



Subsidized Employment Responses to COVID-19: How Cities and States can Prioritize Equity and Efficacy

Chris Warland
June 2020

Introduction

The COVID-19 pandemic is doing unprecedented economic damage, causing a spike in unemployment that is even more sudden and acute than was experienced during the Great Depression. Bold, immediate action is required to address mass unemployment and mitigate economic suffering. Large-scale subsidized employment initiatives have been used effectivelyⁱ in prior economic crises, including the Great Recession and the Great Depression,ⁱⁱ to quickly and effectively get large numbers of unemployed individuals back to work,ⁱⁱⁱ support the health of businesses,^{iv} and build necessary infrastructure.

Subsidized employment may be part of a future federal stimulus package in response to COVID-19, but [cities](#) and [states](#) have the opportunity to act sooner to implement subsidized employment initiatives and begin addressing unemployment and economic hardship among their residents. In addition, should a federal subsidized employment initiative be enacted, states and localities will likely have a great deal of flexibility in implementation and should have a plan in place to ensure effectiveness, equity, and efficiency.

This proposed plan includes a compensated remote learning component that can be implemented while economies reopen, followed by wage-paid subsidized employment once it is safe for all workers to return to the workplace. In each phase of this program model, design choices can be made to align the initiative with evidence-based practices as well as the values of equity and inclusion.

Focus on Equity and Inclusion

Both the public health effects and the economic effects of COVID-19 are disproportionately impacting communities of color. Black and Latinx communities across the country are experiencing disproportionately high rates of COVID-19 infection and death. Workers of color are more likely to work in low-quality service sector jobs that expose them to infection while denying them paid sick leave and health insurance. Moreover, Black and Latinx households are typically harder-hit by economic downturns and experience economic recoveries more slowly, if at all. Affirmatively addressing [equity in program design](#) and [implementation](#) can help ensure that a subsidized employment initiative does not perpetuate or aggravate existing structural economic inequities. Program design considerations to support equity and inclusion are described throughout these recommendations, and include:

- Authentically engaging impacted individuals in the design and implementation of the program and compensate individuals appropriately
- Setting program performance benchmarks for racial equity in employment access and outcomes, and gathering outcomes data disaggregated by race to measure progress
- Performing outreach and recruitment activities focused on economically excluded communities of color
- Creating subsidized employment opportunities that can be accessed and performed by anyone regardless of barriers or skill level
- Explicitly including immigrants, refugees, and DACA recipients as approved recipients of subsidized jobs and related services, and allowing Individual Taxpayer Identification Numbers to authorize employment.
- Making subsidized employment and related programming available to individuals regardless of criminal record, prior incarceration, current supervision, or other justice system involvement
- Making subsidized employment and related programming available to individuals regardless of their housing status

Virtual Training:

While state and city economies have yet to fully reopen and it remains risky for many individuals to return to in-person workplaces, offering remote, compensated education and training opportunities is an excellent way to get displaced workers and chronically unemployed individuals engaged in work-related activities while providing critical income to meet basic household needs. The experience of Heartland Alliance’s [Rapid Employment and Development Initiative \(READI Chicago\)](#), an innovative program combining transitional employment and cognitive-behavioral therapy for Chicagoans at the very highest risk of engaging in gun violence, which has rapidly pivoted to remote programming in response to COVID-19, illustrates that even individuals facing multiple barriers to employment including limited prior work experience and limited technology skills can and will successfully participate in remote programming if barriers to participation are mitigated.

Ensure equitable access to education and training. Sector training can significantly improve low-income workers’ earnings, advancement, and access to employer-provided benefits.^v However, even education and training that is designed specifically for low-income individuals remains inaccessible to many of the people who would benefit the most. Due to basic skills requirements and other screening mechanisms, some of the most effective training programs admit fewer than half of applicants.^{vi} Delivering training remotely poses an additional set of accessibility challenges. In order to ensure equitable access to remote trainings, an initiative in Illinois should consider:

- **Access to equipment and internet service:** Many households do not have a computer, laptop, or tablet on which a prospective trainee can participate in remote learning. For households that access the internet primarily through smartphones, the necessary data for participating in remote learning could be cost-prohibitive. Flexible client support funds should adequately cover devices and data.
- **Training for basic technological skills:** Digital literacy training should be an integrated part of any remote learning program for chronically unemployed individuals as well as displaced workers who may not have used technology in the previous jobs. These skills will also be essential to seeking and participating in employment in the post-COVID economy.
- **Integrated basic skills training:** Rather than screen out candidates with basic skills needs, an inclusive program should integrate basic skills training with occupational skills training. There are some effective models for integrating basic skills, such as Washington State’s I-BEST program, which pairs a basic skills instructor with a postsecondary technical skills instructor to deliver simultaneous instruction.^{vii}

Compensate appropriately for time spent in training. Compensating participants for time spent in training activities will incentivize participation and offer essential income for unemployed participants. For the purpose of incentivizing training, payment via stipends may be appropriate, particularly if doing so allows eligible trainees to continue to receive unemployment compensation and public benefits while participating in training. Some analysis may be necessary to

determine the level of compensation necessary to incentivize participation, but an amount at least equivalent to minimum wage for time spent in training activities would be preferable.

