



GEORGIA WORKS AND SIMILAR STATE PROGRAMS THAT ALLOW UNEMPLOYED INDIVIDUALS TO TRAIN WITH EMPLOYERS WHILE RECEIVING BENEFITS

By: Heather Poole, Legislative Analyst I

QUESTION

Describe the Georgia Works program and similar programs in other states. Are these programs working? Have they raised any issues or concerns?

SUMMARY

Launched in 2003 and scaled back in 2011, the Georgia Works program, which is no longer in service, allowed unemployed individuals to train with an employer for up to eight weeks, at no cost to the employer, while receiving unemployment compensation (UC) and a weekly stipend. This program, and similar ones modeled after it, is different from a wage subsidy program that reimburses employers for a certain percentage of wages paid to new hires (e.g., Connecticut's Subsidized Training and Employment Program (STEP)). Under Georgia Works, participants train with a company while receiving UC, but are not hired nor paid by participating employers during the course of their training.

When it launched the program, the Georgia Department of Labor (GDOL) said it would be a "win-win" for employers and job seekers by reducing the risk and cost of hiring and helping job seekers gain new skills. The program was initially open only to UC recipients, but was later expanded to anyone who was unemployed (including those who had exhausted their unemployment benefits and continued to look for work and those who had been out of the workforce and were looking to reenter it). This expansion led to fiscal troubles for the program, and it was scaled back and eventually eliminated.

GDOL initially claimed the program was successful, stating that between 2003 and 2010 it put 63% of its participants back to work in 90 days, saved employers almost \$15 million, and saved Georgia \$6 million. However, several organizations and individuals raised concerns about the program. Labor organizations claimed it

violated federal labor laws and displaced current workers. Think tank economists contended that the program was not effective in training job seekers for high paying jobs. Finally, Georgia's current labor commissioner believes the program lacked the oversight necessary to provide a meaningful experience for trainees.

Several states, including New Hampshire, North Carolina, and Wisconsin have created programs based on the Georgia Works model. North Carolina's and Wisconsin's programs, like Georgia Works, appear to be defunct. However, New Hampshire's program is still in service and appears to have addressed Georgia Works' oversight-related shortcomings by requiring participating employers to, among other things, develop a training program and have it approved by program staff.

The Obama Administration used Georgia Works as a model for the "Bridge to Work" program included in the 2011 American Jobs Act, which among other things would have allowed long-term unemployed workers (typically those receiving emergency unemployment compensation) to work temporarily with an employer while continuing to receive unemployment benefits ("Bridge to Work" program). The American Jobs Act did not pass, but the Georgia Works model resurfaced in the Middle Class Tax Relief and Job Creation Act of 2012. This act, which became law in 2013, authorizes the United States Department of Labor (USDOL) to approve demonstration projects in 10 states to test and evaluate measures designed to expedite reemployment of UC recipients. States can use administrative funds to implement demonstration projects or apply for a waiver to use Unemployment Insurance Trust Funds for that purpose. According to USDOL, it has not approved any demonstration projects to date.

GEORGIA WORKS

Purpose

GDOL launched its Georgia Works program in 2003 under the discretion of Commissioner Michael Thurmond. The voluntary program matched UC recipients with employers (either for-profit or non-profit) looking to hire and promising to train potential employees. GDOL said the program would change the hiring process from "interview, hire, and train" to "interview, train, and hire" and claimed it was a "win-win" for employers and job seekers. For employers, the program would reduce the risk involved with hiring a new employee by allowing them to train potential employees and determine if they are right for the job before hiring them. For job seekers, it would help them "get a foot in the door" and learn new skills. GDOL also believed the program would save the state UC dollars by getting unemployed individuals back to work quicker.

Description

Georgia Works participants trained with employers for up to 24 hours per week for six to eight weeks while receiving UC and a weekly stipend. Initially, the program was open only to UC recipients, who also qualified for a maximum \$300 weekly stipend during the training period for transportation, child care, and other specified costs.

Expansion

When Georgia's unemployment rate reached 10 percent, Thurmond expanded the program to allow anyone who was unemployed, regardless of whether they received UC, to participate in the program and increased the maximum stipend to \$600 for all participants, including those who were ineligible for UC. As a result of the program's expansion, the number of participants more than quadrupled, and the program subsequently ran out of funds in less than six months. Mark Butler, who succeeded Thurmond in 2011, restored the program to its original form, allowing only UC recipients to participate. He also suspended marketing of the program, and as a result, the program enrollment dropped from 4,691 in November 2010 to 12 in January 2011. The program is no longer in service, according to the GDOL.

Outcomes

[According to Thurmond](#), between 2003 and 2010, 63% of program participants were hired within 90 days after completing their six-week training program. He also stated that Georgia Works had saved participating employers \$14,701,770 in training and hiring costs and the Georgia Unemployment Insurance Trust Fund \$6,120,571.

However, Thurmond's successor [Butler contended](#) that these statistics are not entirely accurate. Though 63% were hired after completing the training program, only 18% were hired by the employer who trained them.

