

Job Prospects for Welfare Recipients: Employers Speak Out

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While much of the welfare reform debate has centered on the supply side of the labor market—how to motivate welfare recipients to search for and take jobs—less attention has been paid to the demand side. Under what conditions will employers hire people on welfare? What are their requirements and expectations? What kinds of jobs are available to people leaving welfare, and what pay and benefits are offered?

This brief presents the key results of a nationwide survey conducted by the Economic and Social Research Institute (ESRI) as part of the *Assessing the New Federalism* project to determine employers' attitudes about hiring welfare recipients. The survey was predicated on the idea that if states have a better understanding of employers' attitudes and requirements, they will be better able to design successful approaches to moving people into jobs and helping them stay there.

The survey included 500 businesses at the establishment level (e.g., individual stores, plants, or offices) in industries likely to have higher-than-average numbers of entry-level workers.¹ The ESRI sample consists mostly of small employers with fewer than 50 workers. In order to gain insight into any potential dif-

ferences in attitudes among establishments of different sizes, however, we oversampled those with 100 or more employees.²

We conducted an additional 200 interviews—100 each in Los Angeles and Milwaukee—to see how these two cities might differ from national responses. Both of these cities have large welfare populations. Milwaukee is considered a national leader in innovative welfare-to-work initiatives, while Los Angeles is a large urban area with a diverse population that includes many immigrants.

Prior to undertaking the large national survey, we conducted a small exploratory telephone survey of 25 employers. Their responses, emerging from in-depth discussions, were very similar to the findings in the national sample.

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What Employers Are Looking For in Prospective Workers

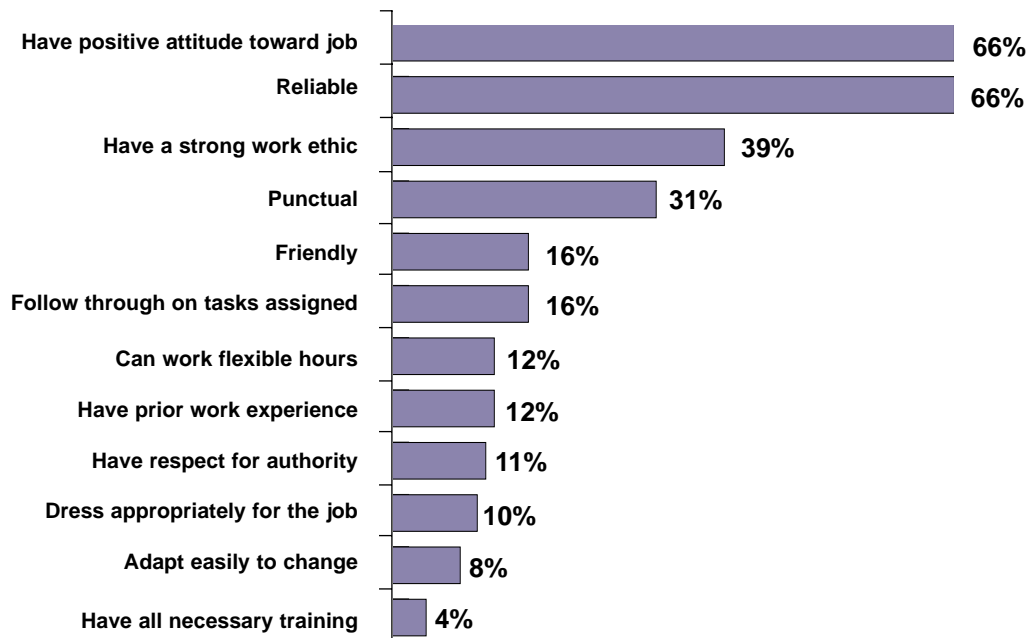
The ESRI survey provides welcome news for people trying to make the transition from welfare to work. Employers indicate that the limited education and job training that many

welfare recipients bring to the labor market may be compensated for by positive attitudes, reliability, and motivation. At least in today's tight labor markets, many employers are willing, and in some cases even eager, to hire people leaving public assistance *if* they present an array of positive personal characteristics that companies value highly.

reported requiring references from previous employers and 40 percent required prior work experience. This may seem to contradict the above findings, where specific skills and training receive less emphasis. However, by requiring references and prior work experience, employers may actually be looking for evidence of the reliability of potential employ-

entry-level jobs are not accessible by public transportation. (In Los Angeles, about half this percentage said this was the case.) Likewise, only 1 percent of employers offer child care benefits, while the welfare program is largely composed of mothers with young children. Transportation barriers and difficulties finding adequate and affordable child care could create

Figure 1
Qualities Rated As Most Important in Job Candidates by Employers



Source: ESRI Survey of Employers' Attitudes toward Hiring Welfare Recipients, weighted by employers at the establishment level nationwide.

