



# **Stimulating Opportunity:** An Evaluation of ARRA-Funded Subsidized Employment Programs

**Anne Roder and Mark Elliott**  
**Economic Mobility Corporation**

September 2013



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The Economic Mobility Corporation (Mobility) identifies, develops and evaluates programs and policies that enable disadvantaged individuals to acquire the education, skills and networks needed to succeed in the labor market so that they can support themselves and their families.

**Mail**  
Economic Mobility Corporation, Inc.  
233 Broadway, 12th Floor  
New York, NY 10279

**Telephone**  
212.280.6975

**Email**  
[info@economicmobilitycorp.org](mailto:info@economicmobilitycorp.org)



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- Florida Department of Economic Opportunity
- Mississippi Department of Employment Security
- Wisconsin Department of Children and Families

The findings and conclusions in this report are solely those of the authors on behalf of the Economic Mobility Corporation and should not be considered as representing the official policies or positions of the funder or the agencies listed above.

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# Summary of Findings

In 2009, in its efforts to stimulate the economy through the American Recovery and Reinvestment Act (ARRA), Congress included funding in the Temporary Assistance to Needy Families (TANF) Emergency Fund (EF) to help states cover the costs of creating new or expanding existing subsidized employment programs. All told, 39 states and the District of Columbia received approval to spend \$1.3 billion of the Emergency Fund on subsidized employment programs. While the goals and structures of the TANF EF-supported subsidized employment programs varied from jurisdiction to jurisdiction, they generally sought to create job opportunities for unemployed individuals so that they could earn immediate income and build experience and skills. Many programs also sought to reduce the costs and risks to employers of hiring during a slack economy and to stimulate local economies. In a short period of time, states implemented large-scale programs, creating more than 260,000 subsidized jobs.

While the TANF EF grants expired in September 2010, the programs had strong support from employers, workers, and state and local officials from across the political spectrum. Several states continue to operate subsidized employment programs and significant new investments in the strategy have been proposed at the federal level. With support from the Rockefeller Foundation, the Economic Mobility Corporation (Mobility) conducted a retrospective study of TANF EF-supported subsidized employment programs in five locations to investigate what we could learn about workers' and employers' experiences to inform future policy and program design decisions. Our findings are based on an analysis of data provided by the states on participants' characteristics, subsidized employment experiences, and pre-and post-program employment and earnings and a survey we conducted with participating employers.

Our report provides evidence about the effectiveness of subsidized employment programs in helping the unemployed re-enter the labor market while stimulating job growth and addressing employers' workforce needs. It also offers lessons about how program design influences worker and employer outcomes. Our main findings about program effectiveness include the following:

- **Subsidized employment programs can have a significant positive impact on low-income job seekers' employment and earnings.**

In Florida, where we have information about the outcomes of a strong comparison group of individuals who were eligible for but did not take part in subsidized employment, program participants experienced significantly greater increases in unsubsidized employment and earnings than members of the comparison group did. Notably, participants experienced a \$4,000 average increase in earnings from the year before the program to the year after the program compared to a \$1,500 average increase among comparison group members.

Participants in three of the other four study sites had similar increases in unsubsidized employment and earnings as those experienced by participants in Florida, although in these locations, we do not have employment and earnings data for comparison groups. The results show that workers participating in different types of subsidized employment programs experienced positive outcomes.

- **Most employers created jobs that would not have existed otherwise.**

Sixty-three percent of employers across the states we examined said they generated jobs that would not have existed otherwise in order to employ the subsidized workers, suggesting that subsidized employment programs can help stimulate business growth. Employers also saw benefits to their bottom line and were eager to participate in similar subsidized employment programs in the future.

- **The long-term unemployed experienced particularly large employment and earnings gains.**

The subsidized employment programs we studied offered particular benefits to job seekers who have been unemployed for more than six months. In most sites, a large part of the changes in participant earnings from the year before to the year after program participation were driven by improvements made among these long-term unemployed workers.

- **Programs also benefitted participants with significant barriers to employment.**

Individuals with significant barriers to employment, including TANF recipients and those with criminal records, also experienced large increases in unsubsidized employment and earnings from the year before to the year after participating in the programs.

The findings also suggest some lessons for policymakers and practitioners designing subsidized employment programs.

- The flexibility of the ARRA funding allowed for wide variations in program goals, job seeker eligibility, the lengths and depths of subsidies, and required employer commitments. While the details of the programs varied, the sites we studied implemented subsidized employment programs that followed one of two basic models. In one, subsidized workers were hired by employers, earned prevailing wages for their jobs, and did not receive support beyond assistance obtaining a subsidized job. In the other, subsidized workers were on the payroll of a third party rather than the employer where they performed the work, were paid a fixed wage, and received job readiness training and counseling to help them succeed in their subsidized positions and transition to unsubsidized employment. Workers in both types of program models experienced increases in unsubsidized employment and earnings after participating in the programs.
- Subsidized workers were more likely to be retained by their employers after the subsidy period ended if the programs required employers to place subsidized

workers on their payrolls immediately, offered partial or stepped-down subsidies that required employers to begin partly covering wages soon after employment began, and set expectations that employers retain workers who perform well.

- Programs that placed subsidized workers on the payroll of a third party intermediary and required minimal commitment from the employers where the work was performed were able to serve more disadvantaged participants, including more long-term unemployed participants, TANF recipients, and individuals with criminal convictions. While retention rates by the subsidized employers were lower in these programs than in programs where employers hired subsidized workers directly, participants in these programs experienced substantial increases in unsubsidized employment rates from the year before to the year after program participation, indicating that many participants found unsubsidized employment elsewhere after working in subsidized positions.
- When programs did not ask employers to commit to retaining workers after the subsidy period ended, participant outcomes were better where the programs provided workers individualized assistance with obtaining unsubsidized employment and subcontractors received monetary incentives for making unsubsidized placements. Post-program employment rates in such programs were also better when the hourly wages participants earned in the subsidized jobs were lower. In order to promote the transition to unsubsidized employment, when setting wage rates for subsidized jobs or limits on the wages of jobs that are eligible for subsidies, programs should consider whether participants can obtain unsubsidized employment at similar or better wages either on their own or with the assistance of program staff.
- Across the sites, employers reported retaining 37 percent of the subsidized workers after the subsidy period ended, and the most common reasons given for not retaining workers were poor attendance and other performance issues. Program designers may need to build more supports into subsidized employment programs for workers with limited work histories to help them succeed on the job and to increase post-subsidy retention. The most common supports needed, according to employers, were child care, transportation, coaching on communication skills, and computer training.
- All of the sites were successful in engaging for-profit employers in the programs, and these employers were more likely than non-profits and public agencies to retain workers after the subsidy period ended. For-profits were also more willing to participate in programs that offered partial subsidies.
- Non-profits and public agencies may be more willing to take on workers with less work experience and education than their typical employees, providing opportunities for those more disadvantaged in the labor market to gain work experience. However, they were less likely to have the resources to keep the workers on after the subsidies ended.

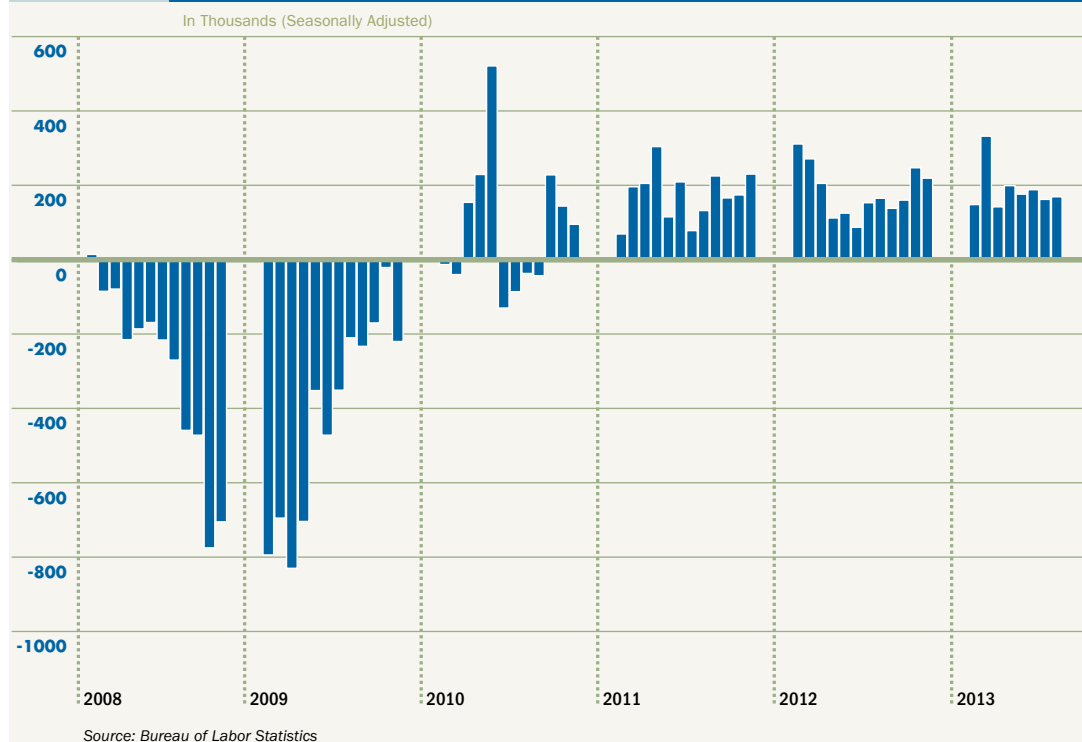
In sum, the results of the comparison group analysis in Florida and the similar gains participants realized at the other study sites suggest that subsidized employment can be an effective strategy for helping unemployed, low-income individuals move into employment and increase their earnings. Unlike subsidized employment programs of the past that relied on public sector employment, the EF-supported programs engaged the private sector in creating job opportunities, and private employers realized substantial benefits from participating in the programs. The findings are particularly important for the nation's millions of long-term unemployed workers, including those who lost jobs as a result of the economic downturn and those who face barriers to employment due to limited work histories and skills.

# Introduction

Despite improvements since early 2010, employment growth remains lethargic (see [Figure 1.1](#)). As a result, the U.S. economy still has not overcome the enormous job deficit created during the Great Recession. As of August 2013, 11.3 million people were unemployed, and the unemployment rate remains stubbornly high.

**Figure 1.1**

## Monthly Change in Nonfarm Employment



In August 2013, 4.3 million people had been unemployed for more than 26 weeks. These long-term unemployed job seekers represent three percent of the labor force—the greatest share since the end of the Depression. The long-term unemployed also represent an unusually large share of the nation’s unemployed workers. From 2007 to 2011, the fraction of the nation’s unemployed who had been out of work for more than 26 weeks increased from 18 to 44 percent (Burtless 2012) and remained at 38 percent in August 2013.<sup>1</sup> The longer job seekers remain unemployed, the harder it becomes to find a job, and after several months of unemployment they become “damaged goods” in employers’ eyes (Burtless 2012).

Findings from a recent experiment confirmed these concerns (Ghayad 2013). Researchers at Northeastern University sent out 4,800 computer-generated

resumes with identical credentials— except for unemployment duration and industry experience. Applicants who had been out of work for more than six months were almost never contacted for an interview. Although the economy has gained steam and added jobs, employers remain reluctant to consider hiring people who have been out of work for an extended time.

For the long-term unemployed, the ramifications can be devastating, not just in financial terms. Research indicates that long-term unemployment is associated with significant financial hardship, strained personal relationships, changes in career goals, and loss of self-confidence (Taylor et al. 2010). As Jennifer Medina reported in an article on a support group of unemployed workers in California (Medina 2012):

*“Your whole life your job defines who you are,” said Mr. Thomas, 48, who was laid off from his position as an advertising manager in February. “All of the sudden that’s gone, and you don’t know what to take pride in anymore.”*

Another example is a 55-year-old man in the support group who sent out 1,600 resumes since he lost his job in 2008 and went on ten interviews but was still jobless. When his unemployment benefits ran out, he went on food stamps.

As the economy continues its slow recovery in 2013, and the unemployment rate gradually declines, little attention is being paid in Congress to the millions of workers who remain unemployed, including those not counted in unemployment statistics because they have become discouraged and stopped looking for work. Indeed, at a recent hearing on long-term unemployment held by the Joint Economic Committee, just one legislator was in attendance when the session began.<sup>2</sup> Nevertheless, the consequences for would-be workers, their families and communities are severe—and warrant sensible, effective intervention.

This report examines several state and local efforts to use subsidized employment to help the unemployed re-enter the labor force while stimulating local economies and helping employers address their workforce needs. These programs served individuals who lost jobs as a result of the economic downturn as well as those who would be at a disadvantage even when the economy is good, such as long-term welfare recipients, individuals with criminal records, and other low-income workers with limited work histories and skills. On the whole, the findings from these efforts are quite positive and offer some clear lessons for both policymakers and program practitioners.

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## The TANF Emergency Fund and Subsidized Employment

In 2009, in its efforts to stimulate the economy through the American Recovery and Reinvestment Act (ARRA), Congress included \$5 billion for the Temporary Assistance to Needy Families (TANF) Emergency Fund (EF) to help states cover the costs of providing more assistance to poor families, including basic assistance, non-recurrent short-term benefits, and subsidized employment. Overall, states



received approval to spend \$1.3 billion of the Emergency Fund to create new or expand existing subsidized employment programs. States were given flexibility in setting the eligibility requirements for their subsidized employment programs, enabling them to serve both TANF recipients and other low-income families with children. All told, 39 states and the District of Columbia took advantage of the additional resources for subsidized employment (Pavetti et al 2011).

Subsidized employment programs provide job opportunities to unemployed individuals by using public funds to pay for all or part of their wages. The strategy dates back to the 1930s when the Works Progress Administration (WPA) was created to provide income support to people unable to find jobs during the Great Depression. In the 1970s, the Public Sector Employment (PSE) component of the Comprehensive Employment and Training Act (CETA) provided unemployed individuals positions in state and local governments. Since the 1960s, smaller scale subsidized employment programs have been targeted to welfare recipients, youth, and other groups with significant barriers to employment, such as individuals with criminal convictions. These programs—commonly referred to as transitional jobs programs—differ from earlier efforts in that they seek not only to provide individuals a work-based source of income but also skills development and supportive services to help increase their employability so that they can obtain jobs in the regular labor market. Evaluations of transitional jobs programs have found that they raise short-term employment but, in most cases, these increases are not sustained once workers leave the subsidized positions (Bloom 2010; Jacobs 2012).

While the goals and structures of the TANF EF-supported subsidized employment programs varied from jurisdiction to jurisdiction, they generally sought to create job opportunities for unemployed individuals so that they could earn immediate income and build experience and skills. Many programs also sought to reduce the costs and risks to employers of hiring during a slack economy and to stimulate local economies. Despite the substantial federal investment in subsidized employment under ARRA—almost double the 2012 federal formula funding for adult workers through the Workforce Investment Act—little is known about its effects on job seekers and employers. Previous studies have described the strategies states used to implement subsidized employment programs. These studies found that states were able to implement large-scale programs in a short period of time, placing thousands of people into subsidized jobs to help them earn immediate income. Many states engaged the private, for-profit sector in creating subsidized employment opportunities—in contrast to earlier programs that largely placed people in non-profit and public agencies. Overall, states created over 260,000 subsidized jobs, about half of which were for adults and half for youth (Pavetti et al. 2011; Farrell et al. 2011).

In 2011, the Rockefeller Foundation asked the Economic Mobility Corporation (Mobility) to investigate what more could be learned about the experiences of job seekers and employers who participated in the TANF EF-supported subsidized employment programs. While the EF grants ended in 2010, the programs had widespread support from employers, workers, and state and local officials from both

ends of the political spectrum. Although substantial new funding at the federal level for subsidized employment seems unlikely in the current political climate, interest at the state level remains high and several states continue to operate subsidized employment programs using TANF and state and local funding sources. This report provides evidence about the effectiveness of subsidized employment programs in helping the unemployed re-enter the labor market and stimulating business growth by helping employers address their workforce needs. It also offers lessons about how program design influences worker and employer outcomes.

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## The Study

The primary goal of this study was to gather information about workers' and employers' experiences with the subsidized employment programs in order to assess the effects of these programs and draw conclusions that will be useful to the field. The main research questions were:

- **Program Design.** How did the sites structure the programs? What were the program goals, target populations, subsidy structures and lengths, administrative structures, wages paid, and training or supports provided?
- **Participant Experiences.** What were program participants' experiences with the subsidized employment programs? How much did they earn from subsidized employment? Were they retained by their employer after the subsidy period ended? What were their post-program employment rates and earnings? Did outcomes vary for subgroups of participants?
- **Employer Experiences.** What were employers' experiences with the subsidized employment programs? Why did they participate? How did participation in the program affect their businesses? What factors would influence whether they participate in a subsidized employment program in the future?

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## Site Selection

Since the TANF EF-supported programs ended more than a year earlier in September 2010, our first tasks were to assess what data were available about program participants and employers and gauge state officials' interest in participating in a study and sharing data. We focused primarily on states that continued to operate subsidized employment programs after 2010, where current officials would likely be more knowledgeable about program design decisions and the available data and potentially more motivated to take part in a study that could inform their ongoing work. We also focused on subsidized employment programs serving adults. We chose the five locations included in the study based on the diversity of the program models, their geographic diversity, and their ability and willingness to share data and participate in the evaluation. The programs are:

- The Los Angeles Transitional Subsidized Employment program (TSE), administered by the Los Angeles Department of Public Social Services (DPSS). DPSS ran TSE with EF support from April 2009 through September 2010, and it has operated a modified version of the program with state funding since that time.
- The Wisconsin Transitional Jobs (TJ) Demonstration Program, administered by the Wisconsin Department of Children and Families with EF support and TANF block grant funding from September 2010 through the present.
- The San Francisco JobsNOW program, operated by the Human Services Agency (HSA). HSA ran JobsNOW with EF support from July 2009 through September 2010, and it has operated a modified version of the program with state and local funding since then. JobsNOW has three program tiers with distinct designs, and we examine each separately.
- The Mississippi STEPS program, administered by the Mississippi Department of Employment Security (MDES). MDES ran STEPS 1 with EF support from January to September 2010, and a modified version of the program operated from August to December 2011 using governor's discretionary funds from the Department of Education.
- The Florida Back to Work program, administered by the Agency for Workforce Innovation (now the Department of Economic Opportunity) with EF support from March to September 2010.

We focused on states that targeted a low-income population that included workers who faced barriers to employment due to long-term unemployment or a limited work history and that placed a significant portion of participants with for-profit employers. In addition to helping people earn immediate income, another goal of all of the study sites was to help people transition into unsubsidized employment. Some designed programs to encourage the subsidized employers to hire workers after the subsidy period ended, while others provided services during the subsidy period to help workers become more employable and find unsubsidized jobs elsewhere after the subsidized positions ended. We sought variation in how programs structured the subsidies, in the skills and experience of the participants served, and in the amount of support provided to workers before, during, and after the subsidized placements. The programs also varied in terms of the administering agency and the types of agencies implementing the programs at the local level. Some of the sites changed aspects of their program models after the EF-supported programs ended, providing more opportunities to examine how outcomes varied with program design. The diversity of program models allowed us to explore how participant and employer experiences varied by program design and structure.

## Data and Methods

To answer the research questions, we collected the following types of information. Details about the data collection methods and analysis are included in Appendix A.

- **Programmatic Data on Participant Characteristics and Experiences.** We collected individual-level data from the sites on demographic and other background characteristics of program participants, their participation in the program, and the characteristics of their subsidized positions.
- **State Employment and Earnings Data.** We collected data on participants' quarterly employment and earnings from each state's Unemployment Insurance wage reporting system for the four quarters before and the four quarters after program participation.
- **Survey of Employers.** We conducted a telephone survey with 633 employers who took part in the programs in Mississippi, Wisconsin, San Francisco, and Los Angeles to learn about their experiences with the programs, achieving a 79 percent response rate among the sample of employers included in the survey.<sup>3</sup>
- **Interviews with Program Staff, Focus Groups with Program Participants and Review of Program Materials and Documentation.** We conducted interviews with key staff involved in administering the programs and providing services to participants and employers. These interviews were conducted during in-person visits to Mississippi, Wisconsin, San Francisco and Los Angeles and by telephone with program administrators in Florida. We conducted focus groups with program participants in Mississippi, Wisconsin, and San Francisco to learn about their experiences with the programs. We also reviewed reports and other materials the sites produced regarding program implementation.

Conducting the study retrospectively meant that we were not able to dictate the study design or what data elements the participating sites collected. Using the states' wage reporting system data, we examined change in participants' employment and earnings from the year before to the year after participating in the subsidized employment programs in all five study locations. We used information gathered by the programs to examine whether there were differences in the outcomes for subgroups of participants. We found that there was significant variation in the types of information the sites had gathered about participants' background characteristics and subsidized employment experiences. In some cases, the sites were able to report aggregate statistics on participants' characteristics or program experiences but were unable to provide individual-level data. Therefore, we could not conduct many of the subgroup analyses across all five study sites. The retrospective nature of the study also meant that we did not observe the implementation of the programs and cannot address how the quality and consistency of program implementation influenced participants' or employers' outcomes.

While this analysis enabled us to assess whether individuals experienced improvements after participating in the subsidized employment programs, an important question in evaluating program effectiveness is whether changes observed over time can be attributed to the programs. Some changes might be expected even in the absence of an intervention. People seeking assistance from workforce development programs are often at a low point in terms of their employment and earnings. In a voluntary program in particular, one might expect that some job seekers will find employment on their own, and that employment rates will increase regardless of the intervention.

To address this issue, evaluations sometimes compare the outcomes of program participants to those of a similar group of people who did not take part in the intervention. In four of the study sites we did not have data for a comparison group to assess how much of the change would have occurred without the subsidized employment programs. However, officials in Florida provided us with employment and earnings data for a group of 16,204 individuals who were seeking assistance with finding a job and deemed eligible for the Back to Work program but were not placed in subsidized jobs.<sup>4</sup> These job seekers were nearly identical to the Back to Work participants in terms of their demographic characteristics, levels of education, recent employment experience and target group (that is, TANF-eligible versus other low-income job seekers).<sup>5</sup> It is possible that there are unmeasured differences between the two groups that may have influenced their post-program outcomes. But the similarities in their backgrounds and the fact that both groups were motivated to find work make the non-participants' outcomes a strong indicator of what may have happened to the Back to Work participants in the absence of the program.

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## **This Report**

In this report, we present our findings regarding the experiences of employers and job seekers in subsidized employment programs.

- In Chapter 2, we provide an overview of the programs and examine the experiences of job seekers across the five study sites. For all of the sites, we present changes in participants' employment and earnings from the year before to the year after participating in the subsidized employment programs. For Florida, we also present data on how participants' outcomes compared to a comparison group of individuals who were deemed eligible for the program but did not participate, in order to assess the impact of the subsidized employment program beyond any changes that may have occurred even in the absence of the intervention.
- In Chapter 3, we present the experiences of employers who took part in the subsidized employment programs across the four study sites where we conducted the survey, including their reasons for participating, how program participation affected their businesses, whether they retained the subsidized workers, and under what circumstances they would participate in future programs.

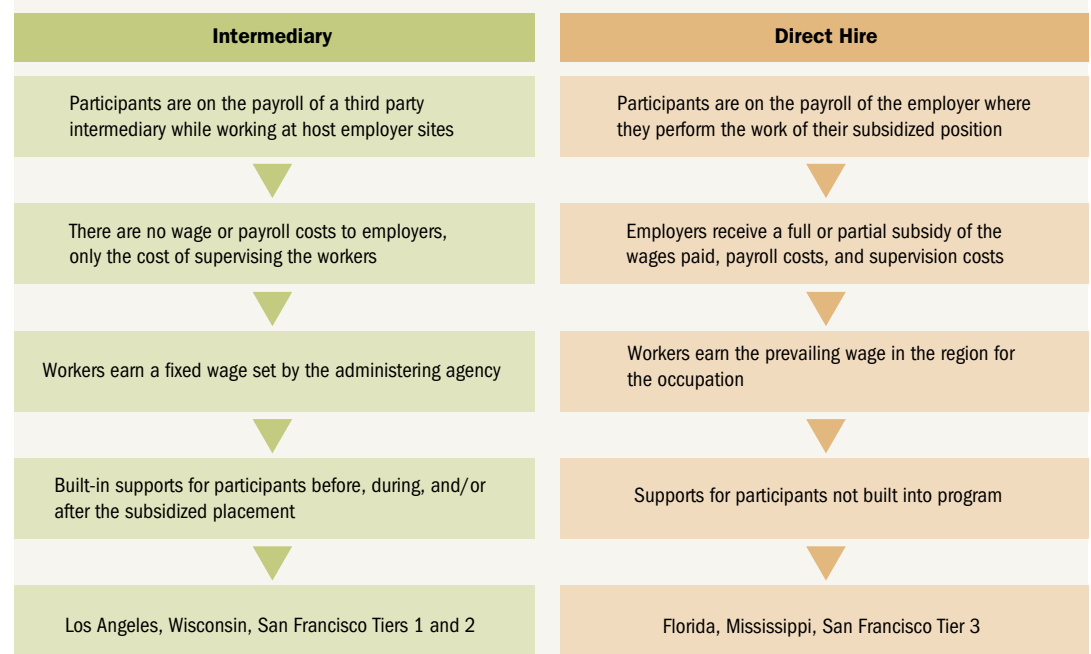
- In Chapter 4, we report on the experiences of each of the study sites, including program goals, target populations, administrative structures, subsidy structures, and types of assistance provided to job seekers, as well as the experiences of the job seekers and employers who participated in each program. The first four programs we present followed the intermediary model and the last three implemented the direct hire model.
- In Chapter 5, we present our conclusions regarding the effects of subsidized employment programs on job seekers and employers and the implications of the findings for future program design.

## Chapter 2

# The Experiences of Job Seekers

The TANF Emergency Funds provided states considerable flexibility in designing their subsidized employment programs. There was significant variation across the five study sites in the population targeted, the subsidy structure and length, and the wages paid and supports provided to program participants. While the details varied, the programs in the study generally followed one of two models (see [Figure 2.1](#)). In the first type, the intermediary model, the participants were on the payroll of a third party intermediary while they worked at host employer sites. The intermediary was either the agency operating the subsidized employment program or an agency with which it contracted. The subsidized positions were at for-profit, non-profit, and public agencies. In this model, the only commitment required of employers was to provide supervision to the subsidized workers. The employers were not expected to hire the subsidized workers after the subsidy ended, although some subcontractors in Wisconsin encouraged employers to do so if they had the resources and the workers performed well. By not requiring employers to place subsidized workers on their payrolls, these programs were able to create opportunities for individuals with limited work histories or other barriers to employment, such as a criminal record or long-term welfare receipt, that may have made employers reluctant to give them a chance.

**Figure 2.1** Two Primary Program Models Implemented by the Study Sites





For the most part, subsidized workers in these programs earned a fixed wage determined by the administering agency (see [Figure 2.2](#)). Another common characteristic of these programs was the support they provided to participants, including classes on job readiness skills and job search techniques, counseling on personal and workplace issues while in the subsidized position, and assistance obtaining an unsubsidized job after the subsidy period ended. Two of the programs in this group provided payments to subcontractors for helping participants successfully transition to unsubsidized employment.

**Figure 2.2** Characteristics of the Subsidized Employment Programs at the Study Sites

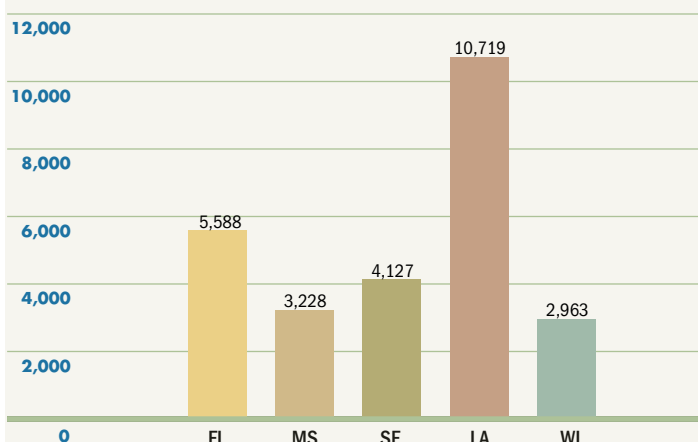
	Intermediary Model				Direct Hire Model		
	Los Angeles	Wisconsin	San Francisco Tier 1	San Francisco Tier 2	San Francisco Tier 3	Florida	Mississippi
Whose payroll	Third party: public subcontractor	Third party: 17 for-profit, non-profit, and public subcontractors	Third party: non-profit subcontractors	Third party: City and County of San Francisco	Employers	Employers	Employers
Subsidy level	No cost to employer other than supervision	No cost to employer other than supervision	No cost to employer other than supervision	No cost to employer other than supervision	EF: 100% of wages Post-EF: \$5,000	80% to 95% of wages	Declining from 100%, 75%, 50%, to 25% of wages
Subsidy duration	EF: 6-12 months Post-EF: 4 months	Up to 1,040 hours, about 6 months	6 months	EF: 12 months Post-EF: most 6 months, some 12	EF: Up to 12 months Post-EF: Up to 5 months	Up to 12 months	EF: 6 months Post-EF: 4 months
Types of employers	For-profits, non-profits and public agencies	For-profits, non-profits and public agencies	Non-profits	Public agencies	For-profits, non-profits and public agencies	For-profits, non-profits and public agencies	For-profits, non-profits and some public agencies
Employer commitment	Not expected to hire after subsidy	Some encouraged and some not expected to hire after subsidy	Not expected to hire after subsidy	Not expected to hire after subsidy	Encouraged to hire after subsidy	For-profits asked to commit to hire, non-profits encouraged	All asked to commit to hire after subsidy
Wage paid to workers	EF: \$10.00/hour Post-EF: \$8.00/hour	Minimum wage of \$7.25 an hour	\$11.03 an hour	EF: \$12.21/hour Post-EF: \$12.39/hour	Prevailing wage for occupation	Prevailing wage for occupation	Prevailing wage for occupation
Supportive services	Job coaching; child care and transportation through TANF	Job readiness workshops, job coaching, work supports, referrals	Counseling on workplace/personal issues, child care, transportation	Counseling on workplace/personal issues, child care, transportation, job readiness classes	No built in supports; TANF and GA clients eligible for work supports	No built in supports; TANF clients eligible for work supports	No built in supports; clients could apply for work supports
Target population (job seekers)	TANF recipients primarily, some dislocated workers	Income <150% of poverty and child under 18, not UI eligible or TANF recipients	EF: Income <200% of poverty and child under 18 Post-EF: TANF and GA recipients	EF: Income <200% of poverty and child under 18 Post-EF: TANF and GA recipients	EF: Income <200% of poverty and child under 18 Post-EF: TANF and GA recipients	Income <200% of poverty and has child under 18, TANF eligible	Income <250% of poverty and has child under 18, TANF and SNAP recipients

In the second type, the direct hire model, participants were hired by for-profit, non-profit, and public employers. These employers were required to put the subsidized workers on their payrolls at the start of the subsidy period and were reimbursed for all or part of the costs associated with employing them. Reimbursement levels and the types of costs for which reimbursements could be obtained varied by location (see [Figure 2.2](#)). The three programs of this type encouraged employers to retain workers after the subsidy period ended. Two asked employers to commit upfront to retaining workers who performed well. In this model, the subsidized workers earned the prevailing wages in the region for the occupations in which they were placed. There were no built-in support services for participants outside of assistance with obtaining a subsidized position. However, if the subsidized positions did not turn into unsubsidized jobs, participants could return to the agencies operating the programs to use the resources generally available to help job seekers find jobs. With the EF support, these programs served a broad range of low-income job seekers that included recently unemployed individuals as well as TANF recipients and the long-term unemployed.

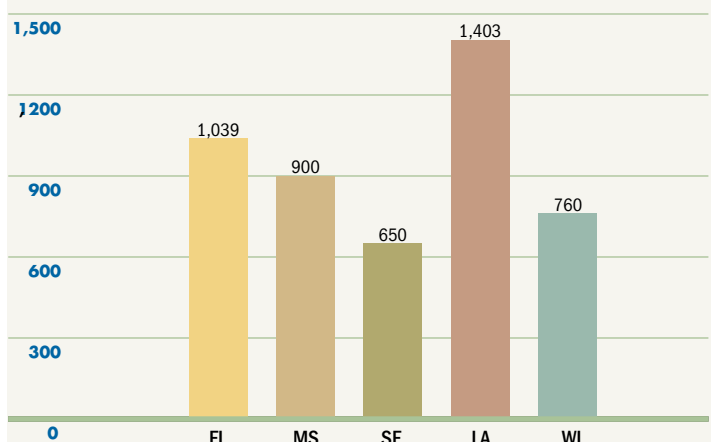
### The Programs Were Successful in Creating Subsidized Employment Opportunities for Individuals Struggling in the Labor Market

The study sites started their EF-supported subsidized employment programs in 2009 and early 2010 when national unemployment rates were at their peak—at or near 10 percent—and on average unemployed individuals were out of work for more than 30 weeks. The sites set ambitious goals for placing large numbers of people into subsidized jobs, which required political support and campaigns to recruit employers and get the word out to job seekers. As shown in [figures 2.3](#) and [2.4](#), with the EF support, the five programs were able to place more than 26,000 people into subsidized jobs with nearly 4,800 employers.

