

# **Publicly Funded Jobs: An Essential Strategy for Reducing Poverty and Economic Distress Throughout the Business Cycle**

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## Introduction

The need for direct public job creation efforts is greater today than at any time during the past seven decades. With a national unemployment rate that recently exceeded 10 percent and severe economic distress in hard-hit communities and population groups, a new federal initiative that puts jobless individuals immediately to work must be a central element of any strategy for restoring economic growth and responding to pressing human needs in 2010 and beyond. Public service employment (PSE) and transitional jobs (TJ) programs that use time-limited, paid work as the centerpiece of efforts to assist the unemployed offer tested and urgently needed models for combating the current recession and advancing longer-term workforce development goals.

The absence of recent experience and a corresponding program infrastructure to support the large-scale creation of publicly funded jobs presents daunting challenges, particularly in light of the rapid implementation necessary to improve employment conditions over the next year. Nonetheless, the history of federal job creation programs since the 1930s suggests that these challenges are not insurmountable. In many respects, the reluctance of key policymakers to launch a new PSE program this past year was rooted in a fundamental misreading of past research. Past experience provides ample evidence that public job creation can be undertaken quickly and effectively, with acceptable costs, manageable levels of substitution or displacement, and clear benefits to participants and their communities (Briggs 1981).

This paper makes the case for a multiphase approach to public job creation, beginning in early 2010 with “fast-track” efforts to support specific PSE projects launched by local governments and developing in 2011 and succeeding years into a more sophisticated strategy for combining publicly funded jobs with education or training for individuals facing major barriers to labor market entry. Innovative TJ programs now operating throughout the nation can provide key building blocks for, and guide the development of, a permanent public job creation program, one that can respond to changing economic circumstances while addressing the serious employment problems that persist throughout the business cycle.

To quickly ramp up program capacity and develop program infrastructure across the nation, a coherent federal strategy and focused investment are needed. In addition, to avoid a repeat of the current policy conundrum in future economic downturns (i.e., limited program capacity or infrastructure at times of greatest need), the policy goal should be to create a permanent PSE program that responds to changing needs across the business cycle. During recessionary periods, the program would play a countercyclical role. As labor markets tighten during periods of recovery, the program would support transitional jobs with a greater focus on hard-to-employ individuals who would otherwise be shut out of the labor market and have a goal of placing participants as soon as possible into unsubsidized employment. Appropriations levels for the public job creation initiative could be adjusted annually in response to changing levels of need, but it is essential that a program authorization and some local capacity remain in place over time.

## The Urgent Need for Publicly Funded Jobs

The need for direct public job creation efforts is greater today than at any time during the past seven decades. Despite the tempering effects of the American Recovery and Reinvestment Act of 2009 (ARRA), unemployment remains staggeringly high and is projected to remain above 8 percent over

the next two years (Mishel et al. 2009). At the start of the recession in December 2007, the number of unemployed persons was 7.5 million, and the unemployment rate was 4.9 percent. As of November 2009, 15.4 million people were unemployed, the unemployment rate was 10 percent, and 9.2 million workers were working part time even though they wanted to work full time.<sup>1</sup> As bleak as they are, these unemployment rates do not reflect the whole of unemployment experienced by discouraged and disadvantaged workers, particularly those with limited work experience who want to work but have not succeeded. Many of these potential workers were unemployed even before the recession began, facing barriers to employment and having few avenues to address them. Without targeted interventions their employment outlook remains particularly dismal.

During this economic downturn, individuals with little or no work experience and with barriers to employment are among the hardest hit. Millions of Americans need assistance to succeed in employment. Numerous studies have documented the negative relationship between having multiple barriers and access to or success in employment (Danziger et al. 2000; Goldberg 2002; Olson and Pavetti 1996; Rangarajan and Johnson 2002; Taylor and Barusch 2004). These challenges include having little or no work experience; lack of basic skills, particularly in literacy and numeracy; lack of a high school degree; having a criminal record or a disability; and workplace and social skills deficits that impede success at work. The number of Americans that face these and other barriers to employment is alarming:

- In the past year, approximately 1.7 millions families a month received Temporary Assistance for Needy Families, or TANF.<sup>2</sup> An extensive body of research suggests that the heads of household in these families often have serious barriers to employment that may limit their ability to meet program requirements. Nationally, this has resulted in about 20 percent of those who leave TANF being disconnected from work or welfare (Blank and Kovak 2008).
- The majority of the almost 650,000 people that return to American communities each year from incarceration<sup>3</sup> face barriers to work due to their spotty work histories and criminal records. Without viable employment, the likelihood that they will return to prison skyrockets. In addition, the effects of reincarceration on the 1.7 million children who have an incarcerated parent can be economically and socially devastating for generations (Schirmer, Nellis, and Mauer 2009).

Absent effective interventions, these groups will continue to face high unemployment, poverty, and hardship. Prolonged unemployment is associated with rising crime (Winter-Ebmer and Raphael 1999), lost productivity in communities, poorer physical and psychological health among potential workers (Banks 1995; Frese and Mohn 1987; Warr and Jackson 1985), and families feeling the strains of poverty and hardship for generations. As a result, many communities experience high corrections costs, health care costs, and need for costly social interventions.

