



A Subsidized Jobs Program for the 21st Century

Unlocking Labor-Market Opportunities for All Who Seek Work

By Rachel West, Rebecca Vallas, and Melissa Boteach January 2015

Center for American Progress



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Introduction and summary

Despite the gradual return of the unemployment rate to prerecession levels, some workers still have not benefited from the economic recovery. Even in healthy economies, high rates of joblessness remain a persistent problem for individuals who face severe labor-market disadvantages or barriers to employment. These individuals include people with criminal records, people with disabilities, individuals with limited education and minimal work experience, and opportunity youth— young people ages 16 to 24 who are not in school or working.¹ These workers are often the last to be hired—even in good times—and the first to be laid off in tough times. Other groups—such as the long-term unemployed and older workers—suffered disproportionately during the recession and continue to experience elevated unemployment rates even as the economy recovers and adds jobs.

These individuals are denied the economic security and opportunity that comes with employment. Furthermore, eligibility for government safety net programs is increasingly tied to work, meaning that those who are excluded from the labor market often have limited access to resources and supports that would help them and their families make ends meet and advance in the labor market. While some resources are available to specific groups through programs such as unemployment insurance, or UI, and Temporary Assistance for Needy Families, or TANF, no dedicated funding is available to states that wish to create employment opportunities for all who seek work.

Targeted policy action is required to help these disadvantaged and detached groups regain and sustain employment. This report discusses one promising solution: a national subsidized jobs program, which would provide states with flexible options to create job opportunities for workers who have not succeeded in finding employment through the usual channels. A national subsidized jobs program would create targeted work opportunities and is an idea that could attract bipartisan support.

For struggling workers and their families, subsidized jobs would alleviate hardship in the short term by generating immediate work-based income, while also providing valuable work experience to improve workers' employment credentials and help them escape poverty. A national subsidized jobs program would also serve as a buffer for our nation's economy—softening the impact of future downturns by counteracting increases in unemployment, enabling businesses to preserve and expand their workforces, and boosting demand in local communities. This program could supplement the UI system and the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, as an automatic economic stabilizer.

Recent experience with subsidized jobs programs—notably, those implemented by states in 2009 and 2010 using stimulus funds from the American Recovery and Reinvestment Act—shows that subsidized jobs programs work to achieve these goals. A subsidized jobs program cannot replace the need for broader changes to labor policy such as a higher minimum wage and widespread job creation, but it would offer a powerful tool to ensure that all who seek employment have the opportunity to participate in the labor market.

A successful national subsidized jobs program would connect participants with suitable employers, providing participants with a work-based source of earned income and valuable labor-market experience while preparing them to eventually transition into unsubsidized employment. Under a competitive grant structure, states could help workers get a foothold in the labor market and partner with local employers. Specifically, a national subsidized jobs program would:

- Create job opportunities for disadvantaged workers who face barriers to employment, as well as connect participants with wraparound services on an as-needed basis to support them in their work
- Help workers who experience prolonged spells of unemployment re-enter the labor force
- Provide opportunities for businesses to train prospective new employees
- Serve as an automatic economic stabilizer during economic downturns

Lawmakers should consider subsidized jobs as an important component of an economic mobility agenda for the 21st century.

For too many, the problem of joblessness persists

More than five years after the end of the Great Recession, the unemployment rate in the United States is finally approaching its prerecession level. But some groups of workers are disproportionately bearing the ongoing burden of the recent recession, and they continue to experience high rates of unemployment, underemployment, and labor-force exclusion. These workers include the long-term unemployed; opportunity youth, or young people who are not in school or employed; people with criminal records; people with disabilities; and individuals with limited education and minimal work experience.

