



BETWEEN A ROCK AND A HARD PLACE: ILLINOIS' WORKFORCE DEVELOPMENT SYSTEM

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Illinois Department of Human Services' Employment Services Programs for Temporary Assistance for Needy Families and Food Stamp Recipients

ILLINOIS' WORKFORCE CRUNCH

Over the next fifteen years 2.2 million baby-boomers — 33 percent of Illinois' labor force — will retire.¹ Projected new job growth through 2012 will result in 645,000 new jobs.² To whom will Illinois' public and private business sectors turn to fill these vacancies?

The thousands of Illinois families who live in poverty and long for a good job opportunity or training to enhance their skills to secure higher-wage employment are a crucial workforce resource. There are nearly 224,000 Illinois families living below the federal poverty level.³ Over 106,000 of them are working and poor.⁴ What is needed to prepare these heads-of-household for good jobs in our economy?

Recent data shows that new job growth is occurring in occupations that either pay relatively low wages or require some level of post-secondary training or education. In fact, this year an estimated two-thirds of all jobs, even entry level jobs, require more than a high school diploma. It is projected that by 2012, almost 35 percent of Illinois' new jobs will require at least an undergraduate degree.⁵ But in Illinois, over 594,000 twenty-five to fifty-four year olds have no high school diploma or equivalent. Sixty percent of these working age individuals are without an associate degree or higher. Among those families living in poverty, 41 percent have at least one parent without a high school diploma and just 40 percent have at least one parent with some post-secondary education (not necessarily a degree). Training these workers should be a priority.

At the same time that our economy demands skilled workers in order to remain competitive and thrive, federal funds for workforce development continue to shrink. Between 1985 and 2003, the United States Department of Labor (DOL) decreased its inflation-adjusted investments in worker training by 29 percent.⁶ Since 2001 Illinois has experienced federal cuts, when adjusted for inflation, that have taken \$8.1 million from Workforce Investment Act (WIA) adult services, \$11.1 million from WIA youth services, and \$2.5 million from adult education funding.⁷ The federal government also expects that state welfare programs put people to work, and the recent reauthorization of the Temporary Assistance for Needy Families (TANF) program came with reformulated work participation requirements, heavy

tracking demands, and no additional resources. Illinois' TANF block grant remains frozen at 1996 funding levels (\$585 million) until 2011 — ultimately a 30 percent decrease in purchasing power when adjusted for inflation.⁸ What's Illinois to do?

Businesses that responded to an Illinois State Chamber of Commerce survey rated employee training and development as the most important factor in their company's success.⁹ Without that investment in a skilled workforce, businesses look elsewhere and the low-wage economy we create costs taxpayers \$2.2 billion annually in assistance to working families.¹⁰

Neither the Governor's Office nor the General Assembly can pretend that federal dollars alone will enable Illinois to "meet the needs of Illinois' employers for skilled workers, while ensuring that the populations (including "at-risk" populations) served by various workforce programs gain access to jobs that lead to economic self sufficiency."¹¹ Nor can Illinois decision-makers act as if additional cuts at the state level will result only in system efficiency and have no bearing on the quality of state workforce development services, the number of Illinoisans served, or the job outcomes achieved. Significant state dollars can be saved if Illinois invests now in its workforce development system to prepare qualified workers, through effective programs, for good jobs, in competitive businesses.

IDHS TANF AND FOOD STAMP EMPLOYMENT SERVICES

Illinois' Employment and Training Center Network, created to implement the Workforce Investment Act (WIA), is assumed to meet the needs of any job seeker in the state. In fact, due to limited resources, a restrictive service delivery structure, and rigorous performance expectations, only 2,755 TANF recipients and 13,688 Food Stamp recipients were among the 43,726 registrants under Illinois' WIA Title I system in 2005.¹²

These 16,000+ public benefits recipients are just a fraction of the 23,000 TANF heads-of-household and 286,000 non-assistance Food Stamp households who may benefit from employment services.¹³ The burden to meet the work preparation needs of these individuals falls to the Illinois Department of Human Services (IDHS). In FY 2006, just 8.3 percent of Illinois' total TANF and Maintenance of Effort funds were spent on employment, education and training services.¹⁴ In the current fiscal year,

\$15.4 million was distributed to contractors largely to deliver work experience and job placement services to 5,516 TANF and Food Stamp recipients.¹⁵

These important employment services efforts enabled Illinois to meet federal work participation expectations and draw down Illinois' \$585 million TANF block grant and \$3.8 million in Food Stamp funds. Still, these services were not sufficient to engage the remaining 303,000 individuals who didn't claim an employment services slot in work activities that might prepare them for Illinois' labor market and lift them out of poverty.

