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CHAPTER 13

WELFARE TO WORK AND THE ENTRY-LEVEL LABOR MARKET

PAUL M. ONG AND SHANNON MCCONVILLE

Introduction

Welfare reform can be viewed as a glass both half-full and half-empty. Proponents point to a dramatic drop in the welfare rolls and an increase in employment rates as proof of success. Opponents counter by highlighting the substantial numbers still dependent on public assistance, along with low wages and job instability for those who find work. The reality is somewhere between the two extremes, but, equally important, it is too early to make any definitive conclusions on the consequences of welfare reform. Many key outcomes will not be apparent until two or three years from now, including whether current successes will continue as the economy slows and whether employment is providing sufficient financial support for families. It is, however, time to seriously examine what has materialized since the passage of the Personal Responsibility and Work Opportunity Act (PRWOA) of 1996. Clearly, we need to monitor and assess the short-run impacts of the most fundamental change in social policies in decades; moreover, an analysis can also help determine what, if any, mid-course corrections are needed.

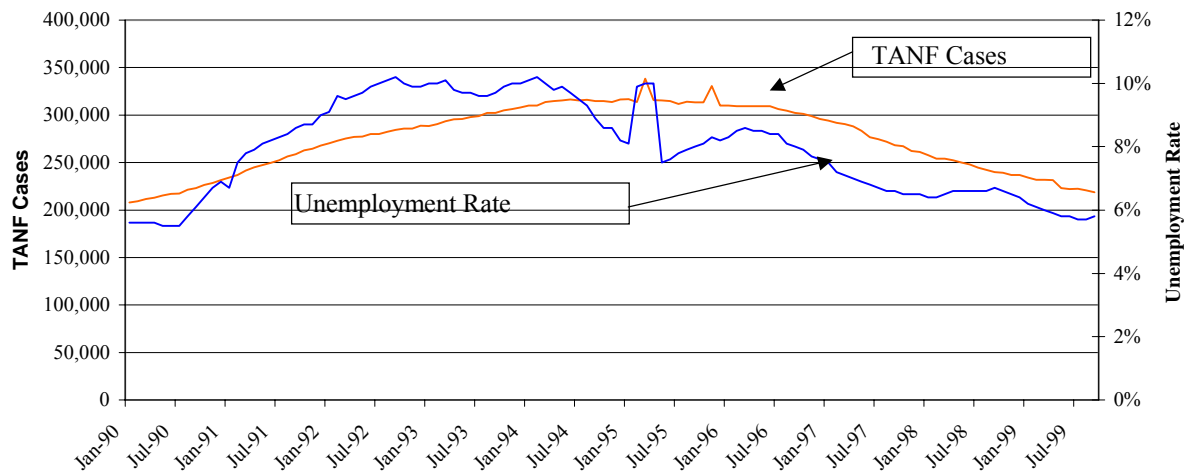
In particular, there is a need to examine in greater detail how welfare recipients are being incorporated into the labor force. Employment outcomes are central to assessing welfare reform because the new policy has adopted a work-first approach to welfare-to-work job training programs which emphasizes finding employment quickly. Moving people into employment helps to achieve one of the major goals, lowering the welfare rolls. The policy also embodies an approach about what is best for recipients and how they can best support their families. The underlying assumption is that "The best way to succeed in the labor market is to join it ... that job advancement and higher wages will come from the experience of working..." (Holcomb et al. 1998). In other words, the operative assumption is that mere entry into the labor market will help families to achieve the goal of economic self-sufficiency over time. Work-first appears to be accomplishing the critical goal of lowering the welfare rolls through immediate job placement, but it remains to be seen whether there is sufficient employment stability, upward mobility, and wage growth to achieve the second goal.

What makes achieving self-sufficiency problematic is the way that recipients have so far been incorporated into the labor force. With the work-first philosophy, initial employment outcomes depend on the existing personal attributes of recipients, in particular their education levels and previous work experience. For recipients with limited schooling and a limited work history, employment opportunities are typically confined to low-skill entry-level positions. However, we are only beginning to understand how recipients joining the workforce are relegated to the bottom end of the labor market, and we know even less about the nature of this segment, often referred to as the entry-level labor market.

This chapter examines these issues through a case study of Los Angeles County, home to over 400,000 welfare recipients, or one-third of the state's welfare population. The county is an appropriate unit for analysis because unlike many other states, California has a county administered welfare system. The state sets the general parameters, provides funding and retains general oversight. However, counties are responsible for the daily operations of welfare programs, including implementing new policies. Although counties are afforded some flexibility in setting priorities and designing programs, they must meet standards and benchmarks set by the state. With nearly ten million total residents, Los Angeles contains over one-quarter of the state's total population and nearly one-third of its welfare population. In fact, Los Angeles contains a disproportionate share of the nation's welfare recipients. In 1996, just prior to the implementation of federal welfare reform, the County contained approximately 4 percent of the nation's total population and about 7 percent of the nation's AFDC population. Los Angeles operates the largest county welfare program in the nation and provides assistance to more families than all other states except New York and California.