For example, although short- and medium-term unemployment rates have nearly returned to prerecession levels, long-term unemployment—that is, unemployment for six months or longer—remains at historically high levels.² Unemployment remains high among young workers: The percent of 16- to 24-year-olds seeking work averaged 13.4 percent in the third quarter of 2014. This rate is 7.4 percentage points higher than the national average and 2.6 percentage points higher than it was during the same quarter of 2007, just prior to the Great Recession.³ Young workers of color face particular hardship in today's job market: The unemployment rate of young African Americans in 2013 was 26.7 percent, nearly twice the rate of young white workers and more than 20 percentage points higher than the national average.⁴ The unemployment rate for people with disabilities was 12.4 percent in the third quarter of 2014, more than twice that of workers without disabilities.⁵ And for an estimated 70 million to 100 million Americans, criminal records—even for minor offenses or arrests that did not lead to conviction—serve as significant obstacles to employment.⁶ Nearly 9 in 10 employers conduct criminal background checks to screen job applicants today—a substantial increase from from approximately half of employers in 1996.⁷

Unemployment is damaging personally for workers and families and publicly for society

The exclusion of these groups from the labor market is detrimental not only for the millions of affected workers and their families but also for society more broadly. For workers, prolonged unemployment can trap them in joblessness: Evidence shows that the longer an individual is out of work, the dimmer his or her job prospects become.⁸ Long spells of unemployment are associated with a substantial reduction in expected lifetime earnings, even after individuals regain employment.⁹ Furthermore, damaged credit that often results from the financial hardship of unemployment can hurt workers' job prospects: Research finds that nearly half of employers check potential employees' credit histories during the hiring process.¹⁰ Unemployment leaves workers unable to support their families, increasing the likelihood that they will fall into poverty¹¹ and damaging families' health and children's educational outcomes.¹²

The costs of sustained unemployment go far beyond the personal hardships experienced by individual workers and their families. Unemployment is detrimental to society as a whole. The nation sacrifices the productive capacity of the chronically unemployed, resulting in an economy that falls far short of its productive potential and reducing the tax revenues available to make critical public investments. In the wake of the Great Recession, for example, many of those who could not find work dropped out of the labor force altogether: Employment among prime-age working individuals—people ages 25 to 54—decreased from nearly 80 percent in 2007 to a low of less than 75 percent in 2010.¹³ By November 2014, the employment rate among prime-age adults was still less than 77 percent, more than 3 percentage points below the prerecession level. Not all of this drop can be explained by changes in demographics or the aging of the population. Some of it is due to “hidden unemployment” among workers who have given up searching for work—meaning they are no longer counted in official unemployment statistics—but who would return to the workforce if they perceived that job opportunities were available to them.¹⁴ The barriers to employment faced by people with criminal records alone shrink the male employment rate by an estimated 0.9 percentage points; this reduces the total productivity of the American workforce, lowering gross domestic product, or GDP, by between \$57 billion and \$65 billion each year.¹⁵

Job loss frequently throws families into spells of poverty,¹⁶ and poverty imposes long-term costs on our entire economy by virtue of its effect on children—through worsened health outcomes and reduced productivity in adulthood, for example.¹⁷ Without employment opportunities to support themselves and their families—and with the severely limited coverage of unemployment insurance¹⁸—many

unemployed workers must instead turn to public assistance. Joblessness is also associated with increases in crime and recidivism, threatening communities' safety and leading to greater public spending on judicial and prison systems.¹⁹ Older workers who experience prolonged unemployment are more likely to retire early, increasing Social Security costs and reducing tax revenues from labor-force participation.²⁰ Finally, when unemployment is concentrated among particular groups—whether these groups are defined by geography, race or ethnicity, or industry—lack of economic opportunity can throw entire communities into cycles of poverty and threaten social cohesion.²¹

Existing policy options are insufficient

Some programs and policies exist to aid the unemployed and those facing barriers to work, such as work services at One-Stop Career Centers and cash assistance under Temporary Assistance for Needy Families. But money for services and assistance is not the same as money specifically dedicated to providing jobs for unemployed individuals. Additionally, resources to help the unemployed make inroads into the workforce are limited. Workers who are in greatest need of employment assistance may be unlikely to receive it due to the employment-related requirements of existing programs. Even when assistance is available, assistance alone is not guaranteed to lead to a job.

For example, although the funding provided under the UI system for re-employment services and assistance has been found to be highly cost effective, this funding is extremely limited.²² Moreover, nearly three-quarters of unemployed workers are not receiving UI at all, which bars them from benefiting from re-employment services.²³ In order to be eligible for UI, applicants need adequately long work histories, sufficient wages earned, or sufficient hours worked during the UI base period. In most states, the base period includes the four or five calendar quarters prior to job loss. Many workers in disadvantaged groups are ineligible for UI due to the increasingly temporary nature and volatile schedules of low-wage jobs.²⁴ In another example, Government Accountability Office interviews of state TANF officials revealed that these officials were pushed to focus their efforts on ready-to-work populations rather than hard-to-employ populations because of pressure to meet TANF work participation rate requirements.²⁵

Helping disadvantaged and detached workers access employment opportunities requires further policy action. This report discusses one course of action: subsidized employment.

