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Subsidized Jobs:
Providing Paid Employment Opportunities When the Labor Market Fails

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In the very tight labor market of the late 1990s, employment among some of the most disadvantaged individuals reached levels never seen before. For example, of working-age never-married mothers with a high school education or less, 76 percent worked in 2000, up from 51 percent in 1992.[1] But even then, labor demand was not sufficient for everyone in the labor force to find work — almost one-quarter of this group did not work at all during the year even though many of them faced significant pressure from welfare agencies to do so. A large-scale national subsidized employment program — in which the government creates jobs and pays the wages of individuals who are unable to find work in the regular paid labor market — may offer the best opportunity for filling this gap. The recent experience of states implementing subsidized jobs programs with funding from the Temporary Assistance for Needy Families Emergency Fund (TANF EF) [2] demonstrates that, with adequate funding, states are capable of operating such programs and have the ability to get them up and running quickly.[3] A recent study of several of the TANF EF subsidized employment programs provides evidence that these programs increased employment and earnings not only while individuals worked in a subsidized job but also after the program ended.[4]

We also know from recent experience that these programs can be operated at a reasonable cost, offering a solution that could provide greater benefits than costs over the long term. Assuming an average cost of $10,000 per subsidized job, an investment of $1 billion per year could cover the creation of about 100,000 subsidized jobs each lasting an average of six months and paying about $10 per hour. Under the TANF EF, some states provided subsidized jobs at much lower cost, so a $1 billion investment could potentially create even more subsidized placements. (See Appendix Table 1.) Funds from the regular TANF

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[1] Danilo Trisi, "The Myth That Single Mothers Don't Work," Center on Budget and Policy Priorities *Off the Charts* blog, October 9, 2012, http://www.offthechartsblog.org/the-myth-that-single-mothers-dont-work/.

[2] Statutory language refers to the "Emergency Contingency Fund" but, to avoid confusion with the TANF Contingency Fund, which was created in 1996 when the TANF block grant was created, the U.S. Department of Health and Human Services referred to this fund as the Emergency Fund, a convention that we follow.

[3] LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, "Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund," Center on Budget and Policy Priorities and the Center for Law and Social Policy, 2011, http://www.cbpp.org/cms/?fa=view&id=3400.

[4] Ann Roder and Mark Elliott, *Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs* (New York: Economic Mobility Corporation), 2013.

Contingency Fund, which was created in 1996 to provide extra funds to states during times of economic need and is currently funded at $612 million per year, and the Work Opportunity Tax Credit, which offsets about $1 billion in taxes for businesses that hire individuals deemed hard to employ, could potentially be redirected to offset the costs of such an initiative.

In general, full employment has been the exception rather than the rule in the U.S. economy. Thus, while the current economic situation provides clear evidence for why a subsidized jobs program is needed now, it would be a mistake to think that the benefits of such a program could be realized only during times of exceptionally high and sustained unemployment. Instead, what is needed is a program that expands when the economy is weak and contracts when labor demand is stronger. The current labor force participation rate and the long-term unemployment rate show how much the sluggish economy has taken its toll on American workers. In December 2013, the labor force participation rate was just 62.8 percent, the lowest it has been since 1978, and nearly two-fifths of the unemployed — 3.9 million people — had been looking for work for 27 weeks or longer, a level not seen since the 1940s.[5] Given the current state of the economy, it is likely that many people will be out of work for a long time to come. But even as the economy strengthens, some groups will continue to fare poorly without some additional assistance. These groups include individuals with limited education and work experience, young people making the transition to adulthood, racial and ethnic minorities (especially young African American men), individuals with disabilities, and individuals with a criminal record, among others. A subsidized jobs program could provide paid work opportunities for these individuals when their attempts at finding employment in the regular paid labor market fail, as they often do.

Subsidized jobs programs share three characteristics that make them an attractive component of any agenda to reach full employment. First, subsidized jobs provide a strategy for increasing employment quickly. Second, with proper targeting, the benefits will accrue to the individuals who are least likely to find employment on their own and may increase the chances of these persons of finding unsubsidized employment when the subsidy ends. Third, a federally funded, large-scale subsidized employment program can provide a boost to local economies.

