

Subsidized Employment Under the TANF Emergency Contingency Fund

Prepared for:

**American Institute for
Full Employment**



**Practical Government
Solutions Seminar**



Tuesday, April 7, 2009

Prepared by:

Mack A. Storrs, Deborah Chassman & Jason Turner

Subsidized Employment Under the TANF Emergency Contingency Fund

Executive Summary

One provision of the Temporary Assistance for Needy Family (TANF) program's \$5 billion Emergency Contingency Fund (ECF) provides 80 percent federal funding for increased expenditures for **subsidized employment** during FYs 2009 and 2010. Our purpose is to encourage States to use this new opportunity to expand subsidized employment programs that both provide wage-paying jobs to clients and enable employers to increase the workforce. A typology and examples of several State and local programs are provided to illustrate the range of possibilities for implementation planning.

Subsidized employment means jobs for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual. The participant is paid wages and receives the same benefits as any other employee doing similar work. Subsidized employment or transitional jobs are an effective TANF work activity for clients lacking a demonstrated work history, or clients with other barriers to work. Transitional jobs programs usually combine part-time real work with a separate program of skills and soft skill development, while subsidized employment aims for full-time subsidized jobs that transition into regular employment with the same employer after an on-the-job training and try-out period. A transitional job is usually with a non-profit agency, leading to employment with a different employer after completing the transition period. In either program, clients are much better off financially because of the wages and available tax credits.

The preamble to the Deficit Reduction Act Interim Final Rule outlined three subsidized employment models:

- TANF funds, that may include those that would otherwise be paid as assistance to clients, are paid to the employer to reimburse some or all of the employer's costs.
- Third-party contractor serves as the employer of record, like a temporary staffing agency. The contractor is paid a fee to cover the participant's salary and expenses and the success in placing and retaining employees.
- Supported work for individuals with disabilities or other barriers to employment.

Short descriptions of operating subsidized and transitional employment models are presented to show diverse approaches for moving individuals from subsidized to unsubsidized jobs:

- Washington's Community Jobs (CJ) Initiative
- Georgia GoodWorks!
- Supporting Employment Empowerment (SEE) Hawaii Work
- Philadelphia @Work
- Essex County, N.J. Pay For Performance - Wage Subsidy Job Program Initiative
- New York State Transitional Employment Program

TANF Related Provisions of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5)

The American Recovery and Reinvestment Act (ARRA) of 2009 includes several new Temporary Assistance for Needy Family (TANF) program funding opportunities that are available for States. This stimulus bill passed by Congress creates a \$5 billion “Emergency Contingency Fund” (ECF) under Section 403(c) of the Social Security Act. Under the ECF, 80 percent funding is available for three types of increased TANF and MOE expenditures:

1. If a state has an increase in the caseload, increases in basic assistance spending;
2. Increased expenditures on non-recurrent, short-term benefits; and
3. Increased expenditures for “subsidized employment.”

To qualify for these federal dollars, increased expenditures in a quarter in FY 2009 and FY 2010 would be measured against the corresponding quarter in one of two base years, either FY 2007 or FY 2008, whichever is less. A State may receive up to 50% of the annual TANF block grant in combined funding in the regular Contingency Fund and the Emergency Contingency Fund for fiscal years (FYs) 2009 and 2010 combined.

Two other TANF provisions provide additional flexibility and will also help states address caseload increases and meet participation requirements during this economic downturn:

- 1) States will be allowed to maintain the caseload reduction credit earned in either FY 2007 or FY 2008; and
- 2) States will be temporarily allowed to use “carry-over” funds for any TANF service or benefit. This removes the restriction that prior year funds could only be spent on “assistance.”

TANF was created to help families prepare for and pursue work. A number of states have clear challenges to meet the work participation rates under DRA requirements and face potential penalties, especially under the current economy. In addition to the TANF provisions noted above, several other provisions of the law may help states to increase participation rates and improve the employability of families:

- An additional \$ 2 billion in child care funding under CCDBG over two years;
- \$1 billion in additional temporary funding under the Community Services Block Grant (CSBG) is available for partnering with community agencies; and
- \$540 million in 100 percent Federal funds will be available for vocational rehabilitation services addressing the needs of the disabled.

Several tax provisions of the law make the rewards of work even more attractive and may be used as an inducement for clients and employers:

- A **Work Pays** refundable income tax credit for taxable years 2009 and 2010. The credit is the lesser of: 1) 6.2% of an individual’s earned income, or 2) \$400 (\$800 in the case of a joint return).
- The **Child Tax Credit**, designed to offset the cost of raising a child, is a partially refundable federal income tax credit of up to \$1,000 per child under the age of 17. **Families** can qualify for at least a partial credit if their earnings exceed \$3,000 in tax years 2009 and 2010 (down from \$8,500). A family with two children will qualify for the full credit when its earnings reach \$16,333.
- The law retains **EITC** provisions and expands payments for families with three or more children. Four separate EITC schedules will now apply:
 - Taxpayers with no qualifying children may receive a credit of 7.65% of earnings up to \$5,970 for

a maximum credit of \$457.

- Taxpayers with one (1) qualifying child may claim a credit of 34% of their earnings up to \$8,950, resulting in a maximum credit of \$3,043.
- Taxpayers with two (2) qualifying children may claim a credit of 40% of earnings up to \$12,570 or a maximum credit of \$5,028.
- Taxpayers with three (3) or more qualifying children may qualify for 45% of earnings up to \$12,570 or a maximum credit of \$5,656.50.
- Two new categories – disconnected youth and unemployed veterans are added to the nine low-income or disadvantaged groups (including TANF) for whom employers may receive a **Work Opportunity Tax Credit** for hiring individuals from these targeted groups. An employer may receive a credit of 40% of first-year wages up to a maximum of \$2,400.