**Figure 2.3** Number of People Placed in Subsidized Jobs During the EF Period

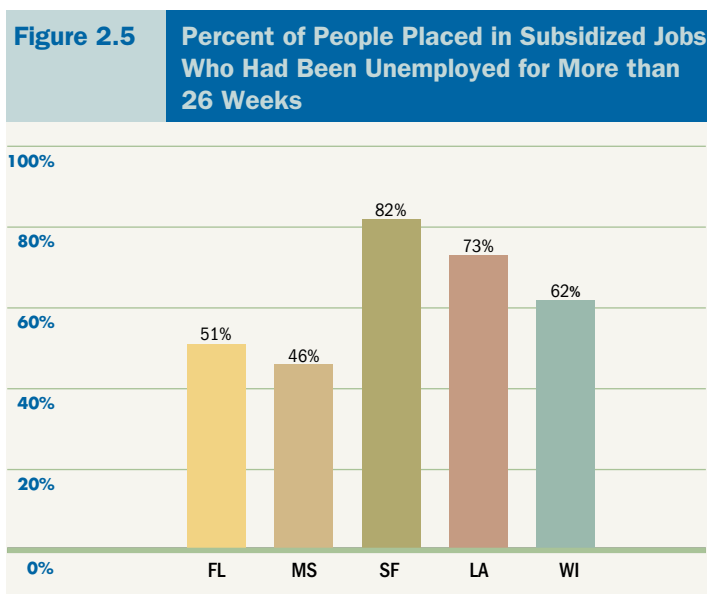


**Figure 2.4** Number of Employers that Hosted Subsidized Positions During the EF Period



The programs served diverse populations. In four of the five sites, at least two-thirds of the participants were women. The one exception was Wisconsin, where TANF recipients were not eligible for the program and nearly two-thirds (63 percent) of the participants were men. In Wisconsin and Mississippi, two-thirds of participants were African American as were 42 percent in Florida and San Francisco. San Francisco also served significant numbers of Asian and Hispanic job seekers, who made up 22 percent and 18 percent of participants, respectively. In Florida and the San Francisco Tier 2 and 3 programs, more than 60 percent of participants were age 30 or older, while in the other programs about half of participants were under age 30.

The programs were able to place workers who were struggling in the labor market in subsidized positions to help them earn immediate income. Across the sites, between 46 and 82 percent of the subsidized workers had been unemployed for more than 26 weeks when they entered the program (see [Figure 2.5](#)).<sup>6</sup> In Los Angeles, individuals receiving TANF accounted for 89 percent of participants in the EF program. On average, these participants had been receiving TANF for 33 months. In Wisconsin, 39 percent of all participants and 52 percent of male participants had felony convictions.



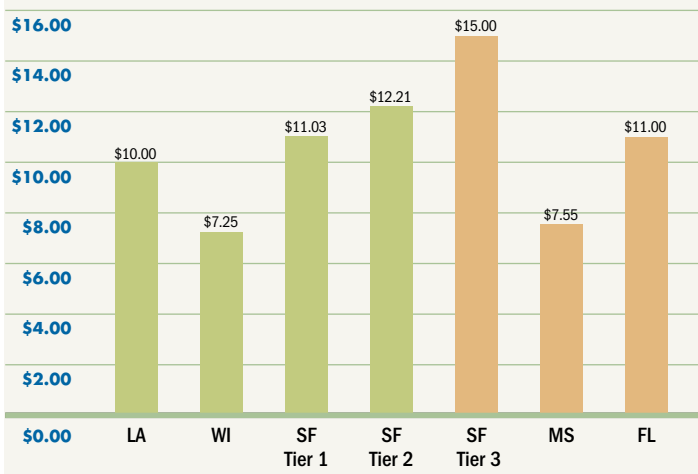
## Workers Earned Substantial Income from the Subsidized Positions

As noted earlier, the two program models took different approaches to setting wages in the subsidized positions. In the programs where subsidized workers were on the payroll of a third party (shaded green in [Figure 2.6](#)), the participants earned a fixed hourly wage. Wisconsin set the wage at the state minimum. Los Angeles and San Francisco set wages above their minimums, which were \$8.00 an hour in Los Angeles and \$9.79 in San Francisco in 2009. In the three programs where

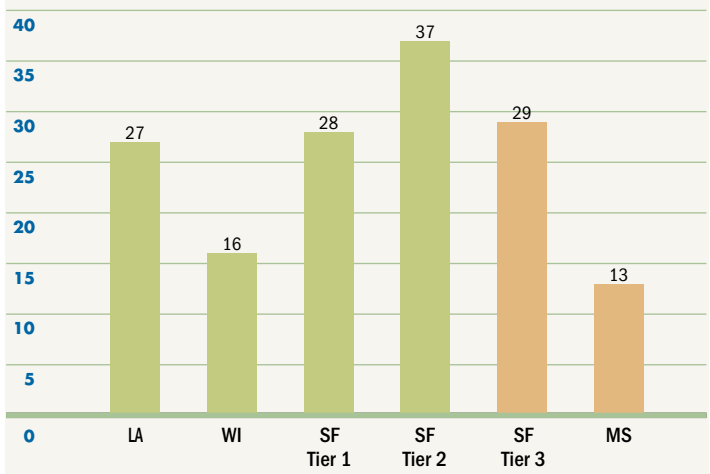
participants were on the employers' payrolls (shaded red in Figure 2.6), workers earned the prevailing wages in the region for the jobs they obtained, ranging from a median of \$7.55 an hour in Mississippi to \$15.00 an hour in San Francisco.

The expected length of the subsidy periods varied across the study sites from six months to a year. With the EF grant period and the subsidized jobs expiring on September 30, 2010, the subsidy period was cut short for many participants, particularly those in Florida and Mississippi where the programs operated for less than a year.<sup>7</sup> The actual length of time in the subsidized positions varied from an average of 13 weeks in Mississippi to 37 weeks in San Francisco's Tier 2 public sector trainee program (see Figure 2.7). Total program earnings varied within the two program structures depending on participants' wages and hours worked and the length of the subsidy periods (see Figure 2.8).<sup>8</sup>

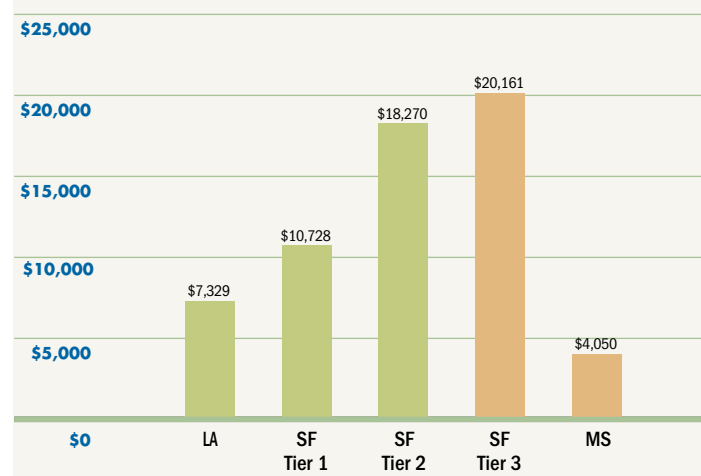
**Figure 2.6** Median Hourly Wages in Subsidized Jobs During the EF Period



**Figure 2.7** Average Weeks in Subsidized Employment



**Figure 2.8** Average Program Earnings During the EF Period

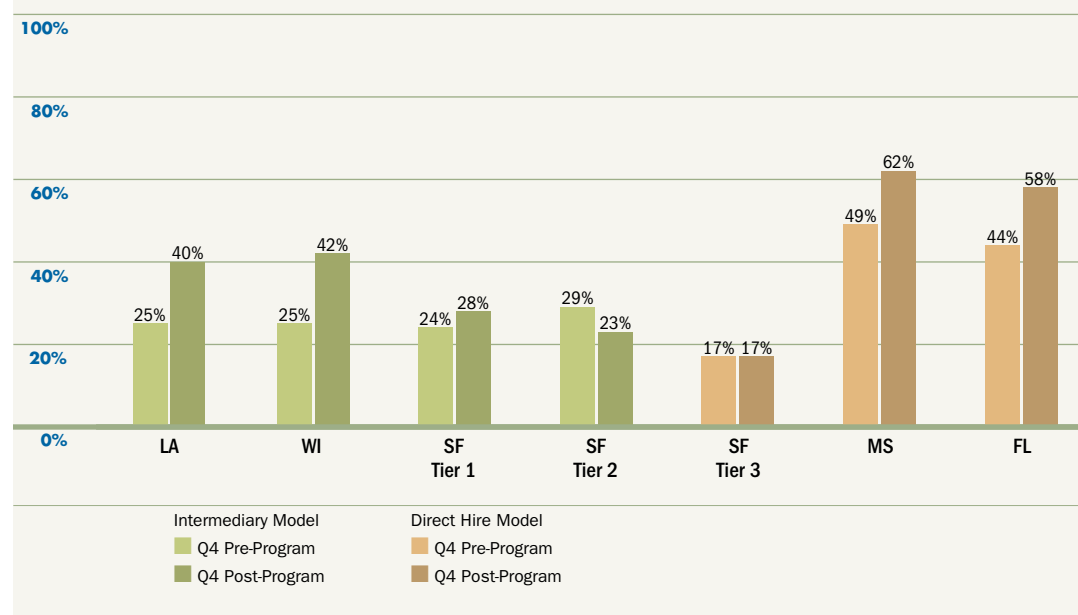


## Participants in Most Study Sites Experienced Significant Increases in Unsubsidized Employment in the Year After Participating in the Subsidized Employment Program

Participants in four of the five study sites experienced a substantial increase in unsubsidized employment from the year before to the year after participating in the subsidized employment programs. To be eligible for the programs, all of the participants had to be unemployed at the time that they entered the programs. We examined whether participants sustained employment during the four quarters after participating in the program and whether they experienced increases in employment from the four quarters before the program. Participants in Florida, Mississippi, Los Angeles, and Wisconsin experienced a 13 to 17 percentage point increase in unsubsidized employment starting from the fourth quarter before program participation to the fourth quarter after participation ended (see [Figure 2.9](#)). In San Francisco, outcomes varied across the program tiers; employment rates increased slightly over time only in the Tier 1 community jobs program.

**Figure 2.9**

**Percent of Participants Employed in Unsubsidized Jobs in the Fourth Quarter Pre-Program and the Fourth Quarter Post-Program**

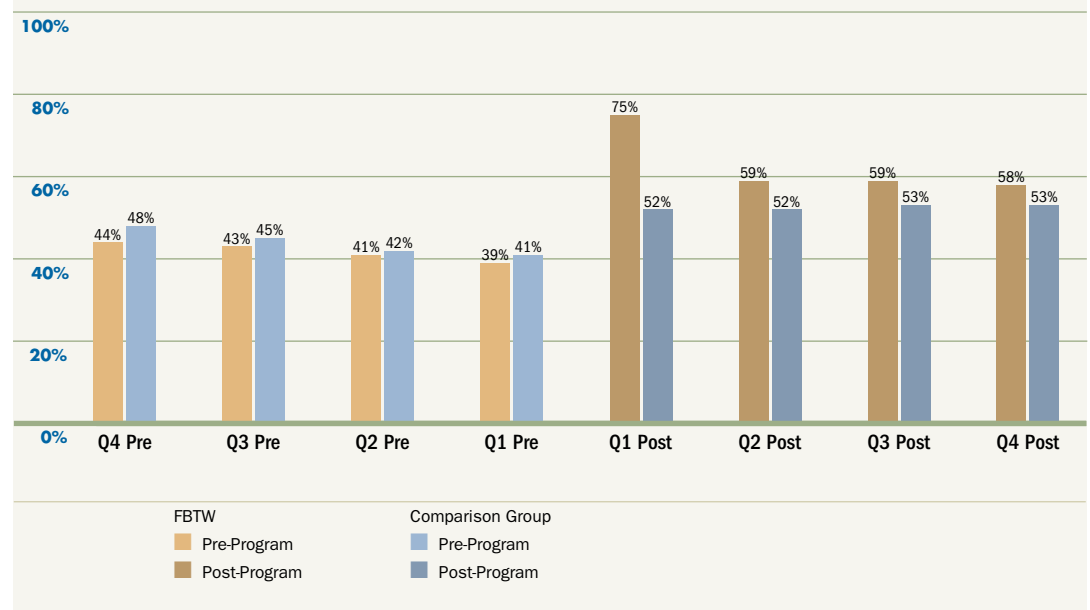


Both pre- and post-program employment rates were highest in Florida and Mississippi, where employers were required to take subsidized workers onto their payrolls and asked to commit to retaining the workers. These two programs reported higher retention rates by the subsidized employers in the quarter after the subsidy period ended—41 percent in Florida and 47 percent in Mississippi, compared to 16 percent in Wisconsin and about 18 percent in Los Angeles. Los Angeles and Wisconsin, where subsidized workers were not on employers' payrolls, served a higher percentage of

people who were unemployed in the four quarters pre-program. While in these locations the subsidized employers retained smaller percentages of participants, employment rates still increased substantially, indicating that individuals found jobs elsewhere.

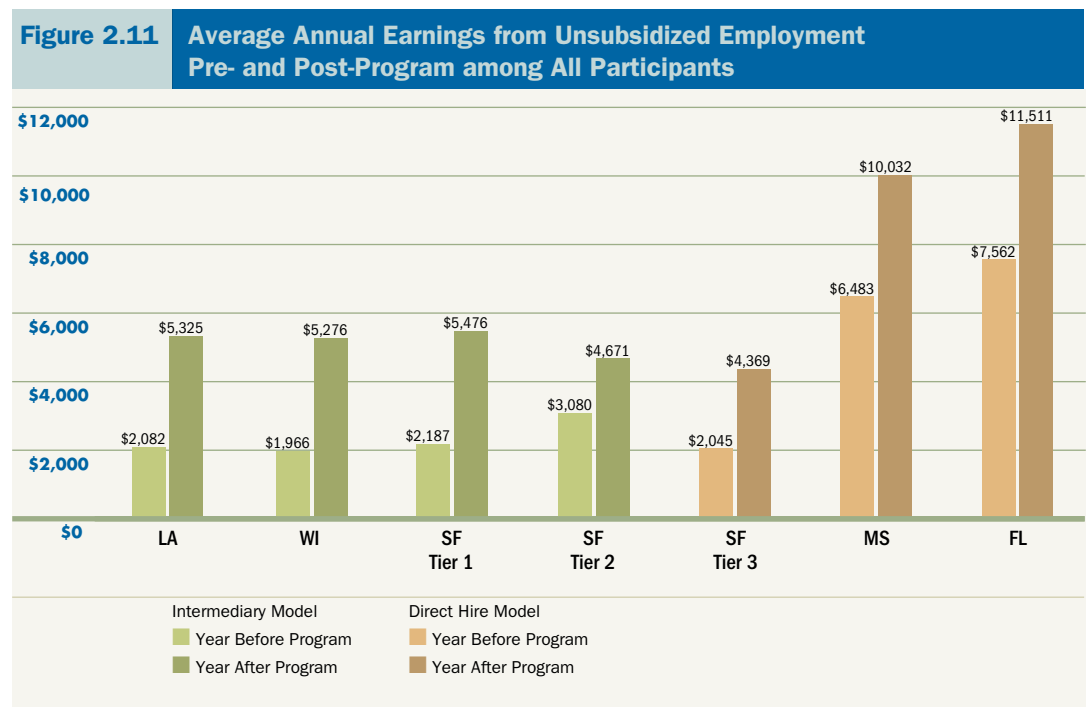
As described in the introduction, Florida officials provided us data not only for program participants but also for a comparison group of individuals who were eligible for the program but did not obtain subsidized jobs before the program expired. As seen in figures 2.10 and 2.12, the two groups were similar in terms of their employment rates and earnings in the year prior to the start of the program. In fact, non-participants were slightly more likely than participants to be employed and had slightly greater earnings pre-program, supporting the argument that post-program differences are not due to pre-program advantages among participants. Figure 2.10 shows that both the Back to Work participants and the comparison group of non-participants had higher employment rates in each quarter in the year after the program than in the year before. However, the percentage of Back to Work participants who were employed in each quarter post-program was higher than the percentage of comparison group members who were employed at statistically significant levels.

**Figure 2.10** Percent Employed in Unsubsidized Jobs Pre- and Post-Program among Florida Back to Work (FBTW) Participants and Comparison Group Members



## Participants Experienced Significant Increases in Earnings From the Year Before to the Year After Program Participation

Participants in all of the study sites experienced substantial increases in annual earnings from the year before to the year after participation in the subsidized employment programs (see [Figure 2.11](#)).<sup>9</sup> In Florida, Mississippi, Wisconsin, and

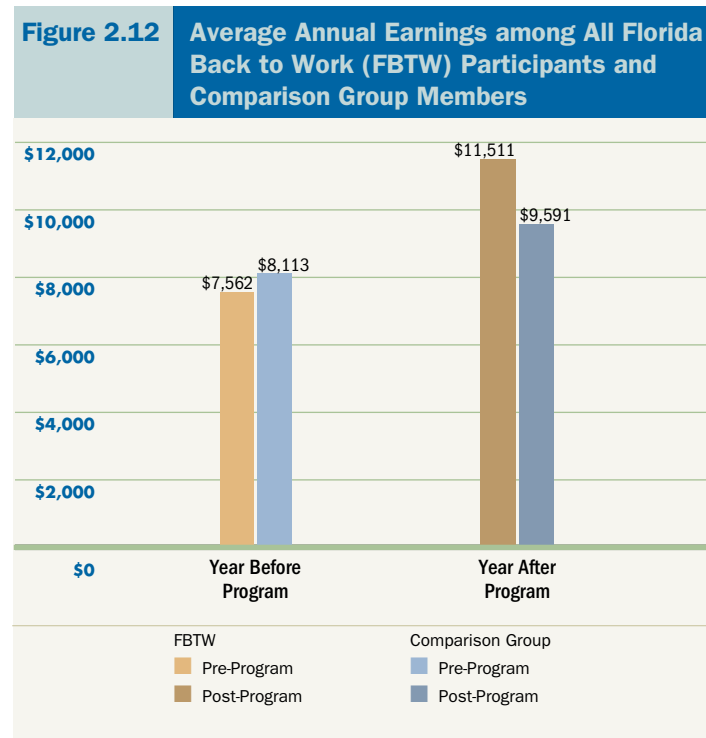


Los Angeles, the increase in earnings was due both to the increase in the percentage of participants who were employed and increases in the amounts earned among those working. In San Francisco, even though the percentage of people employed did not increase in two of the tiers and rose only slightly in one tier, earnings among the individuals who worked increased substantially, so that earnings for the group as a whole increased. Participants in Florida and Mississippi had the highest earnings both pre- and post-program, but participants in both types of program models experienced considerable increases in annual earnings.

The comparison group analysis in Florida reveals that Back to Work participants had significantly greater increases in annual earnings than did members of the comparison group of non-participants. Back to Work participants' earnings increased by nearly \$4,000 from the year before to the year after the program operated (see [Figure 2.12](#)). Comparatively, earnings among the comparison group members increased by \$1,478. In the year following the end of the program, Back to Work participants earned nearly \$2,000 more than the comparison group members. While the results are not as definitive as in a random control trial because there may be unmeasured differences between the groups that influence their



outcomes, they strongly suggest that Florida's subsidized employment model was an effective strategy for helping unemployed, low-income individuals move into employment and increase their earnings at a time when the state's economy continued to struggle to recover from the recession.

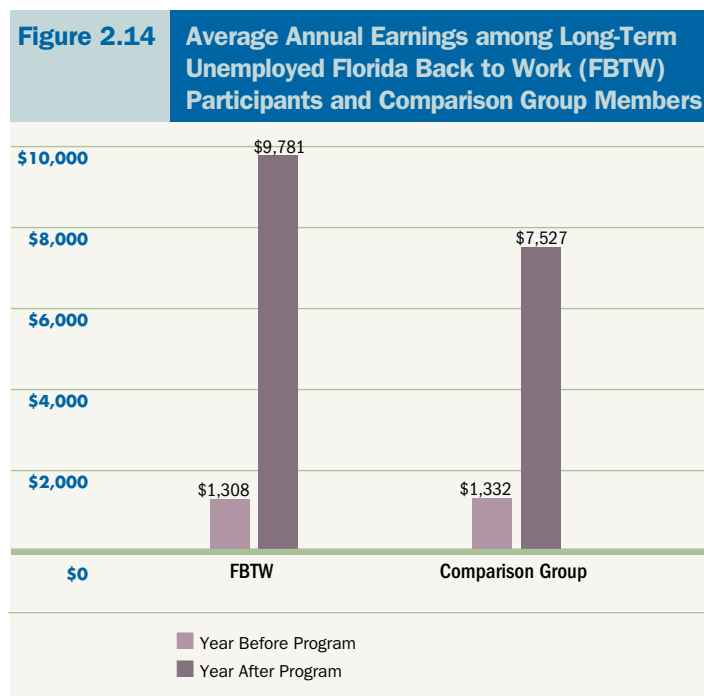
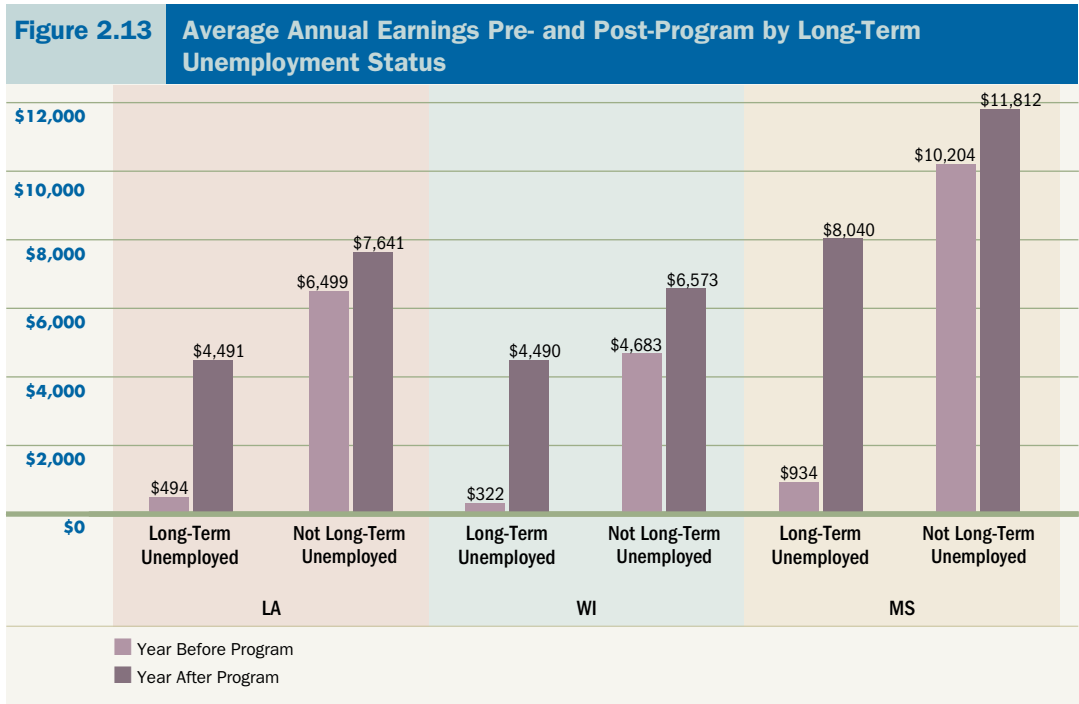


### Long-Term Unemployed Individuals Experienced Substantial Employment and Earnings Gains After Participating in Subsidized Employment

Across four of the five study sites, participants who were among the long-term unemployed when they entered the program experienced substantial gains in employment and earnings in the year after program participation. As illustrated in [figure 2.13](#), while post-program earnings were generally higher for participants who entered the program with more recent work experience, the overall change in participants' annual earnings over time was largely driven by the long-term unemployed in both the intermediary and direct hire program models. In Florida, long-term unemployed individuals who participated in subsidized employment earned on average \$2,254 more than those in the comparison group in the year following the program (see [Figure 2.14](#)).

In sum, the programs in the study placed large numbers of unemployed individuals into subsidized employment opportunities, helping them earn immediate income and accumulate work experience. Participants in most sites experienced substantial increases in employment and earnings from the year before to the year after program participation. In Florida, program participants realized

significantly greater increases in employment and earnings than did individuals in a comparison group of people who were eligible for the program but did not participate. The evidence suggests that subsidized employment programs can benefit job seekers struggling to find work, particularly the long-term unemployed. In Chapter 4, we look more closely at the five individual sites and further explore how the outcomes varied across participant subgroups and by differences in their subsidized employment experiences.



## Chapter 3

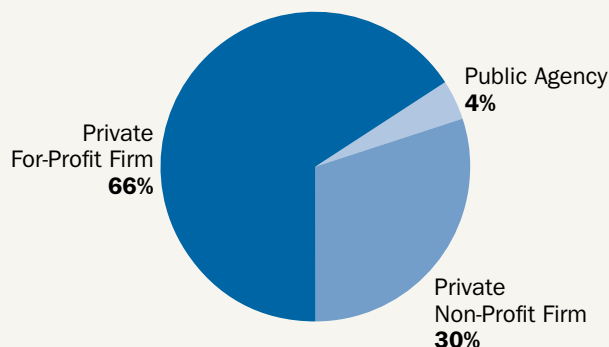
## Employer Experiences

For the most part, the employers in the survey had participated in the subsidized employment programs during the year prior to the survey, from July 2011 through July 2012. Some employers in Mississippi, San Francisco, and Los Angeles had participated in the earlier EF-supported versions of the programs as well. In San Francisco, only Tier 3 employers, those in the private sector who took workers onto their payrolls, were included in the survey.

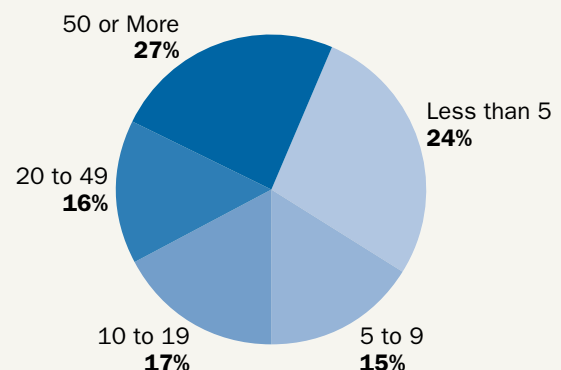
### Two-Thirds of Employers Were For-Profit Firms and Just Over Half Had Fewer Than Twenty Employees

Across the study sites, about two-thirds of the 633 employers interviewed were for-profit firms (see [Figure 3.1](#)). The two programs that provided a partial subsidy to employers who brought workers onto their own payroll, San Francisco and Mississippi, served a higher percentage of for-profit employers (79 percent to 89 percent) than the sites with fully subsidized wages, Los Angeles and Wisconsin. Los Angeles was the only program where the majority of employers (59 percent) were non-profit firms. Just over half of the employers had fewer than 20 employees at the location that took part in the subsidized employment program (see [Figure 3.2](#)). Mississippi served the highest percentage of employers with 50 or more employees (44 percent).

**Figure 3.1** Nearly Two-Thirds of Employers Were For-Profit Firms

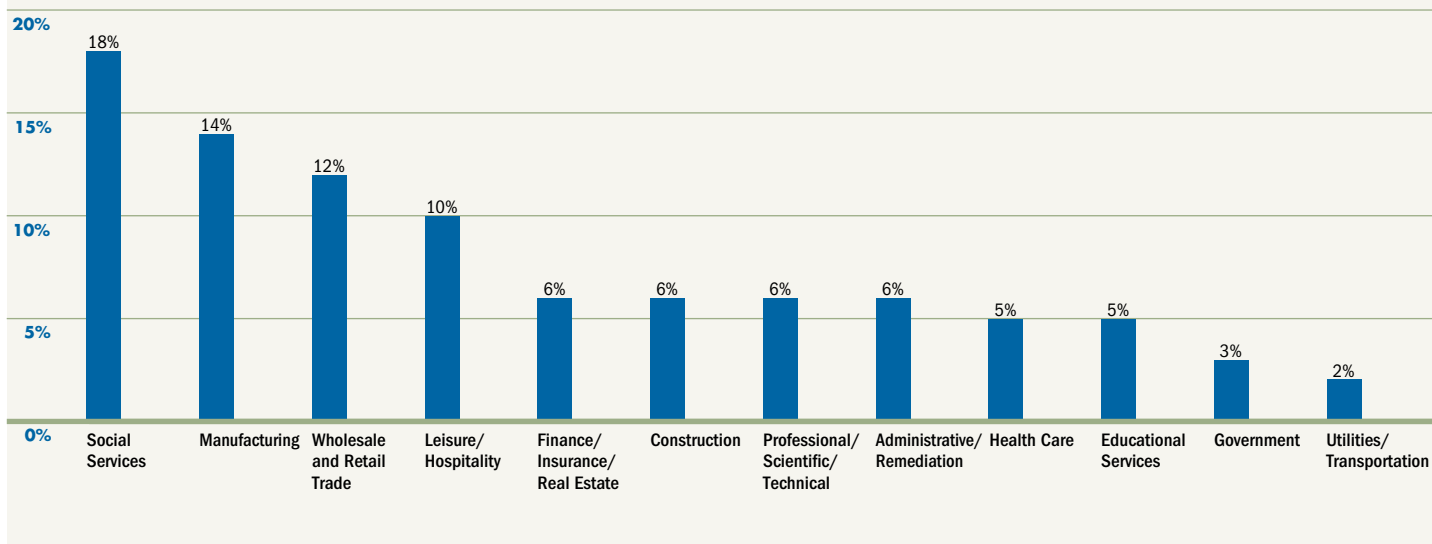


**Figure 3.2** Just over Half of Employers Had Fewer than 20 Employees



Employers from a wide range of industries participated in the subsidized employment programs (see [Figure 3.3](#)). The top three industries in terms of both numbers of employers and subsidized workers employed, were social services, manufacturing, and wholesale and retail trade. Los Angeles had the greatest percentage of employers in the social services industry (37 percent) while Mississippi had the greatest percentage in manufacturing (36 percent). Most employers in the social services and educational services industries were non-profits or public agencies, while most employers in the other industries were for-profit firms.

**Figure 3.3** Employers in a Variety of Industries Employed Subsidized Workers

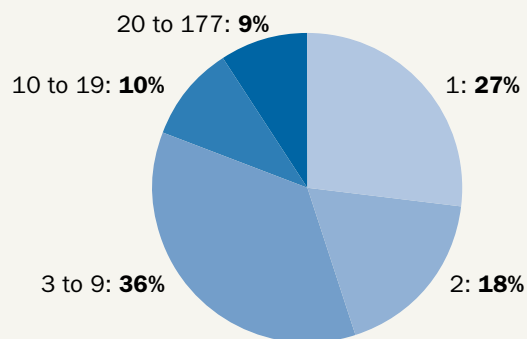


### Just Over Half of Firms Had Three or More Subsidized Workers

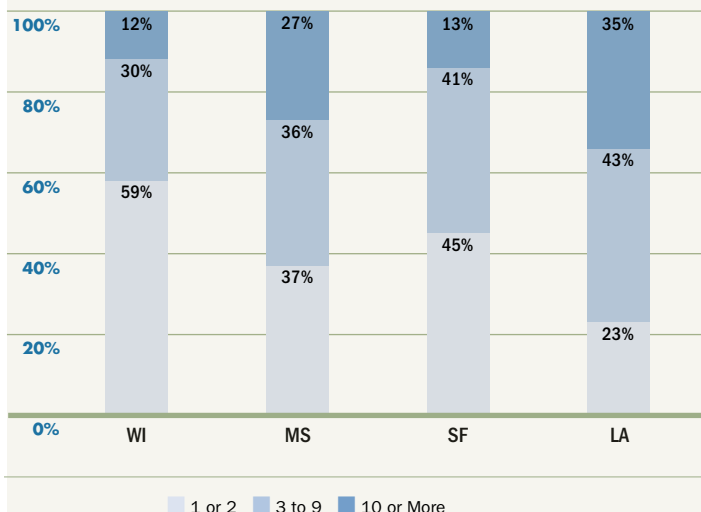
Employers in the survey reported employing a total of 4,680 subsidized workers. Forty-five percent of employers had one or two subsidized workers (see [Figure 3.4](#)). The median number was three. While there were differences in the number of subsidized workers placed with each employer across the programs (see [Figure 3.5](#)), these differences do not appear to correlate with a program structure or subsidy level. Of the two programs where workers were on third party payrolls and wages were subsidized 100 percent, one had the highest percentage of employers with ten or more subsidized workers (35 percent in Los Angeles) while the other had the lowest percentage (12 percent in Wisconsin).

For-profit firms accounted for just over half (54 percent) of the subsidized workers placed. Non-profit firms and government agencies were slightly more likely than for-profit firms to employ ten or more subsidized workers (21 percent versus 17 percent). The median number of subsidized workers employed was three among for-profit firms and four for non-profits and government agencies. Although larger establishments of 50 or more employees made up just over a quarter of

**Figure 3.4** Number of Subsidized Workers Per Employer

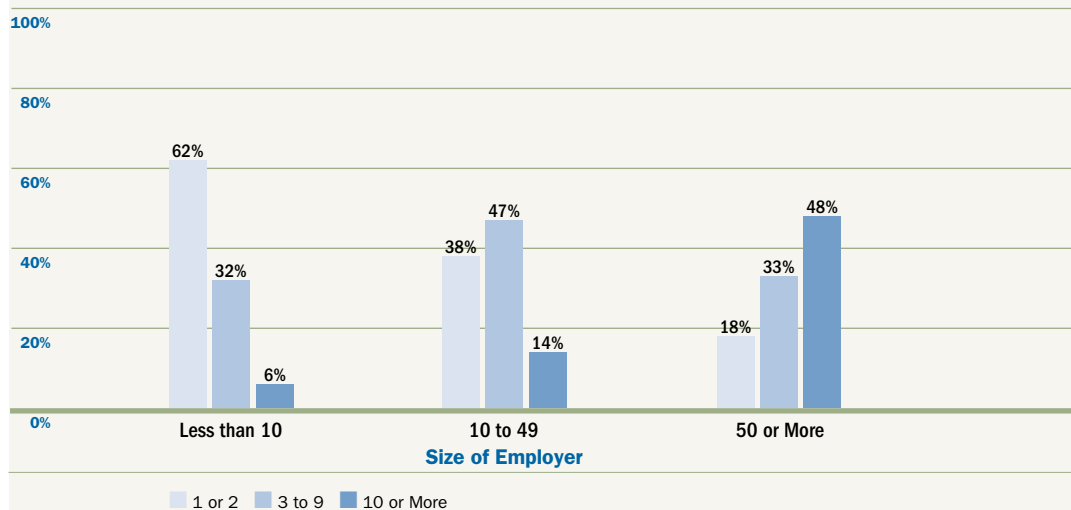


**Figure 3.5** Number of Subsidized Workers Per Employer Across Sites



the sample, they employed 60 percent of the subsidized workers reported in the survey. As shown in [figure 3.6](#), the number of subsidized workers employers had increased with the size of the establishment. Employers in the wholesale and retail trades, social services, educational services, and manufacturing industries employed a greater number of subsidized workers per firm than did employers in other industries.