Experience With Federally Funded Subsidized Employment Programs

The circumstances that led to the creation of the first large-scale subsidized employment program were quite similar to the circumstances in which we find ourselves today. The federal government created the Works Progress Administration (WPA) in the 1930s to provide income support to jobless individuals during a time of very high unemployment. At its peak in 1938, the WPA provided jobs for 3.3 million unemployed Americans, about 6 percent of the workforce. The workers hired through the WPA built 617,000 miles of roads, 124,000 bridges and viaducts, and 35,000 buildings.[6] During the same period the Civilian Conservation Corps hired 500,000 young men to preserve natural resources.[7] Both programs ended in the early 1940s, after the Great Depression ended.

The next national subsidized jobs program of substantial size was the Public Sector Employment component of the Comprehensive Employment and Training Act, created about 30 years later, in 1973. The program started out small, operating in areas of high unemployment, and grew as the economy

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[5] All numbers in this section are taken from "Statement by Chad Stone, Chief Economist, on the December Employment Report," Center on Budget and Policy Priorities, January 2014, http://www.cbpp.org/cms/index.cfm?fa=view&id=4076.

[6] Clifford Johnson, "Shattering the Myth of Failure: Promising Findings From Ten Public Job Creation Initiatives," Center on Budget and Policy Priorities, December 22, 1997, http://www.cbpp.org/cms/index.cfm?fa=archivePage&id=1222jobcr.htm.

[7] "Civilian Conservation Corps Legacy," www.ccclegacy.org.

weakened. At its peak, it employed more than 700,000 individuals in state and local government positions.[8] The primary goal of the program was to provide employment to individuals who would otherwise have remained unemployed.

The TANF EF, our most recent experience with a national subsidized jobs program, was included in the 2009 American Recovery and Reinvestment Act (ARRA) to help states cover the costs of providing assistance to low-income families suffering from the effects of the downturn. Unlike the earlier subsidized employment programs, the TANF EF was not a program but instead was a funding stream that states could use to provide subsidized employment as well as ongoing cash assistance and non-recurring emergency assistance to help people weather the downturn. In spite of having relatively little recent experience operating subsidized jobs programs, states seized this opportunity and placed about 260,000 low-income individuals in subsidized jobs in less than two years.

The TANF EF operated as a federal-state partnership; the federal government provided the majority of funds, and states and localities designed and operated the programs. The flexibility afforded states proved to be one of the fund's greatest assets. Federal funds were available to cover 80 percent of a state's *increased* costs. This meant states had to spend *more* on needy families to obtain the funds and had to cover 20 percent of the increased expenditures with other funding sources (including other TANF funds). States could count as state spending the employer costs to supervise and train subsidized employees, a rule which made it possible for states to operate a subsidized employment program with minimal financial resources beyond the federal funds available from the EF.[9] Since few states had subsidized employment programs in place prior to the advent of the TANF EF, it was easy for them to meet the increased spending test.

In all, 39 states, the District of Columbia, Puerto Rico, the Virgin Islands, and eight Tribal TANF programs received approval to use $1.3 billion from the fund to create new subsidized employment programs or expand existing ones. States used the TANF EF funds to operate programs for both adults and youth. A total of 33 states operated programs targeted to adults, and 24 states and the District of Columbia operated programs targeted to youth.[10] The 260,000 subsidized job placements were split almost equally between year-round programs that served mostly adults and summer and year-round programs that served youth (up to age 24). California, Illinois, Pennsylvania, and Texas operated the largest programs, each placing more than 20,000 individuals in subsidized jobs. Illinois operated the largest year-round program, placing almost 30,000 adults in subsidized jobs in less than six months. California and Texas operated the largest summer youth programs, placing about 27,000 and 22,000 youth in jobs, respectively. Pennsylvania's placements were almost equally split between adults (14,000) and youth (13,000).

While all of the large-scale subsidized employment programs described above were implemented during times of weak labor demand, other smaller, more targeted programs have been implemented at various times since the 1970s to provide employment opportunities to individuals who have difficulty finding employment regardless of the condition of the labor market. These programs, often referred to as transitional jobs (TJ) programs, differ from large subsidized employment programs in a number of ways. First, although they often have been part of a federal initiative, the smaller programs are usually locally designed and operated, and the result is a wide range of program designs and structures. Second, they are

[8] Johnson.

