Subsidized Jobs: An Effective Solution to Build an Equitable, Lasting Recovery

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Introduction

Federal subsidized employment (SE) programs are a proven solution to help workers and employers recover from the economic crisis caused by COVID-19. By temporarily underwriting employee wages with federal funds, SE programs are effective in getting people jobs—putting money into workers' pockets, helping businesses stay afloat, and supporting local economies. Successfully used to rebound from past recessions, this policy solution drives economic growth and enables families with low incomes to gain financial security. When appropriately targeted, SE programs can place more workers and families on a path to economic opportunity by reducing racial, economic, and gender disparities.

As federal policymakers develop legislation under the American Jobs Plan, they must build a subsidized jobs program grounded in equity so it can fully support workers, employers, and families who confront the steepest barriers to employment and economic opportunity.

This brief offers Congress and the administration recommendations to design and implement a federal subsidized employment program that can effectively put people to work, move racial and economic justice forward, and ensure an equitable, lasting economic recovery for all of us. It is grounded in the lessons learned from previous subsidized jobs programs.

Subsidized Employment Helped the U.S. Rebound from Past Recessions, including in 2009

Subsidized jobs programs can rapidly give large groups of people an on-ramp to employment and support businesses' bottom lines. Policymakers deployed the first large-scale program as a strategy to get out of the Great Depression. Decades later, this approach helped families recover from the Great Recession (2008-2009), with particularly useful lessons for today's crisis.

In 2009, Congress included SE funding in the **Temporary Assistance for Needy Families (TANF) Emergency Fund** (EF) through the American Recovery and Reinvestment Act (ARRA). From 2009 through 2010, this fund made $5 billion available for increased state or federal TANF spending in three areas, including basic assistance; non-recurrent, short-term (or emergency) benefits; and subsidized jobs. The investment in SE aimed to help states cover the cost of creating new programs, or expanding existing ones, for youth and parents with low incomes.

By September 30, 2010, when funding expired, a majority of states spent **$1.3 billion** of the fund on subsidized employment. These TANF EF funds fully or partially subsidized the wages paid directly by employers to individual workers.

While SE programs varied across jurisdictions, their primary goal was to stimulate the economy by reaching people facing joblessness due to the recession, and quickly getting them work so they could earn immediate income. Some leaders also hoped that job experience would help workers build skills and improve their future job prospects. Many programs also aimed to lower employers' risks of hiring in a slow economy. Today's SE program can go beyond these goals to drive equity and be more targeted, helping people struggling the most in the wake of COVID-19.

SE Programs are Supported by Bipartisan Lawmakers, Workers, Employers, and the Public

- **Both Republican and Democratic governors** wanted to see SE program funding continue when it expired. From 2009-2010, **39 states and the District of Columbia** carried out large-scale SE programs in every region of the country. This created **over 260,000** jobs with far-reaching benefits. As workers earn income, they buy clothes, food, gas, and other basic needs, bringing communities "**significant**" economic gains.

- **State data shows SE programs significantly benefit workers.** In Florida, for example, people engaged in the SE program had greater jumps in employment and earnings than others. **Research** shows they experienced a **$4,000** average increase in earnings from the year before to the year after the program. By contrast, peers who were eligible but did not participate only had a $1,500 average increase in earnings.

- **Employers also value subsidized jobs programs.** As one example, data from **Chicago** shows that more than 8 in 10 employers would participate in an SE program again. Employers engaged in the program reported improvement in productivity; quality of work; number of customers or clients they were able to serve; increases in customer or client satisfaction; and workforce satisfaction.

- Recent polling **finds over 9 in 10 Americans** support a national project to create "paid work and job training opportunities as a component of COVID-19 economic recovery efforts."

To Rebuild a Stronger Economy, SE Programs Must Advance Racial & Economic Justice

Building an equitable subsidized employment program is vital for a sustained recovery and to ensure that everyone—regardless of race, income, or other factors—can flourish in today's economy. This goal is particularly crucial for workers hit hardest by pandemic joblessness, many of whom have historically faced obstacles to financial security. Such communities include youth and young adults; Black, Latinx, indigenous, and other people of color; women, especially women of color; people experiencing homelessness; and those impacted by the criminal legal system.

An SE program under the American Jobs Plan can be effective in rebuilding a stronger economy, and advance racial and economic justice, by adopting the following principles:

1. **Lead with equity in mind.**

   For an SE strategy to advance racial and economic justice, federal leaders should structure a program that sets these equity-focused goals:

   a. Redress inequality by focusing resources on improving the short and long-term employment of people who have been economically marginalized. Evidence from previous subsidized employment programs shows the greatest gains in employment and earnings for those who have little recent work history, or are otherwise discriminated against by the labor market;

   b. Contribute to achieving racial equity goals in access to the workforce and quality jobs; wage parity; and in longer-term job placements; and

   c. Build more inclusive economies and support economic development among communities facing historic and ongoing divestment.

