

# **Making New Roads from Welfare to Work: Ramping Up Subsidized Employment and Community Jobs Programs in New York State**

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## EXECUTIVE SUMMARY

Last year Hunger Action Network published a study entitled “Evaluating a Decade of Welfare Reform in New York State: Putting Jobs into New York’s Welfare to Work Program.” The principal conclusions of that report are summarized as follows:

New York needs to transform its welfare to work programs to address the fact that most people presently receiving welfare benefits have multiple barriers to employment. This requires more investment in education and job training to help participants become employable. New York instead relies heavily on workfare, much more so than other states. Numerous studies show that workfare has a poor track record in helping individuals become employable. It is particularly ineffective for individuals with multiple barriers to employment. The failure of NY’s welfare to work program is now driving up costs for local districts as individuals use up their five years of eligibility for federal benefits and then transfer to the state-local financed safety net program.

Not long after this report came out in mid-2009, NYS did in fact make a major new investment in innovative jobs programs for welfare participants. Using recession-triggered federal money from both the TANF contingency fund as well as an important Emergency Fund created by the stimulus, **NYS created \$70 million dollars of new and expanded subsidized employment programs.** Several of these programs—like Career Pathways, Transitional Jobs and the Green Jobs Corps—provide participants education and training with real job experience as a full-fledged employee rather than just a workfare assignment at minimum wage. This innovation of positions that include significant training and/or educational opportunities is a crucial step forward. Wage subsidy programs generally just provide a job and subsidize the wage, but for the current population of job-seekers, more job supports and development are essential.

### SUBSIDIZED EMPLOYMENT

Though there are some variations from program to program, subsidized employment (SE) basically works like this. The money in NYS has come mostly from the federal stimulus or the TANF contingency fund, which was created to deal with increased caseloads in times of economic distress. An employer, who can be either a for-profit or non-profit entity—NYC has also pioneered governmental transitional jobs with the Parks Department—takes on a person at 200% of the poverty level or lower, usually referred by the local social service district. The employer pays that subsidized employee just like regular staff, but sends a voucher to the social service office, which reimburses the cost of wages, usually \$8 or more per hour. The employer has the option of increasing the wage above the reimbursed rate.

This report evaluates the state of these programs about a year into their implementation around the state, and makes several recommendations for policymakers about ways to

build on some fairly significant successes, as well as ways to make up for some missed opportunities and terrible choices in the current 2010 state budget. It will be followed in early 2011 by a more thorough assessment including both personal testimony from actual job participants as well as the final numbers on how many subsidized jobs participants were able to make the transition to unsubsidized employment after their subsidy and training ran out. We feel it is important to make this preliminary evaluation so that candidates for state office and the legislature can be approached and educated about this issue before the November elections.

**PRINCIPAL FINDINGS:**

1. **MORE MONEY BUT NOT ENOUGH.** The subsidized employment investments in 2009 went into five programs (further details about how they reached the county level in selected urban metro areas will be provided in the body of the report):

Transitional Jobs:	\$25,000,000
Career Pathways:	\$17,500,000
Green Jobs Corps:	\$7,000,000
Health Care Jobs:	\$7,000,000
Wage Subsidy Program:	<u>\$14,000,000</u>
<b>Total Investment</b>	<b>\$70,500,000</b>

One important initial observation about this figure is that, in spite of its relatively large size in comparison to previous investments, it is still radically inadequate. At best this figure will have created 5,000 subsidized jobs slots (the actual outcome appears to be closer to 4,200). But the welfare caseload in New York is well above a half million—state leaders will have to make much bolder and more substantial investments in low-income work opportunities if we want to be serious about helping people in the crucial transition from welfare to work.