Public service employment and transitional jobs programs offer tested and urgently needed models for combating the current recession and advancing longer-term workforce development goals. Both use time-limited, paid work as the centerpiece of efforts to assist the unemployed. PSE programs typically seek to provide immediate work opportunities for the unemployed with some preference for the long-term jobless and those with low incomes, while TJ programs wrap employment and support services around the subsidized job and focus more specifically on people with significant barriers to employment.

Through the American Recovery and Reinvestment Act (ARRA), the Obama administration and Congress have responded to the rapid and extraordinarily severe loss of jobs in creative and important ways. In addition to intergovernmental fiscal relief directed primarily to state governments and school districts, ARRA uses existing funding authorizations and program structures to boost employment levels while also advancing longer-term policy goals in such areas as transportation infrastructure and energy efficiency. While some publicly funded jobs are created directly under ARRA through the summer youth employment initiative and the TANF Emergency Fund, these limited efforts respond to only a fraction of the overall need. As job creation discussions begin anew in Congress, an opportunity exists to launch a multiphase public job creation initiative with immediate countercyclical and long-term counter-structural impacts.

### **Key Elements of Federal Job Creation Initiative**

The case for an ongoing federal commitment to public job creation is analogous in many respects to the rationale for a national system of emergency preparedness and disaster relief. While we never know when or where a hurricane, tornado, flood, or act of terrorism might occur, a decision to leave the nation unprepared to respond to such events would be unthinkable. Even the egregious shortcomings of federal and state responses to Hurricane Katrina, while evoking sharp cries for reform, did not cause the federal government to abandon this basic role and responsibility. Similarly, although economists remain unable to predict the timing or geography of future recessions, it is known with great certainty that periodic economic downturns will cause widespread joblessness and human suffering. In the absence of a permanent infrastructure to support the effective use of publicly funded jobs, however, America enters each new unemployment crisis unprepared to respond quickly and far less able to rely upon PSE programs as arguably the most direct strategy for narrowing the jobs deficit. Since the late 1970s, federal policy quite simply has failed to create a foundation for prudent state and local planning in anticipation of the next trough in the business cycle.

The key elements of a federal policy to support public job creation are easily identified. One strong example of how a large-scale PSE initiative could be structured as an essential complement to state and local fiscal relief is provided in a proposal jointly developed by the Center for Community Change, Economic Policy Institute, Service Employees International Union, and National League of Cities (Savner 2009). Under that proposal, the federal government would distribute funds primarily to instrumentalities of local governments based on a formula modeled on that used in the Community Development Block Grant (CDBG) program. Key factors in this modified CDBG formula would include each jurisdiction's relative share of substantial unemployment (in excess of 6.5 percent), poverty, and population. Half of the available funds would be allocated among eligible metropolitan cities and counties (referred to as entitlement communities under CDBG) and another 25 percent would be allocated among the states for grants to non-entitlement communities (e.g., cities with populations of less than 50,000 and rural areas). The remaining 25 percent would be distributed on a formula basis to states specifically for creating jobs related to the provision of human services commonly provided by or financed through state governments.

Under this joint proposal, individuals eligible to participate in the PSE program would include those who either have been unemployed for at least 30 days and reside in a low-income household (e.g., eligible for SNAP/food stamps or under the Worker Opportunity Tax Credit) *or* have been unemployed for at least 12 weeks (without regard to household income). Local governments would be required to ensure that at least 35–40 percent of those hired under the

program are from low-income households. Eligibility provisions along these lines offer a reasonable balance in response to competing goals of reaching households with the greatest financial needs and extending new employment opportunities to diverse segments of the long-term unemployed.

### ***“Fast-Track” Implementation during the Program’s First Year***

Recognizing that the effectiveness of a new PSE program as a countercyclical measure depends on speedy implementation, local governments receiving federal funds under the program would be granted “fast-track” authority to designate a local agency responsible for administering the program and hire unemployed residents in positions that are clearly designed to advance national priorities and generate important public benefits. Local hiring in this fast-track component of the program would begin immediately upon the release of federal funds and continue through the end of the first full year of implementation. At the same time, local governments (in consultation with Workforce Investment Boards and local TANF agencies) would undertake planning activities for a second and more comprehensive phase of the PSE initiative.

This fast-track authority should be carefully delineated to prevent abuses and limited to a modest number of discrete activities with high potential impact in terms of community benefit and aggregate job creation. While the possibilities for legislatively sanctioned work activities during the first year of implementation are numerous, promising options include these five:

1. paint and repair schools, community centers, and libraries;
2. clean up abandoned and vacant properties to alleviate blight in distressed and foreclosure-affected neighborhoods;
3. expand emergency food programs through increased outreach and enhanced staffing levels to reduce hunger and promote family stability;
4. augment staffing in Head Start, child care, and other early childhood education programs to promote school readiness and early literacy; and
5. renovate and enhance maintenance of parks, playgrounds, and other public spaces.

In each instance, the U.S. Department of Labor could provide additional guidance to municipal, county, and state governments as necessary regarding permissible PSE placements in each of the above categories. However, local officials would be explicitly authorized to proceed quickly and could be expected to create between 200,000 and 400,000 temporary, publicly funded jobs within the first three to four months of program implementation under these circumstances.