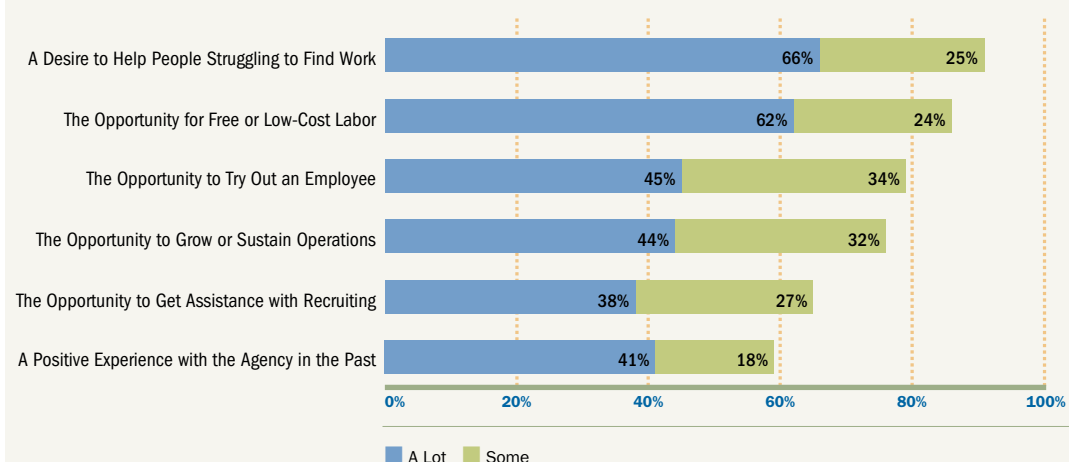
**Figure 3.6** Number of Subsidized Workers by Size of Employer



## Primary Reasons Employers Participated Were to Help People Struggling to Find Work and the Opportunity for Free or Low-Cost Labor

When asked how much various factors contributed to employer decisions to take part in the subsidized employment program, the most important factors cited were the desire to help those struggling to find work and the opportunity for free or low-cost labor (see [Figure 3.7](#)). Employers in the two programs where subsidized workers were on the payroll of a third party, Los Angeles and Wisconsin, were more likely to say that the opportunity to try out an employee before committing fully contributed a lot to their decisions (56 and 48 percent, respectively, compared to 36 percent in Mississippi and 40 percent in San Francisco). Non-profit employers were more likely to say that the desire to help people struggling to find work contributed heavily to their decisions.

**Figure 3.7** How Much Each Factor Contributed to Employers' Decisions to Take Part in the Program



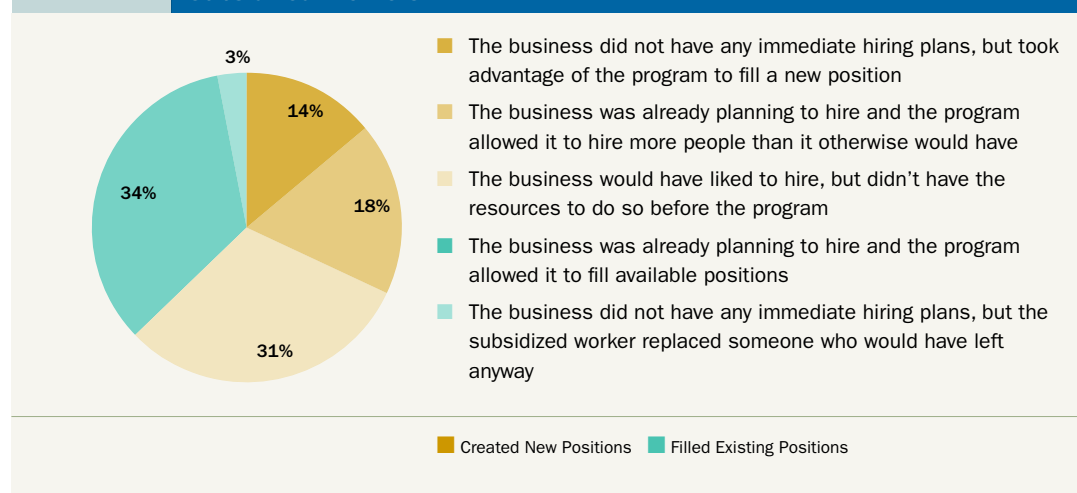
## Nearly Two-Thirds of Employers Created New Positions to Bring on the Subsidized Workers

The subsidized employment programs we studied pursued a variety of goals. Some programs, particularly when the EF grants were available, sought to use the subsidy to persuade employers to create new positions. Other programs sought to influence employer hiring, using the subsidy to encourage employers to try individuals whom they might not otherwise consider due to limited recent work histories or education. A majority of the employers we interviewed (63 percent) said when they first began working with the program they created new positions in order to employ the subsidized workers. As shown in [figure 3.8](#), some employers had no hiring plans but created positions, some hired more people than they otherwise would have, and others had a need but no resources to hire before the subsidy was available. Just over a third said they were planning to hire, and the program allowed them to fill available positions.

Non-profits and government agencies were more likely than for-profit firms to create new positions in order to provide opportunities for subsidized workers (81 percent versus 55 percent). Small establishments with fewer than ten employees were more likely to create new positions than larger establishments with 50 or more employees (72 percent compared to 55 percent). In Los Angeles, where most surveyed employers were non-profits or government agencies, and wages were fully subsidized, the highest percentage of employers (75 percent) said they created new positions to bring on the subsidized workers. In San Francisco, where the post-EF program targeted employers who were hiring and provided partial wage subsidies, the lowest percentage of employers said they created new positions, although more than half did so (54 percent).

**Figure 3.8**

### The Majority of Employers Created New Positions to Bring on the Subsidized Workers



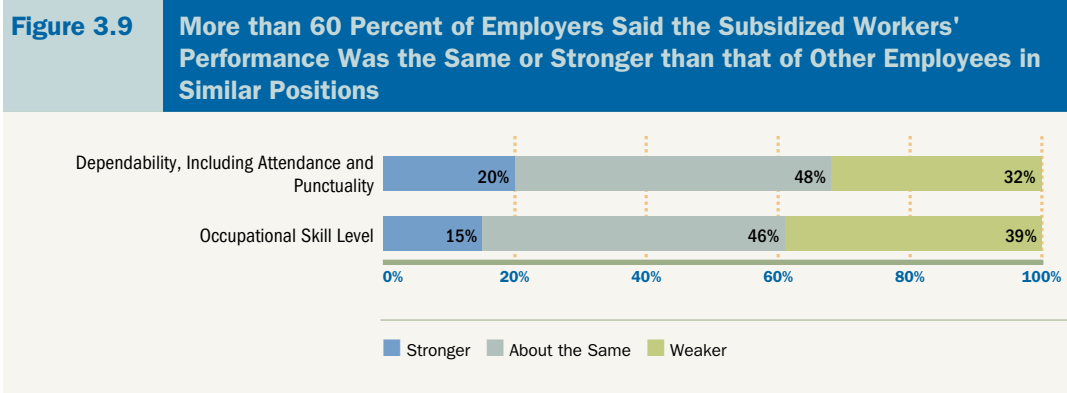
## A Majority of Employers Said Subsidized Workers Had Less Work Experience Than Those Typically Hired for Similar Positions, but Job Performance Was About the Same or Better

As noted above, some subsidized employment programs sought to use the subsidy to persuade employers to hire workers they might not typically consider, such as individuals unemployed for long periods. We asked employers how the subsidized workers compared to people they would normally hire for similar positions. Just over half (53 percent) said the subsidized workers had less work experience than other employees in similar positions. Employers were less likely to perceive differences in worker education and race. Just over half (56 percent) said the subsidized workers had about the same education as other employees, and two-thirds said the subsidized workers were as likely as other employees to be from a minority racial or ethnic group. Significant differences existed in how subgroups of employers viewed subsidized workers as compared to employees in similar positions.



- Non-profit employers were more likely than for-profit employers to say subsidized workers had less education and work experience than their other employees.
- Small employers with fewer than ten employees were also more likely to say subsidized workers had less education than their other employees.
- Mississippi employers were much more likely than employers in other sites to say subsidized workers had about the same or more education (87 percent versus 53 percent elsewhere) and about the same or more work experience (68 percent versus 40 percent elsewhere) as their other employees. San Francisco employers were the most likely to say subsidized workers were more likely to be from a minority racial or ethnic group than their other workers (35 percent) while Mississippi employers were the least likely to say so (19 percent).

When asked how the subsidized workers' on-the-job performance compared to that of people they would typically hire for similar positions, 61 percent said the subsidized workers' occupational skills were about the same or stronger than those of other employees in similar positions (see [Figure 3.9](#)). Two-thirds said the subsidized workers were as or more dependable than other employees in terms of attendance and punctuality. There were no significant differences in for-profit and non-profit employers' perceptions of the subsidized workers' on-the-job performance. Mississippi employers were substantially more likely than those in other sites to say subsidized workers' occupational skills and dependability were about the same or stronger than those of their other workers.



### Across the Sites, Employers Reported Retaining 37 Percent of Subsidized Workers After the Subsidy Period Ended

While the subsidized employment programs we studied did not require employers to hire workers after the subsidy ended, some encouraged it if the workers performed well. Others did not expect employers to hire the workers but viewed the subsidy period as a chance for workers to build experience and skills that would help them obtain employment elsewhere. In the two sites where workers were on the employer payrolls and employers received partial or step-down subsidies, San Francisco and Mississippi, just over 70 percent of employers said there was an expectation that

they would retain the workers after the subsidy period ended. In the two sites where workers were on third party payrolls with 100 percent subsidies, Los Angeles and Wisconsin, just under half of the participating employers said there was an expectation that they would hire the workers directly once the subsidy period ended.

Across all of the programs, about three-quarters of the employers (76 percent) reported that they retained at least one of the subsidized workers after the subsidy period ended. However, most subsidized workers were not retained. Across the sites, employers reported retaining 37 percent of the subsidized workers after the subsidy period ended. There were some significant differences in retention across subgroups of employers.

- The percentage of subsidized workers retained was greater in the two locations where the workers were on the employer payrolls from the start of the subsidy period (41 percent in San Francisco and 54 percent in Mississippi) than in the two sites where workers were on the payroll of a third party (27 percent in Los Angeles and Wisconsin).
- For-profit employers were more likely than non-profits or government agencies to retain any workers (81 percent versus 68 percent). For-profit firms also retained a somewhat higher percentage of their subsidized workers than non-profits or government agencies (43 percent versus 35 percent).
- Small establishments of fewer than five employees were less likely to retain at least one subsidized worker than establishments with five or more employees (65 percent versus 80 percent).
- Employers with ten or more subsidized workers retained a smaller percentage (31 percent) than employers with only one or two subsidized workers (55 percent).

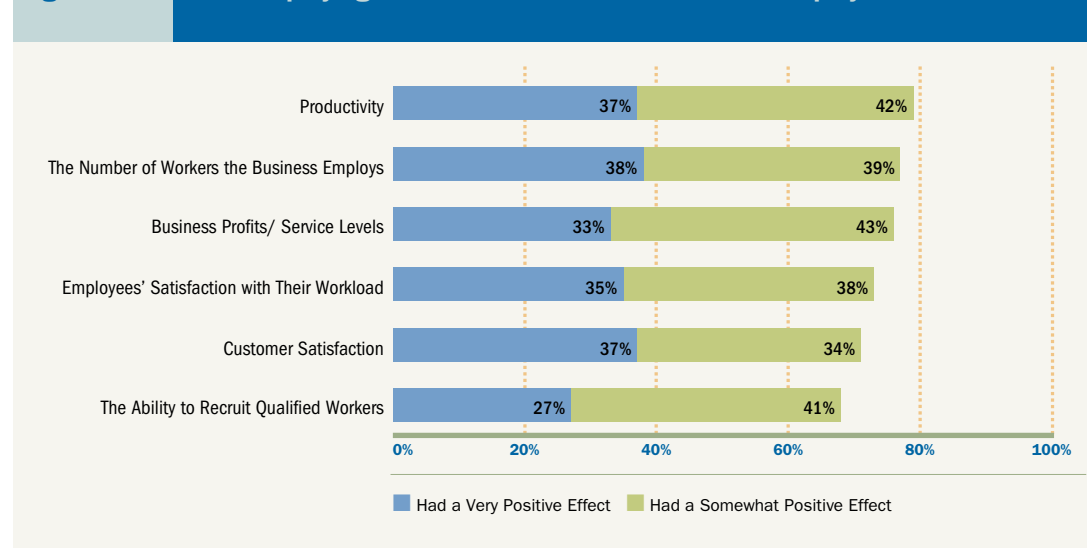
When asked how important various factors were in their decisions not to hire or retain subsidized workers, the most important factors employers cited were that the workers did not perform well enough in their jobs and that they had poor attendance. Employers in the two locations that provided a 100 percent subsidy, Los Angeles and Wisconsin, were more likely to say that not having the financial resources to keep the workers was a very important reason for not retaining them (56 and 34 percent, respectively, compared to 18 percent in Mississippi and San Francisco). In the two sites where workers were on employer payrolls and a partial subsidy was provided, San Francisco and Mississippi, employers were more likely to say that workers' job performance was a very important reason for not retaining them (67 and 61 percent, respectively, compared to 36 percent in Los Angeles and 43 percent in Wisconsin). Non-profits and government agencies were more likely to say they lacked the financial resources to keep the workers, while for-profits were more likely to say that they did not hire or retain workers because they did not perform well enough. The reasons for not retaining workers were similar across employers of different sizes, although larger employers were somewhat more likely to say poor attendance was an important reason.

## Employers Cited Multiple Benefits to Participating in the Subsidized Employment Programs

Most employers (83 percent) said they realized savings as a result of taking part in the subsidized employment program. We asked employers whether employing subsidized workers had a positive, negative, or no effect on various aspects of their business operations. Across the board, a large majority of employers said they experienced multiple benefits from participating in the program (see [Figure 3.10](#)). Employers noted that the program allowed them to increase their workforces and fill positions they had been unable to fill. This allowed many employers to serve more customers or expand the services they offered. Employers said the program helped their company work more effectively because having the subsidized workers reduced the workload for other employees, enabling them to better focus on specific tasks and meet deadlines. About two-thirds of employers said the program had a positive effect on their ability to recruit qualified workers.

Non-profit firms were somewhat more likely than for-profit firms to say the program had a positive effect on the number of workers they employed, productivity and employees' satisfaction with their workloads, but responses were highly positive within both groups. For the most part, the reported benefits did not vary by employer size, as both large and small establishments realized savings and other benefits from program participation. The one exception was that establishments with fewer than 50 employees were somewhat more likely to say the program had a positive effect on customer satisfaction.

**Figure 3.10** How Employing Subsidized Workers Affected the Employers

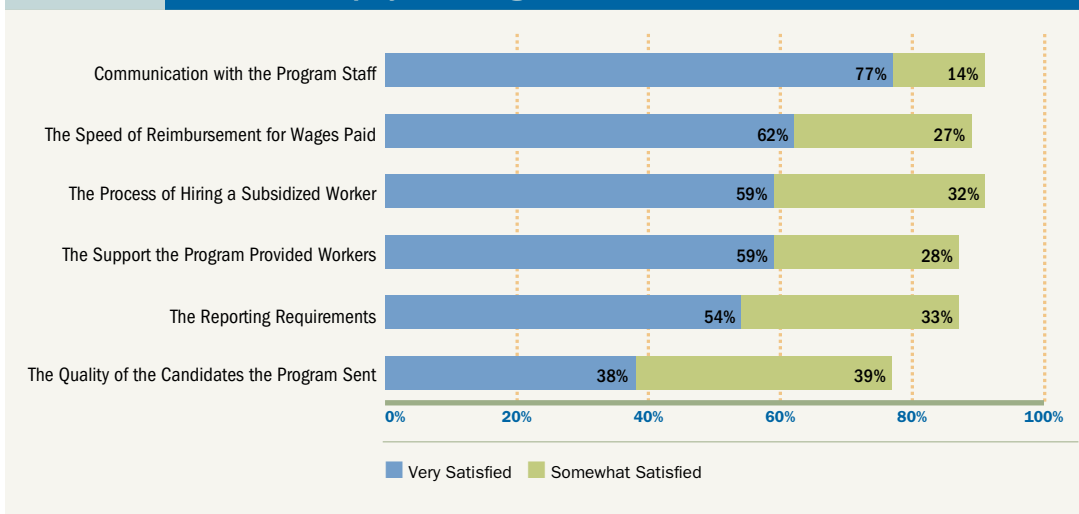


## Most Employers Expressed High Levels of Satisfaction with the Program and Said They would Be Very Likely to Participate in a Subsidized Employment Program in the Future

About three-quarters of employers (76 percent) said they would be very likely to participate if the subsidized employment program continues or is offered again in the future, and another 15 percent said they would be somewhat likely to do so. The majority of employers expressed a high level of satisfaction with communication from the program staff and the process of hiring subsidized workers (see [Figure 3.11](#)). The aspect on which employer responses varied the most was the quality of the workers the programs provided. Overall, 38 percent of employers said they were very satisfied with the quality of the candidates and another 39 percent were somewhat satisfied. Non-profits and government agencies were more likely than for-profit employers to say they were very satisfied with the quality of the candidates (47 percent versus 34 percent). Employers in Mississippi and Los Angeles were more likely to say they were very satisfied with the quality of the workers (53 and 41 percent, respectively, compared to 32 percent in Wisconsin and 26 percent in San Francisco). Employers in Mississippi and Los Angeles were also more likely to say they would be very likely to participate in the program in the future (88 and 86 percent, respectively, compared to 66 percent in Wisconsin and 65 percent in San Francisco).

Employers with negative comments about the programs generally reported that the workers lacked basic employment skills and needed more support or training to stay on the job. When asked what supports would have been most helpful to the workers while they were in the subsidized positions, the four most common employer responses, chosen by at least a quarter of the employers, were child care, transportation, coaching on communication skills, and computer training.

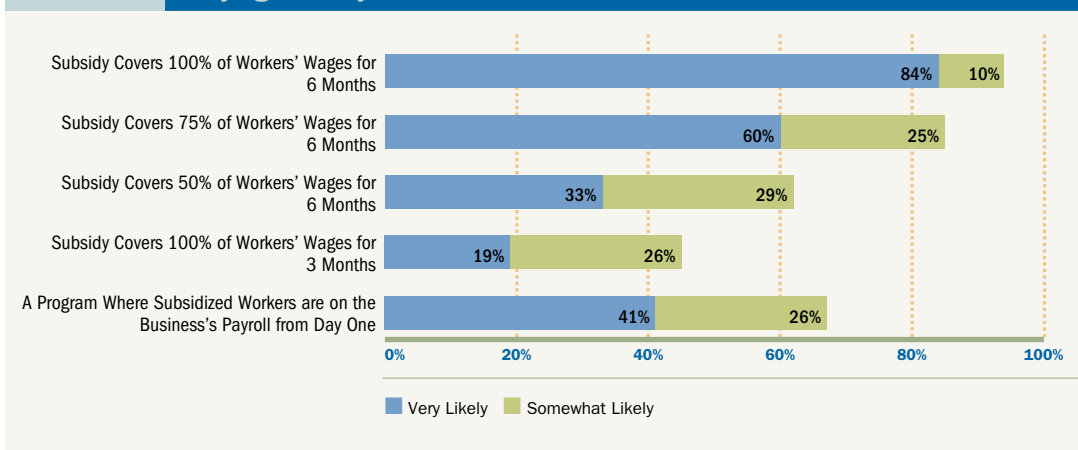
**Figure 3.11** Employers' Satisfaction with the Various Aspects of the Subsidized Employment Programs



## Most Employers Would Be Willing to Take Part in a Program That Offered a Partial Subsidy

One important question for the field is how program design influences employer decisions to participate in a subsidized employment program, such as the level of subsidy required to convince employers to participate. While the survey results revealed that employer willingness to participate in programs of varying design is greatly influenced by their past experiences, some useful lessons resulted from their responses. As shown in [figure 3.12](#), most employers (94 percent) said they would be very or somewhat likely to participate in a program that covered 100 percent of worker wages for six months. The percentage of employers who said they would likely participate declined as the subsidy levels decreased to 75 percent and 50 percent, but most indicated that they would participate in a program with a partial subsidy that lasted six months. Fewer than half of employers said they would be very or somewhat likely to take part in a program that subsidized 50 percent of worker wages for three months.

**Figure 3.12** Employers' Likelihood of Participating in Programs Offering Varying Subsidy Levels



While for-profit and non-profit employers were equally likely to say they would take part in a program with a 100-percent subsidy for six months, once the subsidy falls below 100 percent, non-profits are substantially less likely to participate than for-profits. For instance, 73 percent of the for-profit employers said they would be very or somewhat likely to take part in a program with a 50-percent subsidy for six months compared to only 40 percent of non-profits. Larger employers of 50 or more employees were more likely than smaller employers to be very or somewhat likely to take part in a program where the subsidy covered 50 percent of wages for either six or three months.

Two-thirds of employers said they would be very or somewhat likely to take part in a program where subsidized workers are on their payroll from the beginning. It should be emphasized that this varied significantly by whether employers had

already participated in such a program. Most employers in the two sites where subsidized workers were on the employer payrolls (94 percent in Mississippi and 80 percent in San Francisco) said they would be likely to participate in a similar program again. However, in the two sites where subsidized workers were on third-party payrolls, fewer than half of employers (46 to 48 percent) said they would likely take part in a program where workers were on their payrolls from day one. For-profit employers were more likely than non-profits and public agencies to be willing to take part in a program where workers are on their payrolls from the first day (77 percent versus 49 percent).

In sum, the findings indicate that employers of varying sizes and from a range of industries valued the opportunities presented by the subsidized employment programs. A majority of employers reported that they experienced multiple benefits from participating in the programs and were eager to take part in similar programs in the future. Nearly two-thirds created new positions to bring on subsidized workers. Three-quarters retained at least one of their subsidized workers after the subsidy period ended, although overall they reported retaining 37 percent of the workers. Non-profit firms were more likely to be motivated to participate by the desire to help people struggling to find work. They brought on a greater number of workers per firm and were more likely to take workers with less work experience and education than the people they typically hired for similar positions. However, non-profits were more likely to say they did not have the resources to retain subsidized workers after the subsidy period ended. For-profit firms retained a greater percentage of the subsidized workers after the subsidy period ended and were more willing to take part in subsidized employment programs with partial subsidies.

## Chapter 4

# Job Seeker and Employer Experiences in Each of the Study Sites

We next turn to the experiences of job seekers and employers in each of the five study locations. The first four programs presented, in Los Angeles, Wisconsin, San Francisco's Tier 1 Community Jobs program and the San Francisco Tier 2 Public Sector Trainee program, implemented the intermediary model described in the introduction. The last three programs, San Francisco's Tier 3 Wage Subsidy program and those in Mississippi and Florida, implemented the direct hire model in which employers were required to place subsidized workers on their payrolls from the start of the subsidy period.

## The Los Angeles Transitional Subsidized Employment (TSE) Program

The Los Angeles Department of Public Social Services (DPSS) administers the Transitional Subsidized Employment (TSE) Program. The county had been running a subsidized employment program for about six years prior to the EF program, serving about 500 people per year. With the EF money, DPSS sought to substantially expand the program by placing 10,000 people into jobs. The program's goals were, first, to help more people earn immediate income through subsidized employment opportunities and, second, to get workers into unsubsidized jobs after the subsidy period ended. With \$149.9 million of Emergency Funds, the TSE program placed 10,719 people into subsidized jobs from April 2009 through September 2010. After the EF money ended, DPSS continued to operate a subsidized employment program using funds from the county's CalWORKs single allocation and through state funds that reimbursed the county for wages employers paid to subsidized workers. From January to June 2011, the post-EF TSE program placed more than 1,500 people into subsidized positions.<sup>10</sup>

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### Program Design

DPSS contracted with the South Bay Workforce Investment Board (WIB), which managed the county's existing subsidized employment program, to manage the TSE program. During the EF period, the South Bay WIB subcontracted with the county's 44 WorkSource Centers and four private agencies to operate the TSE program. The WorkSource Centers provide workforce development services under the Workforce Investment Act to job seekers and employers. Post-EF, with the number of clients served scaled down, 14 WorkSource Centers continued to operate the program.

**Eligibility.** TSE targeted TANF recipients. The program was not offered to those just applying for TANF. Individuals could have been in sanction status due to



noncompliance with program requirements and resolved the sanction by participating. During EF, the program also served some dislocated workers, non-custodial parents, and people in a layoff aversion program, but these groups accounted for only 11 percent of subsidized placements. In the post-EF program, the change in funding source allowed the county to serve those who exceeded their TANF time limit.

**Job preparation or training services.** The participants were recruited from the regional Greater Avenues for Independence (GAIN) program offices, which provide employment-related services to TANF recipients. Participants took part in a four-week job club program run by the Los Angeles County Office of Education Services, through which they received assistance with applying for jobs, including access to computers. Those who did not secure unsubsidized employment completed an assessment at the end of job club and staff determined whether they would benefit from subsidized employment. During EF, most clients who completed job club without finding work were referred to subsidized employment. Clients were then referred to the WorkSource Centers and screened to see if they were a good fit for a subsidized position.

**Subsidy structure and employer of record.** During EF and in the post-EF work experience program, the South Bay WIB acted as the employer of record for all TSE participants, and DPSS reimbursed it for 100 percent of the wages it paid to the subsidized workers and workers' compensation coverage. During EF through September 2011, the workers were placed in subsidized employment opportunities at other non-profits, for-profit firms and public agencies. Starting in October 2011, only non-profit and public agencies could participate in the work experience program.

During EF, the county required employers to match the subsidy amount in the form of time spent supervising and training workers. The number of supervisors available determined how many subsidized workers an employer could have. The subsidized positions could be newly created or existing open positions. Employers in the TSE program were not expected to retain subsidized workers, although they could choose to do so. If employers did not plan to retain a worker, they were expected to allow the worker to take time off to search for a job near the end of the subsidy period.

In October 2011, DPSS started operating a second subsidized employment program track called on-the-job training (OJT). In the OJT program, workers were placed in subsidized positions at for-profit employers. The South Bay WIB acted as the employer of record for the first two months of the subsidy period, and DPSS reimbursed it for 100 percent of wages paid. In the last four months of the subsidy period, the employers were expected to take workers onto their payrolls and received partial subsidies toward the workers' wages. If a subsidized worker worked 32 hours or more per week, the employer was reimbursed \$550 per month (equivalent to 50 percent of the minimum wage for 32 hours per week).



For positions offering between 20 and 31 hours per week, the employer was reimbursed \$350 per month (equivalent to 50 percent of the minimum wage for 20 hours per week).

**Employer recruitment.** The county recruited non-profit and public employers that had previously participated in its subsidized work experience program. However, to ramp up to 10,000 positions, the county expanded the program to serve for-profit employers as well. The county launched a major marketing campaign to reach out to employers and invite them to information sessions about the program. It also accessed databases of non-profit entities, such as one maintained by the United Way, to identify potential employers who could benefit from the program. The South Bay WIB maintained a database of employers with subsidized employment opportunities that the WorkSource Centers could access. The centers were also responsible for developing relationships with other entities to create additional subsidized positions.

**Support during the subsidy period.** The WorkSource Centers were expected to provide job coaching to participants once they were in subsidized positions. The program required participants to go to the centers to pick up their paychecks once every two weeks. Center staff encouraged workers to use center resources to look for a job and provided job leads. The GAIN program provided child care, transportation, clothing and tools, as needed, as did some of the centers. The program did not seek feedback from the employers during EF, but post-EF employers were asked to write comments about the subsidized workers on their timesheets, which the WorkSource Center staff reviewed.

**Assistance securing unsubsidized employment.** The WorkSource Centers were expected to provide assistance with obtaining unsubsidized employment at the end of the subsidy period. During the last couple months of the EF period, workers were allowed to conduct job search activities for up to 16 hours a month and still get paid for that time. Job developers assisted with job searches, and the centers received a \$400 bonus for each unsubsidized job placement that lasted for at least six months.

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## Characteristics of the TSE Program Participants

Most participants in the TSE work experience program were female, and 55 percent were under age 30 (see [Figure 4.1](#)).<sup>11</sup> As in San Francisco, a large majority of participants were among the long-term unemployed when they entered the program. The post-EF program had a higher percentage of long-term unemployed participants than the EF program (89 percent versus 73 percent).

**Figure 4.1****TSE Program Participant Characteristics**

	EF	Post-EF
<b>Gender</b>		
Female	79%	82%
Male	21%	18%
<b>Age</b>		
Under 30	55%	55%
30 to 39	26%	26%
40 to 49	15%	15%
50 and over	4%	4%
<b>Long-term unemployed</b>	73%	89%
<b>Average annual earnings in the year before program entry</b>	\$2,082	\$1,943

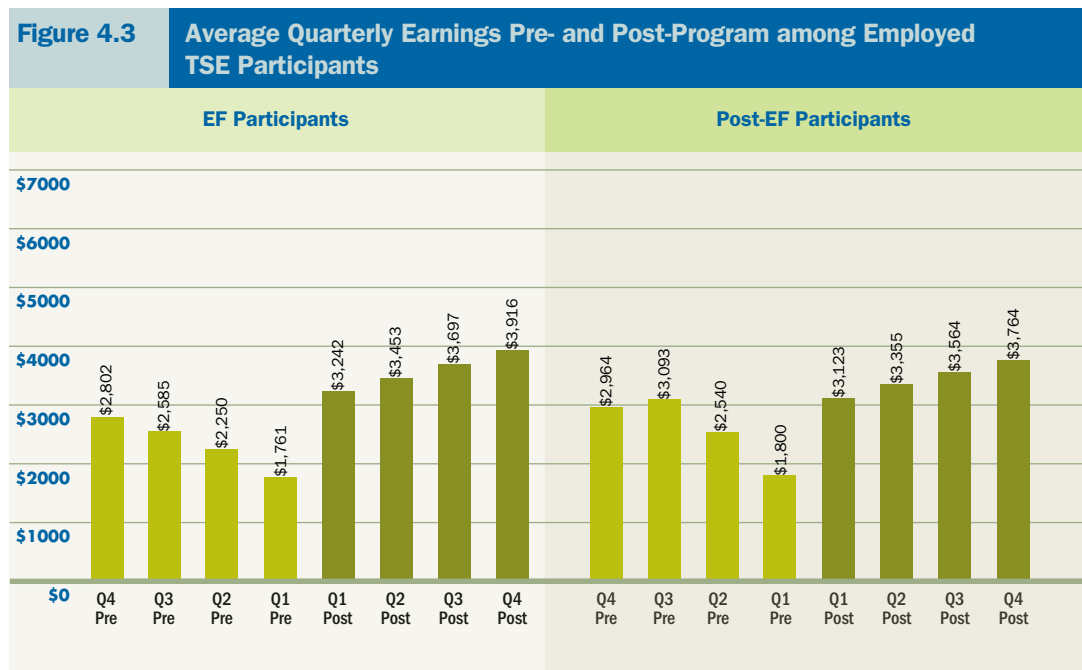
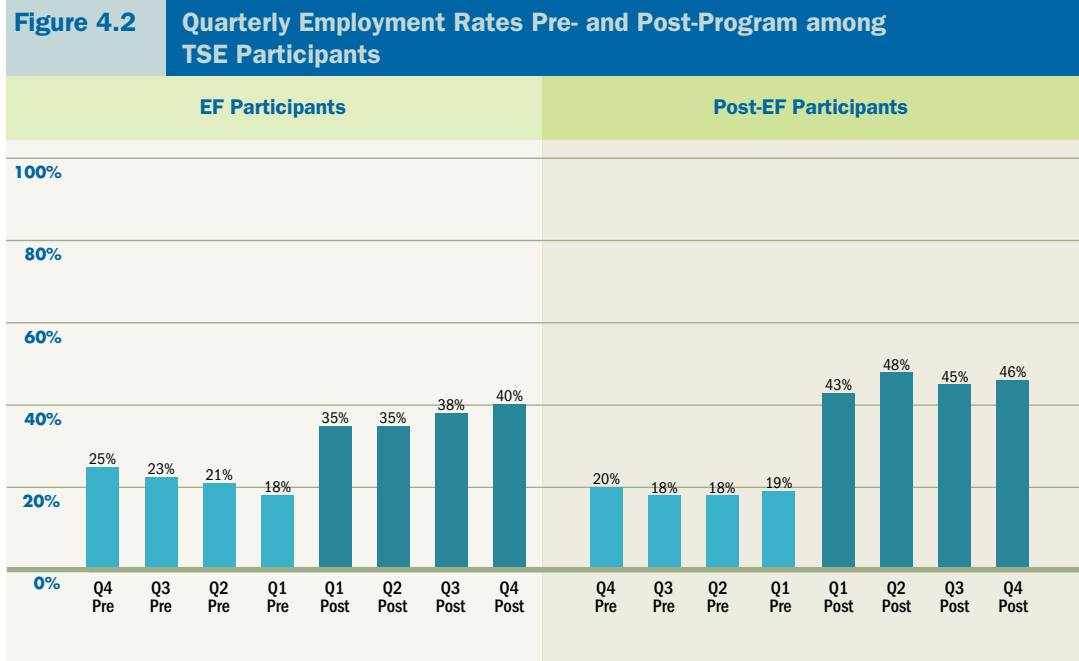
## The TSE Program Subsidized Jobs

During EF and the post-EF period covered by our analysis, TSE participants were placed in subsidized positions with non-profit, public and for profit employers. During EF, participants were paid \$10.00 an hour in their subsidized jobs, which were expected to last at least six months, although some lasted up to a year. Nearly half of EF placements (47 percent) were with for-profit firms, 28 percent were with public agencies, and a quarter were with non-profit firms. During the post-EF period, the hourly wage was \$8.00 an hour and the duration of the subsidy period was four months. Participants in the EF program earned a total of \$6,057, on average, from their subsidized positions, while participants in the post-EF program earned an average of \$2,973.