WELFARE TO WORK REALITIES

Illinois research corroborates national trends. A 2003 analysis of Illinois' TANF cases revealed that 90 percent of those who did find work still lived below the federal poverty level.¹⁶ Alarming, the final report of the state's longitudinal Families Study revealed that 46 percent of the TANF case sample were neither working nor receiving TANF.¹⁷ These reports also confirm that the lack of a high school diploma is an employment liability. About 41 percent of the TANF caseload sample lacks this credential, but just 13 percent participated in basic or secondary education pursuits over the four-year course of the Illinois Families Study.¹⁸

In March of 2006, the Chicago Jobs Council surveyed IDHS employment services contractors to better understand current service delivery efforts and the needs of the TANF and Food Stamp population.¹⁹ Survey respondents estimated that up to 60 percent of TANF recipients served had criminal records, up to 40 percent have substance abuse problems, up to 30 percent struggle with mental health problems, up to 35 percent were victims of domestic violence, and up to 70 percent tested below the sixth grade level on their TABE assessment. Although response ranges were broad, they indicate that getting TANF and Food Stamp recipients with multiple barriers ready for work and engaged in steady employment requires significant staff time and support resources. The following provider response illustrates clients' struggles:

"Literacy is the number one barrier that clients face along with reliable childcare and criminal backgrounds. We find that these three factors combined create a self-defeatist attitude toward securing and maintaining employment in our customers."

Current contracts deliver funding for program administration through a monthly payment based on engaging a required number of individuals in services, and a placement payment based on 30, 60, or 90 days of individual job retention. Survey respondents indicated that to meet expected outcomes they often must provide initial services and basic work supports like transportation to anywhere from 1.5 to 13 times the number of individuals the contract pays them to serve. Based on estimates of services delivered by staff, several respondents said that they

incur costs ranging from \$9,000 to \$95,000 over contract. Higher costs reflect the efforts of survey respondents to cover in-house education, barrier remediation, or training services. Larger organizations cover real costs with other funding and program staff. Small organizations struggle. Here's what they say:

"[I]t would be impossible to break even in the contract except for the fact that a lot of the overhead expenses and other support staff expenses are really supplied through existing ... programs at no charge to the Work First Program. Other funding was utilized for the rest of the costs from organizations like United Way, etc."

"... [T]he Food Stamp Employment and Training contract, ... does not provide adequate funding in staff support and supportive services for servicing its targeted population. [Our] current contract funding allows for only [one] staff member to provide the following services: recruitment/outreach that will ensure 31 individuals per month are engaged in twenty hours of activities; class orientation; monthly eligibility checks; 20 hours of workforce development workshops (job preparation); on-going case management; job placement activities; develop work experience sites; monthly billings; weekly and monthly reports; tracking and continual engagements to ensure 31 individuals are active every month. It is evident that one staff member will not be able to perform all these services effectively and requires additional staff to ensure contractual obligations are met."

"As a provider agency, we have not received any increases in our Work First or TANF Job Placement contracts, yet as a small nonprofit employer, we continue to provide the services to IDHS customers but have not been able to offer cost of living raises to our staff."

It is clear that Illinois' meager budget for employment services does not adequately sustain the IDHS contractors who serve those 5,516 individuals for whom they have contracted slots, let alone the thousands of others who also could benefit from employment services.

WELFARE TO WORK POSSIBILITIES

New federal TANF regulations require Illinois to maintain the rate of public benefits recipients who work thirty hours per week at 50 percent over the next five years, and develop a work verification plan in order to draw down TANF block grant funds and avoid new federal penalties. At risk is an estimated \$30 million.²⁰ IDHS has worked with providers and advocates to determine how best to help more of Illinois' TANF families prepare for and secure employment, but current budgetary limitations make this task needlessly more difficult, and also prohibits implementation of the most effective welfare-to-work strategies.