### ***A More Comprehensive, Longer-Term Second Phase***

While the current levels of joblessness demand urgent federal action, unemployment rates across the nation are likely to remain at levels typically associated a deep recession for years to come. For this reason, the fast-track component of PSE implementation should be followed by a second phase grounded in more extensive local planning and program development. In this second phase, local officials would have the opportunity to develop a broader array of work projects or activities (see box for a detailed list of possibilities) and build stronger links between PSE placements and education, training, or other workforce development services. They would also be required to design and implement a more comprehensive set of policies and procedures for recruiting and screening

applicants, matching job seekers and PSE positions based upon skills and jobs requirements, soliciting community input regarding program elements, and collecting data on program participation and outcomes.

### **Potential Work Activities for Second Phase of PSE Implementation**

*Neighborhood/ community improvement:* Maintenance, repair, and minor renovation of public facilities and neighborhood buildings in which public programs operate; improvement and maintenance of parks, waterways, and other public spaces; code enforcement, graffiti removal, and property maintenance to prevent or alleviate blight, including foreclosed properties.

*Child health and development:* Lead paint abatement and prevention programs; staff support for child care, preschool, and Head Start centers; outreach for immunizations to protect against pneumonia and childhood diseases; access to and coordination of school-based services, including as part of efforts to create community schools; staff support for teachers and afterschool providers; access to and provision of prenatal care; early intervention services; afterschool programming; summer food programs; special education and developmental disability programs; and community-based services to runaway and homeless youth.

*Access to public benefits:* Outreach and preliminary eligibility screening for EITC, SNAP, Medicaid/CHIP, LIHEAP, child care assistance, and other public benefits; maintenance or restoration of services provided by public utilities; and restoration or expansion of adult day care or home health/homemaker services and of services in public libraries, community-based health clinics, and mental health centers.

*Public safety and transportation:* Promotion of safe routes to school; mentoring of children or adolescents in violence and gang prevention initiatives; street outreach to prevent youth or gang violence; provision of transportation services for the disabled; and maintenance or expansion of transit services.

*Energy conservation and environmental protection:* Home energy audits and low-cost weatherization; trail construction and maintenance; flood prevention and stream restoration; outreach and education to reduce non-point pollution runoff; and installation of high-efficiency lighting.

Combinations of paid work, through a PSE position or transitional job, and workforce development activities seem particularly promising for individuals facing substantial barriers to employment. The range of relevant options include remedial education, basic literacy, or English as a second language programs, and specific certification or training that builds occupational skills in fields with anticipated job growth or demand. Training efforts could also use existing labor-management partnerships and on-the-job training models to help workers move into family-sustaining jobs, thereby creating more entry-level openings for new employees.

Assuming that the nascent economic recovery is sustained and as jobless rates gradually fall to levels traditionally associated with periods of strong economic growth, the focus of federal investments in publicly funded jobs should shift from PSE placements to transitional jobs models. This adjustment in response to changing economic conditions would include increased targeting to

reach individuals with multiple barriers to employment and greater emphasis on successful placements in unsubsidized jobs following program participation. Given the many common elements of PSE and TJ programs, an ongoing investment in transitional jobs during periods of relatively low unemployment would enable states and localities to preserve a public job creation infrastructure and provide a foundation for a quick resumption of PSE initiatives if and when the need should arise.

### ***Preventing Substitution or Displacement of Current Employees***

In recent discussions of PSE options among federal policymakers, concerns about potential substitution and displacement appear to have received a great deal of attention and emerged as a primary reason for not including a PSE program in the latest round of policy recommendations advanced by the Obama administration and key congressional leaders. Without question, these issues require serious consideration in program design and policy development, but the view that they represent an insurmountable obstacle to effective implementation is neither supported by past experience nor rooted in a sensible understanding of hiring and employment practices within local governments. In the early stages of the Comprehensive Employment and Training Act's (CETA) PSE program, shifting staff from regular public payrolls to PSE positions was not clearly prohibited and at times not even actively discouraged, serving in essence as a form of local fiscal relief during the 1975–76 recession. Such behavior was sharply curtailed as part of the revisions to the PSE program in subsequent years, however, and later estimates of substitution and displacement rates within CETA indicated that the problem had been successfully addressed.

In practical terms, the basic eligibility requirement contained in the joint proposal described earlier in this section—that eligible individuals be unemployed for at least 30 days—would help prevent local governments from removing current employees from public-sector payrolls and immediately rehiring them in PSE positions. The joint proposal also calls for: strong prohibitions against substitution and displacement; protections for recently laid-off employees, workers on leave, and striking workers; and preservation of recall rights under collective bargaining agreements. To ensure that these prohibitions and protections can be effectively enforced, the proposal includes grievance procedures, arbitration provisions, enforcement authority in the secretary of labor, rights to judicial review, and private rights of action.

Beyond these essential provisions, however, other strategies could be considered to limit or discourage substitution and displacement within a PSE program. For example, strong transparency provisions of the sort included within ARRA could require local governments to post every PSE position created on the Internet, accompanied by specific instructions of how complaints concerning displacement or substitution can be filed locally and federally. Under these circumstances, attempts to shift workers or jobs from public payrolls to the PSE program would become less attractive and easier to detect.

