# FRAMEWORK FOR AN EQUITY-CENTERED NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM



#### PREPARED BY:

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HEARTLAND ALLIANCE | RESEARCH & POLICY DIVISION



# HEARTLAND ALLIANCE RESEARCH & POLICY DIVISION

Heartland Alliance, one of the world's leading anti-poverty organizations, works in communities in the United States and abroad to advance economic opportunity, safety and justice, an health and healing for people living in poverty and extreme poverty.

In addition to providing a comprehensive array of services in the areas of healthcare, housing, jobs, and justice, achieving equity and opportunity means we must break down the systemic barriers that prevent people from achieving their full potential and implement innovative, bold strategies that create new opportunities. For over 30 years, Heartland Alliance's Research & Policy Division has been doing just that. We have been at the forefront of the most relevant, transformative social research and public policy changes of our time.

Our research gives leaders rigorous information to make the best decisions, because we know that the social sector needs innovation, continuous learning, and accountability. Our policy advocacy provides expertly crafted, strategic administrative and legislative solutions that are rooted in the experiences of directly impacted individuals and reflect the ever-changing social and political landscape. Our initiatives are broad and inclusive because we know that we can't do this work alone. We are dedicated to producing work centered in equity and inclusivity so that every community we partner with has a voice.

We are researchers, social workers, policy makers, students, educators, and community members dedicated to creating, implementing, and sharing solutions to the root causes of poverty and inequity in our nation. Together, we are working towards a society that is safe, equitable, and creates opportunity for all.

More information about the Research & Policy Division at Heartland Alliance be found <u>here</u>.

# OUR THOUGHT PARTNERS

THIS FRAMEWORK REFLECTS THE PERSPECTIVES AND CONTRIBUTIONS OF NUMEROUS NATIONAL POLICY, ADVOCACY, FIELD BUILDING, ORGANIZING, AND RESEARCH ORGANIZATIONS.



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Brookings Institute, Metropolitan Policy Program | Martha Ross

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Center on Budget and Policy Priorities | Laura Meyer, Donna Pavetti

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National Youth Employment Coalition | Rashuan Bennett, Thomas Showalter

New America, Center on Education and Labor | Mary Alice McCarthy

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REDF | Manie Grewal, Carla Javits, Georgia Rosenberg

Results for America | Kate Tromble

# SUPPORT FOR THIS FRAMEWORK

AS OF JANUARY 2021, THE FOLLOWING ORGANIZATIONS AND INDIVIDUALS WITH AN ORGANIZATIONAL AFFILIATION ENDORSE THIS FRAMEWORK FOR AN EQUITY-CENTERED NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM.

#### **ORGANIZATIONS**

**Bridgeways** 

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Center for Employment Opportunities

<u>Center for Law and Social Policy</u> (CLASP)

Center for Living and Learning

Chicago Jobs Council

**Chrysalis** 

Coalfield Development

<u>FareStart</u>

<u>Funders Together to End Homelessness</u>

Goodwill San Francisco, San Mateo and Marin

Goodwill Southern California

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Hope Works

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Mile High WorkShop

National Women's Law Center

National Youth Employment Coalition

New America, Center on Education & Labor

New Earth Life

<u>PolicyLink</u>

**REDF** 

<u>RecycleForce</u>

Safer Foundation

Seattle Jobs Initiative

Valeo Vocation

#### INDIVIDUALS WITH AN ORGANIZATIONAL AFFILIATION

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Martha Ross, Senior Fellow, <u>Metropolitan Policy Program, Brookings Institute</u>
Carl E. Van Horn, Distinguished Professor of Public Policy and Director <u>John J. Heldrich</u>
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We welcome additional signs on in support of this framework from organizations or individuals with an organizational affiliation. Please contact Caitlin Schnur if you would like to sign on: cschnur@heartlandalliance.org.

# AN **EQUITY-CENTERED** NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM CAN SUPPORT COVID-19 ECONOMIC RECOVERY & OPEN DOORS TO ECONOMIC OPPORTUNITY FOR ALL JOBSEEKERS.

As President-elect Biden and Vice President-elect Harris take office in January 2021, there is a national imperative to address the economic fallout caused by COVID-19. Doing so will require a commitment to enacting bold and large-scale employment solutions that can quickly and efficiently get people working when it is safe to do so as well as ensuring that people who have been left out of and left behind by our labor market have access to economic opportunity. We believe that one effective tool for meeting these goals is to fund and implement an equity-centered national subsidized employment program.

This initiative must be designed to redress deep-seated racial, gender, and other inequities in access to quality employment and economic opportunity that have existed long before COVID-19. These inequities have been baked into our economic and labor market ecosystems, programs, and public policies for far too long. As a result, Black, Latinx, and Indigenous people, people of color, women and especially women of color, immigrants, and youth and young adults have experienced and continue to experience disproportionate rates of economic marginalization.

The national subsidized employment program described here reflects the perspectives and contributions of numerous national policy, advocacy, field building, organizing, and research organizations across the country.

This framework builds on the work of numerous cities and states that have implemented subsidized employment and transitional jobs approaches. The framework also reflects the recent experience of the TANF Emergency Fund through the American Recovery and Reinvestment Act, which placed over 260,000 individuals into subsidized employment during the height of the Great Recession. Additionally, this framework centers equity in order to help ensure that people who historically have been left out of and left behind by our economy have access to employment and economic opportunities through this initiative.

Finally, we have intentionally built this framework off of legislative language in the 116th Congress' Jobs for Economic Recovery Act of 2020 (S.4107; H.R. 8509 (IH)). This bill was introduced in the Senate in June 2020 by Senator Ron Wyden (D-OR) and co-sponsored by Senators Tammy Baldwin (D-WI), Chris Van Hollen (D-MD), Michael Bennet (D-CO), and Cory Booker (D-NJ). A companion bill was introduced in the House of Representatives in October 2020 by Representative Danny K. Davis (D-IL7) and co-sponsored by Representative Gwen Moore (D-WI4).