Effectiveness

Though Thurmond claimed the program was successful, economists at the Center for Economic Policy Research (CEPR) and the Economic Policy Institute (EPI) question its effectiveness. EPI's [Ross Eisenbrey](#) found that 75 % of participants who were hired after completing the program were not hired by the employer who trained them and that many worked in jobs unrelated to the training they received during the program.

CEPR's [Eileen Appelbaum](#) commended the program for attempting to "provide workers with meaningful training for jobs that pay good wages," but she noted that it did not train people for these jobs. Her review of Georgia Works data found that, overall, 70% of the participants hired after the training program ended were employed in low-paying jobs that require very little training. Forty percent of these participants were doing low-paying general clerical work. Hundreds more found jobs as janitors, retail salespersons, fast food workers, hotel clerks, or drivers. Those who found higher paying jobs (e.g., auto repair workers, social workers, and attorneys) were already trained for those jobs. These outcomes, she contended, showed that six weeks is not enough time to provide training for good jobs.

ISSUES AND CONCERNS WITH GEORGIA WORKS

Legal

State employment and training programs like Georgia Works must comply with federal labor laws, which determine who is eligible for UC benefits and the conditions for receiving them. Although most labor interest groups supported Georgia Works' goals, many believed its mechanics violated federal law. For example, in a letter to the U.S. Department of Labor (USDOL), the [National Employment Law Project](#) (NELP) (a national labor advocacy group) contended that Georgia Works violated labor laws, causing USDOL to issue Training and Employment Guidance Letter [No. 12-09](#) specifying criteria for implementing state-administered subsidized work-based training programs for unemployed workers. The letter highlights certain parameters under which a willing UC recipient can be trained by an employer without getting paid.

First of all, programs like Georgia Works must comply with the Federal Unemployment Tax Act (FUTA), which according to USDOL allows an individual to receive UC only if he or she is unemployed. Consequently, UC cannot be paid "as a subsidy for employment...or as a stipend since it is not payment with respect to unemployment, but instead is a payment with respect to being employed." UC may be paid to individuals who are participating in a training approved by the state UC agency, but individuals participating in employer sponsored on-the-job training are not considered unemployed and thus may not be paid UC unless they are not working full time during the week the on-the-job training takes place.

Programs like Georgia Works must also comply with the Fair Labor Standards Act (FLSA), which requires employers to pay minimum wage and overtime to all employees. The USDOL mentions that only employees, and not “trainees,” are protected under the FLSA. However, the definition of trainee is very narrow, and the letter provides six factors to determine whether a worker is an employee or a trainee under the FLSA. A worker is a trainee if the:

1. training, even though it includes actual operation of the facilities of the employer, is similar to what would be given in a vocational school or academic education instruction;
2. training is for the benefit of the trainees;
3. trainees do not displace regular employees, but work under their close observation;
4. employer that provides the training derives no immediate advantage from the activities of the trainees, and on occasion the employer’s operations may actually be impeded;
5. trainees are not necessarily entitled to a job at the conclusion of the training period; and
6. employer and the trainees understand that the trainees are not entitled to wages for the time spent in training.

The letter provides a substantial amount of guidance to help determine whether a worker meets the trainee criteria. If a worker does not meet one or more of these criteria, he or she is an employee under FLSA, even if the employer or program labels a worker as a trainee.

Although the USDOL did not state whether Georgia Works violated these laws, the NELP [contended](#) that it did, arguing that Georgia Works participants did not meet the trainee criteria and were thus employees. To support their contention, they cite the following USDOL guidance: “if workers engage in the primary operations of the employer or perform productive work (for example, filing, performing clerical work, assisting customers), then the fact that they may be receiving some benefits in the form of a new skill or improved work habits is unlikely to make them trainees.”

Workplace

In addition to legal issues, NELP was concerned that Georgia Works participants could have unintendedly displaced an employer's current employees. NELP Deputy Director Andrew Stettner told the [Atlanta Journal Constitution](#) "if a lot of businesses can bring in a lot of people essentially working for free, somebody else [working full-time] isn't getting an extra shift or work hours."

Because of complaints it received from Georgia Works' participants, NELP was also concerned that employers had no intention of hiring, thus taking advantage of free, short-term work.

Lack of Oversight

[According to Butler](#), one of the biggest problems with Georgia Works was its lack of oversight. The program had no full-time program leader, kept poor records, and did not adequately monitor each trainee's experience to ensure that they received training and were not just used for free labor.

SIMILAR PROGRAMS IN OTHER STATES

Several states adopted the Georgia Works model. According to a [report](#) by the Congressional Research Service, Opportunity North Carolina and Wisconsin Workers Win began between 2010 and 2012, placing willing UC recipients with employers looking to hire and willing to train potential employees, and providing a small stipend to trainees to cover expenses associated with their training. Like Georgia Works, North Carolina's and Wisconsin's programs appear to be defunct.

New Hampshire's [Return to Work](#), started in 2010 and still operating, builds on the Georgia Works model but appears to have more structure and oversight. Return to Work is limited to individuals receiving UC and does not provide stipends to its participants. To participate in the program, employers must have an available full-time position and be willing to provide general training for that position or comparable ones. They must also submit a training plan to the state for approval before the participant can begin the training. Employers are prohibited from displacing current employees or taking on a trainee to deal with a lockout or a strike. Trainees are also encouraged to report on their experiences to the program staff and let staff know if the training they receive deviates from the agreed-upon plan. According to the [New Hampshire Union Leader](#), two years after the program began, the program had a 65% success rate.

