WELFARE TO WORK BLOCK GRANTS:
ARE THEY WORKING?

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The Brookings Institution Center on Urban and Metropolitan Policy would like to thank the Annie E. Casey and Charles Stewart Mott foundations for their support of the Center's research and policy work on the place-based nature of welfare reform and its implications for America's cities and low-income neighborhoods. The Center believes that welfare reform has the potential to link recipients to work, help families move toward self-sufficiency, and precipitate unprecedented levels of collaboration at all levels of government. The Center also believes that there are serious challenges to recipients' and cities' success under the new welfare system. To that end, the Center will issue a series of papers to identify these obstacles, the opportunities for reform, and possible policy solutions. This paper reviews the early implementation and effects of one program targeted at “hard-to-serve” welfare recipients in America's cities: the U.S. Department of Labor’s Welfare to Work grants.

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The federal Welfare to Work grant program is under consideration for reauthorization by Congress this fall. The program, enacted in 1997, provides $3 billion in grants to cities and states to help them employ "hard-to-serve" welfare recipients. This paper reviews the early implementation of the Welfare to Work (WTW) program in four cities: Chicago, Indianapolis, Philadelphia, and San Francisco. It is clear that the success of WTW will depend upon unprecedented levels of cooperation between two large systems - welfare and workforce - to carry out one small program, while each of these systems is independently undergoing systemic change. Despite this and other programmatic challenges, WTW has inspired innovative local responses to serving those with the deepest employment barriers. This paper draws from the early lessons of these four cities to offer recommendations and new considerations for the program's reauthorization.
WELFARE TO WORK BLOCK GRANTS: ARE THEY WORKING?

I. INTRODUCTION

The combination of the booming economy and the strict new welfare law passed in 1996 has led to dramatic welfare caseload declines—nationally, welfare rolls have dropped by more than one-third since January 1997. Despite the sharp drops in welfare caseloads, the real success of welfare reform will depend on the welfare recipients residing in America’s cities. A recent report from the Brookings Institution shows that urban welfare rolls are shrinking more slowly than statewide caseloads and that, as a result, cities have a disproportionate share of those remaining on the welfare rolls.1 Generally, the most capable and work-ready recipients have left welfare for the workforce, and many of those remaining on the rolls and facing time limits are the so-called “hard-to-serve,” who face serious barriers to work: illiteracy, mental or physical disabilities, drug problems, or a lack of work experience. Moreover, the report found that urban areas with higher levels of concentrated poverty tend to have higher concentrations of state welfare caseloads. To target resources to this challenging population and to the cities in which they tend to live, Congress created a $3 billion “Welfare to Work” grants program in 1997.

The Welfare to Work program was crafted to accomplish two goals. First, it provided states and localities with concentrated and flexible resources to serve welfare recipients with the greatest challenges to employment. These challenges range from low skills and poor work history to mental illness and drug abuse. Research shows that welfare recipients experience many of these problems more frequently than the general population. The National Longitudinal Survey of Youth (NLSY) estimated that more than half of welfare recipients experienced a serious form of at least one potential employment barrier (low basic skills, physical or mental disability). The NLSY also found that fully 65 percent of welfare recipients (compared with 22 percent of those not on welfare) performed at the bottom quartile of those who took the Armed Forces Qualifying Test—and 33 percent measured in the bottom decile, that is, 3rd or 4th grade level. Various studies have also found that welfare recipients’ rates of drug and alcohol abuse were consistently twice as high as rates in the general population. At least 50 percent of AFDC recipients had experienced domestic violence, according to several studies.2 When individuals face multiple challenges to employment, traditional job training programs may not suffice. The WTW program, its creators hoped, would bring additional resources and specialized services to this subset of welfare recipients.

Second, WTW gave the Department of Labor and local elected officials a greater role in welfare reform efforts. The main welfare program, the Temporary Assistance to Needy Families Block Grant (TANF) and other associated programs (i.e., Child Care Block Grants) are administered by the U.S. Department of Health and Human Services, which in turn gives direct policy making and administrative responsibilities to the states. Some states choose to further devolve those responsibilities to counties. By contrast, the Welfare to Work program is administered by the U.S. Department of Labor, which relies on local Private Industry Councils (PICs) or Workforce Investment Boards, whose members are appointed by mayors.

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This paper reviews the early implementation and effects of the Welfare to Work (WTW) program in America's cities. This review is particularly timely in light of the proposed reauthorization of WTW, which is now pending in Congress. The Clinton Administration has proposed an additional $1 billion for the program in FY 2000 as well as several important program modifications.

With many local programs still working out operational issues between welfare and workforce systems, it is somewhat premature to undertake a rigorous program review. Many states did not receive their first WTW funds until the last quarter of fiscal year 1998, and thus have had less than a full year to implement their programs. However, the timely implementation of WTW programs is critical for two reasons. First, welfare recipients are under strict federally imposed lifetime limits on their receipt of welfare benefits. Second, the law requires funds to be spent in three years or be returned to the Treasury, unlike state TANF surpluses which may be reserved for future use.

This review will focus on four key questions:

- **Innovations**: What kinds of program innovations are being developed and implemented in the Welfare to Work program, and how well are these new programs assisting the hard-to-serve?

- **Challenges**: What kinds of challenges have arisen locally in the early implementation experience?

- **Metropolitan Focus**: To what extent are urban Welfare to Work programs focusing on connecting hard-to-serve welfare recipients with jobs throughout their larger metropolitan areas?

- **Reauthorization**: Based on early implementation experience, what WTW reforms should be made during the reauthorization process?

In addition to focusing on the legislative questions at hand, this paper will also explore some of the longer-term questions associated with the challenge of providing services to large concentrations of hard-to-serve recipients in urban areas. Following hard upon the reauthorization of WTW this year is the reauthorization of welfare reform in 2002. It will be important to understand the implications and interactions between WTW, TANF and the Workforce Investment Act of 1998 (or WIA, which consolidated and reformed most of the nation’s job training programs) and to know which programs are most effectively serving the remaining welfare population when the TANF program is reauthorized.

This review was conducted by visiting program administrators and their contractors in four large cities: Chicago, Indianapolis, Philadelphia, and San Francisco. In addition, the author interviewed numerous officials in federal government agencies and a variety of national and state organizations that are closely monitoring WTW activities. This paper will first provide some background and context for the WTW program, followed by a brief description of the early implementation activities in each of the four cities. It will then present the findings for each key research question. Finally, the paper will provide some concluding comments.
Background on the DOL Welfare to Work Program

The Welfare to Work program was created to provide $3 billion – $1.5 billion in federal FY 1998 and $1.5 billion in FY 1999 – in flexible resources to help the hardest-to-serve welfare recipients move into the workforce. Funds for performance bonuses ($100 million), Native American programs ($30 million), and evaluation ($24 million) are taken off the top of the total allocation. Three-quarters of the remaining funds are allocated to states by formula and the remaining quarter is allocated competitively by DOL directly to local communities and other local and national organizations.

Funds are allocated to states based on the state’s share of the total national poverty population and the number of adults receiving TANF. States are required to pass through 85 percent of the funds they receive to local Job Training Partnership Act (JTPA) service delivery areas (SDAs) administered by Private Industry Councils – or local Workforce Investment Boards, their successor institutions under WIA. States may use the remaining 15 percent of formula-allocated funds to support administrative costs and other welfare-to-work projects. Before receiving federal funds, each state must submit a plan for how the money will be used and provide matching funds at the rate of $1 for every $2 of federal funds. Up to 50 percent of matching funds may be “in-kind” (i.e., a contribution of supplies, equipment, or training slots) rather than cash. States are required to provide the matching funds themselves; they cannot demand that funding be provided by their local sub-grantees.

The remaining 25 percent of WTW monies are allocated competitively to PICs, local governments, and a diverse array of non-profit and for-profit entities that propose innovative and effective strategies for moving hard-to-serve welfare recipients into work. Roughly 70 percent of the competitive grants will be allocated to urban areas, with the remaining 30 percent funding projects in poor rural areas. DOL awarded grants to 51 entities in May 1998 and to 75 entities in November 1998. The third and final round of grants will be awarded in the late summer or fall of 1999.

Both formula and competitive funds must serve the same population and may be utilized for the same broad array of eligible activities.

Participant Eligibility. At least 70 percent of funds must be used to serve TANF recipients who are long-term welfare recipients (have received assistance for more than 30 months) or are within one year of reaching a TANF time limit and who also have two of three specified labor market deficiencies: lack of high school diploma or GED and low reading or math skills, substance abuse problems, or a poor work history. These so-called “70 percent” funds can also be used to serve non-custodial parents who face two of the three specified labor market deficiencies, if the child or the child’s custodial parent is a long-term welfare recipient or is within a year of reaching a TANF time limit. The remaining 30 percent of funds can be used to serve individuals who are currently receiving TANF and who may be at risk of long-term welfare dependence, including individuals who have dropped out of school, are pregnant teens, or have poor work histories.