Since the advent of welfare reform, welfare participation has declined in Los Angeles County. Figure 1 shows the trend in caseloads over the 1990s in Los Angeles County, illustrating the consistent increase in the early part of the last decade (March 1995) and the subsequent decline of 35 percent by late 1999. The turning point in the caseloads preceded the implementation of the current round of national welfare reform. The decline is the likely result of a combination of an improved economy and state-level changes to the welfare system that preceded federal reforms.¹ Despite the dramatic decrease in the welfare caseloads, over 429,000 people continued to receive cash assistance in Los Angeles County as of January 2000. Children compose the bulk of people aided in Los Angeles, with adult recipients, accounting for just over one-quarter of the total caseload, about 120,000 adults.

Figure 1: TANF Cases and Unemployment Rate Los Angeles January 1990 -- September 1999



A single case study of one county has limitations; nonetheless, the case study of Los Angeles does offer a systematic and feasible way of examining employment outcomes in greater detail. Additionally, the fact that Los Angeles is a large, ethnically- diverse, urban county with one of the largest welfare caseloads in the country, its experience will provide insights for other large metropolitan areas throughout the country. The chapter addresses the following three sets of questions:

- What is the history of welfare-to-work in Los Angeles, and how has the work-first approach been implemented in the county?
- What marketable skills do recipients possess, and how does this influence the way they are being incorporated into the labor force?
- What are the characteristics of the firms employing recipients?

The chapter only focuses on recipients who have been able to transition to at least some level of employment. It does not examine those recipients who have not made the transition. The problem of persistent unemployment for many recipients is, of course, a major policy concern, but is beyond the scope of this chapter. The analysis of employment outcomes for recipients who do find a job is based on survey, administrative data, and summaries of other studies. The information has limitations; nonetheless, the analysis yields some important insights.

Many of the conclusions are not surprising, but the chapter does provide greater specificity. An overwhelming majority of welfare recipients are poorly prepared for entry into the labor market because of limited education and a lack of work experience. As a result, they are highly concentrated in low-wage occupations, their earnings tend to be low, and employment stability is problematic. In other words, an overwhelming majority of recipients moving into employment do so through the entry-level labor market, the segment of the market that hires individuals with limited education and skills.

Among the leading twenty occupations of recipients, the average hourly wage is between \$6 - \$7, with a median wage at the minimum wage of \$5.75. Nearly half of the firms employing recipients do not require a high school education for their entry-level positions, and over 90 percent of recipient workers are in firms with low to moderate average monthly wages. Working recipients also face high turnover rates and lack promotional opportunities in firms where they find employment. Finally, they experience barriers to receiving the most important employment benefit, health insurance. Given what is known from the first few years of welfare-to-work, one of the major challenges in upcoming years is developing adequate post-employment services that will provide recipients with the necessary support to keep jobs, find better jobs, and make progress to economic self-sufficiency.

Evolution of Welfare-to-Work:

As with other parts of the nation, the welfare system in Los Angeles has been transformed by the shift in social policy. The enactment of the 1996 Personal Responsibility and Work Opportunity Act (PRWOA) ended an entitlement program (Aid to Families with Dependent Children, or AFDC) and established a block grant program Temporary Aid to Needy Families (TANF), which imposes work requirements and time limits for receiving cash aid. The 1997 California Work Opportunity and Responsibility to Kids (CalWORKS) program is California's implementation of TANF.

Welfare-to-work programs existed prior to these major reforms; however, the approach to these training programs and the recipients they targeted were still being tested. The passage of PRWOA and CalWORKS cemented the work-first approach as the predominant welfare-to-work strategy for the nation and California. The work-first approach, focused on fast attachment to the labor force, represents a fundamental departure from the human capital model, focused on education and basic skills training. With a work-first model, employment outcomes of recipients will be based on their existing personal characteristics and job-readiness. Rather than enhancing the job readiness of recipients through programs providing job training and education, work-first welfare advocates moving recipients into employment quickly.

Although 1996 was a major turning point in welfare policy, the development of work-first predated this most recent round of welfare reform. To encourage work among welfare recipients, several states had initiated welfare-to-work programs and experimented with financial incentives, such as income disregards, for working welfare recipients. California was a frontrunner in the welfare-to-work movement, establishing the Greater Avenues to Independence (GAIN) program in 1987 designed to reduce long-term welfare dependency and facilitate employment for welfare recipients through education and training programs. A year later the federal government created the Job Opportunities and Basic Skills

(JOBS) block grant program as part of the Family Support Act of 1988, and GAIN became the JOBS program in California. Because welfare programs are county-operated in California, counties were given considerable flexibility in designing their GAIN programs.