Local Workforce Investment Boards (WIBs) could also protect against displacement or substitution. The authorizing statute could specify that local governments can fill PSE slots only after the local WIB certifies that such hiring will not result in displacement or substitution. The statute could also include enforcement provisions, including potential penalties (e.g., loss of up to 10 percent of the local Workforce Investment Act (WIA) allocation in the subsequent year) in the event that the U.S. Department of Labor determines that PSE hiring violated the prohibition against displacement and substitution. In large cities where the WIB is controlled by the city, the threat of potential loss of WIA funds would still constitute an effective check against large-scale violations. In

medium and smaller communities, the relative independence of the WIB would be akin to an independent monitor and thereby create a check against such violations.

Finally, any PSE program could reduce incentives for substitution and displacement by limiting the maximum time that any individual can be employed in a PSE position. Such a provision would promote equity (by giving as many people as possible the chance to obtain employment for at least a modest period) and facilitate reduction in the size and scope of the program as labor market conditions improve (by enabling projects or providers to reduce the number of participants through attrition when they hit time limits rather than by firing workers). A maximum employment period of six or nine months in the fast-track phase of the program, and of up to 12 months in its subsequent, longer-term phase, would make substitution or displacement efforts less attractive and assist local officials as they manage and adjust to changes in the size of the PSE program from year to year.

Every attempt to subsidize employment—whether through tax incentives, wage subsidies, or public job creation expenditures—involves some degree of inefficiency, or what economists would call “leakage,” when subsidies are provided for jobs that would have been created anyway or maintained in the absence of tax benefits or public spending. This unavoidable result is rarely cited as a major problem in consideration of tax expenditures to stimulate hiring. It certainly should not be viewed as a fatal flaw when direct job creation efforts are carefully designed to prevent substitution or displacement on a large scale.

### **Additional Opportunities to Build Transitional Jobs Capacity with Federal Support**

While efforts among service providers to implement transitional jobs models continue to grow, much remains to be done to build adequate federal, state, and local public infrastructures for administering and financing these programs. In the absence of strong federal leadership, a number of states, counties, and municipalities have begun to create plans targeted at helping the hardest to employ, leveraging funding, and implementing TJ programs to meet growing need. A major challenge now is to create a national framework for TJ funding and knowledge development that can sustain and strengthen these efforts.

Historically, the federal government has not provided dedicated funds for TJ programs. Certain federal funding sources can be used to support TJ programs in part, such as TANF, WIA, and the SNAP Employment and Training program. All these funding sources have rules that create barriers for TJ programs in accessing and applying funding (National Transitional Jobs Network 2009),<sup>4</sup> and they have commitments to different kinds of programming that consume most of the funding. As a result, federal funding sources taken collectively have not supported or produced nearly enough TJ program capacity to meet current needs. However, a number of new TJ funding opportunities could improve this outlook and substantially increase the amount of dedicated funding available for transitional jobs.

### ***FY2010 Transitional Jobs Appropriation within the Department of Labor Budget***

The Obama administration has taken a strong step toward ensuring that more Americans will have access to transitional jobs opportunities by including funding in its budget to demonstrate and evaluate TJ program models. In the fiscal year 2010 Labor, Health, and Education Appropriations Consolidated Appropriations Bill, \$45 million was included for TJ programming:

- In the Department of Labor Pilots, Demonstrations, and Research section, \$30 million is included for transitional jobs activities, and up to 10 percent of the amount may be used for evaluation of such projects or transferred to the Department of Health and Human Services and/or the Department of Justice for support of transitional jobs activities; and
- In section 171 of WIA and section 212 of the Second Chance Act, \$15 million is included for competitive grants to provide transitional job activities for ex-offenders.

The demonstration will likely serve 3,000 to 5,000 people with barriers to employment with an anticipated focus on noncustodial parents and people exiting prison. This estimate assumes the transitional jobs wages range from \$7.25 to \$8.50 an hour (depending on the local minimum wage) and the length of time in the transitional job ranges from three to six months.<sup>5</sup>

The demonstration provides a key opportunity to both build additional capacity across the country and to test enhancements to the model based on what has been learned from previous and ongoing studies of TJ programs. Capacity could be built within the federal government to administer and oversee transitional jobs funds. Enhancements to the model could include rigorous targeting of the program to the hardest to employ, integrating literacy programming with transitional jobs to increase preparedness to enter training, phasing the transitional job into an on-the-job training opportunity in industries where high math and reading levels are not prerequisites, lengthening the transitional job portion for those whose chances of success in the private labor market are limited, and adding intensive transition supports from the transitional job into the unsubsidized job.

### ***Inclusion of TJ Provisions in TANF Reauthorization***

In several parts of the country in the late 1990s, subsidized employment programs grew in the form of transitional jobs strategies<sup>6</sup> focused on supporting the transition to work for TANF recipients. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 authorized the TANF block grant to states, which allowed funds for states to develop subsidized employment programs targeted at people eligible for TANF and noncustodial parents of eligible children.