Eligible Uses of WTW Funds. Funds may be used for a broad range of work-related activities. WTW funds can be used for job preparation activities including job readiness and job placement. They can be used to fund job creation activities, including wage subsidies for public or private sector jobs, work experience or on-the-job training slots. WTW funds can pay for supportive services like transportation and childcare services if they are not otherwise available. And

3 The Department of Labor Welfare to Work Office’s web site, www.wtw.doleta.gov, has more detailed information about these grants.
WTW can fund post-employment services, including job retention, post-employment education, training and career advancement activities.

There are three noteworthy features of the existing law. First, WTW funds cannot cover the costs of pre-employment (or “stand-alone”) education or training, such as basic education, English as a second language, vocational training or other job skills training, for WTW recipients. WTW resources can be used for these traditional kinds of activities only after participants are working.

The second key feature of WTW funds is that people who receive them do not count as “receiving assistance” under TANF, and thus do not use up any of their 60-month federal TANF time limit. The third unique feature of the WTW program is its emphasis on non-custodial parents. The WTW program is the first program to make significant federal resources available to serve non-custodial parents, primarily, though not always, fathers. Many states and localities have begun to use WTW funds for this purpose. The Clinton Administration’s reauthorization proposals would make this population an even higher priority by requiring that 20 percent of state formula funds be used to serve non-custodial parents.

Policy Context for Implementation

The Welfare to Work program has required unprecedented levels of cooperation between welfare and workforce systems while these systems are being radically overhauled. At minimum, the WTW program coordinates with the welfare office to verify that individual participants meet the welfare-related criteria (on assistance for 30 months or within 12 months of TANF time limit) for participation in WTW. In addition, most local WTW programs have been designed under the assumption that welfare offices would refer participants who met welfare-related criteria to WTW service providers.

Enactment of the federal welfare reform law has required state welfare programs to shift from an emphasis on income maintenance towards a shorter-term effort to get welfare recipients into jobs. This has substantially changed the design of state welfare programs and the role and functions of most staff. A number of states are now contracting out some functions that they have traditionally provided. The role of frontline caseworkers has largely been transformed from financial eligibility evaluator to employment specialist. It appears that many state- and county-run welfare offices are providing recipients with the same kinds of services that are being provided by the workforce-housed WTW program, blurring the line between welfare and workforce.

Adding to the confusion, the workforce or employment training system is also currently in a state of flux because of the new strictures of the Workforce Investment Act (WIA) of 1998. This law requires local officials to establish new workforce investment boards or WIBs, which then create local plans that must be approved by each state’s Governor. Each local area is also required to establish a one-stop delivery system through which core employment services like assessment and placement assistance are provided. Like its predecessor, the Job Training Partnership Act, WIA establishes a performance accountability system for states and local areas to ensure that training activities are closely tied to the placement of recipients in jobs.
The Welfare to Work program represents a relatively small portion of the federal resources for both the welfare and workforce systems. WTW’s $1.5 billion FY 1999 allocation is less than one-tenth of the $16 billion authorized for the TANF block grant and less than one-half of the $3 billion available for WIA programs. *Thus the challenge of successfully implementing WTW is immense: quickly forging unprecedented levels of cooperation between two huge systems around one small program, when each of these systems is independently undergoing large-scale systemic change.*
II. The Local Implementation of Welfare to Work

This paper examines the experience of four cities in implementing the Welfare-to-Work grant program: Chicago, Indianapolis, Philadelphia and San Francisco. While no sample of four cities will be truly representative of the national experience, these cities provide diversity in geography and in current economic performance; and in three of the four cities, the Mayor and the Governor are aligned with different political parties. Finally, the sites were selected to include an array of WTW programs, including some that were well along in their implementation and some that had been slow to get off the ground.

It is worth noting that this study did not attempt to understand important issues of the administrative governance in the Welfare to Work program, though it is a significant area that future research should address. For example, eight states opted out of the program altogether—Idaho, Mississippi, Ohio, South Dakota, Utah, and Wyoming in both 1998 and 1999; and Arizona and North Dakota in 1999. These states have chosen not to participate in the state formula program (although organizations within these states may apply for and receive competitive grants), thus making it impossible for the large cities in those states to benefit from the program’s formula-allocated resources. Also, in a number of states, including Indiana, localities have contributed some or all of the federally required matching funds for the WTW program. On its face, this conflicts with the statutory requirement that the state provide the matching funds and imposes a substantial additional burden on local workforce systems.

Another issue not explored in this paper is the extent of big-city mayors’ control over the WTW program. Because mayors generally appoint PIC members, PIC administration of WTW gives big-city mayors and other local officials a role in crafting programs for hard-to-serve welfare recipients in their jurisdictions, and the attendant responsibility for the success of those programs. However, in some locales, such as Los Angeles, there are multiple PICs, each of which serves limited portions of the region. In these jurisdictions, it is not clear that the large-city mayor has the degree of control over program resources that the Congress may have initially intended. However, each of the four jurisdictions included in this study had only one PIC within their cities.

This paper analyzes how these four cities have used their share of their respective states’ WTW funds. Additionally, all four cities’ WTW programs have received grants under the WTW competitive grant program. The Department of Labor has also made two competitive grants to organizations that are not affiliated with the primary Philadelphia WTW program and four competitive grants to local organizations in Chicago. Where the activities of the competitive grants have been woven into a city’s program, they are included in this review. Where those grantees have established independent operations, they are outside the boundaries of this study.

Chicago

The city of Chicago administers its $26 million WTW formula allocation and $3 million competitive grant through the Mayor’s Office of Workforce Development. The city contracts with 11 different agencies to provide welfare to work services to eligible individuals. In addition, the city’s competitive grant involves a partnership with the Chicago Transit Authority and PACE, the suburban public transit provider, creating transit linkages to the outlying suburbs. Under this grant, Chicago WTW participants receive 6 months of fully subsidized transportation assistance on existing public transit routes. This grant also creates van pools for areas that are not accessible via standard public transportation routes.
Chicago’s WTW programs rely primarily on participant referrals from the local welfare offices, administered by the state Department of Human Services. Several of the service providers are community-based organizations or are providing other services in low-income communities and draw participants directly from the neighborhoods in which they work as well. Some of Chicago’s providers are large corporate employers. For instance, First National Bank of Chicago, in partnership with 6 community-based organizations, is training welfare recipients for jobs in its bank operations; Hyatt Hotels has joined with Pyramid Partnership, Inc, a training provider, to train participants for full-time jobs in hotel operations.

As of early August 1999, the city of Chicago’s WTW programs had enrolled approximately 4,000 individuals and placed approximately 2,000 of those in jobs. According to the Illinois Department of Human Services, there were approximately 62,500 TANF recipients in the city of Chicago in July 1999, down from a peak of more than 147,000. Of these 62,500, nearly half (45.7 percent) are working but are still receiving TANF benefits, while only 7,500 of the remainder are not currently enrolled in some welfare to work program, either in a TANF- or WTW-funded program.

The unemployment rate in the city of Chicago was 5.3 percent in May 1999, substantially higher than the 3.9 percent rate for the entire Chicago metropolitan area.

Indianapolis

The city of Indianapolis received a $2.5 million formula allocation from the state in July 1998 and began WTW operations in November 1998. The four-month delay occurred because, in the state of Indiana, the localities provided the federally-required matching funds and Indianapolis required some time to put together its match. The city also received a $5 million WTW competitive grant from DOL.

The city is contracting with two agencies to administer its formula grants; one is a for-profit service provider (TTI of Indiana, Inc.) and the other a non-profit provider (Goodwill Industries). The city has or is negotiating contracts with 7 other agencies under the competitive grant program, three of which will run programs for non-custodial parents.

As of late May, there were 38 participants enrolled in WTW programs under Indianapolis’ formula grant and 10 participants who had been placed. There were also 29 participants enrolled and three placements under the competitive grant program. At the same time, there were approximately 6,000 households receiving TANF in Indianapolis; of these, PIC officials estimate that fewer than 1,000 would be eligible for WTW program services.

The economy in Indianapolis is flourishing, and the city had an unemployment rate in May 1999 of 2.6 percent.

Because of its slow start and very low enrollments, Indianapolis’ WTW receives close oversight from DOL officials.
Philadelphia

Philadelphia received $25.2 million in WTW formula funds from the state of Pennsylvania and a $4.3 million WTW competitive grant from DOL. The Philadelphia WTW grants are administered by the Philadelphia Private Industry Council, with the strong support of the Mayor. Philadelphia’s WTW program, called Greater Philadelphia Works (GPW), consists of seven regional service centers which serve as the “hubs” for information, case management, and service referrals for recipients; a program for teen parents; a program for non-custodial parents; and Philadelphia@Work, a six-month transitional work program. Philadelphia@Work is an innovative and unusual partnership between the city, state, and the Pew Charitable Trusts, and comprises a significant part of Philadelphia’s welfare to work effort, with almost a third of the budget and 20 percent of the placement capacity.