There was considerable variation across counties in the implementation of GAIN. Riverside County chose to move recipients quickly into the labor market by communicating a “strong” message at all stages of the program that “employment is central, that it should be sought expeditiously, and that opportunities to obtain low-paying jobs should not be turned down.” This is in striking contrast to the message sent to recipients in Alameda County, which chose a human-capital model, and “encouraged recipients to be selective about the jobs they accept and take advantage of GAIN’s education and training to prepare for higher paying jobs” (MDRC 1994). Los Angeles County adopted the human-capital development model for its GAIN program, providing basic education and training services to long-term recipients—those that had been on aid for at least three consecutive years. Most recipients who entered the Los Angeles GAIN program were assigned to Adult Basic Education, GED preparation, or English as a Second Language courses.

The inter-county differences offered policy-makers and administrators an opportunity to examine the relative effectiveness of alternative approaches. Several evaluations of welfare-to-work programs were conducted in California and nationally to determine the efficacy of the different types of program designs. The most influential one was conducted by MDRC (Manpower Development Research Corporation 1994), which documented substantially larger employment and earnings gains for recipients enrolled in Riverside’s work-first GAIN program, than for recipients enrolled in counties that used the human-capital approach. Furthermore, Riverside’s program proved to be much more cost effective by significantly reducing welfare payments.

As a result of the evaluation findings, Los Angeles County shifted its GAIN program from a basic skills and education program to an employment-focused, work-first model. Los Angeles County’s Jobs-First GAIN program began operation in 1993 and focused on imparting a strong, pro-work message and providing job clubs and job development activities intended to boost recipients’ motivation to work and increase their job opportunities. Jobs-First GAIN also strongly encouraged recipients to accept entry-level jobs and combine work and welfare in the short-term. Due to limited space and funding constraints, only long-term recipients were required to participate in Jobs-First GAIN and there was typically a long waiting list to enter the program. And while sanctions were imposed for those not participating, there were still no time limits on receiving welfare.

CalWORKs ushered in yet another version of welfare-to-work programs. Now all families receiving welfare benefits are required to enroll in county welfare-to-work programs and participate in work-related activities, including assessment, job search/job clubs, and, of course, employment as a contingency for receiving cash assistance unless exempt.² CalWORKs recipients must participate in a designated number of hours of work activities, as of 1999, 32 hours a week for single parents and 35 hours a week for two parent families or face sanctions and penalties. Financial sanctions, typically the reduction of the adult portion of the welfare grant, can be imposed when participants fail or refuse to comply with CalWORKs requirements, refuse to sign a welfare-to-work plan, fail to show proof of satisfactory progress in an agreed upon activity, or quit or refuse a job and do not have a good reason for doing so.

Los Angeles County has maintained and strengthened the work-first approach in their CalWORKs welfare-to-work program, L.A. GAIN, by now providing additional pre-employment services including childcare and transportation subsidies. Upon entering LA GAIN, recipients attend an orientation and appraisal session, and unless they are exempt or already employed, enter the job search phase. Recipients are enrolled in Job Club, a three-week activity designed to help participants find full or part-time employment. Participants are required to treat Job Club as if it were an actual job: to dress appropriately, report on time, and participate actively in the workshops. During the first week of Job Club, recipients participate in a job-finding skills workshop, which provides information on work behaviors and attitudes, employer expectations and dress code requirements, and résumé and interview preparation. After the workshops, recipients must engage actively in supervised job search; they make

calls to prospective employers using phone banks and travel to job interviews. The goal is 50 calls and five interviews per day - filling out 5 job applications and bringing back business cards as proof.³

The expanded L.A. GAIN program began serving recipients in 1997, but it took about a year to enroll all eligible persons because of the difficulties in quickly expanding capacity. As of May 2000 nearly 100,000 adults were enrolled in Los Angeles County's CalWORKs GAIN program; over three-quarters of participants were heading single parent families and the remaining were in two parent families (California Department of Social Services 2000). Of the nearly 79,000 single-parent heads enrolled in welfare-to-work activities, nearly 18,000, or just under 25 percent were working in unsubsidized employment. The rate of employment for two-parent family adults was slightly higher, with over one-third (35 percent) working in unsubsidized employment.

The emphasis on work-first is not due just to its short-term effectiveness (relative to the human-capital approach) but also to the realities imposed by time limits under TANF. Finding paid work is a necessity given that benefits are scheduled to end in the near future. The alternative is a permanent loss in income with no replacement. The remaining question is what type of jobs are welfare recipients finding. Employment outcomes are determined by both the characteristics of the recipients and the employment opportunities available to them.

Recipients and Work First:

Because the work-first model emphasizes finding paid work as quickly as possible, outcomes depend heavily on the amount of marketable skills that recipients bring to the labor market. Although the welfare population is far from being homogenous, this group has distinctive traits that place them at a disadvantage in the labor market. Most have limited education and work, and face a number of barriers that limits their employment opportunities. The short-term outcomes are predictable. Most find employment in low-wage occupations, and employment tends to be unstable.