This enhanced funding is designed to help states address the effects of the recession and provides a strong impetus for program assessment and redesign. Given opportunity, States have consistently demonstrated how innovation and commitment can effectively overcome challenges. This paper focuses on the opportunities available under the new funding and illustrates examples for states to expand **subsidized employment** programs that both provide wage-paying jobs to clients and enable employers to maintain or increase the workforce.

How to Use New Opportunities to Expand Subsidized Employment

Unsubsidized employment is the primary goal of TANF state programs, and it accounted for 55 percent of all participation in FY 2006. After a State maximizes its potential for participation in unsubsidized employment, it may be necessary to consider expansion of subsidized employment, work experience, and community service programs. These programs provide both work and learning opportunities for individuals with few work-related skills and little experience and offer the opportunity to address unmet community needs.

Programs may either create wage-paying positions which then qualify for the Earned Income Tax Credit, or require clients to work in exchange for the TANF welfare grant. In both types, workplace protections under the Fair Labor Standards Act (FLSA), health and safety, anti-discrimination and Workers' Compensation generally apply. Costs of these programs include wages or benefits, payroll taxes, job development, case management and support services.

Federal regulations at 45 CFR 261.2(c) and (d) define two types of subsidized employment:

- ***Subsidized private sector employment*** means employment in the private sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual; and
- ***Subsidized public sector employment*** means employment in the public sector for which the employer receives a subsidy from TANF or other public funds to offset some or all of the wages and costs of employing an individual.

Under subsidized employment, the participant is paid wages and receives the same benefits as a non-subsidized employee performing similar work. The preamble to the DRA Interim Final Rule outlined three subsidized employment models:

- TANF funds that would otherwise be paid as assistance are paid to the employer to reimburse some or all of the employer's costs (work supplementation, grant diversion).
- Third-party contractor serves as the employer of record, like a temporary staffing agency. The contractor is paid a fee to cover the participant's salary and expenses and the success in placing and retaining employees.
- Supported work for individuals with disabilities in an integrated setting.

Subsidized employment or transitional jobs are an important and underutilized work activity which can be used as an effective placement for clients without an adequate or demonstrated work history, and clients with other barriers to employment. Generally, subsidized jobs provide better entrance into unsubsidized jobs than work experience or community service. Transitional jobs combine real work, skill and soft-skill development and supportive services that enable participants to transition successfully into the labor market. A key difference is that transitional jobs programs combine part-time real work experience with a separate program of skills and soft skill development; while pure subsidized employment aims for full-time subsidized jobs that will transition into unsubsidized employment after an on-the-job training and try-out period. Thus, a transitional job is often with a non-profit agency, while the permanent job for successful completers of the transition period is with a different employer, often from the for-profit sector. In contrast, both the for-profit and non-profit sectors are target for subsidized job placement. In both programs clients are much better off financially because the wages count toward tax credits.

A study of six subsidized employment programs by Mathematica Policy Research, Inc. found that:

- Workers in transitional jobs programs receive more intensive support, supervision, and help in working through barriers to employment than they would in another TANF program or activity;
- Consistent participation in a subsidized employment program usually leads to permanent, unsubsidized employment; and
- Transitional work has a positive effect – financially, professionally, and personally on participants' lives².

Given these generally positive results, one would think that subsidized employment would be a key component of each state's TANF program. But, an analysis of TANF data illustrates how rarely subsidized employment is used by states. State reported expenditures³ for fiscal year 2007 on the ACF-196 shows how much potential exists for most states to draw down significant federal dollars by developing or expanding subsidized employment programs. Expenditures for "work subsidies" [line 6(a) of the ACF-196] were less than a half of a percentage point of total expenditures. The data shows that 29 states reported no expenditures for work subsidies. Only nine states reported expenditures in the millions, while the remainder reported less than that amount. Nebraska reported the largest amount—\$17.5 million, followed by Ohio with \$11.9 million, Washington with over \$9 million and Massachusetts with \$7.4 million in expenditures. Clearly, Nebraska's expenditures demonstrate that a small state can run a significant subsidized employment program. For any state that reported no expenditures on subsidized employment in FY 2007, developing a program with expenditures in the amount of Nebraska would result in \$14 million in Federal reimbursement (80% of \$17.5 million) under the Emergency Contingency Fund.

With 80 percent funding available under the Emergency Contingency Fund, every state should analyze the potential for dramatically expanding subsidized employment under new initiatives. The first step is to compile actual quarterly expenditures for the base years of FY 2007 and FY 2008 for subsidized employment. Without federal guidance, it appears the comparison required in legislation may be based on the existing reporting category of "Work Subsidies" on line 6a1 of the ACF-196. If so, "work

subsidies include payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, or training.” So the first step is to combine all Federal, State TANF MOE, separate State program (SSP) and Contingency Fund expenditures on “work subsidies” for fiscal years 2007 and 2008. (For Federal TANF expenditures, include expenditures from all grant years made in the quarter.)

Below, we illustrate a feasible program implementation for one of the 23 States that did not report subsidized employment expenditures in FY 2007. While two quarters of FY 2009 have already passed, many states could contract out a subsidized employment program with the potential growth estimated below.

