



Subsidized Employment Programs

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Subsidized Employment: Serving Disadvantaged Workers

By Randi Hall

Subsidized employment programs use public funds to create temporary job opportunities for people looking for work. These programs have existed in varying forms for decades, but there has recently been renewed interest in these models with the increased recognition of the success of worker-based training as a promising method that benefits both the employee and employer. As a particular model of subsidized employment, transitional jobs combine work-based income and support services for disadvantaged workers to improve their employability.¹ Summer employment programs encourage disconnected youth to gain work experience while increasing educational growth and life skills. The federal Workforce Innovation and Opportunity Act (WIOA) explicitly authorizes transitional job models and has an overall emphasis on serving more disadvantaged populations.²

Because of the expense of paying wages under subsidized jobs programs and, in some cases, the difficulties of identifying appropriate employment opportunities, subsidized jobs programs are nearly always small compared to the potential pool of workers who could benefit. Therefore, policymakers should think carefully about the goals of a subsidized employment program, the populations who are most likely to benefit from participating, and how to align program design with these goals and populations. This brief is informed by the literature on subsidized employment and makes recommendations on how

subsidized employment programs can be targeted at improving the long-term employability of adults and youth with severe barriers to employment and on the implications for program design.

Goals of Subsidized Employment

Subsidized employment programs typically are designed to accomplish one or both of two primary goals: to give people immediate access to employment and earnings, and to increase people's work experience, skills, and connections in order to improve their employability after the subsidized job ends. Programs' size, target population, and design flow from these goals. Most transitional jobs structures include skills training, work site supervision, and other support services, along with assessments of participants' job readiness throughout the program, which is a vital program component when trying to increase employability among harder-to-employ individuals.

The federal government has historically used a variety of subsidized employment strategies to immediately connect people to work. Federal funds established large-scale programs such as the Works Progress Administration (WPA) under the New Deal that employed an estimated 3.3 million at its peak, and the Comprehensive Employment and Training Act (CETA) of the 1970s. These programs were operated during periods or within areas of high unemployment and often provided employment access to a broad cross-section of unemployed workers, including people affected by economic hardship who may not have otherwise had issues finding a job. Because of the need to go to scale rapidly, these programs often placed people in public sector jobs, frequently created solely for the purpose of the program. They typically did not include education and training as additional program components.

Programs aimed at the second goal of increasing overall worker employability are targeted at people with significant disadvantages that make them harder to employ even in periods of overall low unemployment. Targeted populations include youth and adults with significant barriers to stable employment, such as ex-offenders and the long-term unemployed; Temporary Assistance for Needy Families (TANF) recipients; adults and youth with low education attainment; and individuals with a history of mental health and substance abuse problems. Subsidized employment programs can be tailored to address the barriers to employment of these specific groups by enhancing the job search, job training, and employment experiences. These programs often include additional support services such as child care assistance, life skills courses, or mental health services to support participation and promote long-term employability.

Matching Program Design to Goals

The design of a subsidized employment program should flow from its primary goals, as well as the constraints of time and funding. When the goal of a program is to place large numbers of people in jobs as soon as possible--and sufficient funding is available--it makes sense to serve a wide range of unemployed and underemployed workers. When funding is limited and constrains the number of people who can be served, it is necessary to target employment programs more tightly. If the goal of programs is to increase employability after the subsidy ends, policymakers should target people who are less likely to find jobs without the program – and should ensure that the services provided are sufficient to make a difference in their lives.

In 2009 and 2010, 39 states and the District of Columbia received approval to spend \$1.3 billion on subsidized employment programs under the TANF Emergency Fund, supporting over 260,000 subsidized job placements for youth and adults³.

While the program design varied from state to state, in general the subsidized employment programs for adults were not limited to the most disadvantaged populations and did not include additional education or supportive services. However, they differed from previous public jobs programs (like WPA and CETA) in that most participants were placed with private-sector employers. A study of four programs operated under the Emergency Fund found that 66 percent of participating employers were private, for-profit companies, 30 percent were nonprofits, and just 4 percent were public agencies⁴. These models were appealing to state policymakers, both because there was a desire to help employers, particularly small businesses, during the recession, and because there was a hope that these employers would continue to employ these individuals at the end of the subsidy, assuming they successfully performed their job responsibilities.⁵

Recent simulations of the effects of broad-based subsidized employment programs have shown that they have the potential to significantly reduce poverty. An analysis conducted by the Urban Institute of a prospective subsidized employment program that would offer a full-time minimum wage job to all working-age adults found that this policy alone could reduce poverty rates by 9 to 17 percent, depending on the assumptions about how many eligible workers would take up the offer. This policy would have even higher anti-poverty effect when combined with other policies proposed by the Community Advocates Public Policy Institute, including a raise in the minimum wage and an improved Earned Income Tax Credit. However, this subsidized employment program would come at an estimated annual cost of \$44 billion to \$91 billion.⁶

In the absence of this kind of extraordinary commitment to reducing poverty, subsidized employment programs are likely to be far smaller, and thus more targeted.