2. **SUBSIDIZED EMPLOYMENT SEEMS TO BE WORKING.** In spite of some initial delays due to federal rule changes and the newness of some of these programs and funding streams, **local social service districts in NYS have been successful in finding local employers willing to take on subsidized employees.** With a few exceptions and after some initial delays (especially with the Green Jobs Corps), nearly all of them exceeded, met, or got very close to meeting their goals in terms of using the money and getting individuals into available slots for these jobs.

What will bear close scrutiny once the final outcomes are reported (late in 2010) are the kinds of successes the programs have had, and where there are areas of weakness or need for improvement. For instance, many counties have opted to open subsidized jobs only to their most successful and well-qualified public assistance recipients, whereas a few are reporting some progress using subsidized jobs for harder to employ safety net participants. It will be worth studying the choices and outcomes of these different approaches so that future investments can reach the most people with the best results.

The most widely reported challenge with subsidized jobs appears to be integrating time for education and training in the transitional jobs (TJ) program.

Designed to help not only with on-the-job training but also broader employability and life skills, TJ requires about seven hours a week be devoted to education and training that runs in parallel with regular work hours. Although it may require adjustment and experiment to become a high functioning program for all employers, social service districts, and workers themselves, NYS would do well to stick with this formula and find out how to make it work. It is precisely the lack of training and educational opportunities that have too often trapped people leaving welfare in dead-end and very low wage positions. This lack of economic uplift has created the end result of “churn,” where the same person cycles off of and back on to welfare rather than working their way up to more sustainable employment. Education, especially a community college or college degree, has been shown over and over to be the key factor generating a more reliable upward trajectory.

3. **EMPLOYER PRODUCTIVITY.** Employers get workers for a three- to six-month period at little or no extra expense, allowing them to expand their staff at a time when traditional hiring is difficult or impossible for them. Many of these employers have kept on their subsidized employees as regular staff at the end of the subsidy. Both in NYS and in similar programs in other states, these programs are proving to be an excellent form of economic stimulus, for the following reasons:
  - a. **ECONOMIC BOOST.** Low-income earners spend virtually every dime of wages they receive in the local economy, creating positive ripple effects.
  - b. **WELFARE ROLL REDUCTION.** Even before the final results are available, we are finding that subsidized employment programs at \$8/hour or better are notably more effective than traditional workfare assignments at minimum wage at promoting transition into the workforce. Funded at scale, they could have a major role in reducing the welfare rolls in NYS.
  - c. **STRONGER FAMILIES.** Earning between \$8 and \$15/hour at a regular job creates a much greater ability for subsidized workers to support their families than working at minimum wage for a workfare position.
  - d. **EMPLOYER PRODUCTIVITY.** Employers get workers for a three- to six-month period at little or no extra expense, allowing them to expand their staff at a time when traditional hiring is difficult or impossible for them. Many of these employers have kept on their subsidized employees as regular staff at the end of the subsidy.
  
4. **NEW YORK LAGS WELL BEHIND OTHER LARGE STATES IN USING STIMULUS FUNDING FOR JOBS.** Although its \$70.5 million investment far outstrips earlier funding for this kind of program in our state, New York ranks well behind several other states in terms of how much stimulus and other recession relief funds it used for subsidized jobs. According to a report from the Center for Budget and Policy Priorities of Washington, DC, the following states stood out for the number of temporary jobs they created via subsidized employment (SE):

**Table 1.**

<b>State</b>	<b>Year-Round SE</b>	<b>Summer Youth</b>	<b>Total</b>
Illinois	22,000	5,000	27,000
California	20,000	25,000	45,000
Texas	14,409	25,371	39,780
Florida	13,000	0	13,000
Pennsylvania	12,864	7,854	20,718
Washington	7,200	0	7,200
Georgia	5,000	15,000	20,000
<b>New York</b>	<b>4,217</b>	<b>0*</b>	<b>4,217</b>

*\*This national comparison chart from the Center for Budget and Policy Priorities tracks use of the Emergency Fund created by the Recovery Act. NYS did fund summer youth jobs, but out of different funding streams.*

5. A DISASTROUS WRONG TURN. In State Fiscal Year 2010, just after getting some great new programs up and running, NYS made a drastic cutback on these investments, going from the \$70.5 million high water mark down to \$14 million. This cutback was made in spite of the fact that NYS had over \$600 million in federal aid still available for jobs, and that over 800,000 New Yorkers are still out of work. A choice was made to divert a huge portion of federal assistance (\$261 million) to fill the deficit rather than to create jobs.