Subsidized Employment Expenditures

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
FY 2007	\$ 0	\$ 0	\$ 0	\$ 0
FY 2009	\$ 0	\$ 0	\$ 500,000	\$1,000,000
Difference	\$ 0	\$ 0	\$ 500,000	\$1,000,000
80% Funding	\$ 0	\$ 0	\$ 400,000	\$ 800,000
FY 2010	\$1,500,000	\$1,750,000	\$2,000,000	\$2,250,000
Difference	\$ 1,500,000	\$1,750,000	\$2,000,000	\$2,250,000
80% Funding	\$ 1,200,000	\$1,400,000	\$1,600,000	\$ 1,800,000

With a new start-up program and total expenditures of \$1.5 million in FY 2009 and \$7.5 million in FY 2010, a State would receive \$7.2 million funding under the Emergency Contingency Fund. To meet the remaining \$1.8 million in funds, a State could use prior year (reserve) or current year federal funds, Contingency funds or state MOE expenditures. And the return on the investment in the lives of clients who are now able to move into the workforce and take the first steps to self-sufficiency is incalculable.

Beside the issue of cost, some argue that the key disadvantage of “subsidized employment” is that generally participants are not counted toward the state work participation rates. Work subsidies (payments to employers or third parties to help cover the costs of employee wages, benefits, supervision, and training), are excluded from the definition of “assistance” at 45 CFR 260.31. As a result, these cases are not included in either the numerator or denominator, unless some or all of the wages are disregarded and they receive a residual grant, a supplemental grant or some other form of assistance.

The most recent participation rate data available from ACF are for FY 2006.⁴ During that year, unsubsidized employment accounted for 55 percent of all countable participation. By comparison, subsidized private sector employment accounted for 0.5 percent and subsidized public sector employment accounted for 0.7 percent of countable participation. Twenty-three states reported no hours of subsidized employment. Twenty-seven states reported participation of less than five percent, most less than two percent. Only three states reported combined subsidized employment of over five percent: Alabama at 5.5 percent, Maryland at 8.8 percent and Washington at 9.1 percent.

Even if the state model doesn’t permit counting participation, an important point to remember is that subsidized employment cases not otherwise receiving assistance can be counted when calculating state caseload reduction credits. This helps states meet participation requirements in the following year.

Examples of Subsidized and Transitional Employment Programs

The following section provides short descriptions of four currently operating subsidized and transitional employment models, and one proposed model currently in the pilot testing stage. They were selected for presentation because they are relatively large programs with diverse approaches for moving individuals from the subsidized/transitional employment phase to unsubsidized employment. Although the caseload and other data provided are several years old in some cases, they are the latest available from evaluation or other available reports.

New York State Transitional Employment Program

New York has recently created a subsidized wage program that is intended to be simple and easy to use for employers, while allowing the agencies using the wage subsidies the maximum flexibility to allocate funds so as to achieve the most slots per dollar.

Program Requirements:

- Subsidized jobs must provide an average of 30 hours of work per week over a 30-day period and pay at least minimum wage.
- The length of subsidized employment can be up to 26 weeks. Agencies have flexibility in determining the duration of the subsidy period, and the length may vary with the type of job and the employee's skill level.
- The state provides the vendor with a fixed total amount for wage subsidies which can be combined by the vendor for each job placement in any fashion or time period up the 26 week limit per job. The subsidy amount can exceed
- The state pays the vendor for operations costs through a 100% performance contract (payment milestones below).
- The state requires that amounts paid out in subsidies be backed up with wage records.

How one contractor, America Works, chooses to allocate its funds for subsidized wages:

America Works uses its staffing company to make arrangements with employers to test employees for permanent hire using this Transitional Employment model. The employer has no obligations to hire at the conclusion of the subsidized wage period and has little or no risk during the period of subsidized employment because the America Works staffing company is the employer of record. Moreover all of the paperwork involved in the program is performed by the staffing company. Finally, the employer is not under an obligation to continue to employ an individual for the entire period of the agreed upon wage subsidy, but may terminate the arrangement at any time. In short, the employer sees an offer to hire from the staffing company that is no different from an offer without a subsidy, except the net wage cost is lowered by the amount of the subsidy.

Salespeople from America Works make their own decisions on how much and how long to offer a given employer a wage subsidy based on market conditions, and therefore attempt to strike the best deal so as to make the bucket of money allocated for wage subsidies go as far as possible. For example, a salesperson may offer a \$5.00 per hour subsidy for the first month, declining thereafter, or any other arrangement he chooses.

State payment structure to employment vendors (contractors):

The state provides payments to contractors for program operations through a performance payment provision, and separately provides funds for the wage subsidy. However, the contractor may not be reimbursed for performance milestones which are already reimbursed under the terms of another State or local agreement.

The state encourages the leverage other resources to help offset subsidized wage costs. For example, some counties in New York use grant diversion of TANF funds to the employer.

Expenditures on operations cannot exceed 50% of the expenditures on wage subsidies. Payments are made to vendors according to the following milestones:

Employment Milestone	
30 days in subsidized employment or 30 days in unsubsidized employment for direct job placement, with no subsidy	\$1,000
60 days in subsidized employment	\$500
90 days in subsidized employment	\$500
Transition to unsubsidized employment	\$1,500
90-day retention in unsubsidized employment (following transition from subsidized employment) or 120-day retention in unsubsidized employment for direct job placement, with no subsidy	\$2,000

This payment schedule is intended by the state to encourage the use of subsidized employment by allowing performance payments to be earned when an employer does not seek reimbursement for wages paid.

Worksite Partnership Agreement with Employer

The state requires the agency or its vendor to make arrangements with the employer containing the following provisions:

- The employer must provide a mentor to work with the participant and the agency's case manager on work performance and workplace issues;
- Employer must provide a description of job responsibilities for each person assigned;
- Employer must provide enough work to engage the participant for the required hours of participation;

- Employer must provide time sheets or other documentation as to the actual hours of work performed by the participant and
- Employer must provide a written evaluation of the participant's job performance.