[9] Supervision and training expenses up to 25 percent of the costs of wages could be claimed without explicit documentation on the costs of training and supervision. Actual expenses exceeding 25 percent could be claimed only with explicit documentation of the costs.

[10] Pavetti et al.

narrowly targeted, often serving one specific group of individuals such as welfare recipients, ex-offenders, or disconnected youth. Third, they serve a developmental purpose in that they are designed to improve participants' employability by providing them with paid work experience that will help build work skills. Fourth, these programs almost always provide substantial support to help individuals address their employment barriers and stay employed. Examples of early programs that served welfare recipients include the National Supported Work Demonstration and the Aid to Families with Dependent Children Homemaker Home Health Aid Demonstration.[11] More recently, the federal government has provided special funding to help states launch initiatives for ex-offenders and non-custodial parents. In 2000, a national coalition of non-profits formed the National Transitional Jobs Network (NTJN) to support the development of transitional jobs programs. The NTJN continues to play an important role in helping to launch new transitional jobs programs and improve existing ones.[12]

States' and Localities' Experience With Subsidized Employment Programs

Over the years, some states and localities have played a leadership role in creating subsidized employment programs. In the 1980s Minnesota operated what is likely the largest state-funded and initiated program, the Minnesota Employment and Economic Development (MEED) program, which was created to both expand the supply of jobs available to unemployed residents in the wake of a deep and prolonged recession and to help small businesses that had the potential to expand their operations but lacked the resources to hire additional employees and tap potential new markets. MEED placed about 19,000 unemployed individuals in jobs, more than two-thirds of them in the private sector. More than half of the participating employers reported they could not have expanded their payrolls without the MEED subsidies.[13] From a state perspective, this program was larger than most of the programs operated through the TANF EF.

As a part of efforts to shift the focus of their public assistance programs to work, some state and county welfare agencies have used their regular TANF funds to create subsidized employment programs for individuals who have not been successful at finding unsubsidized employment. States that have operated ongoing subsidized employment programs include Washington, Minnesota, Oregon, California (some counties), and New York (some counties and New York City).

The New Hope Project, implemented in Milwaukee as a companion to welfare reform efforts in Wisconsin, provides a notable example of a program that included subsidized employment as part of a comprehensive package of work supports. The project offered residents of two low-income neighborhoods earnings supplements, child care assistance, and health care coverage on the condition that they worked 30 hours per week. Individuals who could not find employment were guaranteed a subsidized community service job for 30 hours per week, enabling them to receive all the work supports provided to others who worked in unsubsidized jobs for the same number of hours. Poverty rates declined among families that participated in the program, and employment and earnings increased among participants who were not initially working full time.[14]

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[11] Dan Bloom, "Transitional Jobs: Backgrounds, Program Models, and Evaluation Evidence," MDRC, February 2010, http://supportinghealthymarriage.org/publications/553/full.pdf.

[12] Information on the National Transitional Jobs Network can be found at http://www.heartlandalliance.org/ntjn/.

[13] Johnson.

[14] Greg J. Duncan, Aletha C. Huston, and Thomas S. Weisner, *Higher Ground: New Hope for the Working Poor and Their Children* (New York: Russell Sage Foundation), 2008.

Recently, states have shown new interest in funding and operating their own subsidized employment programs. (See Appendix Table 2.) In some states, these investments are the first investments states have ever made in subsidized employment programs, while in others, they represent major expansions of smaller initiatives. Three states — Nebraska, Minnesota, and California — are creating new or expanding existing subsidized employment programs targeted to TANF recipients. Colorado, Connecticut, and Rhode Island target their programs to broader groups of unemployed individuals.

What Do We Know About the Success of Subsidized Employment Programs?