Align remote training with employer needs and trainee needs Effective programs typically focus on sectors and occupations expected to grow locally, develop curricula in close partnership with employers with anticipated hiring needs, and offer or lead to credentials that are recognized by employers.^{viii} Training should focus on industry sectors with anticipated hiring needs during the economic recovery, those that offer quality jobs with family-sustaining wages and opportunities for advancement, and those that are accommodating to workers with prior justice involvement and other barriers.

Subsidized Employment

Offer subsidized positions in public, private, and nonprofit sectors. Research shows that subsidized placements with private-sector employers are most likely to result in the subsidized worker being permanently hired, but placements with government agencies and nonprofits are far more accessible for people with limited prior work experience.^{ix} Offering subsidized positions in a range of settings will maximize benefits to workers and worksites alike. Moreover, unemployment in the wake of COVID-19 is so widespread, and the threats to businesses so severe, that private sector employers will not likely have the capacity to accommodate the demand for subsidized positions. Finally, direct employment by the state in public service and infrastructure positions can help perform essential functions while providing accessible jobs for people whom the private labor market cannot accommodate.

Subsidize 100% of wages and employ subsidized workers through third-party employers of record. Subsidized workers should be paid wages in order to ensure that they receive all of the protections and benefits of a real employment relationship including worker compensation insurance and the ability to claim the Earned Income Tax Credit. In addition, workers should be employees of a third-party employer of record and paid 100% of their wages directly, as opposed to a structure in which employers are reimbursed for wages paid—research has shown that this makes employment more accessible to participants with less prior work experience.^x In some cases it may facilitate transitions to unsubsidized employment if subsidized workers placed with private sector employers are shifted on to employer payrolls partway through the subsidy period. Wages for subsidized employment should meet or exceed the minimum wage in the jurisdiction where the job is located, and ideally meet or exceed the amount that displaced workers receive through the enhanced pandemic Unemployment Insurance (UI) benefits.

Address inequities in access to employment. As noted above, cities and states can make their subsidized employment programs more equitable by measuring, setting benchmarks, and evaluating program outcomes by race, recruiting participants from communities of color, not excluding participants with prior justice involvement, and offering positions that are accessible to workers with limited prior work experience. In addition, any such initiative's design should avoid any assessments or eligibility requirements that could disproportionately screen out applicants of color. For example, assessments for candidate "motivation" and "readiness" can be applied and interpreted subjectively and result in inequitable access to programming. Programs should also have policies in place to identify and correct instances of discrimination on the part of employer partners and implementing agencies with regard to program access, access to jobs in particular industry sectors or occupations, and discrepancies in outcomes such as placement rates and earnings.

Offer pathways to reemployment. Subsidized workers who quit or are terminated should be offered opportunities to address performance issues or behavioral problems and negotiate a conditional return to subsidized work. This could include transitioning terminated workers to lower-barrier transitional work opportunities in the nonprofit sector or with social enterprises in order to support the development of employability skills.

Maintain flexibility in length of subsidized work. Because the current unemployment situation is acute and unprecedented, limiting the period of subsidized employment could lead to mass returns to unemployment post-subsidy if the labor market has not recovered enough to absorb those workers. To the extent possible, cities and states should maintain the flexibility to extend subsidized employment if low demand for workers persists.

Ensure the safety of workers. Because many jobs have been rendered newly hazardous by COVID-19, it is important to

schedule the transition from remote training to subsidized employment when it is safe to do so; not only should this be aligned with public health guidelines or reopening the economy, but also mindful of the fact that low-income workers from economically excluded communities may feel pressure to accept positions in unsafe work environments out of desperation due to their critical need for earned income. Additionally, initiatives should ensure that subsidized workers have access to appropriate personal protective equipment and that workplaces do not otherwise unduly threaten the safety of subsidized workers.

