

## FACT SHEET

# Working to Reduce Poverty:

## A NATIONAL SUBSIDIZED EMPLOYMENT PROPOSAL

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**S**ubsidized employment (SE) programs that increase labor supply and demand are a proven yet underutilized strategy for reducing poverty in the short and long term. These programs provide workers wage-paying jobs, training, and wraparound services to foster greater labor force attachment while offsetting employers' (public and private) costs for wages, on-the-job training (OJT), and overhead.

A national SE program with dedicated and flexible funding streams could lead to further-reaching gains for the well-being of participating workers and their families, employers, and communities.

In partnership with leading experts, the [Georgetown Center on Poverty & Inequality](#) developed a proposal for a substantial, permanent national SE program. Here are some key facts from the proposal and the importance of SE as an effective anti-poverty strategy:

### PROPOSAL IMPACT ESTIMATE

- ✓ 2.4 million workers employed
- ✓ 7+ million members of their households benefiting

- **Cost-effective strategy** with [bipartisan support](#) that leads to wider benefits for workers, families, employers, and communities.
- **Encourages employers to hire workers they otherwise would not hire.** It can reduce the risk an employer perceives or the cost they may bear from hiring a worker or increasing a worker's earnings, employment, or income.

### Subsidized Employment Works: Building Upon Previous Successes

Past subsidized jobs programs have been relatively 1) temporary and transitional, and 2) part of randomized controlled trials that led to unsubsidized jobs post-program. Most led to [higher employment and income](#) for participating workers while the subsidized position was available. In some longer-lasting programs,

participants remained better off well after program ended.

This proposal builds upon the rich history of successful programs:

- NEW HOPE (WI): 8 years after program entry, showed [positive effects](#) on earnings, employment, poverty, marriage rates, mental health, and child

### National Need for Subsidized Employment

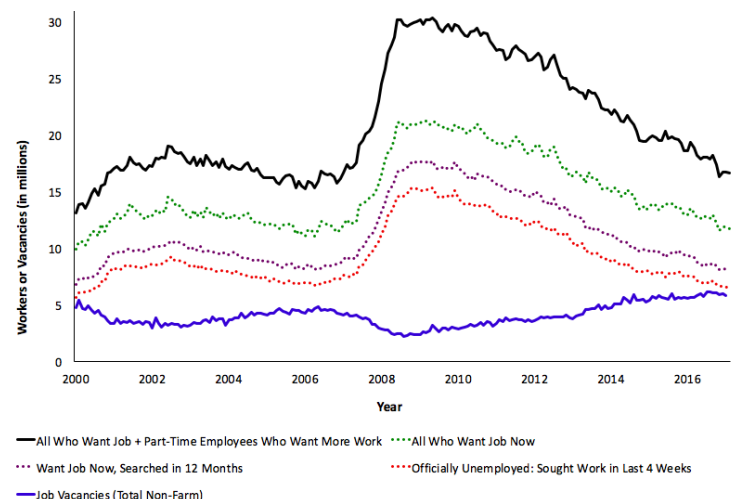
Even when the economy is doing well, there are not enough jobs for all who want to work (see Figure 1). As of January 2018, **14 million U.S. adults are [unemployed](#)**, including:

- Nearly **7 million officially unemployed** (including 1.4 million long-term unemployed), and
- Nearly **7 million not included in the official unemployment rate** (including 1.7 million [discouraged](#) workers or workers facing barriers to employment that make them [marginally attached](#) to labor market, and 5 million [part-time](#) workers for economic reasons who prefer full-time work).

### BENEFITS OF SUBSIDIZED EMPLOYMENT

- **Helps individuals with serious or multiple barriers to employment stay connected to labor market and reduces poverty.** Includes workers with limited education, the formerly incarcerated, workers with disabilities, people in areas of concentrated joblessness, and those facing systemic discrimination.

**Figure 1.** U.S. Job Shortage, Dec. 2000 - Jan. 2018



Source: Authors' calculations based on Bureau of Labor Statistics, 2018.

achievement/behavior. Wraparounds included health insurance, childcare, and earnings supplements.

