



Job Creation

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Creating Work and Learning Opportunities for Low-Income Populations

In October 2009, the official unemployment rate was 10.2 percent, but in fact one in six workers (17.5 percent of the workforce) were either unemployed, involuntarily working less than full-time or so discouraged that they were no longer looking for work. Unemployment is worse for people of color, teenagers just entering the labor market and those with only a high school education or less.

This lack of employment can have lasting consequences. Skills and work habits deteriorate when workers are idle for extended periods. Children in unemployed households bear the burden of stress and constrained resources. And long-term career prospects of young people are diminished when they enter the labor market during times when no jobs are available. Communities with high unemployment cannot provide support structures that stabilize vulnerable families.

A Targeted Approach to Job Creation

The current economic and job crisis requires that additional steps be taken to create employment and training opportunities for those hardest hit by the recession. Experts and policymakers have proposed numerous strategies to create and retain jobs such as tax credits, public service employment and the expansion of work-sharing/short-time compensation options under the Unemployment Insurance program. Below, we offer a number of ideas for how the public Workforce Investment and Temporary Assistance for Needy Families systems could be mobilized to create new work opportunities for low-income, unemployed workers.

Targeted approaches are needed to both raise the skills of the American workforce and to provide earned income to low-income workers hard hit by the recession. These strategies are proposed as a complement to necessary safety net supports and broader tax and other job creation strategies that are unlikely, in the near term, to trickle down to vulnerable workers and communities. Even as the economy begins to recover, job growth is expected to lag and those at the end of the job queue will have the most difficulty gaining access to newly created jobs.

Subsidize Work and on-the-Job Learning through the Workforce Investment Act (WIA)

Provide additional resources and, as necessary, authority under WIA to create jobs for low-skill unemployed youth, adults and dislocated workers:

- **Youth employment:** Expand WIA youth program from \$1.2 billion provided through the American Recovery and Reinvestment Act (ARRA) to \$3 billion. This would allow the summer jobs program, which provided jobs for 306,466 youth last summer, to continue, and it would allow local areas to extend jobs and supports to older, out-of-school youth throughout the year. For example, year-round funds could be used for paid internships for up to two years for out-of-school youth while they

participate in an education program leading to marketable postsecondary credentials. The paid work experience, comparable to a work-study job for low-income college students, would provide an incentive for out-of-school youth to persist in their studies and provide much-needed family income. With the lowest youth employment rate in 60 years and only one in three of all teens and one in four black teens working, this investment is sorely needed to get young people on track for lifetimes of productive and gainful employment.

- **Transitional Jobs for populations with barriers to employment:** Fund Transitional Jobs for individuals, such as long-term welfare recipients and ex-offenders, with little or no work experience and multiple barriers to employment. Transitional Jobs programs provide a bridge to unsubsidized employment by combining time-limited subsidized employment with a comprehensive set of services to help participants overcome barriers and build work-related skills that will allow them to enter and succeed in the labor market. The president has requested \$50 million for a Transitional Jobs demonstration as part of the FY 2010 budget. This should be fully funded. In addition, policymakers should look for other ways to expand the program.
- **Try-out Employment:** Fund subsidized try-out employment and paid internships for up to six months in training-related fields for youth and adults completing WIA-supported training. This would help overcome the reluctance to provide training through WIA when jobs are scarce, provide hands-on experience in the field of training, and provide a bridge to employment in fields expected to grow as the economy recovers. Employers would be encouraged, but not required, to hire trainees.
- **On-the-Job Training (OJT):** Provide additional federal funds to encourage the WIA system to make greater use of OJT subsidies for companies that hire and train low-income, long-term unemployed workers in fields expected to grow as the economy emerges from recession. While the current reimbursement rate is up to 50 percent of a trainee's starting wage for six months, local areas could be given the flexibility to increase the reimbursement rate above this level for up to six months as long as the employer paid at least the prevailing wage for comparable positions in the industry, provided affordable health insurance and provided advancement opportunities. Employers would be required to retain the worker for at least one year after the subsidized training period.
- **Wage subsidy in the public and non-profit sectors:** Create a wage subsidy program to promote employment of low-income, long-term unemployed workers, those who have exhausted unemployment benefits, disadvantaged adults and disconnected youth. The wage subsidy of up to 100 percent of wages would be available to public and non-profit agencies for six months. The program, based on Minnesota's Emergency Employment Development (MEED), but limited to the public and non-profit sectors, would be administered through the public workforce system to avoid fraud and abuse and would comply with WIA provisions regarding the payment of comparable wages and non-displacement of workers. This could be structured as a national contingency fund that could be accessed by local areas when their unemployment rate exceeds a certain level in comparison to the national average. As part of WIA reauthorization, which is anticipated in 2010, the national contingency fund could be made a permanent fixture that could be triggered even when the country is not in recession.

Extend TANF Emergency Fund through 2012

ARRA created a new Emergency Fund under the Temporary Assistance for Needy Families (TANF) block grant, which provided 80 percent reimbursement for increases in TANF-related expenditures in three specific areas, including subsidized employment. These programs are not limited to workers in families receiving cash assistance under TANF, and thus can help fill the gap between cash assistance and eligibility for unemployment insurance.

- **Extend and make permanent TANF Emergency Fund:** The TANF Emergency Fund is scheduled to expire on September 30, 2010. This provision has led at least 10 states to consider expanding or creating transitional jobs programs, while other have expanded summer jobs programs for youth in low-income families and supported work models for individuals with disabilities in low-income families. However, other states have been reluctant to invest in the development of such programs knowing that they could not fund them past next fall. To alleviate this problem, authorization for the Emergency Fund should be extended through 2012. In addition, a permanent TANF Emergency Fund useable for subsidized employment for low-income populations should be created as part of TANF reauthorization, which is scheduled for 2010. Funding would be available to all states with unemployment rates above 6.5 percent, with a sliding-scale schedule of matching rates so that the states with the highest unemployment rates are required to provide the lowest share of program costs.

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