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## **TRANSITIONAL JOBS: THE PHILADELPHIA STORY**

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# TRANSITIONAL JOBS: THE PHILADELPHIA STORY

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## I. INTRODUCTION

Policymakers should consider the experience of programs with a proven record of accomplishment as the debate over reauthorization of the landmark welfare reform legislation of 1996 continues, and one program to look at is surely the Transitional Work Corporation (TWC) in Philadelphia.

Born out of the challenge of implementing welfare reform in 1996, TWC operates Philadelphia@Work, a transitional jobs program that focuses on serving those welfare recipients considered the “hardest to serve.” Transitional jobs are community service jobs that pay wages for welfare recipients who have not been able to find employment in the regular labor market. Research shows that flexible program models like Philadelphia@Work providing a combination of temporary paid work, training, and supportive services can help many welfare recipients overcome the many barriers they face in their transition to work. In Philadelphia, TWC’s favorable outcomes indicate that one city’s transitional employment program works, and equips welfare recipients with the skills they need to get off and stay off public assistance.

## II. WELFARE REFORM HITS AN UNSTABLE CITY

In 1996, the Pennsylvania Department of Welfare’s (DPW) staff began to transform its primary function from distributing welfare checks to finding people jobs. The onset of monumental federal welfare reform and changes in state law was forcing the department and its county – administered welfare system to adapt – especially in one county, Philadelphia.

Officials in Philadelphia feared the worst as federally mandated time limits applied increased pressure to move people off public assistance.. Not only was the city home to over 50 percent of the state’s welfare population (although only 12 percent of the state’s population lived there).. Also, Philadelphia was at that time the only one of the four cities with the largest public assistance caseload that was losing jobs (New York, Chicago, and Detroit were all adding them).<sup>2</sup> In fact, the U.S. Bureau of Labor and Statistics documents that the unemployment rate in March of 1996 was 5.5 percent for the City of Philadelphia. At the same time, local census tract data shows that in certain areas of significant poverty, unemployment rates could run as much as 20 percentage points higher than the city average.<sup>3</sup>

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<sup>2</sup> Mark Alan Hughes, “Facing the welfare-reform storm: Philadelphia better start bailing,” *The Philadelphia Inquirer*, December 16, 1996.

<sup>3</sup> [http://westphillydata.library.upenn.edu/infor\\_HomeFSet.shtm](http://westphillydata.library.upenn.edu/infor_HomeFSet.shtm). InfoResources, West Philadelphia is an online not-for-profit information service that supports community-based projects, housing studies, and policy research and facilitates the flow of information to all users. The Department of City and Regional Planning, University of Pennsylvania (DCRP), provides the service.

In 1997, DPW began administering the newly created federal Welfare-to-Work (WtW) grant in addition to managing the newly designed Temporary Assistance for Needy Families program (TANF). In most states, the WtW funds were managed by the Labor Department, but in Pennsylvania, Governor Ridge directed DPW to manage the state allocation and matching funds. The WtW grants were directed by federal law in part to local workforce boards, so DPW and the City of Philadelphia needed to develop a joint strategy for use of the two funding sources.

Mark Alan Hughes, then a vice president at Public/Private Ventures in Philadelphia, shared his ideas for use of these funds to meet new work requirements in an op-ed for *The Philadelphia Inquirer* in late 1997. He made several key points about the benefits of transitional jobs, including:<sup>4</sup>

- A transitional jobs program allows parents to comply with federal law and thus keep their families eligible for benefits
- It promotes work and guarantees a job for 25 hours a week at minimum wage (and enables people to have more take home income at the end of the month through favorable earned income disregards)
- It enables clients in the programs to become eligible for the Earned Income Tax Credit
- Working enables a person to build a work history and a network of contacts that can help low-income workers improve their marketability in the labor force.

At the same time, Philadelphia mayor Ed Rendell's staff was focusing on how to address the needs of Philadelphia's TANF and WtW eligible clients. They also concluded that there was a great need for a transitional work program. Meanwhile, Donald Kimelman, manager of the Venture Fund at The Pew Charitable Trusts, read Hughes' op-ed and was intrigued by his suggestions. Subsequently, Kimelman and Hughes invited the city and state policymakers to meet together.

