



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

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## I. Overview

In May, 2001 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 (2005-2009) involved multiple foundations and government agencies. It 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.

This report begins with an overview of the genesis of RCUI and the results of Phase I. But its main focus is on the Big Idea: its strategy for achieving greater participant labor market success, the results of the initiative, what worked and what didn't and the lessons learned on how to build a better system for connecting the chronically unemployed to work.

Our hope is that this report will be helpful to all those engaged in combatting chronic unemployment in Michigan. Over the past eight years we have learned a lot. We understand far better today than when we launched the initiative how difficult the challenge is. But our experience leads us to believe that when philanthropy, providers, government and employers work together real progress is possible.

## II. RCUI: Phase I

The economic boom of the late 1990s brought labor shortages to metropolitan Detroit for the first time since World War II. Employers need to find workers pulled many residents of the City of Detroit into the workforce. But there were many who were not able to take advantage of the boom. The Detroit employment rate of 70% was 11 percentage points below that of suburban Detroit. If Detroiters worked in the same

proportion as suburban Detroiters, 70,000 additional Detroiters would have been working. Most troubling, for Detroiters without a high school degree, the employment rate was still only 48%.

The Hudson-Webber Foundation (HWF) has long been a leader in the physical redevelopment of the City of Detroit. With the evidence that even a full employment economy left lots of Detroiters without jobs, the Foundation decided to add to its economic development programming an initiative to better connect chronically unemployed Detroiters to work.

Before beginning grant making, HWF asked Michigan Future, Inc. (MFI) to help develop a new approach to prepare the chronically unemployed for stable employment. Based on a series of conversations with non-profit training providers working with low-income Detroiters and entry-level employers in Detroit as well as a review of programs across the country, it was clear that existing efforts to connect chronically unemployed Detroiters to work were not working well. The system had poor participant outcomes and the scale of the efforts was far too small to deal with the extent of the challenge.

Given the absence of a proven model for connecting the chronic unemployed to work, HWF decided that it could best help deal with the challenge of chronic unemployment through an experiment. This is the genesis of the Reducing Chronic Unemployment Initiative (RCUI). At its core it was social policy R&D.

RCUI was designed to develop a better way – both in terms of quality and scale – to connect chronically unemployed Detroiters to work. Its ultimate goal was to be a catalyst for systemic change in the way the community prepares the chronically unemployed for stable employment.

The key features of this new approach were:

1. RCUI was built on the belief that substantial progress could only be made if agencies were willing to fundamentally change the way they prepared the chronically unemployed for work. RCUI grants, in effect, were designed as incentives to get grantees to try something new.
2. The initial grants were designed to encourage the grantees to continuously modify their programming as they learned better what worked and what didn't. RCUI assumed that the programs that succeed would look substantially different at the end of the grant from how they were launched.
3. The focus was on program participants achieving stable employment. HWF measured grantee success by participant outcomes, not how they designed and delivered their programs. In effect, HWF allowed grantees to design their black box as they saw fit. But pushed for changes in program design when participant outcomes did not meet grant expectation.

4. RCUI was actively managed. Rather than relying on an annual progress report to determine performance, HWF made a grant to MFI to serve as project coordinator. In that capacity MFI was responsible for coaching grantees to drive continuous improvement and for encouraging systemic change.

The primary vehicle for driving change was a quarterly meeting of all the grantees and MFI. These meetings were designed to explore the nature of the barriers that the chronically unemployed must overcome to succeed as stable employees as well as what works and what doesn't in terms of programming to overcome the barriers. The quarterly meetings were supplemented by one-on-one sessions with MFI to help each grantee design and deliver new approaches to programming. The constant focus of all these sessions was on improving retention rates of program participants.

5. Maybe most unique, RCUI was an experiment. HWF launched the initiative knowing that the grantees might fail in better connecting chronically unemployed Detroiters to stable employment. The Foundation thought that finding a solution was so important that it was worth the risk.

The foundation of RCUI was a four part strategy developed by HWF:

#### 1. Retention is the measure of success

The measure of success of training programs needs to be whether participants/ employees are able to hold – not just get – a job. Welfare-to-work programs have proven to be generally ineffective in preparing chronically unemployed Detroiters for stable employment. These programs, at best, help participants get hired. But many who are hired, do not stay employed for long.

Detroit employers reported that many entry-level workers they hired who had participated in training programs were no better prepared for work than those they hired "off the street". The results were predictable: high employee turnover rates and participants repeatedly cycling back to public assistance and training programs.

