

BRIEF

Lessons from New Hope

UPDATING THE SOCIAL CONTRACT FOR WORKING FAMILIES

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KEY TAKEAWAYS

- New Hope provides a blueprint for equipping low-income workers with comprehensive resources to succeed on the job—including on-the-job training & vital wraparound supports like child care.¹
- Subsidized employment, especially when paired with a large-earnings supplement and wraparound supports, is a versatile tool policymakers can utilize throughout the business cycle to address multifaceted challenges & ensure workers have jobs, employers have employees, & communities can recover from the pandemic without leaving anyone behind.
- New Hope demonstrated the power of a new social contract for working families—one with special salience for America’s post-pandemic economic recovery.
- Decades of evidence show subsidized employment-centered approaches benefit workers, employers, & society.

OVERVIEW

Even in the best economic times, there are not enough jobs for all potential workers, and a large swath of workers and jobseekers face persistent, serious, or multiple barriers to employment.^{2,3} The COVID-19 public health and economic crisis exacerbated these challenges and disparities for millions of workers, particularly workers who are Black, Brown, and parents.^{4,5,6,7} **For policymakers looking to address these intertwined issues and ensure an equitable recovery, a work-based package of supports—including subsidized employment, where the government subsidizes all or part of a worker’s wages for a period of time while providing on-the-job training and other vital “wraparound” supports—offers a proven path forward.** Specifically, the

1990s New Hope Project for Families and Children (New Hope)—and nearly a half-century of other work-based programs involving subsidized employment—provides a blueprint for policymakers interested in building back a better, more inclusive economy.

NEW HOPE IMPLEMENTED A PACKAGE OF SUPPORTS TO HELP WORKERS & THEIR FAMILIES THRIVE

Milwaukee’s New Hope Project (1994-1998) connected workers experiencing employment barriers to subsidized jobs, earnings supplements, affordable health care, and child care for up to three years.⁸ For many, New Hope provided jobs and work-based income that the labor market was unable to provide. **The project was based on the belief that all who want to work should have access to jobs and supportive resources that, in conjunction with government transfers, ensure decent living standards.**

New Hope offered all participants a package of four core services and supports (also known as the “New Hope Offer”):⁹

1. A subsidized job (in the form of a wage-paying “community service” job) to any participant who could not otherwise find regular employment for at least 30 hours per week
2. An earnings supplement big enough to ensure that, with the Earned Income Tax Credit (EITC), full-time work typically kept a family out of poverty
3. Affordable health insurance
4. Subsidized child care

NEW HOPE & SIMILAR PROGRAMS HAVE PROVEN EFFECTIVE

Evidence from New Hope and similar programs shows the potential of holistic, work-based approaches to significantly improve employment and family outcomes for participants and their communities, with additional benefits for their employers. **New Hope’s success is largely due to the comprehensive supports the program offered in combination with subsidized jobs, including earnings supplements, job search assistance, and**

subsidized health insurance and child care.¹⁰ New Hope participants, especially women and single mothers of color, found **support in overcoming barriers to employment such as criminal legal system involvement, long periods of unemployment, the need for child care, or lack of a high school diploma or GED certificate.**¹¹

The New Hope Project was tested through a rigorous evaluation process, both during the three years after random assignment, as well as over the five years following the program's end.¹² At each stage, the findings confirmed the program's comprehensive approach had significant and long-lasting positive effects for various stakeholders as compared to the control group.¹³ Decades of evidence from dozens of other subsidized employment programs with comprehensive or holistic wraparound supports, some of which are highlighted below, also support these findings.¹⁴

IMPACTS ON WORKERS

During the New Hope program, participants experienced positive economic impacts, including increases in their employment, earnings, and income.¹⁵ **As a result, the poverty rate among participants and their families decreased.**¹⁶ Even two years after the end of the program, New Hope workers continued to have higher wages in non-subsidized jobs than the control group and fewer New Hope families had very low incomes.¹⁷

IMPACTS ON FAMILIES

Researchers following families of New Hope participants found significant long-term positive impacts on child well-being and families overall. Through year two of the program, New Hope families were less likely to spend lengths of time without health insurance or report unmet medical or dental needs.¹⁸ Three years after random assignment, New Hope families reported better health, participants' children were more engaged in school and less likely to repeat a grade or receive poor grades, and adolescents were more likely to engage in employment and career preparation.¹⁹ Five years after random assignment, participants were married at higher rates and were more aware of community resources for housing or legal issues.²⁰ New Hope was especially effective in improving school performance and behavior for boys.²¹ Researchers also found New Hope improved childrens' out-of-school environments.²² Eight years after New Hope started, children were spending more time in supervised out-of-school activities.²³

Another subsidized jobs program within the recent U.S. Department of Labor-led Enhanced Transitional Jobs