Targeting Programs to Benefit Most in Need

Since the 1970s, subsidized employment models have been included in multiple rigorous evaluations that compare individuals who are offered subsidized jobs (the treatment group) to similar individuals who are not offered such jobs (the control group). Because the two groups are the same except for the services they received, these studies allow researchers to answer the question of what difference the subsidized employment program made. While these studies did not directly address the question of who would most benefit from subsidized employment, the rich evaluation literature allows us to make some well-informed hypotheses.

From 1975 to 1980, the National Supported Work Demonstration implemented subsidized employment programs targeting distinct populations of harder-to-employ individuals, including female welfare recipients, ex-offenders who had been incarcerated in the past six months, and former substance abusers who had been in drug treatment.⁷ All participants were offered 12 to 18 months of paid work experience with a “graduated stress” component which increased the scope of an employee’s roles and responsibilities as participation continued. This supported work model produced large gains in employability and earnings among each group, with the greatest impact on long-term cash assistance recipients’ success in obtaining unsubsidized jobs in the labor market and reducing welfare receipt over a three-year follow-up period.⁸ The ex-offender and ex-drug abuser groups did not sustain strong long-term improvements in employment outcomes, and experienced slight reductions in recidivism and crimes.

From 1994 to 1998, the New Hope Project offered earnings supplements, child care assistance, and health care coverage to low-income adult residents of two high-poverty neighborhoods in Milwaukee, WI

Table 1: New Hope Impacts on Work and Income

	During New Hope			Five Years after New Hope		
	Control Group	New Hope Group	Difference	Control Group	New Hope Group	Difference
Percentage of quarters spent working in an "official" job						
All individuals	67%	73%	5%*	54%	56%	2%
Not working full-time when New Hope began	61%	68%	7%*	50%	54%	3%
All adults with young children	68%	75%	7%*	58%	63%	5%
One employment-barrier adults with young children	67%	77%	10%*	52%	66%	14%*
Annual earnings from "official" jobs						
All individuals	\$9,259	\$9,756	\$497	\$11,031	\$11,319	\$288
Not working full-time when New Hope began	\$7,178	\$8,142	\$965	\$9,415	\$10,066	\$652
All adults with young children	\$9,292	\$10,227	\$935*	\$11,865	\$13,334	\$1,469
One employment-barrier adults with young children	\$9,089	\$11,635	\$2,546*	\$10,572	\$14,988	\$4,416*

on the condition that they work 30 hours per week. If a participant had difficulty finding a job, he or she could qualify for a temporary subsidized community service job to continue to receive the program's services; one third of the treatment group participated in a community service job offered through the project. New Hope significantly boosted employment during program participation, but for the overall sample, the impact on long-term employment outcomes was not statistically significant. The project also observed that children in New Hope families improved in school performance and overall educational engagement.⁹ The strongest impacts--and the ones that lasted after the subsidized jobs ended--were for individuals who faced one or no barriers to employment, such as an arrest record, sporadic employment history, or lack of a high school diploma. The project did not produce strong impacts for individuals who faced more than four significant obstacles to finding work, who may have needed more support than the program offered, or for those workers who faced little to no barriers to

employment, and who would likely have found jobs even without the program.

The Enhanced Services for the Hard-to-Employ Demonstration was a 10-year study involving rigorous research design to evaluate employment strategies that targeted populations with serious barriers to employment. From 2004 to 2006, two sites used transitional jobs models, combining subsidized employment with supportive services aimed at removing barriers to employment. The case study in Philadelphia, PA focused on increasing employment and reducing welfare receipt among TANF applicants and recipients who had received cash assistance for at least 12 months, or had no high school diploma or equivalent certification. Participants had averaged 39.7 months of receiving TANF benefits.¹⁰ The program design included a transitional jobs model operated by the Transitional Work Corporation (TWC) that placed participants in transitional jobs with government or non-profit agencies.

Participants worked 25 hours a week for up to 6 months earning minimum wage, while engaging in 10 hours a week of professional development such as job search and job-readiness training. Some study

† **Table 1 Note:** "Official" jobs are those recorded in Wisconsin's payroll records. Asterisks indicate a statistically significant difference between New Hope and control averages.