#### 2. The absence of soft skills is the major barrier to stable employment

Employers identify attitude – not aptitude – as the distinguishing characteristic of successful entry-level employees. If employees are reliable, able to take supervision, able to work with fellow employees and customers and are dedicated to doing a good job, employers are, by and large, confident they can teach the technical skills required of entry-level workers.

#### 3. Employers are the customers

Ultimately participants succeed only if they meet the needs of an employer. The best providers are committed to helping their clients succeed at work. They believe that employment is the best path for their clients. They view employers as their allies and

partners. They learn what employers require of their employees and organize their programs to help participants meet those requirements.

#### 4. Focus on connecting the chronically unemployed to the first rung of the job ladder

Many of the chronically unemployed have a history of not succeeding in any job. For them, mastering the requirements of entry-level employment is a prerequisite to moving up the job ladder. Many government and foundation initiatives are designed to connect the urban poor to better paying jobs. They inevitably have low success rates. If individuals don't have the skills to succeed in first rung on the ladder jobs, they can not succeed in better paying jobs. Focusing on achieving stable employment, rather than pay levels, is what matters most to the long term labor market success of the chronically unemployed.

Based on this strategy, HWF launched The Reducing Chronic Unemployment Initiative in May, 2001. The initial commitment was as a three year, nearly \$3 million demonstration project. The project was extended to include a fourth year of programming.

For the first time ever, HWF chose grantees through a competitive grant process. Potential grantees – both non-profits and for-profits – were asked to respond in May, 2001 to a Request for Proposal. Grantees were largely selected based on their alignment with the RCUI strategy, organizational capacity to design and implement a new approach to programming and their partnerships with employers.

In September, 2001 four non-profits were awarded project grants:

- Goodwill Industries of Greater Detroit
- Operation Able (in partnership with Kelly Services)
- Starfish Family Services
- Visiting Nurses Association

Goodwill was funded at \$250,00 per year for the three years. The others were funded at \$200,00 per year. In addition to the four project grants, Michigan Future, Inc. was retained as overall project coordinator and the Corporation for a Skilled Workforce as project evaluator. The initial financial commitment to RCUI was \$970,000 per year for three years. (Goodwill was awarded a fourth year grant of \$250,000 due to the success of its program.)

Only one of the four grantees – Goodwill – met RCUI's objectives. Preparing the chronically unemployed for stable employment was much harder than either the Foundation or the grantees understood when RCUI was launched. Goodwill's success in developing and delivering a system where a substantial proportion of participants achieved stable employment was remarkable.

As the initial three year demonstration project came to a close, HWF was so impressed with Goodwill's results that it provided Goodwill with a fourth years grant. But, more importantly, committed to working with Goodwill to take the lessons learned from RCUI to develop a comprehensive training system for at-risk Detroiters that would be jointly funded by government and foundations.

### **III. The Transition to the Big Idea**

In October, 2005 Goodwill launched a single comprehensive, modularized workforce preparation service designed to serve 500 at-risk Detroiters annually. Built largely on the lessons learned from RCUI, the new system combined into one system four previously independent programs: a government funded Work First program and three foundation funded programs aimed at the chronically unemployed, young adult African-American males and reentering prisoners.

No matter what door they enter through, all participants would receive a set of services customized to meet their needs drawn from a wide array of service options. Services would be offered to each participant for one year after initial employment. This was the big idea, from which the project gained its name: the elimination of program and service silos at Goodwill. No matter what program or funder brought a client to Goodwill they would be able to choose from the complete array of services provided by the agency.

The system would provide people the specific training and supports they need, regardless of referral source or potential funding stream. They would receive services at the level they need and at the point they would benefit from them. Each person would have a customized plan for success, a targeted employment outcome, and a coach that supports them along the way. Employers would be active partners in the initiative, working together with Goodwill to develop the employees they need.

Goodwill's Detroit Career Center would move away from a series of programs and services that are uniquely provided to specific populations. The system to be replaced was characterized by access to program opportunities and components limited by referral source, funding stream, demographics, and even by disability. Individual programs also lacked key components that were offered in others.

The vision was to develop an integrated system of service options instead of an array of programs. The new system would be built around the key components of the promising new initiatives that had been implemented, and would allow access to all service options that individuals want and need to ensure employment success. The new model would provide individualized pathways for men and women to achieve economic independence.