The interests of all parties at the meeting—city, state, and foundation—converged around Hughes' proposal. The city was concerned that recipients would be unable to find or get jobs, and transitional work would allow them to continue getting benefits. The state, under the leadership of DPW Secretary Feather Houstoun, was a crucial player in the mix, since it managed the county welfare offices, as well as the WtW and TANF funding. Houstoun sought to provide services that would help clients succeed, and ensure the state could meet the work participation rates imposed by federal legislation. The foundation, meanwhile, wanted to invest in a new idea to test transitional work theories and assist the city as it adjusted to the new welfare law. In addition, it was anticipated that the proposal would help local employers by developing a pool of applicants with references from a transitional job. Transitional work could provide a kind of credential, vouching for the employability of the recipient.

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<sup>4</sup> Mark Alan Hughes, "Philadelphia, state should strike deal to make welfare reform work," *The Philadelphia Inquirer*, May 14, 1997.

It was clear to all parties, though, that support from a variety of public officials, agency leaders, and mid-level bureaucrats would be necessary to create a successful program. Accordingly, with the promise of a planning grant from The Pew Charitable Trusts in hand, the city and state joined forces to create a new venture that would ultimately become the Transitional Work Corporation (TWC).

### **III. COLLABORATION IS KEY**

During a nine-month process, key stakeholders from Mayor Rendell's office, the state, Public/Private Ventures, and the Philadelphia community designed the program that would become Philadelphia@Work. After researching various supported-work models, the planning group agreed that a transitional work (or paid work experience) program, met the various goals of all stakeholders.

For DPW representatives, transitional work added another program to its arsenal of options for helping the state meet federal work-participation requirements. The mayor's office gained a role in a program that would help people get a job if they could not find one in the private sector on their own, thereby addressing the mayor's fears that the city would lack enough jobs for hard-to-place welfare recipients. Advocates for TANF recipients and their families were satisfied because clients who might otherwise lose benefits when they failed to find a job would remain eligible for benefits while in the transitional work program. And finally, transitional work would benefit businesses in the Philadelphia area by enlarging the pool of work-ready job applicants. Many employers at the time were hard-pressed to find good workers even though the city was losing jobs as well as population. A transitional work program would help expand the labor pool by beginning to qualify new workers for better jobs.

So the planning group designed Philadelphia@Work—a program to provide a paid work experience, work history, references, and training to TANF recipients. First, the planning group organized local community and union support, lined up transitional work sites, raised public awareness, and developed a funding mechanism. This group also decided it would be important to have a new and independent nonprofit entity manage the program and took steps to incorporate a nonprofit called the Transitional Work Corporation (TWC), as well as recruit a dynamic and influential volunteer board of directors.

DPW representatives worked to determine how to provide supportive services, promote client compliance with DPW requirements, and design a referral process that ensured eligible clients made it to TWC. During the first several months of TWC operations, the planning group even agreed to manage payroll. This was an unusual but crucial offer, since an essential feature of transitional work experience is receiving a paycheck as opposed to a welfare check. As a result, TWC was able to start providing services sooner than would have been possible otherwise. All of the stakeholders hoped they were designing a model that would ensure TWC clients would be better off economically and more likely to be hired by employers in the regular labor market.

#### IV. PHILADELPHIA@WORK: HOW IT WORKS

In 1998, the TWC opened its doors to TANF recipients and enrolled its first clients in the Philadelphia@Work program. The planning group was proven right about the clients TWC would have to serve then and continues to serve now. These welfare recipients face multiple obstacles to work and need a combination of services.

Some of the barriers that hinder TWC clients from obtaining and retaining employment include: criminal records, domestic violence, substance abuse, mental health issues, lack of experience with workplace expectations, inadequate child care, and spotty work histories. The applicants have little or no work experience and few have a high school diploma. The majority of clients struggle at a 5<sup>th</sup> grade math level and a 6<sup>th</sup> grade reading level; yet, assessments show that effective levels range from below 1<sup>st</sup> grade to above 12<sup>th</sup> grade, indicating significant variation among entering clients. Many clients lack the fundamental hard or soft skills needed to perform a basic job search. Those who have been successful in finding work in the past have trouble with long-term job tenure, moving from job to job frequently. Meanwhile, most clients have failed to complete at least three other welfare-to-work programs. After failing in so many other programs, many new clients lack confidence that any program will lead to success in the job market. These individuals need intensive career counseling to ensure job retention and advancement.