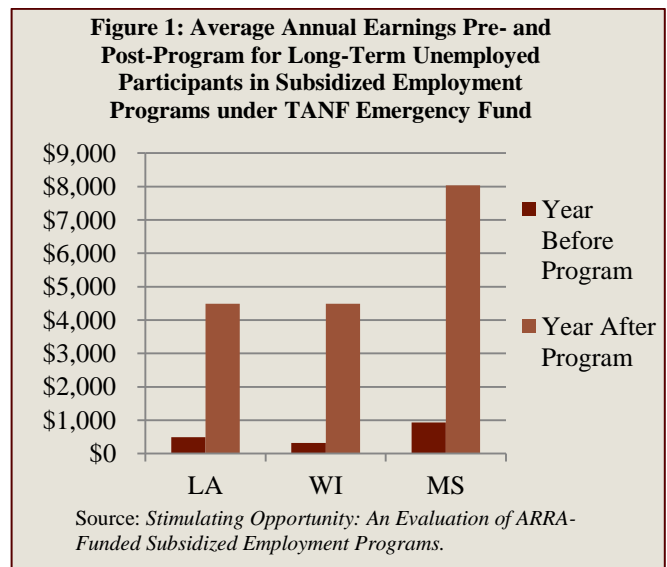
participants were offered a pre-employment services model program in which home visits and extensive assessments were used to identify barriers to employment before designing an individual treatment plan to address significant needs, such as life skills classes or behavioral health counseling.

In New York City, the Center for Economic Opportunities (CEO) provided transitional jobs along with support services and job placement assistance to former prisoners in the city, with the primary goal of enhancing employment and earnings for participants. Ninety-three percent of the CEO sample was male, averaging 60 months of time spent in a state prison. After completing a pre-employment life skills class, participants were placed in work crews performing maintenance and repairs for minimum wage. CEO also provided on-the-job coaching and soft skills training with on-site supervisors and job coaches to work towards the indirect goal of reducing recidivism among the group.¹¹

While both the CEO and TWC programs produced short-term gains in employment and earnings for their targeted populations, these gains were not sustained.¹² Workers under the TWC model experienced short-term decreases of TANF receipt but these results were insignificant over the program’s four-year follow-up period. Within the CEO sample program members did not experience significant changes in securing unsubsidized employment; however, because of CEO’s success in reducing recidivism over a three-year follow-up period, the overall benefit that CEO provided to society outweighed its program costs.¹³ These studies suggest that for these very disadvantaged populations, more wrap-around services and better connections to unsubsidized employment may be needed to improve long-term employment outcomes. This hypothesis is now being tested under the U.S. Department of Labor’s Enhanced Transitional Jobs Demonstration and the U.S. Department of Health and Human Services’ Subsidized and Transitional

Employment Demonstration, both of which are currently underway.

A non-experimental study of five local and state subsidized employment programs created under the TANF Emergency Fund reinforces the hypothesis that subsidized employment without additional services will have the most benefit for moderately disadvantaged populations. Each program successfully increased average earnings among participants from the year before to the year after being in the programs.¹⁴ Participants across all five sites saw an average increase of \$4,000 in annual earnings after program participation; this increase in post-program earnings was largely driven by long-term unemployed (for more than 26 weeks) individuals achieving substantially large gains in employment and earnings via subsidized work. Ex-offenders and TANF recipients facing serious employment barriers also saw particularly large increases in unsubsidized employment and earnings from the year before to the year after participating in the programs.¹⁵ (See Figure 1.)



‡ **Figure 1 Note:** Program data shown is from the Los Angeles Transitional Subsidized Employment program, the Wisconsin Transitional Jobs Demonstration Program, and the Mississippi STEPS program.

What Works for Future Results

In order to develop a fair wage subsidy structure and to engage potential employers with incentives to hire people with unstable work histories, it is essential to identify a target population and its serious barriers to employment as early as possible so program organizers can be prepared to address specific needs and challenges that may be related to an individual participant. When designing a program with the purpose of targeting hard-to-employ populations, lessons taken from various states' and counties' design and implementation procedures suggest these key steps:

1. Understand the difference between outcomes and impacts; outcomes measure how participants are faring, but impacts measure the difference that the program has made. When working with more disadvantaged workers, there may be less favorable outcomes, but stronger impacts on the workers' overall success. Interim impacts may be assessed by looking at changes in participants' life skills and family well-being along with changes in earnings and employment. Determine the strength of impacts on workers' success after participating in the program.
2. Assess participants to identify their barriers to employment, and build appropriate wrap-around services into the program from the beginning. Work closely with employers to help program participants transition into a permanent unsubsidized job. This may include multi-stage programs where workers first demonstrate their life skills and abilities before they are placed in a subsidized job or focusing on job development by placing workers with employers that understand their particular circumstances.²¹