The system was designed to incorporate the following components:

#### **1. Intake and Assessment**

All individuals who are interested in receiving employment services would participate in a comprehensive initial assessment. This assessment would include an initial interview and assessment in the following areas: attitudinal testing, criminal background, drug screening, academic aptitude, and career interests. This function would serve three purposes.

- It would divert those who do not meet the basic entry requirements or have barriers that need to be addressed prior to participation. They would be referred to the appropriate services with other community providers and could return when ready and capable to participate.
- It would assist in the development of a customized service strategy. Modules of training would be selected based on the wants and needs of each customer, resulting in a unique plan for reaching their targeted employment goal.
- It would result in the individual's attachment to a coach, who would provide support, advice and service coordination.

## 2. Coaching

All individuals would be paired with a coach. This individual would provide ongoing support, services coordination, individual service plan development and ensure that each person is obtaining the right services at the right time. The coach would work with each person to develop reasonable employment expectations. The coach would remain with each individual throughout their training and job placement and would continue to provide active retention support up to one year after employment.

## 3. Work Identity and Soft Skills Development

The array of soft skills training options offered by the Within Reach, New Start, and Flip the Script programs would be reconfigured to provide specific modules available to all participants. Based on an individual's needs or assets that require development, a customized training plan would be developed. One person might require the entire 13 weeks of training. Others might only need specific components. However each training module would be standardized and provide the same level of quality training.

For many of those served, the most critical training component would be the development of a work identity. Work identity is a person's orientation to work, the feeling that work is central to who someone is, the expectation that work is important, and that barriers should be overcome to preserve one's job.

One key element in this development is the long-term participation in a group experience. This would be accomplished by some via participation in the soft skills training curriculum. It was expected that specialized groups of peers (i.e. young minority men, or ex-offenders) would meet with the goal being the growth of a positive peer group and the gradual development of common expectations and identities around work and careers.

Participation in the soft skills curriculum and in the specialized groups would be coordinated by the individual's coach.



#### 4. Hard Skills Development

The Detroit Career Center is registered as a Proprietary School by the State of Michigan and in this role has developed three occupational skills training programs that would be available within the new service system. The Certified Facilities Services Technician training (janitorial and building maintenance), A+ certification as a computer repair technician, and Microsoft Office certification would all be offered to those whose targeted career goal are a match for these training opportunities.

#### 5. Academic Preparation

People would have the opportunity to access remedial education, GED preparation, and training to increase reading and math skills as a part of their individualized plan. Several current programs offer these options. However in the proposed system, it would be provided in a centralized, standardized format.

#### 6. Transitional Employment Opportunities

Each participant would have the opportunity to experience paid transitional employment as a part of their customized plan. This would include a paid work experience in the Goodwill Industrial Center. The length of time, and hours per week would be coordinated by the person's coach. Wages are paid by Goodwill Industries. Other employer based internships and community based work experiences would be available and provided as needed.

#### 7. Job Development and Placement Services

A centralized placement unit would provide all job development and placement services. The unit started operation in July 2004. Placement services are done in partnership with the individual and their coach. Opportunities would be available to have specific training and placement tracks in partnership with designated employers.

Job development, employability skills, and all supportive services would begin while a person is still receiving training. The goal being a seamless move from training directly into employment.

#### 8. Post Placement Support and Retention Services

All individuals placed in employment would receive ongoing, active, retention support from their coach. This would include visits to employers, meetings with the individual, referrals to needed community supports, coordination of additional services and re-referral to the Goodwill service system as required to ensure sustained employment. Services would continue to be provided in an individualized way to remove any barriers to successful retention of employment. It is expected that these services would be provided before crises arise and would always be organized around the goal of strengthening work identity.

## 9. Partnership with Employers

Relationship building with employers had been a major component of the three existing programs. The Business Advisory Council developed by the Within Reach program would be expanded to encompass the entire new service system. Employers would provide input and advice on curriculum, program design and customer satisfaction. Opportunities to design specialized training for individual employers would be developed.

## 10. Partnership with the Michigan Department of Human Services (DHS)

DHS would provide a benefit coordinator at Goodwill for all participants. Most of the participants are eligible for some public benefits: medicaid, food stamps, child care, transportation assistance, etc. Assisting participants receive all the benefits they are eligible for would contribute greatly to their achieving stable employment.