Philadelphia has hired five contractors – two for-profit and three non-profit – to administer their seven regional service centers. While the contractors are different, GPW has developed a standardized operations manual that each contractor is supposed to follow. Each service center works with a few local welfare offices and stations employees in those locations to smooth the WTW enrollment process for participants. Each service center provides a full continuum of services including assessment, job readiness, job placement assistance, referral to supportive services, career counseling and job retention services for one year following employment. Each service center also has job developers to recruit employers and find job opportunities within their designated geographical boundaries.

GPW has developed a program that offers services to employers hiring GPW participants, as an added incentive to hire GPW participants. GPW provides employers with a professional accounting firm to help employers fill out necessary paperwork for claiming Federal and State tax credits that are available for employers who hire welfare recipients.

As of early July 1999, GPW has 6,666 enrollees and has placed 2,319 in jobs. There were approximately 52,400 TANF recipients in the city of Philadelphia. The economy in Philadelphia has shown substantial improvement in recent years, but the unemployment rate in the city of Philadelphia in April 1999 was 5.4 percent, still far higher than the 3.8 percent in the remainder of the Philadelphia metropolitan area.

San Francisco

San Francisco began welfare to work programs with state and city funds before funds from Department of Labor’s WTW program were available. DOL has provided San Francisco with $2 million in WTW formula funds and a first-round competitive grant award of $4.2 million. The San Francisco Private Industry Council, in very close cooperation with the San Francisco Department of Human Services, administers these funds.

San Francisco has a unique philosophy for serving welfare to work participants. Rather than utilizing a work-first philosophy for all TANF recipients, the San Francisco Department of Human Services has implemented a hybrid system that places participants onto different tracks depending on their experience in the labor market. Those with little work experience are placed into a work-first track. Those participants who already have some work experience may be placed in programs that provide hard skills training, under the assumption that more work experience alone will do little to provide those participants with the kinds of jobs that will enable them to be economically self-sufficient.
The San Francisco PIC has experienced substantial delays in the initiation of contracts under its formula grant due to a disagreement with both state and federal officials over certain program definitions. Hence, the first contracts under this grant were executed in June 1999. The PIC intends to award contracts to three community-based organizations, allocated on a geographical basis under its formula allocation.

The PIC competitive grant has three components: retention services to help recipients keep their jobs, a wage-based community service pilot program, and a construction careers advancement program. The PIC has five contracts in place to provide retention services, two of which will provide “stand-alone” retention services to participants finding employment through other program providers.

As of May 1999, San Francisco had a relatively modest TANF caseload of approximately 7,000. Moreover, fully 70 percent of the SF TANF caseload (or 5,000 people) was working, but at wages so low that they continued to receive TANF benefits. As of late May, San Francisco had approximately 82 individuals enrolled under its WTW competitive grant, and 10 enrollees under its formula allocation. The San Francisco economy is very hot, with many employers desperately seeking job-ready employees. The unemployment rate in the city of San Francisco in May 1999 was 2.9 percent.

### Key Data on WTW Programs

<table>
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<tr>
<th>City</th>
<th>TANF Caseload</th>
<th>WTW Enrollment</th>
<th>WTW Placements</th>
<th>City Poverty Rate, 1995</th>
<th>City Unemployment Rate, May 1999</th>
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<td>92</td>
<td>20</td>
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</tbody>
</table>
III. Key Findings

These four cities paint quite an uneven picture of the implementation of the Welfare to Work programs in American cities. Two of the four cities – Chicago and Philadelphia – are now enrolling substantial numbers of participants in their programs and placing significant numbers of those participants in jobs. These were the largest cities examined both in terms of population and in TANF caseloads. The start-up phase in the other two locales – San Francisco and Indianapolis – has been much more problematic. In both of these cases, enrollments have been well below the levels anticipated and program contractors have had too few enrollees to assess the effectiveness of their program models or make refinements.

From the site visits, it was also clear that the implementation of the WTW program was still evolving. In San Francisco, administrators were still negotiating or had just recently completed negotiations with DOL staff over interpretations of DOL regulations. In each of the cities, program administrators and contractors were experimenting to determine effective methods for providing job retention services and were struggling to develop mechanisms for providing post-employment education and training services. Clearly this program will continue to evolve as agencies gain more experience in coordinating their efforts and relationships mature.

The following discussion highlights: (1) the key innovations that emerged from these four cities; (2) the administrative and programmatic challenges that these cities faced; and (3) the ways that the four jurisdictions grappled with the “spatial mismatch” between urban welfare recipients and suburban jobs.

Innovations

The workforce development system has historically served relatively advantaged populations, such as displaced and incumbent workers with strong attachments to the labor force. The workforce system thus has had little experience with the WTW target population, a group with serious and often multiple barriers to employment. Moreover, the statutory guidelines for the WTW program provide greater flexibility in design and operations than previous job training/job placement programs. It is not surprising, then, that the WTW program is a fertile ground for substantial program innovation. In the four cities visited, a number of innovative program design elements were evident. Important areas of innovation are discussed below.

1. Integrated Service Delivery. The first year of operations yielded mixed results but widespread interest in innovative strategies to facilitate cross-system collaboration and eliminate bureaucratic barriers to efficient, uniform and streamlined service delivery.

- Philadelphia’s program stood out for its effort to craft an integrated system for its eligible population. Philadelphia has created a program that ensures that a recipient has a standard array of services regardless of where they live. An exhaustive operations manual standardizes procedures for each of the 7 operators of its regional service centers. Each regional service center provides standardized job readiness, job development, and job placement services and supportive service referrals. Philadelphia has created special initiatives to enhance literacy, stimulate the supply of off-hour child-care, provide comprehensive and seamless supportive
services, and serve homeless, teen parent and other “special needs” TANF recipients. Philadelphia also has aggressively courted partnerships with employers, as well as other service providers in the community.

- Chicago has also incorporated an integrated approach to services, encouraging and sometimes mandating providers to connect TANF recipients to a wide range of partners including employers, substance abuse specialists, housing providers, mental health providers, and other supportive service organizations.

- In contrast, in its first year operations, San Francisco invested little effort to create an integrated network of programs; the program was the product of standard, self-contained contracting requests. However, San Francisco appeared to be taking steps to fund more innovative designs, particularly in the area of post-employment services, in the second year of the Welfare to Work contracts.

- Indianapolis was also frustrated by the slow pace of coordinating the welfare and workforce systems. The principal challenge, as Indianapolis PIC officials see it, is helping welfare officials and front-line staff understand the potential for coordinating WTW resources with transitional services under TANF. Indianapolis is making serious attempts to foster this relationship between service providers, housing a TANF case management unit within the local workforce One-Stop office at Goodwill Industries and including specific WTW coordination language in recent TANF requests for proposals for job readiness services.

2. **Marketing and Outreach.** Early difficulties in coordinating referrals from welfare offices to WTW programs led to a number of innovative and aggressive efforts to identify and attract eligible program participants.

- In Philadelphia, the city has undertaken a multi-media advertising campaign targeted at both TANF recipients (encouraging them to participate in Greater Philadelphia Works) and employers (encouraging them to hire TANF recipients). The print, broadcast, and direct mail campaign has received substantial financial support from local corporations as well as pro bono support from a local advertising agency. The Greater Philadelphia Works hotline has received numerous calls from employers. In addition, the high visibility of the campaign and its positive messages about placing welfare recipients into jobs has generated substantial client demand for GPW services. A large number of TANF recipients arrive at the local welfare offices and ask to participate in the Greater Philadelphia Works program specifically, as opposed to other welfare-to-work options that are available in the Philadelphia area.

Furthermore, Philadelphia instructs each of its Regional Service Centers to conduct formal outreach activities, including open houses and job fairs, frequent and systematic postings at and communication with community and recreation centers, public housing facilities and churches, and targeted outreach to public housing developments. Philadelphia has also targeted special outreach efforts to TANF recipients who are living in city or HUD-supported homeless shelters or transitional housing facilities, and trained a corps of case managers to deal with this population.
In Indianapolis, after a slow start, contractors realized that relying on referrals from local welfare offices was insufficient, and that much more aggressive outreach efforts would be necessary. One formula grant contractor has initiated a program to provide cash payments to agencies (i.e., the local public housing authority, social service providers) that refer eligible participants to their program. Another competitive grant contractor indicated that her staff now regularly recruits participants by visiting community meetings, recreation facilities, liquor stores, check-cashing facilities and canvassing door-to-door in public and assisted housing developments and other low-income neighborhoods.

