



Final Report of Peer Technical Assistance Activity #193

Welfare Peer Technical Assistance Network
Roundtable Discussion:
Implementing Effective Subsidized Employment Programs for TANF Participants
American Public Human Services Association/National Association of State
TANF Administrators Annual Conference
Charleston, South Carolina
September 13, 2010

Prepared for:
The Administration for Children and Families
Office of Family Assistance



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Introduction



The Welfare Peer Technical Assistance Network (Welfare Peer TA) is a Technical Assistance initiative sponsored by the U.S. Department of Health and Human Services, Administration for Children and Families (ACF), Office of Family Assistance (OFA). The Initiative facilitates the sharing of information between and among States, counties, localities, Tribal organizations, and community-based organizations working with Temporary Assistance for Needy Families (TANF) participants and families (see <http://peerta.acf.hhs.gov>).

In partnership with the American Public Human Services Association/National Association of State TANF Administrators (NASTA), the Welfare Peer TA Network designed a Roundtable session at the NASTA Annual Meeting in Charleston, South Carolina on September 13, 2010. This Roundtable was designed to engage State TANF Directors in dialogue and information exchange around their subsidized employment programs and their plans for continuing this work after funding is currently scheduled to cease on September 30, 2010 from the American Recovery and Reinvestment Act of 2009 (ARRA).

ARRA Overview and Roundtable Objectives

The Roundtable brought together a panel of researchers and practitioner experts (**See Exhibit A**) from across the country to discuss their subsidized employment program¹ impacts and outcomes. The American Recovery and Reinvestment Act of 2009 (ARRA) included several provisions designed to aid individuals and families directly and funded a \$5 billion Emergency Contingency Fund (ECF) that extends the reach of State and Tribal TANF programs to additional families, supports emergency, non-recurring short term benefits assistance, and augments subsidized or transitional employment opportunities.

The Emergency Contingency Fund (henceforth referred as Emergency Fund) can reimburse states for 80 percent of the cost of increased expenditures in any of the following three categories over a base year (either Federal FY 2007 or Federal FY 2008): (1) *monthly cash grants*; (2) *short-term, non-recurrent benefits*; and (3) **subsidized employment**. Services can be made available to needy families, with States having broad discretion to determine how to apply that standard based on their individual circumstances.

Exhibit A: Roundtable Speakers

- **Earl Johnson**, Director, Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services
- **LaDonna Pavetti**, Director of the Welfare Reform and Income Support Division, the Center on Budget and Policy Priorities
- **Linda Martin**, Director, Division of Family Assistance, South Carolina Department of Social Services
- **Trent Rhorer**, Executive Director, San Francisco Human Services Agency
- **Robert Krebs**, Executive Officer, Iowa Department of Human Services

¹ Subsidized employment programs link TANF participants to public and private sector employment and use public funds to reimburse an employer for all or part of the wages, benefits and employment-related tax and insurance payments for TANF or other specified low-income populations, such as summer youth employment programs.

To date, approximately **\$1 billion from the ECF** has been used towards funding, in whole or in part, almost **240,000 subsidized employment positions**, including 120,000 youth, across **37 states including the District of Columbia**.^[2]

The Roundtable's key discussion points evolved around plans for continuing subsidized employment programs post-September 30, 2010 when ARRA funding currently ends. Roundtable speakers are listed in Exhibit A. Roundtable speakers discussed programs and focused on the specific impacts on rural, urban, and youth communities, including summer youth employment programs that used TANF funds. The engagement of new partners, especially workforce development agencies and large and small businesses were highlighted by all speakers.

Panel Remarks

Earl Johnson, Director, Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services

Dr. Earl Johnson, Director of the Office of Family Assistance, provided an overview and set the context for the panelists' remarks. The current economic recession has many TANF and other low-income support programs struggling, and many States are having a much harder time, than ever before, finding work activities for their participants in order to meet the legislatively mandated Work Participation Rates. The over \$1.0 billion for subsidized employment has had a particularly critical impact in providing work opportunities across the United States. Until recently subsidized employment has not been a significant part of States' TANF programs. However, under the Emergency Fund we have seen much needed growth, especially at this crucial period in the economy.

States have used the Emergency Fund to support a wide range of subsidized employment programs, including transitional jobs, summer jobs programs for low-income youth, and supported work programs for individuals with disabilities or other barriers to employment. These programs are not limited to workers in families receiving cash assistance, but are broadly available to low-income populations, and provide job opportunities in the private sector, nonprofit organizations and government. These jobs have helped sustain low-income families and businesses through the recession.

