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The Wisconsin Program: “Lights to Employment

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Background:

"The Wisconsin Program" currently called *Orot Letasuka* (Lights for Employment) in Israel was intended to assist the recipients of welfare grants to integrate in the labor market and reduce the extent of welfare grants that constitute a burden on the state treasury.

- **The program's objective:** Obligating the welfare grant recipients to personally participate in a program that will provide vocational training and guidance that will improve their ability to work, earn a decent living and escape from poverty.
- **The success of the program:** according to the Ministry of Finance, the program has proven itself, because in the regions where the program is currently operating the number of those who receive income supplements **has declined by 52% as opposed to a decline of only 7.2% in those regions where only the State Employment service is functioning**. At the Finance Ministry they expect that an expansion of the program will lead to the hiring of an additional 5000 workers, and a return to the state of 700,000,000. The savings in welfare grant monies will exceed government expenditures for the program and will total about 1,000,000,000 shekels.
- **In contrast there are those who argue that the success is partial** when the real purpose of the program is examined, namely integrating employment aged welfare recipients. Out of 30,000 active participants in the new Lights for Employment Program (since August 2007) only about 6000 persons have found employment (a total of 30%). Furthermore, over 50% of the jobs are part-time, so that the average salary of all the jobs totaled only about 2,800 shekels. However, according to a research conducted by the Jerusalem Institute for Market Studies it emerges that the placement percentages of the state employment service are even lower. During the course of April 2009 only 8,300 people managed to find work via the employment service out of 235,600 job applicants (only about 3.5%), a decline of 1.5% from the month of August 2007 where 10,371 out of 203,000 applicants (about 5.1%) found work.

Advantages

- **The success of the program worldwide:** already during the 90s in countries such as Australia, Belgium, Canada, France, Ireland, Holland, Denmark, England and the United States reforms were instituted that allowed the unemployed to move from welfare to work. In the US state of Wisconsin the program was particularly successful, a decline of 80% in the number of recipients occurred. According to the American Heritage Institute during the first seven years of the program it assisted 3.5 million poor, and 2.9 million hungry children, and significantly increased the number of single mothers who joined the ranks of employment. According to the data of the Cato Institute after 10 years 2.5 million families entered the employment ranks, and there was a decline of 57% in the number of unemployed throughout the United States.
- The Wisconsin program in Israel restored **to the circle of employment thousands of participants** who had lived on subsistence payments. According to Prof. Jack Habib from the Brookdale Institute the success data of the Wisconsin program in Israel resembled that of the United States a rise of 15% in job placement.
- **Senior officials in the Ministry of Trade and Industry and the Ministry of Finance** support the expansion of the program to the entire state of Israel, economists such as Prof. Zvi Eckstein from the Bank of Israel argue that the program achieves the objectives that it had been assigned.
- **According to the data of the Jerusalem Institute for Market Studies the Israelis support and believe in the program**
- **77.5% of the Jewish population supports the implementation of the Wisconsin program in Israel**, 54% support a policy that will cut the welfare stipends of those capable of joining the employment market. The Israelis believe that providing work to an unemployed person constitutes a better form of assistance than welfare benefits. A position enunciated by Maimonides that ranks giving a poor person the means of supporting himself as the highest level of charity.

Problems:

- According to the State Comptroller's report: The governmental authorities did not make adequate preparations for supervising the private companies in order to guarantee that the objectives of the Wisconsin program would be realized. The lack of supervision frequently caused unjustified injury to the welfare recipients without improving their capability to integrate into the job market, and without a proper distinction being made between those capable of working

and those who were incapable of working. "It was the duty of the Ministries of Commerce and Industry and the Ministry of Finance, the *Mehalev* (Acronym of from Income Guarantees to Guaranteed Employment) Administration (that administers the Wisconsin program) and the companies operating it to reduce the damage to those with limited work capability. Hundreds of people continued participating in the program although the physicians had determined that they were unsuitable for it", so concludes the State Comptroller (May 2007).