3. Increase partnerships with private-sector businesses to promote the hiring and retention of subsidized workers to enhance employment gains over a long-term period. Some studies suggest that individuals placed in subsidized positions at for-profit firms have been more likely to be hired after subsidies ended than those placed with government or non-profit entities. Employers that show their commitment by paying workers directly (rather than through an intermediary) or paying a portion of the salary also appear to be more likely to retain workers after subsidy periods end.²²

There is substantial opportunity under WIOA to expand educational and training opportunities for vulnerable workers, as well as for human services agencies to collaborate with workforce agencies.²³ Subsidized employment for youth and parents remains an allowable use of TANF funds, as well as a countable work activity for recipients of cash assistance. But funding under both these programs is extremely limited compared to the number of workers who could potentially benefit. Policymakers must think carefully about the goals of a program, the program design, and who will most benefit.

Notes

¹ Dan Bloom, *Transitional Jobs: Background, Program Models, and Evaluation Evidence*, MDRC, 2010, http://www.mdrc.org/sites/default/files/transitional_jobs_background_fr.pdf

² Kisha Bird, Marcie Foster, and Evelyn Ganzglass, *New Opportunities to Improve Economic and Career Success for Low-Income Youth and Adults: Key Provisions of the Workforce Innovation and Opportunity Act (WIOA)*, CLASP, September 2014, <http://www.clasp.org/resources-and-publications/publication-1/KeyProvisionsofWIOA-Final.pdf>

³ LaDonna Pavetti, Liz Schott and Elizabeth Lower-Basch, *Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund*, Center on Budget and Policy Priorities and CLASP, 2011, <http://www.cbpp.org/files/2-16-11tanf.pdf>

⁴ Anne Roder and Mark Elliott, *Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs*, Economic Mobility Corporation, 2013, <http://economicmobilitycorp.org/uploads/stimulating-opportunity-full-report.pdf>

⁵ Carla I. Javits, “Public Subsidy as a Catalyst for Private-Sector Solutions: Creating Job Opportunities for People Who Face Barriers to Employment”, REDF, July 2011, <https://www.bostonfed.org/commdev/smart-subsidy/66-javits.pdf>

⁶ The “low take-up” estimate assumes a maximum take-up rate of 25%, while the “high take-up” estimate assumes a maximum take-up rate of 50%. <http://www.urban.org/UploadedPDF/2000151-reducing-poverty-in-the-united-states.pdf>

⁷ MDRC, *Summary and Findings of the National Supported Work Demonstration*, 1980, http://www.mdrc.org/sites/default/files/full_249.pdf

⁸ Bloom, *Transitional Jobs*.

⁹ Greg J. Duncan, Aletha C. Huston and Thomas S. Weisner. *Higher Ground: New Hope for the Working Poor and Their Children*, 2006.

¹⁰ Erin Jacobs and Dan Bloom, *Alternative Employment Strategies for Hard-to-Employ TANF Recipients: Final Results from a Test of Transitional Jobs and Preemployment Services in Philadelphia*, Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2011, http://www.acf.hhs.gov/sites/default/files/opre/final_alternative.pdf

¹¹ Janine Zweig, Jennifer Yahner, and Cindy Redcross, “For whom does a transitional jobs program work? Examining the

recidivism effects of the Center for Employment Opportunities program on former prisoners at high, medium, and low risk of reoffending”, *Criminology & Public Policy* 10 (2011). https://www.slu.edu/Documents/professional_studies/prison_program/Transitional%20Jobs.pdf

¹² Bloom, *Transitional Jobs*.

¹³ Cindy Redcross, Megan Millenky, Timothy Rudd, and Valerie Levshin, *More Than a Job: Final Results from the Evaluation of the Center for Employment Opportunities (CEO) Transitional Jobs Program*, Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2012, http://www.acf.hhs.gov/sites/default/files/opre/more_than_job.pdf

¹⁴ Roder and Elliot, *Stimulating Opportunity*.

¹⁵ Roder and Elliot, *Stimulating Opportunity*.

²¹ Redcross et al, *More Than a Job*.

²² Roder and Elliot, *Stimulating Opportunity*.

²³ Helly Lee, *WIOA: What Human Service Agencies and Advocates Need to Know*, CLASP, 2015, <http://www.clasp.org/resources-and-publications/publication-1/WIOA-and-Human-Services-FINAL.pdf>