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Will Employers Hire Welfare Recipients? Recent Survey Evidence from Michigan

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Abstract

In this paper we present data from a new survey of 900 employers in Michigan that was designed to gauge employer demand for welfare recipients. The results show that, given the current tightness of labor markets in Michigan, prospective demand for recipients is fairly high. On the other hand, prospective employment is quite highly correlated with measures of unmet labor demand at the establishment level, implying that much of this employment could disappear during the next recession. Many of the prospective jobs are also found in establishments to which inner-city minorities might have limited access, such as small/suburban establishments that receive few black applicants or that recruit informally. Absenteeism and basic skill readiness are potential problems for welfare recipients seeking employment, based on jobs filled by recipients to date or those that are prospectively available. The effects of a variety of potential policy responses targeted at private employers (such as job placement efforts, tax credits for employment or training, etc.) are also considered.

Will Employers Hire Welfare Recipients?
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INTRODUCTION

In the aftermath of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, welfare rolls have declined dramatically. There is also some evidence of rising employment and labor force participation among welfare recipients, especially in the context of the very tight labor markets that currently prevail in much of the nation.[1]

But a number of important questions have emerged: (1) To what extent are jobs actually available to welfare recipients? (2) Are these jobs available to the least skilled and least experienced of our welfare recipients, to inner-city minorities, and to those with other barriers to labor market activity (such as those with substance abuse, child care, or transportation problems)? (3) Of the jobs now available, how many will continue to exist when the current tightness of the labor market has disappeared? (4) What wages and benefits will be offered to welfare recipients who obtain employment? (5) Will poor job performance and turnover inhibit the ability of many recipients to maintain stable earnings over time? Will those who remain employed have any opportunity for upward mobility? (6) Finally, what policy options might improve the employment and earnings prospects of welfare recipients? Will employers respond to the efforts of labor market intermediaries, wage subsidies/ tax credits, or other kinds of technical assistance?

To date, we have little in the way of answers to these questions. Few reliable data exist on the current labor market activities of former recipients, much less on the prospects of those who have not yet

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[1]For instance, Seefeldt, Sandfort, and Danziger (1998) show large increases in the percentages of recipients showing earnings between 1992 and 1996, and Bishop (1998) attributes much of the large increase in employment for single parents between 1994 and 1998 to welfare reform (along with the Earned Income Tax Credit). But the *New York Times* reports that only about 30 percent of those who left the rolls in New York City in 1996–97 reported earnings during the following 3 months (Hernandez, 1998).

entered the market. Furthermore, not much can be inferred from previous studies of the labor market experiences of welfare recipients (e.g., Burtless, 1994) because these samples were selected under a very different set of policies from the ones currently being implemented. And, while new surveys of low-income people and welfare recipients are currently being administered, it may be years before they can tell us much about the experiences of the least skilled under a variety of labor market conditions and policy environments. These analyses might also tell us relatively little about the efficacy of various policy approaches, especially those targeted toward employers.

The approach that I use here is based directly on survey data from *employers*, who constitute the demand side of the labor market that welfare recipients will face as they enter that market. This approach has been used in a few other contexts (e.g., Regenstein, Meyer, and Dickemper, 1998; Holzer, 1996; Brandon Roberts, 1998) and seems to provide a useful portrait of employer demand for welfare recipients.

DESCRIPTION OF DATA

The data presented below are based on a 20-minute telephone survey administered to 900 employers, between July and November 1997, in three large metropolitan areas in Michigan: Detroit, Flint, and Grand Rapids.[2] These represent a mix of large and small metropolitan areas, located in both the eastern and western parts of the state, reflecting different degrees of reliance on older manufacturing industries and having different demographic structures. Unemployment rates also vary somewhat across the three metropolitan areas, and they differ considerably between the central-city and suburban parts of each area.[3]

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[2]I surveyed 400 employers in Detroit and 250 each in Flint and Grand Rapids.

[3]For instance, blacks constitute 24 percent, 20 percent, and 6 percent of the metropolitan area populations in Detroit, Flint, and Grand Rapids, respectively. But the proportions of residents who are black in each of their

The employers surveyed were drawn from a sample that was stratified ex ante by establishment size, so that the sample roughly represents the distribution of the workforce across establishment size categories. Some sectors of the economy that have relatively low skill requirements for many of their employees were oversampled; sampling weights used below correct for this. Response rates averaged over 70 percent. The interview was targeted at the person in the establishment who is responsible for entry-level hiring.

Survey questions focused on (1) the skills of the establishment's workforce; (2) the processes used to recruit and train the most recently hired noncollege worker and the demographics of this worker; (3) any recent experiences with welfare recipients who have been hired, or with labor market intermediaries (such as Michigan Works agencies); and (4) their potential willingness to hire unskilled welfare recipients currently or over the next year. The effects of labor market tightness on hiring at the establishment are gauged through a variety of questions about its current job vacancy rate, the ease with which qualified applicants can be found, the extent to which they have recently hired less-than-qualified applicants, etc.

JOB AVAILABILITY FACING WELFARE RECIPIENTS

Our basic measure of job availability for unskilled welfare recipients is based on the following survey questions: "Suppose you were contacted by an employment agency that was trying to place welfare recipients who did not have a high school diploma or any recent work experience. Do you *currently* have any open position that you might consider filling with these welfare recipients? If yes, how many would you consider hiring right away? Do you think you will have open positions *during the*

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central cities are 76 percent, 48 percent, and 19 percent. Unemployment rates in the three areas have averaged roughly 4 percent in Detroit and Grand Rapids and 5–6 percent in Flint over the past 2 years or so, though rates in the central cities have been 2–3 times higher than those in the suburbs of Detroit and Flint.

next year that you might consider filling with welfare recipients? How many of them would you possibly employ at any time during the next year?"[4] We transform these numbers into *rates* of job availability by dividing them by the total number of current jobs at each firm, either filled or vacant.

These questions thus deal with *prospective* employer willingness to hire recipients, rather than the actual behavior of employers. Because this willingness is self-reported and hypothetical, actual behavior might differ from what is reported. It is also possible that these responses are upward-biased, if employers consider it more socially acceptable to claim that they are willing to hire recipients. Still, these questions offer some insight into employer expectations of current or near-term labor market demand for unskilled welfare recipients.

Table 1 presents mean job availability rates for welfare recipients. These are presented for all jobs, and separately by location (central city versus suburb in each metropolitan area) and by the three largest industries (manufacturing, retail trade, and the services).

