

Innovative City and State Funding Approaches to Supporting Subsidized Employment and Transitional Jobs

**A Joint Paper by the National Transitional Jobs Network at Heartland Alliance
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Introduction

The national unemployment rate hovers around 8 percent. Nearly 23 million Americans are unemployed or underemployed. Of these, 4.8 million have been unemployed for more than 26 weeks.¹ Even if the economy were to add 208,000 jobs per month — the average monthly rate for the best year of job creation in the 2000s — it would take until March 2020—eight years—to close the current jobs gap.² As sobering as these statistics are, the unemployment picture is graver for youth; minorities; individuals with disabilities; those without a high school diploma or equivalent; or with other barriers to employment, such as a criminal record. Many of these job seekers were chronically unemployed long before the recent recession and face challenges to getting and keeping a job even when the economy is healthy.

At various times in American history, dating back to the Great Depression, we have implemented large-scale publicly funded programs to provide real wage-paying work opportunities to job seekers. Although not on the same scale as the Works Progress Administration and Civilian Conservation Corps of the 1930s or the Public Service Employment program authorized by the Comprehensive Employment and Training Act (CETA) of the 1970s, the subsidized employment programs operated in 2009 and 2010 under the TANF Emergency Fund reached more than a quarter million workers. Some have called for even larger scale initiatives to fill the jobs deficit in today's economy.³

On a smaller scale, subsidized jobs programs have also been used as a way to provide low-income individuals with barriers to employment with real world work experience, earned income, and connections to unsubsidized jobs.⁴ Modern iterations of these approaches have been called “transitional jobs” and “subsidized employment.” They share a structure in which disadvantaged or unemployed participants are put to work and paid wages, with some or all of the wage costs

subsidized. Participants may be placed in positions with public sector, nonprofit, or for-profit entities, and may be employed by the organization or company where they work or by an intermediary. Depending on the population served and goals of the program, elements of assessment; case management and supports; job development with the intent of transitioning program participants to unsubsidized work; retention services; and skill building may be included as well.

This paper is intended to provide suggestions and examples of innovative funding strategies for these initiatives to cities, states, and other public-sector entities that are considering or have decided to implement or expand subsidized employment programming. In particular, this information may be helpful to sites that operated subsidized employment programs under the TANF Emergency Fund, and that are interested in building on that experience, but can no longer access TANF funds at the previous scale. In the absence of widely available dedicated federal funding for subsidized employment, any entity planning to implement subsidized employment must creatively leverage and blend multiple sources of funding. A number of cities and states have successfully done so, and this paper illustrates those strategies and makes recommendations based on their success. Specifically, it examines three major approaches to pay for some or all of the costs of a subsidized employment program other than accessing dedicated federal or foundation funds: 1) accessing flexible block grant funds; 2) using state or local funds based on averting future corrections-related expenses; and 3) tapping into public contracting and bidding opportunities in order to generate program revenue.⁵ While we do not attempt to provide a full explanation of all the rules or challenges associated with each approach, we hope to expand readers' thinking as well as to encourage practitioners who wish to create or expand subsidized employment programs using examples of innovative approaches for using public funds.

This paper is not intended to offer a full rationale for why cities, states, and other entities should consider subsidized employment as a response to the employment needs of vulnerable populations, or to address issues such as prisoner reentry, homelessness, or reliance on public assistance. It does however present the principal goals of transitional and subsidized employment and outline some of the key evidence supporting its usefulness. Likewise, it is beyond the scope of this paper to provide comprehensive instruction for designing and implementing Transitional Jobs and subsidized employment programs. The National Transitional Jobs Network has produced a range of resources that provide information on program design, evidence-based practices, promising model innovations and enhancements, and guidance for delivering the strategy to specific populations. These resources are available at www.transitionaljobs.net.

Definition of Transitional Jobs:

Transitional jobs combine wage-paid work, job skills training, and supportive services to help individuals facing barriers to employment

Goals and Impacts of Transitional Jobs and Subsidized Employment

Transitional Jobs and subsidized employment initiatives have multiple and sometimes overlapping goals, some of which are shared with all employment interventions and some of which are specific to interventions that include wage subsidies and paid work experience. These goals include:

- Stabilizing individuals and families with earned income: By offering an opportunity to work to individuals who are disconnected from the workforce, these approaches provide much-needed earned income to participants.
- Stimulating local economies through wages paid: Because individuals working in subsidized employment are typically low income and would not otherwise be working, they can be expected to quickly spend earned income in their communities in order to meet their basic needs and the needs of their families. This spending can have a stimulating effect on local economies in the low-income areas that most need it.⁶
- Contributing to the economic health of employers: Transitional Jobs programs have shown to benefit participating employers by increasing business productivity, financial well-being, and customer satisfaction.⁷
- Learning skills and expectations of the workplace experientially: Subsidized employment can provide an opportunity to experientially learn, model, and practice successful workplace behaviors that will help participants get and keep unsubsidized employment.
- Building a work history and references: These approaches can provide participants with a recent work history and a current employer reference for résumés and job applications.
- Addressing barriers to work: Transitional jobs include supportive services and other program components to mitigate and support participants in managing barriers that have kept them out of the labor market.
- Reducing recidivism and public costs: Transitional Jobs programs targeting individuals exiting prison can positively impact recidivism rates and have been shown to deliver a positive return on investment for public funds.⁸

Key findings for several major evaluations of subsidized employment models are summarized in Appendix A. These studies have generally found strong impacts on employment and earnings gains during the period when participants were in the subsidized position, but mixed results for long-term employment outcomes after the subsidized placement ended. However, because some positive long-term impacts have been found, researchers and practitioners continue to refine and enhance the model in order to strengthen long-term employment impacts. We know that income from work improves access to food, clothing, housing, and healthcare – increasing personal, family, and community well-being. Subsidized employment also shows promise in supporting recovery from mental illness and addiction, in reducing recidivism for people leaving prison, and in reducing reliance on public support systems.⁹

Innovative Approaches to Funding Transitional Jobs and Subsidized Employment

A variety of nonprofit, social enterprise, and city and state public entities have operated Transitional Jobs and subsidized employment programs for almost 30 years. Currently, programs exist in more than 36 states and numerous localities. In most cases, these programs have not operated with dedicated federal funding, but with a patchwork of funds (with the notable exceptions of the Youth Conservation Corps and YouthBuild models, which serve as examples of how dedicated federal funding streams can contribute to the consistency, quality, and stability of subsidized employment programming). In this paper, we highlight three approaches: accessing flexible block grant funds, using state or local funds based on averting future corrections-related expenses, and tapping into public contracting and bidding opportunities in order to generate program revenue.