State of Washington

Washington's Community Jobs (CJ) Initiative⁵ is one of the oldest and largest subsidized employment programs in the country. Community Jobs provides community-based work and skill-building experience to TANF parents encountering barriers entering the job market. Program goals are to create transitional work opportunities for hard-to-employ clients, emphasize skill development while meeting participation requirements and to minimize the additional costs of creating temporary community jobs.

The state contracts with community-based organizations to provide local service delivery. This includes establishing work sites and providing intensive case management, personal goal development and support services to parents. Host work sites are in nonprofit organizations, educational institutions, private entities, and local, state, federal, or tribal governments. Contracts with service providers are based on performance, with pay points (payments for service) directly linked to measures to achieve program goals.

Participants are referred to the program by a WorkFirst case manager, after an unsuccessful 12-week intensive job search. Most clients have little or no recent work experience. Parents work 20 hours per week for up to nine months and are paid Washington's hourly minimum wage (\$8.07 in 2008). Half of all CJ earnings are disregarded. The average length of the program is eight months and reassignment is not uncommon, either because of problems or opportunity to enhance skills.

Many participants are also enrolled in special barrier removal programs. Each parent creates an Individual Development Plan (IDP) with the contractor to identify professional and personal goals.

A training plan describes job duties, occupational goals and objectives including training and skill development. The Community Jobs program, which provides short-term, subsidized work for the hardest-to-serve parents, was found to increase quarterly earnings by an average of \$463. A 2001 evaluation reported that the program increased the employment rate of participants by 33 percent over the rate that would have been achieved without participation.⁶

The Economic Opportunity Institute (EOI), a Washington independent, nonpartisan, nonprofit public policy center, conducted an outcomes assessment in 2002 and found the following key findings:

- 72 percent of CJ participants find gainful employment.
- Average income of post-CJ workers increase 60 percent during their first two years in the workforce and is 148 percent higher than their pre-CJ income.
- Once in the workforce, CJ participants tend to stay in the workforce.⁷

Georgia

Georgia GoodWorks!⁸ is a statewide service strategy that helps TANF applicants, recipients, and noncustodial parents become employed and move to self-sufficiency. It is the beginning of a continuum of lifelong learning and career development services provided through Georgia's broad workforce

development system. Through GoodWorks, the Georgia Department of Labor provides or coordinates the following workforce services:

- Comprehensive assessments
- Job search workshops
- Development of sites for placement into unsubsidized employment
- Referral, placement, and monitoring of customers in job search and unsubsidized employment
- Unsubsidized employment, either part-time or full-time, with wages paid exclusively by the employer without subsidy
- Intensive services for customers who have multiple barriers to employment that require an intensive service strategy
- GoodWorks! Kids

The GoodWorks! transitional employment program is based on a supported employment model commonly used with individuals who have disabilities. It differs from many subsidized employment programs in the level and intensity of supports provided. It is also unique insofar as clients are assigned to a paid work placement in order to gain work experience and learn how to function effectively in a work environment. The assumptions underlying the GoodWorks! Program is that most individuals can work with the right amount and types of support, and that families will be better off if at least one parent is working. Targeted individuals have little or no work experience, a limited education, and personal and family challenges that interfere with work but do not preclude them from working. Aggressive outreach, screening and assessment, paid work placements, enhanced supports, job placement, and long-term follow up are the key components of GoodWorks!⁹

Intensive services, for TANF recipients with multiple barriers to employment, who have received TANF for 30 months or more, use a team approach of GDOL and partner agencies to ensure that the services a customer needs are met continuously and that the transition from welfare to work is successful. A Personal Advisor helps the customer develop an individualized service strategy to remove work-related barriers. The Personal Advisor remains with the individual from start to finish, assisting him or her through each activity.

Key components of the intensive service strategy include:

Recruitment: A variety of non-traditional outreach approaches are used to recruit individuals who generally do not seek traditional workforce development services. These approaches require a strong community presence.

Work Evaluation: This component assesses a customer's readiness for the competitive workforce by immediately placing him or her in a subsidized work activity to evaluate work skills. Work activities during the work evaluation component are short-term and the customer is paid for the hours worked.

Work Adjustment: Customers who are not ready for competitive employment are placed into work adjustment activities in a supported work environment. Work adjustment activities teach the customer how to work by placing them in an actual job. The customer may also work in different job positions to find the right "match" of skills and job activities. During this time, the individual's work skills are constantly assessed. The customer works full-time hours during work adjustment and is paid entry-level prevailing wages for the job.

Individualized Job Coaching: Individualized job coaching is available to help a customer's transition from the supported work environment to the competitive workforce. Activities include one-on-one job readiness, job preparation, job orientation, employment liaison and performance evaluation.

Job Retention and Career Advancement: Upon stabilization into the workplace and cessation of job coaching, a transition plan is developed to move the customer towards self-sufficiency. Activities include:

- Continuous monitoring of the progress of each customer with frequent, on-site visits to the job
- Quick intervention to customers that lose their jobs and need additional job placement
- A review of support services available, such as transportation and childcare.

After an initial assessment period, clients are expected to work at their placement at a contracted service provider or community agency for 32 hours per week and participate in other federally countable activities for eight hours per week. TANF funds are used to pay clients the federal minimum hourly wage for up to six months; after that, a client transitions into a permanent job. Since the program began in 2000, GoodWorks! has served more than 6,000 TANF recipients and placed 58 percent of those enrolled in unsubsidized employment.¹⁰

Mathematic Policy Research, Inc. conducted a study of the GoodWorks! Program and concluded that it represented a “promising practice” in the effort to find work for hard-to-employ recipients nearing the time limit. Key findings include:

- Administering a program and providing the services offered by GoodWorks! requires creativity, flexibility and commitment, given the challenging nature of the population;
- Clients with complex needs can work, if they have the right amount and types of supports. Indeed, most GoodWorks! completers find jobs.
- GoodWorks! represents the first step in linking clients to the labor force, but clients may require a different set of services to achieve their long-term employment goals.¹¹

Hawaii

In February 2005, the Hawaii Department of Human Services (DHS) launched a new, innovative employment service program to help businesses meet their growing labor demands while providing on the job training and additional work opportunities for TANF clients. The Supporting Employment Empowerment (SEE) program refers pre-screened TANF candidates to companies for employment, who are having difficulty finding jobs on their own.

