



**The Reducing Chronic Unemployment Initiative
Big Idea Phase Final Report**

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Background

The genesis of the Big Idea began in May, 2001 when the Hudson-Webber Foundation (HWF) launched the Reducing Chronic Unemployment Initiative (RCUI). It was undertaken because far too many Detroiters were unable to hold a job – no matter how strong the economy – and evidence that existing efforts to connect the chronically unemployed to stable employment were, by and large, unsuccessful.

RCUI was designed to:

- find a better way of connecting the chronically unemployed to work, and
- be a catalyst for systemic change in how Michigan approaches the challenge of chronic unemployment in its central cities.

The project ultimately lasted eight years in two phases. The first, funded exclusively by HWF, was a four year, \$3.2 million effort. Four non profits were funded to try different models. The second phase, funded by multiple foundations and government agencies, was a four year \$4.8 million effort. Goodwill Industries of Greater Detroit was the exclusive provider in the second phase. Phase II was named the Big Idea.

Phase II included an evaluation of participant outcomes by the W. E. Upjohn Institute for Employment Research. They found that Big Idea TANF participants were employed more and earned more than comparison groups of similar recipients who received training services from other programs and providers. The core effort of the initiative – to identify a more effective way of connecting chronically unemployed Detroiters to stable employment – succeeded.

Phase II: The Big Idea

Phase II, serving Detroit residents, planned for 500 individuals to be served each year: 250 TANF clients from the Department of Human Services, 136 reentering prisoners from the Department of Corrections, 39 community referrals, and 75 minority males.

The \$1.5 million annual budget represented a cost of \$3,000 per participant. This was about triple the amount public agencies typically pay for training of welfare-to-work clients. The extra cost was justified by the expectations of far better participant labor market outcomes. The experience of the first phase of RCUI was that an expanded array of training services – pre and post placement – were essential to getting better outcomes.

The initial agreement with the state departments responsible for the delivery of training to TANF recipients was for the Big Idea to serve clients who had participated in a traditional Work First program and cycled back to the system multiple times. In Detroit such recidivism is widespread.

Another unique feature of the initiative was screens for program participants. What we found in the first phase of RCUI was that there were some barriers participants brought with them that Goodwill was not good at overcoming and if those barriers were not removed the participant was highly unlikely to succeed. So rather than spending funds on individuals that had a low chance of success in the program, potential participants were pre screened.

The Big Idea incorporated intake and assessment, career coaching, work identity and soft skills development, hard skills development, academic preparation, transitional employment opportunities, job development, placement services and partnerships with employers.

The Big Idea was designed to be customer choice driven where each individual was not mandated to participate as with traditional Work First and Michigan Prisoner Re-entry programs. Entrance criteria were (1) motivated to become employed, (2) basic literacy skills at 6th grade level, (3) submit to drug screening, (4) stable housing arrangement and, if applicable, (5) criminal history of non-violent or non-sexual offense(s).

Participant Results

Year One: 445 participants, 274 with some employment, 164 employed a year after placement

Year Two: 485 participants, 235 with some employment, 106 employed a year after placement

Year Three: 357 participants, 149 with some employment, 66 employed a year after placement.

For the three years combined only 26% of those enrolled in the program met the initiative's goal of stable employment one year after placement. Far below the 60% standard. Most troubling the proportion of participants achieving stable employment declined each year. From 37% in year one to 19% in year three.

As disappointing as those results, the evaluation by the Upjohn Institute tells a far different story. Big Idea TANF participants were employed more and earned more than comparison groups of similar recipients who received training services from other programs and providers.

In rough terms TANF participants earned about \$3,000 per quarter or \$12,000 annually if they work four consecutive quarters. Year one TANF participants on average earned about \$2,000 more a year than the comparison groups. In year two the additional earnings were about \$1,000. (Statistically significant in year one, but not year two.) The earnings differential – caused primarily from working more, not higher wage jobs – of \$1,000-2,000 per year may seem small, but on a base of \$12,000 is quite large.

The Institute conducted a net impact evaluation of the DHS participants only. The net impact evaluation estimates the contribution of the pilot program to the employment

outcomes of the participants. It does this by constructing comparison groups of individuals who are similar to the program participants, but who did not participate in the program.