1) Block Grant Funding

Several major federal programs provide flexible funding that can be used for a range of activities, within the broad constraints of a target population or set of purposes. A number of these flexible programs or block grants can be used for subsidized employment and Transitional Jobs, or at least for some components of these programs. A table summarizing federal programs, their target populations, and allowable use of funds is included in Appendix B.

In this paper we focus on the use of two block grants, Temporary Assistance for Needy Families and the Community Services Block Grant, which have been used to support subsidized employment in recent years.

A. Temporary Assistance for Needy Families

Temporary Assistance for Needy Families (TANF) is a flexible block grant that supports a wide range of benefits and services for low-income families with children. Subsidized employment programs have always been an allowable use of the TANF block grant since its creation in 1996. States may also choose to engage individuals who are receiving cash assistance under TANF in subsidized employment in order to help them progress toward unsubsidized employment and to meet the federally mandated work participation rate requirement.

During 2009 and 2010, 39 states and the District of Columbia operated subsidized employment programs, using funding from the TANF Emergency Fund, a temporary funding stream created as part of the American Recovery and Reinvestment Act of 2009 (ARRA). These programs placed approximately 260,000 low-income parents and youth in subsidized jobs. While this funding opportunity came to an end on September 30, 2010, the temporary availability of additional funding drew increased attention to the possibility of using subsidized employment both as a broad counter-cyclical intervention and as a targeted approach for increasing the employment of disadvantaged populations.

In the absence of continued funding, states were forced to scale back their programs significantly; however, states continued to use TANF to support subsidized employment at far higher levels than in the past. In FY 2011, the year after the Emergency Fund ended, states reported spending a total of \$490 million of TANF and related state funds on work subsidies, up from just \$22 million in FY 2008 and \$53 million in FY 2009.¹⁰

Coming off of the positive experiences with the TANF Emergency Fund, many states reprioritized TANF funding in order to allow continuation of smaller-scale subsidized employment programs. In this section, we highlight three states' subsidized employment programs that use TANF funds, one of which has been operational for many years, and two of which were started using the Emergency Fund.

Examples of Transitional Jobs Using TANF Funds

Using TANF Funds for Cash Recipients: Washington State Community Jobs

In 1997, the state of Washington developed the Community Jobs program, the oldest and largest Transitional Jobs program serving TANF recipients with the greatest employment barriers. The program is now statewide, and contracts with 17 sites and 19 subcontractors. TANF participants in the program work 20-30 hours per week in temporary, wage-paid positions at nonprofit

organizations and public agencies. Participants may also be enrolled in education activities for a minimum of 10 hours per week. TANF funds pay for wages and support services provided to participants, results-based incentive payments to contractors, and administration. Since the program began tracking enrollments in 1999 through March of 2012, Community Jobs has enrolled a total of 37,249 people. The program has grown slightly over time, serving over 4,400 participants between July 1, 2010 and June 30, 2011.¹¹

A study of TANF recipients who participated in Community Jobs in 2002 found that 66 percent of enrollees were employed in unsubsidized jobs at least once during the two-year follow-up period compared with 58 percent of comparable non-participants. In any given quarter, employment rates for enrollees were 14 to 24 percent higher than non-participants.¹² More recent administrative data find that the post-program employment of Community Jobs participants declined sharply in the recession, and that fewer than half of recent participants transitioned to unsubsidized jobs after their placement ended. However, comparison group data are not available for the most recent period, so this may still represent an improvement over the employment rates that this disadvantaged group of recipients would have experienced otherwise.

In addition, in July 2011, the state created a new subsidized employment model called Job Connection, targeted at TANF recipients who do not have significant personal barriers to employment but have nonetheless been unsuccessful in finding employment through traditional job search efforts due to the weak economy. Demand for this program was immediate; since July 2011 1,079 participants in Washington have enrolled in Job Connection. This program was created in recognition of the fact that in periods of high unemployment, even more advantaged workers than the traditional Transitional Jobs population may need additional help connecting to the workforce.

Using TANF Funding for Non-Cash Recipients: Wisconsin Transitional Jobs Demonstration Project and Texas Back to Work

Other states have used TANF funds to provide subsidized jobs for individuals who are not members of families receiving cash assistance. This is an allowable use of TANF funds, as long as the workers placed in subsidized jobs are members of low-income families with children (low-income youth may count as “children”). Most states used the funding under the TANF Emergency Fund to support programs for diverse populations. Many chose to serve low-income youth, in

either summer or year-round jobs, while others targeted non-custodial parents, ex-offenders, unemployment insurance recipients or exhaustees, or simply low-income unemployed parents.

The Wisconsin Transitional Jobs Demonstration Project (TJDP), a Transitional Jobs program primarily serving non-custodial parents, began in 2010, initially using TANF Emergency Funds.¹³ Additional funding for TJDP from the state's TANF funds was approved as part of the Wisconsin biennial budget process. The funding supports all aspects of the TJDP, including program, administrative, supportive services, and wage subsidy costs.

The program offers wage-paying jobs to individuals ages 21-24, and parents (and primary caregivers of a related child under the age of 18) between the ages of 21 and 64 who have been unemployed for over four weeks. These individuals must be ineligible for either unemployment insurance benefits or the state's TANF cash assistance program (known as Wisconsin Works or W-2), and have an annual household income of less than 150 percent of the federal poverty level.

Participants in the Transitional Jobs Demonstration Project work for up to 40 hours per week. Participants may be paid to complete up to 20 hours per week of education and training, so long as they are working 20 hours per week in subsidized employment. The Department of Children and Families selected 17 contractors through a competitive process throughout the state to run the program. Contractors include nonprofit, for-profit, and government entities in 38 counties consisting of urban and rural communities.