To address the comprehensive needs of these clients, TWC follows three core principles. We:

1. put clients on our payroll the first day they enroll and place them in transitional jobs so that they can build a work history, get a job reference, and take advantage of all the benefits that come with receiving a paycheck as opposed to a welfare check;
2. train and support people during the work experience so they become more marketable to employers and have a better chance of retaining a job than before they came to us; and,
3. help place people in unsubsidized jobs and support them in those jobs so that they stay employed.

All of TWC's work strives toward the outcome of unsubsidized placement and retention. From the very beginning, TWC's staff and supporters have focused on moving beyond the short-term goal of compliance with mandated TANF work requirements. Instead, TWC focuses on the long-term effects that a program will have on an individual's ability to retain a job and stay attached to the labor market. To that end, TWC seeks to structure a more active engagement in real work that provides workers with marketable skills. Tailored professional development training, job placement services, and retention services enhance paid work experience.

TWC implements this model through the two main components of Philadelphia@Work—orientation and employment.

## **A. Orientation**

An Orientation Team prepares new clients for a transitional job. Once a client is enrolled, the Orientation Team begins to identify and address any barriers to employment. Clients have an opportunity to build a relationship with a facilitator who can then identify ways to motivate and encourage participants to stick with the program. Many clients emphasize that they feel supported and motivated to stay in this program; they realize the people and the services at TWC are different from many of the other programs that they failed to complete. Using this relationship-based model throughout the program, clients are more willing to disclose information about issues they might be dealing with that are obstacles to job retention. During this time clients:

- Attend 25 hours of orientation for two full weeks
- Are paid \$5.15 per hour by TWC, and receive a wage subsidy (equal to half of the welfare check they were getting) from DPW
- Receive child-care and transportation subsidies from DPW
- Develop many skills including interviewing, resume writing, and professional etiquette
- Interview for and are placed in a transitional job at a nonprofit organization or government agency

## **B. Employment**

After orientation comes employment. This segment of the program consists of two sub-parts: transitional employment, and then permanent employment.

During the transitional phase, clients learn how to work by actually working. To that end, all clients:

- work for 25 hours each week; TWC is the employer of record and pays each client \$5.15 per hour
- attend ten hours per week of professional development training at TWC
- are mentored by a work partner at their work site
- are eligible for child care and transportation subsidies for up to six months and
- receive support from the entire in-house TWC employment team.

Here's how the transitional period works: First, clients interview for transitional jobs to which they are assigned for 25 hours per week. Often entry-level positions, these transitional jobs are in either government or non-profit offices within the City of Philadelphia. Similar to paid internships, transitional positions provide participants with the hands-on work experience they often lack, thus eliminating one barrier to their future employment. Participants, like interns, work within this structured environment with both site mentors and TWC staff members to build their work history and develop a track record.

- “Wrap-around” professional development is an integral part of the program. This training focuses on employment goals and career advancement in the following areas: health care, hospitality, professional services, child care, or data-intensive careers. In addition, all clients receive basic reading, math, English, and computer training based upon their skill level. After assessing the unique needs of each individual, career advisors work one-on-one with clients to develop an Employment Development and Retention Plan (EDRP) that outlines employment and career goals. While each person’s transitional training schedule is designed to fit her educational and professional needs, every client is encouraged to pursue a GED. Ultimately, this transitional phase undertakes to help clients build a work history and develop employment-related skills.

By the end of the transitional phase, clients have gained significant understanding of the world of work and are ready to move into the permanent employment phase of the program.

Now begins the move to permanent employment.

To prepare the way, TWC employs a sales team whose functions include both matching qualified participants to unsubsidized employment and providing a much-needed service to local employers. TWC serves as a staffing agency for entry level employees through the region. TWC’s sales staff members also serve as a secondary human resources support for all of its unsubsidized employers, following each placement to ensure that both the participant and employer are satisfied with the match.