Respond appropriately to worker trauma. The experience of trauma is prevalent in the workforce, with a majority of adults reporting having experienced at least one traumatic event.^{xi} The experience of trauma is even higher among low-income workers; indeed, [poverty itself is a form of chronic trauma](#). Communities of color are particularly impacted, and often caught in a cycle of extreme poverty, trauma, and community violence.^{xii} Moreover, the COVID-19 pandemic is traumatizing for many, especially those workers who must continue to report to work at the risk of their and their family's health and wellbeing and those who have lost income due to the economic shutdown. [Normal responses to trauma](#) can manifest in the workplace in ways that look like attitude or behavioral problems, such as overreacting, aggressiveness, dissociation, and inability to follow through on tasks. A subsidized employment response to COVID-19 should be designed to respond appropriately to worker trauma, including required training in trauma-informed principles for worksite supervisors, the implementation of trauma-informed management practices, and linkages to mental health services for workers who have experienced trauma.

Focus on job quality and family-sustaining wages. Large-scale subsidized employment initiatives present an opportunity to improve the job quality of low-wage workers as the economy reopens. The pandemic has exposed and magnified the unsustainable working conditions faced by many workers, such as poverty wages, unpredictable scheduling, lack of sick leave and paid time off, and a lack of health insurance. Subsidized employment may be used to support improvements in wages and job quality by prioritizing high-quality employers and sectors for partnership, leveraging the availability of subsidized workers to nudge employers toward improving the quality of their positions, and offering subsidized wages and benefits that compare favorably with offerings from the low end of the private labor market.

Provide adequate work-related support services. Structural barriers such as lack of child care and transportation will prevent many unemployed individuals from participating in subsidized employment unless those barriers are mitigated. Subsidized employment initiatives should budget for individually-tailored services that participants need in order to work. For recipients of public benefits, benefits counseling should be made available to help participants predict and manage changes to benefits resulting from additional earned income. Additionally, cities and states should seek to ensure that all subsidized workers have access to affordable health insurance and mental health care. Given the economic impact of COVID-19, participants will likely face significant challenges with housing instability, domestic violence, substance use treatment, and reliable access to child care and transportation. To support their ability to address or overcome these barriers, participants may need access to appropriate referrals for services.

Support subsidized workers' financial capability. Many subsidized workers will benefit from financial capability training and asset building services provided in remote learning and coaching formats to assist them with managing their earnings, meeting their basic needs and avoiding predatory products. In addition, programs should be set up to accommodate participants that do not currently have bank accounts, by partnering with responsible banks to set up accounts that are certified as safe and affordable with online enrollment. When necessary, the program should offer fee-free pay cards or paper checks instead of direct deposit.

Do not compel or require anyone to accept subsidized employment. In no instances should the availability of subsidized employment be used as a form of [work requirement](#). People who are receiving unemployment compensation should not have their eligibility threatened if they choose not to accept a subsidized job, nor should recipients of public benefits be compelled to work in subsidized employment as a condition of their benefits. However, in cases where the state or federal government has instituted work requirements, programs should ensure that participation in subsidized employment is documented in such a way as to fulfill those requirements and preserve benefits.

Create and support robust employer partnerships. Employers and worksite partners must play an essential role in creating supportive work experiences for skill development. Employer partners will need training and support in order to effectively manage subsidized workers, build in developmental work activities, respond appropriately to learning needs

and worker trauma, and comply with worksite agreements. Employer partners will also be essential in providing feedback on the performance of subsidized workers, the skills needed to succeed in their workplaces, and career pathways within their sectors. Finally, employers benefit from intermediary services to address and mitigate behavioral or performance issues among subsidized workers before they result in termination.

Transition to Unsubsidized Employment

Continue to prioritize worker safety. As with subsidized employment positions, the health safety of workers transitioning into unsubsidized employment must be a top priority. As subsidized workers transition into the competitive labor market, they should not feel compelled to pursue or accept jobs in workplaces that are not operating safely and properly mitigating risk of COVID-19 transmission.

Fund job development and other employment services. When the time comes for subsidized workers to transition to unsubsidized employment, job development services and related supports will be essential to prevent workers from slipping back into unemployment. It is likely that the landscape of available work will have shifted, and many workers will not have up-to-date job search skills, interviewing skills, or resumes. States and cities should ensure that their workforce systems are adequately equipped to accommodate those jobseekers, as well as support community-based organizations that offer specialized employment services for populations such as people experiencing homelessness and those with prior justice involvement.

Focus on job quality and family-sustaining wages. As with the subsidized work experience, efforts supporting workers' transition into unsubsidized employment should prioritize placements with employers and sectors that offer higher-quality jobs.

Offer incentives and supports for employers to hire participants. It can be challenging to facilitate the transition of subsidized workers onto an employer's permanent payroll. In surveys of employer partners in subsidized employment programs during the Great Recession, many employers said they would have hired their subsidized employees permanently but didn't have the resources to do so at the time. Tax incentives may be used to encourage hiring, but have yielded mixed results in other initiatives—the incentives should be large enough and easy enough to claim in order to maximize effectiveness. Partially reimbursing participant wages after they have been permanently hired may also be effective.