Supporting Employment Empowerment (SEE) Hawaii Work¹² uses an apprenticeship concept and a training-for-hire model with private sector management. Hawaii contracts with a private employment service agency (Goodwill) to market SEE to employers, take and fill job orders from companies, and provide ongoing support to employers and employees. SEE staff consists of a Chief Marketing Officer to manage and oversee the program; Employer Relations Specialists who are responsible for developing employer work sites and job orders; and Job Retention Coaches located in the local state First-to-Work (FTW) units whose responsibility is to match participants with appropriate skills to the job orders and to support the participant during placement.

Employers set and pay the employee's hourly wage. The State reimburses the employer 100 percent of the State minimum wage (\$7.25 per hour) plus \$.50 for each additional \$1.00 per hour paid over the minimum wage for up to 40 hours per week. Employers are also reimbursed an additional 14 percent of the subsidized wages to cover training and employment related expenses, such as Unemployment Insurance, Workers Compensation, and FICA. The State also covers health insurance and childcare. Employers who assist an employee with transportation to and from work can be reimbursed at a negotiated amount up to \$200.00 per month. To participate in the program, employers agree to hire employees for 24 to 40 hours of work per week, and may receive subsidized wage reimbursements for up to 12 months.

Employers get prescreened job applicants who are ready to work and motivated with great job benefits paid by the State, including on-the-job guidance and mentoring, childcare coverage, health insurance coverage, transportation and housing assistance. Until recently, clients were referred to SEE by the Hawaii First-To-Work case manager if they were unsuccessful in getting the client an unsubsidized job. Now, after an initial three-week, intense job search/job readiness effort, all clients who have not found work will be referred to SEE. The employer saves recruitment, hiring and training costs, and benefits from reduced job turnover. Employers have the opportunity to train individuals to meet their business needs with candidates who either have had previous job experience or possess the needed basic employment skills.

Hawaii has also done much to ensure that work pays for the employee, whether in unsubsidized or subsidized jobs. To determine eligibility, a standard deduction of 20% of gross earned income is disregarded, followed by a family deduction of \$200. Then, from the net amount of earned income, another 36% is disregarded in calculating the grant amount. If the family remains eligible and meets work requirements, an Earned Income Disregard Reimbursement (EIDR) is available in the first four years:

- For months 1-24, the EIDR will be the difference between the 20%, \$200 and 36% of the remainder disregard and a 100% disregard. This has the same effect as disregarding 100% of earned income in the first 24 months, but part of the disregard is received in the assistance grant, and the difference as a separate reimbursement. So SEE participants in the first two years on assistance receive both all of their wages and their full grant amount.
- From months 24-48, the disregard reimbursement will be the difference between the 36% and a 50% disregard.
- From months 49-60, the standard 36% disregard applies.

To help all clients who exit TANF with work within two years to become self-sufficient, Hawaii provides exit and retention bonuses at specified intervals during a consecutive 24-month period, if the client retains and documents employment for the specified hours per week noted below:

Average Hours of Work per Week	20 hours	30 hours	40 hours
Exit Bonus	\$500	\$700	\$1,000
3-month Retention Bonus	\$700	\$950	\$1,250
6-month Retention Bonus	\$1,000	\$1,250	\$1,500
1-year Job Retention Bonus	\$1,200	\$1,700	\$2,000
2-year Job Retention Bonus	<u>\$1,400</u>	<u>\$2,250</u>	<u>\$2,500</u>
Total over two years:	\$4,800	\$6,850	\$8,250

Active support from the Governor has been helpful in attracting for-profit employers to the program. As

of July 2008 323 SEE employers have listed over 950 open positions with the SEE program. Over 1,300 welfare recipients have participated in this program, of which 354 are currently in active SEE placements. Of the 1,021 SEE participants who have completed the program, 434 (42.5%) have secured full time unsubsidized employment, many of them for the first time in their life, and have exited TANF. The average starting wage is \$9.17 per hour.

Philadelphia@Work¹³ – Transitional Work Corporation (TWC)

Philadelphia @Work is a long-standing successful transitional work program that combines 25 hours a week of minimum wage paid work experience with non-profit or government employers, with intensive “professional development” and training add on services of 5 to 10 hours a week.

The program targets “hard-to-serve” TANF clients, defined as those who have received TANF for at least 2 years and haven’t succeeded in other programs; and those who “face other barriers to employment”.

After a two-week up-front orientation of 25 hours a week, the transitional job placement of 25 hours a week plus professional development period lasts for 4 months. During this period staff work closely with both the participants and their workplace supervisors, and visit the workplace site biweekly.

TWC then assists those who successfully complete the transitional placement to obtain an unsubsidized entry level position, with TWC acting as a “staffing agency” in performing this job finding function. Philadelphia@Work then provides retention services for up to 6 months. A retention bonus of up to \$800 is available to those who successfully complete the 6 months of unsubsidized work.

