



A Subsidized Jobs Program for the 21st Century

Unlocking Labor-Market Opportunities for All Who Seek Work

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Introduction and summary

Despite the gradual return of the unemployment rate to prerecession levels, some workers still have not benefited from the economic recovery. Even in healthy economies, high rates of joblessness remain a persistent problem for individuals who face severe labor-market disadvantages or barriers to employment. These individuals include people with criminal records, people with disabilities, individuals with limited education and minimal work experience, and opportunity youth— young people ages 16 to 24 who are not in school or working.¹ These workers are often the last to be hired—even in good times—and the first to be laid off in tough times. Other groups—such as the long-term unemployed and older workers— suffered disproportionately during the recession and continue to experience elevated unemployment rates even as the economy recovers and adds jobs.

These individuals are denied the economic security and opportunity that comes with employment. Furthermore, eligibility for government safety net programs is increasingly tied to work, meaning that those who are excluded from the labor market often have limited access to resources and supports that would help them and their families make ends meet and advance in the labor market. While some resources are available to specific groups through programs such as unemployment insurance, or UI, and Temporary Assistance for Needy Families, or TANF, no dedicated funding is available to states that wish to create employment opportunities for all who seek work.

Targeted policy action is required to help these disadvantaged and detached groups regain and sustain employment. This report discusses one promising solution: a national subsidized jobs program, which would provide states with flexible options to create job opportunities for workers who have not succeeded in finding employment through the usual channels. A national subsidized jobs program would create targeted work opportunities and is an idea that could attract bipartisan support.

For struggling workers and their families, subsidized jobs would alleviate hardship in the short term by generating immediate work-based income, while also providing valuable work experience to improve workers' employment credentials and help them escape poverty. A national subsidized jobs program would also serve as a buffer for our nation's economy—softening the impact of future downturns by counteracting increases in unemployment, enabling businesses to preserve and expand their workforces, and boosting demand in local communities. This program could supplement the UI system and the Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, as an automatic economic stabilizer.

Recent experience with subsidized jobs programs—notably, those implemented by states in 2009 and 2010 using stimulus funds from the American Recovery and Reinvestment Act—shows that subsidized jobs programs work to achieve these goals. A subsidized jobs program cannot replace the need for broader changes to labor policy such as a higher minimum wage and widespread job creation, but it would offer a powerful tool to ensure that all who seek employment have the opportunity to participate in the labor market.

A successful national subsidized jobs program would connect participants with suitable employers, providing participants with a work-based source of earned income and valuable labor-market experience while preparing them to eventually transition into unsubsidized employment. Under a competitive grant structure, states could help workers get a foothold in the labor market and partner with local employers. Specifically, a national subsidized jobs program would:

- Create job opportunities for disadvantaged workers who face barriers to employment, as well as connect participants with wraparound services on an as-needed basis to support them in their work
- Help workers who experience prolonged spells of unemployment re-enter the labor force
- Provide opportunities for businesses to train prospective new employees
- Serve as an automatic economic stabilizer during economic downturns

Lawmakers should consider subsidized jobs as an important component of an economic mobility agenda for the 21st century.

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