Over the years, subsidized employment programs have been designed with different goals, and so the measures used to determine whether a program is deemed a success or failure will differ based on the program's intent. For example, the primary goal of the TANF EF was to provide paid jobs to low-income individuals during the recession, when the number of unemployed individuals soared. Thus, the primary measure of its success is the extent to which the programs created increased the employment and earnings of participants through the provision of a subsidized job. On the other hand, transitional jobs programs serve a developmental purpose in that they are intended to increase participants' employability by building their work experience and skills. Key success measures for these latter programs include increases in employment and earnings *after* the subsidized placement ends in addition to increases during the period in which the subsidized job is provided.

Fortunately, a number of high-quality evaluations have been completed that provide evidence of the effectiveness of these programs. (The majority of these studies use random assignment, the gold standard for evaluating program effectiveness, but a few use comparison groups or before-and-after comparisons.) The earliest rigorous evaluations are of small subsidized employment programs from the mid-1970s and 1980s that were targeted to hard-to-employ individuals.[15] The most recent is a study of the TANF EF subsidized jobs programs.[16] The Department of Health and Human Services and the Department of Labor also each have new random assignment evaluations of multiple subsidized employment programs underway.

Regardless of program design or time period, all of the available studies find significant increases in employment and earnings when a subsidized job is provided.[17] The consistent findings across multiple studies provide strong evidence that subsidized employment programs are an effective strategy for boosting employment in the short term for individuals who would not otherwise be employed.

The evidence on whether subsidized employment programs improve employment and earnings after the subsidized earnings is less conclusive. Some studies, including the most recent study of the TANF EF and some of the evaluations of the earliest, more intensive programs targeted to individuals with very limited employment prospects, find significant improvements in employment and earnings after the subsidy ends. However, a number of recent studies that were primarily targeted to TANF recipients and ex-offenders have not shown the same positive long-term impacts as did the earlier studies. In a review of the evidence, Dan Bloom, a researcher at MDRC who has led several studies of subsidized and transitional jobs programs, concluded that the most effective programs seem to be those with strong links to unsubsidized

[15] Bloom.

[16] Roder and Elliott.

[17] All of the information in this section on program effectiveness is taken from Bloom.

employment. He also notes that programs targeted to women have produced better results than programs targeted to men.[18]

Because of the scale of the TANF EF and its relevance given the current economic climate, the findings from its recent evaluation are worth describing in some detail. This study, conducted by the Economic Mobility Corporation, looked closely at subsidized employment programs funded through the TANF EF in five different locations: Los Angeles, San Francisco, Mississippi, Wisconsin, and Florida. Some of the programs continued on a modified basis after the ARRA funds expired; others were discontinued. In each of the five sites, the researchers were able to track the unsubsidized employment and earnings experience of those who participated in subsidized jobs for a year prior to the start of and a year after the end of the subsidized placement; in four sites they were able to conduct surveys with employers who participated in the program. In Florida, they were able to compare the experiences of participants with a comparison group that applied for the program but was not placed in a subsidized job. Key findings from the study include the following:

- **Participation in subsidized employment led to increased employment and increased earnings.** Participants in four of the five study sites experienced a substantial increase in unsubsidized employment from the year before to the year after participating in the subsidized employment program. In Florida, program participants and members of the comparison group both had higher earnings in the year after the program than in the year before the program started, but the increases were significantly higher for individuals who participated in a subsidized job than for those who did not — a $4,000 increase in annual earnings versus $1,500.
- **The long-term unemployed benefited the most from participation in a subsidized job.** All of the individuals who participated in subsidized jobs in the study sites were unemployed, and many were long-term unemployed, that is, unemployed for longer than 26 weeks. The long-term unemployed group experienced substantial increases in earnings a year after ending participation in a subsidized employment position as compared to earnings from a year before participation. For example, in Mississippi, the long-term unemployed participants had average annual earnings of over $8,000 one year after the subsidized job ended, a significant increase from the average annual earnings of less than $1,000 a year before the placement. For those who were not long-term unemployed, the increase in earnings was substantially less but nevertheless large, from $6,500 the year before participation in the program to $10,000 in the year after, or $3,500.
- **Participants with significant barriers to employment benefited from participating in a subsidized program.** Individuals with significant employment barriers to employment, including TANF recipients and those with criminal records, experienced large increases in unsubsidized employment and earnings from the year before to the year after participating in the programs. For example, in Wisconsin, among targeted non-custodial parents, many of whom had criminal backgrounds, employment increased from 25 percent in the year prior to participation to 40 percent in the year after.
- **Most employers created jobs that would not have existed otherwise.** Sixty-three percent of employers across the study sites said they generated jobs that would not have otherwise existed. Employers saw benefits to their businesses and were eager to participate in similar employment programs in the future.

