

Why Should Transitional Jobs Programs Pay Wages?

The Transitional Jobs strategy uses subsidized employment to help prepare jobseekers facing barriers to employment for a successful transition into the workforce. There are a number of reasons to believe that paid work experience is more beneficial than unpaid experience for facilitating this transition and helping individuals achieve self-sufficiency. For example, paid work experience provides much-needed earned income to stabilize individuals and families, and has positive economic ripple effects throughout low-income communitiesⁱ. Evidence on welfare-to-work programs suggests that unpaid work experience has little if any impact on earnings and employment outcomes or reducing reliance on public benefitsⁱⁱ. Moreover, unpaid work experience fails to reward work, does not promote mobility, and may open the door to exploitation of workers.

The National Transitional Jobs Network (NTJN) defines a Transitional Job as a **wage-paid** real work experience. Why wage-paid? There are other means of compensating Transitional Jobs program participants besides hourly wages, such as with training stipends or as independent contractors. These strategies may have some advantages in protecting program operators from potential liability or in easing administrative burdens, but the NTJN maintains that the benefits that wage-paid work offers to participants outweigh any benefits that organizations might receive from avoiding paying hourly wages. This paper offers a brief rationale for why the NTJN recommends paying hourly wages to transitional workers as a best practice.

Paying wages makes TJ a real work experience

One of the key factors that the NTJN has identified that help make a Transitional Job a [developmental learning experience](#) is the use of worksites and experiences that constitute real work as closely as possible. By paying wages, a Transitional Job reinforces the relationship between hours worked and pay received. It also allows for realistic modeling lessons in financial literacy such as budgeting a paycheck or opening a bank account. Perhaps most importantly, paying taxes through payroll withholding allows participants to make their contribution to society in a way that is predictable and automatic—other forms of compensation may make participants responsible for paying taxes after the fact, which could be an undue burden on an inexperienced low-income worker just entering the workforce. Payroll tax withholding also ensures that participants are paying into Social Security and unemployment insurance, which may impact their future financial well-being.

A real reference from a real employer

The lack of a current reference or recent work history can present a significant barrier for jobseekers, and conventional wisdom holds that it is easier to find a job when you already have a job. A real wage-paying job and employer reference on a job application may carry more weight with a prospective employer than a recent training experience or internship position. Moreover, by following best practices to create a real-work experience, paying wages and acting as the employer of record, a TJ program can approach employers as peers—employer to employer—when working to place participants in unsubsidized employment, and vouch for them as current productive employees in good standing. Nothing indicates work-readiness quite as well as holding a current job with a positive reference.

Access to tax credits

One of the largest and most important federal anti-poverty programs for low-income workers is the Earned Income Tax Credit (EITC), which, for example, provides a rebate of up to \$464 for single individuals or married couples filing jointly without children, and \$5,112 for families with two or more dependent children. In addition, 23 states and the District of Columbia have their own supplemental EITCs. By paying wages and withholding taxes, a Transitional Jobs program can ensure that its participants are eligible to claim the EITC.

Protecting workers

Finally, it is important to remember that the regulations and requirements placed on employers with regard to carrying insurance, following wage and hour laws, and ensuring workplace safety are there to protect workers. By acting as employer of record and accepting the responsibilities that come with employing transitional workers, TJ programs ensure that their transitional workers receive all the protections and rights due them under the law. They can also send a message to their communities and their fellow employers that they believe that real work should be compensated by real wages and all workers should be protected from injury and job loss.

Conclusion

The NTJN recognizes that acting as employer of record for transitional workers sometimes represents a daunting set of responsibilities, risks and liabilities, and can place additional burdens on overstressed and underfunded administrative capacity. It is also true that many programs, for various reasons including restrictions imposed by funding sources, are unable to pay wages and have determined that using other forms of compensation for participants is their best option. However, many TJ programs have adopted the policy of paying wages, and have done so with great success and without jeopardizing the financial or administrative health of their organizations (watch for the NTJN's forthcoming brief on acting as employer of record). When making decisions about how to compensate transitional workers, program providers should carefully consider the advantages for participants that come with paying real wages—worker protections, access to tax credits, a reference from a real job, and a work experience that closely mirrors unsubsidized work in order best to prepare them for success in the workforce.

ⁱ Kushner, J. (2012, February). *Chicago Neighborhood JobStart evaluation report: A transitional jobs response to the great recession*. Chicago: Social IMPACT Research Center.

ⁱⁱ Brock, T., Butler, D., & Long, D. (1993). *Unpaid work experience for welfare recipients: findings and lessons from MDRC research*. New York: MDRC.

To get more information, request technical assistance, or share successful strategies, please contact Chris Warland at cwarland@heartlandalliance.org

The National Transitional Jobs Network is (NTJN) is a coalition of city, state, and federal policy makers; community workforce organizations; anti-poverty nonprofit service providers and advocacy organizations committed to advancing and strengthening Transitional Jobs programs around the country so that people with barriers to employment can gain success in the workplace and improve their economic lives and the economic conditions of their communities. The NTJN supports a constituency of over 4,000 active members and stakeholders across the country.

The NTJN is a project of Heartland Alliance for Human Needs & Human Rights.

