



UNIVERSITY OF CALIFORNIA

## CALIFORNIA COMMUNITY TOPICS

No. 3 July 1998 Human and Community Development, UC Davis, CA 95616

California Community Topics, an occasional publication series of the California Communities Program (CCP), provides useful information to citizens and local leaders about important issues of community governance, leadership, and economic development. The CCP is a statewide unit of the University of California's Division of Agriculture and Natural Resources, with applied research and outreach responsibilities. It is housed by the Department of Human and Community Development, College of Agricultural and Environmental Sciences, at UC Davis. David Campbell is director of the CCP. He may be reached at (916) 754-4328; FAX 752-5855; E-Mail dave.c.campbell@ucdavis.edu.

# Welfare Reform, Work Force Development, and the Challenge of Job Creation

David Campbell, Director, California Communities Program

Under federal and state welfare reform legislation, county governments in California are responsible for reducing welfare caseloads by promoting employment. The purpose of this brief report is to describe the context shaping county welfare-to-work (W2W) efforts, to identify emerging trends, and to highlight noteworthy examples of local collaboration. Data are drawn from statistical reports and from interviews with more than 100 policy and program leaders in six counties—Butte, Kern, Sacramento, San Diego, Tulare and Ventura. The interviews are part of a multi-year research project in which the California Communities Program is monitoring welfare reform developments in these diverse counties.

### Job Creation as Challenge and Opportunity

Welfare-to-work (W2W) success requires integration of public, private and non-profit programs and policies across three programmatic areas: 1) social service delivery (e.g., child care, transportation, mental health, substance abuse, food security); 2) work force development (e.g., literacy, vocational education, on-the-job training, job placement and retention, life skills training, sheltered workshops, retraining and career advancement); and 3) economic development/job creation (e.g. development of infrastructure, market analysis, business finance, technical assistance).

Achieving this integration is a rich community development opportunity, part of the broader civic renewal underway in which the market, state and voluntary sectors are seen not as antagonists but as partners who together meet community needs. It is also a difficult challenge, requiring communication across the boundaries of professional jargon, trust that overcomes the concerns of turf and ideology, and creative

management of conflicting rules, regulations and financing. The Center for the Continuing Study of the California Economy estimates that 80,000 new jobs are needed every year to accommodate people moving from welfare to work. This is in addition to the hundreds of thousands of new jobs needed to reduce existing unemployment and accommodate growth of the labor force. In most counties, existing jobs are neither sufficient to meet the need, nor a good fit for the W2W labor pool. Even where unemployment is low, there are serious questions: How will people get to where the jobs are located? How will individuals without a high school degree and/or work experience be able to compete? Will entry-level work provide a living wage and lead to self-sufficiency, or trap families in continuing poverty? Will welfare-to-work efforts displace the working poor or those currently unemployed but not receiving welfare?

Counties thus face a significant challenge, both in motivating job readiness among individuals on welfare, and in creating employment opportunities in the private, public and non-profit sectors. Of particular note is the requirement that counties provide community service work for individuals who reach the time limit for receiving Temporary Assistance to Needy Families aid (18 months for new applicants or 24 months for continuing recipients), if the county certifies that "no job is available." A crucial question is whether community service work becomes a vehicle for increasing job readiness and providing public goods (neighborhood cleanup, crossing guards, staff for non-profits, etc.), or instead leads to dead-end jobs and make-work.

Counties will be rewarded for W2W success by retaining 75% of the cost savings from reduced welfare rolls. They will also be penalized for failure, sharing 50-50 with the state

**This publication may be duplicated for distribution providing full CCP information at the top of this page is included.**

the sanctions incurred for failing to meet federal work participation requirements. The fiscal ripple effect of failure could be substantial. For example, Ventura County has calculated that if just 2% of the children in welfare families are removed due to financial stress-related abuse or neglect, it will double the population in foster care—60% of which is paid for by the county's General Fund. Given the limited capacity to raise new revenues, no California county can afford to absorb cost shifts of this nature.

