

## Proposal to Foster Economic Growth

Submitted to the U.S. Senate Committee on Banking, Housing and Urban Affairs  
April 14, 2017

### **Transitional Jobs Programs—An Equitable Growth Strategy for Long-Term Unemployed Adults that Use Federal Rental Assistance or Federally-Funded Homeless Services**

***Summary:** This proposal would create a competitive grant program to fund voluntary transitional employment programs for working-age adults who use federal rental assistance or federally-funded homeless services and who have been unemployed for long periods of time, often because they face steep barriers to work, even when the economy is strong. Grant funds would be used by grant recipients to provide wage subsidies and work-related supports and services.*

**The problem.** While most non-disabled, working-age households using federal rental assistance<sup>1</sup> work or worked recently, a small share are not attached to the formal labor market.<sup>2</sup> Transitional jobs programs are a promising strategy that have been used in other contexts for helping jobless or underemployed adults earn income that allows them to afford necessities and reduce poverty. However, these programs have never been focused on long-term unemployed adults receiving different forms of housing assistance.<sup>3</sup> Transitional jobs programs provide employers wage or on-the-job training subsidies for hiring workers who are unlikely to find and maintain stable employment otherwise. In turn, the programs help workers increase their income while building work skills they can carry with them into the future. These programs often provide work-related supports and services, including health and transportation assistance, that help address barriers to successful labor market outcomes.

The economy has long failed to produce enough jobs for everyone who wants to work. Even during healthy economic times, workers facing severe barriers to employment—such as those with limited skills, significant caregiving responsibilities, or a criminal record—often have difficulty finding stable work. Among non-disabled, working-age households continuously using federal rental assistance between 2012 and 2016, approximately 8 in 10 report at least one member working at least one year out of the period. However, labor force attachment is tenuous for some of these households. Approximately one-third worked during the entire period, about half worked some of the time, and one-fifth did not work at all. Households with no work history were more likely to include someone who has a disability, live in a neighborhood with a poverty rate of 40 percent or more (approximately three times the national poverty rate), and/or live in a county with an elevated unemployment rate.<sup>4</sup>

Targeting job programs to households that receive federal housing assistance is supported by the evidence: evaluations show that some welfare-to-work programs had greater positive effects on employment and earnings for extremely poor families that also receive housing assistance compared to other welfare recipients.<sup>5</sup> This could be due to the increased residential stability that housing assistance provides.

### **The purposes.**

- Provide adults using housing assistance who are the least likely to find employment on their own with the opportunity to gain skills that can help them to make a successful long-term transition into the labor market.
- Strengthen communities by increasing employment in areas with persistently high unemployment and poverty.
- Create an administrative structure and develop local expertise and relationships that can be expanded upon during economic downturns when fewer jobs are available.
- Provide small- and medium-sized businesses with the chance to test their potential for growth by providing access to time-limited employment subsidies to hire workers.
- Foster public-private partnerships for transitional employment and work supports and services.
- Further build the evidence for targeted, innovative models that work with assisted-housing tenants to raise incomes, potentially reducing the costs of rental subsidies or freeing up units for new households.

**The evidence.** Subsidized employment is a proven policy that can help address labor market challenges by providing public subsidies to create temporary jobs in the private, non-profit and/or public sectors for workers who otherwise can't find stable work. Complementing the job opportunity with developmental services appears to improve outcomes for the most disadvantaged workers, although more experimentation is needed. While the nation underinvests in this employment strategy, the U.S. has 40 years of experience operating subsidized jobs programs. Analysis of those investments shows this strategy can increase employment, boost workers' incomes and well-being, and reduce employers' hiring costs and risks when the program is well-designed.<sup>6</sup>

In some cases, investments in transitional job programs will pay for themselves, including through higher tax revenues and savings from reduced public outlays, per evaluations of experimental or quasi-experimental models.<sup>7</sup> Therefore, even when faced with competing demands, policymakers should make these programs a priority.