Dr. Johnson referenced a recent video report by PBS on the Mississippi Subsidized Transitional Employment Program and Services, also known as STEPS.^[3] The video highlights how the Mississippi STEPS program is providing jobs for TANF populations and additional populations affected by the recession. For example, job counselors and participants who used to make over six figures are now participants in the program hoping that their employers will continue to employ them after their subsidy expires. The Mississippi Department of Human Services and the Mississippi Department of Employment

^[2] Pavetti, LaDonna (July 26, 2010). *Going, Going, Almost Gone: Job-Creating TANF Emergency Fund Set to Expire*. Center on Budget and Policy Priorities. <http://www.cbpp.org/cms/index.cfm?fa=view&id=3240>

^[3] PBS Video (September 2010). *One step Forward: A Jobs Program Providing Hope for the Unemployed*. <http://www.pbs.org/wnet/need-to-know/economy/one-step-forward-a-jobs-program-provides-hope-for-the-unemployed/3310/>

Security are co-partners on this program, and the resulting partnership on Mississippi STEPS program has led to over 1,200 partnerships with small business employers since January 2010.

LaDonna Pavetti, Center on Budget and Policy Priorities

Dr. LaDonna Pavetti, the Director of the Welfare Reform and Income Support Division at the Center on Budget and Policy Priorities, provided an overview of findings from subsidized employment programs using ARRA funding across the nation. Dr. Pavetti and her team have been conducting in-depth research and discussions with States that have used ARRA funds for subsidized employment, and her remarks focused on highlighting diverse programs and employer and employee input. Her presentation highlighted examples from a report that is currently being synthesized by the Center on Budget and Policy Priorities that will provide an overview of the 37 states and their subsidized employment programs and will potentially provide the building blocks for a forum which will provide states with an opportunity to come together to share aspects of what they are doing.

Dr. Pavetti highlighted that the goals and objectives of subsidized employment programs differed according to the needs of each State and Tribe. For example, programs in *Illinois* and *Los Angeles* created very large programs with Illinois placing almost 26,000 people in jobs. These programs were focused on getting people into jobs, and did not necessarily focus on looking for employers to hire participants at the end of their subsidy.

Small businesses have been able to expand their businesses using these subsidies to maintain their businesses during the recession. Dr. Pavetti shared that one employer in *Colorado* found that because of the Hire Colorado Jobs subsidized employment program participant placed at their small business, they were able to improve the marketing of their business and this increased business as a result. The participant brought marketing skills and expertise and this led to that subsidized employment participant being hired as a full-time staff member. Similarly, a small pastry factory in *Tennessee* was able to expand their product line and hired initial subsidized employees onto their permanent payroll as a result. The subsidized employment funds created by the ECF also encouraged businesses to hire employees that they had not hired before (e.g.: people who do not have the best work history). The employment subsidies encouraged businesses to take a chance and provide these workers with an opportunity to show that they could do the work with little risk to the employer.

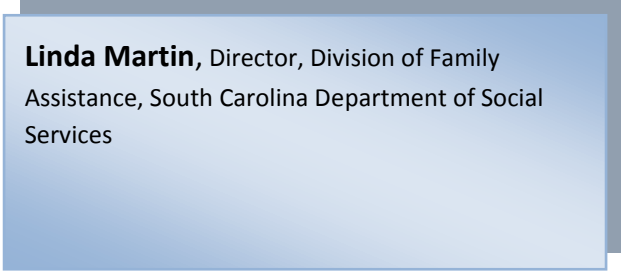
Some additional examples provided by Dr. Pavetti that provided subsidized employment opportunities included the FOSTER program in *North Dakota*, which provided jobs for foster care youth, noncustodial parents, and TANF participants. The State of *Maryland* has really created strong partnerships with businesses that are conducting trainings at various agencies, and the State of *New York* provided essential green job skill building opportunities for its subsidized employment participants.

Dr. Pavetti indicated that if the ECF was extended this would provide additional data on subsidized employment and transitional jobs programs and components that could capture the longer term impact of these programs on employment, skill building, and moving TANF and other low-income populations affected by the recession towards self-sufficiency. Some of the lessons learned shared by Dr. Pavetti included that it is possible to create subsidized work programs to scale, and that the flexibility provided by the ECF for States allowed them to develop programs designed to meet the specific needs of the rural, urban, and other targeted populations (summer youth, foster care children) in their particular State.

Linda Martin, Director, South Carolina Department of Social Services

The Director of the Division of Family Assistance at the South Carolina Department of Social Services, Ms. Linda Martin, discussed how the ECF and their subsidized employment program in South Carolina known as STEPS provided jobs and wages to South Carolinians during the economic recession. South Carolina's TANF caseload over the last 18 months went from 14,250 to over 21,000 participants, which is a significant increase. The State's Supplemental Nutrition Assistance Program (SNAP) more than doubled resulting in approximately 100 TANF caseworkers being shifted to cover the increase of SNAP applications and participants. South Carolina decided to focus in at not only reducing the overall TANF caseload but meeting the needs of their clients at a critical time using a program that they had never used before - subsidized employment. This has resulted in more than 650 clients being placed into employment and has lowered the TANF caseload by almost 2,000 cases.