### Emerging Trends

While caseload decline figures are not an adequate measure of county program performance (since they fail to take into account the relative work readiness of county caseloads, or the change in family income and well-being after leaving welfare), they do provide a rough measure of how counties are faring during the early implementation of welfare reform. All things being equal, we would expect high unemployment counties to experience much greater difficulty securing successful W2W placements.

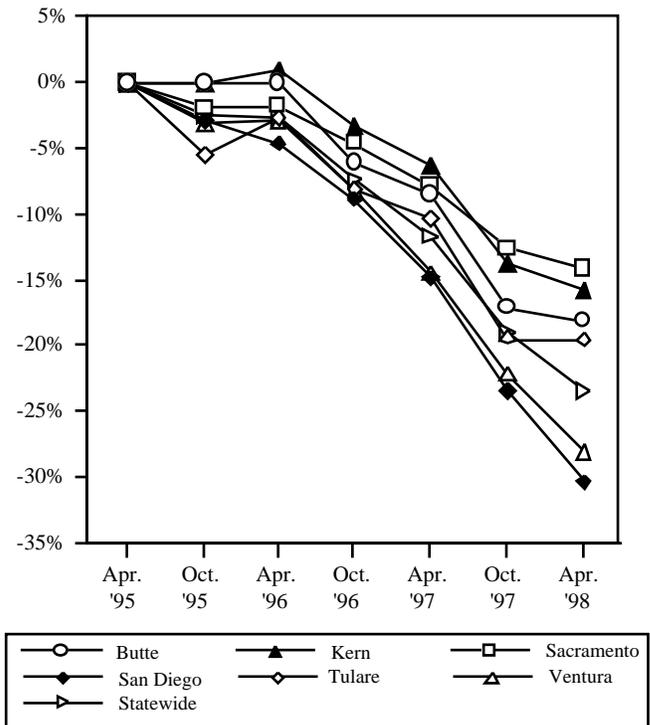
Table 1 compares the rate of caseload decline in our six sample counties, whose unemployment rates range dramatically—from 3-5% in the urban counties (San Diego, Sacramento and Ventura), to 9-16% in the rural counties (Butte, Kern, Tulare). All the counties have experienced steep caseload declines, part of a statewide trend that has seen caseloads fall by 24.5% since April 1995 (they peaked in March 1995). With the exception of Sacramento (where concentrated poverty exacerbates W2W struggles), counties with lower unemployment generally have fared better. San Diego (where unemployment is currently 3%) leads the way with a 31% decline, followed by Ventura at 29%, Tulare and Butte at 18%, and Kern and Sacramento at 15%.

The trend lines and rate of the decline has been remarkably similar across the counties. In each county the sharpest six-month decline was between April and October of 1997, coinciding with the period in which public interest in welfare reform was peaking due to the debate over pending CalWORKs legislation.

Figures for the most recent six-month period (Oct. '97-April '98) show that the two counties with the lowest unemployment rates (San Diego and Ventura) continue to experience rapid declines, the county with the highest rate (Tulare) has seen caseloads level off, while the remaining counties (Butte, Kern, and Sacramento) have seen the rate of decline slow significantly. These data suggest that the relative health of the local economy will become a more critical factor as time goes on.

Many welfare program managers believe that reform has prompted the more employable and enterprising aid recipients to obtain jobs, while those remaining on the rolls will be less “work ready.” Whether counties can develop successful W2W programs for a harder-to-employ caseload is the key question over the next few years.

**Table 1. Cash Grant Caseload Decline From April 1995**



Source: State of California, Health and Welfare Agency, AFDC, Cash Grant Caseload Movement and Expenditures Report, FG/U Combined Caseload Monthly Averages, Cash Grant Cases. All months compared to April '95.