Drawing from the Jobs for Economic Recovery Act of 2020 as a strong foundation, we believe that the framework offered here more explicitly centers the types of equity-based solutions that this moment demands. This framework is intended to reflect what we believe is the best available thinking about how to structure a large-scale subsidized employment program in the most equitable way. And while no single policy idea will, by itself, redress hundreds of years of economic marginalization faced by communities of color, we believe we have a responsibility to put forward an intentionally inclusive and equity-focused framework which is proportional in scope to mass unemployment, big enough to meet demand, and anchored in our values.

To discuss this framework in more detail, please contact us directly.

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We believe this initiative is one of many that the Biden-Harris Administration should undertake to advance a commitment to economic justice.

In addition to a national subsidized employment program, we urge the Administration to focus attention on cash and rental assistance, health care, paid leave, job quality standards that reach every worker, increasing the federal minimum wage to \$15 per hour, wealth building opportunities for economically marginalized people, ensuring that every person who wants to work has a good job, and addressing structural barriers that deny or limit a person's access to the labor market, among other things.

Centering and advancing these and other economic justice initiatives can address deep-seated inequities in our labor market and strengthen our democratic institutions.

To coordinate federal agencies, align congressional support, and focus this commitment, we believe advancing economic justice should be a priority of the Domestic Policy Council and the National Economic Council.



# **EXECUTIVE SUMMARY**

People living in the United States are facing overwhelming public health and economic crises as a result of COVID-19.

Black, Latinx, and Indigenous people, people of color, women and especially women of color, immigrants, and youth and young adults have borne the brunt of the pandemic's devastation, including its ensuing economic crisis. Any policy solutions to the COVID-19 economic crisis must be rooted in equity and intentionally reach the populations most impacted by the recession. Policy solutions must also address long-standing inequities in access to quality employment and economic opportunity that are rooted in systemic racism and gender discrimination.

An equity-centered national subsidized employment program can chart a path toward COVID-19 recovery and open doors to employment and economic opportunity for ALL jobseekers. Across the business cycle, the U.S. repeatedly has leveraged subsidized employment programs as a policy tool to address unemployment. During recessionary periods, these strategies have been shown to be an effective tool for connecting adults and youth to work and staving off massive job loss. During expansionary periods, these strategies have been shown to help chronically unemployed jobseekers connect to paid work.

Subsidized employment is an evidence-based employment solution that can rapidly put large numbers of unemployed individuals to work. Subsidized employment strategies have been implemented by federal and state governments and evaluated via numerous random assignment studies to show positive immediate impacts, including putting earned income into the pockets of those who need it the most. Among other findings, subsidized employment strategies have been shown to significantly raise individual and family earnings, benefit employers, and have positive economic ripple effects in communities.

This framework is intended to reflect what we believe is the best available thinking about how to structure a large-scale subsidized employment program in the most equitable way. A national subsidized employment program like the one described in this framework can support the COVID-19 economic recovery and ensure that people who historically have been left out and left behind in our economy have access to employment and economic opportunity moving forward.

#### NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM GOALS

An equity-centered national subsidized employment program should exist across the business cycle to serve as both a counter-structural and counter-cyclical strategy for increasing access to employment and economic opportunity among jobseekers and especially among economically marginalized jobseekers who face structural barriers to employment. To support an inclusive recovery from the COVID-19 pandemic and lay the groundwork for a more fair and just economy, the four overarching goals that should drive the development of this initiative are:

- 1) Redress inequity;
- 2) Stabilize the economy;
- 3) Increase earned income, reduce poverty, and improve well-being of individuals and families; and
- 4) Build inclusive economies.

The program design characteristics discussed within this framework include:



**Program outcomes:** We recommend that the program be held accountable to 1) equitable access and inclusion into subsidized employment; 2) equitable in-program earnings; and 3) the placement of workers into quality subsidized jobs. Other outcomes that could be measured include longer-term employment and earnings among participants, poverty reduction among participants and their families, or increases in family and child wellbeing, among many others.



Building Evidence of Equitable Employment Programs That Work: We recommend that the program have funding set aside specifically for national evaluations that include assessing programs' success in achieving equitable service provision outcomes. Funding should also be set aside for technical assistance and capacity building.



Oversight and Accountability Mechanisms for Upholding and Advancing Equity: We recommend the program be structured to include oversight and accountability mechanisms for upholding and advancing equity, including via leadership and governing body structure, planning processes, paid engagement with directly impacted individuals relative to program design, data collection and transparency, and funding and service provision priorities.



**Program Participants:** We recommend that during periods of economic expansion, the program target jobseekers who have been systemically excluded from economic opportunity, including those who experience structural barriers to employment, face chronic unemployment, or live in

areas that experience persistent high unemployment and poverty even as the economy is growing. During recessions, the target population should expand to include displaced workers who are unemployed due to layoffs, hiring freezes, or overall lower demand for labor among employers.



Federal Program Management and Operation: We recommend that the National Economic Council, in coordination with the Domestic Policy Council and Office of Management and Budget, oversee the development, roll out, and ongoing implementation of the program. The Department of Labor and the Department of Health and Human Services should house, manage, and operate the program. Other federal agencies should provide capacity, expertise, and resources.



Federal Funding Structure: We recommend that funding for the program include federal formula funds to states and territories and competitive grants to localities and community-based organizations. The program should also include funding for program planning, implementation, and technical assistance aimed at ensuring that program models are implemented with fidelity to evidence-based program design and service delivery.



Establish Federal Floors Relative to Employer Partner Qualifications and Subsidized Job Quality: We recommend that the program give states, localities, and other eligible entities substantial flexibility in the design and delivery of their programs. However, the program should set floors relative to minimum eligible employer qualifications and minimum job quality provisions for all subsidized workers.