Subsidized jobs as a response to joblessness

A national subsidized jobs program could provide work opportunities to these disadvantaged groups. Such a program could:

- Alleviate hardship among families in the short term by providing immediate work-based income support
- Produce long-term benefits by paving the way for future employment
- Boost local small businesses and communities
- Serve as a buffer for the economy and soften the fall during future economic downturns by preventing employment losses, enabling firms to hire, and keeping workers attached to the labor market

A subsidized jobs program would not be a substitute for much-needed broader labor policy action, such as a higher minimum wage and widespread job creation. However, subsidized jobs represent an important tool to ensure that all who seek to participate in the labor market have the opportunity to do so. As such, a subsidized jobs program should be considered an important component of any agenda to promote economic mobility.

What are subsidized jobs?

Subsidized jobs programs aim to reduce unemployment and encourage job growth by increasing firms' demand for labor.²⁶ These programs provide jobs in the private, nonprofit, or public sectors, and wages are paid with government funds. The wage subsidy can be delivered in one of two ways. The participant may be hired directly and appear on the employer's payroll, with the wage subsidy provided to the employer in the form of a reimbursement. Or alternatively, the program may pay for the participant's wages and payroll-related expenses, with the employer

responsible for supervision only. Program staff serve as intermediaries by screening prospective participants; facilitating job placements with suitable employers; actively monitoring and supporting the ongoing relationship between participating workers and employers; and providing or connecting participating workers with necessary support services, such as child care and transportation assistance, on an as-needed basis.

Details such as the duration of the subsidy, the expectation of continued employment after the program, and the availability of supplemental services vary across programs. The wage subsidy may replace all or only some of the participant's wages and payroll costs, may be capped at a maximum value, or may phase out over time. The program may make the subsidy contingent upon one or more requirements placed on the employer at the outset. For example, the program may require that the employer retain the worker for a specified number of months, provide a certain number of working hours per week, or offer certain skill-building or training opportunities.²⁷

Common objectives for subsidized jobs programs

Subsidized employment programs can have a variety of goals. As discussed below, a successful national program would provide states with flexibility in setting appropriate goals to serve the hardest to employ and hold states accountable for successfully meeting these goals.

The goals of subsidized employment programs generally differ according to the participant populations and the economic conditions. For example, some state programs that were created in response to the Great Recession were primarily intended to preserve local employment levels and to boost local demand by temporarily reducing employers' labor costs through wage subsidies. Alternatively, a variety of subsidized employment programs called transitional jobs programs primarily aim to create pathways to unsubsidized employment. This can be accomplished when the same employer hires the participant after the subsidy ends or when the participant's employability is enhanced through labor-market experience and training opportunities over the course of the subsidized job. As a third example, programs that serve populations with significant barriers to work may be primarily concerned with increasing in-program employment and raising income for their participants, rather than ensuring a transition into unsubsidized employment. Finally, one of the many goals of subsidized employment programs that serve people with criminal records is to reduce the likelihood of recidivism among participants.

A common question about subsidized employment programs is whether they induce employers to create job opportunities that would not otherwise have existed—thereby expanding businesses and stimulating economic growth—rather than replacing unsubsidized workers with subsidized workers. As economists Dean Baker and Jared Bernstein note, oversight to prevent displacement of nonqualifying workers can and should be an element of program design.²⁸ Evidence from the Temporary Assistance for Needy Families Emergency Fund, or TANF EF, state programs seems to quell concerns about displacement: In a five-state study of TANF EF programs, 63 percent of participating employers reported that they created jobs that would not have existed without the program, indicating that subsidized jobs can provide a pathway to employment without displacing nonqualifying workers.