Employers claim that they are willing to fill 3 percent of their jobs right away with welfare recipients, and up to almost 9 percent over the course of the coming year. Relative to the size of the overall welfare population in Michigan and elsewhere, this represents a significant amount of *potential* job availability. For example, welfare recipients nationally constitute about 4 million households, so the heads of these households represent less than 4 percent of the labor force. The percentage who will be pushed into the labor market over the next several years, either because of work requirements or time limits on long-term recipients, is generally estimated to be 1–2 million, or less than 2 percent of the nation's labor force (e.g., Pavetti, 1995; McMurrer, Sawhill, and Lerman, 1997). In a strictly aggregate sense, the pool of available jobs appears to be potentially large enough to absorb all recipients who will need to find work. On the other hand, these calculations do not allow for other job applicants who might

[4]The focus on employment "at any time" enables us to capture a measure of labor demand rather than gross hiring over the year.

TABLE 1

Percentage of All Jobs That Are Available to Unskilled Welfare Recipients (Prospectively)

	Currently	Over Next Year
All jobs	.031	.086
By location:		
Detroit		
Central city	.057	.099
Suburbs	.032	.080
Flint		
Central city	.024	.102
Suburbs	.046	.126
Grand Rapids		
Central city	.019	.044
Suburbs	.023	.126
By industry:		
Manufacturing	.015	.051
Retail trade	.056	.182
Services	.025	.060

Notes: "Unskilled" welfare recipients refers to those without high school diplomas or recent work experience. All means presented here and below are sample-weighted.

be competing with welfare recipients for these same jobs, so this aggregate comparison might be somewhat misleading (Holzer and Danziger, 1998).

Variation in job availability for welfare recipients by location and by industry is also apparent. By location, we find somewhat greater willingness of employers to hire welfare recipients in central-city Detroit than in its suburbs, though the opposite appears to be true in the two smaller areas. Of course, the concentration of welfare recipients is also greatest in the cities of Detroit and Flint, while being lowest in the city of Grand Rapids and in the suburban areas generally.[5]

By industry, we find the highest demand for welfare recipients in retail trade and the lowest demand in the manufacturing sector. The retail trade sector includes "eating and drinking establishments," where potential demand for welfare recipients is particularly high (e.g., 9 percent and 27 percent of jobs available currently and over the next year, respectively). The low level of demand in the manufacturing sector no doubt reflects the increase in skill demands for new hires over the past 10–15 years that seems to be associated primarily with computerization and technological change (Berman, Bound, and Griliches, 1994). In contrast, the service sector demand for recipients is just a bit below average and represents a mix of high and low demand across the diverse parts of that industry.[6] The fact that reported job availability varies across locations and industries in ways that are generally sensible

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[5]As of 1996, the welfare caseload represented about 3.5 percent of the population of Wayne County, about 3 percent of Genesee County, and just over 1 percent of Kent County (Seefeldt, Sandfort, and Danziger, 1998; Bureau of the Census, 1990). The central cities constitute 49 percent, 33 percent, and 38 percent of the populations in each county, respectively. If we were to assume that all welfare cases reside in the cities of each county, then they would constitute about 7 percent, 9 percent, and 3 percent of the population in each city, respectively. In reality, some cases no doubt reside in the suburban parts of each county; this would tend to equalize the percentages of welfare cases in the populations of Detroit and Flint, since the suburbs around Flint constitute a greater part of its county population.

[6]Demand for welfare recipients is relatively highest for "personal services," such as in laundries and barber/beauty shops, and for "entertainment services," such as in movie theaters and amusement parks. Not surprisingly, demand is relatively weak in the "professional services," though somewhat stronger in the health care sector.

gives us somewhat greater confidence that employer responses to these questions are meaningful and related to actual hiring behavior.

DETERMINANTS OF JOB AVAILABILITY

What factors might affect the willingness of employers to hire welfare recipients at any particular establishment? Certainly their overall employment of unskilled workers should be a factor, as well as their ability to meet that demand with a supply of other applicants who might also desire those jobs. The ability of the firm to draw applicants depends on a variety of factors, such as the wages/benefits that it offers (relative to other firms with similar labor needs in the relevant local market), its recruitment strategy, and other characteristics such as its size. The firm's screening process and desired qualifications/characteristics then determine whom it hires from this pool (Holzer, 1996, 1998).

In addition, the firm's need to draw applicants will depend on its overall hiring needs, reflecting either its net employment growth rate or its employee turnover rate. The available pool of applicants will also reflect the tightness of the labor market, since there are fewer job seekers when local unemployment is low. Firms having difficulty meeting employment needs in a tight market may respond in a variety of ways, such as by raising wages or recruiting more intensively. A greater willingness to consider applicants who might not otherwise meet their desired qualifications, such as welfare recipients, might be another approach.

In the next two tables, we review some evidence on the likely determinants of an establishment's willingness to hire welfare recipients. In Table 2 we present means on a variety of these determinants, such as skill needs and hiring activity, for the overall sample and by broad industry grouping. In Table 3, we present correlations between our measures of job availability and this list of determinants. Appendix Table 1 contains some additional regression analyses of these relationships.

TABLE 2

Some Determinants of Job Availability for Welfare Recipients: Means

	All Jobs	By Industry		
		Mfg	Retail Trade	Service
A. Percentage of employees in jobs that:				
Do not require education, experience, or training	.365	.427	.533	.268
Also require no reading/writing or arithmetic	.125	.143	.159	.099
Are also filled by women	.060	.059	.087	.061
B. Measures of hiring activity				
New hire rate into unskilled jobs over past 12 months	.794	.825	1.011	.622
Net new employment growth rate over past 12 months	.102	.100	.162	.075
C. Measures of unmet demand and labor market tightness				
Job vacancy rate	.057	.039	.077	.049
Difficult to find qualified applicants:				
Somewhat	.425	.391	.522	.393
Very	.386	.464	.330	.375
Have hired a less-than-qualified worker in last 2 years	.396	.483	.468	.325
Percentage of newly hired workers who are less than qualified	.066	.035	.100	.060

TABLE 3

Correlations Between Job Availability for Welfare Recipients and Its Determinants

	Percentage of Jobs Available to Welfare Recipients	
	Currently	Next Year
Percentage of employees in jobs that:		
Do not require education, experience, or training	.083	.234
Also require no reading/writing or arithmetic	.137	.201
Are also filled by women	.156	.178
New hire rate in past 12 months	.093	.222
Net new employment growth rate	.003	.096
Vacancy rate	.320	.229
Difficulty finding qualified applicants	-.028	.009
Have hired a less-than-qualified worker in last 2 years	.034	.095
Percentage of newly hired workers who are less than qualified	.057	.080

Table 2 presents means on three categories of determinants: the skill requirements for jobs at the establishment, the rate of hiring activity, and various measures of labor market tightness and "unmet demand" at the establishment. Skill requirements are measured by the percentage of employees who are in jobs that do not require any particular level of education, previous experience, or training; the percentage that, in addition, require no reading, writing, or arithmetic; and the percentage of jobs in the latter category and that are filled by women. Overall hiring activity is measured by the rate of new hiring into this last category of jobs over the previous 12 months as well as the net employment growth rate at the establishment over the previous 12 months. Measures of unmet demand and market tightness include the job vacancy rate at the establishment (measured by the fraction of all jobs that are currently vacant); whether the establishment has found it "somewhat" or "very" difficult to find qualified applicants recently; whether it has hired workers in the last 2 years who fall short of the usual qualifications demanded; and the percentage of newly hired workers in the previous category.