After about four months in the transitional employment phase, TWC sales staff begin helping clients locate and acquire full-time, unsubsidized employment with a local business. Before beginning a job search, sales staff assesses each client’s skills and interests. The sales staff builds relationships with employers that enable them to provide clients with job leads in for-profit, nonprofit, and government organizations in the Greater Philadelphia region. However, while providing support throughout the process, sales people encourage clients to take ownership of their own job search. After placement in the regular labor market, TWC continues to provide services to former transitional workers. These retention services last for as long as two full quarters following the placement.

During this time, clients:

- continue to receive transportation and child care subsidies
- are eligible to receive retention bonuses (a payment to reward ongoing employment) from TWC of up to \$800.

As to the program’s costs, the following table breaks out TWC’s average expenditures per client placed in a permanent, unsubsidized job. While the costs for transitional jobs programs tend to exceed those for workfare models, the expense is a short-term investment that produces long-term benefits: high job placement and retention rates.

<b>Transitional Work Corporation Cost per Client</b>	
Intake and Assessment	\$273
Soft Skills Job Readiness	\$243
Hard-Skills Training	\$243
Full-Time Job Placement	\$1,106
Post-Placement Job Retention Services	\$488
Outreach and Recruitment	\$71
Administration	\$620
Wages and Incentives	\$3,950
<b>Total Cost per Client</b>	<b>\$6,994</b>

## **V. RETENTION SERVICES ARE ESSENTIAL**

TWC aims to help its clients secure economic well being for themselves and their families. However, TWC recognizes that many individuals face significant personal and family-related challenges as they try to reach that goal. This is why TWC seeks to ensure job retention and the long-term success of clients by providing supportive services for the duration of orientation, transitional employment, and for six-months after permanent placement.

During this time, TWC clients can receive transportation subsidies. These subsidies, in the form of monthly public transit passes, help clients arrive promptly at work each day. Since many participants travel a substantial distance to reach their employment, these subsidies significantly increase the participant's employability and reliability. TWC participants are also eligible to receive child care subsidies. Many of the clients of Philadelphia@Work are single mothers who have, on average, three children and thus face significant child care barriers, such as the cost and reliability of informal providers. Subsidies to offset some of the costs of this care reduce the financial burden on participants and enable them to purchase more reliable care.

TWC also partners with agencies in the Philadelphia region to provide assistance to clients with employment barriers like inadequate housing or high housing costs, legal issues, domestic violence, or substance abuse. Such services help to ensure that TWC clients and their families retain a stable home environment in which children are safe and parents can work.

In addition, TWC provides a number of other services to help its clients on the road to economic security. TWC partners with DPW's County Assistance Offices to secure clothing allowances for individuals who must purchase uniforms for their jobs. For those clients in need of non-uniform business attire, TWC refers them to a local organization that provides professional clothing for low-income workers. For those who need help with filing income taxes and obtaining the Earned Income Tax Credit, TWC operates and staffs a Volunteer Income Tax Assistance site. In addition, TWC provides clients with children's books so that parents can encourage their children to read and excel academically.

## VI. RESULTS SUPPORT INVESTMENT

How well does Philadelphia@Work work? After just three and a half years, TWC has become one of the nation's leading transitional employment programs.

Even though national experts and academic researchers continue to describe TWC's clients as the hardest-to-serve welfare recipients, TWC has placed over 6,000 people in transitional jobs. TWC has also placed over 1,750 individuals in unsubsidized employment. In fact, a remarkable 92 percent of all clients who complete the transitional employment phase of the program obtain permanent jobs. These clients earn \$7.50 per hour on average for an average of 36 hours per week, and most clients are offered medical benefits within six months of their date of hire. A breakdown of TWC client permanent placements by type of employer looks like this:

- For-Profit Companies 80 percent
- Nonprofit Organizations 15 percent
- Government Agencies 5 percent

However, TWC's most impressive outcome remains its success in *keeping* individuals employed. Sixty-two percent of all TWC clients placed in an unsubsidized job have sustained their employment for at least two full quarters (approximately six to nine months) following placement. These statistics lead to one conclusion: For clients who actively become engaged in the program, this model works. TWC clients do not just find work in the short-term; after gaining experience and training, TWC clients manage to keep full-time jobs and stay off welfare.