   The **Jobs for Economic Recovery Act** (JERA) contains examples of how to incentivize these goals.

   Further, any SE program must require states to report data on the number of people placed; participant characteristics; their earned wages, and how much of those wages were subsidized; and whether they shift into unsubsidized employment, either at the job where they were placed or elsewhere. Data must be disaggregated by race, gender, and other characteristics to track program effectiveness for people who have been economically marginalized.

SE programs are part of a comprehensive strategy to reduce poverty and increase earned income for workers with low incomes. They complement other strategies that are putting money in workers' and families' pockets, including stimulus checks and the expanded Child Tax Credit. As more businesses reopen, these programs can work together to continue stabilizing local and state economies and lifting racial and economic barriers to financial security.

2. **Ensure that the funding formula and structure supports equity.**

The TANF EF made SE funds available to all states, with an 80 percent federal match. States could count the employer costs to supervise and train participating workers as the 20 percent state match, making it possible to operate programs with minimal state spending. A similar rule can ensure as many states as possible can participate, no matter the economic strain they have faced from COVID-19.

This funding structure created political support and pressure not to "leave funds on the table." However, the formula was based on the distribution of funds under the **TANF block grant**. This was highly inequitable; upheld racial disparities across states; and did not provide localities or nonprofits a path to access funds if their state chose not to participate in the program.

There are several ways to build a more equitable model. The Jobs for Economic Recovery Act (JERA) offers language to structure state allocations based on Medicaid (FMAP) match rates, which numerous advocates and experts have vetted. Policymakers can also allow counties, localities, municipalities, or non-profits a way to access funds if states refuse to participate. Finally, federal leaders can advance equity by using financial incentives to ensure any SE program reaches people who have been most economically marginalized.

3. **Allow flexibility in employer types and hiring models.**

Subsidized employment programs should not be limited to one type of employer or hiring model. In fact, some data shows that a variety of placement options are critical to ensuring access to jobs for workers facing steep barriers to employment. Depending on the state or local economy, it is advantageous for placements to vary across different types of employers. This approach can support the public; nonprofit; employment social enterprise; and private sectors. It can also create pathways to employment for many workers.

The **JERA** offers language to support a variety of job type placements. In addition, a new SE program can promote placement within minority and women-owned businesses, and at worker co-operatives. Policymakers can look to **the Long-Term Unemployment Elimination Act** for language incentivizing these approaches, which can boost economic development for communities facing disinvestment.

4. **Promote sustainability at the start, including developing a permanent federal program.**

   Subsidized jobs programs take time to develop and bring to scale. In 2009, a range of states were interested in and able to operate large scale SE programs. However, it was challenging for many to do so immediately, and to sustain programs over the long term.

   To build a better, more sustainable initiative today, federal leaders can create a permanent SE program geared for people experiencing economic marginalization. It can be designed to allow for rapid scale-up in times of high need. As another way to support sustainability, policymakers can more closely integrate SE programs with other federal efforts that aim to support economic security and opportunity for people with low incomes.

5. **Devote appropriate federal, state, and community resources to administer the program.**

   In 2009, the TANF EF investment in subsidized jobs did not dedicate any resources to offer states and communities technical assistance on how to design and implement their programs. This may have stalled the initial take-up of funds and further strained state budgets.

   Today, federal leaders can help states and communities take full advantage of SE programs and build on existing programs. Policymakers can set aside resources to build the needed infrastructure and field capacity to support programs' equitable design and successful implementation. Leaders at the state and local levels should also dedicate funds toward this end. Federal technical support might include cross-agency and systems collaboration; building data systems; program monitoring and compliance; and centering the voices of workers in program design, execution, and monitoring.

An Equitable Subsidized Employment Program is Key to Achieving a Just and Lasting Recovery

Labor market data continue to show that our nation still faces a staggering jobs shortfall. Black, Latinx, and other people of color; women; youth; and young adults, among others, remain most harmed by persistent barriers to employment and economic security. Many such hurdles were in place long before COVID-19, roadblocks that continue to impede our shared prosperity.

The TANF Emergency Fund's subsidized employment program saw successes and challenges in design and implementation. By drawing on its lessons, federal leaders can build a new, better, and more equitable program that meets today's crisis. Policymakers can craft an effective SE program that moves people who have been most marginalized into jobs; supports businesses; strengthens local economies; and advances racial and economic justice. It is an attainable, vital solution to ensuring an equitable, lasting recovery for us all.

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