The educational attainment of recipients is very low. Nationally, 47 percent of adults receiving welfare in 1998 failed to complete high school (U.S. Congress 2000). The profile for the Los Angeles County welfare caseload is similar to the national statistics. In 1999, 41 percent of welfare recipients participating in GAIN did not have a high school degree and two-thirds of the Los Angeles County welfare-to-work caseload has a high school degree or less (UCLA Lewis Center for Regional Policy Studies 2000).

Along with limited educational attainment, most recipients have limited work experience.⁴ Nationally, less than 9 percent of recipients reported earnings from employment in 1994, and even after the advent of welfare reform only 35 percent of TANF families were employed in 1998 (U.S. Congress 1996 and 2000). The same is true for Los Angeles, and this can be seen in the experience of a cohort of recipients over a two-year period — from the end of 1996 through the end of 1998, a period that covers the passage of the PRWOA but prior to the full enrollment in GAIN in Los Angeles. Of those who were initially on welfare at the beginning of the period, 40 percent had no paid work experience during the entire two-year period (Houston, Ong and Law 1999).

Aside from education and work experience, other characteristics of welfare recipients also make entry into the labor market problematical. The overwhelming majority of welfare-to-work participants in Los Angeles are single-parent females, nearly half have children under the age of 4, and more than three-quarters are nonwhite. Racial and gender discrimination in hiring, still found in the entry-level job market, may further limit job opportunities (Holzer 2000). Heading a single parent household and balancing childcare responsibilities and work obligations also affects the ability of recipients to find and maintain employment. In addition, many recipients are spatially isolated from available jobs, and inadequate transportation limits the geographic area for job search and work commutes. These factors do not preclude many from finding a job, but they certainly restrict the types of jobs they can take.

Given recipients' limited marketable skills and other employment barriers, most find work in what can be considered the entry-level labor market. This market is often used to describe the cluster of jobs that require short-term training and limited education and skills. Most entry-level positions are filled by less educated workers with limited specialized vocational skills. The jobs typically offer low wages,

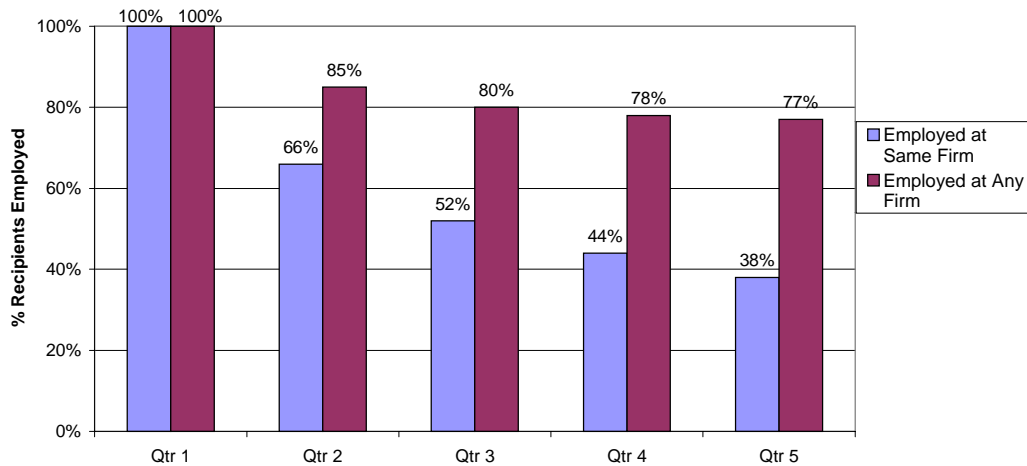
have high job turnover and provide little room for advancement. Prior to welfare reform, the welfare recipients who had some employment were heavily concentrated in this sector (Bartik 1997). Over two-thirds of jobs held by recipients nationally were concentrated in a few occupational niches, specifically sales, administrative support, food services and other service occupations. The average hourly wages for these occupations are extremely low, and job turnover tends to be high.

A similar pattern has materialized in Los Angeles under welfare reform. Table 1 presents information on the 20 leading occupations employing recipients in Los Angeles County.⁵ Nearly all of the leading occupations of recipients are comprised of low-skill jobs. Cashiers comprise the leading occupation of employed welfare recipients, but the three administrative support occupations—receptionists, office clerks and secretaries - collectively employ more recipients. Jobs in the personal services are also prominent, including childcare providers, babysitters and home-care helpers. An overwhelming majority of firms require no more than a high school education for workers in these leading occupations.⁶ Generally, recipients receive the “prevailing” wage for entry-level workers in Los Angeles that are employed in these occupations.⁷ In the cases of administrative support positions and care giving occupations, recipients appear to earn less than the average entry-level employee in these occupations. This may result from less work experience in these occupations than other entry-level workers, which should improve as the result of increased and sustained labor force attachment as advocated by work-first welfare reform.