Although Philadelphia@Work is an expensive program, with an average cost per client of \$6,994, it is quite successful in placing those who complete the transitional job period in unsubsidized jobs that they retain for at least 6 months. As reported in 2002, 92% of transitional jobs completers obtained unsubsidized jobs and 62% of those placed in unsubsidized jobs retained them for at least 6 months. However, there is a considerable drop off from initial placement in transitional jobs; as reported in 2002 only 1,750 individuals were placed in unsubsidized jobs of the of 6,000 placed in transitional jobs. Philadelphia@Work was scheduled to serve 2,500 individuals in 2006 (per 2007 report).

Essex County, New Jersey

Essex County is pilot testing a Pay For Performance - Wage Subsidy Job Program Initiative.¹⁴ This pilot proposes to fund 150 Wage Subsidy jobs to test concepts on a limited basis before wider implementation. The effort comes out of New Jersey’s commitment to America’s Promise Alliance, the nation’s largest cross-sector alliance committed to improving outcomes for children and youth – with partners including the National Governors Association, United Way of America, National Conference of State Legislatures, American Association of School Administrators and US Conference of Mayors.

The pilot has two mutually supportive goals. Governor Corzine has made high school dropout prevention a high priority of his administration. This pilot will provide needed resources to Newark Public Schools (NPS) to help with that effort. It will also help serve another need by providing TANF recipients with a worthwhile job, developing skills and hopefully leading to an unsubsidized job. Because of the recession, Wage Subsidy jobs are a very attractive option for keeping welfare recipients engaged in activities that will eventually lead to self-sufficiency.

Wage Subsidy jobs are designed for participants who are work ready but who have had difficulty obtaining work in the competitive job market. The target population will be:

- Long-term TANF participants who are not engaged, who have health or other disability issues but who will likely never go on SSI.
- TANF participants who have not found employment after three months and are complying with their Community Work Experience program.
- Repeat TANF participants who have little or no work history.
- TANF parents under age 21 who dropped out of high school.

When a participant has been selected, Essex County in cooperation with Newark Public Schools will offer a Wage Subsidy Job to the participant, including a description and length of the job, duties, and the work site. If the participant accepts the Wage Subsidy job, the participant will be given an orientation to the program and assigned a case manager. If the participant refuses to accept the job, the TANF and food stamp case will be closed for failure to accept a bona fide job offer. The subsidized jobs will have a maximum of one year duration (with a possible one year extension). Because the jobs are transitional, the participants will receive more help, assistance, and mentoring than they would receive if they had just been hired off of the street by an employer. The jobs are similar to on the job training placements in that they can include training and other activities needed for the job.

The Wage Subsidy jobs will all be located in the Newark Public Schools system. They will not supplant any regular Newark Public Schools jobs. They will perform important tasks that support attendance tracking and truancy prevention, or the Benefit Eligibility Centers that are being established, or health literacy initiatives. While there is no formal obligation to hire these TANF participants into unsubsidized jobs, it is hoped that NPS and other employers in the community will hire them.

The funding for the wages will come from three sources: TANF grant diversion, food stamp wage supplementation and additional TANF funding if needed to ensure that each participant can work full-time at the minimum wage. The Wage Subsidy Jobs use a pay-for-performance model. The participant will be paid for hours worked (pay for performance) but not for hours missed, with holidays and excused absences allowed in accordance with the rules for Newark Public School employees. This eliminates the conciliation and sanction process used for TANF cash assistance recipients.

The program is meant to be a stepping stone for participants who are not making significant progress. The jobs are work, in a real job setting, allow participants to gain marketable skills and build a job history and offer the following:

- Participants receive child care, Medicaid/SCHIP and the other work supports and services available through the TANF WorkFirst New Jersey program and will be covered by Unemployment Insurance and Workers Compensation.
- Participants will be offered the option to receive the EITC on a monthly basis as a part of their wages.
- As with most jobs, participants will be better off financially than when they were receiving only TANF and Food Stamp benefits.

This pilot program takes advantage of multiple funding streams to create subsidized transitional jobs. It creates jobs that will provide program participants with meaningful work, targeted training for the jobs,

and marketable work experience. The jobs provide value and address growing unmet needs in the community. If successful, they will help Newark Public Schools to reduce the number of students who drop out of school. This type of model could be easily expanded in Essex County or in other states and localities to address other areas of unmet need or job demand.

A summary of the five programs by key program characteristics is included in Attachment A.

Additional Opportunities for Subsidized and Transitional Work

Utilization of Existing State Contractors

Most states and local governments utilize for-profit and not-for-profit vendors to provide regular government-related services such as child care, home health care, office cleaning and many others. These vendors can receive and employ subsidized wage participants with direction and oversight of the sponsoring agency.

The benefit of using existing state and local contractors is that agencies need not issue a new round of RFP's in order to take advantage of expansion opportunities. This is often an important consideration, especially in light of the need to spend 80% funds within the required time frames within the legislation.

Sectoral Employment

Another promising potential for additional jobs relates to so-called "sectoral employment" or targeted occupations. For example, the long-term care (LTC) occupations needed to care for the elderly, disabled and ill are expanding dramatically as baby-boom era adults age and with additional stimulus funding in the health area. There is currently a mismatch between supply and demand, which with effective coordination could be at least partially filled by TANF recipients. An assessment conducted by HHS' Assistant Secretary for Planning and Evaluation (ASPE), Office of Disability, Aging and Long-Term Care Policy in four states concluded that:

Our analysis supports the consideration of TANF recipients as a potential source of workers to meet the growing demands of the LTC industry. We find that just over half of the caseload in Illinois, 56 percent in Maryland, 58 percent in South Carolina, and 61 percent in the District of Columbia, meet the basic needs of LTC employment.¹⁵

The "greening" movement to use renewable energy and improve energy efficiency combined with efforts to rebuild America's infrastructure is another targeted area for partnerships and the development of subsidized employment. The ARRA invests substantial funds toward both of these efforts which will create much job growth in the immediate future. Human service agencies should coordinate their efforts to employ TANF clients with their appropriate counterparts to ensure clients are trained for and take advantage of this growth potential. Since much of this work will be contracted out, States should consider using their contract authority to ensure that successful bidders hire appropriately skilled TANF clients.