The results of Table 2 show varying degrees of employment available to workers with very limited skills. Roughly 37 percent of all employees in these establishments are in jobs that require no particular level of education, experience, or training; however only a third as many jobs also involve no reading/writing or arithmetic, and only half of these are filled by women. Thus, only 6 percent of the jobs in these establishments involve none of the above-mentioned skills and are filled by women.

These percentages also vary by industry. The greatest numbers of unskilled jobs are found in retail trade. While manufacturing has more unskilled jobs than the service sector, proportionately fewer of them are filled by women. Furthermore, these numbers seem to overstate the degree of job availability facing *current* job seekers and instead reflect past as well as current hiring activity. Because of

increasing demands for skills over time, comparable percentages estimated for the most recently hired workers at these establishments are actually lower than those presented in Table 2.[7]

The results on hiring activity indicate that the reported gross rate of hiring in these establishments is almost 80 percent while the net rate is 10 percent. The difference between these two rates reflects turnover and replacement hiring, which account for the vast majority of hiring activity.[8] Reported employment growth, though likely overstated, reflects growing labor forces in these metropolitan areas as well as declining unemployment rates that characterize a tightening labor market.[9] Both hiring rates are highest in the retail trade sector, reflecting high turnover and high employment growth in that relatively low-skill sector.

Finally, the data indicate substantial unmet demand for labor. Overall vacancy rates are in the 5–6 percent range, suggesting a highly unusual situation in which vacancy rates exceed unemployment rates (Abraham, 1983; Holzer, 1989). If accurate, this reflects an extraordinary (and perhaps unprecedented) degree of labor market tightness. Over 80 percent of employers claim to have had at least some difficulty finding qualified applicants, and roughly half of these claim to have hired workers who do not have their usually required qualifications in the past 2 years. Interestingly, the tendency for hiring underqualified workers appears to be highest in manufacturing, even though vacancy rates are somewhat

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[7]Of the most recently filled noncollege jobs in each establishment, employers do not require (or strongly prefer) high school diplomas, previous experience, or training in 22 percent, and they do not require these credentials or reading/writing and arithmetic in just 11 percent. Since jobs that do not require college are roughly 75 percent of all newly filled jobs (Holzer, 1996), these numbers translate into 17 percent, and 8 percent, respectively, of all new jobs, of which a bit over half are filled by women.

[8]See, for instance, Anderson and Meyer (1994) and Davis, Haltiwanger, and Schuh (1996). In the former study, over 40 percent of jobs experience some turnover within any given year, and often there are multiple turnovers within those jobs.

[9]These data no doubt overstate the overall net growth of employment in these labor markets. One reason may be that the data include firm births but not deaths—i.e., jobs that went out of existence due to the closure of establishments will not be represented in these data.

lower than in the other sectors; again, the recent rise in skill demands in this sector may well account for these difficulties.

The statistical relationships between the variables presented in Table 2 and those of job availability for welfare recipients are presented in Table 3. For job availability currently and over the next year, we present simple correlations with each of the determinants listed in Table 2. The results show that job availability for welfare recipients at any particular establishment is somewhat correlated with the presence of unskilled employees at that establishment, with most simple correlations in the range of .1–.2. Demand for welfare recipients is also positively correlated with overall hiring activity and, to a somewhat lesser extent, with net employment growth at establishments.[10]

The observed correlations with job availability for recipients over the next year generally exceed those for current availability, perhaps indicating that these factors have more effect on longer-term demand for welfare recipients than on shorter-term (or immediate) demand. Instead, current job availability seems more highly correlated with the current job vacancy rates at establishments, with a correlation of .32. Somewhat lower simple correlations between job availability for recipients and tendency to have hired less-than-qualified workers in the past 2 years can also be observed.

Some additional light can be shed on these relationships by examining the results of regression equations that appear in Appendix Table 1. The dependent variables in these regressions are the percentages of jobs available to recipients, either currently or over the next year. Independent variables include the percentage of employees in unskilled jobs (defined as those requiring no education, experience, or training), the current job vacancy rate, and whether the establishment has recently hired

[10]These estimated correlations might be downward-biased to the extent that prospective job availability is measured with some error. While some of the simple correlations of reported job availability with *individual* measures of employee skill levels or unmet labor demand are not very high, *together* they imply that the correlations with more composite measures of these variables would be higher. The regressions reported in Appendix Table 1 suggest that these measures, along with some other establishment characteristics, can account for up to half of the variation in job availability for recipients across establishments.

less-than-qualified workers.[11] Control variables include dummy variables for central-city location, metropolitan area, and the interaction between the two, as well as variables for establishment size and industry. Equations are estimated using ordinary least squares (OLS) as well as tobit (where the latter statistical technique is appropriate for dealing with the large concentrations of firms reporting no availability of jobs).

The results show that skill demands and labor market tightness at the establishment level both have important effects on potential job availability for welfare recipients. A 10 percentage point increase in the presence of unskilled workers at an establishment implies a 1–3 percentage point increase in job availability for welfare recipients; the larger estimates (from the tobit equations) constitute increases in demand of one-third to one-half, relative to the mean of job availability. Current vacancy rates at establishments also have large effects. Each percentage point increase in that rate raises job availability for welfare recipients by 0.3–0.5 of a percentage point. The need to have hired less-than-qualified workers at an establishment increases job availability in the tobit equations as well (though effects are close to being statistically significant only in the equations for availability over the next year).