Services and Supports Offered to Subsidized Workers: We recommend that the program ensure that subsidized workers have a comprehensive, tailored array of services and supports in order to help them be successful in employment.



Length of Subsidized Employment: We recommend that the program be structured so that across the business cycle, the length of subsidized employment for people facing structural barriers to employment is flexible. During recessionary periods, the length of subsidized employment should be long enough so that as workers cycle out of subsidized employment, the private labor market has recovered to the point that it can absorb them.



**Eligible Employer Partners, Employer of Record, and Wage Subsidy Structure:** We recommend that the program allow for a wide range of eligible employer partners including the public sector, non-profits, employment social enterprises, and private sector employers.



**Employer Partner Accountability:** We recommend the program be structured to hold employer partners accountable for upholding the program's integrity through a series of measures, such as by limiting the size of eligible employer partners to favor small and local businesses or limiting the percentage of an employer's workforce that can be made up of subsidized workers



**Protections for Non-Subsidized Workers:** We recommend the program be structured to protect existing, non-subsidized workers, such as by prohibiting employers from using subsidized workers to replace unsubsidized workers or by having robust safeguards for infringing on promotion opportunities of existing, unsubsidized workers.



# INTRODUCTION

People living in the United States are facing overwhelming public health and economic crises as a result of COVID-19. As of January 10, 2021, the Centers for Disease Control and Prevention reported that more than 22.1 million people in the U.S. have been infected by COVID-19 and over 371,000 people have died [1]. As the pandemic ravages communities, millions of people have been left unemployed almost overnight. In April 2020, the unemployment rate skyrocketed to a level not seen since the Great Depression. The official unemployment rate still hovered at nearly seven percent in December 2020 [2]. The more inclusive unemployment rate, which includes people who want to work but have given up looking for jobs and people who are working part-time but want full-time work, was at 11.7 percent [3]. Estimates show that 26.8 million workers—nearly 16 percent of the workforce—have been directly harmed by the COVID-19 recession [4]. In the week ending January 2, 2021, another 948,000 people applied for Unemployment Insurance, the 42nd straight week total initial claims were greater than the worst week of the Great Recession [5]. Moreover, as the U.S. economy enters its tenth month of the recession, it is clear that many of the job losses resulting from the COVID-19 pandemic are permanent [6].

As a result of widespread unemployment, huge swaths of Americans are facing financial hardship. Before the pandemic hit, about one in 10 U.S. households experienced food insecurity during 2019 [7]. Estimates suggest that one in six U.S. households have been hungry this year [8]. About 30 to 40 million people are at risk of eviction, which may reflect the most severe housing crisis in the country's history [9]. Nearly 78 million adults—about one in three—are struggling to pay for usual household expenses [10], teetering on the brink of poverty.

Black, Latinx, and Indigenous people, people of color, women and especially women of color, immigrants, and youth and young adults have borne the brunt of the pandemic's devastation, including its ensuing economic crisis. Available employment and economic data show that the impact of the pandemic is deeply inequitable. In December 2020, about 10 percent of Black workers and 9.3 percent of Latinx workers were unemployed, compared to six percent of white workers [11]. At the pandemic's start, unemployment among Indigenous workers rose to 26.3 percent—higher than any other community of color [12]. While Indigenous workers regained some employment by the early summer [13], survey data from September show that Indigenous people and tribal entities continue to be hard hit by the pandemic and its associated recession [14].

The COVID-19 recession has had a particularly outsized impact on women and women of color. This is for a number of reasons, including that working mothers have taken on more than their fair share of child rearing and remote education responsibilities [15]. In September, of the nearly 1.1 million people who stopped working or looking for work, almost 80 percent were women [16]. In December 2020, the unemployment rate among Black women was 8.4 percent and the unemployment rate among Latinx women was 9.1 percent, compared to 5.7 percent among their white peers [17]. Moreover, the majority of jobs lost in the crisis have been in industries that pay low wages [18]. Women of color are overrepresented in these types of poorly paid, low quality jobs that leave workers struggling to build the savings necessary to weather job loss [19]. As a result of disproportionate unemployment rates, wage disparities, and the lack of a robust national safety net, women of color—along with other Black and Latinx adults—are currently facing inequitable rates of food insecurity and housing instability due to back-owed rent [20].

Finally, young people are experiencing staggering unemployment rates that approach and surpass 50 percent for young people of color [21]. Massive unemployment among young people, coupled with disruptions in learning due to COVID-19, threatens to jeopardize the future of yet another generation of Black and Brown people.

(i) The Workforce Innovation and Opportunity Act <u>defines transitional jobs</u> as: time-limited work experiences that are subsidized and are in the public, private, or nonprofit sectors for individuals with barriers to employment who are chronically unemployed or have an inconsistent work history; are combined with comprehensive employment and supportive services [such as transportation, child care, dependent care, housing, and needs-related payments, that are necessary to enable an individual to participate in the transitional job]; and are designed to assist the individuals...to establish a work history, demonstrate success in the workplace, and develop the skills that lead to entry into and retention in unsubsidized employment.

Any policy solutions to the COVID-19 economic crisis must be rooted in equity and intentionally reach the populations who have been most impacted by the recession. Policy solutions must also address long-standing inequities in access to quality employment and economic opportunity that are rooted in systemic racism and gender discrimination. These pervasive inequities are at the root of the pandemic's disastrous economic impact on Black, Latinx, and Indigenous people, people of color, women and especially women of color, immigrants, and youth and young adults. Long before COVID-19, these economically marginalized groups of jobseekers and workers—and especially those who hold intersectional identities have been left out or left behind by our economy. This is true even during times of economic expansions. For the past six decades, the unemployment rate among Black people has been about double the unemployment rate among whites [22]. The racial wage gap is larger today than in 1979 [23]: Black women who work full time, year-round typically are paid only 63 cents for every dollar paid to white men [24]. Indigenous women and Latinx women typically are paid only 60 cents and 55 cents, respectively, for every dollar paid to white men [25]. In the months prior to the pandemic, nearly one in four Indigenous youth and young adults were disconnected from school and work, as were 17.4 percent of Black and 12.8 percent of Latinx young people [26].