As of March 2012, over 800 employers had participated in the program as Transitional Jobs sites, with the majority being for-profit private employers (63 percent). Nonprofit organizations represented 32 percent of the employers participating and the remaining 5 percent were public employers. As of April 2012, over 3,700 individuals had participated in the program.

With funds from the TANF Emergency Fund, Texas created a program called Texas Back to Work (TBTW). Under this program, Texas offered employers a flat subsidy of \$2,000 for hiring eligible unemployed workers for at least 30 hours per week. Participating employers received \$500 after the worker was employed for one month, and the remaining \$1,500 after the workers were retained for an additional three months. This subsidy only covered a small portion of the total wage costs, which varied depending on the position. The participants were hired and paid directly by the employers, and were generally treated like other new hires. In many cases, employers could also qualify for the Work Opportunity Tax Credit (WOTC) for the same

placements.¹⁴ The most common occupations in which participants were hired were customer service representatives and security guards.

Texas found this model so promising that it continued the program with state general funds after the expiration of the TANF Emergency Fund in October 2010 until September 2012. As of October 2012, Texas reports nearly 30,621 placements, with over 5,000 employers. Of the placements made during the first 15 months of the program, the Texas Workforce Commission (TWC) reports that 63 percent of placements were “successful,” meaning that they were retained in the job in which they were placed under TBTW after the subsidy ended. TWC notes that even workers who did not complete their TBTW placements were more likely to be employed later than other new hires, with 70 percent showing earnings in the quarter after their participation ended.

By targeting workers who were receiving unemployment insurance, TWC concluded that it saved an average of \$760.84 for those placed through TBTW compared to eligible claimants who were not placed through the program, even after taking into account the costs of the subsidy and administration. However, participants were not randomly assigned to the program, and it does not appear that this comparison controls for differences between those who were able to find positions and those who were not.

B. Community Services Block Grant

Another block grant that has been used for subsidized employment in multiple places is the Community Services Block Grant (CSBG). CSBG is a formula grant to states, wherein states are required to pass 90 percent of the funds to local entities in communities across the country, primarily community-based organizations, many of which are Community Action Agencies. In some cases, local government agencies administer the CSBG funds. Unlike TANF, eligibility for CSBG services is not limited to members of families with children; however, eligibility is typically limited to members of households with income under 100 percent of poverty level (states may raise this to 125 percent of the poverty level). CSBG funds may be used for a very broad range of anti-poverty activities, including employment-focused programs. Under the Recovery Act, CSBG received an additional \$1 billion in funding for FY 2009, more than doubling its annual funding, and states could raise the eligibility level for clients to up to 200 percent of the poverty level. These additional funds allowed the grantees discussed below to implement subsidized employment programs funded by CSBG.

Examples of Transitional Jobs Using CSBG Funds

Los Angeles, California Subsidized Jobs

Since 2003, the Department of Public and Social Services (DPSS) in Los Angeles County has operated a small-scale subsidized employment program for TANF recipients. In 2009, DPSS significantly expanded its TANF subsidized employment program using TANF Emergency Funds. It also used a portion of its CSBG Recovery Act funds to expand the program to serve youth ages 18-24. This is an example of blending funding streams in order to serve clients who could benefit from a program but are not eligible under the primary funding stream.¹⁵

The subsidized employment program was operated by the South Bay Workforce Investment Board (SBWIB), the local WIB, which subcontracted with 40 One-Stop/WorkSource Centers and local service providers, using TANF and CSBG funding, to implement the program and place participants at employer worksites. Of these 40 sites, 15 received CSBG funds to place individuals into subsidized employment. The CSBG-funded agencies placed an estimated 1,100 youth in subsidized employment during the program. Participants were paid \$10 per hour and worked in a range of fields in the public, private, and nonprofit sectors for a minimum of 90 days. SBWIB served as the employer of record for all participants. The TANF program is continuing at a smaller scale with regular TANF funds, but the CSBG-funded portion has not continued.

Action for Boston Community Development (ABCD) New Careers

ABCD, a private, nonprofit Community Action Agency, used nearly half (\$4.2 million) of its \$9.5 million of Recovery Act CSBG funds to support a new employment and training program known as New Careers. The New Careers program combined sector training, subsidized employment in the targeted field, extensive support services, and case management. The program targeted four sectors – community health work, early education and child care, elder care, and medical administration – with the largest number of participants in the early education and child care program. Each sector had a case manager, job developer, internship coordinator, and program administrator. New Careers sought to combine training with paid employment in order to alleviate economic hardship in the short term and to prepare clients for future unsubsidized employment in the chosen sector.

New Careers included only residents of Boston with household incomes below 200 percent of the federal poverty level. In its 15 months of operation, New Careers served 210 low-skill, hard-to-employ individuals. Participants were required to have a high school diploma or GED and pass

an exam demonstrating proficiency in math, reading, writing, and language skills. Participants were paid \$8.80 per hour, and most worked 14 hours per week, the maximum allowed, and worked for an average of 18 weeks. Participants attended training classes in their sector as a cohort for 18 weeks, and received college credit for these classes. Participants were also able to take additional classes for credit after graduating from the program.

ABCD reports that 87 percent of enrollees completed the New Careers program and 46 percent of all New Careers graduates obtained unsubsidized employment immediately upon completion of the program. Employment rates were higher in the early education and child care sector, possibly because ABCD has a long history of providing child care and Head Start services, and it understands the needs of that sector very well.

2) Averting Future Costs: City and State Approaches to Funding Transitional Jobs for Reentry and Corrections Populations

As noted previously, several studies of subsidized employment programs have found that programs serving formerly incarcerated individuals have impacts on recidivism and future incarceration as well as employment. Because the costs of incarceration are so high, this presents an opportunity for government to save money by investing in prevention. For this reason, the Department of Justice is currently funding demonstration projects under the Second Chance Act which include various grants to government agencies and nonprofit groups to provide employment assistance, substance abuse treatment, housing, family programming, mentoring, and other services that can help reduce new criminal offenses and violations of probation and parole.