We can use these latter results to predict the extent to which demand for welfare recipients might disappear with the next downturn in the business cycle. Vacancy rates during recessions frequently are in the range of 1–2 percent (Abraham, 1983), or roughly 4–5 percentage points below the rates we are currently observing. Multiplying this change in vacancy rates over the cycle by the regression coefficients for this variable leads us to predict that, on the basis of this factor alone, job availability for welfare recipients will decline by 1.2–2.5 percentage points during the next recession.[12] Assuming that the need to hire less-than-qualified workers would fall by at least one-half during recessions, and

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[11]The independent variables did not include overall hiring rates, since these variables are highly correlated with vacancy rates and are defined for relatively small parts of the overall samples.

[12]Strictly speaking, the larger tobit estimates can be used to predict changes in outcomes only for cases in which the dependent variable is predicted to be above zero.

multiplying the anticipated change in the magnitude of this variable by the relevant coefficient estimate (from the tobit equation), an additional percentage point decline in job availability over the next year might be experienced as well. Predicted demand for welfare recipients thus falls from its current levels (i.e., those presented in Table 1) by 20–30 percent over the next year, and by 40–80 percent at the current time.[13]

Although these predictions cover a considerable range and leave much uncertainty about the exact magnitude of the business cycle effect, they leave little doubt that *demand for welfare recipients in a recession would decline very substantially from its current peak.* The business cycle and the current tightness of the labor market appear to have very important effects on the ability of welfare recipients to find employment.

ACCESS TO AVAILABLE JOBS

Given that a significant percentage of jobs (at least in a period of tight labor markets) appear to be potentially available to welfare recipients, we now examine the extent to which recipients who are looking for work will have *access* to these jobs and the establishments in which they are located. Access problems might occur if, for instance, recipients who live in inner-city neighborhoods lack transportation to available jobs or do not have information about or contacts in particular establishments. Specific groups of welfare recipients, such as African Americans, might have very limited access for the reasons

[13]The different results between percentage effects on demand currently versus over the next year reflect the similarity in the magnitudes of estimated coefficients between these two variables versus their very different base values. One interpretation of these results is that the more secular determinants of demand for welfare recipients exercise a greater relative effect over a longer time period, while cyclical determinants have relatively greater effects over shorter periods.

mentioned above, especially if they lack social contacts or perceive hostility (rightly or wrongly) in particular suburban areas.[14] Racial discrimination by employers might further limit their access.

What kinds of establishments are the least accessible to these groups of recipients? We would expect that firms located in the suburbs, or those not located near public transportation, would be difficult to reach for those without cars. Suburban establishments might also be inaccessible if most welfare recipients are simply not aware of them or where they are located. This might be true of small establishments in general and small suburban establishments in particular. Jobs in establishments filled by informal recruitment, such as referrals by current employees or help-wanted signs in windows, will also be less accessible to these recipients (except perhaps those who live very close by). Finally, establishments that currently receive very few or no black applicants might be especially inaccessible to black job seekers.[15]

Some general evidence on these potential barriers to job accessibility appears in Table 4. For the pool of jobs that are available either currently or over the next year, we list the percentages of each that are in establishments that might be considered relatively inaccessible to welfare recipients who are inner-city residents and/or minorities. Thus, we present the percentages of these jobs that are located in the suburbs, in small establishments (defined here as having 50 or fewer employees), or both; the percentages that are not located near public transit, defined as being within 0.3 mile of a public transit stop, within 30 minutes of the downtown area by public transportation, or both; the percentages filled by informal recruitment (defined as soliciting referrals from current employees or other acquaintances,

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[14]These notions are embodied in the "spatial mismatch hypothesis," for which the evidence is reviewed in Holzer (1991) and Kain (1992). The notion that residents of poor communities lack social contacts, and that this can disadvantage them in the labor market, is part of the "social isolation hypothesis" as explained in Wilson (1987).

[15]The difficulties that black applicants for jobs might experience in reaching certain types of establishments is emphasized in Holzer and Ihlanfeldt (1996) and Holzer (1998). The effects of formal versus informal job search on employment outcomes among blacks is addressed in Holzer (1987).

TABLE 4

Percentages of Jobs Available to Welfare Recipients That May Not Be Easily Accessible to Them

	Currently	Over Next Year
Percentage of available jobs that are:		
Located in small establishments (with 50 or fewer workers)	.710	.635
Located in the suburbs	.645	.573
Located in small establishments in the suburbs	.452	.384
Not located near public transit:		
Within 0.3 mile	.313	.282
Within 30 minutes of downtown	.176	.191
Within 0.3 mile and 30 minutes of downtown	.443	.441
Filled by informal recruitment	.774	.767
Not accessible to black applicants	.323	.337

using help-wanted signs, and accepting walk-in applicants); and the percentages at establishments that have received *no* applications from black workers in their recently filled noncollege jobs.

The results of Table 4 show that significant percentages of the jobs available to welfare recipients are in establishments that might be relatively inaccessible to inner-city and minority recipients. For instance, 60–70 percent of these jobs are in small establishments (as we define this category), and almost as many are located in the suburbs; about 40 percent are in small establishments that are also located in the suburbs.[16] Roughly 30 percent of these jobs are not within 0.3 mile of a public transit stop, and almost 20 percent are more than 30 minutes from the downtown area; however, almost half of the available jobs are in one or the other of these categories and thus potentially inaccessible to those without cars. Over three-fourths of these jobs are in establishments that fill noncollege jobs through informal recruitment, and one-third receive no applications from blacks at all.

Thus, for one reason or another, many or even most of the potentially available jobs may be inaccessible to large segments of the current welfare population who will need to find work. Indeed, only 10–15 percent of all establishments in our survey are *not* characterized by one or more of these potential barriers, implying that the vast majority of jobs *potentially* available to welfare recipients might actually be beyond their current reach (at least in the absence of job search assistance or other labor market interventions).

Of course, many of these factors, such as accessibility by mass transit and receipt of black applicants, may depend greatly on the particular metropolitan area in which the establishment is located. For instance, the Detroit metropolitan area is much larger than either of the other two in this study and has a much larger black population; thus we would expect to see more distance from public transit and

[16]Some of these categories are no doubt drawn a bit arbitrarily. For instance, if we define small establishments as those with 20 or fewer employees, we would significantly reduce the percentages of jobs that might be considered inaccessible to those in the inner city.

fewer establishments without black applicants in that area. Furthermore, differences in these characteristics between city and suburban establishments should be quite striking.

Therefore, Table 5 presents some data on job accessibility separately by metropolitan area and by central city versus suburban location within each. After presenting the percentages of all jobs and of jobs available to welfare recipients that are located in the central city or suburbs of each metropolitan area, the tables focuses primarily on accessibility to black job applicants and how this might also vary by the size of the establishment or its proximity to public transit within each location.