As a result of this new approach, each person served would have an individualized plan for achieving economic independence that has been developed through a comprehensive assessment and screening process. Some will need academic support, others will need soft skills training. Many will benefit from transitional employment, while others will need long-term training and support. People who are ex-offenders, women living in poverty, young minority men, and anyone else who is chronically unemployed may pursue training within this system. To them the system will appear seamless, customized, and empowering. They will move forward with a targeted employment outcome, a coach providing long-term support, and a plan for success. The Detroit Career Center would no longer be an array of stand-alone programs, but will be one integrated, flexible service system.

Based on their RCUI experience, Goodwill committed to HWF to an outcomes standard of 60% of participants achieving stable employment one year after completing the pre placement program. (Goodwill ultimately negotiated with the public agencies a somewhat different standard, starting lower than 60% but by the third and final year higher.) This represents a substantially higher success rate over a much longer period of time than traditional public programs for similar populations.

Developing and implementing the Big Idea represented accomplishments of three of the four RCUI objectives:

- Substantially improve the number of participants who achieve stable employment.
- Be a catalyst for organizational change at the RCUI grantees.
- Influence systemically the design and delivery of workforce preparation services for the chronically unemployed.

On the fourth – develop employers as paying customers who employ successful participants – little progress was made. That said, Goodwill did make substantial

progress on getting employers to play a role in designing, delivering and continuously improving their programming. Goodwill's enthusiastic acceptance of employers as their most important customer was a key to their success.

As HWF sought funding partners for this expansion of the RCUI program it reached out to the McGregor Fund. They expressed interest in participating as a Big Idea funder but only if its funds were matched by government. That led to a series of meetings convened and led by the Governor's Office of the Foundation Liaison with a number of state departments. Starting with the directors of the Department's of Human Services, Corrections and Labor and Economic Growth. Each of whom ultimately committed their departments to the pilot.

Over more than a half year of discussions, in a process led by the Governor's Foundation Liaison and MFI agreement was reached. Ultimately, the chance to achieve much better participant outcomes drove each of the funders to make the necessary – sometimes substantial – changes in their previous funding requirements.

This new system was funded for three years at \$1.5 million annually from government, foundations and corporations. The funding was arranged so that government contributions grew larger in each of the three years. State government agreed in principle, if Goodwill met the participant outcomes standard, it would provide full funding beginning in the fourth year.

Pulling together the funders was a remarkable accomplishment. Not only was it a difficult time for pulling together funding for a new initiative, but getting agreement from such a diverse group of funders for a common service delivery model was quite a challenge. Each funder began the discussions with their own requirements for populations to be served, eligible activities for funding, performance standards, etc.

The project was initially funded utilizing public, foundation and corporate resources. The funding partners during the first year included the Hudson-Webber Foundation, Ford Motor Company, Thompson Foundation, Pulte Homes, Inc., CVS, the McGregor Fund, Michigan Department of Human Services (DHS), Michigan Department of Labor and Economic Growth (DLEG), Detroit Workforce Development Department (DWDD), and Michigan Department of Corrections (MDOC). During year two and year three of the pilot DHS, DLEG, MDOC, DWDD, the McGregor Fund and HWF funded the project.

#### **IV. Phase II: the Big Idea**

The official project name was The Moving Men and Women to Economic Independence Project. It was a three year pilot which ultimately was extended into a fourth year to complete the delivery of services to participants who enrolled late in the third year. The initiative ran from October 1, 2005 through June 30, 2009.

What follows draws heavily from the excellent final report prepared by Goodwill, previously submitted to the funders.

The intent and goal of the pilot was to design and implement a comprehensive, customized service model that would successfully attach people who are chronically unemployed to stable employment. The long-term vision of the pilot was to transition to a publicly supported service model, with a focus on sustained employment, that had the potential for replication in other Michigan communities.

The project, serving Detroit residents, planned for 500 individuals to be served each year. The number of enrollees to be served each year of the project was: 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 RCUI was that an expanded array of training services and continuing to work with participants 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. Work First programs are not very good at connecting program participants to stable employment.

Another unique feature of the initiative was screens for program participants. What we found in RCUI were that there were some barriers participants brought with them that Goodwill was not good at overcoming and if those barriers were not dealt with 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 for drug use, the absence of stable housing and low math and reading literacy.

The W.E. Upjohn Institute for Employment Research (Upjohn) was contracted to conduct a net impact analysis of the performance of the Goodwill Industries' pilot. While the pilot served four groups of individuals, the evaluation focuses only on the DHS

Temporary Assistance for Needy Families (TANF) participants who are chronically unemployed due to multiple barriers.