**Recent experience.** During the Great Recession and early months of the recent economic recovery, nearly 40 states used \$1.3 billion from the TANF Emergency Fund (TANF EF) to quickly employ more than a quarter million disadvantaged workers in jobs that were mostly in the private sector. These jobs led to sizeable increases in employment and earnings—especially for the long-term unemployed—and improved workers' chances of finding a job after the program ended.<sup>8</sup> By boosting workers' skills and job experience, which in turn can increase their employability and earnings, subsidized jobs can, in some cases, provide a pathway to good jobs for people who would otherwise not have the opportunity to contribute to economic growth.

**Key program elements.** Transitional job programs come in different models, but broadly speaking they include three core elements: skills assessment, rapid entry into a paid job where the government covers most or all of the initial wages, and services that provide additional support to improve the chances of employment success.<sup>9</sup> There is a range of supportive services that these programs can provide, including job search and training services, work supports (such as child care and transportation), and more intensive case management or coaching for people who face severe barriers to work—such as older workers and people with a disability or criminal record.

### **From Home to Work—A Transitional Jobs Demonstration**

**Overview:** HUD, in consultation with DOL and USDA, would administer a new voluntary work program that provides competitive grants to (1) HUD- or USDA-funded housing or homeless providers or (2) human services providers of transitional employment programs. The program would target working age (age 18-61) adults on housing assistance or participating in federally-funded homeless services. HUD would award multi-year grants through annual appropriations, with the targeting criteria for new grants taking into consideration local labor markets and national priorities.

**Grantees and Partnerships:** Any HUD- or USDA-funded housing or homeless provider, or non-profit organization qualified to implement a voluntary, transitional employment program, could apply for these competitive grants. To encourage collaboration among housing agencies and human service or workforce providers, either type of grantee would be required to demonstrate a partnership with the other type of grantee, or the two could be co-applicants. The competition would give strong preference to applicants that (1) operate a high performing Family Self-Sufficiency (FSS) program that would be available to participants in the transitional jobs program, (2) demonstrate that joblessness and/or inadequate employment among HUD- or USDA-assisted households is an issue in their community; (3) operate in and/or employ workers in communities with high levels of poverty;<sup>10</sup> (4) demonstrate strong linkages among housing, employment programs, and social services support programs; (5) will provide meaningful work or training opportunities for participants to learn hard and soft occupational skills; and (6) include explicit strategies for helping participants retain employment after the subsidy ends.

Applicants must also provide evidence of partnerships with the local One-Stop Career Centers and other workforce investments programs as well as providers of support services. Grantees must provide comprehensive and coordinated services in each of the three components described below:

- **Assessment:** Grant funds would be used to conduct initial assessments and work with participants who may not be ready for immediate and/or full-time employment, including identifying and making available the supportive services necessary to increase their chances of success on the job. The transitional jobs program would also use the assessment results to make placement decisions. Applicants should be able to demonstrate how they would develop individualized training and services plans for each participant to establish goals and service strategies, and track participants' progress.
- **Rapid Entry into Paid Work:** Grant funds would support voluntary job placement services in coordination with businesses, local non-profits and One-Stop Career Centers, educational institutions, and other employment service providers. When possible, grantees would stress job placement in an in-demand occupation, job retention, and career advancement opportunities.
- **Work-related supports and services:** Up to 25 percent of the grant funds would be available for work-related services, including transportation, child care, mentoring, or other assistance. The scale of programs and these services would vary across target population, location, and other factors.

**Program and Subsidy Configuration:** Legislation would authorize HUD to award multi-year grants. Each grant would be for up to 42 months, and may include up to six months for a planning phase and up to three years of operation. Grantees would directly or through intermediaries provide subsidies to employers (which could be private, nonprofit, or public—including the grantee<sup>11</sup>) to hire and employ eligible workers. The program would prioritize employers that offer long-term employment and advancement opportunities for participating workers. Grantees would have flexibility to design program and subsidy configurations but must adhere to the following elements:

- What the Subsidy Covers: Grant funds would be used to provide subsidies for hiring, compensation, and on-the-job training costs. Payments to employers would be allowed to vary. However, employers could not be subsidized for more than 120 percent of wage costs, which represents a reasonable approximation of total compensation and overhead costs for the lowest paid workers.<sup>12</sup>
- Wage and Benefit Standard: Workers would earn at least the prevailing minimum wage in the relevant jurisdiction. Grantees may not provide employers a wage subsidy higher than the minimum wage, but employers would have the option to supplement wages. The employer must offer comparable wages (including subsidies) and the same benefits to subsidized workers as comparable, existing workers.
- Subsidy Duration: Workers would not be permitted to participate in more than two years of subsidized employment total during any five-year period, with each placement limited to 12 months per worksite.
- Weekly Hourly Requirements: Grantees would be required to identify job placements for a minimum of 20 hours per week, but could authorize placements for fewer hours based on individual circumstances.
- Subsidy Disbursement: The grantee and employer would come to an agreement on the subsidy disbursement to the employer, which could be weekly, bi-weekly or monthly depending on the needs of the employer.
- Other Allowances and Limitations: No employer could use subsidized workers to replace unsubsidized workers or striking workers. Grantees could also choose to require that employers hire individuals on their permanent payrolls if they are successful in the subsidy period. Lastly, the employer of record may either be the employer or a third-party intermediary.

**Rent Rules:** Ordinary HUD or USDA rent rules would continue to apply. If participants' earnings increase countable household income, required rent payments would increase, decreasing the amount of federal subsidy required. If workers also participate in HUD's Family Self-Sufficiency program, their increased rent payments due to earnings would be saved in an escrow account and become available to the family upon graduation from the FSS program.

**Eligible Worker Populations:** The voluntary program would target non-disabled, working-age adults that use federal rental assistance or federally-funded homeless services. This includes people who receive Housing Choice Vouchers, Public Housing, Section 8 project-based rental assistance, USDA Section 521 rental assistance or participate in federally-funded homeless programs (such as rapid re-housing). Priority would be given to people in this target group who have either not worked or faced underemployment or unstable employment in the last two years.

**Oversight and Evaluation:** Legislation would create an Office of Employment Services within the Secretary's office at HUD, tasked with coordinating the initiative with the HUD offices responsible for the various rental assistance and homeless programs and with DOL and USDA as well as overseeing and evaluating the program. The grantee would submit quarterly reports to this Office. The authorizing legislation also would require HUD to contract with an independent evaluator to conduct a rigorous random assignment impact evaluation to assess the effectiveness of the transitional job program.

Reports: Each quarter, grantees must submit a report to HUD that specifies the following:

- The number of individuals whose employment is subsidized with these funds, including their demographic data;
- The number and share of prior participants who remained employed by the same employer in an unsubsidized position and the number who were employed by another employer without a subsidy,

for (1) each month immediately after the participant's exit from the program and (2) a period lasting no less than 6 months;

- The amount and duration of the wage subsidies provided;
- The extent to and methods through which employers were held accountable for program integrity; and
- Any change in subsidy payments for the program participants.

**Evaluation:** The allocation for funding would include authorization for HUD to contract with an independent academic or research organization to conduct an evaluation of the effectiveness of the program in the following areas:

- Increasing employment, including the number of hours worked, months employed, and gaps in employment;
- Boosting income and reducing poverty, during and after receipt of the wage subsidy;
- Increasing work experience among unemployed and underemployed HUD- or USDA-assisted tenants;
- Fostering employment retention among program participants at place of subsidized employment; and
- Improving other socioeconomic outcomes, including child well-being, family stability, health status, and involvement with the criminal justice system.

### **Anticipated Cost**

An authorization of \$50 million per year for this program (not including funds for the evaluation) could provide between 3,000 and 5,500 transitional job slots, depending on the length of job placement for each participant.<sup>13</sup>

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<sup>1</sup> To learn more about federal rental assistance programs, see: Center on Budget and Policy Priorities, "Policy Basics: Federal Rental Assistance," December 21, 2015, <http://www.cbpp.org/research/housing/policy-basics-federal-rental-assistance>.