In the absence of a large-scale federal program to support this activity, states and localities are blending public and private funding streams to support subsidized employment programs for individuals reentering communities from prison. In this section, we discuss some of the innovative ways that states and cities have leveraged reentry and corrections funding to support Transitional Jobs and subsidized employment initiatives for this population.

Social Impact Bonds

Based on the potential for future savings from subsidized employment programs for the reentry population, some have suggested that Social Impact Bonds could be a new way to fund such programs. Social Impact Bonds are an innovative funding mechanism, under which a private entity (either a foundation or a for-profit investor) provides the up-front funding for an intervention that is expected to lead to future public savings. The impacts of the program are carefully measured, and the investor is repaid with interest if the program is successful, but risks losing the initial investment if it is not. The first Social Impact Bonds in the United States have recently been issued by New York City, to support a program that provides personal responsibility education, training, and counseling to youth in the Rikers Island jail. Goldman Sachs is providing the up-front funding, with a loan guarantee from Bloomberg Philanthropies that will limit their loss if the program does not achieve the desired outcomes.

While the concept of Social Impact Bonds has received a great deal of attention lately, the first programs are still in very early implementation phases, and we were not able to identify any programs that are actually using such bonds to pay for subsidized employment programs. Roca Youth Programs, which is discussed in the next section of the paper, has been selected by the State of Massachusetts to provide services to reduce recidivism among youth leaving the probation or juvenile detention systems under a “pay for success” model. However, Roca expects to use the funding under this initiative to support case management and wrap-around services, with participant wages covered by the fees charged for the work the crews performed, as discussed below.

We look forward to learning more about the potential of Social Impact Bonds to increase the funding available for subsidized employment programs. There is also the possibility that the improved data on outcomes needed to attract private financing could also help states and cities make the case for increased public funding.

State of Illinois Department of Corrections

The State of Illinois is a pioneer in using Department of Corrections funds directly for Transitional Jobs programming for individuals exiting prison. The Illinois Department of Corrections (IDOC) has supported Transitional Jobs programming for individuals on parole from Illinois state prisons since 2007. The Illinois General Assembly gave IDOC authority to implement a Transitional Jobs pilot program in the Unified Code of Corrections in 2003.¹⁶ Funding for the demonstration was originally secured via a Violent Offender Incarceration and Truth-In-Sentencing (VOI/TIS) grant from the U.S. Department of Justice. When that grant funding expired, IDOC leadership made the decision to continue TJ programming with the Department's general revenue funds.

IDOC supports TJ programming through contracts with local community-based and faith-based organizations that offer TJ services. In Fiscal Year 2009, the IDOC TJ initiative served 475 participants through six contractor agencies with a total budget of \$2.29 million. As a result of mandatory across-the-board cuts in the Illinois State budget, IDOC's TJ initiative was budgeted \$1.7 million in FY 2010.

City of Chicago Corporate Fund

The city of Chicago supports Transitional Jobs programming for formerly incarcerated individuals through its Corporate Fund, which is a part of the city's general revenue that originates from corporate taxes as well as income from leasing public assets such as toll roads and parking meters.

The city administers TJ through competitive contracts with local program providers, including community-based and faith-based organizations. The city's TJ initiative began as a pilot project in 2004, as part of the Ex-Offender Reentry Initiatives at what was then the Mayor's Office of Workforce Development (MOWD). In 2006, the Mayoral Policy Caucus on Prisoner Reentry issued recommendations that included scaling-up the city's TJ initiatives.¹⁷ In response to these recommendations, MOWD doubled the size of its TJ budget for 2006, to about \$800,000. In order to support this expansion of TJ programming, the city turned to the Corporate Fund, which had recently received an influx of revenue resulting from the lease of the Chicago Skyway toll bridge to a private holding company. The Corporate Fund is among the most flexible and discretionary sources of funding within the city budget; the city's decision to fund TJ through the Corporate Fund indicates a priority for using subsidized employment as a prisoner reentry strategy.

In addition to the city's use of the Corporate Fund, it also applied Community Service Block Grants that became available through the American Reinvestment and Recovery Act (ARRA) to support neighborhood cleanup using TJ work crews. Through this program, the city acts as the worksite as well as the funder. When ARRA funding expired, the city decided to continue funding the project through its regular non-ARRA CSBG block grant.

City of Newark Economic Development Trust Fund

The city of Newark, New Jersey has developed an innovative means of using an economic development trust fund to support Transitional Jobs programming for reentry. The Newark Mayor's Office of Reentry operates a Transitional Jobs initiative serving about 100 individuals per year who are exiting prison. In this TJ initiative, called "Clean and Green," participants perform cleaning and maintenance work on city-owned distressed properties.

Newark's TJ initiatives initially received federal funding through the U.S. Department of Labor's Prisoner Re-Entry Initiative; when those funds expired, city officials sought new sources of funds to maintain TJ program operations. They identified the city's economic development trust fund, made up of revenue from the sales of city properties that have been acquired through abandonment and tax seizures, as a potential funding source. City officials determined that the fund could be used to pay TJ participant wages provided that participants were working to improve the city's physical property. The resulting arrangement in which TJ participants work cleaning city-owned properties delivers benefits to the city in the form of property improvement; fulfills the economic development trust fund's requirements; and provides critical, sustainable support for the city's TJ programming. In addition to the trust fund, the city funds TJ activities through a combination of private philanthropic grants and federal funds including a Second Chance Act demonstration grant from the U.S. Department of Justice.

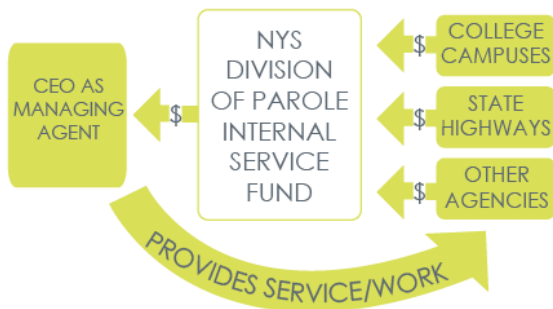
In addition to Clean and Green, Newark also partners with a local nonprofit organization, Project USE, to operate the PREP program, which provides 13 weeks of transitional employment in park maintenance for youth ages 18-24 who are exiting incarceration. In this public-private partnership, the city pays participant wages and provides the venue for TJ to take place, and the nonprofit partner uses grant funds from private philanthropic sources to pay for support services, training, and equipment.

