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## Subsidized Jobs: Helping Americans Get Back To Work

Office of the Vice President

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## Subsidized Jobs: Helping Americans Get Back To Work

### Abstract

[Excerpt] The Middle Class Task Force has always been careful to include those who aspire to rise into the middle class as an important target of our efforts. Upward mobility for families who work hard and play by the rules is a fundamental American value, and part of our mandate is to promote such mobility for less-advantaged families.

Of course, how these families fare is in large part dependent on the jobs available to their working members. In this case, the fact that unemployment has been particularly elevated for low-income households means that as usual, the recent recession has been hardest on the least well off.

One program from the American Recovery and Reinvestment Act that has been particularly effective at reaching these workers is the subsidized jobs program included in the Temporary Assistance for Needy Families (TANF) program. This program is helping tens of thousands of low-income families get back to work in what, even with recent gains, remains a tough job market. It is helping employers by offsetting the costs of hiring. And it is helping communities by putting more money in the pockets of folks who will spend their paychecks, creating ripple or multiplier effects leading to more economic activity and jobs.

In the interest of building on the nascent jobs recovery in progress, extending this program, which sunsets at the end of this September, is an Obama Administration priority. As more states stand up these efficient programs to the benefit of workers, employers, and their communities, we encourage Congress to act quickly and take advantage of the positive momentum behind this subsidized jobs program.

### Keywords

Middle Class Task Force, upward mobility, economic growth, subsidized employment, public policy

### Comments

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## **Subsidized Jobs: Helping Americans Get Back To Work**

### **Introduction**

The Middle Class Task Force has always been careful to include those who aspire to rise into the middle class as an important target of our efforts. Upward mobility for families who work hard and play by the rules is a fundamental American value, and part of our mandate is to promote such mobility for less-advantaged families.

Of course, how these families fare is in large part dependent on the jobs available to their working members. In this case, the fact that unemployment has been particularly elevated for low-income households means that as usual, the recent recession has been hardest on the least well off.<sup>1</sup>

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<sup>1</sup> See Andrew Sum et al, "Labor Underutilization Problems of U.S. Workers Across Household Income Groups at the End of the Great Recession." Center for Labor Market Studies, Northeastern University. February 2010. Available at: [http://www.clms.neu.edu/publication/documents/Labor\\_Underutilization\\_Problems\\_of\\_U.pdf](http://www.clms.neu.edu/publication/documents/Labor_Underutilization_Problems_of_U.pdf).

## **An Efficient Jobs Creator**

The central objective of the American Recovery and Reinvestment Act was to help America get back to work. The Act was passed just weeks into the Obama administration, when job losses were occurring at truly alarming rates—in the first three months of last year, the job market shed over two million jobs.

We still have a very long way to go to repair damage of this magnitude, but we're clearly on the right track. Employment is up, on net, in five of the last six months, and up by over 500,000 over the past two months. Moreover, it is widely agreed upon that the Recovery Act played—and continues to play—an instrumental role in this jobs turnaround. The Act has created or saved about 2.5 million jobs through the first quarter of this year and is on track to add another one million by the end of the year.

The subsidized jobs program that is the subject of this brief is one lesser-known but highly successful part of the Recovery Act's job creation policies. The Act created a \$5 billion TANF Emergency Contingency Fund from which states can draw funds to reimburse 80 percent of increased costs in three areas: basic assistance, short-term benefits and services, and subsidized jobs for members of low-income families. The subsidized jobs can be with private-sector employers, non-profit organizations, or government, and can be for members of low-income families whether or not they're receiving TANF assistance.<sup>2</sup>

While the law did not require states to create subsidized jobs programs, 31 states have chosen to do so thus far, and according to the most recent [study](#), these programs will have placed 186,000 people in jobs by the end of September.<sup>3</sup> The program's momentum is also evident in the increased share of spending on jobs relative to the other uses of these funds. When the program began, subsidized jobs accounted for well under 10% of the spending from the fund. Most recently, jobs accounted for almost 60%.

What kinds of jobs are they? Reports from the field find workers in clerical jobs, health care, auto repair, maintenance, landscaping, internet archiving, catering, dry cleaning, marketing, sales, and many other blue and white collar occupations.

While states are not required to report on the characteristics of the jobs that recipients attain through this program, we are able to examine the characteristics of persons who have received TANF benefits. Their characteristics—income and education levels, gender, race and ethnicity—are likely to be similar to those with jobs through the subsidized jobs program. To

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<sup>2</sup> As anticipated, the principal uses of the Emergency Fund have been to help states meet increased costs for basic assistance and short-term help, but along with these, the Fund has led to a dramatic expansion of subsidized employment efforts in states and communities across the country.

<sup>3</sup> The states with approved applications for SJ programs are Alabama, California, Colorado, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Montana, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, and Wisconsin.