A related concern is whether providing subsidized employment opportunities to a select group of workers could lead to a reduction in wage levels for other workers—particularly for low-wage workers with little work experience or low levels of education. However, the groups experiencing labor-market exclusion and disadvantage are not large when compared with the overall labor force—or even with the low-wage labor force—and as outlined above, this employment exclusion is concentrated among certain groups. Therefore, a program targeting those excluded from the labor market would be unlikely to affect broader wage levels. For example, even during the Great Recession, all adult job placements under the TANF EF programs accounted for less than one-tenth of 1 percent of the overall workforce.²⁹ In addition to the comparatively small size of the target groups for these programs, the existence of the minimum wage provides a floor for pay in the low-wage labor market. Thus, while lack of access to employment opportunities has concentrated much economic hardship on specific groups of job seekers, the policy solution that could help these groups—a subsidized employment program—would not come at the expense of other workers.

Recent experience shows that subsidized jobs programs work

As part of the American Recovery and Reinvestment Act of 2009, states were offered funding from the federal TANF Emergency Fund. Thirty-nine states and the District of Columbia created subsidized jobs programs using the funding.³⁰ During 2009 and 2010, these states used a total of \$1.3 billion worth of funding to place 260,000 workers in subsidized jobs, at an average cost of \$5,000 per job.³¹ The TANF EF programs varied widely; each state customized its program to suit its local economy by independently setting objectives, determining target populations and eligibility criteria, and designing the subsidy structure.

An Economic Mobility Corporation study of selected programs under the TANF EF shows that these programs successfully achieved states' goals—including creating jobs that would not have existed otherwise, increasing earnings among struggling families, aiding local businesses, and improving participants' chances of finding unsubsidized work after the program.³² Subsequent research by experts at the Center for Law and Social Policy and the Center on Budget and Policy Priorities draws lessons from states' TANF EF programs and informs how subsidized employment programs could operate in today's environment.³³

Pennsylvania's Way to Work program

In 2010, Pennsylvania launched a subsidized jobs program called Way to Work using funds from the American Recovery and Reinvestment Act. The program put an estimated 20,000 unemployed workers across the state back to work in a mix of private-sector, nonprofit, and public-sector jobs. These jobs paid up to \$13 per hour before the federal funds expired later that year.³⁴ Way to Work was administered jointly by the state's Department of Labor and Industry and Department of Public Welfare. Employers were responsible for payroll taxes and received a subsidy from the program to cover gross wages for new hires. Employers who had laid off staff within the past six months were not permitted to use subsidized jobs to refill those positions.³⁵

Barbara Izquierdo became a case manager and bilingual advocate for the Greater Philadelphia Coalition Against Hunger through Way to Work in 2009.³⁶ In an interview with *The Philadelphia Inquirer*, Barbara said that after struggling to provide for her two children during a year of unemployment, "This job has given me stability. ... I'm living proof that Way to Work actually works."³⁷ When a full-time position opened up at the Coalition Against Hunger, Barbara was hired on as a permanent employee.

The Way to Work program also drew praise from local business owners. Angela Vendetti had been in the midst of expanding the coffeehouse she owned when the Great Recession hit in 2008.³⁸ Her bank closed her line of credit, but Angela was able to hire two new employees through Way to Work. The program not only helped defray her costs during the subsequent year—allowing her to keep the coffeehouse operating and create jobs that otherwise would not have existed in the community—but also led her to workers who had long-term potential. Telling her story in September 2010, Angela reported, "I'm really happy to have people who can grow with us, because we are a growing company."³⁹

The United States has a history of countercyclical jobs programs, meaning programs designed to expand during recessions in order to counteract declines in employment and economic activity. In the 1930s, the Works Progress Administration and the Civilian Conservation Corps provided public jobs to millions of Americans in the decade of high unemployment that followed the Great Depression.⁴⁰ At its height in 1979, the public-sector employment component of the Comprehensive Employment and Training Act was comprised of more than 790,000 jobs.⁴¹ Recently, the Inclusive Prosperity Commission, convened by the Center for American Progress, has advanced a proposal for a national service program that would put long-term unemployed workers back to work by creating public-sector jobs during future periods of high unemployment.⁴²

