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Special Series: Economic Recovery Watch

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## WITH 100,000 NEWLY CREATED SUBSIDIZED JOBS AT STAKE, IT'S CRITICAL TO EXTEND AND EXPAND TANF EMERGENCY FUND AS PART OF NEW JOBS BILL

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The Senate should include President Obama's proposal to extend for one year and modestly expand the TANF Emergency Fund in the bill it is crafting to respond to historically high unemployment and weak consumer demand. If the Senate fails to include this measure, a program that is providing many unemployed, low-income parents with subsidized private-sector jobs at a very economical cost per job will end at a time when the number of long-term unemployed is at its highest level in at least half a century.

### **Program Has Demonstrated Success at Creating Jobs Efficiently**

The TANF Emergency Fund, created by the American Recovery and Reinvestment Act of 2009 (ARRA), has enabled states across the country to develop subsidized jobs programs for low-income parents and young adults, most of them in the private sector.

*This program is creating jobs at a lower cost per job than virtually any other measure Congress is considering.* This is because the Fund generally subsidizes only part of a job's wages, the wage levels for the subsidized jobs are low, and the administrative costs generally are small. Moreover, because all of the people working at the subsidized jobs have very low incomes, they quickly spend virtually all of the wages they receive on goods and services, further boosting the economy.

More than 30 states are (or soon will be) using these Emergency Funds to create subsidized jobs. By this summer, these programs will have provided subsidies for *more than 100,000 jobs* — and that number could grow substantially with more time and money.<sup>1</sup>

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<sup>1</sup> This figure is based on data collected from 22 states that have been approved for funding to operate a subsidized employment program or are planning to implement a program in the near future. Data were collected by staff from CBPP, the Center for Law and Social Policy, and the National Transitional Jobs Network between January 28 and February 16.

## **Jobs Will Start Disappearing This Spring Unless Congress Extends Program**

The Fund is set to expire on September 30, 2010, at a time when unemployment is expected still to be at or near double-digit levels and growing numbers of people will have exhausted their unemployment benefits. Unless Congress extends the Fund soon, few states will continue their subsidized employment programs beyond September 30, and many of the 100,000 jobs created will be lost.

Some of the jobs will start disappearing this spring and summer — well *before* September 30. Employers typically do not want low-wage workers who would be with them for only a month or two because it takes time for new hires to learn their jobs. Accordingly, most people are placed in these job slots for a period such as six months. Many employers who participate in these programs will cease to accept new workers for subsidized jobs well before September 30, if they expect the program to terminate on that date and subsidize no wages paid after that.

Because of the program's success in creating these subsidized jobs and the continued high joblessness and economic weakness, President Obama has proposed extending the Fund through September 30, 2011 and modestly increasing its funding, at a cost of \$2.5 billion. If Congress adopts this proposal, the number of subsidized job placements will grow as states with these programs maintain or expand them and additional states institute them.

## **Emergency Fund Is Unique Among Jobs Proposals Under Consideration**

Two features of the TANF Emergency Fund make it unique among the jobs proposals Congress is considering. First, it is targeted to low-income parents and youth, many of whom encounter severe difficulty obtaining a job during times of very high unemployment. And because these families have such low incomes, nearly all of the money they earn goes back into the economy immediately, boosting demand for goods and services that businesses produce.

Second, the Emergency Fund provides states with great flexibility to design employment approaches that respond to their particular circumstances. States have tailored these programs so they are creating jobs in urban and rural communities alike. They are using existing infrastructures to identify and screen potential employees and to recruit employers to participate, keeping the costs of program administration low. Almost every dollar spent ends up in the hands of a family who would otherwise be unemployed.

## **Swift Action Is Essential**

Extending the TANF Emergency Fund would allow states to build on their current efforts, maximize the investments they have already made, and create more jobs at a very economical cost. But Congress must act swiftly. Otherwise, some states plan to begin ramping down their programs this spring by ceasing to fill subsidized job slots as they become available. Other states just getting their programs started will create smaller programs than they would if they knew the funding would be available for a longer period. Acting now to extend and expand this modest, efficient, and effective program is one of the best “bang-for-the-buck” steps that policymakers can take to preserve and create jobs.