Among the twenty leading occupations of welfare recipients, only five pay hourly wages high enough for a full-time, full-year worker to raise a family of three out of poverty, and none approached the hourly wage required to keep a family of 4 above the poverty limit.⁸ In nearly all of the leading occupations, welfare recipients earned average hourly wages between \$6 and \$7; the median hourly wage hovered around the \$6 level, with many recipients earning minimum wage. Ironically, caregivers are the worst off in terms of wages. Childcare workers and care providers are the only two occupations with average wages below \$6.00.

Table 1: Top 20 Occupations of Employed Recipients

OCCUPATIONS	Average Hourly wages Received	Prevailing Entry Level Hourly Wage	Firms Requiring no more than a High School Education
Cashier	\$6.09	\$6.12	79%
Sales	\$6.41	\$6.35	64%
Clerk	\$7.05	\$7.16	57-89%
Child Care	\$5.09	\$6.25	--
Packer	\$5.97	\$6.01	88%
Receptionist	\$7.12	\$7.20	63%
Housekeeper	\$6.19	\$6.19	81%
Care givers	\$5.85	\$6.22	66-75%
Assembler	\$6.10	\$6.26	91%
Telemarketer	\$6.25	\$6.93	93%
Laborer	\$6.44	\$6.00	--
Security Officer	\$6.57	\$6.60	81%
Warehouse	\$6.22	\$6.75	--
Waitress/Food Server	\$6.23	\$5.93	63-92%
Certified Nurse Assistant	\$6.71	\$6.73	80%
Driver	\$6.84	\$6.11	82%
Maintenance	\$6.57	\$6.23	83%
Customer Service	\$7.21	\$8.07	70%
Helper	\$6.00	\$6.00	--
Clerical	\$7.21	\$8.56	--

Figure 2: Employment Status of Recipients, Initially Employed in Quarter 1

The problem facing the working recipient is not just low wages but also a lack of employment stability.⁹ This is not a new problem. Among Los Angeles recipients who had recently exited the welfare system in 1996, 38 percent did not work continuously over the following two years (Houston, Ong and Law 1999). This pattern has been repeated for a more recent period, as can be seen in figure 2. After one year, only three-quarters were still employed. This, however, does not take into account turnovers that result in changing employers. More striking, after one year, less than two-fifths were still with their original employer.

The data also show some but limited opportunities for upward mobility with an uneven distribution in changes in earnings. From the first to the fifth quarter, nearly half (48 percent) of working recipients experienced an increase of \$250 or more in quarterly earnings, while over a third (38 percent) experienced a decrease of \$250 or more in quarterly earnings. The remaining workers (14 percent) essentially saw no or very little change in earnings. The typical (median) change was about \$150 in quarterly earnings. Moreover, most of the increase was concentrated at the bottom half; the typical workers in the top half did not on average experience any increase in quarterly earnings. While there is no information on hourly wages or hours worked for this cohort, the statistics suggest that the earnings gains came primarily through working more hours rather than increases wages. Despite the overall gains in quarterly earnings over the year, most working recipients remained at poverty level incomes.

Recipients and the Entry-Level Labor Market

Analyzing personal characteristics provides a partial picture of the employment outcomes for recipients, and it is possible to gain additional insights by examining the characteristics of firms hiring recipients. An examination of the “demand side” provides important information on how recipients are being absorbed into the labor force, their opportunities for employment stability and promotion and the availability of employer-provided benefits. Given the low educational attainment and work experience of the vast majority of recipients, we focus on entry-level employment, which is defined as jobs requiring a high school education or less, although people with higher educational attainment may fill these jobs.¹⁰ The information reported below comes primarily from a survey of firms with entry-level positions.¹¹ Of the 3.5 million private-sector jobs in Los Angeles County approximately four in ten are entry-level jobs, totaling over 1.4 million jobs.¹²

Overall, approximately six-in-ten firms report having entry-level job opportunities. However, this is rather misleading because of the large proportion of all firms that are very small operations, with less than 50 employees.¹³ In this size category, only 55 percent of firms have at least one entry-level

position, and these small firms account for less than a quarter of all entry-level positions.¹⁴ On the other hand, firms with more employees are more likely to have at least one entry level position. Nearly all firms with over 50 employees report having entry-level employment opportunities. Over 90 percent of firms with between 50 and 250 employees report having at least one entry-level employee, and these medium-size firms account for roughly another quarter of all entry-level positions. Likewise, nearly all firms with over 250 employees (91 percent) had at least one entry-level position in the firm, and these large firm employ slightly over half of all entry-level workers.