The results of Table 5 indicate some major differences across metropolitan areas. For instance, over 80 percent of all jobs in the Detroit area are located in the suburbs, but less than half of the jobs in the other metropolitan areas are located in their suburbs. These correspond very roughly to the percentages of the respective populations located in each, although there appears to be a clear underrepresentation of jobs relative to people in Detroit (Holzer, 1996). As we would expect from Table 1, jobs for welfare recipients are distributed similarly, though a bit less concentrated in the suburbs of Detroit and somewhat more concentrated in the other suburban areas.

Overall, blacks constitute larger percentages of applicants than they do of the local population, which no doubt reflects their higher unemployment rates and thus greater tendency to be seeking work. Within each area, blacks constitute much smaller percentages of all applicants to suburban than to central-city establishments; fairly large percentages of suburban establishments (42–59 percent) receive no black applicants at all. While this makes sense in Grand Rapids, where the black population is relatively small (see footnote 3), the fraction of establishments receiving no black applicants in the Detroit and Flint suburbs is striking as well.

Finally, the data suggest that large percentages of all jobs available to welfare recipients are in establishments that receive no black applicants—roughly 25–30 percent in Detroit and Flint, and roughly 50 percent in Grand Rapids. These percentages are much higher in the suburbs than in the cities of each

TABLE 5

Jobs That Are Available But Not Easily Accessible to Blacks: By Metro Area and City/Suburb

	Detroit			Flint			Grand Rapids		
	Sub	CC	Total	Sub	CC	Total	Sub	CC	Total
Percentage of all metro area jobs located there	.829	.171	1.00	.437	.563	1.00	.470	.530	1.00
Percentage of jobs available to welfare recipients located there									
Current	.730	.270	1.00	.588	.412	1.00	.500	.500	1.00
Next year	.800	.200	1.00	.491	.509	1.00	.657	.343	1.00
Percentage of applicants who are black	.243	.669	.320	.165	.332	.253	.089	.152	.124
Percentage with no black applicants	.420	.081	.360	.531	.269	.393	.586	.451	.513
Percentage of jobs available to welfare recipients in establishments with no black applicants									
Current	.371	.000	.271	.427	.067	.279	.815	.142	.479
Next year	.315	.000	.252	.295	.287	.291	.673	.267	.534
Small establishments	.262	.000	.203	.282	.276	.278	.340	.203	.275
Large establishments	.053	.000	.049	.013	.011	.013	.333	.064	.259
Near public transportation	.105	.000	.100	.039	.235	.163	.288	.212	.277
Not near public transportation	.210	.000	.152	.255	.052	.128	.385	.055	.257

Notes: For each metropolitan area, columns headed Sub and CC sum to Total for the first three rows; afterwards, figures in all columns (including "totals") are averages. The two pairs of rows at the bottom are subsets of the fifth from the bottom, and each pair sums to the entry in the "Next year" row of that column.

metropolitan area. Furthermore, small establishments account for the majority of these jobs in each area; in Detroit and Flint, they account for the vast majority. Substantial majorities of these jobs are also not near public transit in the suburbs of each metropolitan area.

EMPLOYER CONCERNS ABOUT WELFARE RECIPIENTS

The willingness of employers to hire welfare recipients into jobs will depend not only on the general availability and accessibility of such jobs but also on the particular skills and personal attributes of the job applicants relative to those sought by employers.

In Table 6 we present evidence on some of the concerns that employers might have about welfare recipients and the personal attributes they would identify before hiring them. Referring again to being contacted by an agency that is trying to place recipients without high school diplomas or recent work experience, we ask employers: "Before hiring a person referred to you by an agency, how important would it be for you to be assured that the person has . . . ," where the attributes include no problem with absenteeism or tardiness; a positive attitude toward work; basic verbal, math, and reading skills; additional job skills; no problems with substance abuse; and no criminal record. These attributes were chosen to gauge possible employer concerns about both "hard" and "soft" skills (e.g., Moss and Tilly, 1995) and about basic job readiness. We also present data on whether the employer would administer drug tests or criminal background checks before hiring these individuals.

The results of Table 6 suggest that the vast majority of employers want some basic assurances about the job readiness of individuals they would hire.[17] Roughly 90 percent claim that it is "very important" that they be assured that absenteeism/tardiness, work attitudes, and substance abuse will not

[17]The sample on which the results in Table 6 are based was not limited to employers who had indicated that they had jobs available for welfare recipients, either currently or over the next year. But when we do limit the sample to these employers, the results are qualitatively similar to those presented here.

TABLE 6

Employer Concerns Regarding Welfare Recipients

	Very Important	Somewhat Important
A. Percentage of employers who would require assurances from agency regarding:		
Job readiness		
Absenteeism	.883	.100
Attitude	.929	.062
Substance abuse	.946	.045
Crime	.543	.363
Basic skills	.612	.341
Job skills	.204	.602
B. Percentage who would (before hiring from an agency) use:		
Drug test	.457	
Criminal background check	.517	
Neither	.306	

be problems, while most of the remaining employers consider assurances on these matters to be "somewhat important." Concerns about criminal records and basic cognitive skills are also quite high, with roughly 55–60 percent of employers considering assurances on these "very important" and most of the rest considering them "somewhat important." Job-related skills are less of a barrier, with only 20 percent of employers considering them "very important" (though 60 percent regard them as "somewhat important"). Furthermore, half of the employers would administer drug tests or criminal background checks; only 30 percent would administer neither.

PROBLEMS ENCOUNTERED WITH PREVIOUS WELFARE RECIPIENTS AND JOB CHARACTERISTICS

In a separate section of the survey, we also asked whether employers (at least to their knowledge) had employed during the previous 2 years anyone who had been on welfare. If they had, they were asked a set of questions about the jobs these welfare recipients held and also about a set of problems they might have experienced with these workers.

Some evidence on the welfare recipients hired in the past 2 years appears in Table 7, where we find that over half of all employers believe they have hired someone on welfare (either currently or previously). Of those recipients hired, almost one-third were no longer working for the employer, indicating a rather high job turnover during the relatively short periods since most were hired.[18] The specific problems listed are the same as those considered in Table 6: absenteeism, work attitudes, basic and job skills, substance abuse, and crime. Absenteeism and tardiness were considered problems with

[18]Over 60 percent of the employees in this category were hired in 1997, and the median length of time that had expired since hiring was about 6 months for this sample. A 31 percent turnover rate for such a sample is considerably higher than the national *annual* average of about 40 percent (Anderson and Meyer, 1994). However, that rate is generally higher in the kinds of low-wage, low-skill jobs that employers are filling with welfare recipients. Therefore, it is unclear whether the turnover problems of welfare recipients in these jobs to date have been worse than these employers experience from their typical employees in the same positions.