[18] Bloom.

What Do These Programs Look Like on the Ground?

States took full advantage of the flexibility the TANF EF afforded them, thereby providing a natural laboratory for learning about diverse options for designing subsidized employment programs. The programs differed on a number of dimensions, including how they were administered, the type of employment placements offered, and the amount of the subsidy and how and for how long it was provided. A key factor that distinguished the programs from one another was who actually paid the employee's wages. In the largest programs, an intermediary acted as the employer of record. (In some places, the intermediary was a non-profit such as Goodwill, while in others it was the local Workforce Investment Board.) Intermediaries were responsible for recruiting participants, developing placements, and paying wages. They also sometimes provided supportive services to the participants. In a second model, employers were responsible for hiring, supervising, and paying wages. These programs treated employers like contractors who billed the operating agency for the participants' wages and wage-related costs. While both models relied heavily on private-sector employers, the latter model relied on them more.

The programs varied substantially on the amount of wages they paid program participants and the extent to which they paid all or part of the employers' costs. While some programs paid the prevailing wage, others played a flat amount, usually somewhere between the minimum wage and $10 per hour. Most programs paid the full wage for the duration of the placement, but a few paid the full cost of wages in the early months of the placement then paid a declining portion in the remaining months. (See Appendix Table 1.) These differences resulted in a wide range of program costs. The programs were not targeted to any particular industries or occupations; placements were determined largely by which employers were willing to provide jobs to the program participants. Often, employers had only one or two subsidized employees working for them.

The following examples illustrate alternative program designs:

- **Florida Back to Work** was administered at the local level by regional workforce boards that entered into direct agreements with employers for each individual the employer hired. The program placed individuals in jobs with for-profit, non-profit, and government agencies at the prevailing wage for the occupation, up to a maximum of $19.51 per hour, and reimbursed employers for 80 to 95 percent of the cost of wages and related payroll costs. An individual could stay in the placement for up to 12 months, but because the program ended when the funding expired, most participants never reached the maximum duration. For-profit agencies were asked to commit to hire, and non-profits were encouraged to do so. The program was targeted to parents with income under 200 percent of the federal poverty level.

- **The Mississippi STEPS** program was administered by the Mississippi Department of Employment Security, the state's labor department. Placements were primarily with private and non-profit employers. The program reimbursed employers for the average wage for the specific job classification plus 11 percent to allow for wage increases. Mississippi used a "step-down" subsidy arrangement that paid 100 percent of wages and allowable payroll costs in the first two months, 75 percent in month three, 50 percent in months four and five, and 25 percent in month six. The program was targeted to parents with incomes below 250 percent of the federal poverty level.

- **Put Illinois to Work** was administered through an intermediary who was responsible for identifying employers (private, public, and non-profit), recruiting workers, and paying their wages. All participants were on the payroll of the intermediary and were paid $10 per hour, regardless of the position. The program was targeted to unemployed and underemployed parents with incomes below

200 percent of the federal poverty level. Illinois also operated a separate program for low-income youth.

Building on Past Experience to Design a New Subsidized Employment Program

It is hard to find flaws with the flexibility states were given under the TANF EF. States created programs that allowed them to build on the administrative structures they had in place and to design programs that fit the circumstances of the populations they chose to serve. This flexibility almost certainly contributed to the TANF EF's success and made it easier for states to get their subsidized employment programs up and running quickly. Without solid evidence that one program design is better than another, a new subsidized jobs program should offer states the same kind of flexibility that the TANF EF afforded them. Still, there are a number of key decisions that were not addressed in the design of the TANF EF that should be addressed in any new program. We discuss these below.