Certain industrial and occupational sectors depend more on entry-level workers and offer more entry-level job opportunities. The bulk of entry-level employees are employed in blue-collar (45 percent) and service sector (40 percent) industries, with the remaining 15 percent employed in white-collar industries.¹⁵ The blue-collar workforce is composed of a much larger proportion of entry-level workers with nearly six-in-ten blue-collar jobs being classified as entry-level, compared to five-in-ten service sector jobs and less than one-quarter of white-collar jobs. The ten most often cited entry-level occupations include receptionists, office clerks, janitors, secretaries, sales clerks, cashiers, general laborers, drivers, and warehouse workers. Not surprisingly, all of the commonly cited entry-level positions are also included among the top twenty occupations employing welfare recipients.

The entry-level labor market is a very dynamic segment that generated at least 650,000 new hires per year during the late-1990s.¹⁶ The high ratio of entry-level hires to total entry-level jobs (45 percent) is due to both high turnover and job growth. Job turnover, including layoffs and quits, is the most common source of entry-level job vacancies, accounting for one-third of openings filled by recent hires. Temporary and seasonal employment account for another 30 percent of recent hires, while entry-level positions resulting from new job growth make up about one-quarter of hires. It is likely that job growth will continue into the near future. Nearly three-in-ten (29 percent) firms expect their entry-level workforce to increase in the upcoming year, and less than 5 percent anticipate declines in entry-level employment. The high hiring rate, then, provides recipients with numerous opportunities to apply for a job.

To fill entry-level positions, firms often use multiple recruitment methods. Referrals from current employees are by far the most common, with over three-quarters of the positions filled in 1999 utilizing this method. Employers use this method because it provides a relatively inexpensive way to screen applicants (Thomas 1997). The quality and reliability are assured because the referring employees are often held accountable for the performance of the new hire. Given this expectation, current employees are likely to refer trusted friends and relatives; thus, referral recruitment is heavily embedded in relatively closed social networks, which can disadvantage many welfare recipients. Firms, however, also use other recruitment methods that are more open. The next most frequently used recruitment method is want ads applicants (47 percent) followed by walk-in applicants (39 percent) These methods are consistent with the job-searching approach used by the Job Clubs component of GAIN, which emphasizes approaching employers for application and responding to job advertisements. However, it is important to note that these approaches reach only two-thirds of all entry-level vacancies.¹⁷

Recipients have not only applied for entry-level jobs, but they have secured many of the positions for which they apply. Working recipients comprise about 3 percent of total private-sector employment at the end of 1999 and they make up about 8 percent of total entry-level employment.¹⁸ Their impact on new hires is even greater, accounting for about a sixth of all new hires. Recipients, however, are not randomly distributed throughout the entry-level labor force. The distribution of recipients is affected by how well they match with the needs of the firm.

The entry-level labor market is far from being homogenous because hiring criteria vary from firm to firm with respect to skill levels and work experience. About 35 percent of new entry-level jobs do not require a high school education. Hard skills, such as writing and math, do not appear to be as important as oral communication skills. About 10 percent of new entry-level jobs are in firms where math skills are very important for the position, and about two-in-ten firms assign high importance to writing skills. On the other hand, oral communication skills are very important. Over six-in-ten new entry-level jobs are in firms that consider oral skills to be very important. Less than a quarter of new entry-level jobs are in

firms that consider any type of work experience to be very important, while 36 percent of new entry hires are in firms that place a high importance on specific work experience relative to the available job. The heterogeneity in job requirements across firms means that it is possible that even highly disadvantaged recipients may be able to find a job.

The relatively low marketable skills of recipients, even within the context of the entry-level labor market, translates into a concentration of recipients in the less desirable segments of this market. The concentration is not due to differences in firm size because there is very little difference in the distribution of employed recipients and the distribution of all entry-level jobs along this dimension. There are, however, differences by sector. Recipients are underrepresented in blue-collar industries, and this may be due to the fact that the overwhelming majority of recipients are female, while many blue-collar industries are male-dominated. What is particularly striking is the disproportionate under-representation in high-wage firms, those firms where the average quarterly payroll per worker is more than \$3,000. While over a fifth of all entry-level jobs are in these firms, only a tenth of the recipients are. Recipients are also more likely to work in firms that do not require a high school education for entry-level employment. Recipients are also more likely to work in firms with a high turnover rate. On the average, 14 percent of all entry-level jobs end in a turnover per year; however, recipients work for firms where the turnover rate is 26 percent. While we do not have any information on the actual number of turnovers for recipients, the data do show that they face a greater and substantial risk of being terminated.

Even along dimensions where working recipients encounter the same employment conditions, the overall limitations imposed on all entry-level workers have potential adverse impacts on recipients. A good example of this is employer-provided health insurance. Generally, recipients are employed in firms that offer health insurance benefits to their employees. Nearly two-thirds of recipients work in firms that offer health benefits to entry-level employees, and over half work in firms that offer coverage to both the employees and their dependents. However, despite the fact that a majority of firms offer health coverage, there are barriers to recipient employees accessing these benefits. Recipients may be ineligible for benefits due to work status or job tenure restrictions, or may choose not to enroll due to cost constraints. Recipients are often employed in part-time positions and are ineligible for insurance coverage because few firms offer the benefit to their part-time employees. Another barrier is the probationary period.