In the decades following the two large public-sector employment initiatives, however, subsidized employment initiatives in the United States have operated on a relatively small scale and have been targeted toward narrow populations, such as the formerly incarcerated or people turning to income assistance. In contrast to the recession-era public jobs programs and current national service program proposals, recent subsidized jobs programs have placed a share of participants with employers in the private and nonprofit sectors in addition to the public sector and have included wraparound services—that is, a comprehensive set of services such as child care, transportation, mental health counseling, and training opportunities made available in order to address participants’ barriers to work. Two notable programs in the 1980s and 1990s—the Minnesota Emergency Employment Development, or MEED, program and the New Hope Project in Milwaukee, Wisconsin—exemplified how subsidized employment programs could increase earnings and employment, reduce poverty, and boost small-business expansion in local communities.⁴³

Multiple small-scale subsidized employment initiatives operate at the local level today. For example, Platform to Employment, or P2E, is a Connecticut pilot program that has successfully connected long-term unemployed individuals with employers through subsidized job opportunities; the program was expanded to 11 major cities in 2014.⁴⁴ P2E participants undergo a five-week preparatory program, after which they are matched to a local employer. The employer is given the chance to evaluate the employee during the eight-week course of the subsidy, with the expectation that full-time unsubsidized jobs will then be made available to workers who perform satisfactorily.

The U.S. Department of Labor and the U.S. Department of Health and Human Services each undertook a new multisite pilot program starting in 2013, targeted primarily toward economically disadvantaged noncustodial fathers and the formerly incarcerated. Both pilot programs feature randomized assignment designs, intended to allow for rigorous evaluation of this “new generation” of subsidized employment models.⁴⁵

Despite the promise of these local programs and the success of the 2009–2010 TANF EF state-level programs, no dedicated large-scale source of federal support is available to states that wish to create job opportunities for their struggling workers through subsidized employment.⁴⁶

A policy tool for all economic conditions—good and bad

Subsidized jobs programs are often considered as a policy tool for responding to downturns in the economy, when they can be rolled out to prop up employment, provide income to jobless workers, and assist businesses by temporarily reducing labor costs and supporting hiring. Along with policies such as work sharing and direct public-sector job creation, subsidized jobs can help prevent businesses from shrinking in response to reduced demand and exacerbating an economic slowdown. The income that subsidized jobs provide reduces suffering for families and prevents workers from being permanently scarred by spells of unemployment caused by recessions.

But the benefits of subsidized employment programs are not limited to recessions. As noted above, there are several groups of disadvantaged workers for whom joblessness remains a persistent problem even in times of low unemployment. However, our nation’s workforce-development programs—which are underfunded and overstretched—are not adequate to serve these communities.⁴⁷ Moreover, while these workers struggle to find employment, social insurance and public assistance programs are tied to labor-force participation more than ever before. Thus, exclusion from the labor market not only entails a lack of wage income, but it often also limits these individuals’ access to complementary means of support for themselves and their families.

A solution with bipartisan backing

Subsidized jobs programs hold appeal for policymakers on both sides of the aisle. These programs offer the opportunity to simultaneously alleviate poverty and support work: There is little dispute that jobs offer the best pathway out of poverty, and a comprehensive subsidized jobs program could ensure that all who seek employment have the opportunity to participate in the labor market. Furthermore, subsidized employment also offers a way to help small businesses expand and to boost local economic activity. By providing immediate income in the short term and increasing economic opportunities in the long term, subsidized jobs reduce reliance on public assistance programs.

Conservative and progressive lawmakers alike backed the attempt to extend the national funding for subsidized jobs programs that expired in 2010.⁴⁸ Urging Congress to extend the funding, then-Mississippi Gov. Haley Barbour (R), a former head of the Republican National Committee, asserted the program would “provide much-needed aid during this recession by enabling businesses to hire new workers, thus enhancing the economic engines of our local communities.”⁴⁹ On the other side of the aisle, Sen. Dick Durbin (D-IL) praised the “huge impact” of the TANF EF in his home state. According to The Huffington Post, he noted that, “Rather than paying people to do nothing, this program helps private companies hire the employees they need but can’t quite afford.”⁵⁰

Recently, Congress has shown renewed interest in subsidized jobs as a means of addressing economic insecurity. In July 2014, Rep. Dave Reichert (R-WA) convened a hearing of the House Ways and Means Human Resources Subcommittee to explore the topic.⁵¹ In particular, the committee heard expert testimony on the “next generation” of subsidized jobs programs, such as the pilot projects currently being conducted by the Department of Health and Human Services and the Department of Labor.⁵² “How can we get more low-income adults into jobs so they can better support their families and move up the economic ladder?” Rep. Reichert asked in remarks at the hearing. “One approach to achieving this goal is through supporting subsidized jobs.”⁵³

Recommendations

A framework for a national subsidized jobs program

Initially, a national subsidized jobs program could consist of a competitive grant program, jointly administered by the U.S. Departments of Labor and Health and Human Services. States could apply to the national program in order to finance their own subsidized jobs programs.

