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The Workforce Challenge: To Place is to Win

After eight months of research, the Center for an Urban Future has completed the first comprehensive report on New York City's new and controversial welfare to work job-training system.

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This is an excerpt. Click here to download the full report (PDF).

Introduction

New York City has begun a major effort to bring employment and training to the city's would-be workers. But the city's new contracting system leaves service providers little margin for error—and particularly threatens the nonprofit organizations that have historically done the most to help people find jobs.

Unlike nearly every other social service, job training has at its core an unshakeable faith in the magic of the market. In the age of welfare reform, job training has been held up as the mechanism by which people may lift themselves out of poverty and government dependence, and into the benevolent arms of the free market. The system's biggest champions burn with the conviction that only the market—not government—can solve unemployment, underemployment, and persistent poverty.

So why trust nonprofits with the task?

Major policy changes in workforce development, both locally and nationally, have made this more than a theoreticalquestion. These shifts have tilted the playing field away from small, community-based, nonprofit job trainers and toward organizations with greater resources, a more professional approach and, often, a for-profit business structure with a real eye for the bottom line.

Until two years ago, job training in New York City was largely the province of small- to medium-sized nonprofits operating on contracts from the city's Department of Employment (DOE) and Human Resources Administration (HRA)—and delivering uneven performance ranging from excellent to dismal. Some standout programs not only helped thousands of New Yorkers find solid jobs and hundreds of New York companies recruit good employees, but also fostered hope and self-reliance among discouraged, frustrated people. But with little accountability, this overlooked system was plagued with embarrassing problems, such as job trainers that prepared people for careers in failing industries. Nevertheless, almost without exception, poor providers and quality providers alike saw their contracts renewed from one year to the next.

In 1999, after absorbing DOE's contracts, HRA completely revamped its system for welfare-to-work job training and placement. The overhaul replaced dozens of small contracts with 17 mammoth “prime” contracts that total nearly half a billion dollars over a three-year period. Through these controversial contracts, smaller providers, including most of the nonprofits engaged in job training, have been relegated to subcontractor status—a change with dramatic consequences both for these organizations and for the clients that come to them for help finding jobs. Ever since the contracts were announced, many of New York's community-based job trainers have loudly and publicly feared for their own survival.

About the same time, changes flowing from the 1998 federal Workforce Investment Act (WIA) were completely reorganizing job training for everyone not on welfare. Congress passed this law in response to persistent frustrations about provider accountability and the size and complexity of the system. Much like HRA's overhaul, WIA has the express purpose of consolidating a bewildering array of federal funding streams for job training; unlike HRA's revised system, WIA trumpets the much-cherished notion of “consumer choice” for people who need new job skills. This will be accomplished, eventually, through Individual Training Accounts—essentially, vouchers. Small job training organizations are concerned about this, too; everywhere they've been tried, vouchers have proven beneficial for bigger providers that can work on a large scale, while smaller providers have lost clients under the voucher system.

New York State as a whole, and New York City in particular, has been spectacularly slow in implementing WIA, so thismodel of customer choice and centralized client management has not yet reached the five boroughs. But these incipient changes, too, pose major threats to local community-based organizations (CBOs). HRA's reforms of the city's welfare-to-work contracts mean that these little nonprofits no longer have guaranteed cash flow and a predictable stream of customers. The additional changes mandated by WIA may just push them over the brink.

Here's the hundred thousand dollar question: So what?

If community-based job training providers disappear from the landscape of New York City workforce development, isanything lost? If these organizations are killed off, isn't that just because they failed to adjust to a changing market—just like when for-profit businesses fail?

Our answers: Yes... and yes. As a host of experts across the ideological spectrum have argued, local community-based organizations will have to prove their relevance and effectiveness in the changed world of workforce development. And they have to get leaner, if not meaner.

But after eight months of research and hundreds of conversations with trainers, administrators and critics at the city, state and national level, the Center for an Urban Future concludes that community-based job training providers offer assets that might not show up on a balance sheet. Foremost among these is an intimate familiarity with, and deep ties to, the communities from which job-seekers come.

CBOs have traditionally recruited trainees for their job programs directly from the neighborhoods they serve, often through other programs they offer such as counseling or child care. By reaching out within their communities, they often represent the first rung on the ladder to a better life. With referrals from their welfare to work subcontracts increasingly coming from all over the five boroughs, the ties between training providers and the communities in which they operate have already been

weakened. But their traditional emphasis on providing services—regardless of the bottom line—should ensure a continuing mission for CBOs.

It's not an easy mission. Community colleges can offer specialized and customized training to young people entering the workforce and newly unemployed workers looking to change careers. For-profit firms offer re-training in specialized fields from commercial trucking (think late-night TV ads) to appliance repair. But anyone expecting either the higher education system or for-profit trainers to invest the time and money in working with the people who remain on welfare after years of uninterrupted local economic growth—the people often described, somewhat clinically, as the “hardest to serve”—should probably spend a few days in the trenches.

There, trainers and career counselors work with people who may or may not have a high school diploma, more likely thannot have children, might have problems with drugs or alcohol, and almost certainly don't have either a solid work history or skills that employers demand. Most people looking for work pose challenges to employment specialists, but under the new system, CBOs disproportionately wind up with the toughest cases. Their clients need time, energy and commitment to succeed—but the new workforce contracts promote quick placements above all else.