The net impact analysis focused on three employment-related outcomes: finding a job, retaining a job and earnings. The Upjohn analysis yielded the following results:

Employment

Big Idea participants experienced higher employment rates than control group members ranging from 11 to 21 percentage points higher in the first year and 9 to 13 percentage points higher in the second year.

Workforce Attachment

Both first and second year participants were more likely to have more quarters of employment than their comparison group counterparts. Conversely the likelihood of not having a job in any of the quarters was lower for the pilot participants in both years. The pilot participants were also more likely to have continuous employment quarter after quarter than those in the two comparison groups.

Earnings

Employed first and second year participants did not earn any more per quarter than their counterparts in the two comparison groups, suggesting that they did not sacrifice earnings to increase their chance of getting a job. However, the fact that the pilot participants were more likely to be employed than their comparison group counterparts raised their earnings for the first four quarters after exit by as much as \$2,000 per all exiters over that received by those in the comparison groups for first year participants and \$1,100 for second year participants.

What We Learned from the Initiative

What we learned about programming

One of the substantial accomplishment of RCUI is the development of a better understanding of the program components that appear to be necessary to prepare the chronically unemployed for stable employment. The essential components of successful programs seem to be:

- **Intake and Assessment.** Developing screening criteria and assessing whether applicants meet those criteria is vital to program success. Providers need to learn what barriers they can overcome and what barriers they can't.
- **Work Identity Development.** Likely the most important learning is that there is an attribute, called work identity, that transcends mastering specific soft skills. This internal

orientation to work appears to be the key to sustained employment. Those who have a strong self-image as a worker, as someone who expects to always have a job, and sees employment as a priority goal for their own self-fulfillment, are the ones who will make it happen.

This was particularly important for those receiving TANF benefits. As long as training is just a hoop to get public assistance no programming will connect many individuals to stable employment. The most successful participants are persons sincerely motivated to change their lives.

- Pre-placement Employment. Work needs to be part of pre-placement programming. Paid work is the best.
- Workplace Exploration. Participants need to develop realistic expectations of the kind of jobs and work conditions that are available to program graduates.
- Post-placement Services. Most participants fail after they have been hired. This requires a system that is designed to provide ongoing support for new hires after they get a job.

What we learned about effective providers

Organizational capacity of program providers turned out to be very important in ultimate program success. The features that seem to matter most are:

- Organizational stability. In times of funding cut backs, organizations need to be stable enough to operate programming without disruption even when they are downsizing.
- Employer connections. Either an already developed set of close relationships with employers or evidence of an ability to forge those relationships turned out to be essential to program success.
- Continuous Improvement. The ability to constantly modify programming based on participant outcomes is essential to overcoming the challenges of chronic unemployment.

What we learned about employer involvement

Establishing employers as the customer whose needs must be met is an essential ingredient of successful programs as is getting employers involved in the design and deliver of program components.

Because Phase II involved reentering prisoners we had to learn how to overcome employer resistance to hiring anyone with a criminal record. It remains a big barrier. Many employers continue to have policies prohibiting the hiring of persons with a criminal history.

What we learned about grant making

- Experimentation. Funders can do much good if they are willing to design and fund experiments. Like any experiment, the risk of failure is high. But without funders willing to accept the risk, it is unlikely we will develop more effective models.
- Outcome standards. The RCUI grantees were held accountable for participants staying hired for one year after completing pre placement programming. The need to meet this standard drove continuous improvement.
- Active management. RCUI benefited from having a project coordinator who helped grantees meet participant outcomes standards. Encouraging grantees to reflect on what was and wasn't working and to explore how programming might be improved was an effective spur to respond quicker and more imaginatively to program problems.
- Systemic change. Funders can make a difference when they share learnings with other funders and policy makers.

What we learned about public policy

- There is a need to serving all the chronically unemployed. Current policy focuses primarily on mothers with dependent children and those exiting the corrections system. The group most left out of current programming are low-income, largely minority, males who are not in the criminal justice system. Connecting this group to stable employment is essential to building successful families and central city neighborhoods.
- Focus on retention. Aligning participant outcome standards with the goal of stable employment is vital. Public programs that measure short term employment and without a lot of consequences for providers all too often leads to participants getting hired, then losing jobs and recycling back to the same programs again and again.
- Comprehensive programming. By and large, public programs have time limits that are too short and only fund a small set of the needed services. For those who go through public programs like Work First and then cycle back, public policy needs to allow for the depth of services that Goodwill is now offering.
- Funding. A realistic estimate for programming that involves all the above components is \$3,000 per participant. Government programs in Michigan normally pay about \$1,000 per participant. This obviously presents a real challenge to delivering the kind of programming that works best long term as well as the needed scale.