Additional Recommendations

Build in effective data collection and evaluation. A citywide or statewide subsidized employment program would represent a large investment and warrants robust data collection and implementation evaluation components to ensure the program runs effectively and efficiently. As noted above, in addition to standard evaluation metrics for employment program performance, the program should disaggregate data by race and set explicit equity benchmarks for enrollment, placement, earnings, industry sector, and other measures to highlight and address inequity. In addition, there are many other important metrics that evaluators should look at, such as the program's impacts on housing security, food security, measures of child wellbeing and family functioning, health outcomes, justice involvement, and others. A broadly inclusive cost-benefit analysis including measures of social return on investment (SROI) should be conducted to effectively capture overall value to taxpayers, residents, and other stakeholders.

Budget for technical assistance. Subsidized employment initiatives are complex undertakings with many moving parts. Experience tells us that specialized functions such as payroll processing, worksite engagement, and supportive service coordination often call for technical assistance to help partner agencies implement these functions correctly and smoothly. Programs should also budget for adequate staff development and training efforts to ensure line staff and managers are equipped to implement the program according to best practices.

Prioritize coordination among public systems. Whatever city or state entity oversees a subsidized employment initiative

should affirmatively coordinate with other relevant public systems, particularly housing, homelessness, human services, and public health systems, to ensure that subsidized workers are co-enrolled in services whenever appropriate and that programmatic decisions are aligned with best practice and current guidance across systems.

Conclusion

More than any other time since the Great Depression, today's economic outlook calls for large-scale subsidized employment to counteract the hardship being experienced by US workers. Rather than wait for federal action, states and cities should begin now to consider the ways in which such programs can be implemented with equity at the center.

ⁱ I Dutta-Gupta, I., Grant, K., Eckel, M., & Edelman, P. (2016). *Lessons learned from 40 years of subsidized employment programs: a framework, review of models, and recommendations for helping disadvantaged workers*. Washington: Georgetown Center on Poverty and Inequality.

ⁱⁱ Bloom, D. (February, 2010). *Transitional jobs: background, program models, and evaluation evidence*. New York: MRDC

ⁱⁱⁱ Pavetti, L., Schott, L., & Lower-Basch, E. (2011). *Creating subsidized employment opportunities for low-income parents: the legacy of the TANF emergency fund*. Washington: Center on Budget and Policy Priorities

^{iv} Roder, A., & Elliott, M. (2013). *Stimulating opportunity: an evaluation of ARRA-funded subsidized employment programs*. New York: Economic Mobility Corporation.

^v Hendra, R., Greenberg, D., Hamilton, G., Oppenheim, A., Pennington, A., Schaberg, K., & Tessler, B. (August, 2016). *Encouraging evidence on a sector-focused advancement strategy*. New York: MDRC

^{vi} Tessler, B. (2013). *WorkAdvance: testing a new approach to increase employment advancement for low-skilled adults*. New York: MDRC.

^{vii} Zeidenberg, M., Cho, S. W., & Jenkins, D. (2010). *Washington State's Integrated Basic Education and Skills Training program (I-BEST): New evidence of effectiveness*. (CCRC Working Paper No. 20). New York, NY: Columbia University, Teachers College, Community College Research Center.

^{viii} Holzer, H. (2015). *Sector-based training strategies: the challenges of matching workers and their skills to well-paying jobs*. U.S. Department of Labor. Accessed April 24, 2019. https://www.dol.gov/asp/evaluation/completed-studies/Future_of_work_sector_based_training_strategies.pdf

^{ix} Glosser, A., Barden, B., Williams, S., & Anderson, C. (November, 2016). *Testing two subsidized employment approaches for recipients of temporary assistance for needy families: implementation and early impacts of the Los Angeles County transitional subsidized employment program*. OPRE Report 2016-77. New York: MDRC.

^x Glosser, A., Barden, B., Williams, S., & Anderson, C. (November, 2016). *Testing two subsidized employment approaches for recipients of temporary assistance for needy families: implementation and early impacts of the Los Angeles County transitional subsidized employment program*. OPRE Report 2016-77. New York: MDRC

^{xi} Kilpatrick, D., Resnick, H., Milanak, M., Miler, M., Keyes, K., & Friedman, M. (2013). *National estimates of exposure to traumatic events and PTSD prevalence using DSM-IV and DSM-5 criteria*. *Journal of Traumatic Stress*, 26(5): 537-547.

^{xii} Buitrago, K., Rynell, A., & Tuttle, S. (2017, March). *Cycle of Risk: The intersection of poverty, violence, and trauma in Illinois*. Heartland Alliance.