Table 2 : Distributions of Entry Level Jobs, Entry Level Recent Hires, and Working Welfare Recipients by Firm Characteristics

Firm Characteristics	Entry Level Jobs	Recent Hires	Recipients
Firm Size			
Less than 50	23%	34%	27%
50-249	23%	36%	20%
250+	53%	30%	53%
Average Monthly Wage			
Less than \$1500	44%	38%	49%
\$1500-\$3000	34%	44%	41%
More than \$3000	22%	18%	10%
Industrial Sector			
Blue Collar	45%	31%	31%
Service	40%	42%	50%
White Collar	15%	28%	19%

The average waiting period is three months, although some firms report waiting periods up to one year.

The high level of job churning prevents many recipients from getting employer-sponsored health insurance. Finally, the vast majority of firms require employees to pay out-of-pocket costs for insurance coverage. Nearly three-quarters of jobs held by recipients require employee premium contributions of insurance coverage. Recipients may be unwilling or unable to afford the costs for insurance and choose not to enroll in their employer's health plan even if they are eligible. Those in firms without employer-provider insurance, ineligible for the benefits, or unable to afford the premiums continue to depend on Medi-Cal (California's Medicaid program) at least in the short-term.¹⁹

Another problem encountered by recipients is a low promotional rate that is endemic to the entry-level job market. Recipients work for firms where the rate of promotions out of initial entry-level positions is only 9 percent. This means that the odds of moving up are only one-third of that of being laid off or quitting. In other words, entry-level jobs have provided a way for recipients to meet the welfare-to-work requirement, but those jobs do not guarantee economic self-sufficiency.

Conclusion

Although it has been over four years since the enactment of PRWOA and two years since full implementation of CalWORKs welfare-to-work programs, the final outcomes are still largely unknown. Many effects of this dramatic shift in social policy will not materialize for several more years. As we stated at the beginning of this chapter, so far welfare reform is a glass half-full and half-empty. Welfare-to-work, with its work-first emphasis, has contributed to a dramatic reduction in the number of people receiving welfare, and the welfare caseload has continued to drop.

The jury is still out on the ultimate success of the work-first approach to transitioning people off of welfare and into paid employment. The available data points to a problematic start. Most employed recipients are finding low-wage jobs with limited opportunities for upward mobility and wage growth within the firm. However, it is unclear whether the jobs are the first rung on a career ladder that requires changing jobs. Many work-first proponents argue for the importance of getting a foot in the door, asserting that work experience is a launching pad to higher wages and employment stability. Despite this optimistic view, how many recipients will be fortunate to find upward mobility in the labor market remains unanswered questions. What is obvious from the available information is that many working recipients face numerous barriers that threaten to confine them to dead-end jobs paying poverty-level wages.

The challenge then is to develop comprehensive and effective post-employment programs. In recognition that the transition does not end with the initial job placement, Los Angeles County has adopted the following policy:

Post employment services are designed to help participants stay employed and obtain a better job with wages, which enable self-sufficiency from CalWORKs dependency. The goal of post employment services is to provide participants with the information, resources and tools to retain unsubsidized employment, improve career potential, and to achieve economic self-sufficiency at a living wage prior to exhausting their five-year lifetime welfare limit.

Currently the L.A. GAIN program offers post-employment services including continued case management, job retention services, career assessment, opportunities for continued educational development, skills training designed for upward career mobility, individual mentoring, and rapid re-employment services. This approach is a step in the right direction, but far too few have been able to take advantage of the services.²⁰ Achieving the goal of moving recipients from welfare to economic self-sufficiency will require a much more aggressive effort to reach those "playing by the rules" and working. Post-employment services must be widely available and promoted and more importantly must be adequately supported in terms of funding and staffing if recipients are going to find careers rather than dead-end jobs.

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Endnotes

¹ Although Los Angeles' welfare caseload has decreased substantially, it lags behind the caseload drops at the national and state levels. By January 2000, the national caseload, based on annual figures, declined by 53 percent since its peak in 1994. The California caseload peaked in March of 1995 with just over one million total welfare cases in the state. Calculating caseload declines for the state are problematic due to administrative changes in caseload reporting. Based on available information, we estimate that California's caseload has declined about 42 percent from March 1995 to September 1999.

² See <http://dpss.co.la.ca.us/gain/exemptions.cfm> for situations for which exemptions apply. Some of the most common exemptions include persons under 16 or over 60, pregnant women, disabled persons, youth aged 16-18 who are full-time students, and persons providing care for an ill family member or a child under age one.