All of these inequities add up, fueling long-standing and substantial wealth disparities between families of color and their white counterparts [27]. Simply put, far too many economically marginalized jobseekers and workers were in a period of sustained economic crisis prior to the pandemic. Without firmly centering race and gender equity in recovery strategies, their crisis will persist beyond the pandemic, too.

"There's an ingrained societal suspicion that intentionally supporting one group hurts another. That equity is a zero sum game. In fact, when the nation targets support where it is needed most—when we create the circumstances that allow those who have been left behind to participate and contribute fully—everyone wins. The corollary is also true:

When we ignore the challenges faced by the most vulnerable among us, those challenges, magnified many times over, become a drag on economic growth, prosperity, and national well-being."

- Angela Glover Blackwell, Founder in Residence, PolicyLink



An equity-centered national subsidized employment program can chart a path toward COVID-19 recovery and open doors to employment and economic opportunity for ALL jobseekers. Across the business cycle, the U.S. repeatedly has leveraged subsidized employment programs as a policy tool to address unemployment. During recessionary periods, these strategies have been shown to be an effective tool for connecting adults and youth to work and staving off massive job loss. During expansionary periods, these strategies have been shown to help chronically unemployed jobseekers connect to paid work. Most recently, during 2009 and 2010, 39 states and the District of Columbia operated subsidized employment programs for the purpose of getting individuals into work quickly. Over 260,000 individuals were placed into subsidized jobs.

More targeted and smaller scale subsidized employment programs, often called transitional jobs programs, have been implemented across the country in over 26 states. Transitional jobs focus on serving individuals who are experiencing structural barriers to employment [i]. In many cases, transitional jobs programs are run by employment social enterprises, which are revenue-generating businesses, both non-profit and for profit, that have a mission-driven commitment to provide jobs and support for people who face structural barriers to employment. Transitional jobs, including those run by employment social enterprises, work with a number of populations, including: youth and young adults who are out of school and work, people experiencing homelessness or unstable housing, individuals who have a record or are returning home from incarceration, non-custodial parents, veterans, low-income families, and others.

Subsidized employment is an evidence-based employment solution that can rapidly put large numbers of unemployed individuals to work. Subsidized employment strategies have been implemented by federal and state governments and evaluated via numerous random assignment studies to show positive immediate impacts [28]. Perhaps most significantly, these programs effectively connect people to employment who would not be working otherwise, and demonstrate that there are many people not currently participating in the workforce who would be working and earning incomes if their structural barriers to employment were removed. In many studies, for example, 80 to 100 percent of treatment group participants who were offered a subsidized job participated in work [29]. These programs have been shown to significantly raise individual and family earnings, benefit employers on a number of measures [30], and have positive economic ripple effects in communities [31]. With targeted investments, these programs can be expanded rapidly in states [32]. These programs also have been shown to contribute to lowering recidivism and increasing public safety [33], reducing public benefits receipt [34], and improving the lives of children [35]. In many instances, the financial benefits of these programs far outweigh the costs [36]. For example, employment social enterprises yield a social return on investment of \$2.23 for every \$1 spent, largely due to their business revenue offsets what would otherwise have to be subsidized [37].

# WHAT ARE STRUCTURAL BARRIERS TO EMPLOYMENT? CAN SUBSIDIZED EMPLOYMENT SOLVE FOR THESE BARRIERS?

Structural barriers to employment are rooted in inequitable and unjust policies and systems, such as: the overreach of the criminal legal system; the shortage of affordable housing stock; race, gender, and other forms of discrimination; segregation; and limited public investments in education, health and mental health care, child care supports, transportation systems, and the other resources that individuals, families, and communities need to thrive. Labor market data also show that the U.S. labor market typically has a fairly large job shortage, with too few job openings for people experiencing unemployment or underemployment.

Structural barriers to employment result from policy choices, not individual choices. However, individuals are often left to navigate these barriers on their own. There are many ways jobseekers may experience structural barriers to employment in their own lives. For example, would-be workers may not have affordable child or dependent care, or a jobseeker may live far from good work opportunities but have few reliable public transportation options.

It is important to acknowledge that on their own, subsidized employment and transitional jobs programs—even large and inclusive ones—are not likely to significantly impact the structural labor market forces that affect individuals' ability to access quality employment beyond the subsidy period. Workers' long-term attachment to the labor market does not always persist beyond the subsidy period, most likely because no program-level solution can solve for all of the inequitable and unjust policies and systems that result in structural barriers to employment. For example, a subsidized employment program cannot erase the collateral consequences of having a record, which often limit or outright ban individuals from entering certain jobs or obtaining occupational licenses. Policy and systems-level solutions are necessary to solve policy and systems problems, and we highlight some of these solutions in the pull-out box on page six of this framework.

Despite the fact that subsidized employment is only one of many strategies necessary to support and advance economic justice, it is essential to remember that no other workforce intervention has the proven ability to put large numbers of unemployed individuals rapidly to work—including those who face structural barriers to employment—and to put earned income into the pockets of those who need it the most.



# THE FRAMEWORK

AN EQUITY-CENTERED NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM TO SUPPORT COVID-19 ECONOMIC RECOVERY & OPEN DOORS TO ECONOMIC OPPORTUNITY FOR ALL JOBSEEKERS

#### NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM GOALS

A national subsidized employment program should exist across the business cycle to serve as both a counter-structural and counter-cyclical strategy for increasing access to employment and economic opportunity among jobseekers and especially among economically marginalized jobseekers who face structural barriers to employment.