In the longer term, one or more successful models from these initial pilots could be brought to scale nationwide and administered by state agencies, such as state departments of labor, Temporary Assistance for Needy Families agencies, or workforce investment boards. The program would be fully federally funded or jointly funded by state and federal governments. For example, federal funding could be provided to states as a formula grant that is responsive to local or national economic conditions.

A national subsidized jobs program could be designed with several overarching goals—discussed in greater detail below—with significant flexibility at the state or local level. Broadly, the program would exist to facilitate job placement for specific disadvantaged groups by matching participants with suitable employers in the private, nonprofit, and public sectors. Participants would immediately gain a work-based source of income to support themselves and their families. At the same time, they would receive preparation for an eventual transition to unsubsidized employment by virtue of labor-market experience, contact with and support from program staff, and the support of optional wraparound services. Employment subsidies would help small and local businesses expand their workforces and create new jobs by hiring workers from the community. And finally, the program would have a stabilizing effect on the economy by providing a source of stimulus during economic downturns.

In order to inform the design of a scaled-up national program, grants for pilot programs could be made contingent on several conditions. For example, states could be required to implement a program model that has previously been demonstrated, perhaps by drawing on experiences with the various TANF Emergency Fund models. Alternatively, states could be required to create an evidence base that their program is successfully achieving its stated goals. A portion of the grant funding could be reserved for mandatory program evaluation, with metrics for measuring success consistent with the specific goals of the state's program. Finally, as discussed below, the competitive grant process could mandate that awardees serve certain priority populations or partner with specific state agencies and service providers.

The cost of a national subsidized jobs program would depend on the program's parameters, including the number of participants served, the extent of the subsidy, and the support services provided. Some insight on cost can be gained from the states' recent experience with the TANF EF programs: As noted above, a total of \$1.3 billion was spent on 260,000 placements over 18 months. About half of these placements, however, were short-term summer jobs for youth. Considering only adult job placements, the Center for Law and Social Policy estimates a mid-range cost of about \$12,500 per placement under the TANF EF programs. At this cost, a \$1 billion national program would support about 80,000 jobs per year.⁵⁴

Goals and design features

A national subsidized jobs program should not be a one-size-fits-all program. States should be allowed flexibility to determine how each target population is served. For example, groups of workers with greater barriers to employment may require heavier or longer-lasting subsidies, as well as more frequent involvement from program staff and accompanying support services. Individuals with multiple barriers to work, or little work experience, may initially benefit from placement in a government job, with eventual transition to the private or nonprofit sector. Other groups of participants, by contrast, may be adequately served with a small, temporary subsidy that provides an initial foot in the door with an employer. In order for the economy and the country to reach their full potential, there need to be opportunities for everyone to participate, including those who have traditionally been relegated to the sidelines. To this end, programs should include the hardest-to-reach populations, either by setting aside a share of funding or building in incentives for states to serve a high share of individuals who have multiple barriers to employment.

Drawing upon past experience with subsidized employment, program goals that might be applicable to different groups within each state’s program could include:

- Preventing a prolonged spell of unemployment or a labor-market exit
- Establishing good job matches for long-term placement
- Helping participants transition to unsubsidized employment
- Helping participants build skills or experience on the job
- Providing individuals with opportunities to meet their basic needs through work
- Assisting or encouraging small or local businesses to hire from within the community
- Facilitating reattachment to the labor market after a period of incarceration
- Helping participants overcome barriers to employment associated with a criminal record

Preserving significant flexibility at the state level would allow states to experiment with innovative variations on conventional subsidized employment for particular populations. For example, opportunity youth could be offered a hybrid work and education model. They could spend three-quarters of weekly hours in work activities—paid at the employer’s wage rate and partially subsidized by the subsidized jobs program—and spend one-quarter of hours in training or educational activities, paid at the minimum wage and funded in full by program dollars.