Demonstration (ETJD), TransitionsSF, had similar positive effects on families: participants became likelier to pay child support, which can affect child well-being.^{24, 25, 26}

IMPACTS ON SOCIETY

Aside from jobs, **programs that make work pay have other positive impacts for communities and local economies.** New Hope saved more in other public spending than the entire cost of the program due to the improved behavior of boys in New Hope's participating families.²⁷

Other programs that combined subsidized employment with holistic wraparound supports have also led to reduced criminal legal system involvement for participating workers. Chicago's Bridges to Pathways included a three-month paid work experience and supportive services such as case management and transportation assistance. Targeted to youth, this model had demonstrated positive effects on education, training, and employment services.²⁸ As a result of Bridges to Pathways' holistic approach, participants were significantly less likely to interact with the criminal legal system for felony crimes.²⁹ The ETJD subsidized jobs program in Indianapolis, Workforce Inc.'s RecycleForce, also produced consistent, significant reductions in recidivism among the high-risk-for-recidivism population the program served.³⁰

Subsidized employment programs have also benefited employers. Through Michigan's Earn and Learn program employers experienced reduced costs for hiring new workers, higher productivity, and better financial well-being and customer satisfaction.³¹ When surveyed, employers responded that their most important reason for participating in Earn and Learn was 1) finding workers for reduced costs using the wage subsidy, 2) testing new workers for free or reduced costs with possibility of hiring, and 3) helping community residents.³² Subsidized employment allows employers to improve their businesses and connect to the community.

POLICYMAKERS SHOULD FUND A NEW HOPE-STYLE, WORK-BASED PACKAGE OF SUPPORTS

New Hope was designed to be scalable and adaptable. Backed and informed by decades of supportive evidence from other programs involving subsidized employment and strong wraparound supports, it holds many lessons for how federal, state, and local policymakers should structure domestic economic security policy to mitigate the pandemic's harm to the economy and address long-

standing, structural failures of the labor market to include all workers.³³

LESSON I

A national, permanent program offering subsidized employment and work-based supports would be a powerful countercyclical tool for policymakers to rapidly address the needs of millions of workers and employers in the U.S. both during this current crisis and in future ones. During the 2007-2009 financial crisis, 39 states employed 260,000 people through subsidized jobs.³⁴ Subsidized employment has the Biden Administration's support; Congress should permanently fund a national subsidized jobs program, as outlined in the Jobs for Economic Recovery Act and the Long-Term Unemployment Elimination Act.^{35, 36, 37}

LESSON II

New Hope and other holistic programs with subsidized employment components enjoy bipartisan support, and offer a path forward for meeting shared goals of economic prosperity through effective and proven policy interventions. These packages of policies truly make work available, and make work pay. This is a social contract that makes sense to most people.^{38, 39, 40}

LESSON III

A New Hope-like approach is replicable and sustainable. Models like New Hope can be implemented in communities across the country. A national program would allow nonprofits, government entities, and private businesses in communities across the country to participate in subsidized employment, receiving funding for hiring new workers. Employers who participate in subsidized employment have the immediate benefit of expanding their business at lower costs and risks, and the longer-term benefit of strengthening their respective communities' workforces.

LESSON IV

Earnings supplements for workers, especially when offered with subsidized employment and other wraparounds, are crucial for reducing poverty and increasing opportunity and well-being. Workers and their families thrive when they have access to living-wage jobs and periodic earnings supplements.^{41, 42} New Hope's earnings supplement policy—a combination of federal and state EITC payments plus the program's own carefully tailored earning supplement—provided evidence of the value of making earnings supplements more universal,

bigger, and periodically available to workers throughout the year to meet both everyday and occasional expenses in addition to a one-time lump sum. Long-term unemployed workers and the most-marginalized workers experiencing the greatest barriers to employment could use subsidized employment to raise their earnings and income in the short-term and employment in the longer term; reduce poverty levels; and improve health and education outcomes for themselves and their children.⁴³

LESSON V

Programs like New Hope that offer subsidized employment alongside vital wraparound supports are adaptable and versatile. New Hope and similar programs involving subsidized employment offer holistic, flexible approaches to addressing an array of unique community, employer, and individual worker needs throughout the business cycle. For small businesses in particular, subsidized employment presents a low-risk chance to test out a growth in the business and train new hires at a low cost. In the long-term, employers will all benefit from the expanded labor pool as workers transition from subsidized jobs to non-subsidized roles.⁴⁴

LESSON VI

A New Hope-like approach would provide the flexibility to tailor support to communities most affected by the pandemic and recession. Black and Brown individuals and their communities were disproportionately impacted by the COVID-19 health and economic crisis, and faced disproportionate discrimination in the labor market and other systemic challenges long before the crisis.^{45, 46} A holistic, New Hope-like approach would go far in ensuring more equitable outcomes that center the needs of Black, Brown, and other marginalized workers who are or have been left out of the labor market.

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