Ms. Martin shared that the TANF offices changed the initial eligibility screening for TANF, and during this meeting determined whether they would: a) be eligible for TANF; and b) were able bodied. If they met both criteria they were offered the opportunity to enter the STEPS program where their monthly maximum cash assistance would have been \$260 for a mother with two kids. Instead with their subsidized employment job, the same participant would make \$20 an hour X 20 hours a week, almost quadrupling the amount brought home to the family every month.



Linda Martin, Director, Division of Family Assistance, South Carolina Department of Social Services

One of the challenges faced by South Carolina was the loss of staff to support the SNAP program but also rolling out the STEPS program. Each county in South Carolina has job developers and while there was some skepticism at first on how this program would be received by case managers and by TANF eligible participants, the results were approximately 125 clients a month going into jobs. Many small businesses reported increased revenue and sales and were able to take the risk to have additional staff generate new business. Employers such as a large grocery store chain, Wal-Mart, and several McDonald's chains were able to place and hire a large share of participants.

The program's found that the job participants were enthusiastic, motivated, and it made a large difference in how both they and caseworkers viewed the program overall. Multiple individual stories of success can attest to the program's impact on participants. One example is of one participant—a domestic violence victim—became so motivated in her position at a McDonalds that she has now advanced to a management position and remains an employee post-subsidy. Another warehouse employee was promoted to a management position after four months.

Ms. Martin concluded that there are plans in South Carolina to try to continue the subsidy as much as they can through the end of the year post-September 30th, 2010. While they had employer contracts state that they would keep employees onboard, in several cases this may not be possible without the subsidies.

Trent Rhorer, Executive Director, San Francisco Human Services Agency

Since the inception of the JobsNow! Program in San Francisco in May 2009, this city-wide subsidized employment program has impacted the lives of 5,100 families. Program requirements include that the participant needed to be a resident of San Francisco; can be a custodial or noncustodial parent; and has to live below 200 percent of the poverty level.

The JobsNow! Program, as Mr. Rhorer shared, was designed with flexibility and a determination to maximize the number of employers and employees who could participate. The overall goal was to get money to families that needed it, which resulted in the program's decision to fully reimburse employers' wages as long as the employers paid any benefits and made no time limits on placements.

The subsidized employment program has three different tracks based on level of job skills:

1. Transitional Jobs/Community Jobs;
2. Public sector/Public Service Jobs at government agencies; and
3. Wage subsidy Jobs at private for-profit or nonprofit employers.

The transitional employment program has been running for many years and typically places participants at nonprofit agencies where the focus is on skill building and attaining credentials such as the GED. A small component of that program is for the approximately 20 percent of participants with limited English speaking skills. This six month program aims to get participants to move to the next two levels, but participants are not forced to leave after six months if they have not finished their skill building and/or are acclimated to their positions.

The middle tier includes many administrative or clerical positions at city agencies, including working at grounds facilities and maintenance. These employees, who are classified as temporary city employees, receive at least \$12 an hour and work up to 40 hours a week. Participants in this tier have to pass a criminal background check.

Mr. Rhorer explained that the third tier was extremely successful with ECF funding because employers can hire who they want and the employer community is extremely receptive to not needing to pay their employees' wages. The program conducts heavy marketing across the Bay area using public service announcements, billboards, and Friday job hiring fairs. The program also designed the hiring process to ensure that there were multiple avenues to enter for employers and employees so that the process did not divert employer participation. Over 100 employees have signed up to work with their workforce development center and filled out 4-5 page applications. Employers must be located in the San Francisco Bay area and must agree to document wages.

Potential employees fill out applications in person at centers or online at the Web site, and the program works to get employers these resumes, and conducts Friday hiring fairs where employers can come recruit, interview, and hire program participants on the spot.

As of September 3, 2010, the JobsNow! Program had made 3,833 job placements affecting 1,649 CalWorks families and 585 noncustodial parents. Nine hundred and forty-nine participants were placed in the first tier Transitional Jobs Component; 826 employees in the public sector trainee component; and 2,058 employees in the private sector. The average wage was \$19.54 an hour for those placed in private for-profit companies.

Seventy percent of employers are small businesses and the program has resulted in about 929 families exiting CalWorks and has pumped \$55 million into the local economy. The program conducted an

employer satisfaction survey, which indicated that 82 percent of employers said they were satisfied with employees' job performance. Approximately 58 percent of employers stated that they could not have hired employees without subsidies, and more than 82 percent of employers shared that their sales or revenue had gone up because of their participation in the program.