In addition to the block grant, funds available through the Welfare to Work (WtW) grant program, administered by the Department of Labor and evaluated by the Department of Health and Human Services, spurred much of the early growth in the transitional jobs strategy targeted at welfare recipients. Evaluations of the WtW demonstrations highlighted TJ programs as a promising practice in serving hard-to-employ populations and noted the value of wage-paid work as a vehicle to help with the transition to work. As the WtW funding phased out, transitional jobs activity for TANF recipients slowed owing to challenges in using the TANF block grant for support. Under the block grant, states have the flexibility to design and implement transitional jobs and other subsidized employment programs, but there are barriers to doing so effectively.

The passage of the Deficit Reduction Act (DRA) in 2005, with its significantly more stringent work requirements and reduced flexibility in what activities counted as allowable work activities, put new pressure on states to quickly enroll TANF participants in limited, federally defined countable “core” and “non-core” activities and to reduce caseloads or face significant penalties (Frank 2007). While subsidized employment and other activities in which the TANF participants are paid are defined as core countable activities toward TANF work participation rates, other barrier removal activities and education or training are not. Since TJ programs combine a

package of services and supports considered core and non-core activities, states have been reluctant to develop these programs because of complicated reporting and verification requirements. In a context that places greater emphasis on verifying participation in countable activities rather than demonstrating the effectiveness of program interventions, many states have had difficulty implementing program services such as transitional jobs programs, which combine core and non-core activities to support participant success.

TANF reauthorization offers an opportunity to ensure that states have the flexibility to develop employment service packages, like TJ programs, that effectively meet the needs of TANF recipients with barriers to employment. Through reauthorization, administrative barriers to implementation can be reduced, the definition of the subsidized employment activity can be broadened to include TJ programs, and a comprehensive definition of transitional jobs that reflects the package of services and supports that TJ programs deliver can be included.

In addition to the states already doing so, many states have interest in operating statewide transitional jobs programs for TANF recipients. This became widely apparent when the TANF Emergency Funds were made available through ARRA. If the disincentives in current funding can be addressed through TANF reauthorization, rapid expansion of transitional jobs for the hardest to employ welfare recipients is likely to occur.

### ***Inclusion of TJ Provisions in WIA Reauthorization***

The transitional jobs model seeks to create a pathway out of poverty via work by drawing upon lessons from both the human services and workforce development fields. In practice, the populations targeted by TJ programs—those with severe learning and skills deficits, often combined with other employment barriers—are much more likely to be served by human services agencies than the workforce development system. However, individuals facing these challenges by and large want to work and succeed in work. Prioritizing funding for transitional jobs within the nation's workforce development system is one key way to align and assemble the nation's workforce services along a continuum of opportunities for all as stepping stones along a pathway out of poverty.

The Workforce Investment Act is the main federal funding stream for employment and training services. Although low-income individuals and public assistance recipients have priority of service under the WIA adult funds, since the enactment of WIA, the share of low-income individuals receiving intensive or training services through the WIA adult program has dropped to just under half (CLASP 2008). Several factors may be contributing to the declining share of low-income individuals who exit the WIA adult program, including declining funding, types of performance measures, sequential service requirements, and the lack of any strong, explicitly defined targeting requirement in current law.

While current WIA law and regulations support several elements of TJ programs (including employer engagement, case management, job placement, follow-up services, and education and training components of the program), and WIA funds can be used to fund wages for participants in certain instances through on-the-job training or paid work experience, unfortunately they have proven difficult to use for TJ programming. WIA funding is challenging for TJ programs to access and manage given that only parts of the program are consistently supported, WIA does not prioritize or emphasize transitional jobs, and WIA typically does not provide resources for the core component of the strategy: the paid transitional job.

WIA reauthorization presents an opportunity to remove disincentives to serving those with barriers to employment, require stronger targeting of services, and provide support for program models geared toward helping individuals who face difficulties in the labor market, such as transitional jobs. To ensure that the WIA adult program explicitly supports TJ programs for individuals with severe and multiple barriers to employment, it must be changed to include a definition of transitional jobs and to specify that transitional jobs are an allowable activity and allowable use of funds. For these changes to be effective, WIA reauthorization also should include increased funding, have a heightened emphasis on training and services that enable people to succeed in training, and remove disincentives in performance measures to encourage provision of services to individuals with disabilities and other barriers to employment (Baider 2008). If these changes are made to WIA, it could result in a workforce development system that is much more effective at serving people with barriers to employment.

### ***Expanded TJ Use for Ex-offenders in Reentry Initiatives***

Nearly 650,000 people are released from incarceration every year in the United States, and most return to incarceration within three years. This reality has left many states and localities seeking effective solutions to curb recidivism and stem the rising costs borne by corrections systems, families, communities, and social service systems. Employment is one stabilizing force for people as they reenter communities from incarceration, and rigorous, random assignment evaluations of TJ programs have found statistically significant decreases on recidivism by those that participate in TJ programs compared with those in job search activities (Redcross et al. 2009).

Because of these realities, TJ programs are expanding across the country to meet the employment needs of people reentering communities from incarceration. TJ programs help stabilize individuals returning from incarceration, provide much-needed income, focus on addressing personal and work-related barriers, provide a current reference for employers, and can help meet the responsibilities of probation and parole as well as link participants with housing, treatment, education or training, family reunification, and other support services.