## VII. LESSONS LEARNED

After helping thousands of low-income workers from Philadelphia find jobs and advance in the workplace, TWC has learned some significant lessons.

***Clients face significant obstacles.*** Clients who come to TWC are truly the hardest to serve. Many are able to overcome barriers and succeed with the support of TWC staff. But there are clients who fail to complete the program. Some clients do not comply with program regulations; others may miss work because of other social-service obligations. For a client receiving cash assistance, food stamps, child care, housing assistance, and other services, for example, there are a number of financial and time management issues that can interfere with full-time employment. Many clients are also involved in civil or criminal proceedings that require their attendance. Helping clients balance professional and personal obligations is therefore a critical activity of TWC. The program's transitional period provides the participant with a safe environment in which to practice managing barriers to work without fear of reprisal for mistakes made in the learning process.

***Transitional work works better than welfare.*** Transitional work should play a role in any welfare-to-work strategy. Transitional work enables the worker to pay into Social Security and take

advantage of the EITC, which workfare does not allow. Transitional work remains deliberately temporary and provides a vehicle for clients to gain experience, professional references, a job network, supportive services, and ultimately, a chance to move into and up in the labor market. Most important, transitional work outperforms workfare in actually moving clients from welfare to work. Transitional work revolves around placing workers in a job in the regular labor market, while workfare programs typically do not provide such a mechanism. A recent evaluation of Washington state's transitional jobs program, moreover, found that the programs increased the employment rate of participants by 33 percentage points over the rate they would have achieved without completing the program. This increase exceeded that achieved by such other types of programs as job search, pre-employment training, and unpaid work experience (workfare).<sup>5</sup>

***Work supports like child care and transportation are critical to success.*** To become successful in the workplace, former welfare recipients and low-income parents must have access to supportive services such as child care, transportation, health care, the EITC, and job retention services. Such services can push the annual household resources of a 40-hour-a-week minimum-wage worker in Pennsylvania to at least \$27,000, an estimated \$10,500 more than she would get on welfare. Along the way, a supported transitional employment period helps clients understand the value of working and gives them an incentive to secure a job and bring in more household income than welfare.

***Quality data systems are critical.*** Expectations and program outcome measures should be based on the collection and analysis of quality data. TWC has built a management information system to track clients. TWC staff collects client information including: basic demographic information; work and training history; barriers to employment; and, other relevant issues that may enable TWC to better serve the client. The data management system also tracks the services a participant receives from the program—including transitional work experience, training and retention services, when and why a person leaves the program, and an array of other pertinent information. However, transitional work programs like Philadelphia@Work need better industry benchmarks so that performance indicators reflect attainable goals. Data collection and analysis will help program managers implement effective programs and policymakers choose programs that provide long-term solutions.

***Stakeholders must stay involved.*** A program is doomed to failure without ongoing support from funders and strong input from stakeholders. In Philadelphia, a sustained and shared stewardship has supplemented early-buy-in as a crucial factor in TWC's success. And TWC continues to consult: officials from the state and city, a dedicated board of directors, subcommittees comprised of clients and community activists, and other service-delivery agents who support clients in the transitional jobs program.

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<sup>5</sup> Klawitter, Marieka, *Effects of WorkFirst Activities on Employment and Earnings*. Seattle: University of Washington Press, 2001.

**Partnerships should not be forced.** Collaboration, finally, should be pursued as a natural process because forced partnerships do not work. While government officials often wish to leverage limited resources, it is still usually unwise to force partnerships that don't make programmatic sense just to save money. For this reason, all phases of TWC's program are now in-house. TWC's integrated team management system enables it to build relationships with clients, identify specific barriers to employment, and implement effective solutions. Once TWC assumed control of all of these activities, the program became more efficient and effective.

## VIII. POLICY IMPLICATIONS

**Despite the success of welfare reform, the need for transitional work programs like Philadelphia@Work is only growing.** Five years after the legislative changes, Philadelphia still remains home to half the state's welfare caseload. In addition, 70 percent of Pennsylvania welfare recipients who have reached their five-year time limit live in Philadelphia. Meanwhile, the booming economy of the late 1990s has begun to slow. There are simply fewer jobs available for entry-level workers in Philadelphia. This economic downturn may make finding a job and moving toward self-sufficiency much more difficult for welfare recipients who have many barriers and few qualifications.