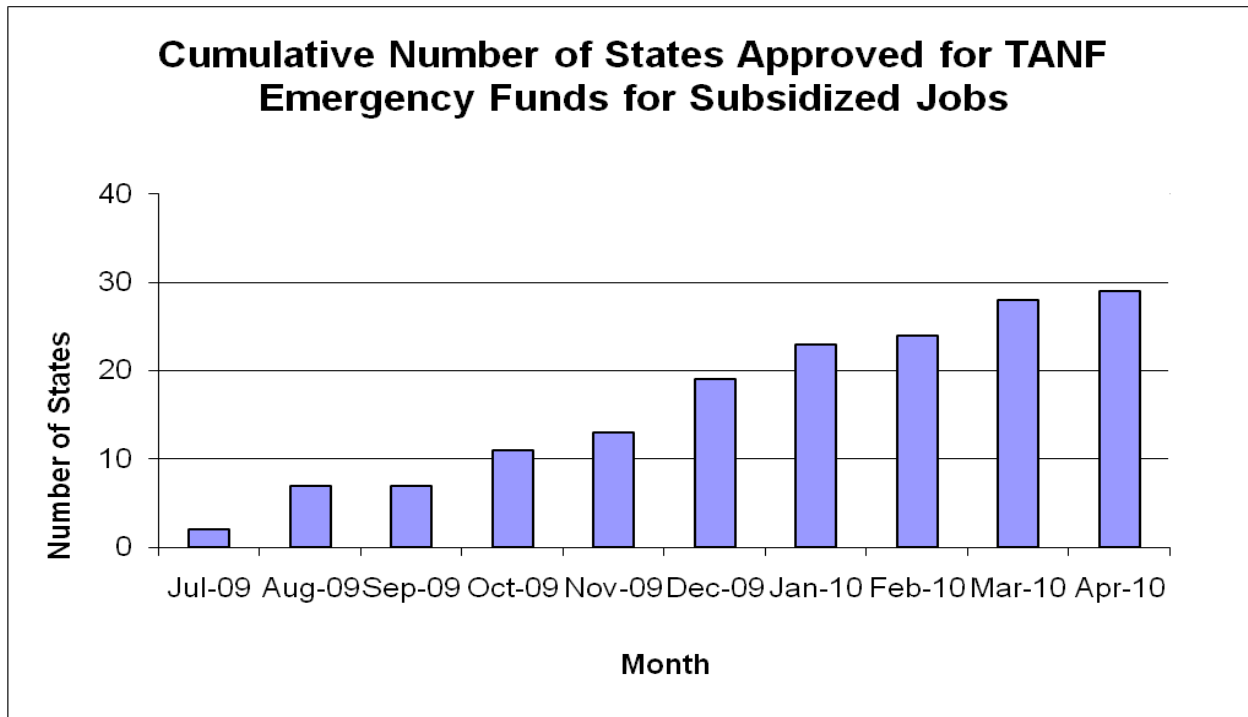
improve the accuracy of the comparison, we weight the underlying data by the state spending shares of the subsidized jobs program, meaning that states with relatively larger programs are over-represented in the following comparisons. Still, while we refer to the subsidized jobs population in the following analysis, available data only refers to TANF recipients.

- Compared to the general population, the TANF subsidized jobs population has lower income. Almost 90% have family incomes below \$25,000, compared to less than 10% of the total population.
- Women are over-represented in the TANF subsidized jobs population, which is 83% female, compared to 52% in the overall population.
- The subsidized jobs population is 37% African-American compared to 12% in the general population; Hispanics are slightly over-represented (18% of subsidized jobs population compared to 14% in the total population. Whites are under-represented, 40% of the subsidized jobs population versus 69% of the total.
- The TANF subsidized jobs population is younger, with 60% 20-40 years old, compared to 35% of the total.

### **The Need to Extend**

Because the Recovery Act is a temporary stimulus designed to boost job creation through a period of great labor market distress, programs in the Act sunset according to a preset schedule. However, if a program is still needed after its assigned shutoff date—September 30, 2010 in the case of subsidized jobs—policy-makers can extend it. Given the effectiveness of the program, its benefits to its recipients, their employers, and their communities, along with the clear need for more jobs, the Obama administration strongly supports extending the program.

In fact, as more states have learned about the subsidized jobs program, its use has increased significantly, as shown in the graph below. This is a testament to the program's effectiveness and administrative simplicity, and to the benefits of linking people who need jobs with employers who benefit from a subsidized worker at a time of considerable economic uncertainty.



But this trend also means that if funding ends, not only will these programs will shut down, but states that were on the verge of setting up programs will not do so. In fact, researchers report that states with subsidized jobs programs are already cutting them back, or planning to do so, based on the sunset date of September 30, 2010. According to one study of this phenomenon, “San Bernardino and Los Angeles counties plan to stop placing people in subsidized jobs on March 31 and May 31, respectively. New York State is planning to stop making job placements during the summer.”<sup>4</sup> While some employers will take over the costs of these workers when the funding ends, surely many of these low-income workers will once again face joblessness.

The economic case for keeping the program going is clear: employers are just beginning to hire and could use the break on labor costs; low-income workers still face disproportionately high unemployment rates; and communities still need the multiplier boost from the extra spending generated by these jobs. The fact that many states have the program up-and-running—and are preparing to take it down if funding expires—has led policy makers in the House of Representatives to include a one-year extension to the subsidized jobs program as part of their job creation initiatives (see [H.R. 4213](#)).

As President Obama has stressed, we need to be doing more, not less, to promote job growth right now, to build off of the nascent jobs recovery and get Americans back to work. These subsidized jobs are an important part of that jobs agenda, one that reaches some of our more vulnerable citizens.

<sup>4</sup> Center for Law and Social Policy, “Job Creation: Extending the TANF Emergency Fund Creates Jobs Now.” Available at: <http://www.clasp.org/admin/site/publications/files/Emergency-Fund-Extension.pdf>.