Note: Percentages reflect employers listing quality as one of the three they consider most important.

From a list of 12 positive attributes, employers were asked to select those three that they considered most important in an entry-level job applicant. The results, seen in figure 1, show that employers want, first and foremost, a reliable worker with a positive attitude. Two-thirds of employers selected these attributes as among their top three. These qualities appear to be more important than prior work experience and technical training, which were selected by only 12 percent and 4 percent of employers, respectively.

When asked about their requirements for entry-level positions, 60 percent of employers in our survey

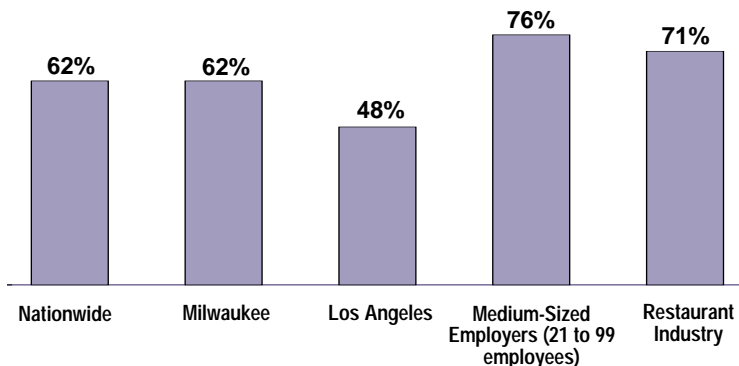
ees, rather than how prepared they are for the specific job at hand. A reference from an employer can serve to vouch for an employee's attitude or reliability.

There are some aspects of reliability that are largely within the control of the welfare recipient (e.g., motivation). Other aspects of reliability, however, involve characteristics of the social service system or infrastructure (e.g., child care, transportation) that are mainly outside the control of the welfare recipient. Our study indicates that there are significant transportation barriers to employment, with 39 percent of employers surveyed stating that their

obstacles to sustained employment for even the most motivated welfare recipients.

Most of the employers interviewed were unaware of government initiatives to improve the job prospects of welfare recipients (e.g., tax credits, wage subsidies, training). Of the employers who *were* aware of such initiatives, there was more interest in government-sponsored welfare-to-work programs that would assist businesses in screening job applicants than in programs offering economic incentives for hiring welfare workers. Several employers in the informal survey said that they "could not be paid enough" to hire "problem" workers.

Figure 2
Percentage of Employers Who Have Hired Welfare Recipients



Source: ESRI Survey of Employers' Attitudes toward Hiring Welfare Recipients, weighted by employers at the establishment level nationwide.

Employers' Attitudes about Persons Receiving Welfare

A majority of those employers in our survey have hired someone who has been on welfare. As described in figure 2, 62 percent of employers nationwide have hired welfare recipients; this number is lower for Los Angeles (48 percent) and higher for employers in the restaurant industry (71 percent).

Among those who have hired people on welfare, 94 percent are willing to hire one again. For those employers who say they do not have experience with welfare recipients, 82 percent say they are likely to hire one in the next year.

Employers seem to have a difficult time finding qualified candidates for entry-level positions. While 63 percent say they see plenty of applicants, most of these say there are few with the qualifications employers value most. When employers have an opening, most hire (in order of importance) through walk-ins, word of mouth, newspaper ads, referrals, or displaying "Help Wanted" signs.