Targeting. The evidence from the TANF EF suggests that the long-term unemployed benefited the most from being placed in a subsidized job. Given that the long-term unemployed make up a substantial share of the unemployed, and that there is some evidence that employers may be reluctant to hire them, the long-term unemployed may benefit even more now than they did in the TANF EF. If these jobs are able to halt the spiraling harms that can accompany long-term unemployment (including everything from lower reemployment wages and lower lifetime earnings to negative impacts on health, family structure, children, and even communities[19]), they could have a positive impact on the economy. When individuals are able to earn a living, they are able to purchase goods and services and in turn create jobs for others and sustain communities.

Allocation of funds to states. The fairest way to allocate resources to states is in proportion to need, measured, for example, by the share of the long-term unemployed in the state's workforce. Data on the number of unemployed and the number of long-term unemployed in each state are readily available, albeit with several months' lag. If the program is targeted to the long-term unemployed, then it would make sense to allocate the financial resources based on the share of long-term unemployed in each state.

State contributions. The TANF EF required states to contribute 20 percent of the costs of their programs, but states could use in-kind contributions as all or part of their match. States were permitted to count as their contribution the cost of supervision and training provided by employers. Without this provision, it is likely that fewer states would have created subsidized employment programs. At the time the TANF EF was created, state budgets were in horrible shape, and states did not have the resources to take on new financial responsibilities. However, state budgets are in far better shape now than they were at the height of the recession, so states may be more able to contribute a portion of the costs of the program. One possible way to create a state-federal partnership that takes into account state circumstances would be to require a state contribution with a process for waiving or reducing it if the state's unemployment rate reaches a certain level, say 6.5 percent. This requirement would strike a balance that would require states to contribute to the costs of operating the program when they have the financial resources to do so while making it feasible for them to operate a program without contributing to its cost when the program is most needed.

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[19] Austin Nichols, Josh Mitchell, and Stephan Lindner, *Consequences of Long-Term Unemployment* (Washington, DC: Urban Institute), 2013, http://www.urban.org/UploadedPDF/412887-consequences-of-long-term-unemployment.pdf.

Funding. In the current political and economic climate, a new subsidized jobs program is unlikely to be created without some way to pay for it. Two options have been proposed. Analysts at the Center on Budget and Policy Priorities have recommended redirecting funds from the TANF Emergency Contingency Fund to create a dedicated funding stream for a new subsidized jobs program.[20] The Contingency Fund is funded at $612 million per year; over two years the fund would provide about the same level of resources that states requested to operate their programs under the TANF EF. The Contingency Fund was created to provide extra resources to states during economic downturns, but states can use the funds for any TANF purpose, and it does not appear that the states that receive the funds have targeted them to programs designed to lessen the impact of the downturn on low-income families with children. Although it may be possible to garner bipartisan support for redirecting the TANF Contingency Funds to create a new well-targeted subsidized employment program, the 20 states that currently receive Contingency Funds are likely to resist such a change as it would constrain their use of the funds and most likely reduce the amount of funds they receive.

As another option, Elizabeth Lower-Basch of the Center for Law and Social Policy has recommended offsetting the costs of a new subsidized employment program by eliminating the Work Opportunity Tax Credit (WOTC).[21] This tax credit provides more than a billion dollars per year in tax breaks to businesses that hire members of certain disadvantaged groups. In her proposal, she notes that studies have found that the WOTC has little effect on hiring choices or retention, although it may have modest positive effects on the earnings of qualifying workers at participating firms. The available data suggest that most of the benefit of the credit go to large firms in high turnover, low-wage industries. Many of the firms use intermediaries to identify eligible workers and complete required paperwork, and evidence suggests the firms likely would have hired the same workers in the absence of the credit.

Displacement of existing workers. Displacement is a common concern around the creation of subsidized jobs. Programs have largely addressed this problem by requiring employers to sign an agreement indicating that the person they are hiring is not displacing an existing employee. Programs that hope to use wage subsidies to spur employment growth reserve subsidies for new positions, but these more narrowly targeted programs are not very common. Often, programs that use a subsidy to encourage employers to hire someone they might not otherwise hire avoid abuse of the subsidy by requiring employers to keep the subsidized employee on as a regular employee when the subsidy ends.