MIXED STRATEGY SERVICES In fiscal year 2005, IDHS heeded the welfare reform and workforce development research and urged contractors to use a mixed strategy service delivery approach. Still employment focused, the objective is to maximize the use of a thorough individual assessment and a flexible menu of barrier remediation, job search, and education and training options to assist clients making the transition from welfare to work in their local labor markets. Research shows that this strategy “has been the most effective in increasing employment and earnings, reducing welfare receipt, and sustaining that success over time.”²¹ Portland, Oregon’s mixed strategy JOBS program, one of the sites in the National Evaluation of Welfare-to-Work Strategies (NEWWS) completed in the late 1990’s, produced outcomes that included:

- A 21% increase in employment (compared to the control group).
- A 25% increase in earnings.
- A 22% reduction in time on welfare.
- Employment with health insurance two years post-placement for 49% of mixed strategy participants, 6% better than the best of programs evaluated in the NEWWS study.²²

As discussed previously, with contracts sorely under-funded, providers found it difficult to fully implement the mixed strategy approach with an array of services for their clients. Said one provider:

“Many clients require short-term vocational or customized training. IDHS allows \$300 for fees and \$300 for books. Most such trainings are \$500 and most short-term trainings do not qualify for any other financial aids. When we do provide the cost for a training, we must sacrifice approximately 10 people from getting transportation.”

TRANSITIONAL JOBS Another strategy that has proven effective in moving public benefits recipients and other hard-to-place job seekers to work is transitional jobs. A transitional jobs program offers job preparation services like work readiness classes, resume and interview skills, as well as a subsidized and supported job placement component. In 2000, the Chicago Mayor’s Office of Workforce Development funded a transitional jobs program for welfare recipients and non-custodial parents.²³ An evaluation of this program revealed that:

- 70.7 percent of transitional jobs participants were employed in unsubsidized jobs 90 days after program involvement compared to 49.1 percent of those in a limited services group.

- Those in the transitional jobs program experienced a 196 percent increase in quarterly earnings (from \$811 to \$2407), 32 percent higher than the limited services group.
- Those who participated in the transitional jobs program had a 68 percent decrease in the TANF amount received, compared to a two percent decrease in the limited services group.

National research corroborates that transitional jobs programs produce strong employment outcomes for hard-to-employ program completers.²⁴ IDHS has recently awarded some youth services dollars for subsidized internships for young moms, but no employment services dollars are dedicated to transitional jobs programs for other TANF or Food Stamp recipients.

BRIDGE PROGRAMS TANF and Food Stamp recipients who need skills-upgrading to qualify for jobs in the high-wage/high-demand labor market require “bridge” programs to succeed. These occupation-specific initiatives combine basic skills and vocational training through intensive, and short-term courses leading to a credential along a career pathway. In Arkansas, where TANF recipients have been the target population for a statewide career pathways initiative focused on jobs in manufacturing, health care, business, and education since September 2005, 35 have completed GEDs, 161 gained employability certificates, 251 completed college vocational programs, 85 earned technical certificates, and 63 graduated with Associate degrees.²⁵ There are thousands of TANF and Food Stamp recipients in Illinois who could benefit from such an opportunity. Across the state, community colleges and workforce development stakeholders are striving to enhance and expand current bridge program pilots that could make a difference for low-skilled job seekers if adequately funded.

GETTING OUT FROM BETWEEN A ROCK AND A HARD PLACE

Illinois’ laborers are the backbone of business stability, economic growth, and strong communities. Recognizing this, the Governor’s Office has promoted regional solutions to address critical workforce skill gaps and regional plans for economic and workforce development. As these plans are developed and implemented it is imperative that the 949,000 poor adults in these regions be recognized as a necessary part of the solution.²⁶

In Illinois, it is through the door of the Department of Human Services that 309,000 of these unemployed or working poor first enter seeking assistance. In the wake of ongoing federal cuts, Illinois’ decision-makers must commit significant state resources so that IDHS can strengthen and align its services along the workforce development continuum. With new resources IDHS

must judiciously assess TANF and Food Stamp recipients' employment needs, and be active and assertive in developing and promoting an array of work barrier remediation, education, training, and work opportunities including bridge programs and transitional jobs programs to prepare these individuals, too, for the skilled workforce. This work can begin with the following appropriations for IDHS and their customers:

- Additional \$13.4 million to upgrade and strengthen a mixed strategy employment services delivery system that meets federal requirements and serves 2,170 additional TANF recipients.²⁷
- \$5 million for transitional jobs programs for 800 public benefits recipients and other hard-to-employ job seekers living below the poverty level.
- \$5 million for bridge program development that targets 1,000 job seekers living below the poverty level.

