



SUBSIDIZED EMPLOYMENT

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Introduction

As we consider how CCASSC can best achieve our goal to reduce poverty in our region, it is important to try to help more persons in our communities achieve economic success. CCASSC membership supported SB1084 legislation that would have created a task force in California to focus on the goal of reducing poverty in this state. That legislation was not passed. Members discussed the possibility of introducing new legislation that would combat poverty by supporting subsidized employment. As of June 2010, \$581 million stimulus dollars were spent on subsidized employment programs in the United States.

Literature Review

Subsidized employment programs have existed in the past and so a literature review can be of assistance when looking at what elements of prior programs have been proven to be successful.

Timothy Bartik (2002). *Poverty, Jobs, and Subsidized Employment*.

Bartik suggested that there are not enough jobs in the United States sufficient to employ all the poor who need employment. He cited U.S. labor market data as proof that the United States was short millions of jobs even in the more prosperous economic times. Thus, he suggested that government intervention would be necessary to create new jobs. Bartik's idea was to use subsidized employment in areas such as non profit organizations and small businesses in order to enhance employment opportunities for the poor. He envisioned a program where at least one adult member of a household was able to find full time (2,000 hours) employment. His vision would mean the need for 9 million more jobs in the year 1998. Further, he stated that most research indicated that the number of jobs for those with low education doesn't match the demand created by higher numbers of low educated individuals. Thus, subsidizing employment could be used to boost the number of jobs available for the poor. The author cited some earlier government programs such as WPA and CETA. These were considered successful subsidized employment programs.

Subsidized employment can provide the employee with valuable skills some of which are soft skills such as getting along with others and communicating with their peers, thereby making them more employable. The author noted that subsidized employment programs

may have positive impacts for the participants but could be viewed negatively by a large segment of the population. Some believe that subsidized employment may lead to a reduction of regular public sector jobs.

Bartik further suggested that a subsidized employment program should consider including the following features: Subsidies should be awarded by local boards that would target workers if they would otherwise not be able to find full time employment. Employers would receive subsidies if they commit to paying decent wage, providing training, providing promotional opportunities, and the employer would only get a subsidy for creating a new position. Thus, the subsidized position would not be displacing another individual. The employers should be small businesses or non profits so that the public doesn't see this program as growing big government or promoting the big corporations. Lastly, that most of the subsidies should be time limited and designed to afford the individual with the necessary time to develop needed skills that would make the individual more employable in the open labor market.

Mack A. Storrs, Deborah Chassman, and Jason Turner (2009). *Subsidized Employment Under the TANF Emergency Contingency Fund*.

These authors highlighted provisions of the American Recovery and Reinvestment Act (ARRA) pertaining to TANF which increased funding opportunities for subsidized employment. The authors reported that subsidized jobs can help individuals learn skills that later provide better opportunities to finding work in the regular labor market. Further, subsidized employment allows participants the ability to qualify for earned income tax credits based on these wages. The authors also present different models of subsidized employment described below:

- The New York State model uses a payment structure to the employer that relies on a series of payments to the employer that are based on the length of time the employee remains on the job and moves into an unsubsidized job.
- The State of Washington's Community Jobs Initiative is an example of a program that provides not only work opportunities but skill development for those who are hard to employ. Further, a 2002 evaluation found that there were positive outcomes with this program.

- The state of Georgia's Good Works! Program was cited as being effective with working with persons who were hard to employ. Further, if given the right support people are able to become employed.
- The Hawaii SEE program saw 42% of participants finding full time unsubsidized jobs after going through its program. Hawaii offers a series of payments to employers for retaining the employees. The authors also suggested that one should target jobs that are growing such as the new green jobs or work with the elderly and disabled.