### Goodwill's Approach

Goodwill Industries hypothesized individuals with no work identity, poor employment skills, inadequate reading and math abilities and other significant barriers are unable to maintain and sustain employment. Goodwill Industries proposed a more long-term customized service approach with support for targeted populations that would lead to their wanting, finding and keeping employment.

Goodwill Industries previously offered three innovative programs - Within Reach (the RCUI funded program) serving chronically unemployed customers, New Start serving ex-offenders and Flip the Script serving young minority men. These private and state funded programs were achieving positive outcomes and demonstrating promise in assisting people with complex lives and multiple employment barriers to achieve their employment goals. To enhance its capacity to serve persons of each target group in a customized approach Goodwill Industries proposed the customized and comprehensive service pilot – Moving Men & Women to Economic Independence (MMWEI) to our public and private partners.

The MMWEI pilot was designed to be 'customer choice driven' meaning each individual was not mandated to participate as with traditional Work First and Michigan Prisoner Re-entry programs.

Individuals were enrolled per the following entrance criteria:

- At least 18 years of age
- Motivated to become employed
- Possessed basic literacy skills at 6th grade level or above
- City of Detroit resident
- Submit to drug screening
- Stable housing arrangements
- Possessed State Identification/Drivers License, Social Security Card, and Birth Certificate
- If applicable, criminal history of non-violent or non-sexual offense(s)

At the conclusion of the eligibility determination process, each potential participant engaged in an interview meeting to assess their barriers to employment to determine if identified challenges were beyond the scope of Goodwill's program, i.e. housing, substance abuse and medical issues. Potential participants who met the eligibility criteria and whose barriers were within Goodwill Industries scope of services were accepted into the program.

### Pilot Project Implementation – Year One

The initial 12 months of the pilot implementation focused on project implementation solidifying funding, defining the referral and enrollment process, and coordination of key service components. By year's end the project was fully operational with all partners fully engaged which included Goodwill Industries, the Detroit Workforce Development Department (DWDD), Michigan Department of Corrections (MDOC), Michigan Department of Labor & Economic Growth (DLEG), and Michigan Department of Human Services (DHS).

In addition, solid support continued from private foundations and the leadership of the Governor's Office of the Foundation Liaison. These partnerships, and the resolve of all stakeholders resulted in the pilot's implementation progress in year one.

Another key component to the pilot service model was the assignment of two DHS benefits coordinators on site at Goodwill Industries. Goodwill Industries facilitated the integration of DHS staff into the pilot to provide ongoing support to participants eligible during the three years. Additionally, a Business Advisory Council was created to advise staff in identifying employment opportunities in high growth job sectors, to offer internship opportunities, facilitate classroom training, and to guide participants in effective interview preparation.

To facilitate engagement of the stakeholders and regular monitoring of the pilot's progress toward performance objectives achievement, Goodwill Industries hosted quarterly stakeholders meetings. The group reviewed referrals, enrollments, competitive employment, employment retention, and demographic characteristics. The stakeholders also addressed challenges or issues that impacted participant progress. The stakeholders meetings were a mechanism to create synergy and dialogue between Goodwill, private foundations and the city and state departments regarding effective service strategies for the pilot target populations.

#### Pilot Project Implementation - Year Two

During year two, the project was impacted by the onset of the Jobs, Education and Training (JET) regulations application to the pilot versus the original customized service approach for participants. Additionally, referrals and enrollments were impacted by the competition for participant referrals for JET and the No Worker Left Behind programs.

A similar set of issues were faced with recruiting reentering prisoners. The launch of MPRI (Michigan Prisoner ReEntry Initiative) dramatically reduced the number of potential Big Idea participants from the Department of Corrections.

During the beginning of the second pilot year, the stakeholders addressed many challenges regarding eligibility determination and slow enrollments by instituting several changes to the pilot design to enhance program services, increase enrollments and outcomes.

We learned in year one, many potential enrollees experienced difficulty passing the Test of Adult Basic Education (TABE) at the 6th grade level. In addition, individuals after learning of the drug screen requirement during orientation opted out of proceeding through the eligibility process.

The initial eligibility criteria narrowed the pool of candidates for enrollment compared to other State funded Workforce Investment Act (WIA) programs. In an effort to increase the pilot candidate pool in year 2 the eligibility criteria was modified. Specifically, the reading and math levels were lowered from 6th grade to 4th grade levels and the drug screen test was conducted during the sixth week of program as opposed to program orientation. As a result of this modification, more individuals were determined eligible for the pilot program enrollment.