- CEO (NY): Helped formerly incarcerated; led to [lower recidivism rates](#), especially among those recently released from prison.
- TANF-EF: [Quickly](#) placed thousands into [subsidized jobs](#) during Great Recession [with](#) simple eligibility criteria and a streamlined hiring process.
- HHS' STED: Programs evaluated led to [increased earnings and employment](#), even after program period, such as with [TSE Program](#) in L.A. County.

## Elements of Proposed National Subsidized Jobs Program

### PROGRAM GOALS

1. Give excluded workers chance to **work and earn income**, gain skills for unsubsidized jobs with **OJT**, and access **wraparound services**, such as childcare;
2. **Reduce poverty and improve long-term unsubsidized employment** and other outcomes;
3. **Provide marginalized communities with resources to meet needs**; increase employment rates in communities with high rates of joblessness; and
4. **Provide small businesses and nonprofits a chance to test their growth** through time-limited subsidies.

### PROGRAM STRUCTURE & FUNDING

STRUCTURE: **2-pronged federal strategy**—1) DOL-managed program of grants to states based on a funding formula; and 2) HHS-managed competitive federal grant program for local entities.

- **DOL:** Each state would complete detailed plan specifying how they would use funds in areas with above-average rates of joblessness or poverty.
- **HHS:** Municipalities or private, nonprofit organizations linked to local governments chosen based on ability to recruit target group, provide meaningful work, and teach hard/soft skills.

FUNDING: 2 separate but harmonized dedicated funding streams with generous [federal matching funds](#) for participating states/local organizations.

COST: \$15.9 billion/year, though program could be easily [adjusted](#) to reach fewer or more workers, with costs changing commensurately.

### PROGRAM BENEFITS & DURATION

PAY: At least the prevailing minimum wage in the relevant jurisdiction (\$7.25 or greater).

PLACEMENT LENGTH: 9 months/subsidized job, with exceptions for training.

TIME LIMITS FOR WORKERS & EMPLOYERS: 3 years of SE programs/5-year period (suspended during periods of recession).

### PROGRAM ELIGIBILITY

WORKERS: Must be 18+, eligible to work, and have been unemployed for 60+ days or have earnings below ½ the prevailing minimum wage in past year.

EMPLOYERS: Public, nonprofit, and for-profit employers eligible for subsidies—which would cover up to 120% of wage costs—to offset OJT, benefits, or overhead.

- **Could limit participation to small businesses**, defined as those with fewer than a certain number of employees, or allow firm to offset subsidy limit through unsubsidized wages.

### PROGRAM ESTIMATED OUTCOMES

POVERTY REDUCTION: Would reduce nation's overall poverty rate (SPM), **lifting almost 1 million people out of poverty and almost ½ million out of deep poverty.**

- Participating workers would see their chance of living in poverty fall by 62% (see Figure 2).

EMPLOYMENT: Would employ 2.4 million workers and benefit more than 7 million members of participating workers' households.

**Figure 2.** Estimated Changes to Poverty Rates Under Proposed National Subsidized Employment Program

POVERTY RATE (SPM)*	CURRENT	UNDER PROGRAM
National	14.3%	14%
Poverty Among Participants	35%	20%
Deep Poverty Among Participants (< 50% of Poverty)	14.2%	3.8%

Source: Wimer, Collyer, and Kimberlin, 2018.

\*Supplemental Poverty Measure (SPM). Deep poverty is defined as those with poverty levels less than half the SPM threshold.

This document is a summary adaptation of "Working to Reduce Poverty: A National Subsidized Employment Proposal" by Indivar Dutta-Gupta, Kali Grant, Julie Kerkick, Dan Bloom, and Ajay Chaudry in [The Russell Sage Foundation Journal of the Social Sciences](#), 4(3), 64–83, February 2018. Full article available at <http://www.georgetownpoverty.org/wp-content/uploads/2018/02/RSF-SE-Report.pdf>.