Temporary Employment Agencies

Another key model not illustrated in this paper is the use of temporary employment agencies as the subsidized employer of record. Indeed, this strategy may be the quickest way to take advantage of the 80 percent funding available under ARRA. “In recent years, important labor market changes have influenced the employment experiences of low-skilled and disadvantaged workers. One strong trend has been an increase in these workers’ participation in the Temporary Help Services (THS) employment sector.”¹⁶ Some research shows that the use of temporary agencies is an effective wage growth strategy for some:

*Our results show that, while temp workers have lower earnings than others while working at these agencies, their subsequent earnings are often higher – but only if they manage to gain stable work with other employers. Furthermore, the positive effects seem mostly to occur because those working from temp agencies gain access to higher-wage firms than do comparable low earners who do not work for temps. The positive effects we find seem to persist for up to six years beyond the period during which the temp employment occurred.*¹⁷

While most temporary agencies are operated by for-profit companies, alternative or special purpose staffing agencies that specialize in placing workers with barriers to employment are developing. Primarily non-profit, community-based organizations, these agencies offer job brokering services specifically for disadvantaged workers and provide more supportive services, such as transportation, job readiness and job coaching.¹⁸

Partnering with Vocational Rehabilitation

Also, the ARRA \$540 million increase in 100% federal funds available to expand vocational rehabilitation services offers new opportunities to partner with Vocational Rehabilitation agencies. The enhanced funding will increase their ability to provide training and job readiness assistance to TANF clients with disabilities. Working with the vocational rehabilitation agency, one could consider using the transitional work model to contract for and create sheltered workshops for TANF adults with disabilities that need closer supervision, guidance and direction to succeed in the workplace.

A tremendous resource in developing a new subsidized employment program is the National Transitional Jobs Network which contains descriptions of many programs and offers resources such as scopes of work that may be used to expedite development and implementation. See <http://www.transitionaljobs.net/default.htm>

Partnering with Departments of Labor Using ITA’s

Rules governing Individual Training Accounts permit multiple funding sources for the provision of these services. Where an individual is eligible to receive an ITA and is also TANF eligible, subsidized wages can be used to help fund ITA’s so long as rules governing these are followed. Using this method, states can avoid issuing new RFP’s for subsidized wage providers and work from existing or expanded registered ITA vendors.

Attachment A

Summary of Key Subsidized/Transitional Work Program Characteristics

Placements in non-profit (CBOs) or for-profit sectors

- Washington Community Jobs – most placements in non-profit sector
- Georgia GoodWorks! – unspecified as to non-profit or for-profit sector
- Hawaii SEE – all or almost all placements in for-profit sector
- Philadelphia@Work – non-profit or government placements
- Essex County, New Jersey – placements with the Newark public school system

Number of participants based on latest data found in available reports

- Washington Community Jobs – serves 2100 annually
- Georgia GoodWorks! – 700 participants
- Hawaii SEE – 354 in subsidized for-profit sector jobs; 950 open subsidized jobs developed and currently available for placement
- Philadelphia@Work – 2,500 participants
- Essex County, New Jersey – 150 individual pilot test at current time

Activities – work or work plus other activities, and number of hours

- Washington Community Jobs - 20 hours per week work, and 20 individualized barrier management (soft-skills training, mental health , substance abuse counseling, basic-skills training)
- Georgia GoodWorks!- in months 1-4, 20 hrs of work experience, and 20 hours of other skill building; 32 hours a week minimum wage for next 5 months; then subsidized employment for 3-6 months
- Hawaii SEE – minimum 24, all work, but if less than required hours to meet work participation, must have other activities
- Philadelphia@Work - work in non-profit or government agency for 25 hour a week “transitional jobs’ at minimum wage, and 5-10 hours “professional development training”; transitional jobs viewed as paid work experience
- Essex County, New Jersey – full-time work in Newark public school system

Time limit for subsidized position

- Washington Community Jobs – up to 6 months, with extensions to 9 months
- Georgia GoodWorks! – up to 6 months, but 2 prior stages could be 9 months
- Philadelphia@Work – transitional job lasts 4 months
- Hawaii SEE – up to one year, with extensions possible for an additional 6 months
- Essex County, New Jersey – up to one year with possible extension

Ongoing support provided during period of subsidy by state, vendor organization, or employer

- Washington Community Jobs – regular contacts with participants and their workplace supervisors and monthly workplace visits
- Georgia GoodWorks! –unspecified
- Hawaii SEE – regular contacts with participants; no formal requirement for contacts with supervisor or visits to workplace
- Philadelphia@Work – regular contracts with both the participants and their workplace supervisors, and biweekly workplace visits.