The Second Chance Act included the most robust set of resources to date to help states and localities plan and implement effective reentry solutions. TJ programs were included within the legislation as an allowable use of grant funds for government entity planning efforts and nonprofit mentoring and juvenile justice program development. As a result of the availability of these resources, several government planning efforts and individual program development efforts included TJ programs in grant applications. While initial funding under the Second Chance Act fell far short of both interest and need, a greater number of TJ programs for people returning from incarceration may emerge if additional grant funds become available.

The newly introduced Criminal Justice Reinvestment Act of 2009 would establish a federal grant program to help states and local jurisdictions implement data-driven, evidence-based policies to increase public safety, control growth in prison and jail populations, and slow spending on corrections. After identifying the best strategies, communities could apply for funds to implement an array of risk-reduction programs including education or job training. This opportunity provides a potential new source of support for TJ programs, and work could be done to ensure that transitional jobs constitute an allowable use of these funds.

## Research Evidence to Support PSE and TJ Investments

While a thorough review of the research literature on public job creation efforts is well beyond the scope of this paper, it is important to note that the portrayal of PSE programs as inherently wasteful or ineffective is at odds with much of the research evidence.<sup>7</sup> The nation's oldest and largest federal job creation programs—such as the PSE programs created as part of the Comprehensive Employment and Training Act (CETA) of 1973 and the Depression-era Works Progress Administration (WPA)—certainly had their shortcomings. However, the full body of research on these programs also documents their impressive accomplishments and provides ample basis for concluding that modern PSE adaptations could successfully advance key public policy goals during periods of high unemployment. In addition, the focus on these very large scale federal initiatives often obscures the promising results generated by several smaller, more recent innovations that suggest that publicly funded jobs should be viewed as more flexible policy tools that can help hard-to-employ individuals overcome employment barriers even in times of relative prosperity.<sup>8</sup>

Looking back, the WPA achieved remarkable scale by putting more than 3 million unemployed Americans back to work at its peak in 1938. Its most enduring legacy is found in its contributions to the nation's infrastructure. Under the program, the nation built or reconstructed 617,000 miles of new roads, 124,000 bridges and viaducts, and 35,000 buildings. It also financed a wide array of other labor-intensive work projects, including the construction of sidewalks, street curbs, school athletic fields, parks, playgrounds, and landing fields as well as national landmarks such as the Philadelphia Art Museum and New York City's Central Park Zoo and LaGuardia Airport. Implemented in an era before the advent of in-depth program evaluations, little is known about the impact of the WPA on participants beyond its obvious role in helping meet their basic subsistence needs.

The success of CETA's PSE program was defined initially by how quickly new PSE slots were created to combat widespread joblessness. The scale at which the program operated was impressive. In 1978, the PSE program provided jobs for more than 700,000 disadvantaged adults throughout the nation. Overall, the program also served a very disadvantaged population. More than three-quarters of all PSE enrollees in fiscal year 1980 earned less than \$4,000 during the previous year. Half these enrollees had been unemployed for more than 13 weeks, and two-fifths were receiving some form of public assistance. One in every two enrollees was a minority, and one in three lacked a high school diploma. While some of the work performed by participants no doubt would have been undertaken in the absence of the program, field studies conducted between 1977 and 1980 suggest that between 80 and 90 percent of CETA's PSE expenditures contributed directly to net job creation.

At the same time, local governments were faced with many challenges as they sought to implement the CETA PSE program under far-from-ideal conditions. Pressures for rapid expansion in 1977 and 1978 seriously compromised attempts to maintain program quality. Shifting goals and eligibility criteria gave local administrators little chance to set clear objectives and be held accountable for results, particularly as the primary measure of the program's effectiveness shifted within the span of a few short years from aggregate job creation to success in moving participants into unsubsidized jobs. Perhaps surprisingly under these circumstances, more rigorous evaluations of the PSE program still found lasting impacts on participants' earnings, particularly for women. For example, the annual earnings in 1978 of female PSE participants who had enrolled in fiscal year

1976 were \$1,100 higher than those of matched control groups. Earnings gains among white men enrolled that year were more modest, and no gains were found for minority men.

Public job creation strategies received much less attention in the 1980s and early 1990s, following the elimination of the CETA PSE program during the first year of the Reagan administration. Nonetheless, evaluations of a number of smaller-scale programs during this period add to the accumulated evidence that public job creation can be an important tool for aiding disadvantaged workers and depressed communities. Some of these models focused explicitly on transitions into unsubsidized employment, relying on close supervision, time-limited work assignments, intensive job search or placement activities, and support services to help participants move into the regular job market. These programs heavily emphasized skills development, frequently combining paid work with education or training to boost participants' employability. Other initiatives were designed primarily to put people back to work quickly in times of high unemployment and to increase the overall supply of jobs available to low-skilled workers. While virtually all these efforts have sought to assist relatively disadvantaged individuals, some have been targeted exclusively on longer-term welfare recipients or unemployed youth.