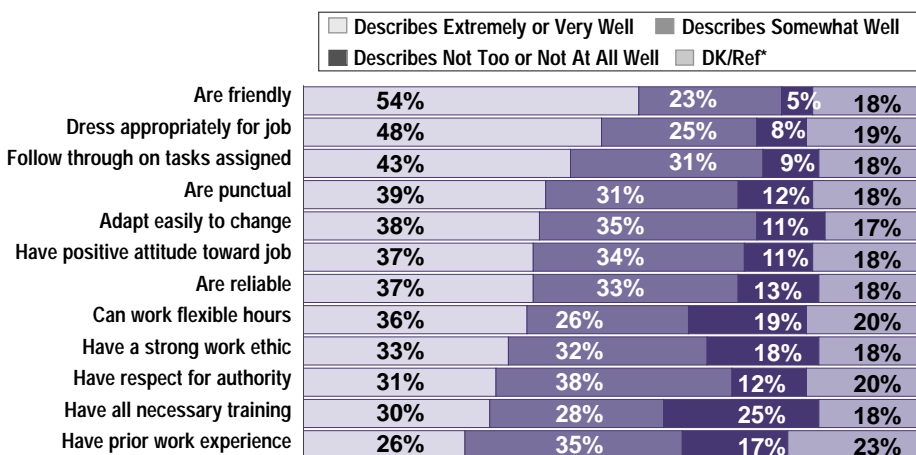
Looking ahead, employers see the number of entry-level jobs holding steady. Most (84 percent) also say the 1997 increase in the federal minimum wage to \$5.15 an hour will not affect their hiring practices. Nearly all larger companies (97 percent) report that the increase will not affect their hiring.

ESRI asked employers how well the qualities they value the most in workers describe welfare recipients in the workplace. Figure 3 describes our results for the entire sample. The two

gether, these findings underscore the value that employers attach to a range of personal traits that they consider important to good job performance. The findings suggest that many employers believe welfare recipients possess these qualities.

When responses to this question are divided into those from employers who have hired someone on welfare, and from those who have not, further promising findings appear. Overall, employers who have hired welfare recipients give similar or even somewhat higher rankings on each positive attribute compared to employers who have never hired welfare recipients. While only 29 percent of employers who have not hired welfare recipients say "reliable" describes someone on welfare very well or extremely well, this percentage increases to 42 percent for employers with experience hiring those on welfare.

Figure 3
Employer Descriptions of Welfare Recipients As Employees



Source: ESRI Survey of Employers' Attitudes toward Hiring Welfare Recipients, weighted by employers at the establishment level nationwide.

*Note: DK/Ref stands for Don't Know/Refused to Answer.

qualities employers identified earlier as most important in an entry-level job applicant—a positive attitude and reliability—are considered to describe welfare recipients "extremely well" or "very well" by 37 percent of employers. This figure increases to 70 percent when the response "somewhat well" is added. The highest ratings went to qualities of friendliness and dressing appropriately. Taken to-

Similarly, 28 percent of employers who have not hired welfare recipients believe these employees have a positive attitude toward their job, while 43 percent of employers who have hired people on welfare hold this positive view. It is important to note that about 40 percent of employers without hiring experience declined to answer this question. With such a high non-response rate, and the bias that can

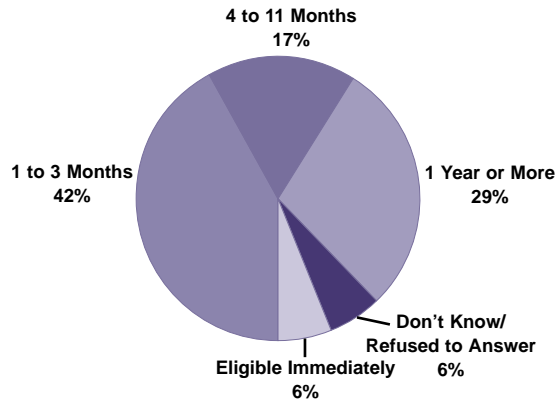
result, we must be cautious in interpreting our findings on this question.

The Entry-Level Job Market

While our findings concerning employer attitudes and requirements may constitute the survey's "good news," the findings describing the entry-level job market are the "bad news." On the one hand, it is heartening to see that employers have positive attitudes about people on welfare and are willing to hire them for entry-level positions. However, the positions employers have to offer are often part-time, with very low wages and minimal, if any, benefits.

The median hourly wage reported for entry-level positions by employers in our survey is \$5.50, slightly above the minimum wage. This is somewhat higher (\$6.00) in Milwaukee and for larger employers

Figure 4
Length of Time Entry-Level Employees Must Work for a Company to Be Eligible for Benefits



Source: ESRI Survey of Employers' Attitudes toward Hiring Welfare Recipients, weighted by employers at the establishment level nationwide.

before employees are entitled to receive such benefits. The most common waiting period, cited by 42 percent of

figure 5. Nationwide, 26 percent of employers in our survey do not offer any benefits; larger employers are

Figure 5
Percentage of Employers Who Do Not Offer Any Benefits to Entry-Level Workers



Source: ESRI Survey of Employers' Attitudes toward Hiring Welfare Recipients, weighted by employers at the establishment level nationwide.