<sup>2</sup> Barbara Sard, "Most Rental Assistance Recipients Work, Are Elderly, or Have Disabilities," Center on Budget and Policy Priorities, July 18, 2013, <http://www.cbpp.org/research/most-rental-assistance-recipients-work-are-elderly-or-have-disabilities>.

<sup>3</sup> Beginning in 2014, Congress funded replication of the evidence-based Jobs-Plus program at 24 public housing agencies to date. Only residents of public housing, not those receiving other types of rental assistance, are eligible. To learn more, see: US HUD, "JPI Jobs Plus Initiative Program," accessed April 12, 2017, [https://portal.hud.gov/hudportal/HUD?src=/program\\_offices/public\\_indian\\_housing/jpi](https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/jpi); and James A. Riccio, "Sustained Earnings Gains for Residents in a Public Housing Jobs Program: Seven-Year Findings from the Jobs-Plus Demonstration," MDRC, January 2010, <http://www.mdrc.org/publication/sustained-earnings-gains-residents-public-housing-jobs-program>.

<sup>4</sup> Center on Budget and Policy Priorities' analysis of 2016 HUD microdata. Households include those participating in the major HUD rental assistance programs—Housing Choice Vouchers, Public Housing, Section 8 project-based rental assistance, and a

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handful of other small programs. This data covers over 90% of all households on federal rental assistance. It excludes the federally-funded homeless programs and USDA rural rental assistance.

<sup>5</sup> James Riccio, "Subsidized Housing and Employment," MDRC, 2007, [http://www.mdrc.org/sites/default/files/full\\_521.pdf](http://www.mdrc.org/sites/default/files/full_521.pdf).

Table 1 summarizes the results of 10 different analyses, 8 of which show larger and statistically significant earnings effects for welfare recipients who were receiving some form of housing assistance.

<sup>6</sup> Indivar Dutta-Gupta, Kali Grant, Matthew Eckel, and Peter Edelman, "Lessons Learned from 40 Years of Subsidized Employment Programs: A Framework, Review of Models, and Recommendations for Helping Disadvantaged Workers," Georgetown Center on Poverty and Inequality, April 2016, <https://www.law.georgetown.edu/academics/centers-institutes/poverty-inequality/current-projects/upload/GCPI-Subsidized-Employment-Paper-20160413.pdf>

<sup>7</sup> Ibid. See Figure 9 on page 28.

<sup>8</sup> LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, "Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund," The Center on Budget and Policy Priorities and CLASP, February 16, 2011 <http://www.cbpp.org/sites/default/files/atoms/files/2-16-11tanf.pdf>.

<sup>9</sup> Because the workers receive income in the form of wages, they are also eligible for the EITC which would provide them with additional income.

<sup>10</sup> There are different measures of "high poverty." Three common examples include concentrated poverty (a poverty rate 40 percent or higher), persistent poverty (a poverty rate 20 percent or higher for more than three decades), and deep poverty (a poverty level that is half or less than the official poverty line).

<sup>11</sup> A HUD grantee that hired transitional job program graduates, or referred them to an employer that contracts with the housing agency, could receive credit toward meeting their obligations under Section 3 of the Housing Act of 1968.

<sup>12</sup> Indivar Dutta-Gupta, Kali Grant, Julie Kerksick, Dan Bloom, and Ajay Chaudry, "Working to Reduce Poverty: A National Subsidized Employment Proposal," Russell Sage Foundation, 2018. (Forthcoming report)

<sup>13</sup> This proposal calls for a \$50 million appropriation, with \$30 million available for subsidies after accounting for administrative and work-related services and costs. The lower-end estimate for the number of slots assumes a 12-month placement for a 20-hour work week and a subsidy of \$7.25 per hour (with up to 120 percent of wage costs provided to the employer to cover total compensation and overhead). The upper-end estimate assumes that 25 percent of the slots would be for 12-month placements, 50 percent would be for 6 month placements, and 25 percent would be for 4-month placements.