

Working to Reduce Poverty

A NATIONAL SUBSIDIZED EMPLOYMENT PROPOSAL

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Subsidized 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.

PROPOSAL IMPACT ESTIMATE

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

NATIONAL NEED FOR SUBSIDIZED EMPLOYMENT

Even when official unemployment is low, there are not enough jobs for all who want to work (see Figure 1). As of October 2018, **12.2 million U.S. adults are unemployed**, including:

- Nearly **6.1 million officially unemployed** (including 2.3 million unemployed for 15 weeks or longer), and
- Nearly **6.1 million not included in the official unemployment rate** (including 1.5 million who are [marginally attached](#) to the labor market, and 4.6 million [part-time](#) workers who prefer full-time work for economic reasons).

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

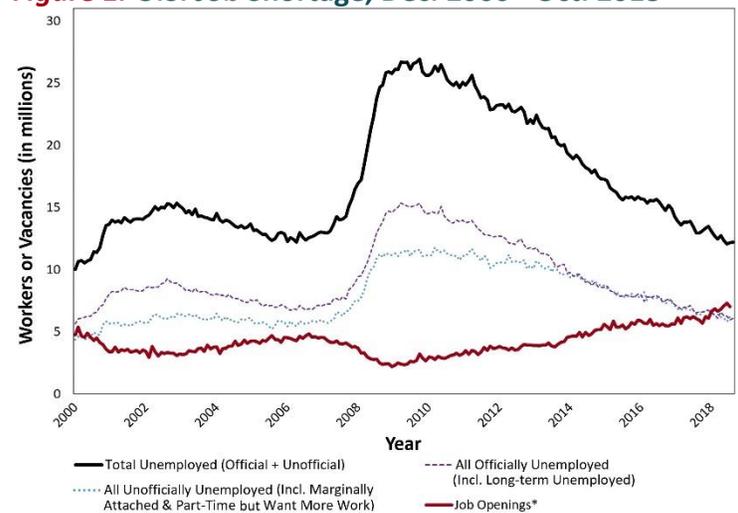
joblessness, and people facing systemic discrimination.

- **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 either hiring a worker or increasing a worker's earnings or hours.

SUBSIDIZED EMPLOYMENT WORKS: BUILDING UPON PREVIOUS SUCCESSES

Past SE programs have been relatively 1) temporary and transitional, or 2) part of randomized controlled trials that rarely led to unsubsidized jobs post-program. Most led to [higher employment and income](#) for participating workers while the subsidized position was available. In some (often longer-lasting and more intensive) programs, participants remained better-off well after the program ended.

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



Source: Authors' calculations based on Bureau of Labor Statistics, 2018. *Data available through September 2018.

This proposal builds upon the rich history of successful SE programs:

- **NEW HOPE (WI)**: 8 years after program entry, showed [positive effects](#) on earnings, employment, poverty, marriage rates, mental health, and child 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.
- DOL's ETJD: **Increased earnings** of people returning from prison and low-income noncustodial parents by as much as \$2,000 to \$3,000 over a year.

ELEMENTS OF PROPOSED NATIONAL SUBSIDIZED JOBS 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.

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: Two separate but harmonized dedicated funding streams with generous **federal matching funds** for participating states/local organizations.

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

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).

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.

ESTIMATED OUTCOMES

POVERTY REDUCTION: Would reduce nation's overall poverty rate, **keeping 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 (NO PROGRAM)	UNDER PROGRAM
National Poverty	14.3%	14%
Poverty Among Participants	35%	20%
Deep Poverty Among Participants	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 Kerksick, Dan Bloom, and Ajay Chaudry in **The Russell Sage Foundation Journal of the Social Sciences**, 4(3), 64–83, February 2018.