3) Public Contracting and Bidding Opportunities to Support Transitional Jobs

Transitional Jobs programs often use revenue-generating activities to fund program components. Social enterprises in sectors such as retail (Goodwill, for example), foodservice, or recycling generate revenue that can help pay participant wages while also providing venues in which participants gain work experience. Some of these enterprises sell goods and services to the general public, while others benefit from government contracting preferences for entities employing individuals with disabilities. One revenue-generating model of Transitional Jobs places participants in a work crew, where a group of five to seven participants under the direction of a crew leader go each day to work sites to perform a job. The crew leader provides close supervision and observes the progress of participants daily. Jobs often include maintenance, repair, and sanitation jobs for parks, schools, and other facilities. States and cities can effectively support revenue-generating subsidized employment programs, primarily as a purchaser of the services provided by work-crew programs.

Examples Using Contracting and Bidding Opportunities to Generate Program Revenue

State of New York Internal Service Fund and the Center for Employment Opportunities



An internal service fund is a mechanism that allows one governmental agency to purchase goods or services provided by another governmental agency on a cost reimbursement basis. The fund is housed within the state budget and assigned to a specific state agency. The state budget authorizes a monetary ceiling on the amount of goods and services other state agencies can access from this fund.

The New York State Department of Corrections and Community Supervision (DOCCS) houses an internal service fund through which agencies can access parolees or individuals with a criminal record to perform service projects. The internal service fund was originally based on the correctional industries concept, in which prisoners make products with revolving funding through the Division of Correctional Services (DOCS) that covers the majority of the associated expenses. The products are then sold to government agencies to provide revenue and reimburse DOCS. This process operates independently of other bidding/procurement processes. As the agency administering the fund, DOCCS selected the nonprofit Center for Employment Opportunities (CEO) to act as the managing agent. CEO provides immediate and comprehensive employment services to men and women with

recent criminal convictions, which includes a work-crew based Transitional Jobs program providing maintenance, janitorial, and grounds keeping services to public institutions.

CEO, as the administrator of the fund, has been written into the New York state budget for more than 15 years. The 2012 state budget allowed government agencies to purchase a maximum of \$11 million dollars worth of services per year through the internal service fund. The internal service fund allows named beneficiaries (state or local government or public benefit corporations) to access the services of CEO's participants. This process is as follows:

1. Government agencies ask CEO to perform work at an agreed-upon per person day rate.
2. CEO performs the work and bills DOCCS directly for expenses.
3. DOCCS pays CEO for its work and gets reimbursed directly from government agencies that use CEO crews. These revenues are deposited in the internal service fund.

The internal service fund covers the wages paid to participants, liability insurance, site supervisors, and administration of daily payroll.

Boston, Massachusetts: Roca Youth Programs

Roca, which serves highly disadvantaged youth in the Greater Boston area, uses a work crew model that covers a portion of the wages of participants and supervisors through the fees charged for their services. Participants start out on "basic" crews, which perform less-skilled work, typically trash removal and other simple property maintenance, and have continuous on-site supervision. When they have participated in a basic crew for 60 consecutive workdays, they have the opportunity to move up to "advanced" crews that perform more-skilled work, typically painting, that is supervised less directly. Wages for advanced crews are usually fully covered by the fees that Roca charges, but the organization sometimes has to use public or philanthropic grant funding to cover a portion of the wages for the basic crews in order to get entrée to new contractors and ensure sufficient year-round slots. Most of Roca's clients are state or city agencies, especially housing authorities, however Roca also competes for private contracts.

When public agencies hire Roca, the fees come from their general operating budgets — there is no funding set aside for hiring from Transitional Jobs programs. However, there is a mechanism similar to the internal service fund (a retained revenue account) which allows agencies to hire from Transitional Jobs providers without going through a formal competitive procurement that also reduces the lag before payment.

Recommendations to City and State Administrators:

Funding and Implementing Transitional Job and Subsidized Employment Efforts

Subsidized and Transitional Jobs are powerful tools for connecting disadvantaged workers — such as those with little past history of work, those who have experienced long spells of unemployment, those who have a criminal record, or those who face other barriers to employment — to the labor force. Too often, however, program operators give up on the possibility of including real wage-paying jobs as part of their program design because they do not have access to dedicated federal or philanthropic funds for subsidized jobs. We hope that readers of this paper will recognize that states and localities have significant opportunities to fund Transitional Job and subsidized employment programs with non-dedicated funds. As discussed previously, these may include funds allocated for the justice system, economic development, and property maintenance, as well as traditional workforce programs. There are also many federal funding sources over which states and cities have some discretion that allow funds to be used for subsidized employment and Transitional Jobs, or at least for some components of these programs (see Appendix B for a breakdown of sources and allowable uses).

Choosing a Funding Stream

Identifying the most suitable funding stream to support a subsidized jobs program requires a thoughtful process in which the target population for an initiative is identified and matched with an appropriate funding stream. In many cases, serving the full universe of individuals who seek services may require blending or braiding funding streams, as each program has its own restrictions. Each potential funding stream must then be assessed to understand who controls it and the competing demands for its use, the restrictions (on population or services) that come with it, and the outcomes that will need to be measured. The program operator must then think through the implications for program design.

For example, a program for adult individuals returning from incarceration with significant work experience will need to pay less attention to introducing participants to workplace expectations than a program for teens who have never held paid jobs. The adult ex-offender program might focus on job development and individualized placements with employers with permanent openings, while the youth program might use a crew model to provide enhanced supervision and support. As a consequence, the adult program might be able to place shorter limits on the duration of subsidies, while the youth program might need to provide longer-term subsidies, but might be able to fund a larger portion of its wage costs through program income. To the extent that a program is able to

identify which members of its target population are in households that receive SNAP (food stamp benefits), it may be able to leverage spending on training and job development activities (but not wages) to draw down funds from the SNAP employment and training program.