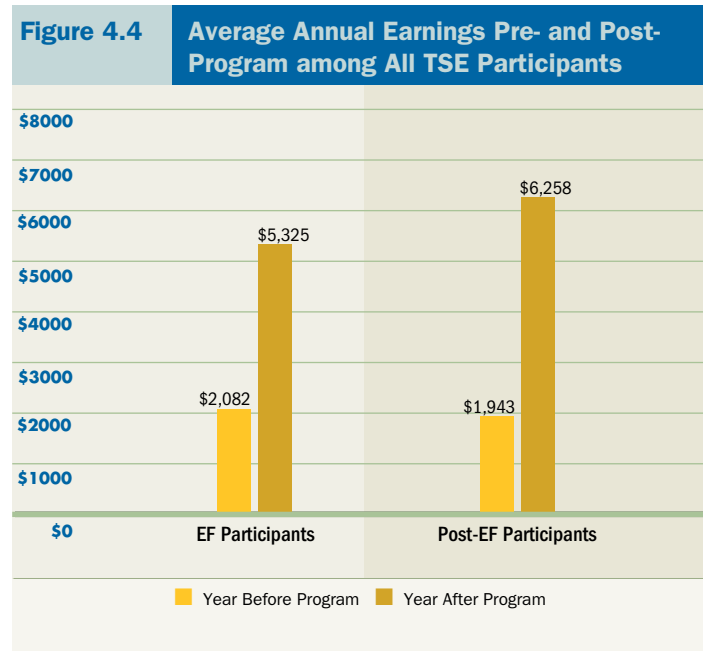
## Post-Program Employment and Earnings

Turning to the state data on program participants' employment and earnings, we found that the percentages of both EF and post-EF participants who were employed in the four quarters after program participation were greater than the percentages employed in any of the four quarters before the program (see [Figure 4.2](#)). Post-program employment rates among participants in the post-EF program were greater than those of participants in the EF program.

Average earnings among participants who were working increased between the year before and the year after program participation (see [Figure 4.3](#)). Although employment rates were lower among EF participants than among post-EF participants, average earnings among those who worked were greater among the EF participants.



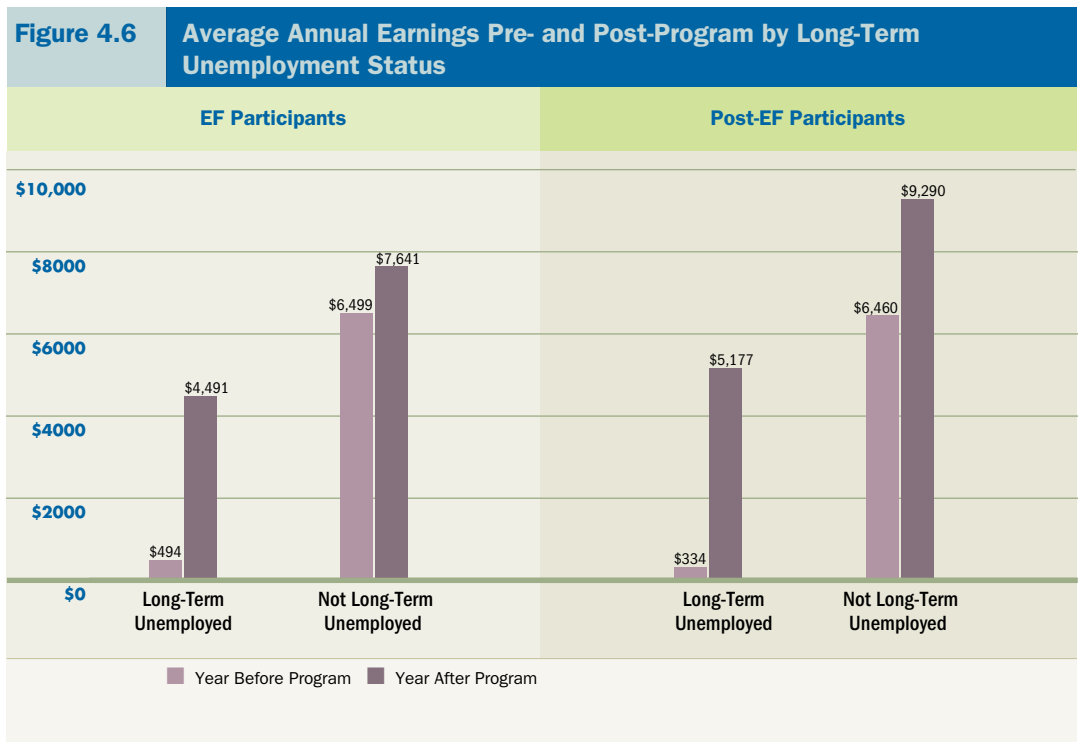
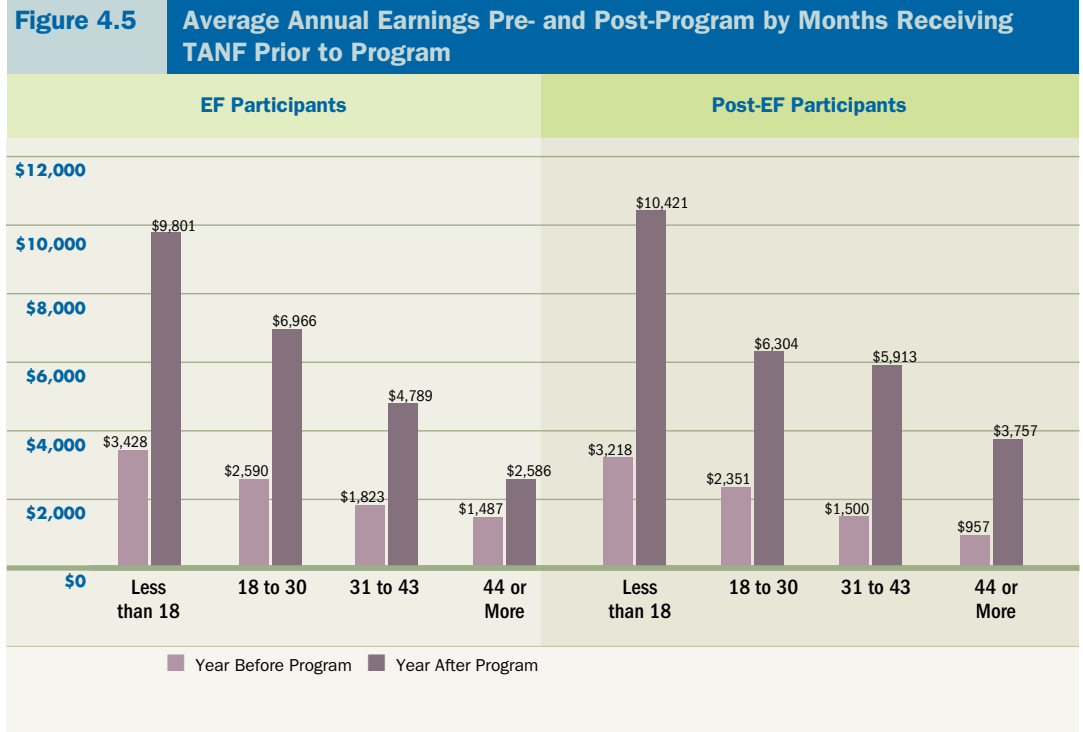
As a result of the increases in employment rates and earnings among workers, average annual earnings among all EF TSE participants increased by \$3,243, to \$5,325, in the year after program participation. Among post-EF participants, average annual earnings increased by \$4,315, to \$6,258 (see [Figure 4.4](#)). Among all TSE participants (EF and post-EF) who were employed during the year after program participation, average annual earnings were \$10,028.



## Outcomes for TSE Program Participant Subgroups

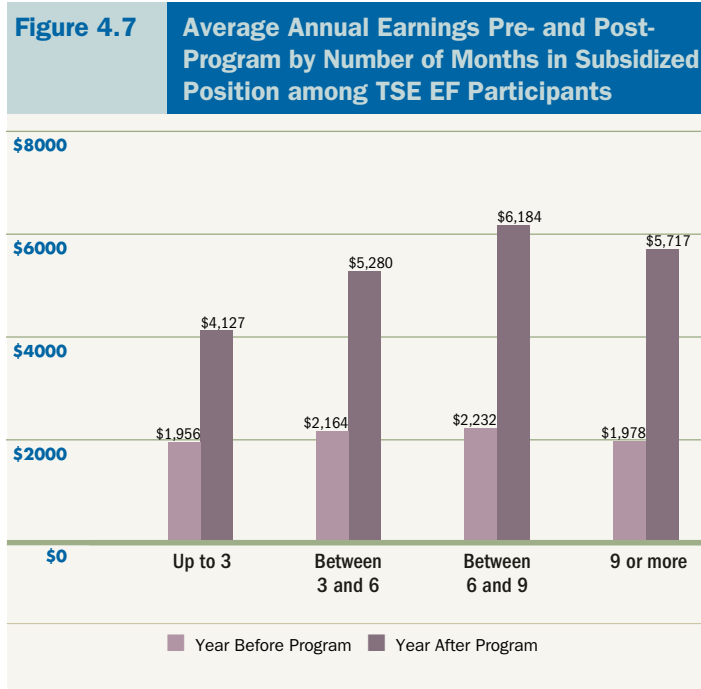
We examined differences in outcomes among subgroups of participants and found no significant differences in the changes male and female participants experienced in employment and earnings. Participants who were under age 50 were more likely to be employed in the fourth quarter post-program than those who were age 50 or older. In the post-EF program only, those under age 50 were also more likely to experience a greater change in annual earnings after participating in the program. As [figure 4.5](#) shows, participants who had been receiving TANF for shorter periods of time when they started the program experienced significantly greater increases in annual earnings after participating in the TSE program.

Among the EF participants who were among the long-term unemployed at the time of program entry, 35 percent were employed in the fourth quarter after program participation, compared to 55 percent of participants who had more recent work experience. The difference in fourth quarter post-program employment rates between the long-term unemployed and those with more recent work experience was similar among the post-EF participants. While post-program annual earnings were lower for the long-term unemployed than for participants who had more recent work histories, both groups experienced substantial increases in earnings (see [Figure 4.6](#)).



## Differences in Outcomes by Program Experience

As noted earlier, the subsidized positions during the EF program were expected to last at least six months and some lasted up to a year. Participants who stayed in their subsidized positions for a longer period of time had greater annual earnings post-program and experienced greater increases in annual earnings, but only up to a point. Those who were in their subsidized positions for nine or more months had lower annual earnings and a smaller change than those who were in the positions for six to nine months (see [Figure 4.7](#)). In the post-EF program, in which subsidized positions were expected to last for four months, the change in earnings did not vary significantly by the length of time participants were in their subsidized positions.



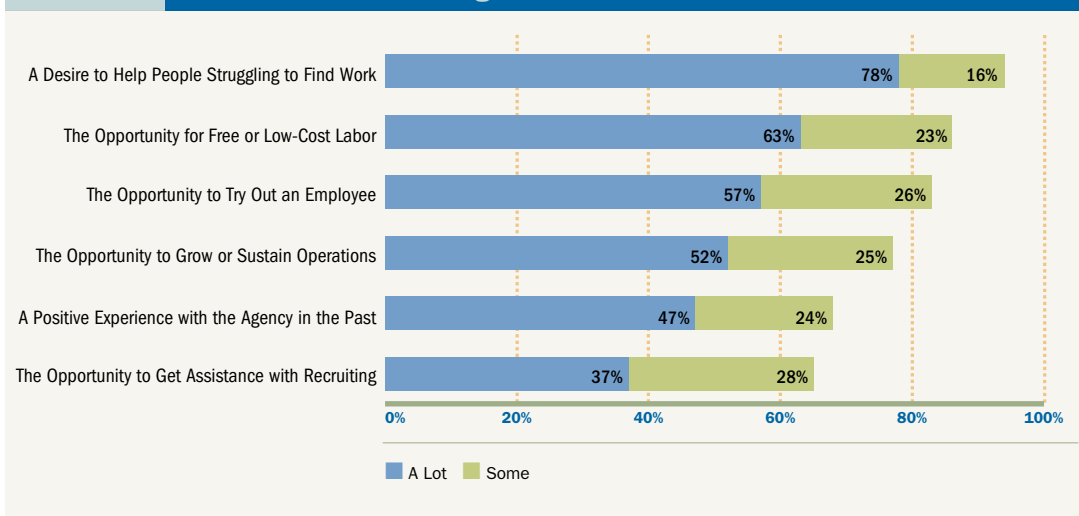
## Employer Experiences with the TSE Program

We conducted the survey with 131 employers who participated in the TSE program from July 2011 through June 2012, some of whom had also participated in earlier versions of the program. Los Angeles was the only location in the study where the majority of employers (59 percent) were non-profit agencies. Just over one-third (35 percent) were for-profit firms and 7 percent were government agencies. More than one-third of employers (37 percent) were in the social services industry. The next two most common industries were finance, insurance, and real estate (12 percent) and educational services (8 percent). Just over half of employers (54 percent) had fewer than 20 employees; 30 percent had 50 or more.

Los Angeles had the most employers with ten or more subsidized workers (35 percent) of any of the five study locations. Another 43 percent of Los Angeles employers had three to nine subsidized workers, and only 23 percent had one or two. Non-profit employers had a median of seven subsidized workers compared to three among for-profit firms. Nearly all of the employers said that the desire to help people struggling to find work contributed “a lot” or “some” to their decisions to take part in the program (see [Figure 4.8](#)). Like in Wisconsin (the other site that subsidized 100 percent of wages and did not require employers to place subsidized workers on their payrolls), the other most common factors in the decision to participate in TSE were the opportunity for free or low-cost labor and the chance to try out an employee before making a commitment. Three-quarters of the employers in Los Angeles created new positions to bring on subsidized workers—as opposed to filling existing positions—the highest percentage across the five study sites.

**Figure 4.8**

### How Much Each Factor Contributed to Employers' Decisions to Take Part in the TSE Program



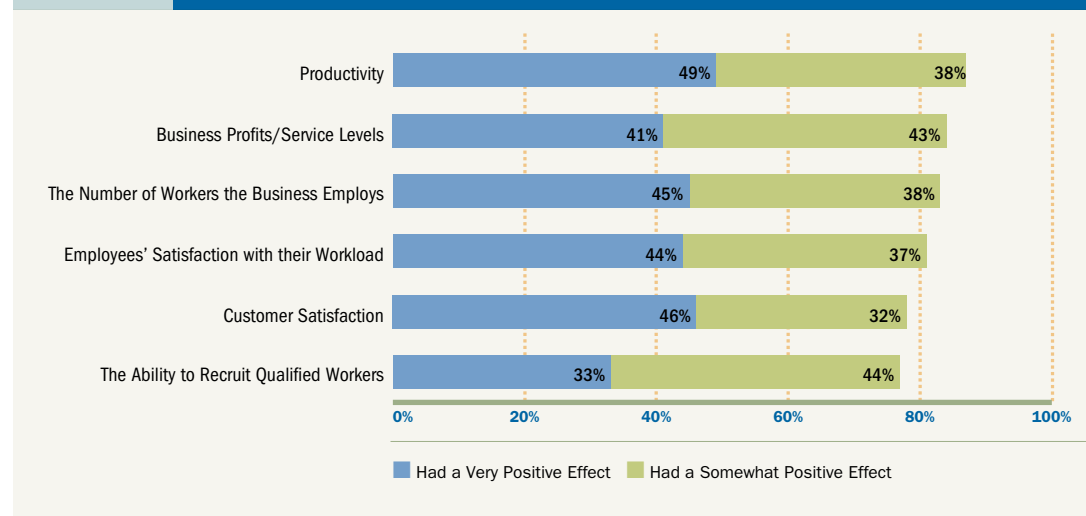
When asked to compare the subsidized workers to those they would normally hire for similar positions, 70 percent said the subsidized workers had less work experience and 59 percent said they had less education than the people they typically hire. Most (71 percent) said the subsidized workers were about as likely to be from a minority racial or ethnic group as other employees in similar positions. Asked how subsidized workers' job performance compared to that of employees usually hired for similar positions, about half (51 percent) said the subsidized workers' occupational skills were weaker but 66 percent said the subsidized workers were as dependable or more dependable than other workers in terms of attendance and punctuality.

Three-quarters of the employers interviewed said they hired at least one subsidized worker after the subsidy period ended. Overall, employers reported hiring 27 percent of the subsidized workers after the subsidy period ended. For-profit employers were more likely than non-profits to hire at least one subsidized worker, and they hired a higher percentage of the workers (40 percent versus 24 percent). Smaller

employers (with fewer than five employees) were less likely than larger employers to hire at least one of the subsidized workers. When asked how important various factors were in decisions not to hire subsidized workers, more than half (56 percent) said that not having the financial resources to keep the workers was very important—the highest percentage across the five study sites. The next most common reasons were that workers did not perform well enough in their jobs (36 percent) or had poor attendance (34 percent).

Employers realized a number of benefits from participating in the subsidized employment program (see [Figure 4.9](#)). Most (87 percent) said the program had a very or somewhat positive effect on productivity. Los Angeles had the highest percentage of employers across the study sites who said the program had a very positive effect on employees' satisfaction with their workloads. Nearly three-quarters (72 percent) of employers said they realized savings as a result of taking part in the program. Employers expressed high levels of satisfaction with various aspects of the program. After Mississippi, employers in Los Angeles were more likely than those in other locations to say they were very satisfied with the quality of the candidates the program sent. Most employers (86 percent) said they would be very likely to participate in the program again; another nine percent said they would be somewhat likely to do so.

**Figure 4.9** How Employing Subsidized Workers Affected TSE Employers





## Conclusions

- Los Angeles was successful in reaching its target of placing 10,000 people into subsidized employment opportunities. The keys to reaching this goal included having the requisite political support, employing an extensive outreach campaign to get employers on board, and using of the county's full network of Workforce Centers to implement the program.
- The county relied more on non-profit employers than the other sites in the study. While this likely helped the county reach its goal in terms of subsidized placements, these types of employers were less likely to have the financial resources to hire workers once the subsidy period ended.
- Despite the low retention rates by subsidized employers, participants experienced significant increases in employment rates from the year before to the year after program participation, suggesting that many participants found unsubsidized employment elsewhere after working in subsidized positions.
- The program almost exclusively targeted TANF recipients. Those who had been receiving TANF for less than 18 months when they started the TSE program experienced greater increases in employment and earnings than those who had been receiving TANF for a longer period of time. The latter group may require more supports or training to achieve similar success levels.
- Most participants in Los Angeles were among the long-term unemployed. While this group had lower post-program earnings than participants who had more recent work experience, the long-term unemployed experienced significant gains in employment and earnings after participating in the program.
- Participants in the post-EF program had better post-program employment outcomes than those in the EF program, despite the fact that they were more likely to be among the long-term unemployed at program entry. This may partly reflect improvements in the economy at the time the participants exited the program. The findings also support some observations made by program administrators.
  - For the post-EF program, the subsidy period was shortened from 12 months to four months, and the pay rate was reduced from \$10.00 to \$8.00 an hour. Program administrators viewed the longer subsidy period and higher pay rate as hindrances in the transition to unsubsidized employment. Participants were less likely to continue to look for unsubsidized employment when the subsidy period was lengthy. Additionally, the \$10.00 hourly pay rate was more than many participants could earn in the competitive labor market but they became reluctant to take jobs that paid less.
  - The large number of people served during the EF period made it difficult for WorkSource Centers to help many participants move into unsubsidized employment. With smaller numbers, the staff could provide more individualized job development assistance.

## The Wisconsin Transitional Jobs (TJ) Program

Wisconsin's Department of Children and Families administers the Transitional Jobs (TJ) Demonstration Project. Initially the state drew down the Emergency Funds for short-term, non-recurring benefits, which enabled it to use other TANF funds to support transitional jobs programs beyond the September 30, 2010 deadline. The TJ program was launched in September 2010 and extended through June 2013, with total funding of \$28 million. The program goals were to generate immediate income for unemployed individuals, to help them build job skills, get a work reference, and move into unsubsidized employment, and to create jobs for small businesses that otherwise could not afford to take on new workers.

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### Program Design

Wisconsin's strategy for implementing the TJ program was to encourage experimentation. As such, it funded 17 contractors across the state to operate TJ programs, prescribed a few core program elements, and then allowed contractors flexibility regarding the rest of the design. The TJ contractors were a mix of public agencies, non-profits, and for-profit organizations, including seven agencies that administer Wisconsin Works (W2)—the state's TANF program, four workforce investment boards, two community action agencies, and four non-profits with a history of providing employment services. The state required each contractor to develop programs with these elements: eligibility determination, orientation, subsidized employment and assistance with securing unsubsidized employment. Statewide, the average cost per subsidized placement was \$7,913.

**Eligibility.** The TJ program targeted unemployed populations who were likely not being served through other programs. To be eligible for the TJ program, individuals had to be out of work for at least four weeks, with incomes below 150 percent of the federal poverty line. Individuals could not be receiving W-2 benefits. They also could not be eligible for or receiving unemployment insurance benefits. SNAP (Supplemental Nutrition Assistance Program) recipients were eligible. The program served people ages 21 to 64. Those age 25 or older had to be a parent or primary relative caregiver to at least one child under age 18.

**Job preparation or training services.** The TJ contractors conducted required orientations prior to subsidized job placements, during which they assessed participants' skills, interests and need for supports, developed employment plans, and arranged for any supports either through outside referrals or use of program funds, for items such as uniforms, driver's licenses, and public transportation. The contractors had flexibility in designing the orientations, which typically ranged from a few days to two weeks. The programs paid participants a stipend equal to the minimum wage for the number of hours they attended. The programs we visited took different approaches to the orientation period. Two offered two-week orientations that included instruction on workplace norms, resume writing, and job search skills.

Another offered a two-day orientation focused on the rules and regulations of the program, expectations on the job, and how to fill out timesheets—similar to a new employee orientation.

**Subsidy structure and employer of record.** Each contractor arranged subsidized employment opportunities at host employer sites or employed subsidized workers themselves. One contractor employed all of its subsidized workers, but most contractors primarily placed workers in subsidized positions at host employer sites. The contractors, or their subcontractors, served as the employers of record rather than the host sites. The contractors were responsible for paying the workers as well as paying the employer shares of Social Security and Medicare taxes, workers' compensation insurance, and unemployment insurance. The state then reimbursed the contractors for these expenses. The only commitment required from the host employers during the subsidy period was to provide work and supervise the workers. While employers were encouraged to hire workers who performed well after the subsidy period ended, they were not required to do so.

**Support during the subsidy period.** Contractors were expected to provide retention services to participants during the subsidy phase. These services included mediation between host employers and participants if problems arose, provision of employment supports such as transportation or assistance purchasing uniforms or tools, and referrals to outside organizations able to help participants address barriers to employment. Some contractors referred participants to other programs that they operated internally. For example, one contractor we visited referred workers to an internal program that provided assistance with child support issues. Contractors could also offer bonuses to participants at various points in their employment. For example, one contractor offered \$100 once workers were at their subsidized jobs for 25 days, \$150 at 90 days, and \$200 at six months. Workers who obtained unsubsidized employment were eligible to receive \$100 at 60 days of employment and \$150 at six months.

**Assistance securing unsubsidized employment.** The TJ contractors were expected to assist participants with obtaining unsubsidized employment with their host employers or elsewhere after the subsidy period ended. The contractors were required to provide at least three months of job search assistance and six months of retention support once a participant secured an unsubsidized job.

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## Characteristics of the TJ Program Participants

From September 2010 through August 2012, the Wisconsin TJ program placed 2,963 people into subsidized jobs. Our analysis focuses on the 801 participants who finished the program by June 2011, for whom we have a year of post-program outcome information. Wisconsin was the only state in this study that did not serve TANF recipients and where the majority of participants (63 percent) were men. In a state where African Americans account for only six percent of the population, two-thirds of program participants were African American. Nearly half (49 percent) were under

the age of 30 (see [Figure 4.10](#)). About one-third (34 percent) were non-custodial parents, and 39 percent were convicted felons. A higher percentage of participants in Wisconsin (62 percent) were among the long-term unemployed when they enrolled in the program than those in Florida and Mississippi. Annual earnings among all TJ participants were only \$1,966 during the year prior to starting the program.

**Figure 4.10** Wisconsin TJ Program Participant Characteristics

<b>Gender</b>	
Female	37%
Male	63%
<b>Race</b>	
White	23%
African American/Black	66%
Other	5%
Hispanic	6%
<b>Age</b>	
Under 30	49%
30 to 39	31%
40 to 49	16%
50 and over	4%
<b>Noncustodial parent</b>	34%
<b>Felony conviction</b>	39%
<b>Long-term unemployed</b>	62%
<b>Average annual earnings in the year before program entry</b>	\$1,966

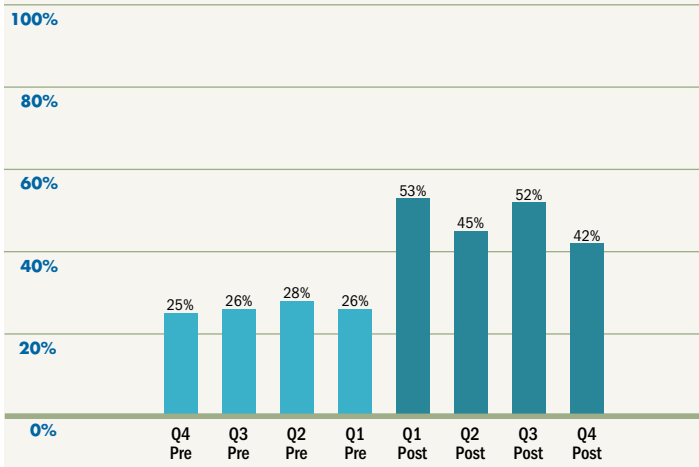
## The TJ Program Subsidized Jobs

The TJ contractors placed participants with for-profit, non-profit and public employers. Participants in the TJ program were paid the minimum wage—\$7.25 an hour—in their subsidized jobs. Employers could choose to supplement the wage if they wanted to pay the workers more, but program staff reported that this was not common.<sup>12</sup> Participants could work in subsidized jobs for up to 1,040 hours—the equivalent of six months on a full-time schedule.

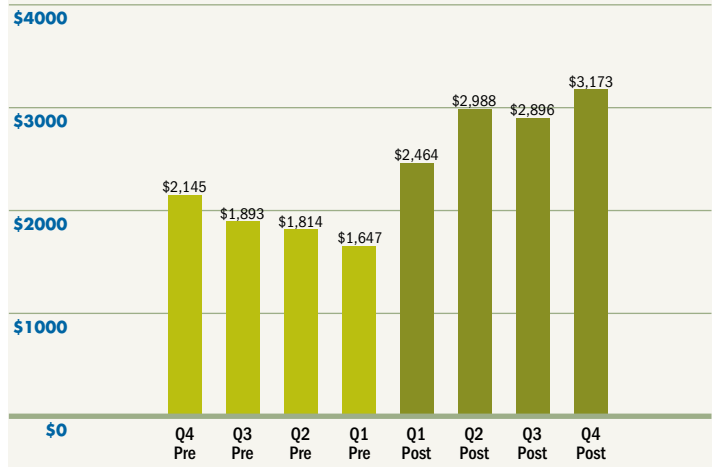
Most participants (91 percent) worked in one subsidized position. The average time in a subsidized job was four months. About half of participants (52 percent) were in a subsidized position for three months or less, and 13 percent held a subsidized position for more than six months. About half (52 percent) were placed in subsidized jobs with non-profit agencies, 44 percent with for-profit firms, and 4 percent with government agencies. Nineteen percent of participants worked in subsidized positions at the contractor operating the TJ program.

## Post-Program Employment and Earnings

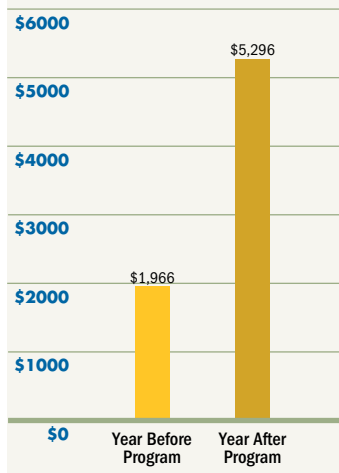
**Figure 4.11** Quarterly Employment Rates Pre- and Post-Program among TJ Participants



**Figure 4.12** Average Quarterly Earnings Pre- and Post-Program among Employed TJ Participants



**Figure 4.13**  
Average Annual Earnings Pre- and Post-Program among All TJ Participants



Our analysis of state wage record data reveals that a greater percentage of TJ participants were employed during the four quarters after program participation than in the four quarters before. Just over half (53 percent) continued to be employed in the first quarter after leaving the program (see [Figure 4.11](#)). While the percent employed dropped to 42 percent by the fourth quarter after the program, this represents a 14- to 17-percentage point increase over the percent employed in any of the four quarters prior to program participation. According to information reported by the TJ contractors, only 16 percent of participants were hired by their host employers. Therefore, most of those working post-program found jobs elsewhere.

Average quarterly earnings among participants who were working increased between the year before and the year after program participation. Earnings among the employed were greater in each of the four quarters after program participation than in any of the four quarters before the program (see [Figure 4.12](#)).

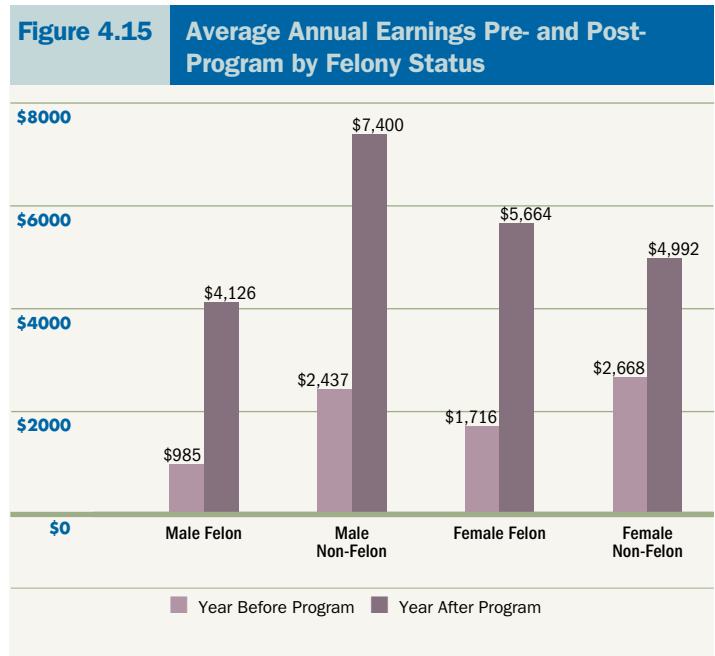
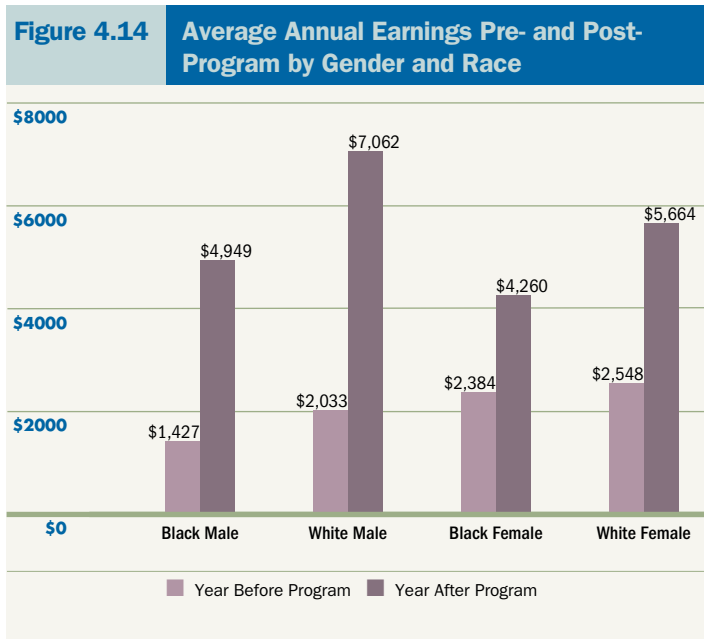
Due to the increases in employment rates and earnings among workers, average annual earnings among all TJ participants increased by \$3,300, to \$5,276, in the year after program participation (see [Figure 4.13](#)). Average annual earnings in the year after the program among those who were working were \$7,614.