From a counter-structural perspective, the program should act as a mechanism for redressing deep-seated inequities in access to quality employment and economic opportunity across the business cycle. The program should do so by providing subsidized employment opportunities, including targeted transitional jobs, to people who experience structural barriers to employment, face chronic unemployment, or live in areas that experience persistent high unemployment and poverty even as the economy is growing.

The *Program Participants* section below (pages 20 to 21) offers examples of target populations. Moreover, as noted in this framework's introduction, long-standing inequities in access to quality employment and economic opportunity are rooted in systemic racism and gender discrimination. As a result, jobseekers in these target populations are disproportionately Black, Latinx, and Indigenous people, people of color, and women of color.

From a counter-cyclical perspective, the program should act as an economic stabilizer during times of high unemployment—such as the unprecedented unemployment crisis resulting from the COVID-19 pandemic. The program should do so by expanding to include displaced workers and provide these workers with subsidized jobs. For the purposes of this framework, "displaced workers" means workers who generally face fewer structural barriers to employment but may experience cyclical unemployment due to layoffs, hiring freezes, or overall lower demand for labor among employers.

Importantly, a national subsidized employment program should never operate as a work requirement that economically marginalized jobseekers (or displaced workers facing economic hardship as a result of job loss) must participate in in order to receive basic supports such as health care or food. Instead, as a counter-structural strategy aimed at opening doors to economic opportunity for people who face barriers to employment, the program should provide its participants with subsidized wages and a wide range of employment-related services and supports, including education and training, for a sustained period of time.

Subsidized employment programs can have several goals. In order to support an inclusive recovery from the COVID-19 pandemic and lay the groundwork for a more fair and just economy, we believe that the four overarching goals that should drive the development of this initiative are:



REDRESS INEQUITY



STABILIZE THE ECONOMY



INCREASE EARNED INCOME,
REDUCE POVERTY, &
IMPROVE WELL-BEING OF
INDIVIDUALS & FAMILIES



BUILD INCLUSIVE ECONOMIES

A national subsidized employment program like the one described here can: redress inequity in access to employment and economic opportunity among people experiencing structural barriers to employment; stabilize the economy during recessions; increase earned income, reduce poverty (or the risk of poverty), and improve wellbeing among jobseekers and their families; improve workers' skills and job prospects; and help small businesses grow.

#### NATIONAL SUBSIDIZED EMPLOYMENT PROGRAM OUTCOMES

An equity-centered national subsidized employment program must be held accountable to the following outcomes: 1) equitable access and inclusion into

AN EQUITY-CENTERED
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FOLLOWING OUTCOMES:
1) EQUITABLE ACCESS AND
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2) EQUITABLE IN-PROGRAM
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INTO QUALITY SUBSIDIZED
JOBS.

subsidized employment; 2) equitable inprogram earnings; and 3) the placement of workers into quality subsidized jobs. In order to support these equitable service provision outcomes, all data collected for tracking and measuring these outcomes must be disaggregated and analyzed relative to race, ethnicity, gender, and age.

Holding these programs accountable to equitable service provision is critical to ensuring that the program truly improves access to employment and economic opportunity for jobseekers who experience structural barriers to employment, face chronic unemployment, or live in areas that experience persistent high unemployment and poverty even as the economy is growing.

In addition to equitable service provision outcomes, the success of a national subsidized employment program may also be measured by considering:

- · earned income gains among participants during the subsidy period;
- unsubsidized, longer-term employment and earnings outcomes among participants;
- poverty reduction among participants and their families;
- participants' attainment of literacy skills, numeracy skills, and credentials, including postsecondary credentials;
- increases in family and child well-being (e.g., improvements in children's educational outcomes);
- reductions in housing instability or homelessness among participants;
- reductions in criminal legal system involvement or recidivism among participants;

- increases in community economic health and safety;
- increases in worker power and voice;
- value to businesses including increased production or sales or customer satisfaction; and returns on state or local tax revenue as a result of increased spending by participants receiving subsidized employment wages.

### BUILDING EVIDENCE OF EQUITABLE EMPLOYMENT PROGRAMS THAT WORK

Once a national subsidized employment program is up and running it will be critical to capture the learnings from states, local governments, and community partners about which structures and policies worked to redress deep-seated inequities in access to quality employment and economic opportunity to people who face chronic unemployment—or in areas that experience persistent high unemployment or poverty.

To accomplish this, the program should include funding set aside specifically for national evaluations that include assessing programs' success in achieving the equitable service provision outcomes described above (see *National Subsidized Employment Program Outcomes*, pages 18 to 19). Evaluations of programs funded through this framework could also continue to develop the field's understanding of the workforce development approaches that best serve different populations and work best in different community contexts. Funding should also be set aside for technical assistance and capacity building that can be provided to assist states, local governments, and community partners collect the data necessary to evaluate the programs but also to help them identify potential problems and make real-time course corrections.

# OVERSIGHT AND ACCOUNTABILITY MECHANISMS FOR UPHOLDING AND ADVANCING EQUITY

As discussed throughout this framework, one of the core functions of a national subsidized employment program is to act as a mechanism for redressing inequities in access to quality employment and economic opportunity by providing subsidized employment opportunities to people who face chronic unemployment—or in areas that experience persistent high unemployment and poverty—even as the economy is growing.