- **Stripping benefits via improper procedure:** the guideline regarding stripping benefits was vague and left leeway for the companies to interpret it and in this fashion caused severe injury to the participants. According to the State Comptroller the percentage of payment recipients in the regions where the program was operated declined by 51%, this despite the fact that only 30% of the participants found employment (permanent or temporary). In the event that the remaining 21% were people whose pension was denied despite the fact they attempted to find work. However it is possible that some or most of the people within the remaining 21% are people who did not attempt to find work although they were suitable for work and therefore their payments were denied.
- Under the model of the relationship established by the contracts for operating the Wisconsin program the companies made money by denying the income supplement benefits to the participants, and this created a danger that they would concentrate on denying eligibility for payments instead of finding employment. Therefore it was decided that the "**Lights for Employment**" program should be predicated on a different incentive where the operators have to integrate the participants into qualitative jobs. The financial incentive to the private job center would increase when a long-term job is found rather than when the amount of benefits decreases. The purpose is to facilitate an employment horizon with promotion in salary and employment conditions.
- **A great deal of criticism was leveled against the functioning of the private companies and particularly against the Agens Manpower Company** that operates the program in Holland, and in the Hadera region of Israel serving residents of Netanya, Or Akiva and Arab villages in the area: the company did not meet its obligations to develop a personal plan with the legally required number of hours and artificially increased the number of activity hours for the personal programs and counseling; the company also obligated participants to take part in non-relevant courses such as road safety, medicinal herbs, proper nutrition and parenting lessons. The company, till the end of May 2006, did not implement any rehabilitation plans for those with limited work capabilities, and referred about 30% of the participants to community service despite the fact that they had vocational experience and

according to the regulations it was stipulated that participants with work experience should not be referred to community service except under special circumstances, the company did not adjust the personal program for the participants; did not implement follow-up and monitoring over its activity, and caused many participants frustration and a sense of powerlessness.

- The High Court of Justice determined that the program is still experimental, and that the companies' activities have still not been decided. The High Court of Justice further determines that the companies operated the program hitherto while meeting the conditions that had been prescribed to them and therefore, currently there is no reason to change them.
- **Faulty conduct by the *Mehalev* Administration (The administration of the Wisconsin Program):** the findings show that over the course of the program's first two years it did not arrange to refer participants with handicaps; it did not set any demands whatsoever regarding the counseling, and did not supervise the companies in this area; it did not specify elementary work procedures in time, and when the administration did set standards it lacked the means to enforce their implementation.
- **Supervision and control:** the state maintains partial supervision of the program but relied on only two monitors. According to the state comptroller, is not plausible that supervision over such a complicated and experimental program can be performed only by two monitors. But he noted that a year after implementation of the plan, the administration enlarged the monitoring staff to four monitors.
- **An appeal committee:** The private company under the Wisconsin program derives a profit by denying benefits, and there was a built-in conflict of interest. By law, a participant who viewed himself injured by a decision of the company implementing the program, could appeal against it to an appeal committee appointed by the Minister of Trade and Industry, within 10 days from the day of the decision. However, participants lacked the resources to prepare proper defense for their appeal, whereas the companies could retain private attorneys. A suitable infrastructure was not put in place to safeguard the rights of the participants, also in terms of their representation before the appeals committees. Furthermore, although social organizations directed the attention of the Justice Ministry to the problem months after the program began operating, the problem was not solved. The social organizations sometimes did place attorneys at the disposal of the participants, but in most cases the participant appears on his own against the company. According to the State Comptroller's office, the reliance on social organizations is not an adequate solution to the problem of participant representation before the appeals committees.

