

Contact: Mark Primoff  
845-758-7749  
[primoff@levy.org](mailto:primoff@levy.org)

FOR IMMEDIATE RELEASE

## **WHERE HAVE ALL THE WELFARE WORKERS GONE? New Survey Shows Small Business is Not Hiring Former Welfare Recipients**

ANNANDALE-ON-HUDSON, N.Y.--While proponents of the new welfare reform have claimed broad success in moving welfare recipients off the rolls, a new national survey by the Jerome Levy Economics Institute suggests that the vast majority of former welfare recipients have not been hired by small businesses.

The new survey results, published in part in a new *Public Policy Brief, "Small Business and Welfare Reform,"* by Levy Institute Scholar Oren Levin-Waldman, contradict the assumption that small businesses, often touted as the engine of U.S. economic growth, have been hiring former welfare recipients. In fact, the survey shows that these small businesses, with fewer than 500 employees, do not intend to hire former welfare recipients unless they are better trained and better able to enter the workforce than they currently appear to be.

"The new welfare assumes that there are jobs that will provide people currently on welfare with incomes sufficient to support themselves and their families and that welfare recipients have the requisite skills to fill those jobs, which are mostly at the bottom end of the wage scale" writes Levin-Waldman. "This new survey calls this assumption into question," Levin-Waldman says.

Among the implications of this survey are that:

- While hiring in general has been strong in recent months, small businesses are not hiring welfare recipients.
- Most small business employers require some training and/or experience before they will consider hiring former welfare recipients.
- General education and general employment history are the most important factors in hiring decisions.

According to Levy Institute study, fewer than one in six small businesses that hired since new welfare law took effect had hired a former welfare recipient. While more than 69 percent of those surveyed say they hired new workers during this period, fewer than 17 percent had hired a former welfare recipient. Why haven't small businesses been hiring former welfare recipients? "Overall, small business employers appear to be most interested in experience or a combination of experience and training when making hiring decisions" Levy Institute report states. In describing what they seek in new employees, survey respondents wanted: experience (39.6 percent); training (8.9 percent); or both experience and training (32 percent). Respondents

desiring training and experience replied that general training (34 percent) and technical or vocational training (44 percent) were most valuable. Of those seeking experience of both experience and training, 54.1 percent sought specific training; 37.8 were looking for general work history, while 4.5 percent wanted both.

A large percentage of the firms that did hire former welfare recipients considered general education (66.7 percent) most important, with the rest seeking other training (16.7 percent), or not responding.

The type of experience did not seem important, with 35.7 seeking specific experience and 46.4 percent seeking a good general employment history.

The minimum wage seemed to play a negligible role small business hiring practices, according to the survey, with more than 85 percent responding that a rise in the minimum wage would have no impact in their decision to hire welfare recipients, more than 89 percent saying a wage increase would not effect overall hiring, and more than 75 percent reporting that a \$6.00 per hour minimum wage would not affect their overall hiring practices.

The survey implies that while recipients are certainly falling off the welfare rolls, few are finding there way into the small business community, which is widely considered to be the biggest generator of private sector jobs. Levin-Waldman's assumption, then, is that some are finding jobs at large corporations and in the public sector, and that many are simply being pushed off the roles and fending for themselves in part-time work or entering the underground economy.

"The goal of any welfare-to-work program ought to be to make people who have not had the experience of working into productive members of the workforce. This survey has demonstrated what the private sector wants. The solution is to develop policies to provide it." Levin-Waldman says. "A policy intended to get workers a job has to go hand-in-hand with a policy aimed at keeping them there." Raising the minimum wage, for example, might help to keep low-wage employees--particularly former welfare recipients-- on the job long enough to acquire the skills and training employers seek. According to Levin-Waldman, government should share the cost of hiring and training welfare recipients, forming partnerships with business and offering incentives to hire. "With the right mix of incentives and mandates in place, small business could effectively become the focal point of an employment strategy aimed at hiring the most disadvantaged members of society," according to the Institute's report.

[Public Policy Brief No.51, 1999, \*Small Business and Welfare Reform\*](#)

(3/99)