In order to ensure that the program truly reaches and effectively serves the target populations of jobseekers who are most likely to face chronic unemployment (see *Program Participants*, pages 20 to 21), the program should be structured to include oversight and accountability mechanisms. Some ideas to help make sure a national subsidized employment program upholds and advances equity include:

- State or local leadership and governing bodies that include a majority of decisionmakers who have lived experience of chronic unemployment or poverty, criminal legal system involvement, or other economically marginalized groups as well as the establishment of oversight committees focused on monitoring program implementation and equity goals;
- Robust state and local planning processes that include, for example, how the state, locality, or other eligible entity implementing the program will provide outreach to target populations and structure programs, services, and supports to meet the needs and interests of the target population(s);
- A requirement that any state or local program plan provide paid opportunities for target populations to engage in program design;
- A requirement that any state or local program plan address how it will: 1)
  track, identify, and address gaps in employment and earnings by, at minimum,
  race, ethnicity, gender, and age and 2) collect data to measure progress in
  addressing those gaps;
- Funding and technical assistance to establish and monitor periodic data dashboards focused on visualizing and making transparent the abovedescribed data metrics in order to inform progress and course correction;
- A strong priority for funding programs that are physically located in areas with the poorest labor market indicators and highest (most concentrated) poverty, as well as work placements accessible to workers in these communities;
- An enforceable priority of service mechanism to ensure workers who need programming the most are accessing it.

#### PROGRAM PARTICIPANTS

Because a national subsidized employment program should serve a counter-structural and counter-cyclical function, the target population(s) for the program will need to adjust along with changing economic conditions. Regardless of the business cycle, however, a primary goal of this framework is to center equity and build toward inclusive economies.

During periods of economic growth, when overall unemployment is low, the program should target jobseekers who have been systemically excluded from economic opportunity, including those who experience structural barriers to employment, face chronic unemployment, or live in areas that experience persistent high unemployment and poverty even as the economy is growing. Target populations of jobseekers could include, among others: people experiencing homelessness or housing instability; people who have a record, are returning home from incarceration, or are otherwise impacted by the criminal legal system; people receiving Temporary Assistance for Needy Families (TANF); immigrants; and youth and young adults who are not engaged in school or work.

As a result of pervasive and enduring systemic racism and gender discrimination that results in the inequitable access to quality employment and economic opportunity, these jobseekers are disproportionately Black, Latinx, and Indigenous people, people of color, and women of color.

During recessions, the target population should expand to include displaced workers. As noted above, for the purposes of this framework, displaced workers are jobseekers who generally face fewer structural barriers to employment but are nonetheless unemployed due to layoffs, hiring freezes, or overall lower demand for labor among employers. In order to reflect the goal of building toward an inclusive economy, the program should also continue to target and serve people who face structural barriers to employment in order to mitigate the impact of job loss for these individuals. As the COVID-19 and other recessions have made clear, people who face structural barriers to employment are more likely to bear the brunt of economic recessions, have fewer resources and support networks to fall back on, and are likely to experience slower recovery than displaced workers.

## FEDERAL PROGRAM MANAGEMENT AND OPERATION

A national subsidized employment program like the one described here represents a bold and large-scale federal undertaking that will require aligning priorities, policies, and programming across a number of federal agencies with an explicit focus on advancing economic justice. As a result, the National Economic Council (NEC), in coordination with the Domestic Policy Council (DPC) and Office of Management and Budget (OMB), should oversee the development, roll out, and ongoing implementation of this program, including supporting interagency collaboration.

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The federal agencies that should primarily be responsible for housing, managing, and operating the program are the Department of Labor and the Department of Health and Human Services. Respectively, these federal agencies have extensive in-house expertise in the design, delivery, and management of employment and training programs as well as robust support services for individuals and families. Additional federal agencies that should provide capacity, expertise, and resources include the Department of Education, the Department of Housing and Urban Development, the Department of Justice, the Department of Veteran's Affairs, the Department of Agriculture, the Department of the Interior, the Corporation for National and Community Service, and the Small Business Administration, likely among others.

#### FEDERAL FUNDING STRUCTURE

In order to provide subsidized employment opportunities, including transitional jobs, to jobseekers who face significant structural barriers to employment across the business cycle and act as an economic stabilizer during times of high unemployment, a national subsidized employment program should structure its funding to: 1) maximize uptake and program participation by states, localities, and other entities; 2) support and advance equity; and 3) respond meaningfully to changes in economic conditions. As a result, funding for a national subsidized employment program that serves both a counter-structural and counter-cyclical purpose may need to take a multi-pronged approach.

To maximize uptake and program participation by states, localities, and other entities, and in alignment with existing Congressional bills and policy proposals [ii], funding for a national subsidized employment program should include federal formula funds to states and territories and competitive grants to localities and community-based organizations.

Federal formula funds should flow to states and territories via a formula grant that includes an open-ended federal match based on but not equal to a state's Federal Medical Assistance Percentage (FMAP, or Medicaid match rate). A minimum reimbursement rate that is significantly higher than the existing FMAP for basic Medicaid will incentivize more states to participate in a national subsidized employment program across the business cycle [iii]. As a result, setting a higher federal reimbursement rate will help support and advance equity by increasing the likelihood that subsidized employment programming reaches people in states with lower per capita income relative to national per capita income. States should have wide flexibility with regard to the dollars they can use for their matching funds. In addition, to respond meaningfully to changes in economic conditions, the federal match rate to states should increase during recessionary periods—up to a 100 percent match rate, meaning that federal funds are paying for the entire program—and decrease during times of economic expansion.

Finally, a local government, or consortium of local governments, should be able to use federal formula funds to establish a subsidized employment program if their state does not elect to establish a state program or if they can demonstrate that a local program would meet a need or serve a population that is not met or sufficiently served by the state program.

<sup>[</sup>ii] See, e.g., the <u>Jobs for Economic Recovery Act</u> and the Center on Poverty and Inequality at Georgetown University's <u>national subsidized employment proposal</u>.

<sup>[</sup>iii] Please see the Center on Poverty and Inequality at Georgetown University's <u>national subsidized employment proposal</u>. The authors suggest re-calibrating the FMAP to result in minimum matching rates ranging from 75 percent in the wealthiest states to 91 percent in the poorest states.