The majority of enrollees entered the pilot program with prior DHS, Work First and/or Jobs, Education and Training (JET) program experience. Many individuals had received services from DHS for an extensive period of time and possessed knowledge of the system which allowed them to maneuver and manipulate the system. Due to regulatory measures within DHS and inconsistencies on how cases are managed, individuals appeared to perpetuate their dependence on government assistance rather than obtain competitive employment.

The team encountered a number of challenges related to participant program completion and employment retention. The team conducted a focus group of the program participants to gain insight to the reasons why individuals were not completing the program and not retaining employment when placed.

To address a number of the challenges and to improve participant completion, placement and retention, the following program restructuring actions were implemented:

- Extended classroom instruction from 6 weeks to 12 weeks to focus on attitudinal barriers and soft skills which prohibit individuals from completing class and employment retention.
- Employment Specialist was assigned at initial services enrollment to develop career goals.
- Academic upgrade and basic computer literacy training was integrated into classroom instruction for all participants.
- Transitional work experience employment was changed to an elective based on demonstrated positive attendance, work behavior and work attitude.
- Peer mentoring sessions with past successful graduates were instituted.

- Transitional work experience employment offered at the latter phase of program module to assist in the transition into competitive employment as well as increase job search participation.
- Career coaches instituted bi-weekly home visits to increase program participation and employment retention.
- Career coaches instituted bi-weekly employment retention follow-up activity.
- Established regular support groups for individuals who needed more support to deal with challenges faced in employment.
- Offered incentives to increase class participation and support groups.
- Strengthened communication with DHS to ensure cases are transferred in a timely manner.
- Participants were provided gift incentives for reaching employment retention milestones.

### Pilot Project Implementation – Year Three

In year three, Goodwill Industries incorporated lessons learned from year one and year two obtained from customer focus groups and staff input into program services. Goodwill Industries staff continued to experience challenges attaining DHS referrals, meeting enrollment goals and retention outcomes for customers placed into employment. Due to the large number of enrollments in the fourth quarter of year two, the staff to customer ratio exceeded maximum requirements; thus, making intensive case management for persons with multiple barriers in obtaining and maintain employment problematic.

### 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.

So for the three years combined only 26% of those who 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.



The difference between participant groups is interesting. Although in many ways the cash recipient were the most difficult to deal with, they had the best results. Over the three years TANF program participants had a one year retention rate of 30% compared to 17% for reentering prisoners, 22% for those from the community and 27% for young minority males.

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 was 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. Subtracting the outcomes of the comparison group from the outcome of the program participants nets out, as much as possible, factors that influence employment outcomes but are not related to the pilot.

The net impact analysis focused on three employment-related outcomes: finding a job, retaining a job (workforce attachment), and earnings. Both year-one and year-two participants were included in the analysis, and separate net impact analyses were conducted for each cohort.

The Upjohn analysis yielded the following results.

### *Employment*

- First-year pilot participants experienced higher employment rates than control group members, ranging from 11 to 21 percentage points (ppts.) higher depending upon the methodology and the comparison group used in the analysis. (Employment was defined as positive earnings in any one of eight quarters after exit.)
- Second-year pilot participants were also more likely to be employed than their comparison group counterparts, with the difference ranging from 9.4 to 13.0 percentage points higher depending upon the methodology and the comparison group used in the analysis. (Employment was defined as positive earnings in any one of four quarters after exit.)

### *Workforce Attachment*

- First-year pilot participants were more likely to have five or more quarters of employment (not necessarily consecutively) than their comparison group counterparts. The difference was 20.2 ppts. for the self-selected comparison group and 24.4 ppts. for the matched comparison group. Conversely the likelihood of not having a job in any of the eight quarters was lower for the pilot participants by 10.9 ppts. and 18.3 ppts. compared with the self-selected and matched comparison groups, respectively.
- Second-year pilot participants were also more likely to have four or more quarters of employment (not necessarily consecutively) than their comparison group counterparts. The difference was 8.9 ppts. for the self-selected comparison group and 11.6 ppts. for the matched comparison group. Conversely the likelihood of not having a job in any of the four quarters was lower for the pilot participants by 11.0 ppts. and 11.6 ppts. compared with the self-selected and matched comparison groups, respectively. The pilot participants were also more likely to have continuous employment quarter after quarter than those in the two comparison groups. For example, the difference in the percentage with four consecutive quarters of employment after exit was 9.4 ppts. when compared with the self-selected group and 6.9 ppts. when compared with the matched group.