TABLE 7

Problems Encountered with Welfare Recipients Hired in Past 2 Years

Percentage of employers that have hired recipient in past 2 years	.530	
Of those hired, no longer with employer	.308	
Of those hired, problems with:	**A lot**	**Some**
Absenteeism	.166	.433
Attitude	.050	.228
Basic skills	.023	.138
Job skills	.019	.151
Substance abuse	.019	.061
Crime	.026	.053

almost 60 percent of these workers (though most in this category exhibited "some" rather than "a lot" of this problem). Problems with work attitudes were expressed with 28 percent (again, mostly "some" rather than "a lot"), while other problems were expressed much less frequently.

An alternative method of inferring the expectations or demands that employers might have before hiring welfare recipients is to consider the characteristics of available jobs, either prospectively or actually. When surveying employers about their potential willingness to hire recipients, we asked whether there was a particular job into which they would most likely hire recipients. If so, we gauged the particular occupation, as well as starting wages/benefits and potential for wage increases or promotions on that job (assuming good job performance). Similar questions were asked about jobs that had already been filled to date by welfare recipients.

Responses to many of these questions appear in Table 8. Of the prospective occupations that have been identified (about 65 percent of the total sample), roughly two-thirds are in blue-collar or service jobs. Almost 20 percent are in clerical jobs, 8 percent are in sales, and the remainder (about 7 percent) are in other categories (such as agricultural jobs). Among the more detailed job categories mentioned most frequently are cashiers, receptionists, and general office clerks; restaurant workers; nurses aides; maids/janitors; and, among blue-collar workers, assemblers and freight handlers. But these data imply that over one-fourth of the jobs are white-collar positions where presumably some basic cognitive or social skills are necessary. The same is likely true of at least some of the service and blue-collar jobs available as well. Hourly wages for all of these jobs average about $6.50 per hour, and about two-thirds offer health insurance for the employee. Some opportunities for wage increases and promotions also appear to exist in 70–80 percent of the jobs.

Of the jobs already filled by welfare recipients, over 40 percent are in the clerical/sales categories. Large fractions of these jobs involve the use of basic cognitive skills, computers, or customer contact; indeed, only 11 percent of these jobs involve none of these skills. Also, over three-fourths of

TABLE 8
Characteristics of Jobs Available to Welfare Recipients

	Prospective	Have Hired in Past 2 Years
Occupation		
Clerical	.198	.224
Sales	.076	.211
Blue-collar	.339	.181
Service	.314	.365
Hourly wage	$6.59	$6.34
Health insurance	.651	.587
Potential wage increases for merit	.814	.787
Chance for promotion (with good performance)		
Excellent	.313	.396
Good	.421	.349
Basic skills		
Reading/writing paragraph	—	.451
Arithmetic	—	.661
Customer contact	—	.751
Computer	—	.474
None of the above	—	.111
Credentials		
High school diploma or GED	—	.783
Previous related experience	—	.460
Previous training or certification	—	.300
None of the above	—	.142

Notes: "Prospective" jobs refer to those among employers who say they have openings for welfare recipients currently or during the next year, as well as those who would have such openings if offered a subsidy. The occupations listed from these jobs are for those employers who actually specified an occupation (about 65 percent of all those with a prospective job).

these employees had high school diplomas or GED's; large fractions also had previous experience related to this type of work or training. In fact, only 14 percent of these jobs were filled by candidates who had none of these credentials. Yet we find that wages, benefits, and promotion possibilities for these jobs are very comparable to those prospectively described as being available to welfare recipients.

Although the jobs that welfare recipients might prospectively fill are relatively similar to those filled by recipients to date, the recipients themselves might constitute two quite distinct groups. Those in the labor market to date have often chosen to be there and have already been selected by employers; they might therefore constitute a more highly skilled or motivated group than the welfare recipients without high school diplomas and work experience whose prospects we were gauging. Indeed, the women who are most likely to be affected by work requirements and time limits over the next several years are long-term recipients with very limited work experience who generally also have very poor cognitive skills (Pavetti, 1997). Many are also plagued by disabilities, substance abuse problems, and other personal limitations. Their abilities to perform the jobs that employers expect may be quite limited.[19]

Overall, then, employers might experience considerable difficulties with absenteeism/turnover and basic skills with the welfare recipients whom they are prospectively ready to hire, above and beyond the difficulties that employers have already experienced with recipients they have hired to date.

POLICIES: PLACEMENT AGENCIES

What policy options are available for improving the employment prospects and earnings of welfare recipients? Perhaps the least expensive approach involves the use of labor market intermediaries to help recipients with job search and job placement activities by overcoming barriers in "access" to

[19]The difficulties that employers have had when attempting to hire welfare recipients beyond those who were in the market initially were highlighted by Milbank (1997).

existing low-skill jobs that we described above. Indeed, the Michigan Works agencies to which all welfare recipients are currently referred provide job search instruction and, in at least some cases, more proactive placement assistance (Seefeldt, Sandfort, and Danziger, 1998).

We consider some evidence on the extent to which these (or other) agencies are active in the labor market, and on the effects of their activities, in Table 9. The results indicate that under 17 percent of all establishments in these metropolitan areas have been contacted by a job placement agency seeking to place welfare recipients. From the data, we cannot tell whether the employer solicited the contact.[20]

Among the relatively small percentage of employers contacted, these agencies have apparently been quite successful in placing welfare recipients into jobs. Almost 90 percent of the employers contacted claimed that they considered hiring referrals from these agencies; about two-thirds of those contacted actually did hire one or more referrals. Furthermore, about three-fourths of those hired appear to still be working, indicating turnover rates roughly comparable to those observed in Table 7.

These data suggest that if placement agencies contacted a larger fraction of firms, they might be able to place significant numbers of welfare recipients into jobs. Of course, it is possible that the firms contacted so far were at least partly "self-selected" through their own efforts, and it is likely that the recipients to be placed in the future will have weaker skills and experience than those placed so far. Still, the low cost of this option relative to other interventions, along with its apparent success to date, indicates that placement efforts on behalf of welfare recipients should probably be expanded and become more proactive.

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[20]The probability that an employer was contacted rises with establishment size and is higher in those sectors, such as retail trade and the services, where unskilled jobs are relatively plentiful.