**Flexible programs like Philadelphia@Work provide what the "hardest-to-serve" clients need—work, support, and training that focus on their particular needs.** A recent report from Mathematica Policy Research, Inc., "Transitional Jobs Programs: Stepping Stones to Unsubsidized Employment," indicates the importance of the flexibility of transitional jobs programs in serving the hard-to-employ. The researchers found that 81 to 94 percent of individuals who complete these programs get jobs.<sup>6</sup> As policymakers debate welfare policy, they should consider that the TWC experience reinforces that finding. A balance of work and training, customized to a client's individual situation, can be powerfully effective in helping her overcome barriers to employment. In view of this, TANF reauthorization should embrace this insight, and ensure that there is adequate flexibility for creative program design.

**Transitional employment, finally, offers a clear policy advantage in that it converts the work requirement into a tool that is programmatically useful.** Transitional work gives people experience and a credential in the work world; it gives them a few chances to stumble before finding an unsubsidized job; and it does this all while enabling clients to comply with state and federal work requirements. Because transitional jobs pay real wages, clients pay Social Security, file taxes, and are eligible for the Earned Income Tax Credit. And, because Transitional Work requires ten hours of training, career advising, and work-site mentoring, clients have a greater chance of staying involved in the labor market. Ultimately, transitional work helps people and their families stay off public assistance and secure economic independence.

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<sup>6</sup> Gretchen Kirby et al., "Transitional Jobs: Stepping Stones to Unsubsidized Employment." Princeton: Mathematica Policy Research, Inc., 2002.

## IX. CONCLUSION

Five years after welfare reform, there are still recipients who struggle to obtain and retain a job. As policymakers consider strengthening the work requirements, they must recognize that the hardest-to-serve TANF clients need comprehensive, flexible programs. Transitional work programs, meanwhile, answer to these needs, and have proven more successful than unpaid workfare programs that simply warehouse people temporarily in work assignments without other supports. TWC and its Philadelphia@Work program – as well as programs in such places as Washington State; Milwaukee, Wisconsin; and St. Paul, Minnesota – demonstrate that a mixed program of training, paid work, and support services can provide clients with the tools they need to advance from the world of welfare into the world of work.

And there is another kind of testimony to consider. In April 2002 – in the midst of the debate over welfare reauthorization – one of TWC’s former clients, Cheryl Wynn, spoke at a congressional briefing on transitional jobs programs organized by the Transitional Jobs Network<sup>7</sup>. Wynn has three young children, struggled on public assistance for 15 years while addicted and homeless at times, had a sporadic work history and numerous failed attempts to establish her independence. She explained how TWC’s program helped her obtain solid experience and skills through work and training. Ultimately, she said, she gained the self-confidence she needed to secure unsubsidized employment. Concluded Wynn: “I hope that Congress takes my story very seriously and increases funding for transitional jobs programs like Philadelphia@Work ... TWC has opened a lot of doors for me. I would hate to see those doors slam shut for other people who desperately need a transitional job to become self-sufficient. So, I ask of you Congress, please do all you can to allow programs like TWC to continue helping people like me. It’s worth it.”

As policymakers continue to debate the future of welfare-to-work programs, they should heed the words of Cheryl Wynn and rely on the outcomes of programs like Philadelphia@Work. We have demonstrated, in a city that was losing jobs and facing an influx of new entry-level workers leaving welfare, that an effective transitional jobs program can nevertheless succeed at its mission of moving clients from welfare to sustainable work.

A unique and promising opportunity now exists for policymakers. While transitional work programs cost more than some welfare to work strategies, the return on investment is high. Given that, policymakers should give welfare recipients who face serious barriers to work a real chance to succeed, rather than placing them in work environments where they will almost inevitably fail. Transitional jobs programs provide clients with the skills and experience they need to succeed on their journey toward economic independence.

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<sup>7</sup> The Transitional Jobs Network is a national coalition of transitional work programs in over 30 places across the country. See <http://www.transitionaljobs.org/>