During one recruitment episode in Indianapolis, the outreach worker asked a security guard where everyone in the public housing block was, since nobody was answering the door. He pointed across the street to a run-down building. The worker went in and found a roomful of men and women, drinking and passing time in the middle of the day. The worker asked if anybody was interested in a job. After their initial sense of shock and disbelief over someone entering their “turf,” nearly all of them expressed an interest and took her card. Indianapolis contractors and officials believe that it is this sort of bold and unconventional approach that will most likely reach the hardest-to-serve.

In addition to traditional referral methods, Chicago is relying on a decentralized process of “reverse referrals.” Partner organizations notify the WTW office about clients who come to them independently for services, and refer the client to the WTW office, so that she (or, less frequently, he) may be redirected back to the service provider through the WTW program. The WTW program thus gets its referrals from the same organizations that will ultimately provide the client services: Head Start programs, domestic violence centers, health clinics, and other service providers.

Not all cities and contractors have adopted aggressive outreach efforts. In San Francisco, for example, welfare officials explicitly discouraged WTW providers from conducting their own outreach efforts. They feared that such efforts would result in greater confusion for program participants and an unfair allocation of participants to WTW contractors.

3. Post-Employment Services. The most consistently-mentioned innovation in the four cities studied is the inclusion of some post-employment services for the purposes of job retention, second and third job placement, and, albeit to a much lesser extent, post-employment supplemental education and training services. The typical WTW program in the four cities visited initially provides some job readiness training, job search/job placement assistance and some degree of post-employment services, though the magnitude of those services varies dramatically.

Program officials and contractors were clearly still developing their delivery of post-employment services. In Philadelphia, post-placement services are currently available, yet one contractor acknowledged that these services were the most significant challenge for his case managers. Contacting participants after they had taken jobs was a new activity for most welfare and employment offices, and case managers were not making it their top priority. He also noted that some participants did not appreciate the potential benefits of post-employment services and preferred to be free of their case manager’s continued intervention.
San Francisco adopted a unique approach to the provision of retention services. Under its competitive grant program, the PIC contracted with two agencies to provide stand-alone post-employment services, that is, services to TANF recipients who had not participated in other WTW programs administered by that contractor. Both contractors expressed some doubt about whether this model would be effective, since both emphasized that the key dimension for providing effective job retention services was the depth of the individual relationships established prior to placement in a job. Some limited early experience with this model had shown that participants who did not have a relationship with the retention service provider were less willing to take advantage of the services they could provide, particularly in mediating conflicts with employers.

Three of the four sites visited expressed a desire to develop more ambitious post-employment education and training initiatives. Chicago's pending request for proposal (RFP) for the second year of program operations requires contractors to allocate 20 percent of funding to post-employment education and training services or other long-term job retention activities. In San Francisco, contractors and program officials also indicated their intent to develop more post-employment career advancement options. Officials in Philadelphia were developing a system to provide education or training vouchers to participants who held their jobs for a fixed period of time.

4. Programs for Non-Custodial Parents. An important innovation in all four of the cities was the introduction of programs targeted at non-custodial parents, usually, though not always, fathers. The WTW program is the first large-scale federal program to make non-custodial parents a priority. Such programs are intended to help non-custodial fathers find jobs and increase their incomes, thus enhancing the fathers' ability to financially support their children and play a more active role in their families.

Nationwide, there were 3.4 million non-custodial fathers with incomes below 200 percent of poverty in 1990. This is a population that has substantial barriers to employment and very weak attachment to the labor force. For instance, 43 percent of these individuals are high school dropouts; 29 percent were unemployed or not in the labor force; less than one-third worked on a full-time, year round basis; at least three-fourths of these fathers have been arrested or have on-going involvement with the legal system (such as parole); 46 percent have been convicted of a crime; and average wages for employed non-custodial fathers were only slightly above the minimum wage.

All of the sites were struggling to recruit non-custodial parents into their programs. Program officials indicated that they and their contractors had little experience in recruiting this population and that few formal referral channels were available to attract fathers into these kinds of programs. Most places intended to work with courts or child support enforcement agencies to get referrals of fathers who failed to pay child support claims. Another potentially promising recruiting target was prison facilities. In Indianapolis, several agencies intended to work with inmates before they were released to interest them in program services and then to work closely with the parole offices once ex-offenders were released.

5. Wage-Based Community Service/Supported Work Jobs. Three of the four sites had introduced wage-based transitional work or community service employment programs. These programs focus on the least job-ready clients and provide them an opportunity to work for wages in a transitional setting as preparation for mainstream employment. These

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jobs provide regular paychecks and allow clients to benefit from the federal Earned Income Tax Credit, which can substantially enhance their net income. In addition, these programs typically provide comprehensive supportive services, including childcare, education and training, and transportation assistance.

- **Philadelphia@Work.** Officially known as The Transitional Work Corporation, Philadelphia@Work is designed to allow the hardest-to-serve welfare recipients to transition into the mainstream workforce by working 25 hours per week at a transitional job in a public, private, or non-profit work site and receiving 10 hours of training per week in life skills, literacy, adult basic education/ GED, and computer skills. The target population for this program is typical for WTW efforts: those with little work experience, low education, low skills and who are assessed as unable to work without some prior supported work experience.

Each participant in the program has a job coach and a co-worker not in the program who serves as an on-the-job mentor. The client is paid the minimum wage of $5.15 per hour, with the Transitional Work Corporation serving as the employer of record. Clients also receive a monthly transportation allowance, a one-time clothing allowance and a special child care allowance if needed. Once a participant is assessed to be job-ready, she receives job placement services from one of the regional service centers. Participants receive cash bonuses for moving into unsubsidized work, either before or after their 6 months of temporary work is complete: $400 for finding a job of at least 30 hours per week, and $200 bonuses for retention of 60 and 120 days of continuous employment.

As of early May 1999, the program had enrolled approximately 900 participants and placed 511 into unsubsidized jobs. The program is projected to serve up to 1,500 participants per year for two years.

- **San Francisco’s Wage-Based Community Service Pilot.** San Francisco has initiated a limited wage-based community service jobs program for individuals who are deemed the most difficult to employ. The target population has multiple barriers to employment, including little labor force experience, limited education and few to no job skills. This population is projected to have the most difficulty finding a job after 18-24 months (the California TANF program requires all participants to work or perform community service after this period). The program is intended to give participants work experience along with training, mentoring and job market preparation that will allow them to find unsubsidized jobs.

Participants work at least 20 hours per week in a public or non-profit organization, with the SF Private Industry Council (PIC) acting as the employer of record. Positions are temporary (on average, 6 months) and do not displace any permanent employees (as required by federal law). Wages are set at the minimum wage and are paid from a combination of sources: diversion of what would otherwise be the participant’s monthly TANF grants, and an additional wage subsidy covered by San Francisco’s WTW competitive grant. Participants are eligible for the federal Earned Income Tax Credit. Participants also receive some on-the-job training, mentoring from a regular employee, and permanent job placement assistance.
In mid-May 1999, the program had 30 participants on the PIC payroll, and hopes to serve to 200 participants over two years. The San Francisco pilot has received substantial financial support from private foundations and is submitting itself to an independent evaluation.

Challenges

While site visits and city program administrators identified a number of potentially promising innovations in program design and administration, they also identified a number of areas that limited their success during the early implementation period. The program challenges fall into two distinct categories: administrative and programmatic.

1. Administrative Challenges

Lack of Inter-System Coordination. The most frequently cited administrative challenge was coordinating relationships and procedures between welfare and workforce offices. The coordination requires an inter-system collaboration between the welfare and workforce systems, as well as coordination between two different levels of government, as welfare systems are typically administered by the state, and WTW programs administered by city agencies and PICs. In places where the city and state are politically at odds, this tension - and the potential for conflict - may be exacerbated. This problem was most evident in the lack of welfare office referrals to WTW programs.

Because the state-administered welfare office is the primary reservoir of recipients needing referrals, a general unwillingness on the part of case managers to make referrals to WTW programs can cripple WTW efforts. In some cases, welfare case managers refer recipients to TANF-funded programs providing services similar to the WTW programs, rather than those administered by the PIC. In San Francisco and Indianapolis, program administrators and contractors repeatedly cited the difficulty in getting referrals of eligible participants. In these two cities, virtually all WTW contractors were operating at well below their projected levels of capacity and mostly blamed the lack of referrals from the welfare office.

In addition to referrals, WTW program administrators had to rely on welfare offices for verification of the long-term welfare receipt, and thus eligibility for WTW services, and had to work with these state offices to establish other procedures to ensure that participants received supportive services provided through TANF, such as child care referrals and transportation subsidies.