What we learned about working with state and local government

The biggest difference between the two phases was that we went from an exclusively foundation funded initiative to one that was co-funded by foundations and government.

It is the only way to get to scale. But when you take government funds all sorts of rules and regulations that did not exist in the experiment are in play. The bottom line is that co-funding the Big Idea with public agencies was a mixed blessing.

- The Governor's Office of the Foundation Liaison is essential. Without their involvement the Big Idea phase could not have happened.
- Stay in touch with Department Leadership. The commitment to the pilot was made by the Directors of the Departments of Labor and Economic Growth, Corrections and Human Services. What was not instituted was a process for the foundation heads and Department directors to renew their commitment to and understanding of the pilot. The result: at the end of the three years, the foundations and Goodwill viewed the pilot as a success and worthy of continuation funding, DLEG and DHS viewed it as a failure.
- Negotiate the details upfront. We worked before the pilot began with the state agencies on the funding agreement, securing the necessary waivers and the framework for the programming. What we didn't do is work through (1) the details of the programming, (2) how the pilot would be protected from programming changes the departments might make over the life of the project and (3) participant outcomes that would be used to judge the success of the pilot. In retrospect not spending the time to get those details worked out caused many of the challenges the pilot ran into.
- Involve agency program staff. This is one of the things that we did right. Program staff – at a reasonably high level – was involved in the quarterly meetings from each of the three state departments and the Detroit Employment and Training Department.
- Foundations should attempt to be involved in program redesign. The lessons learned from Phase I or II do not appear to have been considered in the development of JET, MPRI or the redesign of the City's employment and training programming. Getting policy makers to consider the lessons learned from foundation funded programming may be an even more powerful way for foundations to impact the success of public programs than co-funding an expansion of a successful foundation funded initiative.

What we learned about evaluations

- Evaluations with comparison groups are highly recommended. Quite simply without the Upjohn Institute research we would not have known if the Big Idea pilot added value or not. Having employment outcome data on those who participated in the pilot compared to those who received traditional services allows for a judgement on whether the pilot succeeded or not.
- Data needs to be collected in real time. It took a long time for Upjohn to gain access to the data needed to do the comparative analysis. So it wasn't until after the pilot had ended that we knew the results that participants had better outcomes than the comparison groups. Who knows, if the agencies had real time data, if they would have

continued the program beyond the three year pilot. But, at least, they would have made that decision with accurate data.

The Path to Systemic Change

The structural changes Goodwill has made in how they provide training services is an important step in improving the system of connecting chronically unemployed Detroiters to stable employment. But real systemic change can only occur if the lessons learned from this initiative are put into practice by state and local government. It's the only way to take a new approach to scale.

Except for reentering prisoners, where there is a far greater emphasis on figuring out what works, current public training programs are very rule driven. And those rules are a major barrier to applying the key lessons learned from RCUI. The most important changes required to take advantage at scale of the RCUI experience are:

- More time. For those who do not achieve stable employment the first time in traditional programming, there needs to be a more comprehensive approach.
- More comprehensive services. The many program options available to Big Idea participants matters to successful participant outcomes. Most important are work identity development, transitional work experience and post placement services.
- Not serving all. The use of screens so that participants who enter training have a realistic chance of success runs counter to the current way training is delivered. All programs must serve everyone. But that almost assures low success rates. Too many participants end up in programs where the provider does not have the capacity to deal with the barriers that prevent their participants from achieving stable employment.
- Focus on stable employment, not wages. This too runs counter to current practice of both public and foundation funded programming. Everyone wants participants to get living wage work. But for those who do not succeed after a first time in traditional programming there should be training explicitly designed to connect participants to stable employment in first rung of the ladder jobs.

If policy makers adopt a lets figure out what works approach to connecting the chronically unemployed to stable employment there are some valuable lessons learned from this pilot that can be the basis for a redesign of current programming.