Since the mid-1990s, there has been a resurgence of interest in developing publicly funded employment opportunities for people who are chronically unemployed, with an increasing emphasis on transitional jobs focused on the hardest to employ. This emphasis on the hardest to employ resulted from three trends:

- through the creation and reauthorization of the TANF program, new attention was focused on long-term welfare recipients who had limited work experience;
- as a result of record high prison populations, the needs of newly released people with criminal records back into communities became more prominent; and
- with the large-scale creation of plans to end homelessness nationwide, the employment challenges faced by people who are homeless became more apparent.

As these hard-to-employ populations grew, so did the acknowledgement that traditional workforce development systems were not designed to serve them well.

During this time, both program expansion and research were spurred, the most comprehensive of which is the Enhanced Services for the Hard-to-Employ Demonstration and Evaluation Project, which is testing innovative employment strategies for groups facing serious obstacles to finding and keeping a steady job. While final reports from the study are forthcoming, a number of important findings relating to transitional jobs have been documented:

- The evaluation of Philadelphia's Transitional Work Corporation (TWC) uses a rigorous design in which nearly 2,000 long-term and potential long-term welfare/TANF recipients were assigned at random to TWC's transitional jobs program, or STEP (barrier removal activities), or to a control group that did not participate in either program. After 18 months, the TJ participants experienced statistically significant increases in earnings as well as significant decreases in both receipt of TANF and TANF payment amounts. These results show the TJ model providing significantly better outcomes than both the control group and the group receiving pre-employment services, but the fact that only about half of the

program group ever worked in a transitional job may have diluted the program's impact. TWC's program had the greatest effect on unsubsidized employment among the most disadvantaged participants, defined as those with little or no recent employment and long histories of TANF receipt (Bloom 2008; Bloom et al. 2009; Jacobs 2009).

- The impacts of Center for Employment Opportunities' (CEO) transitional jobs program in New York City are also being assessed using a rigorous research design. A total of 977 ex-prisoners who reported to CEO were assigned, at random, to either a program group that was eligible for all of CEO's services or a control group that received basic job search assistance. In the first two years of follow-up, CEO generated a large but short-lived increase in employment; the increase was driven by CEO's transitional jobs. By the end of the first year of the study period, the program and control groups were equally likely to be employed, and their earnings were similar. Yet strikingly, CEO reduced recidivism during both the first and the second year of the study period: the program group was significantly less likely than the control group to be convicted of a crime, to be admitted to prison for a new conviction, or to be incarcerated for any reason in prison or jail during the first two years of the study period (Redcross 2009; Redcross et al. 2009). New research on TJ and recidivism is ongoing (Joyce Foundation 2009).

While the findings from this latest round of research appear mixed, a number of improvements to the program model have occurred since the studies began to enhance longer-term outcomes. For example, the research shows that transitional jobs programs substantially increased employment in the short term but the effects fade. Transitional jobs programs have since altered the model to include more robust employment transition and retention services, and program data are showing more lasting employment effects. Research findings on employment rates for the control groups in these studies are low, indicating that programs are successfully targeting groups that had great difficulty finding employment and who otherwise may not be employed. The research evidence also shows that TJ programs meet important objectives beyond employment—most notably reductions in recidivism—highlighting the importance of thinking more broadly about the value of these programs. Finally, the studies have documented the feasibility of operating large-scale transitional jobs programs that offer real work. With sustained federal investments in TJ expansion and knowledge development, future refinements and adjustments to current TJ models hold the promise for even stronger outcomes for the most disadvantaged jobseekers.

### **ARRA: Early Lessons Learned about Job Creation**

No dedicated funds for public service employment or transitional jobs programs were authorized through the American Recovery and Reinvestment Act, although subsidized employment was an allowable activity for some of the funds (most notably the TANF Emergency Funds and the youth summer jobs program).

With the opportunity to develop or expand subsidized employment programs provided through ARRA's TANF Emergency Fund and guidance by the Department of Health and Human Services articulating that expenditures for subsidized employment should include "all expenditures related to operating a subsidized employment program, including the cost of overseeing the program, developing work sites, and providing training to participants," several counties and states began developing subsidized employment and transitional jobs programs focused on providing

immediate subsidized income, supportive services, work experience, and skill building leading to unsubsidized employment.

While HHS's flexibility and guidance on the use of third-party expenditures toward a state's 20 percent allocation for expanded TANF services<sup>9</sup> has allowed for a greater number of states to draw down ARRA TANF emergency funds and to build and expand subsidized employment and transitional jobs programs, many cash-strapped states have cited the match requirement as the most significant barrier to implementing or expanding TANF services despite significant interest in doing so. For some states and counties, however, collaborations with employers, private foundations, human services and workforce development agencies, and service providers expanded significantly during this period, signaling the desire for program development and a deepening of capacity and infrastructure to do so.

The interest and take-up of subsidized employment and transitional jobs programs given the resources and flexibility to do so indicate that states recognize immediate wage-paid employment as vital to getting earned income into the pockets of individuals and supporting community economic stability.

Increases in Workforce Investment Act allocations for youth services through ARRA and the Department of Labor's guidance encouraging the development of transitional jobs programs for older, out-of-school youth resulted in a handful of states and entities developing Transitional Jobs programs for these youth in 2009. For example, building on their youth summer jobs efforts, the Georgia Department of Labor rolled out a transitional jobs program for at-risk and older out-of-school youth (age 14–24) with one or more barriers to employment. Internships were provided by private and public employers for six to eight weeks. Wages started at minimum wage and averaged \$9 to \$10 an hour.