Places that seemed to have good working relationships between welfare and WTW programs had devoted substantial time and effort to devising effective systems for coordinating the two programs. The highest level administrators, caseworkers, and service providers had to communicate with their counterparts and with each other extensively. The experience in the four cities varied widely. In San Francisco, there appeared to be close working relationships between the senior staff of the PIC and the City/County Department of Human Services from the outset. Senior program officials developed the program design jointly and continue to meet regularly to fix problems as they arise. In Philadelphia and Chicago, significant early problems and differences appeared to be overcome and the two systems were relatively well-coordinated. In Philadelphia, for example, specific roles and responsibilities were detailed in the program operations manual and Greater Philadelphia Works staff were stationed in county welfare offices. Finally, the Indianapolis PIC appeared to have serious problems coordinating with the welfare offices. Verification of welfare-related eligibility regularly
took several weeks to a month. PIC officials indicated that WTW was not a sufficient priority for welfare administrators or caseworkers.

**Low Referrals and Enrollment.** There are other reasons why referrals to WTW do not occur. TANF caseworkers may have a difficult time staying abreast of a wide array of different program options. There are also administrative pressures for TANF caseworkers to spend TANF funds before referring recipients to programs administered by other agencies. Perhaps most importantly, in some locales, participation in WTW programs does not count towards meeting the state’s TANF work participation requirements, while TANF-administered programs often do. In these instances, *participation in a WTW program could leave the recipient without a TANF benefit check.*

It should be noted that other factors in addition to the lack of referrals are clearly contributing to the difficulty WTW programs are having in finding and enrolling eligible participants. These include:

- **Narrow Eligibility Rules.** A number of program administrators indicated that the criteria for the 70 percent category of enrollees, requiring participants to display 2 of 3 labor market deficiencies, limited the pool of TANF recipients who were eligible. Of particular concern were the many TANF recipients who had a high school diploma or a GED, but still displayed extremely poor math and reading skills. Officials in San Francisco reported that fully one half of the 6,000 households remaining on the welfare rolls were already employed, yet earning wages so low that they still qualified for TANF benefits. These working households would likely not meet the “poor work history” criterion, and thus would be less likely to be eligible for WTW services. The eligibility rules for the 70 percent category are substantially loosened under the proposed reauthorization.

- **Sharp Reductions in TANF Caseloads.** Many program officials noted that the pool of eligible participants had been reduced with the dramatic declines in overall TANF caseloads.

- **Duplicative Program Efforts.** All cities seemed to have a multitude of contractors and programs seeking to provide or providing welfare to work services. The sheer number of options may be overwhelming for caseworkers and clients alike. This will be discussed in more detail below.

**Burdensome Reporting Requirements.** The other near universal concern expressed by WTW contractors were the heavy and changing reporting requirements for the program. These reporting requirements are made more cumbersome by the need for interaction between welfare and workforce agencies. DOL has been attentive to these concerns and has already modified certain reporting requirements. Some program operators were less concerned about the overall amount of reporting and more concerned about how frequently the reporting requirements were changing. These contractors’ priority was establishing a stable set of reporting requirements for the long term.
2. Programmatic Challenges

**Uneven Pace of Implementation.** The pace of implementation was clearly different in each city, and this affected the design and effectiveness of WTW programs.

- In Philadelphia, program officials quickly designed and implemented an innovative, full-scale program. Some officials there expressed a retroactive desire for more time during the planning and early implementation phase of the program. More time would have helped officials work out better systems of communication, reporting requirements and connections to the TANF program.

- In Chicago, administrators sacrificed program design innovation in order to establish themselves quickly. Program officials admitted that the initial round of contracts did not have a clear policy direction, but that second round contracts would put greater emphasis on post employment services and longer-term retention benchmarks. Performance-based contracts make payment of half of the contracts' value contingent upon participant retention for 30 days.

- In San Francisco, DOL Welfare to Work funds arrived after many state and city funded initiatives were already off the ground. Also, a significant dispute with DOL over program definitions has delayed the signing of any contracts to administer formula-allocated funds. The city welfare agency and the PIC appear to have sufficient funds available through TANF to adequately serve the welfare to work population.

- In Indianapolis, program officials were in the process of putting contracts in place. These contracts would expand the array of services available to WTW participants, including both TANF recipients and non-custodial parents.

**Duplicative Program Efforts.** The main issue regarding the duplication of services is why two different administrative agencies are contracting with the same providers for essentially the same services. Currently, there is very little variation among job readiness service models as they have evolved in the last decade. In each city, the welfare office had contracts to provide a similar array of job readiness, job development, job placement and retention services as those offered by Welfare to Work providers. In many cases, the same contractors were providing the same services to both the TANF program and to the local WTW program, rather than honing programs and services to the needs of the hardest-to-serve cases.

Clearly, competition for referrals can have negative consequences, especially if the pool of eligibles is quite small, as in Indianapolis and San Francisco. It can result in disincentives for providers to make appropriate referrals to each other based on “fit” of service and customer need. Without an adequate client base, it is extremely difficult for administrators and contractors to maintain adequate staffing levels, build and preserve strong relationships with employers, and provide quality services to customers.
Some degree of competition between programs is likely to be beneficial for WTW clients. Multiple program providers allow clients to choose the provider who has the program that best fits their skills and professional interests. Ideally, as the industry shifts to a new service paradigm based on rapid attachment and retention management strategies, programs should offer more innovation and less duplication, with real choices among service providers based on customer preference and need. But given the degree of overlap and similarity of services among contractors, it would appear that there is not a clear enough delineation of responsibilities between welfare and workforce systems in the provision of education and training opportunities to welfare recipients. At a minimum, a lack of effective cooperation was evident; at worst, some welfare providers were consciously avoiding referrals of WTW-eligible clients because welfare contractors were already providing very similar services to these clients. Even when case managers did not consciously attempt to steer clients away from WTW programs, it was clear that case managers had difficulty keeping abreast of all program offerings available under both TANF and WTW, resulting in haphazard referrals to whichever program the caseworker happened to be most familiar with.

- In San Francisco, there were 24 providers of welfare to work services under contract to the Department of Human Services. Four of these were among the six providers of services under the WTW competitive contract there.

- Even in Philadelphia, where the city had developed an integrated WTW program, WTW was only one of seven different tracks from which clients could choose to participate to fulfill their state-TANF work activity requirement. It competed with numerous other welfare to work programs, including those funded by state TANF funds (Work Opportunities, Inc and Single Point of Contact or SPOC, both of which are also administered by the Philadelphia PIC) and two separate DOL WTW competitive grantees.

Reluctance to Embrace Work-first Paradigm. Administrators in several locales indicated that a significant number of their contractors were having difficulty shifting to a work-first paradigm and away from their standard pre-employment basic education and training paradigm. This was particularly evident in both San Francisco, which generally had a greater reliance on training than other locales, and in Indianapolis. In most cases, this meant that contractors were opting to enroll clients into traditional GED or training programs, before they actively pushed them to seek work. In some other cases, contractors were not courting potential employers actively enough, nor providing a sufficient level of post-employment follow-up with clients that did find jobs.

Serious Client Barriers to Work. A number of contractors mentioned that the WTW clients that they were serving had such poor education and skill levels that the clients were often unable to hold even the simplest entry level jobs. Severe and often multiple deficiencies in life skills, education, and job skills combined with unstable living arrangements and children with health problems threatened the ability of these recipients to ever become economically self-sufficient. In San Francisco, for example, a number of graduates of a three-month training program in job readiness and customer service were not able to hold entry-level customer service jobs, even with retention services available. This contractor indicated that the most difficult problem to overcome was simple attendance and punctuality. Similarly, in Chicago, a contractor with significant experience in working with this population indicated that many clients could work in a supported-work environment over the long-term, but would have great difficulty meeting the demands of a normal private sector employer.
Lack of Child Care. A number of program officials indicated that the availability of non-traditional childcare (such as off-hour care and care for sick children) remained limited. Philadelphia has initiated a program to provide bonuses to child care providers who create new off-peak slots. This program has just begun operation and is working with 60 child care providers throughout the city. While the availability of slots is critical, program officials also emphasized other challenges that arise when mothers do not have 9am to 5pm jobs. Many school systems or child care facilities do not open early enough for a mother to drop off her children and still commute to her job. The need for childcare at uncommon hours is critical because many of the job opportunities available for this population are second- and third-shift slots.

Recipient Denial. Several program administrators emphasized that despite the passage of welfare reform legislation nearly two years ago, many clients are still in denial about the implication of time limits and the potential loss of benefits. For some, this means a willingness to accept sanctions rather than participate in mandated work activities, including WTW programs. In some cities, states are not following through on threatened sanctions for clients who fail to participate in work activities.

Also, officials in Philadelphia and Chicago indicated that a significant number of clients in WTW programs were unwilling to accept jobs that they determined were “beneath them.” Many would reject $6 or $7 per hour jobs in fast food restaurants. Overcoming this mindset before time limits were reached was a major challenge for these program administrators.