In addition to the formula grants, funding for a national subsidized employment program should also include competitive grants to localities and community-based organizations. These competitive grants could help bring subsidized employment programming to communities in which the state and local government(s) have declined to leverage the federal formula funds. This second, competitive funding stream can also help support and advance equity by being targeted to specific populations of jobseekers who face significant structural barriers to employment, people living in areas of high concentrated poverty or persistent poverty, or other historically oppressed groups of jobseekers.

Lastly, a national subsidized employment program should include funding to states, territories, tribes, local governments, and community-based organizations—with no matching state requirement—for program planning, implementation, and technical assistance aimed at ensuring that subsidized employment and transitional jobs programs are implemented with fidelity to evidence-based program design and service delivery. Robust funding for these supports will be especially important for states, other areas, and community-based organizations in which providing subsidized employment and transitional jobs is a new undertaking.

AN ADDITIONAL, COMPETITIVE FUNDING STREAM CAN HELP ADVANCE EQUITY BY BEING TARGETED TO SPECIFIC POPULATIONS OF JOBSEEKERS WHO FACE SIGNIFICANT STRUCTURAL BARRIERS TO EMPLOYMENT, PEOPLE LIVING IN AREAS OF HIGH CONCENTRATED POVERTY OR PERSISTENT POVERTY, OR OTHER HISTORICALLY OPPRESSED GROUPS OF JOBSEEKERS.

#### FEDERAL FLOORS RELATIVE TO EMPLOYER PARTNER QUALIFICATIONS AND SUBSIDIZED JOB QUALITY

The program should give states, localities, and other eligible entities (e.g., community-based organizations receiving competitive grants) substantial flexibility in the design and delivery of their programs in order to meet local needs, interests, and labor market dynamics. However, because a desired outcome of this program is the placement of workers into quality subsidized jobs, the federal legislation should set floors relative to minimum eligible employer qualifications and minimum job quality provisions for all subsidized workers.

We recommend that these minimum eligible employer qualifications and job quality provisions include:

- Subsidized jobs should be compensated at a minimum of \$15 per hour regardless
  if the job is full or part-time in order to help ensure that subsidized workers earn
  enough to meet their basic needs;
- Employers should provide workers with Personal Protective Equipment (PPE),
  maintain social distancing protocols throughout the length of the COVID-19
  pandemic, and comply with Centers for Disease Control and Prevention guidance
  relative to worker safety;

- Employers should maintain fair and predictable scheduling practices that align with workers' needs;
- Employers should provide subsidized workers with skills development while participating in subsidized employment; and
- Employers should remain neutral in any union organizing effort while the employer is participating in the program.

We also recommend creating incentives within the legislation or rulemaking process for partnerships with employers that offer their non-subsidized workers quality jobs, such as by providing their workers paid leave, paid time off, and other benefits that support workers and their families (iv).

Additionally, a national subsidized employment program should ensure that all applicable labor laws apply to and protect subsidized workers. Because subsidized workers will be paid wages, they will be eligible for standard protections and benefits including worker's compensation, unemployment insurance, and the Earned Income Tax Credit and Child Tax Credit. In order to ensure that subsidized workers are fairly compensated for their work, and receive all of the benefits and protections to which they are entitled, subsidized workers should be classified as regular employees and not as independent contractors or trainees.

# WHY PAY SUBSIDIZED WORKERS A MINIMUM OF \$15 PER HOUR RATHER THAN THE FEDERAL, STATE, OR LOCAL MINIMUM WAGE?

As discussed in the pull-out box on page six of this framework, we urge the Biden-Harris Administration to support and help advance an increase in the federal minimum wage to \$15 per hour.

Standalone legislation to raise the federal minimum wage is the best and most appropriate vehicle for increasing wages for workers across the country.

However, an equity-centered national subsidized employment program that aims to place workers into quality subsidized jobs must not subsidize poverty wages. In the absence of legislation to raise the federal minimum wage, we believe that paying subsidized workers \$15 per hour is a bold sign of national support to workers and their families.



[iv] Providing a full suite of employee benefits may be cost prohibitive for some small businesses, including the minority-owned and women-owned businesses that may benefit from having subsidized workers and that this framework seeks to incentivize as employer partners (see *Eligible Employer Partners*, *Employer of Record*, *and Wage Subsidy Structure*, page 26). Legislators or agency staff overseeing rulemaking may want to consider other measures of what it means to offer workers quality jobs or consider carve outs for certain businesses. Additionally, truly realizing economic justice for all people will require de-coupling access to health care insurance and other basic needs from employment.

#### SERVICES AND SUPPORTS OFFERED TO SUBSIDIZED WORKERS

In addition to subsidizing workers' wages, a national subsidized employment program should ensure that subsidized workers have a comprehensive, tailored array of services and supports in order to help them be successful in employment. This is why it is essential that this program be supported by numerous federal agencies, as described above (see *Federal Program Management and Operation*, page 21).

Childcare, in particular, is an absolutely critical support for workers. Other services and supports that a national subsidized employment program should be prepared to offer or connect subsidized workers to include, among others: case management; emergency cash assistance; nutrition assistance; primary health care; mental health care; dependent care; transportation assistance; affordable housing; legal services; English language instruction; job search, job coaching, and job retention services; and education and training opportunities that can lead to advancement in the labor market.

Finally, in order to reach and enroll jobseekers who face significant barriers to employment, programs should be able to leverage funds toward intensive outreach.

#### LENGTH OF SUBSIDIZED EMPLOYMENT

During times of both economic expansion and recession, programs serving individuals who experience structural barriers to employment or face chronic unemployment should offer a flexible length of subsidized employment programming in order to mitigate these workers' barriers to employment.

During recessionary periods, the length of subsidized employment for displaced workers should be long enough so that as workers cycle out of subsidized employment, the private labor market has A NATIONAL SUBSIDIZED
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recovered to the point that it can absorb them. States should be able to extend an initial six-month subsidized job period if the state's labor market has not recovered sufficiently based on economic indicators. With regard to economic indicators, the legislation or rule making process should pay attention to variations in geographies across the state with permission to extend subsidy periods within geographic areas that have not recovered sufficiently even though a state's overall economic recovery is on pace.