## Outcomes for TJ Program Participant Subgroups

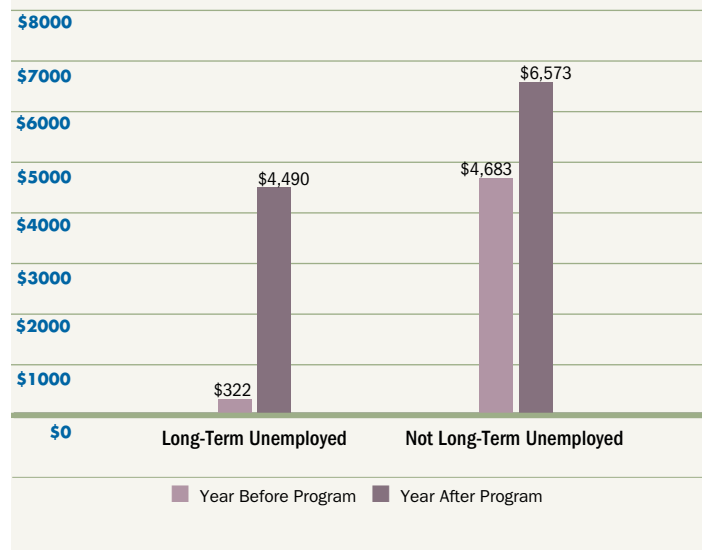
Male participants experienced greater increases in earnings than female participants from the year before to the year after participating in the program, and White participants experienced greater increases in employment and earnings than Black participants. White participants were also more likely to be hired by their host employers than were Black participants. As shown in

**figure 4.14**, all of the race/gender subgroups experienced increases in annual earnings in the year after the program. White men (who accounted for only 13 per cent of program participants) experienced the greatest change in annual earnings.

Overall, participants with felony convictions experienced changes in employment rates and earnings between the year before and the year after the program similar to those without felonies. However, this differed for men and women. Male felons had smaller increases in employment and earnings than their non-felon counterparts, while female felons experienced greater increases in employment and earnings than women without felony convictions (see **Figure 4.15**).



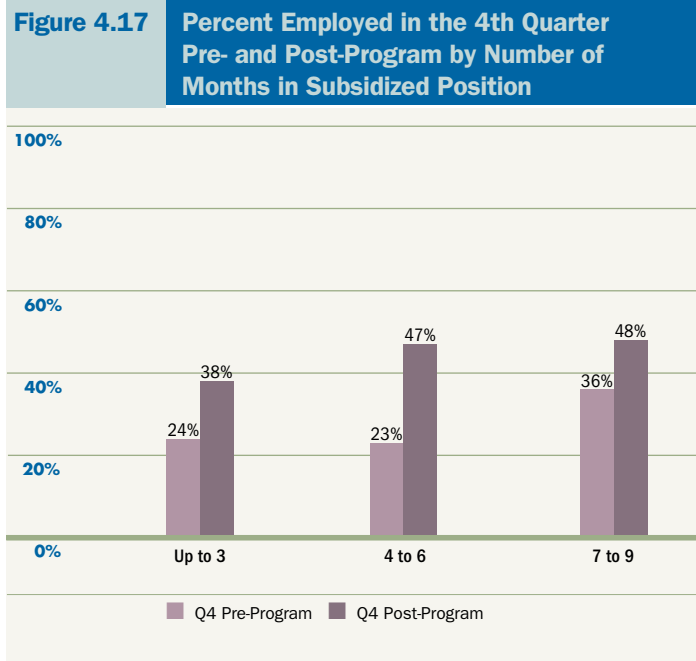
Among the 62 percent of participants who were unemployed for more than two quarters at the time of program entry (the long-term unemployed), 36 percent were employed in the fourth quarter after program participation, compared to 52 percent of participants who had more recent work experience when they came to the program. Average annual earnings among the long-term unemployed increased from \$322 in the year prior to the program to \$4,490 in the year after the program. While post-program earnings were lower for the long-term unemployed than for participants who had more recent work histories, the long-term unemployed experienced greater increases in earnings over time (see **Figure 4.16**). We found no significant differences in employment outcomes by participants' age, household size, or whether or not they were noncustodial parents.

**Figure 4.16** Average Annual Earnings Pre- and Post-Program by Long-Term Unemployment Status

## Differences in Outcomes by Program Experience

Participants placed with for-profit firms for their subsidized positions experienced greater increases in employment rates and earnings from the year before to the year after program participation than those who worked at non-profit or government agencies, after accounting for differences in participant characteristics. Participants who worked at for-profit host employers were slightly more likely to be hired by them (18 percent versus 15 percent of those working at non-profits or public agencies). However, the differences in retention rates by the type of host employer do not account for the differences in post-program employment rates between participants who worked for for-profit firms and those who worked for non-profit or government agencies. Therefore, some of the differences are because these participants were more likely to find employment elsewhere after the subsidy period ended. This may be due to unmeasured differences in the pre-program skills or abilities of participants whose subsidized positions were with for-profit employers versus non-profit or public employers. It is also possible that the subsidized positions with for-profit employers better prepared workers for employment in the unsubsidized labor market.

Participants who stayed in their subsidized positions longer had greater increases in annual earnings from the year before to the year after the program. Participants who were in their subsidized positions for four to six months experienced the greatest increases in employment between the fourth quarter before and the fourth quarter after program participation (see [Figure 4.17](#)). Participants who stayed in the subsidized positions for seven to nine months also had higher post-program employment rates, but the change from the fourth quarter pre-program was less.



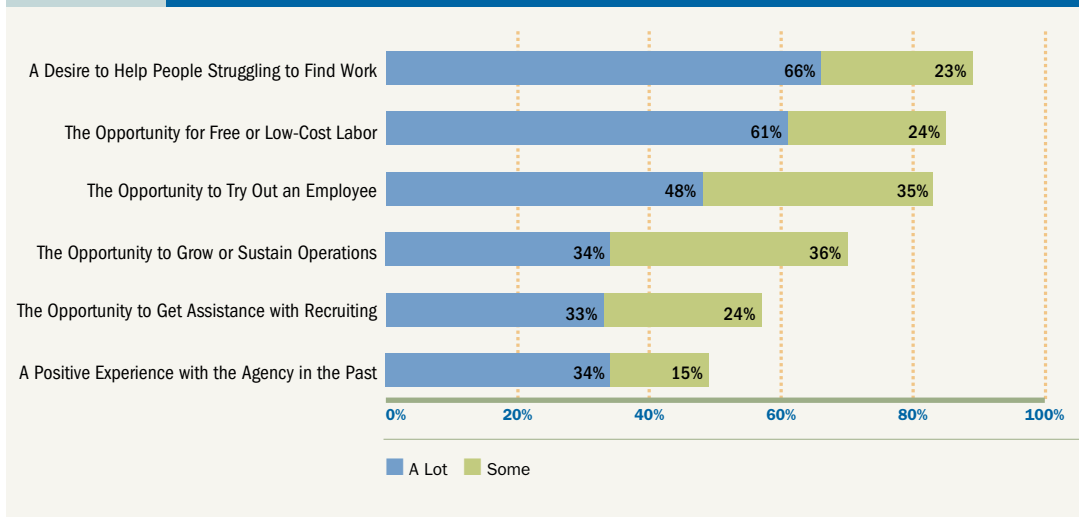
## Employer Experiences with the TJ Program

About 760 employers participated in the subsidized employment program between September 2010 and June 2012. We interviewed a sample of 300 from across the state.<sup>13</sup> Sixty-three percent of the employers interviewed were for-profit firms, 31 percent were non-profits, and six percent were government agencies. The top industries represented were social services (18 percent), manufacturing (14 percent), and wholesale and retail trade (12 percent). Sixty-three percent of employers had fewer than 20 employees.

More than half (59 percent) of the employers had one or two subsidized workers; only 12 percent had ten or more. When asked how much various factors contributed to their decisions to participate in the program, the most common factors employers cited were the desire to help people struggling to find work, the opportunity for free or low-cost labor, and the chance to try out an employee before committing (see [Figure 4.18](#)). Nearly two-thirds (66 percent) of employers created new positions to employ the subsidized workers. The other 34 percent filled available positions.

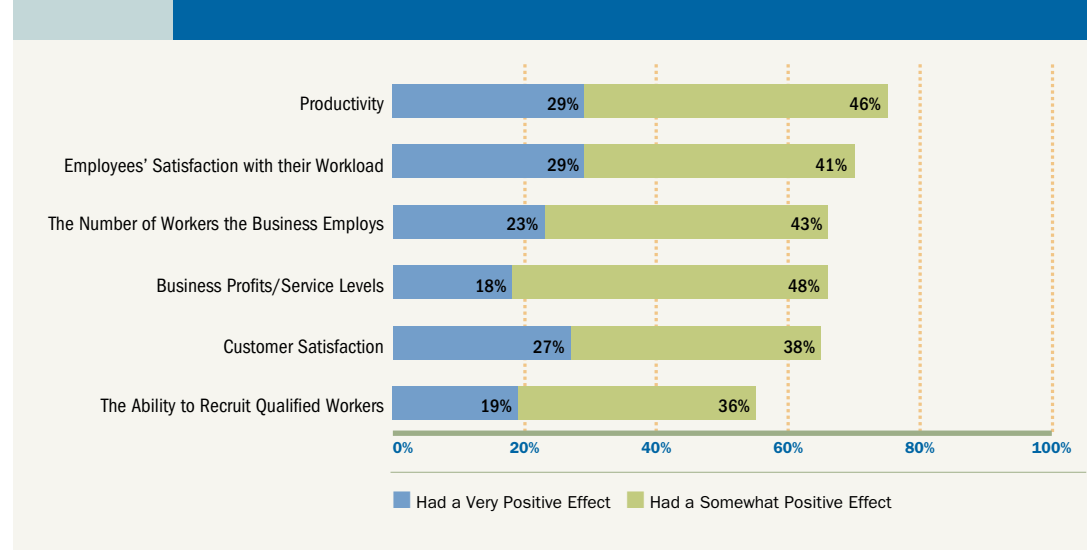
When asked to compare subsidized workers to those they would typically hire for similar positions, just over half of the employers (56 percent) said the subsidized workers had less work experience and nearly half (48 percent) said they had less education. When asked to compare the subsidized workers' job performance to that of employees they generally hired for similar positions, about half (51 percent) said the subsidized workers' occupational skills were weaker, but 58 percent said the subsidized workers were as or more dependable than other workers in terms of attendance and punctuality.



**Figure 4.18** How Much Each Factor Contributed to Employers' Decisions to Take Part in the TJ Program

Sixty percent of the employers interviewed said they hired at least one subsidized worker after the subsidy period ended. Overall, employers reported hiring 27 percent of the subsidized workers after the subsidy period ended. For-profit firms were more likely to hire at least one worker, and they hired a higher percentage of the subsidized workers than non-profit or government agencies (39 percent versus 19 percent). Employers with fewer than five employees were less likely than larger employers to hire at least one worker. When asked how important various factors were in their decisions not to hire subsidized workers, the most important factors employers cited were that the workers did not perform well enough (43 percent) or had poor attendance (41 percent), and that the employer lacked sufficient financial resources to keep them on (34 percent).

More than three-quarters of employers (79 percent) said they realized savings as a result of taking part in the program. More than two-thirds said the program had either a very or somewhat positive effect on productivity and employees' satisfaction with their workload (see [Figure 4.19](#)). Nearly two-thirds of employers (66 percent) said they would be very likely to participate if the subsidized employment program continued or is offered again in the future; 24 percent said they would be somewhat likely to do so. Employers expressed high levels of satisfaction with most aspects of the program—72 percent were very satisfied with the communication from program staff. However, only about one-third (32 percent) said they were very satisfied with the quality of the candidates the programs sent; another 44 percent said they were somewhat satisfied.

**Figure 4.19** How Employing Subsidized Workers Affected TJ Employers

## Conclusions

- The TJ program successfully reached populations disadvantaged in the labor market. Forty-eight percent of subsidized workers were Black men, 39 percent had felony convictions, and 62 percent were among the long-term unemployed when they enrolled in the program. These groups experienced significant increases in employment and earnings in the year after program participation.
- As a whole, individuals with felony convictions were as likely as their non-felon counterparts to be hired by their host employers, and they had similar increases in employment and earnings in the year after the program. However, this varied between men and women, with male felons faring less well than their non-felon counterparts.
- Employers realized a number of benefits from participating in the TJ program, including savings and increased productivity. However, TJ program employers were the least likely of any at the study sites to hire workers after the subsidy period ended.
- Program staff noted that because the subsidized jobs paid the minimum wage of \$7.25 an hour and program eligibility criteria excluded TANF recipients and individuals eligible for unemployment compensation, most people attracted to the program had limited work histories and few skills. Given the barriers to employment the participants faced, staff would have preferred to offer more support, training and individualized attention than they were able to given the available resources and the large number of people they were expected to place in subsidized positions.

- Individuals with subsidized positions at for-profit firms were somewhat more likely to be hired after the subsidy ended and had greater increases in employment and earnings in the year after the program. This is consistent with the survey finding that for-profit employers were more likely than non-profits to retain workers after the subsidy ended. This may partly reflect differences in program design across the TJ contractors. Some placed individuals primarily with private sector firms and encouraged employers to use the subsidy as a trial period prior to making hiring decisions. Others placed groups of workers in subsidized positions mainly at non-profits or public agencies to help them gain work experience, but these employers were not expected to hire all of the workers.

## The San Francisco JobsNOW Program

The San Francisco Human Services Agency (HSA), which administers the TANF, general assistance, food stamp, and other benefit programs, operates the JobsNOW program. The first JobsNOW program was funded with an EF award of \$55 million. The program had strong support from Mayor Gavin Newsom, and HSA administrators aggressively designed a program that fully subsidized private sector positions that paid prevailing wages and public sector positions that paid above the city's minimum wage. County administrators came to see subsidized employment as the centerpiece of its welfare-to-work program. After the EF program expired, the county continued the JobsNOW program with funding from the state and county general assistance funds, which totaled \$11.4 million in fiscal year 2012. The county continued to run the program in 2013.

The goals and eligibility criteria of JobsNOW have changed over time. During the EF period, JobsNOW operated as a stimulus program to move unemployed people into jobs, infuse money into the economy, and help small businesses. The goal was to get money into people's pockets with limited provisions for whether workers would be hired at the end of the subsidy period. The EF program was open to all adults with children and incomes within 200 percent of the federal poverty line in the prior 30 days. These criteria allowed HSA to reach out to a broad segment of the unemployed population. When the EF program expired, JobsNOW became a welfare-to-work program with a greater emphasis on identifying opportunities that could lead to permanent employment to help TANF and general assistance recipients become self-sufficient.

When JobsNOW began, HSA expanded its role from a welfare agency to one that sought to meet the needs of small employers. The agency created the position of business account representative to recruit and interact with private sector employers. During the EF period, to recruit low-income job seekers other than the agency's TANF clients to participate in the program, HSA placed ads on buses and billboards, worked with community-based agencies and the Employment Development Department, and set up a phone hotline for job seekers who were not on public assistance to find out if they were eligible for the program.

As noted in the introduction, JobsNOW had three tiers: Tier 1. the community jobs program in which participants worked at non-profits; Tier 2. the public sector trainee program; and Tier 3. the wage subsidy program in which placements were made in the private sector. By operating multiple tiers, the program sought to serve all unemployed individuals who fit the eligibility criteria, regardless of job readiness or prior work experience. The program had loose criteria, based on months in the labor market and skills, for assessing whether clients had low, middle, or high marketability and which tier may be most appropriate for them. However, the staff did not assign individuals to the tiers. All clients were expected to interview with public and private employers at the weekly hiring events HSA hosted for subsidized employment opportunities and to search for unsubsidized employment. Therefore, the market determined which tier they were in, depending on whether they were hired in the wage subsidy or public sector tiers or in an unsubsidized job. Those who were not hired would participate in the Tier 1 community jobs program. Given the differences in program structures across the tiers, we discuss each tier and the experiences of its participants separately.

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## Tier 1 Community Jobs Program

Of San Francisco's three program tiers, the Tier 1 Community Jobs Program (CJP) provided the most supportive environment for individuals with the lowest levels of labor market experience. The goal of the program was to give clients an opportunity to get hands-on work experience as well as something to add to their resumes. CJP differed from Tiers 2 and 3 because once clients were assigned to CJP, all placement and support services were provided by non-profit agencies with which HSA subcontracted.

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### Program Design

**Subsidy structure and employer of record.** The non-profit subcontractors acted as the employers of record during the subsidy period and received reimbursements from HSA for wages paid to participants. During the EF program and the first year of the post-EF program, Goodwill was the subcontractor and placed participants in subsidized positions both internally and externally with other non-profits. Starting in July 2011, two non-profit agencies—Arriba Juntos and Young Community Developers—operated the program and placed participants with other non-profit agencies in the community. The CJP positions were temporary internships, and the non-profit agencies where the subsidized employees worked were not expected to retain workers after the subsidy period ended.

**Support before or during the subsidy period.** Prior to placement in subsidized positions, the contractors helped participants with resumes, completed assessment tests, and did mock interviews. During the subsidy period, counselors helped participants with anything from housing issues to problems with a co-worker, mental health counseling, and dealing with stress and domestic violence. Counselors visited host sites to check on the participants and get feedback from supervisors on

participants' progress. Participants received public transit passes and child care assistance, if needed, during the entire six-month subsidy period. Welfare-to-work clients were also eligible for funds for tools or uniforms, as needed.

**Assistance securing unsubsidized employment.** The contractors operating the program provided participants classes to prepare for the job search process and improve their basic skills as well as assistance with searching for unsubsidized jobs near the end of the subsidy period.

### Characteristics of the JobsNOW Tier 1 Participants

From July 2009 through September 2010, the EF program period, San Francisco placed about 800 adults into subsidized employment opportunities through the Tier 1 CJP program. Post-EF, from October 2010 through June 2011, the city placed about 300 adults into CJP positions. CJP was targeted to individuals with limited work experience and education. Most of the participants were TANF (CalWORKs) recipients and about three-quarters were female (see [Figure 4.20](#)). While African Americans make up six percent of San Francisco's population, more than 40 percent of the Tier 1 participants were African American. The primary difference between the participants served in the EF and post-EF programs was that the EF program served some low-income job seekers who were not receiving cash assistance, and the post-EF program served some general assistance recipients. Otherwise, participants were similar in terms of race, age, and pre-program employment.

**Figure 4.20** JobsNOW Tier 1 Participant Characteristics

	EF	Post-EF
<b>Program</b>		
TANF (CalWORKs)	80%	86%
General Assistance	0%	15%
Up to 200% of the federal poverty line	20%	0%
<b>Gender</b>		
Female	77%	77%
Male	23%	23%
<b>Race</b>		
White	6%	3%
Black	46%	42%
Hispanic	16%	24%
Asian	28%	24%
Other	5%	8%
<b>Age</b>		
Under 30	44%	42%
30 to 39	29%	30%
40 to 49	22%	21%
50 and over	5%	8%
<b>Long-term unemployed</b>	79%	79%
<b>Average annual earnings in the year before program entry</b>	\$2,187	\$2,064

### The JobsNOW Tier 1 Subsidized Jobs

Participants in Tier 1 CJP earned \$11.03 an hour in their subsidized jobs, and the positions were expected to last six months. Single parents were required to participate for 35 hours per week, including 25 hours of work and 10 hours of classroom activities. During EF, participants were paid for both the work and classroom hours, but post-EF they were paid only for work hours. The subsidized jobs were with non-profit agencies and typically involved clerical, janitorial, security, child care, and adult care work. As shown in [figure 4.21](#), workers who participated in CJP during EF earned more than those who participated in the post-EF program. As noted, the EF participants were paid for more hours per week and they were also more likely than post-EF participants to have more than one subsidized position (34 percent versus 18 percent).

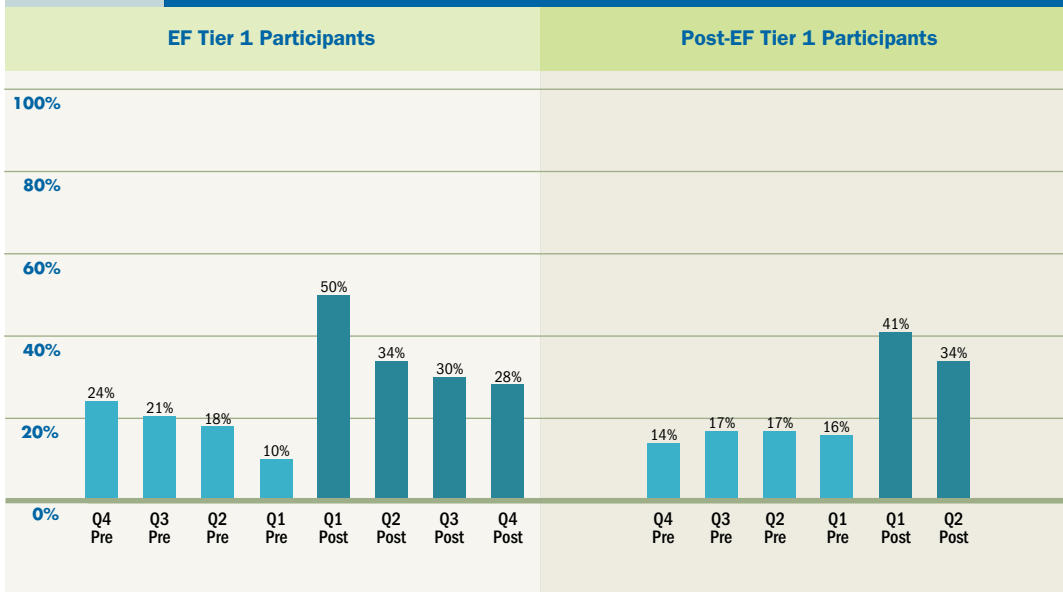
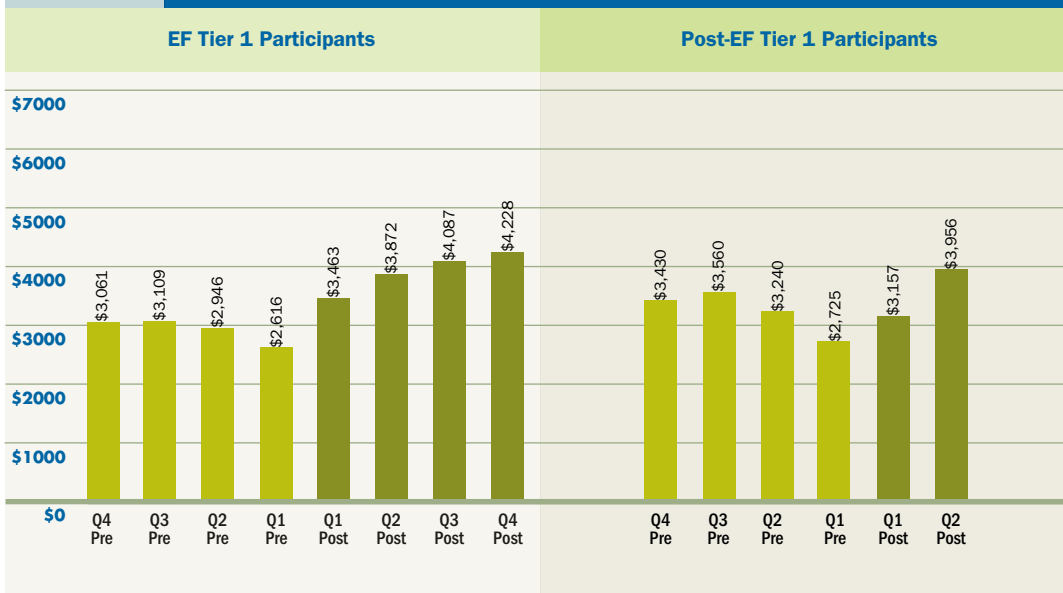
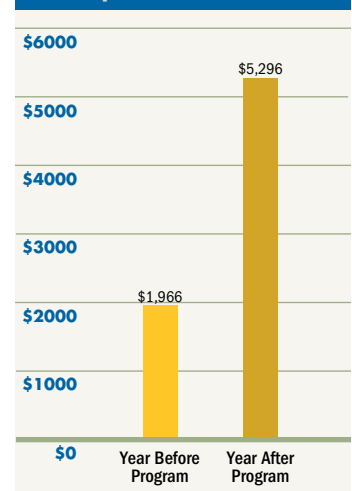
<b>Figure 4.21</b>	<b>Tier 1 Subsidized Employment Duration and Earnings</b>	
	<b>EF</b>	<b>Post-EF</b>
Average weeks in subsidized employment	28	15
Average total earnings from subsidized employment	\$10,728	\$5,448

### Post-Program Employment and Earnings

Employment rates among the CJP participants were low in the four quarters prior to program participation (see [Figure 4.22](#)). The employment rate was substantially higher in the quarter after program participation but then declined in each subsequent quarter.<sup>14</sup> Just over a quarter (28 percent) of the EF CJP participants were employed by the fourth quarter after program participation—four percent more than in the fourth quarter before starting the program. Among the post-EF participants, employment rates in the first two quarters after program participation were substantially higher than in the four quarters before the program.

While employment rates were generally low, EF CJP participants who did work earned more in each of the four quarters after program participation than in the four quarters before (see [Figure 4.23](#)). Among the post-EF participants, those employed in the second quarter post-program had greater earnings than those employed in any of the four quarters before participating in the program.

As a result of the gains in employment and earnings, average annual earnings among all EF CJP participants increased by \$3,289 from the year before to the year after program participation (see [Figure 4.24](#)). Average annual earnings in the year after program participation among the EF CJP participants who were employed were \$9,471. Among the post-EF participants, for whom we do not have full-year data, average earnings increased from \$1,002 during the six months before the program to \$2,635 during the six months after the program.

**Figure 4.22** Quarterly Employment Rates Pre- and Post-Program among Tier 1 Participants**Figure 4.23** Average Quarterly Earnings Pre- and Post-Program among Employed Tier 1 Participants**Figure 4.24** Average Annual Earnings Pre- and Post-Program among All Tier 1 Participants

### Outcomes for JobsNOW Tier 1 Participant Subgroups

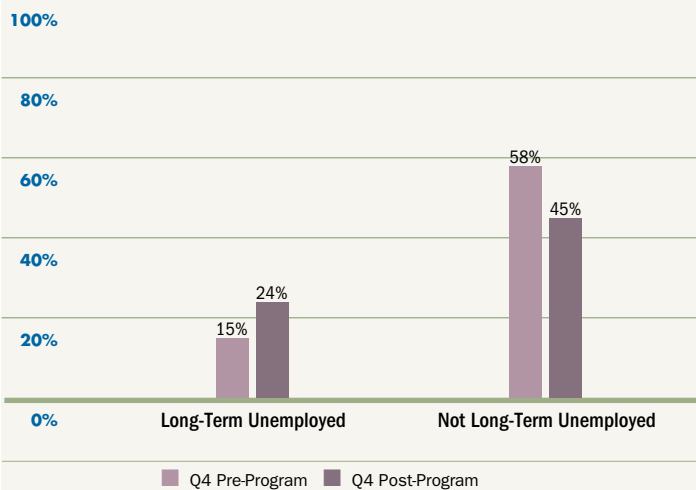
We examined whether outcomes varied for subgroups of participants in the EF program and found no significant differences by participants' gender or age. Hispanic participants, who made up 16 percent of the EF Tier 1 participants, had greater increases in post-program employment rates and annual earnings than Black or Asian participants. Participants who were among the long-term unemployed at program entry were less likely than those who had worked recently to be employed

four quarters after the participating in the program. However, employment rates did increase among the long-term unemployed from the fourth quarter before to the fourth quarter after the program, whereas they declined among those who had worked more recently when they came to the program (see [Figure 4.25](#)). Post-program annual earnings were lower among the long-term unemployed than among

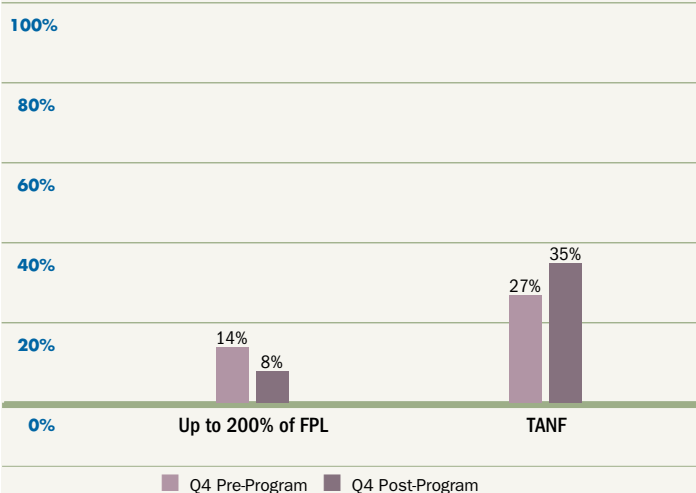
those who had worked more recently (\$4,454 versus \$9,412), but the long-term unemployed experienced a greater change in annual earnings from the year before to the year after program participation (\$3,927 versus \$834).

Finally, participants who were receiving TANF when they entered the program experienced greater increases in employment and annual earnings than did low-income participants<sup>15</sup> who were not receiving TANF. As shown in [figure 4.26](#), employment rates increased from the fourth quarter before to the fourth quarter after the program among TANF recipients but decreased among low-income individuals who were not receiving TANF, while most of the earnings gains were among those who were receiving TANF when they entered the program (see [Figure 4.27](#)).

**Figure 4.25** Percent Employed in the 4th Quarter Pre- and Post-Program by Long-Term Unemployment Status among Tier 1 EF Participants



**Figure 4.26** Percent Employed in the 4th Quarter Pre- and Post-Program by Target Group among Tier 1 EF Participants



**Figure 4.27** Average Annual Earnings Pre- and Post-Program by Target Group among Tier 1 EF Participants





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## JobsNOW Tier 2 Public Sector Trainee Program

The public sector trainee (PST) tier was targeted to individuals who had some work experience but could benefit from on-the-job training to prepare for work either with city agencies or elsewhere.

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### Program Design

**Subsidy structure and employer of record.** Subsidized workers were employed by the City and County of San Francisco and placed in subsidized positions at various city government agencies, including human services, public works, parks, and transportation. The PST program paid 100 percent of subsidized workers' wages. The city agencies where individuals performed the work committed to training and coaching the workers. When they requested an employee, they were required to specify what skills participants would gain on the job. The agencies also agreed to let clients attend training and go on job interviews. The city agencies were not expected to hire the subsidized workers after the subsidy period ended, although they could choose to do so.

**Support before or during the subsidy period.** HSA staff provided participants counseling throughout the subsidy period and made referrals to the department's social worker as needed for issues such as domestic violence and mental health counseling. The staff did site visits approximately once a month, meeting with participants and supervisors to discuss progress and deal with any problems that arose. Staff ensured that participants were doing the types of work and learning the skills detailed in job descriptions. TANF recipients could continue to receive child care and transportation assistance, food stamps, and medical assistance. Participants working outdoors received work boots, safety gear, and raincoats. While employed in subsidized positions, workers had the option to take classes on professional work habits, such as appropriate dress, attitude, and attendance, as well as job search preparation, such as writing resumes and cover letters.

**Assistance securing unsubsidized employment.** JobsNOW program staff provided participants job leads for unsubsidized positions. During the subsidy period, participants were paid for time spent going on job interviews and attending job fairs during the workday.

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### Characteristics of the JobsNOW Tier 2 Participants

During the EF program, from July 2009 through September 2010, San Francisco placed about 700 adults into subsidized positions in the PST program. Post-EF, from October 2010 through June 2011, the city placed about 120 adults into PST-subsidized jobs. Nearly two-thirds (63 percent) of the participants in the EF program were low-income job seekers who were not receiving cash assistance, while most participants in the post-EF program were TANF recipients (see [Figure 4.28](#)). Nearly half of the EF participants were male compared to one-third of the post-EF

participants. About three-quarters of participants in both groups were among the long-term unemployed when they entered the program, although the EF participants had somewhat higher annual earnings than the post-EF participants in the year before the program.

**Figure 4.28** JobsNOW Tier 2 Participant Characteristics

	EF	Post-EF
<b>Program</b>		
TANF (CalWORKs)	43%	84%
General Assistance	0%	16%
Up to 200% of the federal poverty line	57%	0%
<b>Gender</b>		
Female	54%	68%
Male	47%	32%
<b>Race</b>		
White	3%	10%
African American/Black	61%	52%
Hispanic	16%	21%
Asian	15%	13%
Other	5%	5%
<b>Age<sup>16</sup></b>		
Under 30	36%	—
30 to 39	34%	—
40 to 49	25%	—
50 and over	5%	—
<b>Long-term unemployed</b>	77%	73%
<b>Average annual earnings in the year before program entry</b>	\$3,080	\$1,789

### The JobsNOW Tier 2 Subsidized Jobs

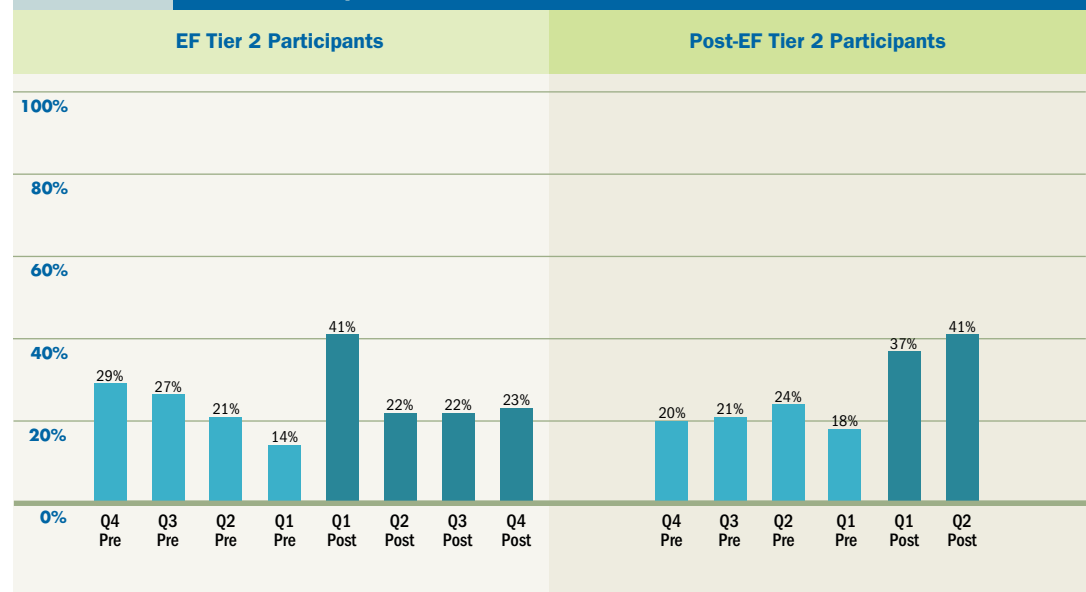
The PST participants in the EF program were paid an hourly wage of \$12.21; post-EF it was \$12.39. Participants worked up to 40 hours per week during EF and 32 hours per week post-EF. During EF, the PST positions were expected to last a year. Most post-EF positions were six months long, with the exception of the Department of Public Works positions, which lasted a year. The jobs varied from street cleaning, landscaping, and maintenance to administrative support and social service positions. PST participants in the EF program had average total earnings from their subsidized positions of \$18,270. As one would expect with the shortening of the subsidy period and reduction in hours, average total earnings were lower in the post-EF program (see [Figure 4.29](#)).

