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Transitional Jobs: A Next Step in Welfare to Work Policy

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The next step in welfare to work policy must include addressing the needs of particular places and populations based on what has been learned since welfare reform legislation was enacted in 1996. One of the important lessons learned is that transitional jobs are an especially promising policy response to the needs of hard-pressed urban and rural communities, and unemployed people facing barriers to work. Transitional jobs are wage paying, community service jobs for welfare recipients and other unemployed adults who have not been hired after a job search in the regular labor market. The jobs provide experience and employer references that improve chances of success in the job market and enable families to avoid destitution when welfare benefits end. While some policy-makers have argued that working in a transitional job is no different from unpaid workfare, research shows that transitional job participants have better earnings and employment outcomes. Certainly, transitional jobs are more expensive because they include work supports, supervision and some training. The participants' success, however, demonstrates the value of additional investment in targeted populations.

Introduction

The welfare policy debate of the last decade has included an ongoing conversation about the need for publicly funded community service jobs in both cities and distressed rural areas. These jobs are wage paying, community service jobs for welfare recipients and other unemployed adults who have not been hired after a job search in the regular labor market. The jobs provide experience and references that improve chances of success in the job market and enable families to avoid destitution when welfare benefits end. Debate about whether such jobs are an important welfare to work strategy continues today as Congress prepares to reauthorize the landmark welfare reform legislation passed in 1996.

Background: Welfare Reform, Work Requirements, and Transitional Jobs

In December 1993, President Clinton announced his welfare reform proposal that included a work requirement after two years of education and training, and publicly funded community service jobs for welfare recipients who did not find a job. In the summer of

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1996, he signed the third welfare bill passed by Congress. The Personal Responsibility and Work Opportunity Reconciliation Act contained a lifetime limit on receipt of federally funded welfare benefits, and a requirement of work after 24 months of assistance. States were free to set shorter time limits and earlier work requirements under the bill, and would face penalties if they failed to meet work participation requirements that gradually increased to 50 percent of the assistance caseload. Congress did not guarantee a publicly funded job for those recipients unable to find work in the regular labor market.

Throughout the spring and summer of 1997, the President routinely referred to the need to “give some extra help to communities with high unemployment to hire people to do community service related jobs.”¹ Later that summer, Congress passed legislation creating Welfare-to-Work grants. In a press briefing after Congress agreed to the bill, he said the money was for “community service jobs in areas of high unemployment.”²

Welfare-to-Work grants were distributed primarily by formula to states, with 25 percent set aside for a national competition open to local workforce boards and local governments, as well as nonprofits applying with a board or local government. States were required to match the formula grants, and pass through most of the funds to local workforce boards to administer. The funds were targeted primarily to long-term welfare recipients with barriers to work, although some funds were available to noncustodial parents of TANF eligible children. In addition, later amendments to the law made funds available to a broader set of disadvantaged unemployed persons. The grants had to be used to help targeted populations make the transition to permanent, unsubsidized employment using a set of strategies defined in the law. Creating transitional jobs was one of the permitted uses of Welfare-to-Work grants.

As it turned out, the Welfare-to-Work grants were used to create a diverse set of services for hard to place welfare recipients and low-income fathers. By the winter of 2002, four states and over 30 local governments or organizations in both urban and rural areas had created transitional jobs programs. Many of these programs were initially funded with Welfare-to-Work grants. Since the grants were never reauthorized by Congress, many states and localities are now running out of funding for the program. Without a new and dedicated source of funds for this welfare to work strategy, many transitional jobs programs will fold, and it seems unlikely that state and local governments will be able to invest in new initiatives like this in the near future.

Transitional Jobs Prove Important to Welfare to Work Success in Rural Areas and Cities

In chronically distressed rural places and urban areas with a disproportionate share of long-term welfare recipients, transitional jobs are an especially important tool for welfare to work success.

Nationally, welfare caseloads declined by nearly 60 percent after the federal government began granting work-based welfare waivers to states in 1993. Since then, millions of welfare recipients have left the rolls and gone to work, and states have been able to meet work participation requirements without creating large-scale job programs.³ However, although caseloads nationally have declined dramatically, the decline has been slower in urban areas than other places, and the nation. As the Brookings Institution reported, in 1999 nearly 60 percent of the nation’s welfare caseload was located in 89 urban counties that represent only one third of the nation’s total population. At the same time, one third of the nation’s welfare caseload was in just 10 urban counties.⁴

Recently, entry-level workers lost jobs in the recession and because of a further economic downturn after September 11. Unemployment is at an eight-year high and yet, many of these workers are not eligible for unemployment compensation benefits due to strict eligibility criteria in the states.⁵ Others have exhausted their benefits without finding a new job. Welfare caseloads have started to increase in most states,⁶ perhaps because these workers are not receiving unemployment insurance.