Connecting Welfare Recipients to Metropolitan Opportunities

One of the large questions of welfare reform is whether cities have enough jobs for the concentration of welfare households that reside there. To the extent that existing job opportunities are insufficient, would cities and their surrounding suburbs take the necessary steps to ensure that welfare recipients find jobs throughout the metropolitan area? Would welfare-to-work programs provide the necessary transportation and outreach to suburban employers to allow welfare recipients to find, get to and keep jobs located in surrounding suburban areas?

Site visits to the four diverse cities indicate that: (1) in some locales, the robust economy is sufficient to produce enough inner city jobs to absorb welfare recipients; and (2) cities are routinely providing transportation subsidies and some are developing innovative transportation solutions, though it is too early to tell whether these transportation initiatives will be sufficient to address the longer-term transportation needs of the WTW population.

1. Connecting Recipients to Central City Employment

The WTW program, and welfare reform more generally, is clearly benefiting from the strong performance of the national economy. In all four jurisdictions visited, central city unemployment rates are at or near record low levels, though still significantly higher than the surrounding suburbs. As a result, most local officials and program administrators indicated that there were sufficient numbers of entry-level jobs within their cities for those welfare-to-work participants who were adequately prepared to hold a job in the private sector. Only in Philadelphia, where officials emphasized the shortage of jobs in the inner city, did the WTW programs focus specifically on placing participants in jobs in outlying areas, including retail operations around King of Prussia and light industry operations around the Philadelphia airport and in southern New Jersey. Program officials in Philadelphia indicated that in many cases participants preferred placements in inner-city jobs, if
available, because of the added commute time and other logistical arrangements necessitated by suburban jobs. In Philadelphia, 44 percent of all placements to date have been in positions located in the suburbs, while in Chicago, less than 20 percent of placements were made in suburban jobs.

The early experience in these four jurisdictions may not adequately reflect the long-term challenge of connecting welfare recipients to jobs throughout the metropolitan area. First, the cities visited may not adequately represent the range of cities with large welfare populations. It is noteworthy that Philadelphia, a Northeastern city with large concentrations of poverty and decades of net job loss, has recognized and focused on the need to place recipients in suburban jobs.

A second caution about the availability of city jobs is that most programs are serving relatively few WTW participants. This is particularly true in the slower starting programs in San Francisco and Indianapolis. The ability of central city economies to absorb WTW participants may be stretched if the numbers of participants grow sharply if and when eligibility requirements are relaxed.

Finally, program administrators should be thinking now about how they will serve WTW participants when the next economic downturn occurs. Historically, entry-level jobs in cities are the first jobs to be lost when the economy slows. When this occurs, WTW program operators may very well be forced to turn to the suburbs as the most promising location for placing WTW participants in jobs.

2. WTW Programs and Transportation Needs

All cities visited, even those that did not make suburban job placements a high priority, now routinely subsidize transportation for WTW participants, usually in the form of passes for public transportation. These subsidies are often paid for with TANF funds. All cities visited also are developing additional transportation supports.

- In Philadelphia, Greater Philadelphia Works partners with SEPTA, the primary public transit agency in the area, to address transportation challenges. Several job opportunities were located in outlying areas away from mass transit. Greater Philadelphia Works uses a pool of vans that take clients directly to interviews in outlying areas. In some instances, GPW vans are used as a regular form of commuter transit, in part to establish the viability of these routes for SEPTA. SEPTA has added some new routes and increased the frequency of service to key job locations. GPW also has hired local Transportation Management Associations (or TMAs) to serve as consultants to its regional service centers and help solve transportation issues as they arise. Finally, Philadelphia is in the process of establishing a limited Emergency Ride Home program for clients working in outlying suburban areas who may need to get home to a sick child or other family emergency.

- In Chicago, a $3 million WTW competitive grant awarded to the city, in partnership with public transit agencies, funds the transportation needs of WTW participants. This grant allows Chicago to establish van pools for certain employers and provide substantial public transit subsidies for employees. In addition, one Chicago WTW contractor, Suburban Job-Link, makes transportation a central part of their welfare-to-work service.
• In Indianapolis, several WTW contractors provide door-to-door transportation as needed until they deemed that the work situation stabilized for those recipients working in outlying portions of Marion County.

• In San Francisco, full public transportation subsidies, paid for with TANF funds, were provided to participants in WTW programs and to those placed in jobs through these programs for a period of two years.

It is worth noting that while programs are taking some steps to account for transportation needs, it is not clear that these steps will be sufficient to meet the long-term transportation needs of welfare recipients. It is not clear whether participants who benefit from short-term transportation assistance will be able to successfully continue their commutes without this assistance. Moreover, in most cases, funding for these transportation services came from TANF, rather than WTW funds. However, WTW can continue to be a source for innovative solutions to transportation problems.
IV. IMPLICATIONS FOR REAUTHORIZATION

As noted earlier, the Clinton Administration has proposed reauthorization of the Welfare to Work Program in FY 2000, with an additional $1 billion in funding. Congressman Ben Cardin (D-MD) and Senator Daniel Akaka (D-HI) have introduced legislation that largely embodies the Administration’s proposals. Before considering those specific proposals, it is important to consider the more fundamental question of whether the program merits reauthorization.

As the above discussion indicates, the WTW program has encountered substantial challenges in its early implementation phase in a number of cities. This is hardly surprising, given the challenge of initiating any new federal program, particularly given the necessary coordination of the workforce and the welfare systems. The WTW funding is the only funding that is targeted specifically at those welfare recipients who face the most significant challenges in finding and holding jobs. Further, it is the only funding that is under the control of local, as opposed to state officials, and it appears that the concentration of these hard-to-serve welfare recipients is intensifying in a number of high-poverty cities. Philadelphia is home to nearly half of Pennsylvania’s welfare recipients, and Chicago (Cook County) contains more than two-thirds of Illinois’ recipients. These are the places that most desperately need additional resources to tackle the multiple problems of low-skilled, hard-to-serve, long-term welfare recipients. Cities and states must work together to ensure that these concentrated, hard-to-serve recipients get the services they need to make the transition from welfare to work a success.

Thus, the original rationale and need for WTW funding remains as important and compelling today as when funds were initially proposed. Indeed, the ability to continue to reduce caseloads and the overall success of welfare reform may hinge on developing successful strategies for this difficult group. Though the early performance in cities has been uneven, cities like Philadelphia have designed comprehensive and innovative programs that both serve welfare recipients well and act as promising models for other cities. Although some changes are necessary to give cities the flexibility to succeed with this challenging population, reauthorization is definitely warranted.

Proposed Reauthorization Provisions

The Clinton Administration’s reauthorization proposal has maintained the essential framework of the WTW program, but includes important changes to better serve the targeted welfare population. The retained features of the program include the strong focus on work, the targeting of WTW resources to individuals and communities with the greatest needs, and local administration through the workforce system. The reauthorization proposes three important changes that would affect program administration in large cities. Each of these proposed changes is outlined below, along with the reactions of program administrators and contractors interviewed for this report.

1. Substantial relaxation of eligibility

In response to state and local officials, the Cardin-Akaka legislation proposes to simplify and expand the definition of the “least job-ready welfare recipients.” As noted earlier, under current law, 70 percent of funds must serve long-term welfare recipients or non-custodial parents who have at least two of three specified barriers to employment. The proposed changes would require that TANF recipients only have one, rather than two, specified barriers to employment and the list of barriers would be expanded to include disability, homelessness and domestic violence.
Reaction

There was unanimously strong support among program administrators and contractors for these proposed changes. However, there were differing opinions about whether these changes went far enough in providing needed flexibility to serve those with severe barriers to work. A number of administrators and contractors in different cities suggested that further eligibility expansions would be appropriate. Some suggested that all categorical eligibility requirements be eliminated, since most recipients remaining on the welfare rolls after the dramatic reductions in caseloads have serious barriers to work and are the intended beneficiaries of the WTW program.

Other program administrators would prefer eligibility criteria that targets resources to long-term welfare recipients or those recipients closest to reaching their welfare time limits, but eliminates the additional criteria regarding specific barriers to employment. This approach would streamline the eligibility verification process, since no additional educational tests would have to be administered. This approach would preserve the targeting of services to long-term recipients, rather than those recipients who would cycle off welfare without these additional services.

A number of administrators defended the Clinton Administration's and Rep. Cardin's proposed changes. They believed that the expanded list of specific barriers and the requirement that recipients have one rather than two of these barriers tied to long-term welfare receipt would relax the targeting sufficiently to fill their 70 percent requirements, but would keep the focus of WTW funds squarely on those recipients who needed additional help to become self-sufficient.