Making the Case

Subsidized employment and Transitional Job programs are an evidence-based approach for addressing the costs and suffering associated with high unemployment, lack of economic opportunity, and the risk of re-offending among individuals reentering their communities from prison. However, in a time of constrained revenues, budget cuts, and high needs, such programs must compete for funding with other worthy causes. Employment interventions that include wage subsidies can appear costly and complex when compared with other program models; the potential benefits to participants and returns on public investment may not be immediately apparent to all stakeholders. In order to make an effective case for investing non-dedicated funds in subsidized employment, programs will need to demonstrate their capacity to run an effective program, and find allies who will help make the political case.

Showing Capacity

Operation of a successful subsidized employment initiative involves many moving parts. Program operators must be able to recruit participants, provide training and supportive services, recruit and match participants to employers, supervise workers and troubleshoot problems, monitor attendance, and make payroll. Grant-funded programs must meet all financial and outcome reporting requirements of their funders, while programs that rely on program income must market and bill for their services.

Many subsidized employment initiatives, including several of the examples discussed above, were initially launched using dedicated funding sources. This gave them the opportunity to build their capacity; once they were found to be effective, they were able to successfully make the case for continuation under more general or discretionary funding. Competitive grants, philanthropic support, or stimulus funding can be used as a proof of concept for the strategy, making it feasible to dedicate more sustainable ongoing funding to the project after its worth has been established. Participation in such initiatives also often gives programs access to technical assistance and a peer community of program operators.

Programs that do not have the luxury of beginning with dedicated funding should undertake a rigorous self-assessment of their capacity to undertake a project. If there are gaps in the skills they

bring to the table, they should consider partnering with established organizations that could fill these holes. For example, under the TANF Emergency Fund, many state TANF agencies partnered with workforce investment agencies or nonprofits to undertake the employer outreach component of their subsidized jobs programs. In some cases, such entities served as the employer of record, as the human service agency did not have the capacity to manage payroll. Such partnerships may also make it more possible for subsidized jobs programs to access new funding streams, without existing grantees under those programs feeling crowded out or otherwise threatened.

Public Leadership

Subsidized employment and Transitional Jobs initiatives need champions in order to secure funding and be successfully implemented. Public sector leaders can support subsidized employment and Transitional Jobs in a number of ways that leverage their unique influence, infrastructure, and authority. For example, leaders can publicly pronounce their support for subsidized employment in a variety of public venues such as public speeches and statements to the press; they can offer subsidized employment as a solution to problems such as high unemployment among returning citizens or disconnected youth; and they can include subsidized employment in policy agendas and position papers, advocate for the allocation of discretionary funds to subsidized employment, and otherwise leverage their influence among fellow decision-makers and the public.

Non-Financial Strategies for Supporting Subsidized Employment and Transitional Jobs

States and cities play a major role in supporting subsidized employment and Transitional Jobs initiatives; much of this support does not involve direct funding but rather indirect and in-kind support. Strategies for indirect support include:

- *Collaboration*: There are many opportunities for public-sector entities to support subsidized employment through public-private partnerships with community-based organizations, such as offering referral services through public agencies including child support enforcement, parole, or TANF programs; offering in-kind support such as office space; co-locating staff in order to coordinate supportive services; collaborating in the preparation of funding proposals; and sharing data.
- *Contracts*: As noted above, many subsidized employment and Transitional Jobs initiatives operate revenue-generating social enterprises that both bring in funds and provide a venue for work experience to take place. Often, these enterprises offer services such as neighborhood cleanup, landscaping, building maintenance, and vacant property

improvement that governments typically acquire through contractors. State and city governments may support subsidized employment initiatives by giving priority to contracting with social enterprises that offer needed services and also provide employment services to vulnerable and disadvantaged jobseekers. This priority could be given, for example, by awarding points in competitive bidding processes to contractors that provide transitional employment to individuals with barriers to employment.

- *Public-Sector Transitional Jobs and Subsidized Employment Slots:* Governments are often large local employers; this presents the opportunity to provide some employment slots to subsidized and transitional workers. It is important to offer positions that do not displace incumbent workers, and to include labor unions in the planning and implementation of any such arrangement. Many cities including Chicago, Indianapolis, Newark, and New York have successfully placed transitional workers in city positions. Transitional Jobs participants typically work in public-sector positions in areas such as park maintenance, building maintenance, and waste management.

Conclusion

There is a great need for subsidized employment and Transitional Jobs programs in today's economy. Even as the overall unemployment rate has started to come down, the number of long-term unemployed workers remains at unprecedented high levels. With over three people still looking for work for every open position, there are many who will be shut out without assistance: the youth who can't get the first job to get started on the career ladder, the displaced worker who has run out of unemployment insurance, the single mother who wants a paycheck not a welfare check, and the ex-offender who has paid his debt to society but can't get employers to look past his history. The same economic conditions that have made these programs so necessary have also made it increasingly challenging to find funding for them.

Most programs are not going to get all the resources they need from a single source to ensure that participants succeed. They will need to blend funding from federal, state, and private sources; funding from job training and social services programs; and funding targeted at specific populations such as veterans, ex-offenders, or individuals with disabilities. This will not be easy – it will require persistence, patience, and creativity, as well as good data systems to meet the reporting requirements of different funding streams. But programs do not have to do all this on their own. By sharing information and lessons learned, operators of subsidized employment programs can work together to make their vision a reality.