Conclusion

The experience of the TANF EF provides important lessons for both policymakers and program operators. The most basic lesson is simply that subsidized employment programs can be an effective way to place low-income workers in jobs when the workers cannot find unsubsidized employment. Program administrators were uniformly positive about their experience operating the subsidized employment programs. Prior to this experience, many administrators had doubts about whether either unemployed workers or employers would be interested in a subsidized employment program; the TANF EF proved that the answer to both questions was a resounding yes. Democrats and Republicans alike embraced the

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[20] Liz Schott and LaDonna Pavetti, "Redesigning the Contingency Fund to Make it More Effective," Center on Budget and Policy Priorities, 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3512.

[21] Elizabeth Lower-Basch, "Rethinking Work Opportunity: From Tax Credits to Subsidized Job Placements," *Big Ideas for Job Creation,* Center for Law and Social Policy, 2011, http://www.clasp.org/resources-and-publications/publication-1/Big-Ideas-for-Job-Creation-Rethinking-Work-Opportunity.pdf.

program, and it provided a bright spot in many communities during what was otherwise a dismal moment in our history. The program ended too soon, and it is worthy of a second chance.

Appendix

Table 1

Illustrative Examples of the Costs Associated With Subsidizing Wages

State	Maximum wage eligible for reimbursement	Amount of wage subsidized	Coverage of payroll costs: FICA, unemployment tax (UT), and worker's compensation (WC)	Maximum hours per week	Total cost (six-month placement with maximum allowable wage)[c]	Total cost (six-month placement with wage capped at $10)
Alabama	$15	100%	Employee portion of FICA	40	$16,780	$11,187
Florida	$19.51	100%	FICA, UT, and WC	40	$23,849	$12,226
Illinois	$10	100%	FICA and WC	40	$11,551	$11, 551
Mississippi	$17.92[a]	100% in month 1 & 2 75% in month 3 50% in month 4 & 5 25% in month 6	FICA	40	$13,365	$7,457
Oklahoma	$12[b]	100% in month 1 50% in months 2-4 (balance of subsidy for months 2-4 paid if employee still working in month 10)	None	40	$8,313 with incentive $5,196 without incentive	$6,928 with incentive $4,330 without incentive
Pennsylvania	$13	100%	None	40	$13,510	$10,392
South Carolina	$7.25[b]	100%	FICA, UT, and WC	20	$4,432	$4,432
Texas	No maximum specified	Flat subsidy of $2,000 over four months	Employer can use $2,000 or a portion of it to cover payroll costs	No maximum specified	$2000	$2,000
Washington	$8.55	100%	FICA, UT, and WC	20	$5,227 (20 hours)	$5,227 (wages at $8.55)

[a] The state pays up to the average wage plus 11 percent to allow for wage increases for the specific job classification. This wage amount is the average wage for all workers for all occupations plus the 11 percent.

[b] Participants may be placed in jobs that pay more than the maximum wage eligible for reimbursement. When this is the case, employers pay the difference between the wage paid to the employee and the amount reimbursed by the program.

[c] We use 4.33 weeks per month to calculate the total cost for the six months.

Source: Pavetti et al.

Table 2		
Recent State-Funded Subsidized Employment Programs		
State	**Total Funding**	**Target Population**
California	$134.1 million proposed for fiscal year 2015, up from $39.3 million allocated for fiscal year 2014	TANF recipients
Colorado	$2.4 million for two years	Non-custodial parents, veterans, and displaced workers 50 years or older; all must have incomes below 150 percent of the federal poverty line
Connecticut	Funding for two separate programs, one at $10 million and one at $3.6 million	Unemployed in high unemployment areas or large population center, family income less than or equal to 250 percent of the federal poverty line
Minnesota	$2.2 million per year for two years (starting in July 2014)	Long-term TANF recipients
Nebraska	$1 million per year for two years (starting in July 2014)	TANF recipients
Rhode Island	$1.25 million	Unemployed adults and college students; funds also to be used to establish non-trade apprenticeship program

Source: Data collected directly from state budget documents, program announcements, and press releases by the author.