Recommendation

By all accounts, a relaxation of eligibility requirements is necessary to allow the program to enroll larger numbers of hard-to-serve welfare recipients. While the Clinton Administration proposals are adequate to accomplish this purpose, policy makers should also consider further streamlining of eligibility to allow WTW services for any recipient who meets the long-term welfare receipt criteria. This may not considerably expand the numbers of recipients who would qualify, but would make it much easier for program administrators to verify client eligibility.

2. Greater Focus on Serving Non-Custodial Parents.

The Cardin-Akaka reauthorization proposal includes several provisions to target additional resources to non-custodial parents. First, the proposal requires states to spend 20 percent of their formula allocations on non-custodial parents, either through the funds they allocate to local workforce systems or through the 15 percent of formula funds that they control. State could apply to DOL for a waiver if they were having difficulty meeting this requirement.

There are also proposed changes for the eligibility criteria for non-custodial parents. Specifically non-custodial parents must be unemployed, underemployed or having difficulty paying child support obligations. Further, the child of the non-custodial parent must meet the long-term welfare receipt requirement, be eligible for or receiving TANF benefits,
have received TANF benefits within the last year, or be eligible for or receiving Food Stamps, SSI, Medicaid or Children’s Health Improvement Program assistance. Serving parents of long-term recipients is a priority.

Finally, the reauthorization proposes to require each non-custodial parent to enter into a personal responsibility contract that identifies the reciprocal responsibilities of the parent and the agencies related to child support, paternity and employment.

**Reaction**

All sites were struggling to recruit eligible non-custodial parent participants. Program officials support efforts to serve this population, but uniformly felt that it would be difficult if not impossible to utilize 20 percent of their funds for this purpose, even with the relaxed eligibility requirements.

The most common obstacle to attracting fathers into these programs, program officials noted, were large arrears in child support obligations, which if repaid would offset state welfare expenditures rather than increase the disposable income of the child being supported and the custodial parent. Most eligible non-custodial parents would have little ability to pay off large arrears, and would be reluctant to do so if these payments did not directly benefit their children. Unless significant changes are made in state child support systems, it is unlikely that this barrier to enrollment can be overcome.

Demand for WTW services may also be lessened by the fact that many of the most capable and employable men are already employed, given the strong economy. The non-custodial parents most in need of these services—that is, the least employable men—face criminal background and drug testing issues that make their placement into jobs extremely challenging. Finally, requirements like the personal responsibility contract make it even more difficult for providers to spend the full 20 percent of the grant on non-custodial parents.

**Recommendation**

The limited experience that states and localities have had will not be a sufficient base for expanding their programs to this degree. While states will likely need further incentives or directives to expand programming for non-custodial parents, policymakers should consider a more reasonable requirement of 5 percent or 10 percent of formula funds. Alternately, the legislation could simply encourage localities to spend more money on non-custodial parents without specifying a percentage of funding for that purpose. For instance, incentive awards could be made to localities that reach certain benchmarks of enrollment and placement of single men.

3. Stand-Alone Education and Training

The Cardin-Akaka reauthorization proposal would make pre-employment (or “stand-alone”) basic education, vocational and job skills training an eligible use of WTW funds. This proposal would expand the range of activities that may be provided to recipients before a recipient is working.
Reaction

There was a wide range of reactions to this proposal. In San Francisco, where the TANF program explicitly chooses to provide pre-employment training to a portion of their welfare recipients, there was uniform support for this proposal. In the three other locales, reactions were much more mixed, with no particular pattern evident among program administrators or contractors. Some fundamentally opposed this idea, believing that pre-employment education and training represented a failed model that would seriously undermine efforts to put a work-first paradigm in place. Others indicated that if pre-employment education and training were an eligible activity, then there should be limits on how much funding could be devoted to it. Still others believed that such flexibility would be absolutely critical to serving a population with such serious barriers to work.

Recommendation

The Welfare to Work program should have the flexibility to provide the full range of services— including stand-alone education and training— necessary to assist the hard-to-serve WTW population. There are large challenges in serving the hard-to-serve population targeted by the WTW program. Recipients with multiple barriers to work including low education, limited work histories, physical and mental disabilities and domestic violence or other family instability will not likely make easy and lasting transitions to work without critical supports. In some cases, pre-employment education and training will be a necessary and prudent step for welfare recipients entering the labor force. Moreover, these activities are allowable under TANF.

A recent review of previous efforts to assist hard-to-serve welfare recipients concludes that the critical elements for serving this population are flexible programs that incorporate a consistent focus on employment and a wide range of supportive services including job search assistance, education and job training and work supports. Neither programs that focus primarily on work nor those programs that focus primarily on education or training would be sufficient to meet the varied needs of this hard-to-serve population.5

One potential downside of providing additional flexibility in WTW for pre-employment education and training is that allowing these activities will result in program providers reverting to old models of providing extensive education and training that are not effectively connected to and focused on work. One possibility for solving this dilemma is allowing pre-employment education and training as allowable activities, but limiting the percentage of WTW funds that can be spent on these activities.

Finally, even if the WTW reauthorization provided the additional flexibility for stand-alone education and training services, some cities would still be unable to enroll clients in these programs because of conflicting state laws. For instance, in Pennsylvania, recipients must be working within 24 months of receiving TANF, and training is only permitted in addition to required work activities.

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4. **Other Recommendations for Reauthorization**

*Extension of Time Limit.* It is crucial to extend the three-year time limit under which cities must expend WTW funds, at least for those cities that are making some measurable progress in achieving the program goals. Without an extension, it appears that many cities will not be able to spend their allocated funds and will be required to return unused funds to the federal Treasury. They will thus lose access to the only source of federal funds targeted at the hard-to-serve population.

*Oversight and Evaluation.* One issue that is not addressed in the pending reauthorization bill is the oversight and technical assistance role of the Department of Labor. Given the start-up nature of this program and the vast array of program designs, it is critical for the Department of Labor to have a more significant role in working with local formula grant administrators to help shape effective programs.

There are already several major ongoing evaluations of WTW programs. Both the DOL’s Office of Inspector General and the General Accounting Office are conducting program reviews. Under the WTW statute, responsibility for evaluating the WTW program rests with Department of Health and Human Services (HHS), which has contracted with Mathematica Policy Research, Inc. to prepare the evaluation. The HHS evaluation, the most ambitious of the three, has three components: a descriptive assessment of all grantees, an impact and cost-effectiveness study, and a process and implementation study.

The Department of Labor is also undertaking a technical assistance initiative with program administrators in 10 large cities. This will allow representatives from these cities to gather and exchange information about their programs in 5-6 conferences in 1999 and 2000. This initiative will also create an internet-based discussion forum and provide more intensive technical assistance for 5 cities.

The program reviews, the formal HHS evaluation and DOL’s technical assistance initiative are all critically important to understanding the program’s dynamics and effectiveness. But none of them are providing the kind of widely available, real-time information sharing and assistance that program operators need to help shape their programs in the immediate term. Moreover, the Department of Labor has limited resources and staff to make site visits. DOL is investing more time and resources in reviewing and assisting the operations of competitive grantees than formula grantees. Program officials indicate that DOL staff visit competitive grantees several times each year, with one official monitoring visit each year. In contrast, DOL staff will conduct a monitoring visit with each local formula grantee once over the three-year grant period.

*Recommendation*

Any reauthorization measure enacted by Congress should include additional resources for the Department of Labor to provide greater oversight and technical assistance to its local formula grantees. These resources should enhance the quality of programming being carried out at the local level.
V. Longer Term Issues

There are two larger questions for policymakers to consider as they contemplate the long-term systems that will be put in place to serve the most challenging welfare recipients and other low-wage workers. The discussion below provides an outline of these issues.

Serving the Hardest-to-Serve: Welfare or Workforce?

Which federal, state and local system – welfare or workforce – will have the primary responsibility for helping welfare recipients with substantial barriers to employment prepare for, find and keep jobs and develop careers? At this point, the answer to this question is quite muddled and strong arguments can be made for each system.

1. The Case for the Welfare System

The welfare system is the system that is the most familiar with the needs of the hard-to-serve recipients. Welfare agencies have been working exclusively with this relatively hard-to-serve population and, as a result, may have a much deeper understanding of the range of needs of the population than does the workforce system, which has had relatively little experience in serving this population.

Many state and local welfare officials believe that employment of welfare recipients is now central to their newly re-oriented mission under TANF. As such, they are making substantial TANF investments in job readiness, training, placement, and retention services for their remaining TANF caseloads. This may also be a function of the considerable resources that are currently available under TANF, as sharply dropping caseloads have provided many state TANF agencies with large surpluses.

Locating the welfare-to-work function within the welfare system would eliminate much of the difficulty of coordinating the flow of information and referrals between two separate systems. This could reduce the burden placed on recipients, who under the existing system may have to shuttle between two distinct bureaucracies to get the welfare to work services for which they qualify.