In addition, distressed and urban areas may be disproportionately impacted by the federal lifetime limit on welfare benefits and sanction policies.⁷ Those who are close to time limits are more likely to have multiple barriers to finding work in an unsubsidized job than recipients who have found work.⁸ In addition, the impact of sanctions resulting in full or partial termination of welfare benefits on recipients has not been adequately studied. Research on sanctions suggests that sanctioned recipients may have significant barriers to work, and are less likely to be employed after leaving the rolls.⁹

In addition, employment trends among young black men suggest the need for targeted initiatives to improve their job prospects. While the employment rates of young black women increased from 37 percent in the early 1990s to 52 percent in 2000, the male trend is going in the other direction. Their rate of employment declined in the 1990s from 59 to 52 percent. The trend is even more pronounced in older industrial cities like Buffalo and Pittsburgh, and throughout rural America, where employment opportunities for this group appear to be very limited.¹⁰

Congressional proposals for welfare reauthorization legislation reflect a desire to continue, and in some cases, increase the focus of welfare policy on work activities for welfare recipients and work supports for low-income workers. Mayors and other elected officials have learned that transitional work programs are a promising model for helping long-term recipients with multiple barriers obtain employment and significantly increase their household income.

What Is a Transitional Job?

While transitional jobs programs vary according to local priorities and conditions, they share a number of common characteristics.

- A transitional job is a short-term, wage-paying employment opportunity for a range of unemployed persons in rural and urban areas, usually welfare recipients who have been unable to find work in the regular labor market. Transitional job programs also serve ex-offenders, non-custodial parents, and unemployed black youth facing significant barriers to work. In an economic downturn, transitional jobs could also benefit the recently unemployed who have not been rehired.
- Transitional jobs are for people who have been unsuccessful at finding work after a traditional job search. These workers typically have one or more barriers to work, such as low educational attainment, lack of work experience, and substance abuse or mental health problems. These programs provide case management and supportive services (sometimes by referral to other providers) to help transitional workers overcome these barriers.
- In contrast to work experience programs (workfare), transitional jobs actually replace a welfare check with a paycheck, making workers eligible for federal, state, and local earned income tax credits. Transitional workers gain experience and references that are important to employers.
- Transitional workers improve their communities by performing services that were not provided before they joined the workforce, and therefore do not displace existing employees. Usually administered by private nonprofit agencies, transitional jobs programs place workers in positions such as health care and teacher aides, computer technicians, carpenters, library assistants and child care workers.
- Transitional jobs programs provide employment supports like child care, transportation assistance and job coaches to transitional workers. Most programs include training in addition to work with participation in the combined activities resulting in about 30 hours of engagement per week. For example, a transitional worker may also be studying for her GED or taking English-as-a-Second-Language classes.
- Transitional jobs programs usually employ workers in a public agency or nonprofit for a short term of 3 to 12 months. In some rural communities, programs place workers in for-profit, private sector positions because the public and nonprofit sectors lack the capacity to adequately supervise and mentor transitional workers. When for-profit placements are utilized, there is often a requirement that the employer contribute to

the transitional workers' wages and guarantee to hire workers who successfully complete the program.

- Most programs provide job development and placement services to transitional workers to help them search for and obtain permanent work. Many programs also offer job retention services after placement in an unsubsidized job to provide support and resources for workers moving toward self-sufficiency.

Transitional Jobs Lead to Permanent Work

Workers have a good chance of getting a permanent job in the regular labor market after a short period in a wage-paying transitional job. Programs have proven to be successful at finding permanent jobs for 50 percent – 75 percent of all targeted hard-to-place participants who begin the program.¹¹ A review of the literature regarding earlier publicly funded employment programs indicates that participation can raise future earnings for workers with low skills, and is more likely to lead to this outcome than subsidizing wages in existing job slots.¹²

The transitional jobs program in Washington State, Community Jobs, provides evidence of the promising nature of this welfare to work strategy. The state created Community Jobs in 1998 as a service for welfare recipients with multiple barriers to employment. Initially located in just five places, including both urban and distressed rural areas, it was deemed so successful it has since been expanded statewide. By April of 2002, Community Jobs had engaged 7,200 welfare recipients.