***The incoming Governor and the new session of the state legislature should make a hasty U turn and redouble their efforts to invest in, not cut, subsidized jobs. As concerns the anticipated state budget deficit, Hunger Action Network strongly recommends a stock transfer tax, banker bonus tax, and millionaire tax as the appropriate means for filling the budget shortfall. These measures restore greater fairness and equity to the tax system, and promote recovery far better than draconian cuts that put a drag on employment and social welfare.***

6. A WRONG TURN IN DC, TOO. The U.S. Senate should follow the lead of the House of Representatives as soon as possible and pass an extension of the \$1 billion Emergency Fund that underwrote the costs of many subsidized employment programs around the country. Testimony from Governors of both parties, administrators, business people, and job participants is unanimous: subsidized employment programs work!
  
7. COMMUNITY JOBS PROGRAMS. Beyond the existing SE programs, all of which should be substantially expanded, there are a number of other promising ways that various funding streams could be channeled in ways that will promote more effective job creation for low-income persons and communities plagued by high unemployment:
  - a. The “**Missouri Model.**” In St. Louis, MO, local community organizations brought the state Department of Transportation to the table and created a major community benefits agreement governing a \$500+ million interstate capital project. One half of one percent of total project costs were set aside for a pre-apprenticeship training and workforce development program, and, in the course of the project, over 100 people were trained and entered the building trades with good-paying unionized construction jobs. The road building came in early and under budget. NYS should pilot at least one such project in upstate and one in New York City. In upstate NY, a high-speed rail expansion would be an ideal candidate for such a pilot program.
  
  - b. **More Transit = More Jobs.** Spending on transit generates more jobs than spending on highways. The Transportation Equity Network has just released a study, *More Transit = More Jobs*, on data from Transportation Improvement Programs (TIPs) in 20 metropolitan areas. This study shows that metropolitan areas that give a higher priority to transit generate **more jobs per dollar** spent on transportation. The new Congress will author a new five-year transportation reauthorization bill in 2011. NYS should use its powerful congressional delegation to strengthen its case to the federal government for investments in high-speed rail for upstate, trains and subways downstate, and more operating capital for all of our mass transit systems. The NYS Department of Transportation should prioritize transit, which creates more jobs in the building phase AND accelerates economic opportunity and community development rather than sprawl once new systems are running.
  
  - c. **Green Jobs Green NY.** NYSERDA has launched a major program to weatherize 1,000,000 homes and create 14,000 new construction careers over the next five years. The key to success in this program will be NYSERDA partnering with community-based organizations to create good wage standards and community input in outreach and training for the work. Homeowners save on energy bills, new jobs are created, and green house gases are reduced for the environment.

- d. **Weatherization Assistance Program (WAP).** There will still be another year of greatly increased stimulus funding for the federal WAP—the training for these jobs is almost identical to the training for GJGNY, and they together can be leveraged to create a training and workforce pipeline infrastructure for poor communities who can find training and good jobs rehabbing their own neighborhoods.
  
- e. **TANF Block Grant to NYS (\$2.4 billion), Flex Fund (\$1 billion in block grants to local districts), and Food Stamp Employment and Training programs (currently \$250 million).** Finally, in the welfare budget itself, there are several fairly substantial pots of money which could be redirected to increase funding for SE. Hunger Action Network encourages state leaders to invest a much more significant portion of the welfare budget, beginning with some of the significant existing funding outlined in bold above, in subsidized jobs and education and training.