### ELIGIBLE EMPLOYER PARTNERS, EMPLOYER OF RECORD, AND WAGE SUBSIDY STRUCTURE

Because a national subsidized employment program designed to operate across the business cycle would serve a wide range of jobseekers (see *Program Participants*, pages 20 to 21), it is strategic also to allow for a wide range of eligible employer partners including the public sector, non-profits, employment social enterprises, and private sector employers.

Research shows that subsidized employment placements with public sector, non-profit, and employment social enterprises offer greater access for people with less prior work experience than placements with private sector employers, particularly when employers are expected to take subsidized workers directly onto their payrolls. This holds true even when private sector employers are fully reimbursed for workers' wages. Offering an adequate number of employment social enterprise, nonprofit, and public sector positions helps ensure that the jobseekers who are most in need of the program are able to be placed with an employer and access subsidized employment. In addition, by offering direct subsidized employment opportunities within the public sector, programs can scale rapidly to meet the demand for jobs, as well as support critical functions such as infrastructure development and caregiving that may not be supported by the private sector.

As a result, during periods of economic expansion—when the program is mostly serving individuals facing significant structural barriers to employment—subsidized jobs should be provided primarily through direct employment with a public sector entity, non-profit, or employment social enterprise. To encourage private sector participation, the program should also allow for a third party (likely a non-profit) to act as the Employer of Record for subsidized workers. Under this approach, the private sector employer acts as a worksite and provides supervision while the third party Employer of Records pays subsidized workers' wages and provides or helps to connect workers with other services and supports.

During periods of economic recession, when the program expands to serve displaced workers, employer partners who are hosting displaced workers should be able to receive a direct reimbursement for wages of eligible subsidized workers who have been hired onto that employer's payroll.

Regardless, we recommend that incentives are built through legislation or rule processes that favor partnerships with employers that are small, minority-owned, and women-owned business that operate in and serve low-income communities. The program should also incentivize partnerships with employers that have few if any pre-existing screening tools to limit access to job sites and work, including by prohibiting employer partners who have skills or education screens or criminal record screens.

#### **EMPLOYER PARTNER ACCOUNTABILITY**

A national subsidized employment program should be structured to hold employer partners accountable for upholding the program's integrity. Ideas for employer accountability mechanisms include:

- Limiting the size of eligible employer partners to favor small and local businesses;
- Limiting the percentage of an employer's workforce that can be made up of subsidized workers, with a special exemption for employment social enterprises or other employer partners whose primary mission is to offer transitional jobs for individuals facing barriers to employment (note: this also protects non-subsidized workers from displacement);
- Limiting the number of times an employer partner can serve as a worksite for any subsidized worker(s) without actually hiring one or more subsidized workers directly onto their payroll in a permanent position (i.e., to prevent an employer partner from cycling through subsidized workers without ever making a hiring commitment), with a special exemption for employment social enterprises or other employer partners whose primary mission is to offer transitional jobs for individuals facing barriers to employment;
- Prohibiting the same employer from repeatedly re-hiring a specific individual into a subsidized role (i.e., allowing eligible individuals who are still unemployed following the completion of their subsidized placement to apply for a new subsidized job placement but only with a different employer); and
- Allowing subsidized workers to become eligible for union membership if they work for a union employer.

#### PROTECTIONS FOR NON-SUBSIDIZED WORKERS

A national subsidized employment program should be structured to protect existing, non-subsidized workers. In addition to limiting the percentage of an employer's workforce that can be made up of subsidized workers, some ideas for protecting non-subsidized workers include:

- Prohibiting employers from using subsidized workers to replace unsubsidized workers or striking workers;
- For potential employment sites where workers are covered by a collective bargaining agreement, prohibiting subsidized job placement without the consent of all labor organizations representing its workers;
- Robust safeguards for infringing on promotion opportunities of existing, unsubsidized workers:
- Identified procedures for filing and adjudication of grievances from eligible individuals, labor organizations, and other interested individuals concerning participating employers, including grievances related to proposed placements of eligible workers with such employers.



# CONCLUSION

By every indication, the U.S. is staring down one of the most prolonged and deep recessions in its history. Moreover, the COVID-19 pandemic has shattered any lingering notions that our current economic ecosystem is sufficient or effective in meeting the employment, economic opportunity, and human needs of millions of people living in our country.

For the U.S. truly to recover from the economic fallout brought on by COVID-19 and move toward becoming a nation that works for all, we cannot repeat the grossly inequitable strategies of the past that have resulted in unfettered access to economic opportunity and wealth-building for a few rather than economic justice for all. Doing so would simply perpetuate inequity and further erode our democratic institutions.

As we work to climb out of this pandemic-fueled economic crisis, we can pave the way toward economic justice by enacting initiatives such as an equity-centered national subsidized employment program that opens doors to quality employment and economic opportunity for those most impacted: Black, Latinx, and Indigenous people, people of color, women and especially women of color, immigrants, and youth and young adults.

History and experience show that when programs and policies that are designed to benefit those who need it most, everybody wins (v). The opposite also holds true: when employment solutions ignore the challenges faced by the most economically marginalized workers, those challenges grow over time and limit economic growth, prosperity, and well-being for all.

An equity-centered national subsidized employment program has the potential to get millions of individuals back to work when it is safe to do so and begin to redress the long-standing inequities that exist in our labor market.

This framework reflects the perspectives and contributions of numerous national policy, advocacy, field building, organizing, and research organizations across the country. The framework is also supported by a number of national and regional organizations and individuals affiliated with such organizations.

If you have questions about this framework or would like to talk in more detail about our ideas, do not hesitate to contact us directly.

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