presents the opportunity to make a few preliminary comparisons. This article compares performance measures of the two programs to offer a few observations about the relative effectiveness of short-term employability skills versus long-term skills training in getting welfare recipients into jobs. We then compare these measures with more rigorous evaluations of other similar programs.

Work First

Since October 1994, AFDC applicants or current AFDC recipients who meet certain criteria are required to be referred to their local job training agency. For welfare recipients in Kalamazoo and St. Joseph Counties, the local training agency is the Upjohn Institute. The Institute in turn subcontracts with various organizations to provide the actual services.

The purpose of the Work First activities and services is to provide participants the skills, support and encouragement, and opportunities to obtain employment in the shortest possible time. Under Work First, each person develops a resume and receives instruction on proper techniques for completing applications and interviewing for jobs. After clients complete the core services, they are expected to search intensively for work and accept offers that provide at least 20 hours of

work per week at or above minimum wage. More extensive assessment and skill training is available through the local JTPA programs, but these services are reserved for those who have extreme difficulty finding a job.

Michigan’s current welfare system offers welfare recipients incentives to search for and accept jobs. They are allowed to keep the first \$200 they earn each month and 20 percent over that without reducing their welfare payments. Clients are provided with transportation until they receive their first paycheck, and they receive health care, child care and other benefits for the first year after securing employment. Participation in Work First is mandatory for eligible welfare recipients. Those who refuse to participate may find their welfare checks and food stamps cut by 25 percent.

The II-A programs also serve welfare recipients, but emphasize longer-term training. As shown in table 1, the primary difference between the core activities of Work First and II-A is the longer-term training: occupational skills training and on-the-job training. Work First participants spend an average 3.5 weeks in the program, while II-A participants spend and around 45 weeks. Another difference is that II-A offers more intensive job development services than Work First. Not all Work First subcontractors have offered job development services and some that do offer such service do not have separate staff designated for that purpose. This coming year the state is requiring subcontractors to provide job development services. Therefore, comparing the performance of Work First ant the JTPA II-A training programs offers some insight into whether short-term employability skills alone are as effective as longer-term skills training in getting welfare recipients back to work.

Table 1. Core Activities of Work First and JTPA II-A Programs

Activities	Work First	II-A
Employability skills	X	X
Job search training	X	X
Job club	X	X
Placement services	X	X
Job development	Some	X
Occupational skills training		X
On-the-job training		X

Comparing Program Performance

Experience in our two-county area last year shows that welfare recipients who participated in the II-A program had a slightly better chance of finding a job than Work First participants. However, the margin was not very large. Sixty-five percent of Work First participants were employed at the end of training versus 71 percent of II-A participants (table 2). II-A participants had a greater edge in wages and hours worked. II-A participants found jobs

paying \$6.69 an hour and worked an average of 35.3 hours per week, while Work First clients who found jobs were paid \$5.42 an hour and worked 30 hours a week. Consequently, the weekly earnings of Work First participants were only 70 percent of those of II-A participants.

Table 2. Performance Measures of Work First and JTPA II-A Programs

Performance measures	Work First	II-A (welfare recipients)
Employment rate	65%	71%
Employment rate 90 days after placement	60%	60%
Hourly wage at initial placement	\$5.42	\$6.69
Hourly wage 90 days after placement	\$5.61	\$6.95
Hours worked per week at initial placement	30.0	35.3
Hours worked per week 90 days after placement	31.4	36.0
Weekly earnings at initial placement	\$162.90	\$232.14
Weekly earnings 90 days after placement	\$176.10	\$250.13

Welfare recipients from both programs were equally likely to hold a job during the first few months after placement. Ninety days after job entry, 60 percent of clients from each program were still employed. However, during the three-month period, Work First participants experienced slightly higher wage growth and a greater increase in weekly hours than II-A participants. Yet, these marginal gains did little to close the gap between the two groups. After 90 days, II-A participants earned considerably more than Work First participants (\$250 per week versus \$176 per week).

Evaluations of Other Programs

These results are consistent with those obtained from evaluations of welfare-to-work programs that use randomized experiments. In their review of these evaluations, Gueron and Pauly (1991) conclude that “selective-voluntary programs that provided higher-cost or more intensive services appeared to get people into jobs with somewhat higher pay, but did not make a consistent difference in the proportion of people employed” (p. 27).

However, the difference in outcomes between Work First and II-A may result from factors other than the difference in length and type of training. One difference could be the more extensive job development services offered to II-A clients. Professional job developers are likely to have better results in placing a client, since they typically have established rapport with employers, act as the client’s advocate, and through experience can offer a better match of client to job.

Evaluation of California’s welfare-to-work program, GAIN, suggests that job

development makes a difference. Many experts attribute the phenomenal success of the Riverside County, California GAIN program to job development activities. Evaluations of the program reveal 40 percent gains in earnings and significant increases in employment rates for eligible AFDC recipients compared to those in the control group. The GAIN programs offered by other California counties that did not stress job development had more modest gains.

In addition, because II-A is a voluntary program, the skills and motivation of participants in II-A and Work First may differ. Without a rigorous experimental evaluation, it is impossible to tell how much differences in client mix in the two programs may influence the differences in average client outcomes. The impressions of Institute caseworkers, however, indicate that welfare recipients participating in the II-A program are on average more motivated than the typical Work First participant.

Conclusion

Observations of local welfare-to-work programs by the Upjohn Institute are consistent with evaluations of other programs. Rapid employment programs do about as well getting welfare recipients into jobs as programs with more extensive training, although earnings and hours worked are lower. The question for all these programs is whether rapid entry into the labor market offers future self-sufficiency. In most cases, the answer is no. Even the Riverside Program, considered to be the most successful welfare-to-work program evaluated to date, does not promise lasting results. Three years after entering the program, only 23 percent of the participants were still employed and off AFDC. Furthermore, the earnings do little to lift welfare recipients out of poverty. In California overall, only 20 percent of the participants had annual incomes above the poverty rate after three years. For the Kalamazoo Work First program, the earnings are not sufficient to reduce the poverty rate to any significant degree. The average weekly earnings at placement, assuming clients work all year, would place a family of two at about 85 percent of the poverty income threshold and a family of four at 56 percent. Getting people off welfare and into jobs is a first and important step, however. Once work experience is established, additional education and training, either on the job or in the classroom, will help to increase earnings and job stability and lead to self-sufficiency.

Randall W. Eberts is Executive Director of the Upjohn Institute.

Suggested Readings

Judith M. Gueron and Edward Pauly, *From Welfare to Work*, New York: Russell Sage Foundation, 1991.

Daniel Friedlander and Gary Burtless, *Five Years Later: The Long-Term Effects of Welfare-to-Work Programs*, New York: Russell Sage Foundation, 1995.

What's Working (and what's not): A Summary of Research on the Economic Impacts of Employment and Training Programs. U.S. Department of Labor, Office of the Chief Economist, January 1995.

Timothy J. Bartik, "Using Performance Indicators to Improve the Effectiveness of Welfare-to-Work Programs," Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, Working Paper 95-036, June 1995.