**Figure 4.29** Tier 2 Subsidized Employment Duration and Earnings

	EF	Post-EF
Average weeks in subsidized employment	37	20
Average total earnings from subsidized employment	\$18,270	\$7,632

### Post-Program Employment and Earnings

As shown in [figure 4.30](#), the percent of EF PST participants who were employed increased temporarily in the first quarter after program participation, but in each subsequent quarter dropped to levels lower than the employment rates in the third and fourth quarters pre-program. Among the post-EF participants, the percent employed was greater in the two quarters after program participation than in the four quarters before.

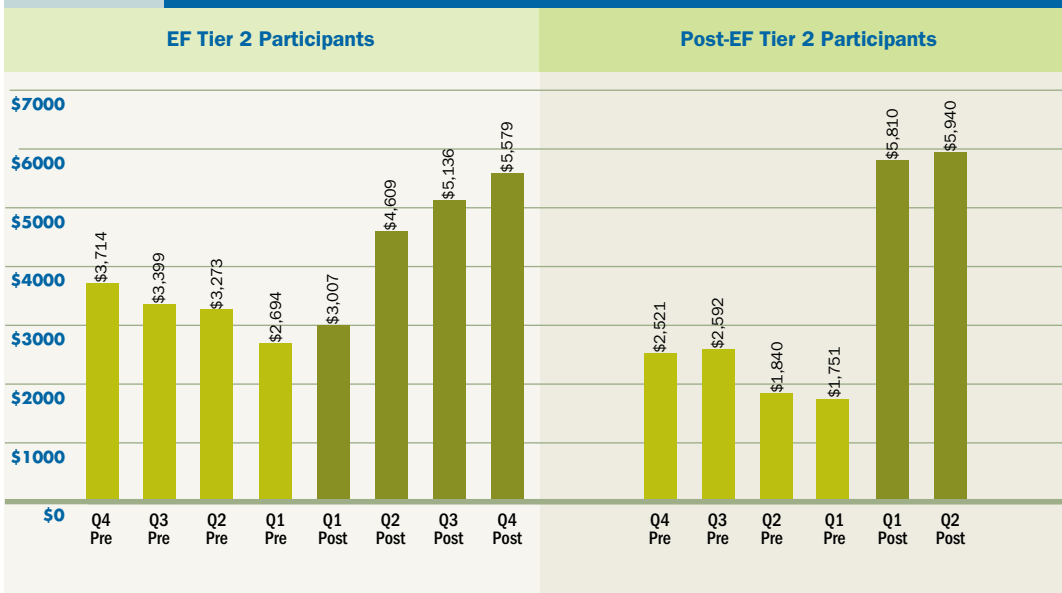
**Figure 4.30** Quarterly Employment Rates Pre- and Post-Program among Tier 2 Participants

Among the EF PST participants who were working, average earnings increased in the second through fourth quarters after the program and were significantly higher than average earnings prior to program participation (see [Figure 4.31](#)). Among the post-EF participants, average earnings among those working in the first two quarters after program participation were substantially greater than workers' earnings in the four quarters pre-program.

As a result of the short-term increase in employment during the first quarter post-program and the increase in earnings among individuals who were working, average annual earnings among all EF PST participants increased by \$1,591 from the year before to the year after program participation (see [Figure 4.32](#)). Average annual

earnings among EF PST participants who worked at any time during the year after program participation were \$10,228. Among the post-EF participants, for whom we do not have a full year of earnings data, average earnings increased from \$748 during the six months prior to program participation to \$4,583 during the six months after program participation.

**Figure 4.31** Average Quarterly Earnings Pre- and Post-Program among Employed Tier 2 Participants



**Figure 4.32**

Average Annual Earnings Pre- and Post- Program among All Tier 2 Participants



### Outcomes for JobsNOW Tier 2 Participant Subgroups

We examined whether outcomes differed for subgroups of participants and found that most groups experienced a decline in employment rates from the fourth quarter before to the fourth quarter after program participation. One exception was that Asian participants experienced an increase in employment over this period (from 19 percent to 29 percent employed). Female participants fared better than male participants, experiencing a smaller decline in employment and realizing a \$2,773 average gain in annual earnings, to \$6,514 in the year after the program. Participants who were among the long-term unemployed when they entered the program experienced an increase in annual earnings from \$934 in the year before the program to \$3,229 in the year after the program, while those who had worked recently experienced declines in both employment and earnings. The other group that experienced an increase in employment from the fourth quarter before to the fourth quarter after the program were those receiving TANF (CalWORKs) when they entered the program (from 36 percent to 42 percent). TANF recipients also experienced a substantial gain in annual earnings from the year before to the year after the program, while low-income individuals who were not receiving TANF experienced a decrease in annual earnings (see [Figure 4.33](#)).

**Figure 4.33** Average Annual Earnings Pre- and Post-Program by Target Group among Tier 2 EF Participants



## JobsNOW Tier 3 Wage Subsidy Program

The Tier 3 wage subsidy program was targeted to individuals with marketable skills and experience who were out of work for some time and needed help reentering the labor force.

### Program Design

**Subsidy structure and employer of record.** In Tier 3, subsidized workers were on employer payrolls from the start. Under this EF program tier, employers received reimbursement for the full wages paid, up to an annual salary of \$75,000. The subsidy period was capped at one year. Employers covered the cost of payroll taxes and workers' compensation. Post-EF, the city capped the subsidy amount at \$5,000. In JobsNOW 2, the subsidy covered the first \$5,000 in wages employers paid. In JobsNOW 3, the subsidy covered \$1,000 of wages per month for up to five months.

**Employer recruitment.** To recruit employers, JobsNOW staff members developed relationships with the city's office for small business services, the chamber of commerce, and merchant associations and worked with job developers at community non-profit agencies to promote the subsidies. Post-EF, staff gave participants vouchers to share with employers, letting them know they could be reimbursed for up to \$5,000 if they hired the workers. The program targeted small businesses in a variety of sectors. During EF, staff targeted employers throughout the Bay Area; post-EF they focused on San Francisco employers within reach of the communities in which clients lived. Staff members did not develop jobs for individuals but sought to recruit a pool of employers with jobs that generally matched participants' skills.

During EF, when employers received 100 percent wage reimbursements, staff described JobsNOW as a stimulus program and encouraged employers to create positions when they were not planning to hire or were hesitant to do so. The program encouraged employers to hire participants if they were able to when the subsidy ended but did not require a commitment to hiring. Post-EF, with the more limited subsidy, staff targeted employers who were already hiring and used the subsidy to try to influence the workers they hired.

**Support before or during the subsidy period.** The wage subsidy tier did not have specific supports built into the design once participants were on the job. TANF clients were eligible for childcare assistance and bus passes during the subsidy period, and general assistance clients were eligible for assistance with transportation, tools or work clothes.

**Assistance securing unsubsidized employment.** Program staff sent participants information about job openings for unsubsidized positions and invited them to attend employment workshops offered by the agency.

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### Characteristics of the JobsNOW Tier 3 Participants

From July 2009 through September 2010, the EF program period, San Francisco placed about 1,800 adults into subsidized employment opportunities in the Tier 3 program. From October 2010 through June 2011, the post-EF period covered in this section, the city placed about 120 adults into subsidized jobs in Tier 3.<sup>17</sup> During the EF program, just over three-quarters (78 percent) of the wage subsidy participants were low-income job seekers not receiving cash assistance (see [Figure 4.34](#)). In the post-EF program, participants were primarily divided between TANF and general assistance recipients. Participants were divided about evenly between women and men. The Tier 3 participants as a group were older than those Tiers 1 and 2 (68 percent were between the ages of 30 and 49). Although Tier 3 targeted more marketable individuals, most participants (84 to 86 percent) were among the long-term unemployed when they entered the program. Across the board, the JobsNOW program served more long-term unemployed participants than any other site in the study.

**Figure 4.34** JobsNOW Tier 3 Participant Characteristics

	EF	Post-EF
<b>Program</b>		
TANF (CalWORKs)	21%	44%
General Assistance	0%	46%
Up to 200% of the federal poverty line	79%	9%
<b>Gender</b>		
Female	53%	49%
Male	47%	51%
<b>Race</b>		
White	18%	14%
African American/Black	33%	43%
Hispanic	19%	19%
Asian	23%	15%
Other	8%	9%
<b>Age<sup>18</sup></b>		
Under 30	24%	-
30 to 39	38%	-
40 to 49	30%	-
50 and over	8%	-
<b>Long-term unemployed</b>	86%	84%
<b>Average annual earnings in the year before program entry</b>	\$2,045	\$1,430

### The JobsNOW Tier 3 Subsidized Jobs

Participants in the wage subsidy tier were placed in competitive positions with for-profit and non-profit employers. Participants worked in a variety of industries, the most common of which were construction (16 percent), administrative support (13 percent), retail trade (10 percent), and accommodations and food service (10 percent). Participants received the prevailing wage for the positions in which they were placed. The program required that employers pay at least the minimum wage, which was \$9.79 when the EF program began in 2009.

The EF Tier 3 participants worked an average of 38 hours per week and earned an average of \$18.08 an hour in their subsidized jobs; the median hourly wage was \$15.00. During the EF program, the Tier 3 subsidized jobs could last up to one year. The post-EF Tier 3 participants worked an average of 35 hours per week and earned an average wage of \$12.89 an hour in their subsidized jobs; the median wage was \$12.00 an hour. In the post-EF program, the subsidized jobs could last up to five months.

The differences in hourly wages between the EF and post-EF programs may be due in part to differences in participants' education, for which we do not have complete data. Staff noted that they were able to serve a wider range of job seekers during the EF program, including some with advanced degrees and significant, although not recent, employment experience. Another factor was likely the structure of the

subsidy itself. As noted earlier, the EF program provided a 100 percent wage subsidy to employers for positions paying up to \$75,000 annually. The post-EF program provided a partial wage subsidy to employers of \$1,000 per month. As shown in [figure 4.35](#), participants in the EF program had average earnings of \$20,161 from their subsidized jobs; the post-EF program participants earned \$8,004, on average.

<b>Figure 4.35</b>	<b>Tier 3 Subsidized Employment Duration and Earnings</b>	
	<b>EF</b>	<b>Post-EF</b>
Average weeks in subsidized employment	29	16
Average total earnings from subsidized employment	\$20,161	\$8,004

In the EF program, there were significant differences in the hourly wages earned across subgroups of participants. Men earned higher hourly wages in their subsidized jobs than women (\$19.98 versus \$16.37). White workers earned higher hourly wages than workers in other racial or ethnic groups (\$24.05 versus \$16.79). Participants receiving TANF when they entered the program earned less than low-income workers who were not receiving TANF (\$14.81 versus \$18.99 hourly). Participants who were among the long-term unemployed at program entry earned higher hourly wages than those who had more recent work experience (\$18.60 versus \$14.75). Education data are only available for participants who were low-income but not receiving TANF upon program entry. For this group, people with a bachelor's or higher college degree earned significantly higher hourly wages in their subsidized positions than those without a college degree (\$24.92 versus \$17.34).

### Post-Program Employment and Earnings

As shown in [figure 4.36](#), pre- and post-program employment rates among the EF Tier 3 participants are low. Participants made some short-term gains in the first quarter post-program when 22 percent were employed, but employment rates dropped in subsequent quarters to 17 percent, the same percentage of people employed in the fourth quarter prior to program participation.

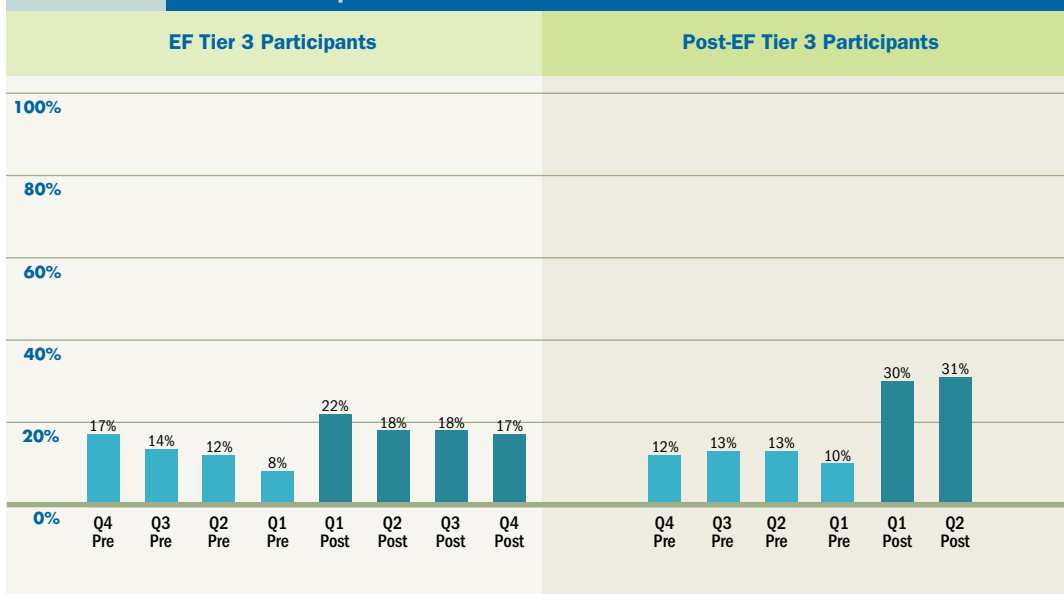
The post-EF participants fared better in terms of employment rates. In the post-EF program, in which employers received partial wage subsidies, just under one-third of participants were employed in the two quarters after program participation (see [Figure 4.36](#)). While the employment rates are low, they are more than twice the percentage that were employed in any of the four quarters pre-program.

Average earnings among the Tier 3 participants who were employed were greater in the quarters following program participation than in the four quarters before the program (see [Figure 4.37](#)). Among the EF participants, while the employment rates in the second through fourth quarters post-program remained steady, earnings continued to increase.

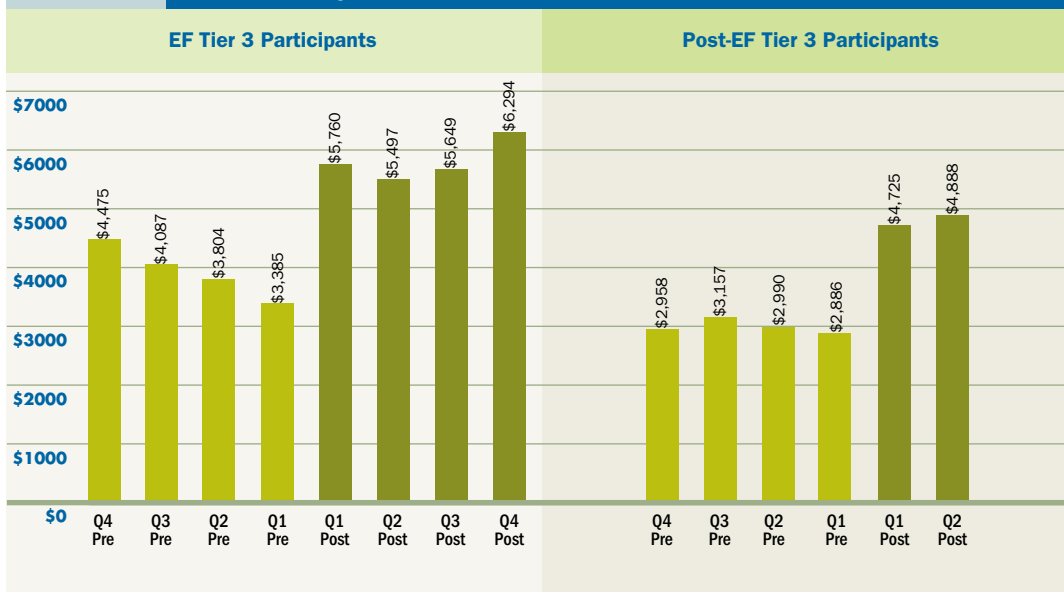


As a result of the slightly higher employment rates in the four quarters after program participation and the higher earnings among those who were working, average annual earnings among all EF Tier 3 participants increased by \$2,324 from the year before to the year after program participation (see [Figure 4.38](#)). Among the post-EF participants, for whom we only have data for the six months after program participation, average earnings increased from \$677 during the six months before the program to \$2,938 during the six months after the program. Among the EF Tier 3 participants who were employed at any time during the year after the program, average annual earnings were \$17,197, a \$8,213 increase over the annual earnings of individuals who were employed during the year before the program.

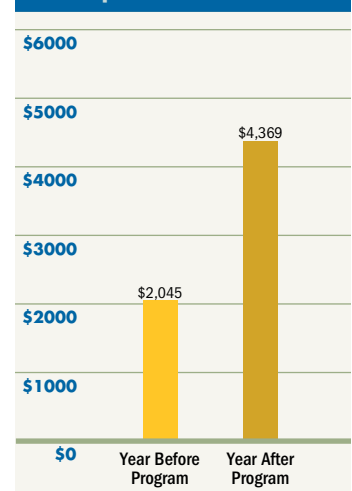
**Figure 4.36** Quarterly Employment Rates Pre- and Post-Program among Tier 3 Participants



**Figure 4.37** Average Quarterly Earnings Pre- and Post-Program among Employed Tier 3 Participants



**Figure 4.38** Average Annual Earnings Pre- and Post-Program among All Tier 3 Participants

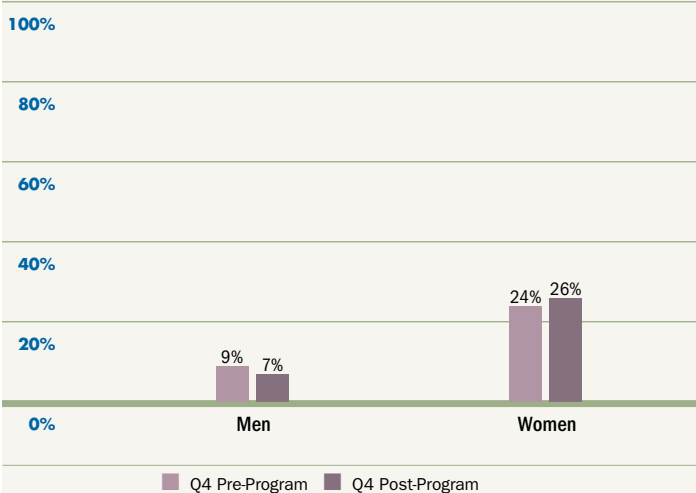


### Outcomes for JobsNOW Tier 3 Participant Subgroups

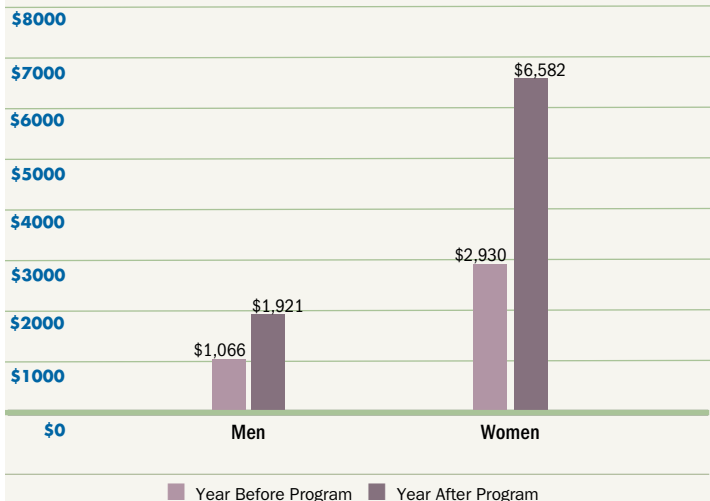
We examined differences in the post-program outcomes of participant subgroups and found some significant variations.<sup>19</sup> Female participants were more likely than male participants to be employed both before and after the program (see [Figure 4.39](#)). Employment rates increased slightly for women and decreased slightly for men.

Female participants also experienced a substantially greater increase in annual earnings from the year before to the year after the program, despite the fact that men earned more from their subsidized jobs while in the program (see [Figure 4.40](#)). There were no differences in outcomes by race or ethnicity once participants' pre-program characteristics were taken into account. Participants who were under age 30 had greater increases in employment and annual earnings than those who were age 30 and older.

**Figure 4.39** Percent Employed in the 4th Quarter Pre- and Post-Program by Gender among Tier 3 EF Participants

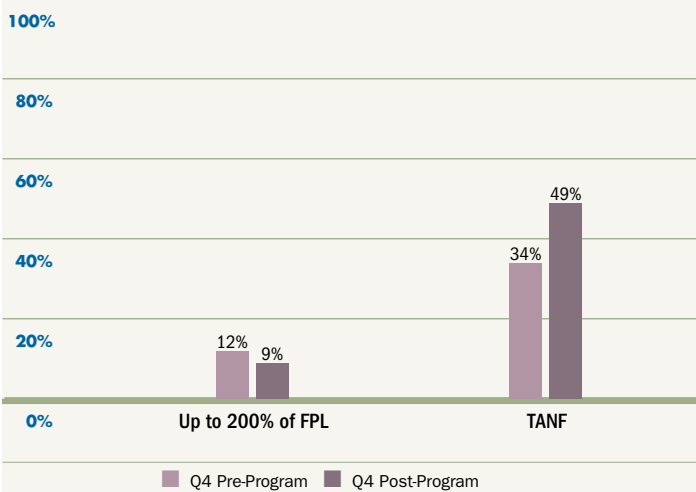
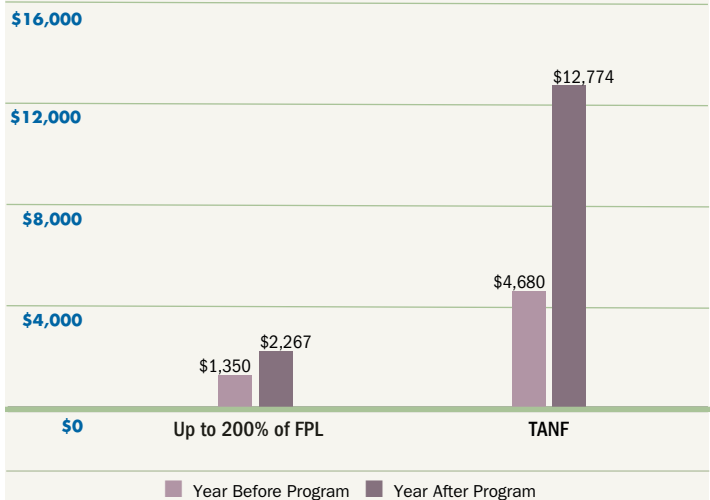
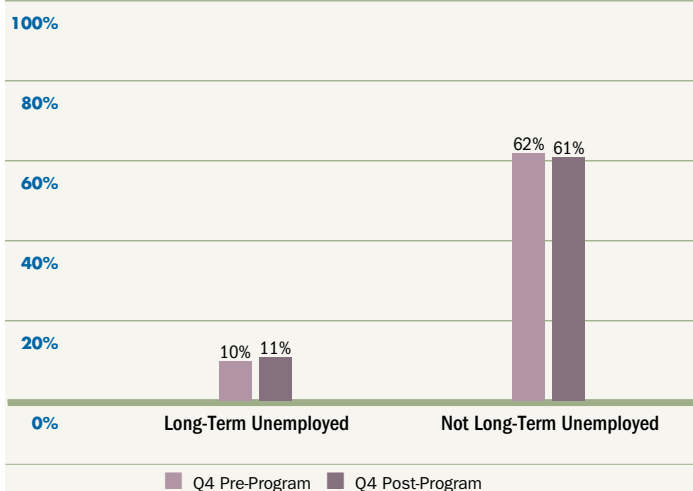


**Figure 4.40** Average Annual Earnings Pre- and Post-Program by Gender among Tier 3 EF Participants



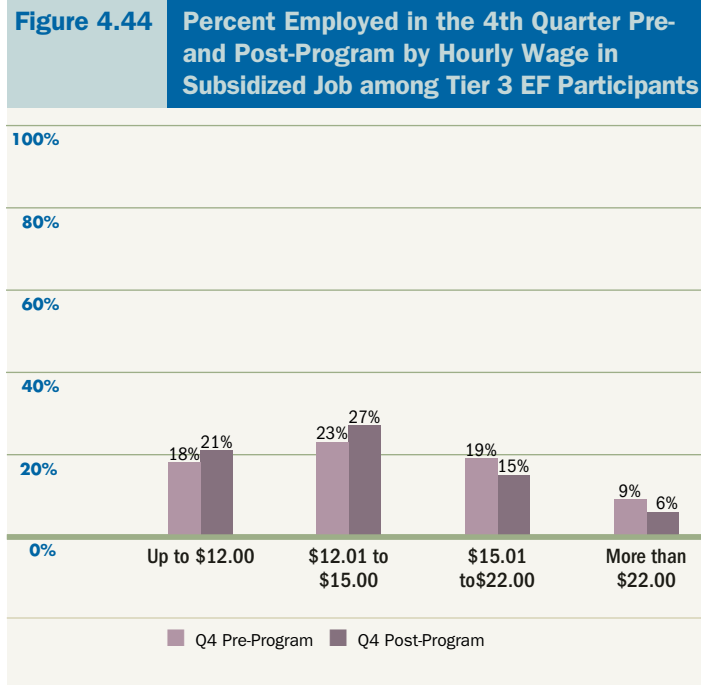
Individuals who were TANF recipients when they enrolled in JobsNOW—making up only 20 percent of EF Tier 3 participants—had much greater increases in employment rates and annual earnings than non-TANF recipients, who qualified for the program based on having income at or below 200 percent of the federal poverty level (see [Figures 4.41](#) and [4.42](#)).

Finally, neither individuals who were among the long-term unemployed at program entry nor those who had worked recently experienced significant gains in employment from the fourth quarter before to the fourth quarter after participating in JobsNOW (see [Figure 4.43](#)). Those who had worked recently before program entry, accounting for only 22 percent of the EF Tier 3 participants, were much more likely to be working four quarters before and after program participation.

**Figure 4.41** Percent Employed in the 4th Quarter Pre- and Post-Program by Target Group among Tier 3 EF Participants**Figure 4.42** Average Annual Earnings Pre- and Post-Program by Target Group among Tier 3 EF Participants**Figure 4.43** Percent Employed in the 4th Quarter Pre- and Post-Program by Long-Term Unemployment Status among Tier 3 EF Participants

### Differences in Outcomes by JobsNOW Tier 3 Program Experience

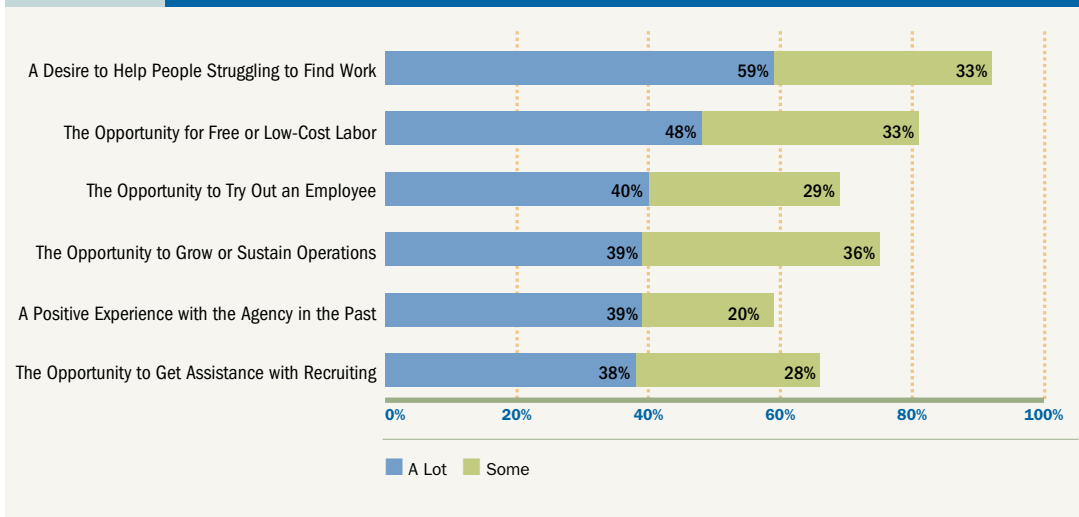
Participants earning more than \$15.00 an hour in their subsidized jobs experienced a decrease in employment between the fourth quarter before and fourth quarter after participating in JobsNOW, whereas those who earned less experienced slight increases (see [Figure 4.44](#)). Total earnings from subsidized employment were also negatively associated with post-program employment rates and the change in annual earnings.



### Employer Experiences with the JobsNOW Tier 3 Program

We conducted the survey with 98 employers who had taken part in the post-EF Tier 3 wage subsidy program between July 2011 and June 2012, some of whom may also have taken part in earlier versions of JobsNOW. These employers were all required to place subsidized workers on their payrolls at the start of the subsidy period and received reimbursements of \$1,000 per month for up to five months for the wages paid to workers. More than three-quarters of the employers (79 percent) were for-profit firms. Employers from a variety of industries participated, the most common of which were wholesale and retail trade (15 percent), leisure and hospitality (14 percent), and construction (12 percent). The program targeted small employers; 59 percent had fewer than 20 employees.

Nearly half (45 percent) of the employers had one or two subsidized workers; another 41 percent had three to nine workers. The most common factors that contributed to employers' decisions to participate in the program were the desire to help people struggling to find work and the opportunity for free or low-cost labor for a few months (see [Figure 4.45](#)). Just over half (54 percent) created new positions to bring on the subsidized workers, rather than filling existing positions, when they first started participating in the program. This represents the lowest percentage across the four study sites where we completed the survey. Staff members stated that, for the post-EF program in which employers were offered partial subsidies, they targeted employers with existing openings and sought to influence the workers hired for these positions.

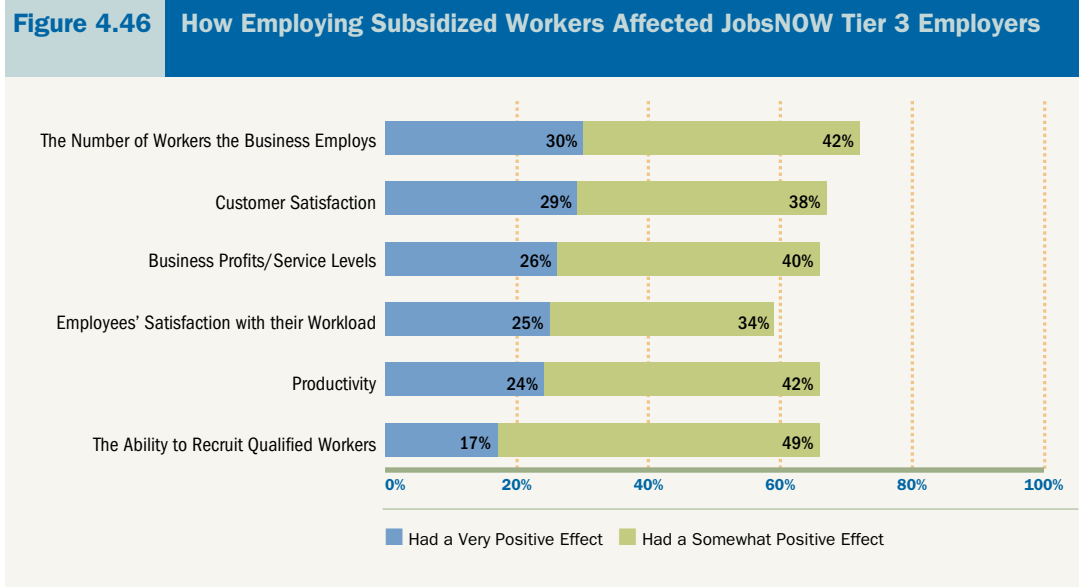
**Figure 4.45** How Much Each Factor Contributed to Employers' Decisions to Take Part in the JobsNOW Tier 3 Program

When asked to compare the subsidized workers to people they typically hired for similar positions, just over half (54 percent) said they had less work experience but a similar amount of education (59 percent). Most (59 percent) also said the subsidized workers were as likely as others to be from a minority racial or ethnic group, although San Francisco had the highest percentage of employers across the four sites that said the subsidized workers were more likely to be from a minority group (35 percent). When asked how subsidized workers' performance compared to that of other workers in similar positions, the employers were fairly evenly divided between those who said the subsidized workers' occupational skill level (46 percent) and dependability (44 percent) were about the same as other workers and those who said the subsidized workers were weaker in these areas (42 percent of employers for both occupational skill level and dependability).