### Learning from County Stakeholders

In our interviews we have attempted to identify steps the counties are taking to meet the challenges of work force development and job creation. A few generalizations emerge:

- Integration of social service delivery and work force development efforts is happening, but job creation efforts are not well-coordinated with these activities.
- We found a broad consensus that work force development efforts should serve all citizens, not just welfare clients, in order to avoid the stigma often associated with welfare.
- High unemployment counties are forced to consider alternatives to private employment, including “train and relocate” programs, and expanding work opportunities in community based organizations.

- Planning for “community service work” will be critical but is not very far along and not well-connected to work force development planning.
- W2W is itself a growth industry in both urban and rural counties, providing funds to support new jobs in child care and transportation.
- Many county leaders realize that initial job placement alone is not the answer, and are broadening the discussion to consider job retention, career advancement, and a livable wage.
- The use of intermediary employers who take on bonding or other risks may become more common.
- Most planning and implementation is still done on a county-by-county basis, despite the recognized trend toward regional clusters as the new way to think about economic development.
- Counties are working hard to “trick the system” by combining work and training in creative ways.
- Private foundations may play an increasing role in work force development and job creation activities

## County Initiatives

Key players in welfare reform partnerships include human service agencies, CalWORKs administrators, Private Industry Councils (PICs), Community Colleges, Regional Occupation Programs, Chambers of Commerce, county and non-profit economic development agencies, the state Economic Development Department, faith communities, small business assistance programs, and many others.

The following are noteworthy initiatives developed by county governments and their community partners:

**Butte County:** Two new Community Employment Centers will provide integrated service delivery. The Chico center is expecting 500-700 people to visit each day, in an economy that created less than 500 jobs in the entire last year. Just down the street, Butte College will soon open a Career Training Center, featuring both standard job-related instruction and self-paced computer learning in fields such as cleaning services, clerical work, retail sales, hospitality/food services, and small business management. *For more information contact Bill Finley, Private Industry Council, 530/538-6798; or Merlyn Newlin, Butte College Career Services, 530/895-2340.*

**Kern County:** The Department of Human Services is bundling transportation, child care and training services as a benefit package offered at no cost to businesses. A similar effort initiated prior to welfare reform has resulted in attracting a new plant that will employ 140, of which approximately 25% will be W2W participants. *For more information contact Glen Basconillo, 805/631-6517; Chris Wilson, 805/336-6735 or Carla Baggiani, 805/336-6735.*

**Sacramento County:** The Sacramento Valley Organizing Committee (SVOC), a coalition of churches in low-income neighborhoods, has negotiated hiring agreements with Sacramento area health care providers and is partnering with the county’s Department of Human Assistance to provide W2W support services at one-stops located in churches. The jobs pay a minimum of \$7.50/hr. with benefits. *For more information contact Larry Ferlazzo, SVOC, 916/457-0245; or Ted Canty, Department of Human Assistance, 916/875-3200.*

**San Diego County:** The County has taken a “managed competition” approach to delivering W2W services. Private companies and non-profit groups were invited to bid competitively to be the service provider in one or more of six designated regions. Lockheed was selected in two regions, Maximus in one, and Catholic Charities in another, with the remaining two regions receiving services from county government. The service provision contracts are performance-based, with future funding dependent on meeting clearly specified standards. *For more information, contact Ray Koenig, Health and Human Services Agency, 619/338-2749.*

**Tulare County:** The county Office of Education is partnering with the Salvation Army to pilot a “train and transport” program in which county schools will train local residents for jobs in Las Vegas and Salt Lake City. The program is voluntary and the county pays only the cost of transportation to the new city. They hope to relocate 40 families a month, resulting in significant caseload reductions. Another Office of Education initiative, the SEE Company, creates a simulated workplace in which job readiness assessments are made. The company features time clocks, mock payroll, and actually produces a newsletter “by welfare recipients, for welfare recipients.” *For more information contact Alan Tufts, Office of Education, 209/651-3026.*