If there's a single way to place hard-to-serve clients quickly, neither the city nor the organizations it has contracted with has found it yet. New York's training providers work with adults in their 40s and 50s who are barely able to read and have no work history to speak of; women who have been on and off welfare for years, lack marketable job skills and are angry at a system that they feel has mistreated them and their families; and immigrants with minimal English language skills and physical impairments that restrict the work they can do. Even more common are individuals without one overwhelming obstacle to regular employment, but rather a series of smaller barriers: a chronic back or knee condition, problems finding a babysitter, a criminal record, concerns about medical care or paying the rent. Any one of those things might not be enough to stop someone from working, but two or three of them at once, for a single parent or someone without an education or work history, can prove a lot to overcome.

HRA's system is designed to motivate job training providers to place participants in jobs. The agency pays its contractors for placements and retention, as individuals keep their jobs and win promotions and raises over time. But by definition, the hardest to serve aren't easy to place—and some fear that for-profit providers, responsible to the bottom line and their stockholders, might prove less willing to devote time and resources to the intensive case management this population needs. On the other hand, nonprofit CBOs are charged, by their history and mission, to follow motivations other than profit. For community-based trainers, the barriers faced by the hardest to serve represent a challenge to be overcome.

Finally, there is the fact that federal welfare time limits are about to kick in; for tens of thousands of city residents, the five-year lifetime cap on federal Temporary Assistance to Needy Families (TANF) is less than a year away. Since New York's state constitution mandates that the state must provide some assistance to those in need, we face the prospect of continuing to provide services without any help from Washington. If CBOs represent our last, best chance to lift some of these people off the rolls, it stands to reason that we should give them more support, not less.

Instead, CBOs find themselves facing major internal changes in order to survive. There are no guarantees anymore; in their new roles as subcontractors in HRA’s system, CBOs must rise to the challenge of moving clients into work quickly to ensure that they earn money under the new regime of performance-based pay. Accordingly, CBOs have to re-examine their programs, broaden their funding bases, streamline their organizations, form partnerships and coalitions, and generally stretch their money farther than they ever have before. A number almost certainly will fail to adapt, and will disappear.

New York's job training system has some strong elements to recommend it. Even among those providers who havestruggled under HRA's new contracts, there is a general consensus that the performance-based compensation model now in use—which pays training providers for their services only after their job-seeking clients have found work—is here to stay, and is an improvement over the old system of paying providers regardless of whether or not trainees got jobs. And, though its

long-term future as part of the system is probably less certain, the larger scale realized by HRA's prime contractor system has its benefits as well.

But the current system could be improved with an injection of what has traditionally fueled job training in New York City: A firm commitment to bringing work training to the worst-off as well as to the easiest to place in jobs. Our city can reaffirm that commitment by making more resources available up front for organizations working with the hardest to serve—or by raising the reimbursement rates for putting the most challenging clients in jobs, to reward the extra work those cases require. We believe that this fusion of market power and mission is the key to building a workforce system that truly serves job-seekers, employers and the city as a whole.

Here's how it might look. As in most other types of businesses, large providers—for-profit groups such as America Worksand Curtis and Associates, educational institutions such as CUNY and citywide nonprofits like Wildcat Services and Goodwill Industries—could provide a broad array of basic services, acting like job-training supermarkets. CBOs, on the other hand, could offer "boutique" services tailored to specific neighborhoods, occupations, or even employers. They could augment this work with direct contracts from the government to handle "special populations," such as distinct ethnic communities, new immigrants, or former prison inmates. A centralized coordinating entity—perhaps HRA itself, or eventually the city's Workforce Investment Board—could implement "finder's fees" or other incentives for CBOs to step up their recruiting efforts in the neighborhoods; even if the CBOs can't offer direct services to every client they recruit, they can refer clients to appropriate service providers through HRA or the WIB.

A range of intermediary and ombudsman services should be available to help job-seekers and employers alike navigate and use the system. The city's Workforce Investment Board has plans to make such services a key component of the new centralized "one-stop" centers mandated by WIA, and several private intermediaries have emerged to work on behalf of employers as well as job-seekers. The Brooklyn Chamber of Commerce has been running a program called Good Help, matching clients in area training programs with local job openings for three years now, and the national Welfare-to-Work Partnership, now setting up shop in New York City, also has great potential as a "bridge" organization.

There are lessons to be learned from other places as well. Community-based organizations in Rochester, New York, where WIA implementation is much further along, are facing issues with too few referrals from that city's one-stop system that New York's CBOs would do well to note—and take measures to guard against. In Seattle, by contrast, CBOs and others in the field are benefiting from political leadership from city officials determined to coordinate economic development and workforce development through the Seattle Jobs Initiative.

If they plan to emerge from this shakeup more efficient and more effective, nonprofits must learn to share. Smaller organizations should explore ways to share trainers, placement officers, administrative functions, even training facilities. They'll also need to find other sources of income; as access to public dollars through local and federal contracts for job training becomes less certain, CBOs will need to start raising cash through private philanthropy, corporate contributions, or for-profit ventures.

In the still-fluid landscape of job training in the city, community-based providers have an opportunity to reaffirm their central mission, to connect people with new jobs and better lives. But the effort will require courage, brains and a willingness to step away from old ways of working and set out in new directions. Welfare reform at its best has the admirable mission of helping people help themselves. If New York City's community-based job trainers are willing to change, they can still deliver that help.



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