Three-quarters of the employers interviewed said they retained at least one of the subsidized workers after the subsidy period ended. Overall, employers reported retaining 41 percent of all of the subsidized workers after the subsidy ended. San Francisco was the only study site in which non-profit employers retained a higher percentage of subsidized workers (48 percent) than for-profit employers (39 percent). Smaller employers with fewer than 20 employees were less likely than larger employers to retain any subsidized workers. When asked what factors influenced their decisions not to retain some subsidized workers, two-thirds of employers said not performing well enough in their jobs was a very important reason. Few (17 percent) said that not having the financial resources to retain the workers was a very important reason.

Most employers (86 percent) said they realized savings as a result of participating in the program. More than two-thirds (72 percent) said the program had a very or somewhat positive effect on the number of workers the business employs (see [Figure 4.46](#)). Most employers (71 percent) were very satisfied with the

communication from the program and the process of hiring a subsidized worker (57 percent). Only 26 percent were very satisfied with the quality of the candidates the program sent, and 37 percent were very satisfied with the reporting requirements. About two-thirds of employers (65 percent) said they would be very likely to participate in the program again in the future, and another 19 percent said they would be somewhat likely to do so.



## Conclusions

- JobsNOW successfully engaged long-term unemployed individuals, who made up the large majority of participants across all three program tiers, in subsidized employment.
- With the EF money, JobsNOW placed a large number of people into subsidized positions, helping them earn substantial income—from \$10,000 to \$20,000, on average, across the three tiers.
- In the year after people participated in the EF programs, employment rates in unsubsidized jobs decreased to levels similar to or below what they had been in the year before the program. Among those who did work during the year after the program, annual earnings were higher than they were pre-program. The result was that the group overall experienced an increase in annual earnings, but a small percentage of participants accounted for this change.
- During the EF period, JobsNOW was able to expand its target population to serve individuals with children who were not TANF recipients but who had incomes less than 200 percent of the federal poverty level. Our analysis reveals that employment rates decreased for this group in the year after the program, compared to the year before, across all three program tiers. In contrast, individuals receiving

TANF when they entered the program experienced increases in employment rates and annual earnings from the year before to the year after program participation across all three tiers.

- The non-TANF participants were more likely than the TANF participants to be among the long-term unemployed when they entered the program. However, the differences in outcomes between the TANF and non-TANF groups remained after accounting for differences in their pre-program employment rates and earnings. Data on education levels are only available for the non-TANF group. These data show that the change in employment rates did not vary by level of education; both those with a high school diploma or less and those with college degrees experienced declines in employment.
- Among those who were long-term unemployed at program entry—the majority of program participants—post-program employment rates remained low. Among those with recent work experience, employment rates declined over time. The long-term unemployed fared better than those with recent work experience in the more supportive program tiers, Tier 1 and Tier 2.
- In the EF-period Tier 3 program, where participants earned prevailing wages in their subsidized jobs, those with higher hourly wages in their subsidized jobs experienced decreases in employment rates from the fourth quarter before to the fourth quarter after the program while those with lower hourly wages in their subsidized jobs experienced slight increases. Total program earnings were also negatively associated with both post-program employment rates and annual earnings. It is possible that workers who earned more during the program had difficulty obtaining unsubsidized jobs at equivalent wages after the subsidy ended and were reluctant to take jobs that paid less.
- Across all three tiers, participants in the post-EF programs generally had higher employment rates in the first two quarters after the program than in the quarters before. In the Tier 3 program, the post-EF participants fared better in the first two quarters post-program than the EF participants. This difference may be related to improvements in the economy when the participants exited the program. The average annual unemployment rate in 2010, when most EF participants would have exited the program, was 9.6 percent, compared to 8.6 percent in 2011, when the post-EF participants in the study would have exited the program.

Programmatic changes may have also contributed to the differences between the Tier 3 EF and post-EF participants. The post-EF program was targeted to a more traditional population for HSA—TANF recipients as well as general assistance recipients. Program earnings were lower in the post-EF programs and the subsidy periods were shorter, lending support to the idea raised in other study sites that longer subsidy periods and higher earnings from subsidized employment may make the transition to unsubsidized employment more difficult, at least when the workers are not retained by their subsidized employers. Data on retention are

not available, but the post-program employment rates for the EF-period programs suggest that the employers did not retain most workers after the subsidy ended. For the Tier 3 program, the employer survey results suggest that retention was greater in the post-EF program, when a partial subsidy was provided for up to five months, rather than a full subsidy for up to a year.

On the other hand, when the goal was to help a large number of people who had struggled in the labor market gain employment and increase their incomes, the full subsidy over a longer period of time succeeded. The results suggest that translating the experience gained in subsidized work to unsubsidized employment can be difficult for many. More individualized support to help participants make this transition may be needed, particularly when a program serves those with a wide range of employment experience, education, and skills.

## The Mississippi STEPS Program

Mississippi STEPS (Subsidized Transitional Employment Program and Services) was launched with considerable fanfare in September 2009 by then-Governor Haley Barbour. Barbour had made workforce development a priority in his administration, re-organizing several departments and bringing them more closely under his control. STEPS was spearheaded by the Mississippi Department of Employment Security (MDES), and state officials emphasized the importance of meeting employers' needs while providing job seekers employment opportunities and transferable work skills. After several months spent acquiring program approval, STEPS launched in January 2010. Although STEPS started with \$52 million in funding, it was only able to draw down \$22 million before the stimulus program ended in September 2010. Enthusiasm for STEPS led Mississippi to operate a second \$3 million program with Department of Education ARRA governor's discretionary funds from August to December 2011.

The governor led a major marketing effort, speaking at conferences, appearing in television and radio spots, and promoting the initiative on billboards throughout the state. Although he expressed reservations about the federal stimulus program,<sup>20</sup> Barbour saw an opportunity to use the ARRA funds to bolster the Mississippi economy:

*"Mississippi STEPS is unique in that it is a program specifically designed to benefit both the employee and employer," Governor Barbour said. "The STEPS program will provide much-needed aid during this recession by enabling businesses to hire new workers, thus enhancing the economic engines of our local communities."*<sup>21</sup>

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### Program Design

State officials in Jackson designed STEPS and allowed little local variation. The state's four regional workforce investment offices oversaw the program, and it



operated through the 54 Workforce Investment Network (WIN) Job Centers located throughout the state. The local Job Center staff recruited unemployed job seekers as well as local employers. The Job Centers also worked with their counterparts from the Mississippi Department of Human Services (MDHS) to identify appropriate TANF and SNAP candidates.

**Eligibility.** During the EF program, STEPS was open to individuals who had at least one child under 18 at home and whose total family income was at or below 250 percent of the federal poverty guidelines. This included TANF and SNAP recipients, who were priority populations for the program, as well as individuals who applied for the program through the WIN Job Centers. In addition, individuals could be referred to the Job Centers by participating employers interested in hiring them, through a process termed “reverse referrals.” If these candidates met the program criteria, the centers approved the placements and their employers were eligible for wage subsidies. STEPS II lifted the income limits and the requirement that participants have a child under age 18.

**Subsidy structure and employer of record.** The STEPS program provided employers subsidies for the wages of eligible participants hired under the program using a step-down formula. Employers were subsidized for 100 percent of wages for the first two months, 75 percent for the third month, 50 percent for the fourth and fifth months and 25 percent for the final month of the program. Employers were required to put participants on their payrolls at the start of the subsidy period. STEPS II provided a similar program structure, albeit with a shorter four-month subsidy period. The state emphasized the importance of continued employment after the subsidy period ended from the beginning.

**Employer recruitment.** The WIN Job Centers had extensive experience working with employers to hire subsidized workers through aggressive use of on-the-job training funds (OJT). This experience facilitated the launch of STEPS since the centers had extensive employer contacts, and both center staff and employers were familiar with using subsidies to reduce the cost of new hires. One important feature of STEPS implementation was that the centers used temporary staff to work with employers to ensure submission of accurate invoices for the wage subsidies.

**Support before or during the subsidy period.** The STEPS program focused on immediate placement of eligible job seekers into subsidized positions. STEPS did not provide additional supports or training before or during the subsidy period. Participants who were TANF recipients could access the supports for which they were eligible through MDHS, and eligible job seekers could access other resources available through the job centers.

**Assistance securing unsubsidized employment.** Participants did not receive assistance with finding an unsubsidized job as part of the STEPS program, but they could return to the Job Centers to access other services if their subsidized placements did not turn into unsubsidized employment after the subsidy ended.

## Characteristics of the STEPS Participants

From January to September 2010, the Mississippi STEPS program placed 3,228 adults into subsidized positions.<sup>22</sup> According to program officials, 40 percent of the individuals placed in subsidized jobs were SNAP recipients and 12 percent were TANF recipients. Three quarters of participants were women and just under half were under age 30 (see [Figure 4.47](#)). Two-thirds of participants were African American, compared to 37 percent of the state's population. The largest group served was African American women, who accounted for more than half (55 percent) of all participants. Twenty percent of participants had not completed their high school education—a figure similar to the statewide rate—and 51 percent had obtained a high school diploma but had no post-secondary education. Just under half of participants (46 percent) were among the long-term unemployed at the time of program entry. The average annual income among all participants in the year before the program began was \$6,483. The highest pre-program incomes were found among White, male, and older participants.

**Figure 4.47** Mississippi STEPS Participant Characteristics

<b>Gender</b>	
Female	75%
Male	25%
<b>Race</b>	
White	32%
African American/Black	67%
Other	1%
<b>Age</b>	
Under 30	45%
30 to 39	36%
40 to 49	16%
50 and over	3%
<b>Highest education level</b>	
Less than high school diploma	20%
High school diploma/GED	51%
Some college	21%
AA or other PSE certificate	5%
BA and graduate degrees	4%
<b>Long-term unemployed</b>	46%
<b>Average annual earnings in the year before program entry</b>	\$6,483

## The STEPS Subsidized Jobs

The STEPS program placed participants with for-profit firms, non-profits and public hospitals. Federal, state, and local public agencies were not eligible for the wage subsidies. The program prioritized small businesses with 25 or fewer employees but, given the substantial budget for STEPS, in practice most employers were accepted into the program. No more than half of an employer's workforce could

participate at one time in the STEPS program. Certain occupations, including those dependent on commissions and those deemed by the state to be “illegal or controversial in nature,” including adult entertainment or bartending, were ineligible. The three largest industries in which participants were placed were manufacturing (a quarter of all placements), accommodations and food services (19 percent), and retail trade (15 percent). A little over half of subsidized positions were in businesses of fewer than 50 employees, with approximately 43 percent in establishments with fewer than 20 workers.

STEPS participants received the prevailing wages for the positions in which they were placed, with no cap on hourly wages paid. The program required that the positions provide at least 30 hours of work per week, and the positions could not be temporary or seasonal. Participants earned hourly wages of \$8.80, on average, in their subsidized jobs; the median hourly wage was \$7.55. Male participants earned higher hourly wages than female participants (\$10.60 versus \$8.21) and White participants earned higher hourly wages than others (\$10.12 versus \$8.20). The difference in hourly wages between White and African American participants was driven in part by educational differences. While high school graduates averaged \$8.59 an hour, college graduates averaged \$12.61, and White participants were more likely to have a college degree. The long-term unemployed earned slightly lower hourly wages in their subsidized jobs, on average, than participants who had been employed recently (\$8.60 versus \$8.96).

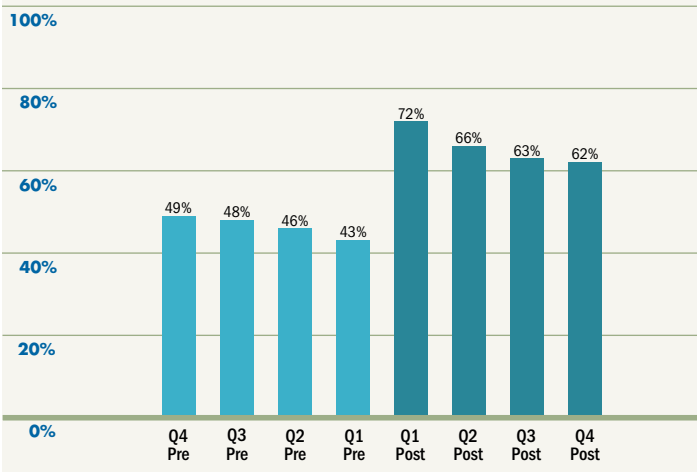
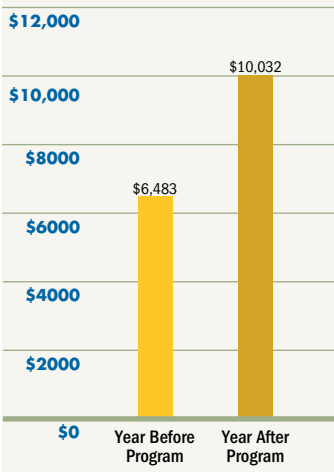
The subsidy period in the STEPS program was expected to last six months. However, since program funding ended on September 30, 2010, many of the positions were much shorter. On average, participants were in their subsidized jobs for 13 weeks. Participants earned an average of \$4,050 in their subsidized positions; median earnings from STEPS positions were \$3,421.

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## Post-Program Employment and Earnings

The step-down structure of the subsidy in the STEPS program was intended to encourage employers to retain workers after the subsidy period ended. However, they were not required to do so. As shown in [figure 4.48](#), the percentage of STEPS participants employed in the four quarters after the program ended was substantially greater than in the four quarters before they enrolled. While the employment rate fell somewhat after the first post-program quarter, by the fourth quarter after the program 62 percent of participants were employed—13 percent more than in any quarter during the year prior to the start of the STEPS program. According to an analysis conducted by the state, subsidized employers retained 47 percent of participants in the quarter after the subsidy period ended.

Earnings among participants who were working also increased over time. Average earnings among the employed were greater in each quarter during the year after the program ended than in the four quarters prior to the program (see [Figure 4.49](#)).

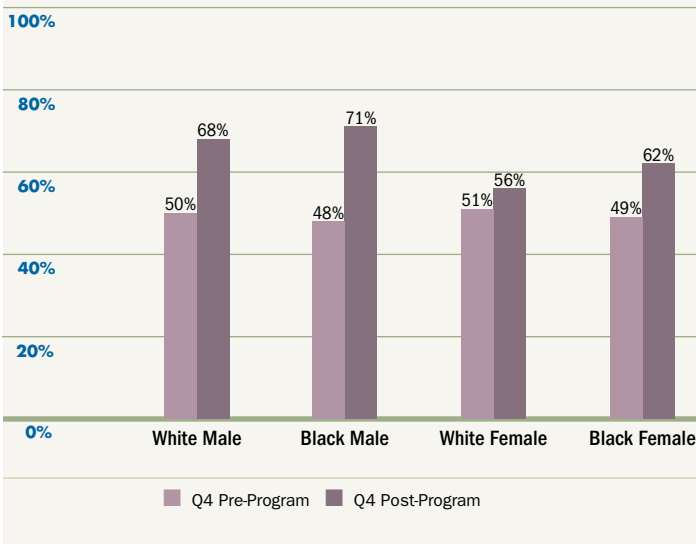
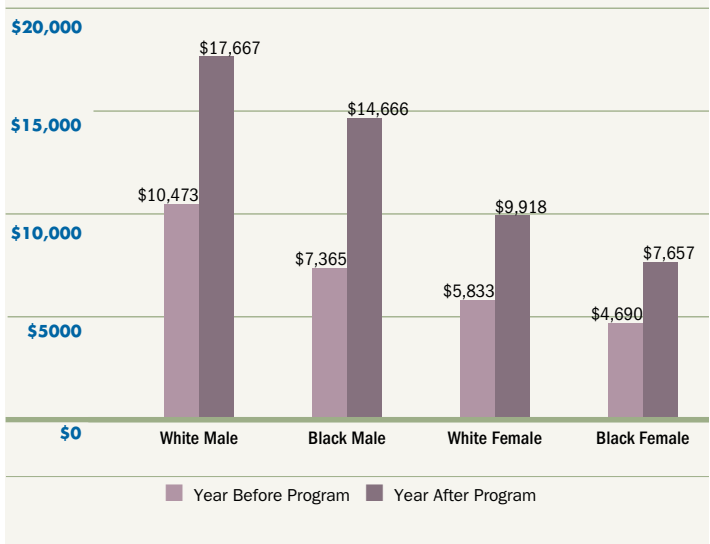
**Figure 4.48** Quarterly Employment Rates Pre- and Post-Program among STEPS Participants**Figure 4.49** Average Quarterly Earnings Pre- and Post-Program among Employed STEPS Participants**Figure 4.50** Average Annual Earnings Pre- and Post-Program among All STEPS Participants

As a result of the increases in employment rates and earnings, average annual earnings among all STEPS participants increased by \$3,549 from the year before to the year after the program, to \$10,032 (see [Figure 4.50](#)). Among participants employed at any time during the year after the program, average annual earnings were \$11,913, a 34 percent increase over the annual earnings of individuals who were employed during the year before the program.

## Outcomes for STEPS Participant Subgroups

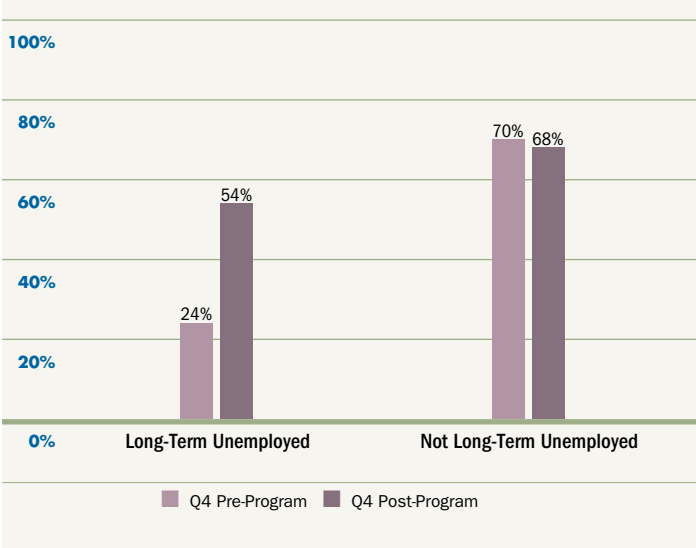
Our analysis of the outcomes of participant subgroups revealed that employment rates in the fourth quarter post-program were higher among Black men than White men and among Black women than White women (see [Figure 4.51](#)). These outcomes stand in stark contrast to the staggering unemployment rates of Blacks in Mississippi, which averaged 18 percent in 2010—triple the rate for White Mississippi workers.<sup>23</sup> White participants had higher earnings in the years before and after the program but the change in earnings over time was similar among White and Black men and among White and Black women (see [Figure 4.52](#)). Male participants were more likely to be employed than female participants in the fourth quarter post-program, and they experienced significantly greater increases in earnings from the year before to the year after the program. White workers were more likely than Black workers to be retained by their subsidized employers in the quarter after the program, but there were no differences in retention between male and female participants.

The 46 percent of participants who were among the long-term unemployed when they entered the STEPS program realized significant gains in the year after participating in the program. Participants who had recent work experience when they entered the program were more likely than those who were long-term unemployed to be working in the fourth quarter post-program. However, as shown in [figure 4.53](#),

**Figure 4.51** Percent Employed in the Fourth Quarter Pre- and Post-Program by Gender and Race**Figure 4.52** Average Annual Earnings Pre- and Post-Program by Gender and Race

the percent employed among those who had recent work experience decreased slightly from the fourth quarter before the program to the fourth quarter after, while it increased by 30 percentage points among the long-term unemployed. Long-term unemployed participants were also more likely than those with recent work experience to be retained by their subsidized employers.

The annual earnings of the long-term unemployed increased substantially from \$934 in the year prior to the program to \$8,040 in the year after the program (see [Figure 4.54](#)). While the post-program earnings of the long-term unemployed

**Figure 4.53** Percent Employed in the 4th Quarter Pre- and Post-Program by Long-Term Unemployment Status**Figure 4.54** Average Annual Earnings Pre- and Post-Program by Long-Term Unemployment Status

were lower than those of participants who had more recent work experience at program entry, the change in participants' annual earnings over time was largely driven by the long-term unemployed.

We found that employment rates and earnings increased with participants' education levels both before and after program participation. Participants with an associate's degree or other post-secondary certificate experienced the greatest increase in annual earnings. Interestingly, there were no differences in whether participants were retained by their subsidized employer by education level. For the most part, there were no significant differences in outcomes by age group with the exception that workers age 50 or older had a greater increase in annual earnings than workers under age 30.

### Differences in Outcomes by STEPS Program Experience

We found that participants' post-program employment outcomes varied by their experiences in the subsidized positions in multiple ways:

- Participants with subsidized positions at employers with 100 or more employees were more likely than those at smaller employers to be retained by the employers after the subsidy period ended. Participants with subsidized positions at employers with less than 10 employees experienced smaller increases in annual earnings post-program than those who had subsidized positions at larger employers.
- The longer participants remained in their subsidized positions, the more likely they were to be retained by their subsidized employer and to experience greater increases in employment rates and annual earnings from the year before to the year after program participation.
- Participants earning higher hourly wages in their subsidized positions were more likely to be retained by their subsidized employers in the quarter after the program and had greater increases in annual earnings from the year before to the year after program participation (see [Figure 4.55](#)).

**Figure 4.55** Average Annual Earnings Pre- and Post-Program by Hourly Wage in Subsidized Job

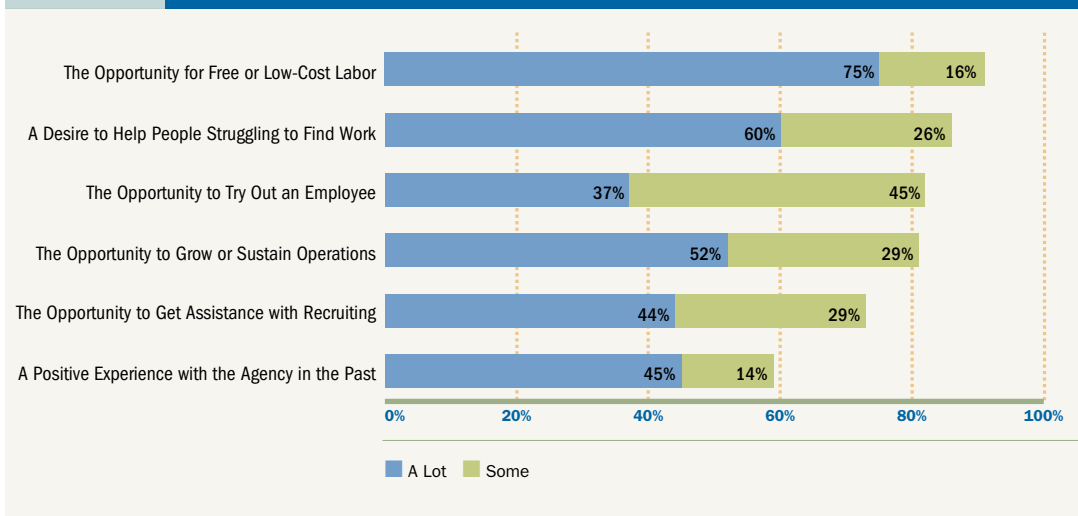


## Employer Experiences with the STEPS Program

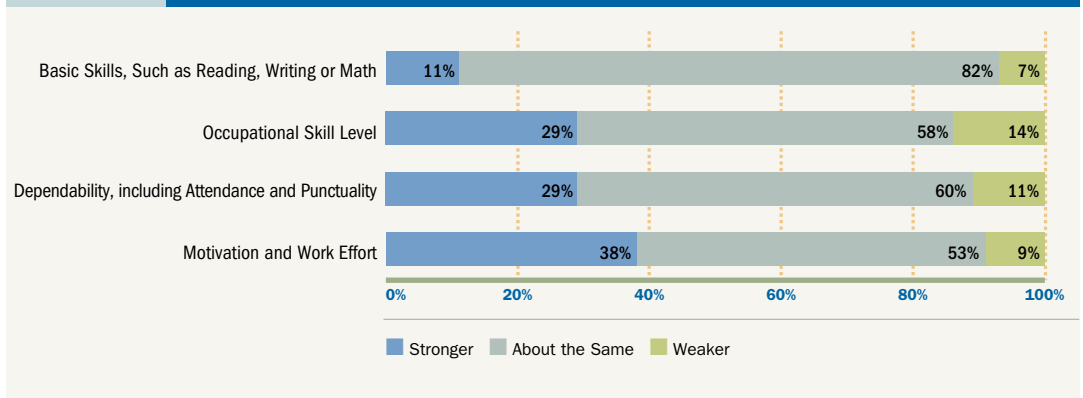
Nearly 1,000 employers participated in one or both of the STEPS programs. We interviewed a sample of 104 employers. Eighty-eight percent had participated in STEPS I and 53 percent had participated in STEPS II (41 percent had participated in both). Nearly all (88 percent) of the employers interviewed in Mississippi were for-profit firms. The employers were largely concentrated in one of four sectors: manufacturing (36 percent), wholesale and retail trade (14 percent), hospitality and leisure (11 percent) and social services (11 percent). While 42 percent of employers had fewer than 20 employees, Mississippi had the highest percentage of employers with 50 or more employees among the study sites (44 percent).

Nearly two-thirds of the employers (63 percent) had three or more subsidized workers. Employers cited many reasons for deciding to participate in STEPS, with the opportunity for free or low-cost labor and the desire to help people struggling to find work the most common (see [Figure 4.56](#)). Remarkably, nearly 60 percent cited a positive experience they had had with the agency operating the program, perhaps reflecting Mississippi's extensive work with employers using on-the-job training funds prior to STEPS. Sixty percent of employers created new positions in order to employ the subsidized workers. The other 40 percent filled available positions.

**Figure 4.56** How Much Each Factor Contributed to Employers' Decisions to Take Part in the STEPS Program

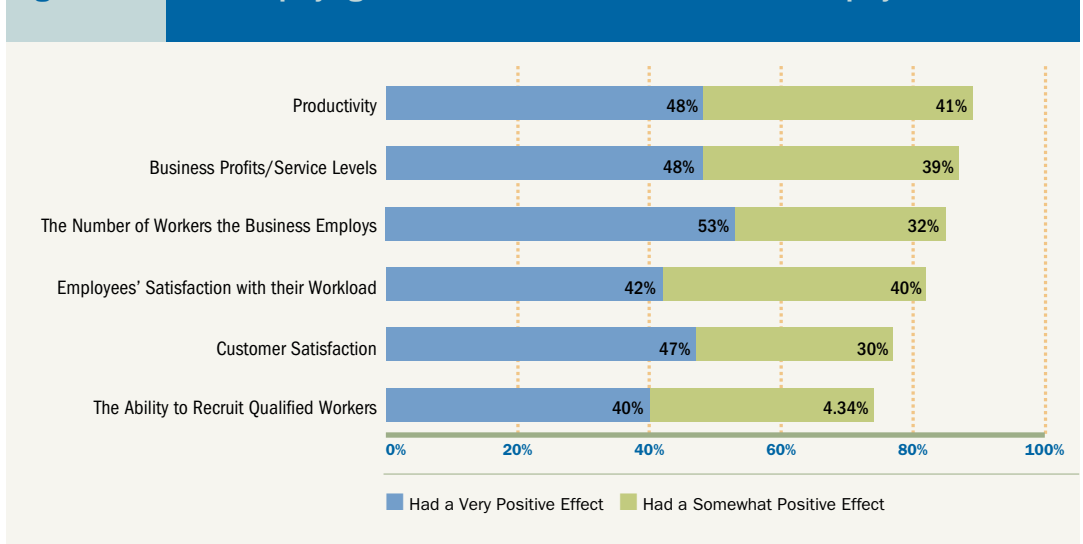


Overall, Mississippi employers reported that subsidized employees were quite similar to those typically hired in terms of education, work experience, and racial backgrounds. Notably, over 80 percent of employers said that the subsidized workers were equally or more skilled than their usual hires and were just as dependable, if not more so (see [Figure 4.57](#)). Almost all (93 percent) of the employers interviewed said they retained at least one subsidized worker after the subsidy period ended.

**Figure 4.57** STEPS Employers' Views of Subsidized Workers' Performance Compared with People Typically Hired for Similar Positions

Overall, employers reported retaining 54 percent of the subsidized workers after the subsidy ended—the highest percentage across the four study sites where we conducted the survey.

Nearly all of the employers (96 percent) said they realized savings as a result of participating in the program. More than 80 percent said the program had either a very or somewhat positive effect on productivity, business profits, the number of workers they were able to employ, and employees' satisfaction with their workload (see [Figure 4.58](#)). Employers expressed high levels of satisfaction with the communication from the program and the speed of reimbursement for wages paid to subsidized workers. More than half (53 percent) said they were very satisfied with the quality of the candidates the program sent—the highest percentage across the study sites—and nearly 90 percent said they would be very likely to participate in a similar program in the future.

**Figure 4.58** How Employing Subsidized Workers Affected STEPS Employers



## Conclusions

- Despite its relatively short duration, Mississippi's STEPS program reached an impressive scale.
- About half the subsidized workers were retained, at least initially, by their employers after the subsidy ended—a higher percentage than in the other study sites.
- STEPS was able to enroll many job seekers who were unemployed for a considerable length of time (nearly half were among the long-term unemployed) and many of them experienced sustained unsubsidized employment.
- STEPS participants also saw similar employment gains regardless of race, although differences in earnings remained—an important achievement given differences in unemployment rates statewide between Black and White workers.
- Among the employers in the four locations where we conducted the survey, Mississippi's were the most enthusiastic about the program. Their perceptions may reflect that the program was designed to meet both business and job-seeker needs, provided considerable flexibility in employer hiring (including reverse referrals where employers referred candidates they wanted to hire to WIN Job Centers to determine program eligibility), and eased the burdens caused by the complex step-down subsidy formula by providing on-site administrative support from center staff.

## The Florida Back to Work Program

Florida's Back to Work program was overseen by the state's Agency for Workforce Innovation (now the Department of Economic Opportunity), in partnership with the Department of Children and Families and the state workforce board, Workforce Florida. The state's 24 regional workforce boards administered the program at the local level. These boards administer the Workforce Investment Act and the Wagner-Peyser Act and are also responsible for the workforce components of the state's Temporary Assistance for Needy Families (TANF) program. The state's goals for Back to Work were to stimulate job creation for businesses, get money into the pockets of workers and give them some job experience, and divert eligible individuals seeking TANF benefits from the welfare rolls. The program period in most workforce areas was March or April through September 30, 2010. The state approved projects that proposed to create almost 14,000 subsidized job openings, although many of these were never filled. Statewide the regional workforce boards signed 1,039 agreements with employers to host subsidized workers and placed just under 5,600 individuals into subsidized jobs.

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## Program Design

**Eligibility.** To be eligible to participate in Back to Work, individuals had to be either current TANF recipients, applicants for TANF who were found to be eligible for benefits, or job seekers with family incomes at or below 200 percent of the poverty level and a child under age 18. To identify eligible participants, regional workforce board staff combed through their existing TANF caseloads for job-ready participants. They also assessed other individuals seeking their services for eligibility and took referrals from community partners.

**Job preparation or training services.** Florida did not require boards to provide specific pre-placement services beyond assessing individuals for eligibility. Program participants could access the services already available at their One-Stop Career Centers, such as help with resumes and other job readiness services. Overall, however, the program focused on immediate placement into subsidized positions for job seekers deemed job-ready.

**Subsidy structure and employer of record.** Employers participating in Back to Work were required to put subsidized workers on their payrolls starting the first day of the subsidy period. Employers were expected to assume a portion of the costs of their subsidized workers and could count some of the costs of supervising the workers toward the subsidy amount. The subsidy levels were calculated individually for each employer and ranged from 80 to 95 percent of the costs of employing workers. The program required private, for-profit employers to commit to retaining the employee after the subsidy period ended. Non-profit employers were encouraged to retain workers but not required to commit to doing so.

**Employer recruitment.** The regional workforce boards took advantage of existing relationships with local employers to market Back to Work and also used the program as an opportunity to initiate relationships with new employers. They engaged partners, such as local economic development agencies, to get information out to large numbers of for-profit and non-profit employers. The state also conducted a marketing campaign to attract employers to the program.

**Support during the subsidy period.** The regional workforce boards followed up with employers to verify employment and process wage reimbursements, but there was no requirement at the state level for post-placement support services. Workers could apply for help with transportation or childcare from their regional workforce boards. Some boards chose to provide job coaching to participants but such services varied by board.

**Assistance securing unsubsidized employment.** When a subsidized position ended, program staff would attempt to place the individuals again or encourage them to access other services provided by the regional workforce boards to find a job.

## Characteristics of the Florida Back to Work Participants

From late March through September 2010, the Florida Back to Work program placed 5,588 people into subsidized jobs. Just over a third (35 percent) of the individuals placed in subsidized jobs were TANF recipients or eligible applicants, and 65 percent were other eligible job seekers. About two-thirds of the Back to Work participants were female and 38 percent were under age 30 (see [Figure 4.59](#)). African Americans had greater representation in the Back to Work population than in the statewide population (42 percent versus 16 percent).

<b>Figure 4.59 Florida Back to Work Participant Characteristics</b>	
<b>Gender</b>	
Female	68%
Male	32%
<b>Race</b>	
White	42%
African American/Black	42%
Hispanic	6%
Other	2%
<b>Age</b>	
Under 30	38%
30 to 39	33%
40 to 49	22%
50 and over	7%
<b>Highest Education Level</b>	
Less than high school diploma	6%
High school diploma/GED	42%
Some college	21%
AA or other PSE certificate	17%
BA and graduate degrees	15%
<b>Long-term unemployed</b>	51%
<b>Average annual earnings in the year before program entry</b>	\$7,562

Most participants had at least a high school diploma or GED but only 15 percent had a bachelor's or graduate degree, compared to 34 percent statewide. About half of the participants (51 percent) were among the long-term unemployed.