Conclusions:

- According to the Jerusalem Institute for Market Studies **77.5% of the Jewish population supports the "Wisconsin program"**. The Ministry of Trade and Industry foresees 250,000 unemployed at the beginning of 2010. The Minister of Trade and Industry should work to expand the program as rapidly as possible given the severe economic conditions and given the outlook for hundreds of thousands of unemployed in the course of the upcoming year, this in tandem with a scrupulous examination of the new program so that the deficiencies that were remedied in the original Wisconsin program will not repeat themselves.
- Before the program is operated at a nationwide level **the Minister of Trade and Industry must examine if there is room to grant exemption from the employment tests to those income supplement recipients** who are not capable of working and are not suitable for participating in the program. Likewise, another lesson from past experience is that one should examine to what extent one can cut back the hours of the personal plan for participants who find it difficult to meet the full program, in order to make things easier for them and in order to spare them superfluous suffering and distress.
- In the State Comptroller's report from May 2007, a great deal of criticism was leveled at the Agens company for inflicting suffering on the participants and for inflating the hours of activity and counseling in order to derive a profit. Since the High Court of Justice has rejected the petition of the social organizations that wish to disqualify this company and other companies from continuing to operate the program, the Minister of Trade and Industry and the Finance Ministry should examine the day-to-day supervision over the private companies, and how one could prevent conduct similar to which the company displayed in the event that it should win the tender and continue operating the program in Hadera.
- One should guarantee orderly supervision over the *Mehalev* Administration to ensure that it **should function in a normal and proper fashion and will not repeat past mistakes**.
- The reliance on social organizations is not an adequate solution to **the problem of participant representation before the appeals committees**. The Ministry of Trade and Industry and the Finance Ministry must

provide a suitable solution for the issue and provide proper representation to participants whose benefits has been stripped and that claim that this was done without justified reason.

Appendix:

The Sequence of Events -- Historical Background:

2005: A limited experiment of the program begins, intended, to examine its implications and determine its future framework.

2007: In the beginning of the year the Minister of Trade and Industry Eli Yishai seeks to cancel it completely. At the end of the year, Eli Yishai decides to launch the new program "Lights for Employment" (1.8 .07) as a pilot program and its main points:

The program is intended first and foremost for **young people under the age of 45** with the possibility of restoring them to the circle of employment. Participants over the age of 45 could join the program on a voluntary basis.

Cutting back the program hours in the case of single-parent families; cutting back the hours for parents who have five children and more; graduated entry for new participants; making a thorough evaluation for participation in the new program.

Those with special needs including **new immigrants, handicapped, those with many years of experience in the program, and college grads**, will be handled by the program only when the program's operators will possess the suitable tools to provide them with the proper treatment. Until then the program will run only one hour a week.

Placement in qualitative jobs: Instead of rewarding the operators on a quantitative basis they will instead be rewarded on the basis of their success in placing participants in quality jobs for a long period with a long-range employment horizon that allows for promotion in salary and work conditions.

Client satisfaction surveys will be conducted amongst the participants. According to the results, changes and adjustments will be introduced.

The state will be responsible for operating the professional committees, diagnostic staff and the occupational physicians and psychologists.

2009: the new Minister Binyamin Ben Eliezer attaches vast importance to the continuation of the program. His major decisions:

The program "Lights for Employment" **will be gradually expanded to the entire country.**

The Minister of Trade and Industry **will retain an exclusive veto power** to exclude the program from the Budget Law till the Knesset concludes legislation on the issue and till a thorough examination of the program has been concluded.

Since the program transfers some of the prerogatives of the employment service to private companies that are intended to deal with the benefit recipients, **a collective agreement will be signed with the representatives of the employment service workers to protect their rights.**

The Minister directed the chairman of the program's administration **to restore participants with medical handicaps to full activity in the program.** This group of participants, together with three other groups-new immigrants, college grads and those with long-standing income supplement-were transferred in the days of Eli Yishai to a special track in the program until special treatment tools had been prepared on their behalf. After the special tools had been prepared and ratified by a committee headed by Prof. Yossi Tamir, the previous Minister of Trade and Industry restored the latter three groups to the full program already in February 2009.

The new Minister examines and inspects suitable treatment for those recipients of income supplements who are over the age of 45, and at the same time conducts an examination regarding the new areas that are most suitable for operating the experimental program.

After the budget has been ratified by the Knesset a most extensive tender of 700,000,000 shekels will be issued during the year to expand the program. Participating in the tender are the four private companies currently operating the program, as well as an additional number of large manpower companies.