³ See <http://dpss.co.la.ca.us/gain> for more information on GAIN activities and participation criteria.

⁴ In recognition of recipient's limited experience in the labor market, the CalWORKs welfare to work program includes "soft skills" training, which focuses on issues such as appearance, attitude and reliability.

⁵ The occupational and wage data on recipients comes from participants in the LA County GAIN for September 1999.

⁶ Based on Occupational Employment Survey (OES) data provided by California's Employment Development Department. Some occupations for recipients include two or more detailed categories in the OES data.

⁷ The prevailing entry-level hourly wage estimates presented in the table are based on calculations by the California Employment Development Department (EDD) in which they estimate the entry-level wage by taking the mean of the bottom third of the wage distribution for each occupation.

⁸ A recipient employed full-time, full-year (40 hours a week, 52 weeks a year) would need to earn \$6.80 to raise a family of 3 out of poverty and \$8.20 to raise a family of 4 out of poverty.

⁹ Low wages and job instability together produce a significant number of workers with more than one employer for any given quarter. Other researchers estimate that one-fifth of welfare workers in Los Angeles County have two or more employers in the same quarter, indicating either that they are working two jobs or have changed employers in the three month period. See Drayse, et al 2000. According to employment profiles generated from a survey of welfare-to-work participants in L.A. County, approximately 10 percent of recipients work more than one job suggesting that the other 10 percent changed jobs within the quarter.

¹⁰ Several definitions are used by researchers for the entry-level or low-wage sector of the labor market, including wage levels, earnings and hours worked, skill level and educational attainment. Educational attainment is often used as a measure of the low-wage sector because it does not depend on actual wage or earnings levels, but is highly correlated with them. See Bernstein and Hartmann, 2000 for more information on the entry-level labor market.

¹¹ The entry-level employment profiles are based on a recent survey of employers in Los Angeles County that contains information on 570 firms operating in Los Angeles County that had at least one entry-level position. Of the 725 firms successfully contacted who consented to participate, 570 reported having positions available to entry-level employees. These entry-level employment estimates are based on the firms that consented to be surveyed; non-respondents may have different levels of entry-level employment.

¹² The total number of jobs comes from 3rd quarter of 1999 EDD data, while the number of entry-level jobs is estimated from the entry-level employer survey. The proportion of entry level employment is consistent with available labor force information, which indicates that the "high school or less" definition includes 44 percent of the U.S. and Los Angeles County workforce. See Mishel et. al 1999 for national estimates. The Los Angeles County estimate comes from analysis of the Current Population Survey, March Supplement, 1999 performed by the Lewis Center for Regional Policy Studies.

¹³ According to EDD statistics for the 3rd quarter of 1999, 81 percent of all firms had less than 10 employees, and an additional 14 percent had 10-49 employees. Many of the smallest firms include the self-employed and highly specialized operations

¹⁴ According to EDD statistics for the 3rd quarter of 1999, a third of all jobs are located in firms with less than 50 employees; however, it is likely that at least a sixth of the paid workers are self-employed owners.

¹⁵ Industry categories were created based on the Standard Industrial Classification (SIC) codes. Blue-collar industries include Agriculture, Forestry, and Fishing (01-09), Mining (10-14), Construction (15-16), Manufacturing (20-39), Transportation, Utilities and Communications (40-49) and Wholesale Trade (50-51). Service industries include Retail Trade (52-59) and Services (70-79, 88). White Collar industries include Finance, Insurance, and Real Estate (60-69) and Services (80-87, 89).

¹⁶ This is a conservative estimate because it is based on firms that had operated continuously from 1998 when the sample was drawn for the survey to 1999 when the survey was conducted. Consequently, the estimated number of new hires does not include positions created by newly established firms.

¹⁷ Interestingly, referrals from public agencies are far less frequently used recruitment methods. Moreover, only a minority of firms is willing to use tax subsidies for hiring disadvantaged workers. Both the relative reluctance to accept government referrals and subsidies implies that many firms are unwilling to go out of their way to seek recipients.

¹⁸ Recipient employment levels are calculated based on the proportion of the total number of recipients employed by the firm during 1999 to the total number of entry level employees in the firm.

¹⁹ Welfare reform 'de-linked' Medi-Cal from CalWORKs/TANF so that eligible families could maintain health insurance even if they did not receive cash aid. However, Medi-Cal caseloads have declined despite eligibility expansions along with CalWORKs/TANF caseloads, although not as dramatically. Medi-Cal is available to working recipients if they earn less than 100 percent of the federal poverty level. Additionally, Transitional Medi-Cal is available for recipients with higher earnings for up to two years after leaving public assistance. Participation rates in the transitional Medi-cal program are relatively low.

²⁰ According to state welfare-to-work information, less than 2000 welfare to work participants were receiving post-employment services in Los Angeles County as of June 2000.