## The Florida Back to Work Subsidized Jobs

The Back to Work program placed participants with for-profit, non-profit, and public sector employers. The two most common industries in which participants were placed were administrative and support services (36 percent) and information (32 percent). The state subsidized jobs that paid up to \$40,579—the average wage across the state in 2008. Florida capped the subsidy period at 12 months. However, the program only operated for about six months; therefore, the subsidized jobs were much shorter than anticipated.

Back to Work participants earned an average hourly wage of \$11.89 in their subsidized jobs; the median hourly wage was \$11.00.<sup>24</sup> Hourly wages in the subsidized positions varied by participant characteristics. Male participants earned more than female participants (\$12.76 versus \$11.49), and White participants earned more than African American and Hispanic participants (\$12.45 versus \$11.20 and \$11.05, respectively). Wages in the subsidized jobs increased with participants' education levels. Participants with bachelor's or graduate degrees earned an average of \$14.46 per hour, compared to \$12.04 an hour among those with an associate's degree or post-secondary certificate and \$11.36 an hour among those with a high school diploma or GED and no post-secondary education. The long-term unemployed earned hourly wages in their subsidized jobs that were similar to participants who had worked more recently (\$11.81 versus \$11.97).

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## Post-Program Employment and Earnings

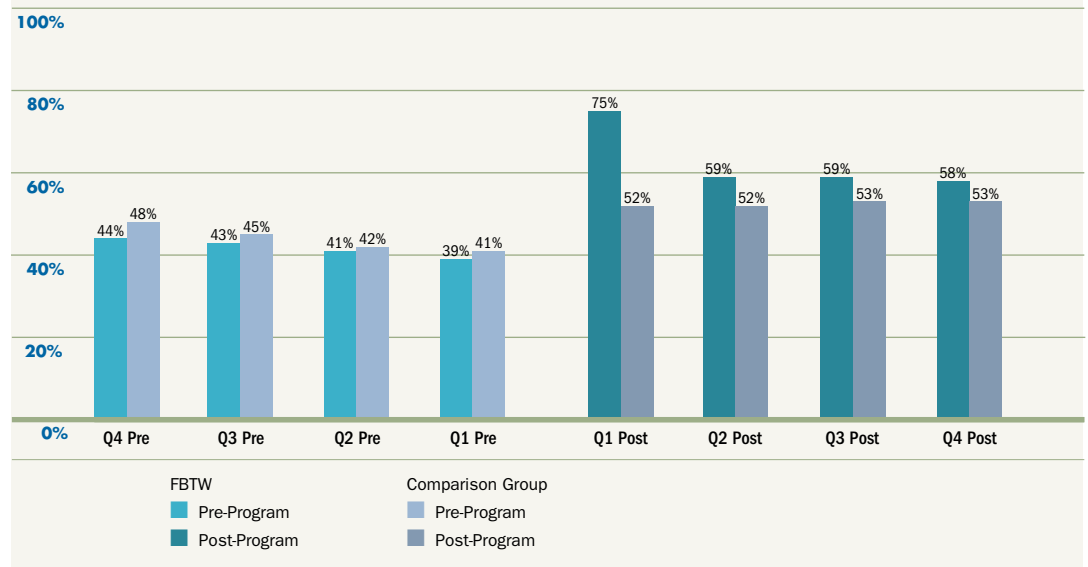
As described in Chapter 2, Florida officials provided employment and earnings data for a group of 16,204 job seekers who were deemed eligible for the Back to Work program but never placed in subsidized jobs. These job seekers were nearly identical to the Back to Work participants in terms of their demographic characteristics, levels of education, and target group (that is, TANF-eligible versus other low-income job seekers).<sup>25</sup> The two groups were also similar in terms of employment rates and earnings in the four quarters prior to the start of the program. Given the similarities in the groups' background characteristics and their motivations to seek employment, the non-participants' outcomes provide a strong indicator of what may have happened to the Back to Work participants in the absence of the program and, therefore, are useful for assessing the program's impact on participants.

As shown in [figure 4.60](#), both the Back to Work participants and the comparison group of non-participants had higher employment rates in each quarter of the year after the program than in the year before. The percent of Back to Work participants employed in the first quarter after the program ended was substantially higher than the percent of non-participants employed (75 percent versus 52 percent). The percent of participants who were employed decreased in the second quarter after the program to 59 percent but remained greater than the percent of non-participants who were employed through the fourth quarter post-program at statistically significant levels.

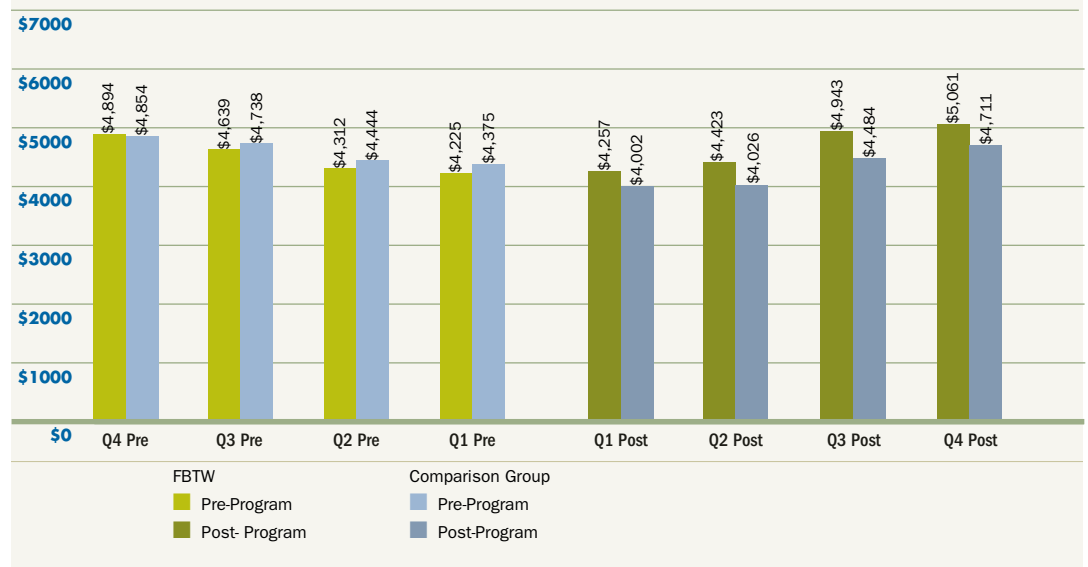
Earnings among the Back to Work participants who were employed increased during each quarter after the program, surpassing their pre-program quarterly earnings by the third quarter post-program (see [Figure 4.61](#)). The earnings of employed Back to Work participants were significantly greater than the earnings of non-participants in each quarter during the year after the program.

Looking at annual earnings among all participants, including those with zero earnings, Back to Work participants' earnings increased by 52 percent between the year before and the year after the program (see [Figure 4.62](#)). Comparatively,

**Figure 4.60** Quarterly Employment Rates Pre- and Post-Program for Florida Back to Work (FBTW) Participants and Comparison Group Members

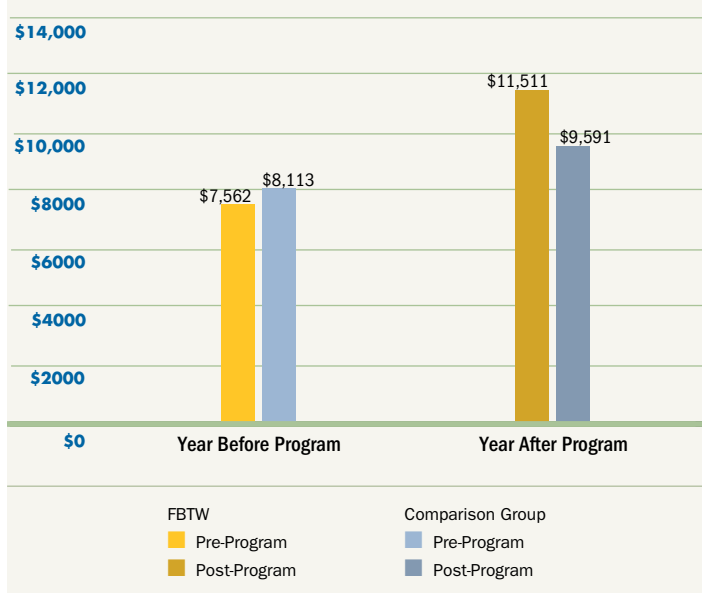


**Figure 4.61** Average Quarterly Earnings Pre- and Post-Program among Employed Florida Back to Work (FBTW) Participants and Comparison Group Members



non-participants' earnings increased by only 18 percent. In the year after the program ended, participants earned nearly \$2,000 more than non-participants. While the differences in earnings cannot definitively be attributed to the program, the results demonstrate that job seekers who worked in subsidized jobs through the Back to Work program had better employment and earnings outcomes in the year after the program than similar job seekers who did not take part in the program.

**Figure 4.62** Average Annual Earnings Among All Florida Back to Work (FBTW) Participants and Comparison Group Members

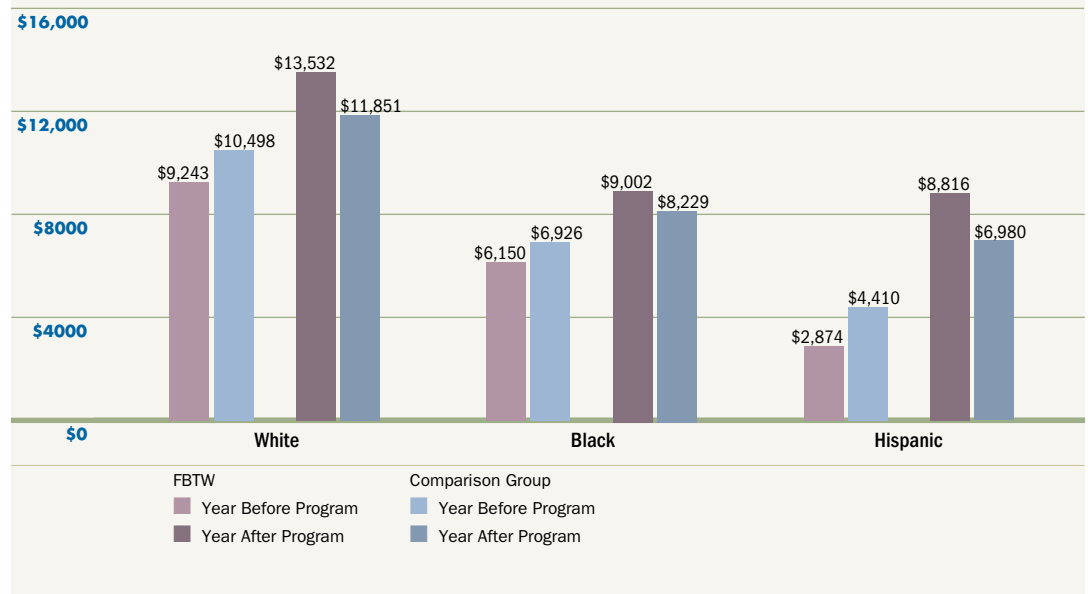


## Outcomes for Florida Back to Work Participant Subgroups

We examined differences in outcomes for subgroups of Back to Work participants and compared their outcomes to their counterparts in the non-participant group. There were no significant differences in employment rates or changes in earnings between male and female Back to Work participants. Participants younger than age 50 experienced greater increases in employment and earnings than those who were age 50 or older. Participants' pre- and post-program earnings increased with their education levels. Those with a bachelor's degree had significantly greater increases in annual earnings from the year before to the year after the program than did participants without a high school diploma. The change in earnings for participants with a high school diploma or some college was not significantly different than the change for those with no high school diploma.

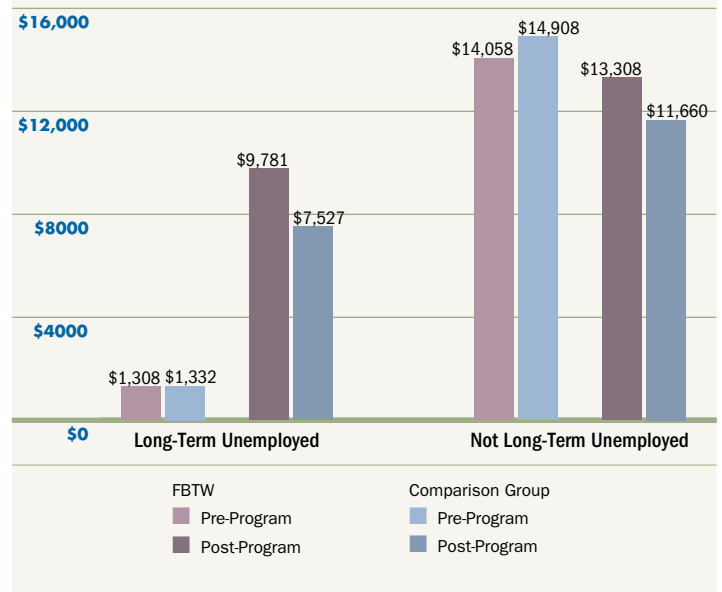
White participants earned more than Black participants and experienced significantly greater increases in annual earnings from the year before to the year after program participation (see [Figure 4.63](#)). Hispanic participants, who accounted for only six percent of the Back to Work participants, also experienced larger increases in annual earnings than Black participants. All of the participant subgroups we examined by gender, race, age, and education had significantly greater increases in employment and earnings than their counterparts in the comparison group of non-participants.

As noted earlier, half of the Florida Back to Work participants were among the long-term unemployed when they entered the program. Just over half (52 percent) of these individuals were still working four quarters after the Back to Work program

**Figure 4.63** Average Annual Earnings Pre- and Post-Program by Race/Ethnicity

ended, compared to 45 percent of comparison group members who were long-term unemployed. The annual earnings of long-term unemployed participants increased substantially from \$1,308 in the year prior to program entry to \$9,781 in the year after the program ended (see [Figure 4.64](#)). On average, long-term unemployed Back to Work participants earned \$2,254 more than those who did not participate in the program. While the earnings among Back to Work participants who had

worked more recently decreased slightly over time, their earnings in the year after the program ended were \$1,648 greater than those of the comparison group. The results suggest that the increase in annual earnings found among all participants was driven largely by increases in the earnings of the long-term unemployed participants.

**Figure 4.64** Average Annual Earnings Pre- and Post-Program by Long-Term Unemployment Status

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## Conclusions

The Florida Back to Work participants experienced significantly greater increases in employment and earnings than a comparison group of similar individuals who did not take part in subsidized employment. The evidence suggests that Florida's subsidized employment model was an effective strategy for helping unemployed, low-income individuals move into employment and increase their earnings at a time when the state's economy continued to struggle to recover from the recession. All of the participant subgroups we examined, by gender, race, age, education levels, and long-term unemployment status, fared better than their counterparts in the comparison group of non-participants. The results indicate that the program was particularly beneficial to individuals who were among the long-term unemployed when they started the program.



# Implications and Conclusions

Our evaluation demonstrates that states were quickly able to launch subsidized employment strategies that employed large numbers of unemployed workers, helping them earn immediate income at a time when unemployment rates were historically high. The flexibility of the ARRA funding allowed for wide variations in program goals, job seeker eligibility, the lengths and depths of subsidies, and required employer commitments. The public representatives we interviewed typically were proud of the programs they created, regretful that the stimulus funds had been discontinued, and enthusiastic about the promise of subsidized employment strategies. The employers we surveyed felt similarly.

Our findings lead to the following conclusions:

- Subsidized employment programs can have a significant positive impact on low-income job seekers' employment and earnings. In Florida, where we have information about the outcomes of a strong comparison group of individuals who were eligible for but did not take part in subsidized employment, program participants experienced significantly greater increases in unsubsidized employment and earnings in the year after the program than members of the comparison group did.
- Participants in three of the other four study sites had similar increases in unsubsidized employment and earnings as those experienced by participants in Florida, although in these locations, we do not have employment and earnings data for comparison groups. The results show that workers participating in different types of subsidized employment programs experienced positive outcomes.
- Employers across the states we examined said they generated jobs that would not have existed otherwise, suggesting that subsidized employment programs can help stimulate business growth. Employers also saw benefits to their bottom line and were eager to participate in similar subsidized employment programs in the future.
- The subsidized employment programs we studied offered particular benefits to job seekers who have been unemployed for more than six months. In most sites, a large part of the changes in participant earnings from the year before to the year after program participation were driven by improvements made among these long-term unemployed workers.
- Individuals with significant barriers to employment, including TANF recipients and those with criminal records, experienced large increases in unsubsidized employment and earnings from the year before to the year after participating in the programs.

The findings also suggest some lessons for policymakers and practitioners designing subsidized employment programs.

- While the details of the programs varied, the sites we studied implemented subsidized employment programs that followed one of two basic models. In one, subsidized workers were hired by employers, earned prevailing wages for their jobs, and did not receive support beyond assistance obtaining a subsidized job. In the other, subsidized workers were on the payroll of a third party rather than the employer where they performed the work, were paid a fixed wage, and received job readiness training and counseling to help them succeed in their subsidized positions and transition to unsubsidized employment. Workers in both types of program models experienced increases in unsubsidized employment and earnings after participating in the programs.
- Subsidized workers were more likely to be retained by their employers after the subsidy period ended if the programs required employers to place subsidized workers on their payrolls, offered partial or stepped-down subsidies that required employers to begin partly covering wages soon after employment began, and set expectations that employers retain workers who perform well.
- Programs that placed subsidized workers on the payroll of a third party intermediary and required minimal commitment from the employer where the work was performed were able to serve more disadvantaged participants, including more long-term unemployed participants, TANF recipients, and individuals with criminal convictions. While retention rates by the subsidized employers were lower in these programs than in programs where employers hired subsidized workers directly, participants in these programs experienced substantial increases in unsubsidized employment rates from the year before to the year after program participation, indicating that many participants found unsubsidized employment elsewhere after working in subsidized positions.
- When programs did not ask employers to commit to retaining workers after the subsidy period ended, participant outcomes were better where the programs provided workers individualized assistance with obtaining unsubsidized employment and subcontractors received monetary incentives for making unsubsidized placements. Post-program employment rates in such programs were also better when the hourly wages participants earned in the subsidized jobs were lower. In order to promote the transition to unsubsidized employment, when setting wage rates for subsidized jobs or limits on the wages of jobs that are eligible for subsidies, programs should consider whether participants can obtain unsubsidized employment at similar or better wages either on their own or with the assistance of program staff.
- Across the sites, employers reported retaining 37 percent of the subsidized workers after the subsidy period ended, and the most common reasons given for not retaining workers were poor attendance and other performance issues.

Program designers may need to build more supports into subsidized employment programs for workers with limited work histories to help them succeed on the job and to increase post-subsidy retention. The most common supports needed, according to employers, were child care, transportation, coaching on communication skills, and computer training.

- All of the sites were successful in engaging for-profit employers in the programs, and these employers were more likely than non-profits and public agencies to retain workers after the subsidy period ended. For-profits were also more willing to participate in programs that offered partial subsidies.
- Non-profits and public agencies may be more willing to take on workers with less work experience and education than their typical employees, providing opportunities for those more disadvantaged in the labor market to gain work experience. However, they were less likely to have the resources to keep the workers on after the subsidies ended.

In sum, the results of the comparison group analysis in Florida and the similar gains participants realized at the other study sites suggest that subsidized employment can be an effective strategy for helping unemployed, low-income individuals move into employment and increase their earnings. Unlike subsidized employment programs of the past that relied on public sector employment, the EF-supported programs engaged the private sector in creating job opportunities, and private employers realized substantial benefits from participating in the programs. The findings are particularly important for the nation's millions of long-term unemployed workers, including those who lost jobs as a result of the economic downturn and those who face barriers to employment due to limited work histories and skills. As evidence grows that these workers are still being shunned by employers due to the amount of time they have been out of work, the findings suggest that subsidized employment may be able to provide the boost that many need to re-enter the regular labor market.

## Endnotes

1. Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.t12.htm>.
2. See <http://www.nationaljournal.com/congress/the-poorly-attended-hearing-on-one-of-the-economy-s-toughest-problems-20130424>
3. We did not conduct the survey in Florida because the program ended two years earlier, raising concerns about employers' abilities to recall information, and because the state did not keep centralized employer contact information.
4. The primary reasons non-participants were not placed in subsidized jobs included the EF program period ending before placement, their skills or interests did not match the available subsidized positions, or they found unsubsidized employment on their own.
5. See Appendix B for a complete breakdown of the characteristics of the Back to Work participants and non-participants.
6. In this report we refer to workers who had been unemployed for more than 26 weeks as the long-term unemployed. However, this definition differs from the government's definition of long-term unemployed, which only counts individuals who were in the labor market by virtue of having looked for a job in the past four weeks and who were unemployed for more than 26 weeks. We do not have data on whether participants had been looking for work.
7. Wisconsin's TJ program began in September 2010 and continued beyond the September 30, 2010 expiration of the EF programs in the other sites.
8. Data on total earnings from the subsidized positions were not available at the time of our request from Wisconsin and Florida.
9. Earnings in Figure 2.11 are for the entire group of program participants, including those who had zero earnings in one or both time periods.
10. Our analysis focuses on participants who were placed and finished the program by June 2011, for whom we have four quarters of post-program employment and earnings information.
11. The OJT program is not included in the analysis of the experiences of program participants because it began too late to have information available on post-program outcomes.
12. Data on the subsidized workers' hourly wages or earnings were not available at the time of Mobility's request.
13. See Appendix A for a description of the employer sample selection methodology.
14. For all JobsNOW tiers, our analysis includes participants who had four quarters of post-program employment and earnings data available for the EF group and two quarters of post-program data for the post-EF group.
15. Low-income participants are those who qualified for the program because their income was up to 200 percent of the federal poverty line (FPL).
16. Information on age was missing from the data for a significant portion of post-EF participants.
17. The JobsNOW program continued to operate after June 2011. Our analysis of post-EF program outcomes focuses on participants who exited the program by December 2011, because at least two quarters of post-program employment data are available for these participants.
18. Information on age is missing from the data for a significant portion of the post-EF participants.
19. The post-EF program sample is too small to conduct the subgroup analysis.
20. See [http://www.thedailydemocrat.com/index.php?option=com\\_content&task=view&id=3247&Itemid=2](http://www.thedailydemocrat.com/index.php?option=com_content&task=view&id=3247&Itemid=2)
21. See <http://www.governorbarbour.com/news/2009/sep/15.9.09mississippisteps.html>
22. This analysis focuses on participants in the STEPS program operated with EF money. Participants in STEPS II finished the program too late for us to examine post-program employment and earnings outcomes.
23. See [http://www.epi.org/press/news\\_from\\_epi\\_african\\_american\\_unemployment\\_rate\\_in\\_mississippi\\_significant/](http://www.epi.org/press/news_from_epi_african_american_unemployment_rate_in_mississippi_significant/).
24. Information about the length of the subsidized placements or total earnings from the subsidized jobs is not available in Florida.
25. See Appendix B for a complete breakdown of the characteristics of the Back to Work participants and nonparticipants.

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## Appendix A: Methodology

### Job Seeker Data

We obtained data about the job seekers who participated in the subsidized employment programs from the state agencies that administered the programs. The agencies matched data collected by the programs on participants' demographic characteristics and subsidized employment experiences to quarterly earnings data, as reported by employers to each state's unemployment insurance system. The state quarterly earnings data covered a period from 2008 to the most recent available quarter, which in most cases was the second quarter of 2012. We limited the sample to participants who had exited the programs early enough to have at least a year of post-program quarterly earnings data available.

### Data Cleaning and Creation of Analysis Variables

We recoded the demographic and programmatic variables provided by the sites so that each dataset conformed as much as possible to the formats used by the other participating sites. This consistency enabled us to compare the variables and results across sites. We performed routine cleaning of the data, including the removal of outliers following common conventions, including ages less than 16 or more than 75 years, and hourly wages below the legal minimum wage or extremely high in relation to the wage distribution for the site. We used the variables provided by the sites to calculate the measures of interest as follows.

- Using the state earnings data, we calculated total annual earnings pre- and post-program based on the four-quarter period immediately preceding program entry and the four-quarter period immediately following program departure. Program entry and program departure dates were based on the start and end dates of the subsidized positions provided by the study sites for each individual. One exception was Florida, where the comparison group did

not have start and end dates, and end dates were not available for the program group. In this case, we used the four quarters of 2009 as the pre-program period and the four quarters of 2011 as the post-program period.

In Wisconsin, Los Angeles and San Francisco, some participants had more than one subsidized position. When participants had two positions that lasted more than a month with a gap of less than a year between them, we used the start date of the first position and the end date of the last position as the dates of program entry and departure. Participants with more than two subsidized positions were excluded from the analysis.

- We calculated whether participants were employed in each quarter pre- and post-program based on whether the participants had any earnings greater than zero reported for the quarter in the state earnings data.
- We calculated whether a participant was among the long-term unemployed based on having no earnings reported in the two quarters immediately preceding program entry using the state earnings data.
- We calculated the number of weeks in subsidized employment based on the start and end dates the programs provided for the subsidized positions. When participants had two subsidized positions, the number of weeks in subsidized employment included the time between the positions.

### Subgroup Analysis

To examine whether differences in outcomes for subgroups of participants were statistically significant, we relied on multivariate analysis, including the following:

- One linear regression for each site, using the log of the earnings in the four quarters after program departure as the dependent variable.
- Two logistic regressions for each site, with the dependent variables of employment in the first and fourth quarters following program departure.
- For two sites, Mississippi and Wisconsin, a logistic regression with the dependent variable of retention; that is, employment by the subsidy employer in the quarter immediately following program departure (after the subsidy period ended).

Our inferential models included the following independent variables, where available:

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## Demographic

- Gender
- Race/Ethnicity
- Age
- Total earnings in the four quarters prior to entering the program (logged)
- Long-term unemployment status at the time of program entry
- Education (Florida and Mississippi only)
- Duration of time on public assistance when joining the program (Los Angeles only)
- Felony conviction (Wisconsin only)
- Non-custodial parent (Wisconsin only)

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## Program-related

- Duration of time in the program
- Hourly pay in the subsidized job or total earnings during the subsidy period (logged)
- Size of subsidized employer (Mississippi only)
- Target group—TANF recipient versus individual with children whose family income was less than 200 percent of the federal poverty line (San Francisco only)
- For-profit subsidized employer versus non-profit or public agency (Wisconsin only)
- Subsidized employer is agency operating the program (Wisconsin only)

For purposes of the regression analyses, we used the natural log of earnings and hourly wages, in order to normalize the distribution of these values, which were positively skewed. Since the natural log of zero is infinity, we recoded those with zero earnings as one, resulting in a natural log of zero. For all of the models we used listwise exclusion of missing values, ensuring that at no point did we lose more than 10 percent of the cases for which we had earnings data. Missing cases were not replaced at any point during the analysis.

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## Employer Survey

As noted in the introduction, we conducted a survey with employers who participated in the subsidized employment programs in Mississippi, Wisconsin, Los Angeles, and San Francisco. Eligible employers included those that had had at least one subsidized worker and were still in business when the survey took place between July and October 2012. Each employer in the sample represents a unique business. Where the agencies running the program employed some subsidized workers themselves, these agencies were excluded from the survey sample.

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## Sample Selection

We generally targeted employers who had participated in the programs during the previous year, from July 2011 through June 2012, for whom we expected the sites would have more recent contact information, and where current employees would be more likely to have been involved with the program and to recall experiences with subsidized workers. Los Angeles County and San Francisco officials provided us with full lists of the participating employers from the previous year. In Wisconsin, due to the large number of employers that had participated in the past year, state officials provided us with a random sample of employers across the 17 contractors running the program, oversampling from contractors that worked with a small number of employers. In Mississippi, state officials had local job center staff contact employers who participated during the previous two years (in STEPS 1 and 2) to inform



them of the study and give them the opportunity to opt out of it. The state then provided Mobility the contact information for employers who did not opt out. Given that the sample of employers in Mississippi included only those whom local job center staff were able to contact and that the employers were given the opportunity to opt out, the reader should keep in mind that the Mississippi employer sample was more likely to favor employers who held positive views toward the program than in the sites that provided full lists or a random sample of all employers.

### Survey Administration

We developed and tested the survey instrument in a pilot with 10 employers who had taken part in the Wisconsin program. During the pilot, respondents were encouraged to elaborate on their program experiences and make suggestions regarding the survey questions. Based on the results of the pilot, some items were added to the survey, some were removed, and questions were refined to improve clarity and accuracy. Mobility contracted with Research Support Services (RSS) to administer the survey. RSS hired and trained interviewers to conduct the survey by telephone between July and October 2012. The overall response rate among eligible employers was 79 percent. Figure A1 presents the sample disposition across the four sites.

Figure A1	Final Employer Survey Sample Disposition and Response Rate				
	MS	SF	LA	WI	All
Total employer sample received from sites	130	164	192	450	936
Ineligible-out of business	1	4	2	20	27
Ineligible-had no subsidized workers	1	23	22	35	81
Ineligible-is agency that ran the program	0	0	0	14	14
Ineligible-duplicate contact person	3	3	2	1	9
Total number of eligible employers	125	134	166	380	805
Total number of completed surveys	104	98	131	300	633
Response rate among eligible employers	83%	73%	79%	79%	79%

### Analysis

The employer survey statistics presented in this report for the four study sites combined represent the average of the responses across the four sites so that each site is given equal weight, regardless of its sample size. We cleaned the data to remove data entry errors and outliers. Importantly, we removed entries in which the reported number of subsidized workers was greater than 200. We report two statistics regarding the retention of subsidized workers:

- The first is simply the percentage of employers who reported that they retained at least one subsidized worker after the subsidy period ended.
- The second is the percentage of all subsidized workers who were retained when the subsidy period ended. We calculated this based on three questions in which we asked employers how many subsidized workers they had, how many were still in the subsidy period, if any, and how many workers they retained after the subsidy period ended. We divided the total number of workers that employers reported retaining after the subsidy period ended by the total number of workers who were no longer in the subsidy period. Workers who were still in the subsidy period were excluded from this calculation.

**Weighting.** Our analysis gives equal weight to each employer irrespective of the number of subsidized workers at each business. Another approach is to use weights based on the number of subsidized workers employers had so that those for whom greater program resources were devoted (in the form of subsidies and staff time) are given greater weight in reporting the results. In order to test the effects of weighting the sample in this way on the results, we divided the businesses into categories based on the number of subsidized workers they had and weighted each category by the group average. We performed a sensitivity analysis, trying several variations of categorization by size. We then chose the one that was closest to



reflecting the unaveraged weights while still refraining from using very high numbers at the top. The four final categories were:

- 1 subsidized worker (163 cases), mean: 1
- 2 to 9 subsidized workers (328 cases), mean: 3.8
- 10 to 29 subsidized workers (86 cases), mean: 15.1
- 30 to 200 subsidized workers (31 cases), mean: 63.8

As noted, employers who reported having more than the 200 subsidized workers were excluded from the analysis, due to concerns about the accuracy of the data and under the assumption that many random factors may affect the number of subsidized workers at the very high numbers, and the number of workers hired by the same businesses may be considerably lower at another time.

We re-ran our descriptive analyses with the weights in place. The weighting gave more influence to Mississippi and Los Angeles employers and to for-profits and government agencies. It affected the results in the following ways (compared to the results of the unweighted analysis):

- **The decision to take part in the program.** Employer support increased for every category with the exception of “the opportunity for free or low-cost labor for a few months.” There was a notable increase in support for the category, “a positive experience you’ve had in the past with the agency operating the program.”
- **Subsidized workers’ backgrounds.** When asked to compare the subsidized workers to employees they normally hire for similar positions, the percentages who said the subsidized workers were less likely to be from a minority racial or ethnic group and who said the subsidized workers had more education decreased considerably.
- **Hiring situation.** In regard to their hiring situation when they started participating in the program, the percentage choosing one of the three categories indicating that new jobs were created decreased.

- **Retention.** The percentage of employers retaining any workers increased, while the percentage of all subsidized workers retained decreased.
- **Effect on business operations.** The percentage reporting that the program had positive effects on business operations increased for each item in this series, and the percentage stating that they would participate in the program in the future, if offered, increased.

## Appendix B:

### Florida Back to Work Comparison Group

As noted in the report, state officials in Florida provided us with a comparison group of 16,204 individuals who were deemed eligible for the Back to Work program but did not obtain a subsidized positions before the program ended. We examined demographic and pre-program employment data for this group and

found that they did not differ in significant ways from the program participants when they applied for the program (see Figure B1). The one exception is that Back to Work participants were somewhat more likely to be White and less likely to be African American than the comparison group members.

**Figure B1** Characteristics of the Florida Back to Work Participants and Comparison Group Members

	Program Participants	Comparison Group
<b>Gender</b>		
Female	68.1%	70.5%
Male	31.9%	29.5%
<b>Education</b>		
Less than High School Diploma	5.5%	5.6%
High School Diploma/GED	41.6%	39.3%
Some College	20.5%	20.4%
Associate's Degree or Other Post-Secondary Certificate	17.4%	19.5%
Bachelor's or Graduate Degree	15.0%	15.2%
<b>Ethnicity</b>		
White	41.8%	31.4%
African-American	41.6%	50.4%
Other	2.2%	2.2%
Hispanic	5.5%	6.3%
<b>Age</b>		
Under 30	38.3%	36.8%
30 to 39	32.8%	32.3%
40 to 49	21.7%	23.1%
50 and over	7.2%	7.8%
<b>Long-term unemployed at program entry</b>	50.9%	50.0%