- Essex County, New Jersey – case management, mentoring; can include training and other activities

Support after completing subsidized work and/or transitioning to unsubsidized employment

- Washington Community Jobs – support services for up to 60 days after obtaining unsubsidized employment
- Georgia GoodWorks! – 6-month follow-up after subsidized work
- Hawaii SEE – support services continue during TANF tenure; transitional transportation, child care and, if necessary, CM continue after TANF ends. Also, exit and retention bonuses are available.
- Philadelphia@Work - retention services for up to 6 months; a retention bonus of up to \$800 is available to those who successfully complete the 6 months of unsubsidized work.
- Essex County, New Jersey – not specified

Operating entities

- Washington Community Jobs– multiple, mostly CBOs
- Georgia GoodWorks! - 35 local service providers
- Hawaii SEE – single contracted provider, currently CBO
- Philadelphia@Work – TWC partnership described as “integrated team management”
- Essex County, New Jersey – partnership of governmental and community-based organizations

Conditions for referral

- Washington Community Jobs– “hard to employ TANF recipients who have been unsuccessful in other WorkFirst activities”
- Georgia GoodWorks!- unspecified
- Hawaii SEE - unable to secure unsubsidized job and with no immediate prospects of unsubsidized job after 2 weeks of JRT/job search
- Philadelphia@Work - “hard-to-serve” TANF clients, defined as those who have received TANF for at least 2 years and haven’t succeeded in other programs; and those who “face other barriers to employment”
- Essex County, New Jersey – long term TANF who are hard to serve, TANF unsuccessful in finding jobs in 3 months, repeat on TANF with little work history, TANF parents under 21 without high school degree

Method of payment

- Washington Community Jobs– TANF dollars
- Georgia GoodWorks! – TANF funds, and in subsidized work phase TANF check is diverted to employer
- Hawaii SEE – TANF funds unrelated to TANF grants used for payments to employers; full minimum wage plus \$.50 for each dollar over minimum wage plus 14% for fringe costs. Clients receive regular salary from employer, and earnings subtracted in determining TANF grant.
- Philadelphia@Work – TANF dollars finance program; minimum wage to participants during transitional job period
- Essex County, New Jersey – TANF and Food Stamp grant plus supplement from TANF dollars if necessary to fund minimum wage position

Endnotes

¹ The American Recovery and Reinvestment Act (ARRA) of 2009 is available at:
http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf

² Kirby, Gretchen; Hill, Heather; Pavetti, LaDonna; Jacobson, Jon; Derr, Michelle K.; and Winston, Pamela. “Transitional Jobs: Stepping Stones to Unsubsidized Employment – Forrest City, AR; San Francisco, CA; Augusta, GA; Philadelphia, PA; Aberdeen, WA; Tacoma, WA”. Mathematica Policy Research, Inc., April 2002.

³ http://www.acf.hhs.gov/programs/ofs/data/2007/tanf_2007.html

⁴ <http://www.acf.hhs.gov/programs/ofa/particip/indexparticip.htm#2006>

⁵ Unless otherwise referenced, the description of Washington’s Community Jobs program is based on materials on the National Transitional Jobs Network and the Economic Opportunity Institute’s websites:
http://www.transitionaljobs.net/FindTJ/Pioneers_Community_Jobs_WA.html
http://www.econop.org/worker_advancement/worker_advancement.html

⁶ Klawitter, Marieko, Effects of WorkFirst Activities on Employment and Earnings. Seattle: U of Washington Press 2001.

⁷ Burchfield, Erin, “Community Jobs Program Moves People from Welfare to a Career Track: Outcomes Assessment Summary” Economic Opportunity Institute Blueprint., April 2002

⁸ Unless otherwise referenced, the Goodworks! description is based on materials at the Georgia GoodWorks! website at: <http://www.dol.state.ga.us/wp/goodworks.htm>

⁹ Derr, Michelle K., Pavetti, LaDonna, and KewalRamani, Angelina “Georgia GoodWorks !: Transitional Work and Intensive Support for TANF Recipients Nearing the Time Limit”, Mathematica Policy Research, Inc. December 2002.

¹⁰ Derr, Michelle K. and Pavetti, LaDonna, “Assisting TANF Recipients Living with Disabilities to Obtain and Maintain Employment: Creating Work Opportunities, Mathematica Policy Research, Inc., February 2008.

¹¹ Derr, Michelle K., Pavetti, LaDonna, and KewalRamani, Angelina “Georgia GoodWorks !: Transitional Work and Intensive Support for TANF Recipients Nearing the Time Limit”, Mathematica Policy Research, Inc. December 2002.

¹² The description of Hawaii’s SEE program is based on information in the following three DHS sites:
The Hawaii Supporting Employment Empowerment (SEE) program
<http://www.seehawaiiwork.org/>
Hawaii Engages New Employers in Welfare-to-Work (National Governors Association):
<http://hawaii.gov/dhs/self-sufficiency/benefit/Front%20and%20Center%20SEE.pdf>
Hawaii Department of Human Services Supporting Employment Empowerment:
http://hawaii.gov/dhs/self-sufficiency/benefit/SEEpgn/document_view

¹³ Data from Greenwald (Brookings), *Transitional Jobs: The Philadelphia Story*, July 2002; and Martinson & Holcomb (Urban Institute), *Innovative Employment Approaches and Program for Low-Income Families*, February 2007.

¹⁴ Description based on an unpublished paper by Paul Saeman and Mark Hoover

¹⁵ HHS, ASPE, Office of Disability, Aging and Long-Term Care Policy, “TANF Recipients As Potential Long-Term Care Workers” March 2005. http://aspe.hhs.gov/_/index.cfm

¹⁶ Hamersma, Sarah, Heinrich, Carolyn “Temporary Help Service Firm’s Use of Employer Tax Credits: Implications for Disadvantaged Workers’ Labor Market Outcomes,” Institute for Research on Poverty, February, 2008.

¹⁷ Andersson, Fredrik, Holzer, Harry, Lane, Julia, “Temporary Help Agencies and the Advancement Prospects of Low Earners” Institute for Research on Poverty, October 2007.

¹⁸ Martinson, Karin, and Holcomb, Pamela, “Innovative Employment Approaches and Programs for Low-Income Families” The Urban Institute, February 2007.