#### **Examples of ARRA TANF Emergency Funds Used for Transitional Jobs**

- **Los Angeles County** is using its share of TANF Emergency Funds to expand TJ opportunities with a goal of placing 10,000 participants in subsidized employment by March 2010. Partners include the South Bay Workforce Investment Board, United Way, and the L.A. Economic Development Corporation. **San Francisco County** is also using TANF Emergency Funds to expand its JOBS NOW! program to provide TJ slots to an additional 1,000 unemployed and underemployed parents by September 2010.
- Additionally, **at least 10 other counties in California** are developing or expanding TJ program models as a result of ARRA TANF Emergency Funds. In total, California estimates it will use more than \$300 million in TANF Emergency Funds for TJ programs.
- **New York State** is planning a \$39 million effort to provide transitional jobs program opportunities to unemployed individuals. The state will spend \$25 million to create a new Transitional Jobs Initiative to provide paid, subsidized work experience—combined with educational opportunities related to work—to TANF-eligible individuals including disconnected youth and formerly incarcerated. Remaining funds will be used to create TJ programs leading to the green jobs and health care sectors.

While American Recovery and Reinvestment Act investments are still under way, some early lessons are already apparent. Despite intense efforts to allocate, disburse, and spend new federal funds quickly, the focus on infrastructure improvements and other capital-intensive projects has resulted in longer lead times for implementation and completion than would be expected in a PSE program. In addition, while information regarding the job creation impact of many of these projects remains incomplete, it seems likely that their capital and skill requirements will result in relatively high costs per job created and fewer employment opportunities for less-skilled individuals among the unemployed. The evidence and experience of state subsidized jobs activity related to ARRA indicates that the interest in a national PSE and transitional jobs program exists, and could be further expanded and strengthened with dedicated funding and investments in infrastructure development.

## **Conclusion**

A new federal initiative that puts jobless individuals immediately to work must be a central element of any strategy for restoring economic growth and responding to pressing human needs in 2010 and beyond. To quickly ramp up program capacity and ensure effective implementation across the nation, a coherent federal strategy and focused investment are needed. In addition, for future economic downturns, the policy goal should be to create a permanent public job creation infrastructure that responds to changing needs across the business cycle. During recessionary periods, federal funding for publicly funded jobs would be focused on public service employment programs that primarily play a countercyclical role. As labor markets tighten during periods of recovery, federal investments would shift to emphasize transitional jobs models, with a greater focus on hard-to-employ individuals who would otherwise be shut out of the labor market and a goal of placing participants as soon as possible into unsubsidized employment.

Past experience and research findings offer frequent reminders that both PSE and TJ programs are complex policy interventions and therefore challenging to design and implement effectively. For this reason, federal investments in public job creation must include a sustained commitment to state and local knowledge development and capacity-building efforts. The potential benefits of PSE and TJ programs as national policy tools are far reaching: they provide much-needed work and earned income that stimulates communities by quickly employing people and providing beneficial work in neighborhoods. In addition, the need for publicly funded jobs is—and will continue to be—great, and interest among key policymakers at all levels is high. With strong federal action now, the Obama administration and Congress can continue to combat the current economic crisis and also lay the groundwork for measures that can greatly enhance America's readiness to respond to any future economic downturn.

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## Notes

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<sup>1</sup> U.S. Department of Labor, “Employment Situation Summary,” economic news release USDL-10-0256, March 5, 2010, <http://www.bls.gov/news.release/empstat.nr0.htm>.

<sup>2</sup> U.S. Department of Health and Human Services, “Temporary Assistance for Needy Families (TANF) caseload data 2009,” [http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload\\_current.htm](http://www.acf.hhs.gov/programs/ofa/data-reports/caseload/caseload_current.htm).

<sup>3</sup> U.S. Department of Justice, “Office of Justice Programs: Reentry,” <http://www.reentry.gov/>.

<sup>4</sup> For more detail, see the National Transitional Jobs Network presidential transition policy memo at <http://www.heartlandalliance.org/ntjn/ntjn-federal-administration-transition-memo-2009.pdf>.

<sup>5</sup> See <http://www.heartlandalliance.org/ntjn/budget-projection-tool-national-transitional-jobs-network.xls> for more details on calculating numbers served.

<sup>6</sup> These programs were called many things including community service jobs, publicly funded service employment, and others, though most were close in form to the transitional jobs model as it is known today.

<sup>7</sup> For more information on the research literature, see <http://www.cbpp.org/jobcreationarchive>.

<sup>8</sup> Clifford M. Johnson and Ana Carricchi Lopez, “Shattering the Myth of Failure: Promising Findings from Ten Public Job Creation Initiatives,” December 22, 1997, <http://www.cbpp.org/archiveSite/1222jobcr.htm>.

<sup>9</sup> U.S. Department of Health and Human Services, “Questions and answers on the American Recovery And Reinvestment Act of 2009, Temporary Assistance For Needy Families (TANF) Program Emergency Fund,” <http://www.acf.hhs.gov/programs/ofa/recovery/tanf-faq.htm>.