In addition to the administrative advantages, it appears that many states and county-run TANF offices are providing recipients with the same kinds of services that are being provided under the WTW program. TANF’s broad flexibility and focus on employment has resulted in duplication of services under TANF as are currently provided under WTW, most frequently provided by exactly the same contractors.

Most welfare providers have little experience in crafting employment-related services for the hardest to serve recipients, but some agencies may have gained some of experience with these efforts under the JOBS program under AFDC.
2. The Case for the Workforce System

The argument for keeping the responsibility for employment-related services within the jurisdiction of the workforce system begins with the simple premise that the workforce system has greater experience in administering employment training programs and in cultivating relationships with employers. The national workforce system has traditionally been a “crazy quilt” of employment and training programs scattered across agencies and targeting numerous categories of workers. Displaced workers, incumbent workers, low-wage workers, out-of-work veterans, welfare recipients, youth in search of summer jobs, recent high school and college graduates – each group had a separate program aimed at their specific needs. However, the fragmented workforce system was consolidated with the passage of the Workforce Investment Act of 1998.

While the workforce system has not had a historically strong focus on welfare recipients, there is no reason why it cannot adapt and serve them effectively. Many workforce administrators believe that the employment-related needs of all Americans – including welfare recipients with serious barriers to work – should appropriately be undertaken by the workforce system. Some employers may be more willing to participate in programs that are administered by the workforce system than by the welfare system. Some employers may still view welfare programs and welfare recipients with an undeserved stigma that will limit their willingness to work with and hire welfare recipients.

Not only is the workforce system better equipped to provide employment related services to welfare recipients, it would be counterproductive for the welfare system to attempt to duplicate these services and relationships with employers for just this narrow population group. Also, expecting welfare providers to do this work will distract them from their primary mission, which is the protection of children through temporary assistance to needy families. The welfare system should not attempt to, nor be expected to replicate the expertise in training, placement and retention services that already exist in the workforce development system.

A third reason that the workforce system should continue in this role is that the locally controlled PICs and WIBs are better situated to design and implement programs that are tailored to the needs of the recipients and employers in their communities. They have advisory councils that include local representatives of businesses and can best design programs to meet the needs of local employers. This local control, particularly around the policy-related decisions in program design, can provide an important complement to the state-controlled decision-making power of the welfare system. One factor that appears to be important in establishing effective programs is the involvement of the Mayor or his/her senior staff. For example, in Philadelphia, the Mayor has played an integral role in making the WTW program a priority and in ensuring that difficulties between welfare and workforce systems get resolved in a timely fashion. One of the Mayor’s top deputies has directed a multi-agency effort to design and implement the program.

Finally, there are potentially larger benefits in having the workforce system coordinate its activities more closely with the welfare system, as under the current construct. The improved coordination between workforce and welfare systems could have the long-run benefit of greater compatibility of information systems and information reporting requirements, greater co-location of services and smoother referrals for other supportive services that are critical to the retention and advancement in employment outcomes. While there have been many problems and many still remain, the first year of the WTW program has already produced important gains in the ability of these two large systems to work together.
Recommendation

Despite the difficulties associated with the early implementation period, over the long term it appears that the workforce system is best suited to serve the employment needs of the hard-to-serve welfare population. While the workforce system’s history of serving this population is not stellar, the infrastructure for providing employment assistance is in place and can be built upon to achieve the desired results. Replicating this infrastructure within the TANF system does not appear to be necessary or a prudent use of limited resources. It should be noted that a number of states – Wisconsin, Utah and Texas – have moved administration of TANF into the state workforce agency.

However, improved coordination between the two systems is critical. At the federal level, the Departments of Labor and Health and Human Services are attempting to resolve these difficulties by hosting a series of regional meetings of state and local welfare and workforce program administrators. With continued efforts, there does not appear to be insurmountable hurdles to achieving a sufficient level of coordination between the two systems.

Moving Towards Universal Post-Employment Services for Low Wage Workers

The WTW program also offers new opportunities for developing innovative services to assist welfare recipients and other working poor recipients after they have found jobs. Two important precedents are emerging. The first is the new emphasis on post-employment services. As noted above, virtually all program providers have begun to provide some post-employment services. At this early stage, most programs are attempting to develop capacity to provide post-employment case management and job retention. But administrators are also beginning to focus on both re-employment services after recipients lose jobs and on post-employment education and training services needed for career advancement and self-sufficiency wages. Developing effective post-employment services will be critical, since substantial research has shown that welfare to work strategies generally focus solely on job-search assistance, placing welfare recipients in low-wage jobs with little opportunity for wage or career advancement.  

Perhaps inadvertently, WTW may also be breaking new ground in assisting working poor individuals regardless of their previous reliance on welfare assistance. The targeting of non-custodial parents is one example of how WTW programs are extending services beyond the traditional welfare population. WTW programs could provide on-going supportive services to former TANF recipients who have reached their state or federal time limits and who would still meet the eligibility requirements of TANF.

But perhaps most importantly, by expanding the availability of post-employment services to WTW recipients, the WTW program may be creating a precedent for serving a larger number of low-wage working poor people who have no connection to TANF at all.

One Chicago WTW program contractor provided an example of this evolution. The First National Bank of Chicago has developed Wings to Work, a successful 4-week program for training job ready welfare recipients for positions in bank operations. Prior to entering the program, participants must complete a job readiness program with one of five community

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6 Julie Strawn, Welfare to Work Programs: The Critical Role of Skills (Washington, DC: Center on Law and Social Policy, April 1999)
based non-profit organizations. After the four-week program, participants become regular bank employees with full bank benefits and an ongoing relationship with a program mentor.

As part of its WTW program, the Wings to Work program is exploring the possibility of providing substantial post-employment education and training services at the bank’s facilities. However, the program administrator indicated that the bank was grappling with the fairness of providing such additional career advancement services exclusively to Wings to Work graduates. She indicated that once the Wings to Work graduates had become regular bank employees, that it would be difficult to provide additional exclusive services to them. Instead, the bank was exploring how it could make career advancement services available to all individuals who were working in these low-wage positions.

In one example at least, it became clear to the program administrator that there were few differences between individuals placed in low-wage entry level jobs through WTW programs and other individuals in those jobs. Both groups were clearly in need of skill upgrading that would be necessary for career advancement.

Recommendation

Linking the availability of post-employment services to current or former welfare status makes no sense. The resulting system effectively penalizes low-wage workers who have never received welfare, but who have similar needs for training and career advancement services. Welfare reform, the strong economy and federal surpluses all create a rare opportunity to redesign our national policies to support work for all low-wage Americans, not just welfare recipients.

Also, a shift toward the provision of post-employment services more universally to low-wage workers would reinforce the need to house employment services for welfare-to-work recipients in the workforce rather than the welfare system.
VI. Conclusion

The Welfare to Work program is clearly at an important threshold. After a slow start in most cities, enrollments and placements into jobs and innovative job programs are beginning to accelerate. In the two cities surveyed with the largest concentrations of welfare recipients, Philadelphia and Chicago, programs have expanded and are serving large numbers of recipients, though these cities welcome the proposed eligibility expansions. Other cities, like Indianapolis and San Francisco, seem to be struggling to get their programs up and running and finding eligible recipients to serve, though for different reasons. The success of Philadelphia and Chicago, though not complete, indicate that the program resources can be used effectively to help those with the greatest barriers to make the transition to work.

The reauthorization of the Welfare to Work program holds great promise for spurring innovation and learning that will benefit local communities and extend far beyond the WTW projects themselves. It is reasonable to assume that, with time and commitment, the short-term program difficulties can be overcome. All program administrators are optimistic that the proposed expansion of eligibility requirements will have a dramatic impact in increasing enrollments. Stabilization and streamlining of the Department of Labor’s regulatory and reporting requirements will allow program operators to put more contracts in place and allow program contractors to spend more time and energy serving clients rather than filing paperwork. However, it is clear from the early experience in most cities, that the overwhelming focus on the need to reach eligible recipients has pre-empted the critical focus on how to best provide the most innovative and effective services. While most programs have included some innovative features, the ability to hone those features has been stymied by low program enrollments and other start-up challenges.

The Welfare to Work program could create effective models for post-employment service delivery and for making such services universally available, especially to working poor families. The reforms included in the reauthorization proposal will allow the program to serve more welfare recipients with substantial employment needs and engage non-custodial parents. Most significantly, WTW’s reauthorization provides a vehicle for developing new ways to serve millions of poor individuals just entering the labor force.
APPENDIX A: BIBLIOGRAPHY


APPENDIX B: OTHER RESOURCES

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Internet Resources:

The original WTW legislation can be found at www.icesa.org/national/docs/welbudg.htm.

Proposed reauthorizing legislation introduced by Representative Cardin can be found at wtw.doleta.gov/reauth/99reauth.htm.

Proposed reauthorizing legislation introduced by Senator Akaka can be found at wtw.doleta.gov/reauth/s1317.htm.