(\$6.50). Employers rely heavily on part-time workers to fill these jobs; on average, employers report that nearly half (46 percent) of their entry-level positions are filled by part-time workers. Larger businesses have a smaller proportion (19 percent) of entry-level, part-time positions.

As seen in figure 4, most employers that offer benefits have waiting times

employers, is between one and three months. More than one-quarter of employers, however, report that new entry-level employees must wait one year or more to be eligible to receive benefits, and only 6 percent of employers say these benefits are available immediately.

Not all employers, however, are even in the position of offering benefits to entry-level employees, as shown in

more likely to offer benefits, and the restaurant industry is much less likely to offer benefits than other industries.

Nearly half of the businesses in our sample report providing health insurance to entry-level workers. Among employers offering health benefits, half pay 80 percent or more of the cost for the entry-level employee, and one-quarter cover 50 percent or less.

Almost half of the employers surveyed provide paid vacation, *while only 17 percent offer paid sick leave.*

The entry-level job market is characterized by significant turnover. In our survey, about half of employers indicate that, on average, entry-level employees remain with their business for one year or less. This finding is especially relevant when we consider the waiting time that many employers have for benefits.

Taken together, these findings illustrate some of the obstacles to sustained employment and the difficulties that welfare recipients will face in meeting their ultimate goal—namely, moving from welfare dependency to self-sufficiency. Average wage rates are low, benefits are limited or non-existent, and jobs are often inaccessible by public transportation.

Conclusion

As states watch their welfare rolls shrink—as a result both of successful reform approaches and of favorable economic conditions—they must temper their optimism and take a longer-term approach toward improving the employment outlook for persons moving from welfare into the private-sector workforce. Our study suggests that states should invest in welfare-to-work programs that acquaint welfare recipients with employers' expectations in the job market. Short-term programs that provide some job readiness training with an emphasis on a positive attitude and solid and dependable work habits should pay off in the long run by developing a workforce that is more attractive to private-sector employers.

Our study also suggests, however, that gaining employment is an important first step, but it is often not enough to ensure self-sufficiency and a decent standard of living. If states want to see their welfare recipients move out of poverty, they must provide adequate transitional benefits, such as Medicaid, child care, and transportation subsidies, for a sufficient period of time to

support the work efforts of those leaving the welfare program. State welfare programs must also develop mechanisms to educate former welfare recipients and their employers about the availability of these transitional benefits.

Notes

1. A large number of the interviews were conducted with employers in the retail trade industry, including 33 percent in the restaurant industry and 23 percent in other retail services. Another 30 percent of the interviews were with firms in business services and construction; 7 percent in manufacturing; 4 percent in transportation, communication, and utilities; and 3 percent in agriculture.

2. In the national sample, the number of interviews is weighted by establishment size to reflect the national distribution of businesses in these categories. For example, while 21.6 percent of interviews were conducted with businesses of 100 or more employees, such establishments make up only about 4.2 percent of total establishments in the United States. Thus, these values are weighted in our results to reflect their real distribution nationwide. One other methodological note is necessary. Our sample is intended to be representative of the population of employers rather than employees. However, by capturing the smaller end of the employer market, the attitudes of larger businesses that employ more than half of the total U.S. workforce may be undervalued in our analysis. For this reason, we also weighted the data to reflect the distribution of employees and compared the results of the two weighting strategies. The findings were very similar on questions about employer attitudes but differed quite a bit on wages and benefits. This is consistent with the distribution of employees across the country: the majority of employees work for larger firms, which tend to pay higher wages and provide better benefits to entry-level employees.

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About the Economic and Social Research Institute

The Economic and Social Research Institute (ESRI) is a nonprofit, nonpartisan organization that conducts research and policy analysis in health care and social services. ESRI specializes in studies aimed at enhancing the effectiveness of social programs, improving the way health care services are organized and delivered, and making quality health care accessible and affordable.

This series is a product of Assessing the New Federalism, a multi-year project to monitor and assess the devolution of social programs from the federal to the state and local levels. Alan Weil is the project director and Anna Kondratas is deputy director. The project analyzes changes in income support, social services, and health programs. In collaboration with Child Trends, Inc., the project studies child and family well-being.

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