Community Jobs workers spend 20 hours a week in paid employment at public and non-profit agencies. They are provided mentoring and training, as well as access to educational opportunities for another 20 hours per week. A University of Washington evaluation of Community Jobs found that it increased the employment rate of participants by 33 percentage points over the rate they would have achieved without completing the program. This increase was better than that of participants in other activities of the state's programs, including job search, pre-employment training and unpaid work experience (workfare).¹³ Nearly three-fourths of all welfare recipients who entered the Community Jobs program worked after leaving the program and only 13 percent completed the program and did not work.¹⁴

The experience with transitional jobs in Washington State is consistent with that of other programs across the country. An examination by Mathematica Policy Research of six transitional jobs program in both rural and urban areas found that about 50 percent of the participants completed the programs, and between 81 to 94 percent of the completers got an unsubsidized job by the end of the program.¹⁵

There is also evidence that transitional work increases earnings prospects. An outcomes report on Community Jobs shows that a worker's successful completion of the nine-month program added nearly \$800 in quarterly earnings compared to anticipated income before participation.¹⁶ Recipients who completed the program, and were employed a year after completion, had doubled their pre-transitional jobs earnings.¹⁷ The results for all participants after two years show that average income increased 60 percent and was close to 150 percent more than the TANF grant.¹⁸

Despite this strong evidence of success as a welfare to work strategy, concern about displacement of existing workers is sometimes a barrier to program funding. Displacement might occur because it is possible to fill an existing job with a transitional worker whose wages are paid with an outside source of public funds. Yet, it is possible to limit substitution effects. Transitional jobs programs are in fact designed to limit displacement by placing workers in time-limited jobs that are distinct from other ongoing work activities, placing only unemployed persons who have been unable to find an unsubsidized job, and subsidizing jobs that are temporary rather than permanent work slots. Most programs limit displacement effects by placing participants in public and nonprofit sector positions, where employers are less likely to substitute a regular worker with a transitional worker.¹⁹

A Transitional Jobs Proposal for Unemployed Welfare Recipients and Distressed Areas

Across the country, about 20,000 people have had a transitional job.²⁰ These jobs provide benefits to families of transitional workers and the communities where they live. Participants can earn a living, avoid using months of cash assistance that count toward federal time limits, and prepare for an unsubsidized job by gaining experience and employer references, while receiving training and mentoring from the program. Communities benefit from additional services that would not otherwise be provided by service agencies. In addition, income from the jobs boosts local spending, while simultaneously developing a better-prepared workforce that can enhance local business development activities.²¹

Mayors and governors of both parties have seen the benefits of community service jobs. In Philadelphia, nearly 5,000 transitional workers have been paid minimum wage for work in nonprofits and public agencies, while getting academic and job-related training in a program supported by former Governor Tom Ridge and former Mayor Ed Rendell. Governor Ridge also created a statewide program of transitional jobs. Mayor Richard Daley of Chicago provides funding for a collaboration between Traveler's Aid and Catholic Charities to create transitional jobs for hundreds of welfare recipients.

Rural areas are as much in need of transitional job programs as urban communities. Low-income families and welfare recipients in central cities and rural areas have similar difficulty getting and keeping work, and improving earnings.²²

A dedicated funding stream for creation of transitional and community jobs would benefit unemployed long-term welfare recipients, non-custodial fathers, ex-offenders, and those disadvantaged individuals unable to find work as a result of a temporary downturn in the economy. A transitional jobs grant would also benefit chronically distressed areas. As an alternative to providing cash assistance welfare to those unable to find a job in the unsubsidized labor market, this flexible funding would make it possible for local decision makers to design a jobs program that meets the particular needs of the unemployed in their community.

Welfare reauthorization legislation should include funding to ensure that successful transitional jobs programs started with Welfare-to-Work grant funds can continue and new programs can be started in places that need them.