Beyond tailoring program design and goals to suit their needs, states should consider three elements of subsidized jobs programs—target groups of workers, support services, and a countercyclical component—to maximize benefits for participants and their families, local businesses, and the broader economy.

Target groups of workers

Under a national subsidized jobs strategy, the Department of Labor would broadly designate which target populations would be served by states' individual programs. Key groups to consider fall into several categories. There are those with significant barriers to employment, such as the formerly incarcerated and other people with criminal records, as well as some individuals with disabilities. Second, there are individuals who need assistance establishing an initial foothold in the job market—primarily groups of at-risk youth such as those with low levels of education, those from high-poverty neighborhoods, or those whose families are receiving public assistance. Finally, there are those who need to re-establish a connection to the labor force, such as the long-term unemployed, older workers, and TANF recipients with prior work experience.

Wraparound support services and local partners

For many participants, access to wraparound services on an as-needed basis will be a crucial ingredient for overcoming barriers to employment. Important types of support services for those transitioning to work may include transportation, child care, and health insurance—such as assistance navigating the Medicaid or subsidy system. Some participants may also benefit from job and computer training, educational resources, financial counseling, or services to address substance abuse or mental health barriers. People with criminal records may be in need of expungement and pardon assistance.

In many cases, program staff can connect participants to existing service providers and programs already available in the local community. The U.S. Department of Health and Human Services and its state-level equivalents would be natural partners for connecting program participants to a host of wraparound services; a competitive grant structure could require that these state-level agencies be involved. Subsidized employment programs could also form partnerships with local institutions—such as community colleges and anchor institutions such as hospitals and universities—both to connect participants with support services and to facilitate subsidized job placement. In addition, the program could work in coordination with the U.S. Small Business Administration to advertise or award points to women- and minority-owned businesses or businesses in historically underutilized business zones, or HUBZones. Such a strategy could aid in economic development in high-poverty communities and help support entrepreneurship in historically underserved communities.

In cases where beneficial support services are not available elsewhere for participants' use, these services could be provided directly by the subsidized employment program.

Built-in countercyclical component

As discussed above, subsidized jobs programs can establish the necessary infrastructure for rapid-response economic stimulus in the event of a downturn, supplementing existing programs that already serve this function, such as unemployment insurance and SNAP. During recessions, the existing program could be ramped up in order to provide jobs quickly, infuse money into the economy, and temporarily reduce stress on local businesses.

The countercyclical element of the program's design could include specified trigger points that would mandate an expansion of the program along several dimensions. These triggers could, for example, be tied to increases in state- or national-level unemployment rates or to decreases in payroll employment. Dimensions of the expansion could include expanded eligibility, increased enrollment, more generous and longer-term subsidies, greater staffing levels, and increased federal funding.

A strong countercyclical provision in the program design could limit the downward macroeconomic spiral of a recession and soften its effects on families and businesses. It also has the potential to counteract the “jobless recoveries” that the United States has experienced following recent recessions by providing a platform for creating employment opportunities and connecting unemployed workers directly to these opportunities.⁵⁵ Furthermore, a built-in countercyclical component would obviate the need for special legislative action to make subsidized jobs a tool for added economic stimulus—action that was necessary during the Great Recession. Experienced agencies and staff could effectively expand the programs, avoiding the haste with which states were required to construct their individual 2009–2010 TANF EF subsidized jobs programs.

Conclusion

A national subsidized jobs program would be a powerful policy tool and should be considered an important strategy in an economic mobility agenda. Subsidized jobs programs not only create pathways to employment for those who need a foothold in the labor market, but they also provide opportunities for local businesses to expand and train prospective new employees and help workers who experience a prolonged spell of unemployment re-enter the labor force.

A national subsidized jobs program could receive bipartisan support from lawmakers, providing states with a flexible way to create job opportunities and promote economic mobility for struggling workers. Under a competitive grant structure, states could draw on best practices to set goals, target particular worker groups, and partner with employers in ways that suit their local economies. By connecting program participants with locally available services, subsidized jobs programs could ensure that participants have the resources they need to advance their work opportunities. Finally, by building in a countercyclical component that would expand the program during economic downturns, a national subsidized jobs program could expand job opportunities when the economy needs it most. In short, this policy is a win-win-win situation for workers, employers, and the economy.

About the authors

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Endnotes

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