Robert Krebs, Executive Officer, Iowa Department of Human Services

Mr. Robert Krebs provided additional insight into the use of ECF funds to create jobs by demonstrating how the Iowa Department of Human Services partnered with their State Labor Department to fund summer youth employment positions. Iowa had initially not considered applying for subsidized employment funds under ARRA because of the predominantly rural geographic context. In most counties, employers would be able to only hire 1-2 participants and it would be a lot of work for few positions. In spring 2010 however, Mr. Krebs explained that the State Labor Department suggested a partnership to use ECF funds to fund its summer youth employment program, which did not have adequate funds to use for Summer 2010.

They applied and received \$2.9 million in subsidized employment ECF funds to use for the summer youth employment program targeted to youth ages 14-21 whose families qualified for any low-income program. The program was successful overall, and a survey of employers showed high satisfaction levels, and that some summer youth would retain their positions as permanent paid employees.

Question and Answer Dialogue

Jennifer Hrycyna from the Illinois Department of Human Services provided some quick highlights around the Put Illinois to Work Program. The program created more than 20,000 immediate, temporary employment positions for unemployed and underemployed TANF-eligible men and women in a range of public and private jobs. The jobs provide valuable work experience and are also beneficial to communities across Illinois. Example of jobs created for participants included repairing schools, community centers and libraries; rehabilitating vacant, abandoned, and foreclosed properties; and renovating parks, playgrounds, and other public spaces. The lead contractor for Put Illinois to Work is the Heartland Alliance, which will be able to cross match employment data to determine outcomes and any permanent placements. Ms. Hrycyna shared that Illinois focused on scale and moving money into the economy, and therefore did not mandate that employers continue post-subsidy. However, they are working with employers to encourage them to pursue Work Opportunity Tax Credits, state tax credits, and providing additional incentives to encourage employee retention. They are hoping through these efforts that approximately 5,000 participants will retain their positions after September 30, 2010.

Question: *Were any programs able to get noncustodial parents into employment?*

Answer:

Mr. Rhorer shared that approximately 600 adult males participated in the program in San Francisco.

Dr. Pavetti shared that North Dakota's program mandated that noncustodial parents participate, and found that employers were eager to work with this group.

Question: *In terms of matching employers to customers--- did any programs conduct a job fair?*

Answer:

Mr. Rhorer affirmed that the JobsNow! Program did conduct a job fair almost every Friday at San Francisco's two One-Stop centers. Employers were able to come in and meet with hundreds of potential employees.

Dr. Pavetti shared that a lot of State programs found that they would have included additional questions on their subsidized employment applications to ensure that employers and employees were better matched in terms of the skills expected by employers and the actual skills potential employees had. Many States shared that they felt there was a mismatch and if given the opportunity would enhance their programs with this gleaned knowledge and experience.

Question: *Did any programs conduct a survey to track retention? And did any programs highlight the Work Opportunity Tax Credits?*

Answer:

Mr. Krebs shared that Iowa had not tracked retention since their program had focused on the one-to-one relationship between youth and their employers.

Mr. Rhorer stated that their program in San Francisco is planning on trying to track this data (even if it is primarily anecdotal) by conducting periodic check-ins and building on an initial online survey to employers. The city also plans on looking at quarterly wage filings and cross matching with their participants. He did share that the city was attempting to work with a nonprofit to fund an evaluation to determine if employees were retained in their positions.

Ms. Martin shared that South Carolina was going to try to continue its first partnership with its Department of Labor and track employment through wage reporting data.

Dr. Pavetti suggested that programs across the country work together to tell their stories and put together an overall picture of what was accomplished across the country.

Question: *Who were the employers of record and payroll taxes?*

Answer: Ms. Martin shared that in South Carolina the work sites were the employers of record.

In San Francisco, Mr. Rhorer stated that the employer of record is the for-profit or nonprofit employer who hired the person. If the employee participated in the second tier for the city, then a third party payroll company, Acumen, served as employer of record.

In most cases across States, Dr. Pavetti highlighted, the employer served as employer of record. She noted that this varied from pre-ARRA subsidized employment programs where intermediaries served as employer of record.

Question: *What did you do with participants who did not get into work sites?*

Answer:

Dr. Pavetti noted that in many States, participants who had not been able to participate before were able to because of the mitigated risk to employers.

Mr. Kevin McGuire of Maryland shared that their State found that it was important to realize that in many cases participants felt these were real jobs and that they would receive real pay and benefits. This increased motivation, which was most influential in getting those hard to place clients into positions.

Mr. Rhorer agreed with Mr. McGuire and shared that the employer interview in San Francisco really made applicants proud. They were interviewed and selected by real employers, and they had pride in acquiring employment.

Concluding Remarks

At the end of the Roundtable, Dr. Johnson thanked each panelist and the participants for their hard work and commitment to developing and implementing subsidized employment programs across the United States that were motivating TANF and other low-income participants towards self-sufficiency.