This is a critical time to make far-sighted decisions. Illinois' workforce development system is between a rock and a hard place. Expected growth in high-wage/high-skilled jobs, the looming retirement of a significant portion of the labor force, serious skills gaps among job seekers, and severe cuts in federal education and training funding threaten to crush our economic competitiveness. This investment of state dollars is needed, not just to preserve existing federal funds for our TANF and Food Stamp programs, but to reduce the \$2.2 billion public costs of low-wage work and to build a strong, skilled workforce that enables Illinois' economy, communities, and families to thrive.

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¹ United States Census Bureau. American Community Survey. 2004.
² *The State of Working Illinois*. Center for Tax and Budget Accountability and Northern Illinois University. 2005.
³ The United States Department of Health and Human Services Federal Poverty Level for a family of four is \$20,000.
⁴ United States Census Bureau. American Community Survey. 2004.
⁵ *The State of Working Illinois*. Center for Tax and Budget Accountability and Northern Illinois University. 2005.
⁶ Kiel, B., Spence, R. *Skilling the American Workforce "On The Cheap": Ongoing Shortfalls in Federal Funding for Workforce Development*. The Workforce Alliance. 2003.
⁷ Data supplied by The Workforce Alliance. 2006.
⁸ Parrott, S., Sherman, A. *TANF at 10: Program Results are More Mixed than Often Understood*. Center on Budget and Policy Priorities. 2006.
⁹ *Economic Development Council Final Report*. Illinois Chamber of Commerce. 2002.
¹⁰ Doussard, M., Theodore, N. *The Hidden Public Cost of Low-Wage Work In Illinois*. Center for Urban Economic Development, University of Illinois at Chicago, Center for Labor Education and Research, University of California, Berkeley. 2006.
¹¹ Illinois Department of Commerce and Economic Opportunity website text regarding the Critical Skill Shortages Initiative. 2006.
¹² Illinois Department of Commerce and Economic Opportunity data provided to CJC. October 2006.
¹³ Illinois Department of Human Services data provided to CJC. November 2006.
¹⁴ Ibid.
¹⁵ Ibid.
¹⁶ Fraker, T., Kirby, G., Kovac, M., Pavetti, L. *Families on TANF in Illinois: Employment Assets and Liabilities*. Mathematica Policy Research, Inc. June 2003.
¹⁷ Amsden, L. B., Collins, E., Lewis, D. A. *The Two Worlds of Welfare Reform in Illinois*. Illinois Families Study. University Consortium on Welfare Reform. July 2004.
¹⁸ Ibid.
¹⁹ Findings from a CJC Survey of IDHS employment services contractors conducted in early 2006.
²⁰ IDHS figure used at a townhall meeting on the new TANF regulations. August 11, 2006.
²¹ Martinson, K., Strawn, J. *Built to Last: Why Skills Matter for Long-Run Success in Welfare Reform*. The Center for Law and Social Policy, the National Institute for Literacy, and the National Adult Education Professional Development Consortium. April 2003.
²² Ibid.
²³ Beachy-Quick, K., Rynell, A. *Transitional Community Jobs, Chicago Illinois: A Summary Report on the Program and its Outcomes*. June 2002. Revised June 2003.
²⁴ Derr, M., Hill, H., Jacobson, J., Kirby, G., Paveti, L., Winston, P. *Transitional Jobs Programs: Stepping Stones to Unsubsidized Employment*. Mathematica Policy Research, Inc. April 2002.
²⁵ Data provided to CJC from the Southern Good Faith Fund. Pine Bluff, Arkansas. October 2006.
²⁶ United States Census Bureau. American Community Survey. 2005.
²⁷ Based on an IDHS assessment of the budget impact of the federal Deficit Reduction Act presented to the Self-Sufficiency Advisory Council. October 2006.