TABLE 9

Encounters with Placement Agencies

Percentage who have been contacted by a placement agency	.168
Of these, percentage contacted by:	
Michigan Works agency	.456
Private agency	.211
Both	.245
Don't know	.088
Of those contacted, percentage that:	
Considered referrals	.888
Hired a referral	.656
Still employ the referral	.488

POLICIES: WAGE SUBSIDIES AND TAX CREDITS

The overall number of jobs available with very low skill requirements may prove insufficient to provide employment to all workers who need such jobs, especially in some local areas and during some periods. If so, more unskilled jobs will need to be created in either the private or public sector. One option is to pay subsidies to private employers to hire recipients (or other disadvantaged workers). These "targeted" subsidies or tax credits have been the subject of much debate and discussion in the research and policy literature (e.g., Burtless, 1985; Bishop and Montgomery, 1993; Katz, 1998), and they have been implemented at the federal level through the Targeted Jobs Tax Credit and, more recently, the Work Opportunity Tax Credit. The welfare-to-work grants that are currently being allocated to states and cities also allow these entities to establish subsidies and tax credits for hiring long-term or poorly skilled welfare recipients.

Issues considered in the research literature on targeted wage subsidies or tax credits include: (1) Will employers choose to take up subsidies for disadvantaged workers, or will they so stigmatize job applicants that they will drive away many potential users? (2) If employers take up a subsidy, will they create more employment for the targeted group, or will the subsidy simply amount to a windfall for employers who hire from this group anyway? (3) If employers do raise employment levels of members of the targeted group, will the increased employment come mostly from newly created jobs or from existing jobs that would have been filled otherwise by a member of a nontargeted group? The last issue involves "displacement" of other unskilled workers. To date, the literature suggests some modest gains in employment of the targeted group when wage subsidies are used, particularly in conjunction with other services such as job placement assistance and training (Katz, 1998), but much of the gain likely comes from displacement of other groups (Bishop and Montgomery, 1993).

Our survey attempted to gauge employer interest in wage subsidies or tax credits with a series of questions on hypothetical wage subsidies and the recently implemented federal tax credits. Employers were asked, "If you could obtain a wage subsidy or tax credit equal to 50 percent of unskilled welfare recipients' wages for one year, would you be willing to employ more of them than you otherwise would?" Those who answered yes were then asked how many more they would hire, whether these would be for newly created or existing jobs, and how many would be newly created (if any). A similar set of questions was then asked regarding a hypothetical 100 percent subsidy. Finally, employers were asked whether they were aware that the federal government had instituted a tax credit for long-term or unskilled welfare recipients, whether it would increase their tendency to hire from this group, and whether they would claim the credit if eligible.

The results based on these questions appear in Table 10. Roughly one-third of all employers claim they would hire additional welfare recipients if offered subsidies, and the data suggest that the subsidies would cause approximately 6 percent more out of all jobs over the following year to be filled by welfare recipients.[21] But most of this prospective increase in employment for recipients would come from existing jobs currently held by other unskilled workers instead of from newly created jobs. Interestingly, the implied increases in overall job availability for recipients are comparable between the 50 percent and 100 percent subsidies, though more of these jobs are newly created in the case of the larger subsidy.

These results imply that, relative to the base value observed in Table 1 (0.086), the fraction of jobs potentially available to welfare recipients rises by roughly 70 percent in the case of both subsidies,

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[21]We use two different assumptions when calculating the net increase in the number of available jobs, which lead to two different results. The larger value is based strictly on the response to the question about how many more workers would be employed than otherwise, while the smaller one allows for the possibility that the employer incorrectly responded with the total number they would employ. Thus, the latter estimate uses the difference between the response to this question and the magnitude of job availability over the next year, except when this difference is less than or equal to zero, or when it is less than the number of jobs that are supposed to be newly created (in which case we just use the original response to this question).

TABLE 10

Potential Effects of Subsidies and Tax Credits on Willingness to Hire Unskilled Welfare Recipients

A. 50% wage subsidy	
Percentage of employers who would hire more recipients in next year	.323
Net increase in available jobs	.057–.064
Net increase in newly created jobs	.016–.018
B. 100% wage subsidy	
Percentage of employers who would hire more recipients in next year	.335
Net increase in available jobs	.058–.064
Net increase in newly created jobs	.023–.025
C. Federal tax credit	
Aware of:	
Credit	.365
2 years in duration	.170
Increase likelihood of hiring:	
Yes	.203
Maybe	.171
Increase likelihood of retaining:	
Yes	.091
Maybe	.084
Would inquire about eligibility of female hires:	
Yes	.158
Maybe	.036
Would claim credit if eligible:	
Yes	.500
Maybe	.083

while newly created jobs rise by roughly 20–30 percent. The implied elasticities of labor demand suggested by these numbers are roughly consistent with what we find in the empirical literature on these matters (e.g., Hamermesh, 1993; Katz, 1998).[22]

However, when we turn to the issue of existing federal tax credits for welfare recipients, the results are somewhat less encouraging. Only 37 percent of employers were even aware that a credit for long-term recipients had recently been implemented, and only 17 percent realized that it could be available for up to 2 years of employment. When told of the credit, 20 percent of employers said that it would increase their willingness to hire long-term recipients while another 17 percent claimed that it might; only when these two sets of responses are combined do we obtain results comparable to those described earlier in our hypothetical case. Even though the credit could be received for up to 2 years, only 8–9 percent of employers thought that it would make them more likely to retain welfare recipients. Furthermore, only 15–20 percent indicated that they would inquire about the eligibility of their new female employees for the credit, and only about half would claim the credit, even if eligible.

These results suggest that the potential effects of a wage subsidy or tax credit on employment of welfare recipients (and of unskilled workers more generally) will depend, to a great extent, on exactly how it is implemented. To be effective, these subsidies and credits must be more heavily advertised and made "user friendly," with as little paperwork as possible (Brandon Roberts, 1998). The results on retention also indicate that subsidies will generally not be sufficient to overcome any problems that might be associated with these workers, such as absenteeism or poor work performance. As some have previously suggested, the credits might become more effective when implemented by intermediary

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[22]The 20–30 percent increases in employment from new job creation from subsidies of 50–100 percent suggest labor demand elasticities of 0.3–0.4, which are well in line with what this literature shows for unskilled workers. For the specifically targeted groups, which benefit from additional substitution relative to uncovered workers, the implied elasticities are 0.7–1.4. In the presence of minimum wages that might limit employment for some very unskilled workers, the effects of the subsidies on employment should exceed those expected on the basis of demand elasticities in a model that assumes labor market equilibrium.

agencies who can assess eligibility for the employer and perhaps assist with paperwork as well as with recruiting and screening of potential employees.