- **Program design.** The grant should be flexible so local policy makers will be able to decide what kind of jobs program will meet the needs of the unemployed in their community. For example, long term welfare recipients who have not been able to get a job, despite a strong economy and demand for entry level employees, may need a transitional job combined with activities designed to develop basic or soft skills. Unemployed residents of chronically distressed communities might need specific skill development or other services to address barriers to work in addition to a transitional job; and the job may need to last longer than one in an area with lower unemployment.
- **Program operator eligibility and preferences.** The funds should be made available on a competitive basis for use in places with a disproportionate share of a state's welfare recipients, unemployed or displaced workers. Both urban and rural areas can qualify using this definition. Local governments and nonprofits should be eligible to apply to administer programs. Program operators should be required to use a program design that limits displacement of unsubsidized employees while providing valuable services to the community.
- **Participant eligibility and targeting.** Transitional jobs should be made available to a willing worker only after an unsuccessful job search, and only to those who are not eligible for unemployment insurance. The opportunity should be available to adults without regard to whether they have children, or whether they have a recent or current connection to TANF, but those who have reached or will soon hit the federal five-year limit for receipt of TANF should be given priority.

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- **Participation requirements.** Transitional workers should be required to participate for 30 hours per week and workers with personal barriers to employment should be permitted to participate in training or other necessary services for up to 50 percent of the time. The job should last from six to 24 months, depending on local or individual needs. Placement in an unsubsidized job should be permitted at any time.
- **Wages and benefits.** All participants should be paid the federal, state, or local minimum wage, whichever is highest. While some labor unions and analysts propose paying a higher wage in some circumstances, minimum wage should be used with limited public dollars. Also, transitional work programs can more effectively avoid private crowd-out by paying minimum wage for time limited positions that are targeted to the unemployed.²³ In addition, workers will be eligible for earned income credits (federal, as well as state or local credits if available) and other work supports such as health insurance, child care and transportation subsidies, and food stamps. Wages paid with TANF dollars should not count toward the five-year federal time limit.
- **Job placement and retention services.** Program operators should provide individual participants with job development and placement services to improve prospects for the move from a transitional job to an unsubsidized one. In addition, retention services, such as mentoring and work support programs like child care, should be offered to assist the former participant with the permanent transition to an unsubsidized job.
- **Funding.** All states need a transitional jobs program to address the needs of those unable to find work and distressed areas. Some states need funding to continue an existing program. The funding level should permit a formula allocation to states (based on both poverty and welfare data) that would enable all states to develop programs. States should be required to develop an allocation plan for the funds with a priority for places that have a disproportionate share of welfare recipients and unemployed persons.

The Welfare-to-Work grants provided resources that allowed state and local governments to experiment with services to long term welfare recipients and those with barriers to work. However, over time administrators determined that more flexibility in the funding was necessary to allow program operators to adjust for changes in the welfare caseload and local economies. Transitional jobs is one of the best programs to emerge from the flexibility permitted with Welfare-to-Work grants. Congress should retain the principle of flexibility in new funding dedicated to retaining and expanding transitional jobs programs.

Conclusion

As Congress and the administration debate plans for reauthorization of the welfare law, they should include a new funding stream for transitional jobs in places with a disproportionate share of welfare recipients and other unemployed workers. Transitional jobs are only one item on the menu of options that should be made available to state and local administrators as part of this year's legislation. There are many other legislative initiatives that should be included to address the particular needs of distressed areas, including expanded funding to ensure that inflation does not erode the value of the Temporary Assistance to Needy Families (TANF) block grant and force states to reduce services to low-income families. Other important policy changes that should be made include: allowing working families to receive the benefit of work supports without using months subject to the federal time limit, improving transportation and housing options, improving access to work supports like child care and food stamps, and reinstating benefits to legal immigrants.

President Bush and some members of Congress have proposed to increase work requirements for individuals and states. A new standard that requires more hours of work for individuals, and a higher participation rate for states to meet, would force states to create new work programs for welfare recipients. A conservative estimate of the cost to create the necessary workfare (unpaid work) slots over the next five years comes to \$7.1 billion and an

additional \$7.9 billion would be needed to provide child care as a result of the increased work hours.²⁴

While some policymakers have argued that working in a transitional job is no different from unpaid workfare, the research from Washington State proves otherwise. The transitional jobs program there had a positive impact on earnings and employment, while the workfare program had such dismal results the state has discontinued it. Certainly, transitional jobs are more expensive because they include work supports, supervision and some training. The participants' success, however, makes the case for the additional investment in targeted populations.

The next step in welfare to work policy must include addressing the needs of particular places and populations based on what has been learned since welfare legislation was enacted in 1996. One of the important lessons learned is that transitional work is an especially promising policy response to the needs of hard-pressed communities and unemployed people facing barriers to work. Welfare reauthorization legislation should include dedicated resources to expand and support these transitional jobs programs.

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