Appendix A

Major Evaluations of Transitional Jobs and Subsidized Employment Strategies ¹⁸		
Program/Study	Target Population(s)	Major Findings
National Supported Work Demonstration – AFDC target group (1975-1980)	Female welfare recipients on welfare at least 30 of the past 36 months	Large increases in employment and earnings during in-program period; earnings gains sustained through three-year follow-up period; reductions in welfare use
AFDC Homemaker-Home Health Aid Demonstration (1983-1986)	Welfare recipients who had received benefits for at least 90 days	Increases in employment and earnings in most sites, sustained through three years
Community work experience programs (CWEP) in the welfare system	Welfare recipients Studies in San Diego, Chicago, and West Virginia	Little evidence that CWEP increased employment or earnings; a range of 7 percent to 60 percent of program group worked in CWEP
HHS Enhanced Services for the Hard-to-Employ Project: Philadelphia site	Long-term or potential long-term welfare recipients	Large increase in employment in the in-program period; no longer statistically significant after 1.5 years; increases in earnings and reductions in welfare use
National Supported Work Demonstration – ex-offender target group (1975-1980)	Individuals who had been incarcerated in the past six months	Large increases in employment and earnings in the in-program period; little evidence of longer-term impacts on employment outcomes; no overall impacts on recidivism but some reductions for older participants
New Hope Project	Low-income residents of two Milwaukee neighborhoods	Increases in employment and earnings, mostly during in-program period; longer-term impacts on child outcomes; about one-third of program group members participated in a paid community service (TJ) job, which played a critical role in generating the employment gains
Enhanced Services for the Hard-to-Employ Project: New York City site	Former state prisoners currently on parole	Large increases in employment in the in-program period; increases no longer statistically significant by the end of the first year of follow-up; significant decreases in several measures of recidivism through three years Cost savings (almost \$4 to every \$1 spent) in the form of averted criminal justice and victim benefits costs
Transitional Jobs Reentry Demonstration Project	Formerly incarcerated in four states: Illinois, Indiana, Wisconsin, Minnesota	High participation rate in Transitional Jobs programs, large increases in employment due to the transitional jobs, long-term employment effects faded over time, no impacts on recidivism, some evidence that retention bonuses improved employment effects in one site

Appendix B

Federal Funding Stream	Eligible Population	Type of Funding	Can Pay for Participant Wages	Can Pay for Training and Supportive Services
Temporary Assistance for Needy Families (TANF)	Low-income (as defined by state) families with children	Block grant to states	Yes	Yes
Community Services Block Grant (CSBG)	Poor individuals and families – states may opt to raise income limit to 125 percent of the federal poverty level	Formula grant to states – 90 percent of funds must be allocated to “eligible entities” at sub-state levels. These are typically Community Action Agencies.	Yes	Yes
Workforce Investment Act (WIA)- Adult and Dislocated Worker programs	<p>Under WIA Title I, “adults” are individuals age 18 and over. “Dislocated workers” include those who have been laid off or have received notice of termination from employment, are self-employed but unemployed due to general economic conditions, or are displaced homemakers.</p> <p>The adult funding stream incorporates a priority of service for public assistance recipients, other low-income individuals, and veterans when funds are limited.</p>	Formula grant to states – 95 percent of funds must be passed through to local workforce investment areas.	Supports wage subsidies as part of on-the-job training; paid work experience can be built into some other activities but is rare	Yes
Workforce Investment Act (WIA)-Youth	<p>To be eligible, a young person must be age 14 to 21, be low income, and have at least one of the following barriers:</p> <ul style="list-style-type: none"> • Be deficient in basic literacy skills; • Be a school dropout; • Be homeless, a runaway, or a foster child; • Be pregnant or a parent; • Be an offender; or • Require additional assistance to complete an education program or to secure and hold employment. <p>At least 30 percent of formula funds must be allocated for out-of-school youth</p>	Formula grant to states – 95 percent of funds must be passed through to local workforce investment areas.	Yes	Yes

Appendix B, cont.

Federal Funding Stream	Eligible Population	Type of Funding	Can Pay for Participant Wages	Can Pay for Training and Supportive Services
Community Development Block Grant (CDBG)	Programs should benefit primarily “low- and moderate-income” individuals, defined as having family income under 80 percent of the family median income for that area.	Cities and large urbanized counties receive direct formula funding from HUD; states receive formula grants to cover the remainder of states. While most funds go to construction projects, 15 percent of funds may go to “public services” such as job training.	Yes, as part of job training or microenterprise development, but rare	Yes
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T)	Any SNAP (food stamp) recipient who does not receive ongoing cash assistance from TANF. Recipients are eligible to participate in E&T services only during the months when they are receiving SNAP benefits.	States receive grants for E&T costs. Some expenditures over the allotted grant funds may be reimbursed by federal funds at 50 percent.	No, E&T funds may not be used for wage subsidies	Yes, including retention activities for up to 90 days
Senior Community Service Employment Program (SCSEP)	Older, low-income adults who are 55 and older and have incomes no more than 125 percent of the federal poverty level. An eligible individual is given priority for SCSEP program services if 65 years of age or older; or <ul style="list-style-type: none"> • has a disability; • has limited English proficiency or low literacy skills; • resides in a rural area; • is a veteran; • has low employment prospects; • has failed to find employment after utilizing services provided under title I of the Workforce Investment Act of 1998 (29 U.S.C.2801 et seq.) or • is homeless or at risk for homelessness. 	Competitive grant	Yes	Yes

Appendix B, cont.

Federal Funding Stream	Eligible Population	Type of Funding	Can Pay for Participant Wages	Can Pay for Training and Supportive Services
Second Chance Act Demonstration Grants	Individuals who have been incarcerated	Competitive grant to states, units of local governments, and tribal entities	Yes	Yes
Unemployment Insurance (UI)	UI recipients. Under a provision created by the Middle Class Tax Relief and Job Creation Act of 2012, up to 10 states may receive waivers allowing them to use UI administrative funds or trust funds to provide wage subsidies for employer-provided training, or direct disbursements not to exceed the weekly benefit amount of an individual, to employers who hire those receiving unemployment compensation.	States receive formula allocations of administrative funds. Trust funds are funded from state UI taxes.	Under waiver authority (no states have applied)	Under waiver authority (no states have applied)
Supplemental Nutrition Assistance Program (SNAP) Work Supplementation	Limited to individuals receiving SNAP and TANF cash assistance — benefits under both programs may be paid in cash as a wage subsidy to an employer who agrees to hire and employ recipients. Oregon is the only state currently running a program under this option (JOBS Plus).	SNAP is an individual entitlement, administered by the states and funded by the federal government. Operating a work supplementation program is a state option, and must be included in the state SNAP plan.	Yes	No