In the context of the currently tight labor markets in Michigan and elsewhere, such subsidies may not be needed for some employees who can meet basic hiring criteria and may not be effective for those who do not. But for employees who are somewhat more marginal, and when effectively implemented and combined with the right information about recipients' personal attributes, subsidies and tax credits have some potential to generate additional employment opportunities for the less-skilled.

EMPLOYER PROVISION OF TRAINING AND SUPPORT SERVICES

Another set of barriers that limit the ability of workers to accept available jobs involves lack of transportation, child care, and remedial training. In a very tight labor market, when many employers have difficulty attracting or retaining workers, they may have somewhat greater incentive to provide employees with these services than they otherwise would.[23] Therefore, in the current context, would many potential employers be willing to help pay for the child care, transportation, or training that welfare recipients might need in order to work there?

Table 11 presents some evidence on this question. The survey asked employers whether they would be willing to provide the services mentioned above "to improve a welfare recipient's ability to hold a job with your company," and whether government support in the form of tax credits or technical assistance might make them more likely to do so.

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[23]The standard "human capital" model (Becker, 1975) implies that employers are usually unwilling to pay for general training that workers can use with any other employer if they leave, but might be willing to share in the costs of training more specific to that company. The provision of other benefits, like transportation or child care, that are costly to employers would likely reduce their demand for labor, or their willingness to pay a certain level of wages to a given category of workers.

TABLE 11

Employer Willingness to Provide Assistance to Welfare Recipients

	Yes	Maybe
A. Percentage who would help provide:		
Child care	.065	.054
Transportation	.079	.079
Training in:		
Basic skills	.336	.117
Job skills	.801	.058
B. Percentage who would be more likely to provide training with:		
Tax credits	.351	.102
Technical assistance	.447	.111

The results indicate that very small fractions of all employers (only 5–15 percent) would help with transportation or child care, but almost half would be willing to provide basic skill remediation to welfare recipients and most would provide job-related (or specific) training.[24] The results also indicate that tax credits and especially technical assistance might make more employers willing to provide additional training to these recipients; specifically, about 55 percent of employers claim that they would be more likely to provide training if technical assistance were provided.

CONCLUSION

In this paper we present data from a new phone survey of 900 employers in Michigan on the availability and characteristics of jobs facing welfare recipients. Employers claim that roughly 3 percent of all jobs in the relevant metropolitan areas are prospectively available to welfare recipients currently, and that as many as 8–9 percent will be available over the next year. Relative to the number of people who are actually on welfare and who might be required to seek work over the next few years, this represents a fair amount of potential job availability.

But a number of caveats are warranted. First, employers might have overstated the degree of job availability (to appear more socially responsible), and other unskilled individuals might be competing for the same jobs, in which case many fewer jobs would actually be available to welfare recipients. Furthermore, potential job availability is highly correlated with measures of labor market tightness across establishments, such as current job vacancy rates. Because these would decline dramatically in a recession, the number of jobs available to welfare recipients would decline very substantially as well. Also, many of the jobs potentially available to long-term welfare recipients are in establishments that

[24]If we limit the sample to employers who claim that they are willing to hire recipients, either currently or over the next year, these results change very little.

may not be easily accessible to minority recipients who reside in inner-city areas. For instance, large percentages of these jobs are in small and/or suburban establishments that are not particularly accessible to public transit, that recruit informally for their less-skilled jobs, and that receive few or no applications from blacks.

There are also some questions about whether longer-term welfare recipients have the basic skills needed to perform many of the jobs described, particularly clerical and sales jobs. And the "job readiness" that virtually all employers demand of these recipients may be in short supply as well among those with poor work histories. The evidence on welfare recipients who have been recently hired suggests at least some problems with absenteeism/tardiness and somewhat high turnover rates—handicaps that are likely to be more serious among those who have not yet entered the job market.

The evidence on actual or potential policy interventions suggests a number of points. The limited access of inner-city residents to many small/suburban employers could potentially be overcome by agencies that act as labor market intermediaries, helping workers to find available jobs. In the three metropolitan areas we considered, relatively few employers have been contacted to date by Michigan Works agencies, or by any other intermediary agency, yet those who have had such contact have frequently hired welfare recipients. Although it might be inappropriate to extrapolate from this limited sample to a much broader one, the data suggest that agencies should provide more active job placement assistance to the welfare recipients whom they assist. These placement efforts might help to overcome the above-mentioned barriers in access to establishments.

In terms of generating additional jobs for unskilled workers in the private sector, the data indicate that some firms might expand their employment of unskilled welfare recipients in response to significant wage subsidies or tax credits, but much of this additional employment would come at the expense of unskilled workers who otherwise would have been hired. Furthermore, the data on tax credits that are actually in place today indicate that very few firms even know about their existence or which of

their employees might be eligible. Many firms express a reluctance to apply for the credit even if they are eligible, presumably because of paperwork or other requirements.

Thus, wage subsidies and tax credits have some potential to create significant numbers of new private sector jobs, but much depends on exactly how they are implemented. The data here imply that employer take-up will be substantial only when the subsidies/credits are "employer friendly," and perhaps when they are combined with the efforts of intermediary agencies that determine eligibility of recipients and/or assist with paperwork.

But, even under these circumstances, wage subsidies and tax credits to employers will presumably not generate demand for workers with very poor skills, and they will not help solve performance and retention problems for those hired. Additional programs (such as sheltered workshops and other kinds of public service employment, as well as various kinds of postemployment retention assistance from the government and private intermediaries) will likely be necessary to deal with these problems.

Finally, very few employers show much interest in helping to pay for transportation or child care of welfare recipients, though there is somewhat greater interest in providing specific (or job-related) training. Tax credits and especially technical assistance from the government might make employers significantly more willing to provide such training, which in turn might help improve both the employment and retention prospects of these workers.

APPENDIX TABLE 1

Determinants of Job Availability for Welfare Recipients: Regression Results

	Current		Over Next Year	
	OLS	Tobit	OLS	Tobit
Vacancy rate	.279	.533	.313	.432
	(.039)	(.065)	(.077)	(.128)
Have hired less-than-qualified worker	-.011	.010	.003	.039
	(.008)	(.014)	(.015)	(.026)
Percentage employees in unskilled jobs	.067	.155	.146	.284
	(.016)	(.026)	(.032)	(.052)
R^2	.171	.514	.189	.295
-Log L	—	-88.4	—	-142.0

Notes: Regressions also include dummy variables for central-city location, MSA, and their interactions, as well as variables for establishment size and industry. R^2 values for tobit estimates are pseudo-R^2 values. Sample size is 504 for all equations, which are also sample-weighted. Standard errors are in parentheses.

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