**Ventura County:** Work force development and economic development activities have been consolidated into the Regional Development Division of the Chief Administrative Office. At the same time, the county is setting up two “business resource centers” and seven “job and career centers” in which welfare, EDD, child care, housing, probation and other

agencies will work under a common director. *For more information, contact Randy Feltman, Deputy Director, CalWORKs Implementation System, 805/654-2691; or Marty Robinson, Chief Deputy Administrative Officer, Regional Development, 805/654-2864.*

## Resources

New funding and technical assistance support can assist local partnerships. These include:

**Welfare-to-Work:** This new \$3 billion Welfare-to-Work program is administered by the federal Department of Labor. California's share is \$190 million, of which 15% remains at state discretion and 85% will be distributed to the state's 52 Private Industry Councils (local work force development bodies, usually one per county) according to a formula which gives weight to poverty rate, TANF caseload, and unemployment rate. Each PIC will receive a minimum of \$100,000 to administer the program in their Service Delivery Area (SDA). Twenty-five percent of the federal funds are to be awarded on a nationally competitive basis, with 70% to urban areas and 30% to rural projects. The first of three to four rounds of competitive grant awards during 1998 and 1999 were announced in May and included many California projects. Summary descriptions are available at: <http://wtw.doleta.gov/documents/commsumm.htm>

In California, the Employment Development Department (EDD) has been designated as the administrative entity for federal welfare-to-work funds. *For more information call Don Migge at EDD's Welfare-to-Work Coordination Unit, 916/654-7961.*

**Job Creation Investment Fund (JCIF):** The CalWORKs legislation (AB 1542, Section 19, Chapter 1.12) established the state's JCIF, administered by the Trade and Commerce Agency. The fund is the only state resource dedicated to job creation (as opposed to training) for CalWORKs participants. Five million dollars was allocated in FY 1997-98, with a small increase expected in the coming year. Most California counties are receiving \$50,000-\$70,000, with a few receiving more based on large caseloads and high unemployment. The funds can be used for planning or implementation activities, and are intended to spur collaborative work between county governments and other local economic and community development organizations. *For more information on the JCIF, contact Janet Maglente, California Trade and Commerce Agency, 916/327-3112.*

**CALED Job Creation Program:** The California Association for Local Economic Development (CALED) has begun an 18-month W2W program to facilitate collaboration among economic developers, welfare agencies and their clients, and the job-producing business sector. The aim of the project is to build economic development capacity through data development, information exchange, training and technical assistance, and peer-to-peer networking. *For more information, contact Bill Davis, Director of Special Projects, CALED, 916/448-8252.*

## Looking Ahead

**Reinventing government:** Welfare departments hope to remake themselves as "employment agencies," but can they succeed in retraining staff and transforming agency culture? What kinds of cross-training will efficiently promote integrated planning, programs and policies? How will federal and state labor standards come into play in "work experience" or "community service" settings? Can information systems be better coordinated to promote collaboration?

**New program design:** How can counties develop universal programs that serve all citizens, but at the same time level the playing field for W2W participants? Are there particular structural configurations, staff training processes, or other factors that are more likely to lead to success for new "one-stop" job centers? Can creating mid-level jobs free up entry-level employment?

**Rural strategies:** Given the difficulty of increasing private employment, what can economic development agencies do to promote employment opportunities in the non-profit sector? How can the state promote jobs in resource-based industries? What can be done to encourage rural counties to pursue regional job creation strategies? Can rural counties take advantage of the entrepreneurial skills of retirees? What are the implications of expanding the "train and relocate" approach?

**Policy and governance:** What new forms of community and regional governance are emerging? To what degree do these new partnerships or institutions meaningfully involve all classes and segments of the community in decision making? Can policies that concentrate poverty in rural and inner city areas be reversed? Can individuals with diverse political outlooks learn from one another, so that the next round of welfare policymaking is less contentious?