### *Earnings*

- Employed first-year pilot participants did not earn any more per quarter than their counterparts in the two comparison groups, suggesting that they do 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.
- Employed second-year pilot participants also did not earn any more per quarter than their counterparts in the two comparison groups. When all exiters were considered, the differences in total earnings between the treatment group and the two comparison groups averaged around \$1,100 per exiter. However, unlike for the first-year cohort, earnings were not statistically different even when the likelihood of employment was taken into consideration.

## **V. Ongoing Big Idea Programming at Goodwill**

At the end of Year 3 the agencies responsible for providing labor market connection services for those on TANF decided not to continue the program. Their reason: poor results. Their data indicated that Big Idea participants underperformed – both in terms of employment outcomes and income – participants in their other programming. We will deal later with why their data conflicted so fundamentally with the Upjohn data. But it meant that largest component of the Big Idea did not meet the foundations hope and expectation that that program would continue without foundation funding.

The Department of Corrections did provide additional funding for Goodwill to continue their programming with reentering prisoners. And Goodwill raised new private funding to continue the young minority male programming.

The main impact of RCUI on Goodwill is almost certainly the reconfiguration of how Goodwill delivers employment and training services to chronically unemployed Detroiters. The principles of the Big Idea – comprehensive set of services available to all clients no matter what door they come through and services customized for each client – are now the way Goodwill provides services.

The MMWEI pilot components have enhanced Goodwill Industries workforce development service delivery array. Goodwill Industries has sustained the following key components of the pilot within our Detroit based workforce development services with (1)the Michigan Department of Corrections for returning citizens, (2) customized services for persons with disabilities, (3) employment services for low income persons, and (4) participants enrolled in Goodwill’s Hospitality/Retail Career Center training program:

- Classroom instruction was increased from 6 weeks to 12 weeks to allow participants to achieve their goals and overcome barriers over an extended period.
- Assignment of employment specialist at the onset of program enrollment to begin the participant’s employment planning focus early in service activities.
- Academic upgrade and basic computer literacy instruction is incorporated in all classroom activities.
- Transitional work employment option is offered at the completion of classroom training as an incentive.
- Instituted financial literacy workshops for all participants’ personal financial planning

## VI. What We Learned from the Initiative

In the final report on Phase I of the initiative we wrote the following about lessons learned:

Over four year we have learned a lot of lessons about how to better connect the chronically unemployed to work. The most powerful may well be how hard it is. Many of the chronically unemployed come from generational poverty. Where the rule is that members of your family and most of your acquaintances don't work. Overcoming that history – habits of lifetimes – is challenging at best.

That said there are lessons we learned that will guide our future funding and may help others in their efforts to better connect the chronically unemployed to work. We offer these not as answers. There still is much work to be done in developing a reliable model that can work at scale for dealing with the challenge of chronic unemployment. But we do believe we have learned something about how to make progress on meeting the challenge.

### *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. Without this capacity too many participants will drop out before completing the program.

Both providers and funders start with a belief that agencies should serve everyone. But, in reality, that does a disservice to both participants and employers. Agencies need to learn what barriers they can overcome and what barriers they can't. Accepting participants with barriers that agencies are not effective in overcoming is counter productive.

Most important is that participants have got to want to be in the program and be serious about finding work. Beyond that, basic literacy (6th grade reading), drug free and stable housing became prerequisites for most of the RCUI programs.

- Work Identity Development. This is the key ingredient to program success. The first priority of every element of programming (both pre- and post-placement) must be designed primarily to further the development of participants orientation towards work.

Possibly the most important learning from RCUI 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. They will be far better able to figure out answers to their other barriers in order to keep a job and initiate a career.

Developing work identity emerged as an even more essential determinant of participant success in the Big Idea phase because many were receiving cash assistance. As long as training is just a hoop to get public assistance (cash benefits/support services) no programming will connect 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. Working is very effective in building workplace skills and providing program staff with feedback on the challenges that need to be emphasized in training components
- Workplace Exploration. Unrealistic employment expectations are a major barrier to participants success. Participants need to explore/understand the kind of jobs and work conditions that are available to program graduates.
- Post-placement Services. Most participants fail after they have been hired. Doing well in training programs is not a reliable predictor of how well a participant will do on the job. So the best time to overcome barriers to keeping a job are when they occur. 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 time 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. This requires both a real commitment to continuous improvement and the ability to develop and deliver new services. Both are unusual characteristics for providers of workforce preparation programs for at risk populations.