Endnotes

- ¹ Bureau of Labor Statistics, Employment Situation Summary for November 2012, December 7, 2012, <http://www.bls.gov/news.release/empsit.nr0.htm> “Unemployed and underemployed” is calculated by adding unemployed, those marginally attached to the workforce, and those employed part-time for economic reasons (involuntarily part-time). It does not include individuals working in jobs below the level for which they are qualified.
- ² The job gap is defined as the number of jobs it would take to employ the new workers who enter the labor force, with unemployment rates at pre-Great Recession levels. Brookings Institution. (March 9, 2012) Understanding the ‘Jobs Gap’ and What It Says About America’s Evolving Workforce. <http://www.brookings.edu/up-front/posts/2012/03/09-jobs-greenstone-looney>.
- ³ Harvey, Philip. (2011, September). Securing the Right to Work at the State or Local Level with a Direct Job Creation Program, Big Ideas for Jobs. <http://www.bigideasforjobs.org/wp-content/uploads/2011/09/Harvey-Full-Report-2-PDF.pdf>
- ⁴ Bloom, Dan. (2010). Transitional Jobs: Background, Program Models and Evaluation Evidence, MDRC. <http://www.mdrc.org/publications/553/full.pdf>.
- ⁵ This strategy is closely related and sometimes identical to that adopted by “employment social enterprises,” nonprofit-operated businesses selling goods and services demanded by the marketplace while intentionally employing young people and adults who would otherwise face bleak prospects of ever getting a job. Both strategies can employ disadvantaged individuals, and sell products or services in order to generate revenue. In addition, many nonprofits, such as Goodwill Industries, have long operated businesses that both generate revenue for program activities and provide transitional employment opportunities. This paper focuses on programs that seek to leverage public resources or work opportunities and produce public goods and services while providing work opportunities and earned income to low-income individuals with barriers to employment. Employment social enterprises are more fully discussed in a related paper, “A Market Solution to Job Creation and Opportunity: Social Enterprise,” by Carla I. Javits, forthcoming.
- ⁶ Kushner, J. (2012, February). Chicago Neighborhood JobStart Evaluation Report: A Transitional Jobs Response to the Great Recession. Chicago: Social IMPACT Research Center.
- ⁷ Social IMPACT Research Center. (2010, October). Put Illinois to Work Evaluation: An Early Look, Executive Summary. <http://www.heartlandalliance.org/whatwedo/advocacy/reports/pitw-evaluation-early-look-ex-sum.pdf>
- ⁸ Redcross, C., Millenky, M., Rudd, T., & Levshin, V. (2012). More Than a Job: Final Results from the Evaluation of the Center For Employment Opportunities (CEO) Transitional Jobs Program. OPRE Report 2011-18. Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.
- ⁹ Lam, J.A., & Rosenheck, R.A. (2000). Correlates of Improvement in Quality of Life Among Homeless Persons with Serious Mental Illness. *Psychiatric Services*, 51, 116-118. Schumacher, J.E., Mennemeyer, S.T., Milby, J.B., Wallace, D., & Nolan, K. (2002). Costs and Effectiveness of Substance Abuse Treatments for Homeless Persons. *Journal of Mental Health Policy Economics*, 5, 33-42. Redcross, C., Bloom, D., Azurdia, G., Zweig, J., & Pindus, N. (2009). Transitional Jobs for Ex-Prisoners: Implementation, Two-Year Impacts, and Costs of the Center for Employment Opportunities (CEO) Prisoner Reentry Program. New York, NY: MDRC.
- Bloom, D., Rich, S., Redcross, C., Jacobs, E., Yahner, J. & Pindus, N. (2009). Alternative Welfare-To-Work Strategies for the Hard-to-Employ: Testing Transitional Jobs and Pre-Employment Services in Philadelphia. New York, NY: MDRC.
- ¹⁰ TANF expenditure data published by ACF, accessed from the CLASP datafinder at www.clasp.org/data. FY 2012 data has not yet been released by ACF.
- ¹¹ http://www.wtb.wa.gov/WorkFirstCommunityJobs_Dir.asp.
- ¹² Washington State Institute for Public Policy. (2005) Evaluating Washington State’s Community Jobs Program: Two-Year Employment Outcomes of 2002 Enrollees. <http://www.wsipp.wa.gov/rptfiles/05-11-3301.pdf>.
- ¹³ The Wisconsin Department of Children and Families (DCF) initially used TANF Emergency Funds earned prior to the implementation of the TJDP, primarily by reporting increases in non-recurrent short-term benefits and basic assistance expenditures. With State of Wisconsin legislative approval, DCF then allocated approximately \$17 million of the TANF Emergency Funds earned to support the initial implementation of TJDP operational costs.
- ¹⁴ Except for veterans, the WOTC expired on December 31, 2011 and is not available for hires after that date.
- ¹⁵ In some cases, it is possible to serve childless young adults under TANF because they can be counted as children. However, California did not take up this option under the Emergency Fund.
- ¹⁶ §730 ILCS 5/3-14-6 (2003).
- ¹⁷ Final report of the mayoral policy caucus on prisoner reentry. City of Chicago (2006).
- ¹⁸ Bloom, Dan. (2010). Transitional Jobs: Background, Program Models and Evaluation Evidence. MDRC. <http://www.mdrc.org/publications/553/full.pdf>.

About the Big Ideas for Job Creation Project

Big Ideas for Job Creation, a project of the Institute for Research on Labor and Employment at the University of California, Berkeley, with the support of the Annie E. Casey Foundation, tapped into the innovative thinking of leading experts across the nation to develop job creation proposals. Every idea had to meet the following criteria: designed for implementation by cities and/or states and will lead to net new job creation in the short-term; practical, sustainable, scalable and already tested; and all jobs created should be accessible for low-skilled workers and offer some career opportunity. Taken together, these Big Ideas can create millions of new jobs for our country.



The Annie E. Casey Foundation