Demetra Smith Nightingale and Robert H. Haveman, Editors (1995). *The Work Alternative: Welfare Reform and the realities of the job market.*

This publication was written fifteen years ago; nevertheless it contains some valuable information that was backed by research. Various authors examined labor market policies and in particular those found to be effective in assisting low wage workers and youth. Throughout the book authors wrote that there is a growing need for persons to have skills (both hard and soft) that will allow them to obtain employment in high wage jobs. They noted that many poor persons have low education and only qualify to work at low wage jobs and such jobs are not sufficient to move the person out of poverty. Thus, long term goals are to encourage youth to remain in school as education is correlated to types of employment. The United States has also seen a decrease in the demand for less skilled and less educated employees. The authors also highlighted various demonstration programs designed to move people into employment. Some evidence found that good employment and training programs can actually raise the earning potential of participants however, these higher earnings failed to make enough of an impact in the poverty status of the participants. Evidence also shows that persons who participated in government provided education and training programs do not see the same levels of improvement in their increased earnings as those who obtained their training/education from the employers themselves.

The authors reported that there have been some attempts at subsidized employment programs since the Depression including the Comprehensive Employment and Training Act (CETA) but found that there are numerous challenges for running a subsidized employment program. One such challenge is that often the public opposes subsidizing employment for fear of displacing workers in unsubsidized jobs. The authors reported how wage subsidies can increase the potential number of persons willing to accept lower paying jobs; however, research shows that it would take a large increase in wages to

create a major change in the labor market. Further, research indicates that during periods of high unemployment, subsidized employment would be hampered due to high numbers of persons being displaced from the employment field. In the past employers have obtained tax credits for hiring the unemployed but these often came with restrictions that kept employers from participation. One option that might have a positive impact on moving people out of poverty would be to utilize the Earned Income Tax Credit (EITC) with some type of subsidized wage that would make low wage employment a viable option.

Clifford Johnson (1998). *Frequently Asked Questions about Public Job Creation*.
Clifford Johnson and Alex Goldenberg (1999). *Work to be Done: Designing Publicly-Funded Jobs to meet Community Needs*.

Two works by Clifford Johnson address a lot of basic issues associated with subsidized employment and highlight some of the key elements of various models. In his 1998 publication, he found that the most successful programs combine work with some type of learning whereby participants obtain skills that enable them to secure regular employment. He also found that subsidized public jobs are most successful if they are used to help participants move up to a regular job and not just used as a mechanism to find them any type of work. Johnson and Alex Goldenberg (1999) later wrote that the general public is opposed to just placing individuals in positions created simply to make work. The general public is more inclined to support paying for programs that help participants move into unsubsidized employment following their subsidized experience. Further, gaining public support can be achieved by placing participants in jobs that are visible or where the community is able to observe noticeable positive gains to their communities. They suggest that any new subsidized public employment program should take into consideration three things: a focus on long term planning; continuous community involvement to ensure that the jobs are meeting the needs of the community; and a focus on finding jobs/careers that participants can enter based on their subsidized work experience. In order to prevent displacement of those already in the labor force, any new subsidized employment program should place participants in positions where they are doing tasks that would not ordinarily be done by anyone.

Allegra Baider and Elizabeth -Lower-Blasch (2009). *Making the Employment Connection: New Opportunities to Support Transitional Jobs Programs using the TANF Emergency Fund.*

These authors addressed the concern about displacement and suggested that policy makers should try to include union representatives in discussions when planning subsidized employment programs. They recommend that the subsidized employment program use several employers so that there is less of a risk that an employer will exclusively use the subsidized employees to run their business rather than using regular employees. Further, they suggest that the wages for subsidized employees should be set at a rate equal to that of employees who do similar jobs

Conclusion

Throughout the literature review it was found that most persons would rather be involved in some type of employment that generates a wage rather than do community work and receive a welfare check. Further, persons who participate in wage based work gain more than just financial benefits for themselves and their families. These participants also develop the soft skills that are essential for obtaining and then maintaining employment. Employment leads to employee's improved self esteem. Subsidized employment also can benefit the employers as they can use the participants to perform work that would not ordinarily be done and may serve as an entry into a regular full time job with the same employer. The community as a whole can benefit from having more of its citizens earning a salary and then spending their money in the community. Another component that seemed to contribute to successful subsidized programs was the formation of strong partnerships among both public and private organizations. Several programs cited the effectiveness of having local community advisory groups. Many of the persons who would benefit from subsidized employment face personal and family hardships that may be barriers to successful employment. Thus, some programs appeared to find success by wrapping around services to participants so that each person got the type of supports they individually needed to get the most out of the subsidized employment experience.

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