### *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. There are a variety of ways employers can contribute to better preparing participants for stable employment:

- work with provider to align training to hiring criteria.
- participate in the design and delivery of pre-placement programming
- offer internships for program participants as part of pre-placement programming
- give hiring priority to program graduates
- provide program with feedback on candidate quality, particularly why candidates were not hired
- steer program graduates/new hires to good supervisors (ideally train supervisors to work with those from generational poverty)
- coordinate with post-placement services, especially provide real time information on graduates performance/difficulties
- create a workplace culture supporting employees coming from generational poverty
- offer career ladder/advancement training that is open to program graduates
- 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.

To increase the opportunities for participants' employment consideration, Goodwill engaged employers on behalf of an individual directly emphasizing the value added advantage of its supportive relationship with the participants, highlighting the work focused components of the pilot and participant's success. Career coaching activities were extended to employers upon an individual's hire and during the retention phase. Bonding and other tax incentives were heavily promoted. Additionally, employed participants recommended employers to Goodwill once hired.

### *What we learned about grant making*

- Experimentation. Funders can do much good if they are willing to design and fund experiments. Because there is no good model for connecting the chronically unemployed to work, there is a need to try new approaches. 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*

Ultimately if we are to better connect the chronically unemployed to stable employment at scale, better aligning public policy with what works matters a lot. The new Goodwill programming reflects on a pilot basis some of the needed changes in public policy. These include:

- 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. We found that setting a one year stable employment standard and then holding our grantees accountable for meeting that standard drove change. 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. The description of the comprehensive set of services that will be available in the new Goodwill programming is based on our understanding of what it takes to help the chronically unemployed achieve stable employment. 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.

All of the lessons above still hold true after the completion of the Big Idea phase of the initiative.

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: take the learnings from a successful foundation funded experiment and have them applied to publicly funded programming which reaches most of those receiving services.

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.

#### *What we learned about working with state and local government*

- The Governor's Office of the Foundation Liaison is essential. Without their involvement the Big Idea phase could not have happened. From convening the initial conversations about the possibility of the initiative, to working out the details and the funding of the pilot, to working through all sorts of implementation challenges to getting renewal contracts which involved increase public funding each year the Foundation Liaison Office was the key.

An added and important bonus was the subject matter expertise of Karen Aldridge-Eason who not only was essential to keeping the program on track but was a source of ideas on how to shape the program to get better participant outcomes.

- 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. We paid a price for that.

The leadership of the Department of Corrections remained stable over the life of the pilot. But there were frequent leadership changes in the other departments. And what developed was both a lack of commitment to the pilot and, probably more importantly, not a shared understanding of either the components or participant outcome goals of the pilot.



So 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. Most disconcerting these differences never surfaced in the quarterly meetings between department staff, foundations and Goodwill. So we didn't even know we had widely differing views about the success of the pilot until the very end.

- 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 before the pilot started (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.

Most disruptive was the initiation of Jobs, Education and Training (JET) for TANF participants. It and MPRI made recruitment of Big Idea participants much harder. JET also changed the nature of the programming. During year one, Goodwill Industries had the autonomy to make decisions on the enrollment status of DHS customers in the MMWEI pilot which provided the flexibility to address customer issues and plans for corrective action. During year two, DHS trainees were required to follow the JET policies and guidelines resulting in the removal of Goodwill's autonomy in making decisions involving the continuation of pre and post employment services. The emergence of Jobs, Education and Training (JET) during the pilot year two changed the dynamics of the pilot service delivery.

- No agreement on outcomes led to different metrics. Goodwill, the funders and the Upjohn Institute all were measuring how well participants did for a year after placement. Roughly 15 months after a participant started receiving services from Goodwill. The agencies responsible for TANF recipients were measuring participant outcomes for the time limits of their traditional programming. A time horizon that the Big Idea was explicitly designed to extend. Almost by definition by using a short time horizon the departments data showed unsatisfactory outcomes.

- 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. They were terrific. Helping work through most of the implementation challenges.

Foundations should try to get involved in program redesign. The lessons learned from either Phase I or II of this initiative do not appear to have been considered in the development of JET, MPRI or the redesign of the City's employment and training programming. It may well be that 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. Certainly the scale of program redesign is far greater.

*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.

## VII. The Path to Systemic Change

The 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 programming that takes a more comprehensive approach. The Big Idea was designed to provide 15 months of services – including one year post placement.
- 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 once again 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.