FEDERAL RESPONSE

Georgia Works received national attention in 2011 when the Obama Administration used it and a similar North Carolina program as a model for the “Bridge to Work” program, which was included in the American Jobs Act. According to a [White House Fact Sheet](#), the bill would “authorize states to implement ‘Bridge to Work’ programs to help connect the long-term unemployed to employers through temporary work that allows employers to bring on potential new employees, helps the unemployed maintain or learn new skills, and on-ramps to hiring by allowing employers to subsidize the costs of developing newly employed workers’ skills.” The proposed Bridge to Work program addressed some of the issues and concerns raised about Georgia Works. Specifically, it required state programs to adhere to the FLSA, provided enough funds to ensure participants were paid the minimum wage, and prohibited employers from using participants to displace current workers. The program also allowed participants to work longer hours and weeks than Georgia Works, from 25 to 38 hours a week, instead of 24, and eight weeks, instead of six to eight. The American Jobs Act did not pass, and although parts of the bill were eventually passed as separate bills, the Bridge to Work Program was not.

But Georgia Works and Bridge to Work resurfaced in 2012 in the [Middle Class Tax Relief and Job Creation Act of 2012](#), which became law in February 2012. The act authorized the USDOL secretary to enter into agreements with 10 states to conduct demonstration projects to test and evaluate measures designed to expedite the reemployment of individuals eligible for UC under state law. According to [USDOL](#), states could use administrative funding or apply for a waiver to use Unemployment Insurance Trust Funds to implement such programs. Authorized projects could provide wage subsidies for employer-provided training or direct disbursements to employers who hire those receiving unemployment compensation.

According to the [USDOL’s website](#), only Texas applied to conduct a demonstration project, but was denied because it did so before USDOL issued [guidelines](#) for projects. Texas’s proposal would have used UC funds to provide wage reimbursements to employers that hire individuals receiving UC. Texas never reapplied after USDOL issued its guidelines, and according to its website, USDOL has not approved any demonstration projects to date.

HYPERLINKS

Georgia Department of Labor Presentation on the Georgia Unemployment Trust Fund http://nelp.3cdn.net/737a594850cf857a83_j4dm66hog.pdf, last visited August 20, 2014

PBS News Hour, "Georgia Works Jobs Training Program: A Peach or the Pits?"
http://www.pbs.org/newshour/bb/business-july-dec11-georgiaworks_10-12/, last visited August 20, 2014

The Economic Policy Institute, "Georgia Works Doesn't Work,"
<http://www.epi.org/blog/georgia-works-doesnt-work/>, last visited August 20, 2014

Center for Economic Policy Research, "Georgia Works May Work, But It Sure Doesn't Pay," <http://www.cepr.net/index.php/op-eds-&-columns/op-eds-&-columns/georgia-works-doesnt-pay>, last visited August 20, 2014

National Employment Law Project, <http://www.nelp.org>, last visited August 20, 2014

US Department of Labor, "Joint Guidance for State Seeking to Implement Subsidized Work-Based Training Programs for Unemployed Workers,"
<http://wdr.doleta.gov/directives/attach/TEGL/TEGL12-09.pdf>, last visited August 20, 2014

Atlanta Journal Constitution, "State Jobs Program Becomes a Model,"
<http://www.ajc.com/news/business/state-job-program-becomes-a-model/nQfWS/>, last visited August 20, 2014

Governing Magazine, "Training for Free,"
<http://www.governing.com/topics/economic-dev/training-for-free.html>, last visited August 20, 2014

Congressional Research Service, *Expediting the Return to Work: Approaches in the Unemployment Compensation Program*, <http://fas.org/sgp/crs/misc/R43044.pdf>, last visited August 20, 2014

New Hampshire Employment Security, Return to Work Program,
<http://www.nhes.nh.gov/nhworking/return/>, last visited August 20, 2014

New Hampshire Union Leader, "NHWorks free trials work for 335,"
<http://www.unionleader.com/article/20120213/NEWS02/702139971>, last visited August 20, 2014

White House.gov, *Fact Sheet: The American Jobs Act*,
<http://www.whitehouse.gov/the-press-office/2011/09/08/fact-sheet-american-jobs-act>, last visited August 20, 2014

H.R. 3640, Middle Class Tax Relief and Job Creation Act of 2012,
<https://beta.congress.gov/bill/112th-congress/house-bill/3630>, last visited August 20, 2014

US Department of Labor, "USDOL Announces Opportunity for States to Develop Innovative Demonstrations of Re-employment Strategies,"
<http://www.dol.gov/opa/media/press/eta/ETA20120769.htm>, last visited August 20, 2014

US Department of Labor, Middle Class Tax Relief and Job Creation Act General Information and Guidance, <http://www.ows.doleta.gov/unemploy/jobcreact.asp>, last visited August 20, 2014

HP:ts