

Testing the Next Generation of Subsidized Employment Programs

**An Introduction to the Subsidized and Transitional
Employment Demonstration and the Enhanced
Transitional Jobs Demonstration**

OPRE Report 2015-58

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Testing the Next Generation of Subsidized Employment Programs: An Introduction to the Subsidized and Transitional Employment Demonstration and the Enhanced Transitional Jobs Demonstration

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OVERVIEW

In 2010, the U.S. Department of Health and Human Services launched the Subsidized and Transitional Employment Demonstration (STED) and the U.S. Department of Labor launched the Enhanced Transitional Jobs Demonstration (ETJD), complementary large-scale research projects evaluating the effectiveness of the latest generation of subsidized employment models. The ETJD and STED projects are evaluating a total of 13 subsidized employment programs in 10 locations across the United States, all of which aim to improve participants' long-term success in the labor market. They target groups considered "hard to employ" (recipients of Temporary Assistance for Needy Families [TANF], people with criminal records, young people who are neither in school nor working, and others), and they use subsidies to give participants opportunities to learn employment skills while working in supportive settings, or to help them get a foot in the door with employers. Often, the programs also provide support services to help participants address personal barriers to steady work. Each of the 13 program models is distinct, but it is possible to group them into three broad categories:

- Modified Transitional Jobs Models place all or nearly all participants into fully subsidized, temporary jobs designed to teach soft skills and provide work experience. There is no expectation that host employers will hire participants permanently.
- Wage Subsidy Models place participants directly into permanent positions. An employer receives a temporary subsidy covering all or part of an employee's wages and, in return, is expected to move the individual into a regular, unsubsidized job if things go well.
- Hybrid Models use a combination of modified transitional jobs and wage subsidies.

Each program is being evaluated using a random assignment design whereby eligible participants are assigned at random to a program group whose members are offered access to the subsidized jobs program, or to a control group whose members are not offered services from the program being tested, but may receive other services in their communities. The evaluation team will follow the groups for at least 30 months using government administrative records and individual surveys to measure a variety of outcomes such as employment, earnings, incarceration, public assistance receipt, and child support payments. If significant differences emerge between the groups over time, one can be quite confident that the differences are the result of the subsidized employment programs. The evaluations will carefully study the implementation of each program and will assess each program's financial costs and benefits.

This report introduces the STED and ETJD projects and presents some preliminary findings about their implementation. At this early stage, a few cross-cutting themes stand out:

- Most programs struggled initially to meet their recruitment targets due to somewhat narrow eligibility criteria, selective screening protocols, inadequate referral partnerships, or a combination of these factors. Ultimately, the programs were able to meet their goals.
- Programs were better able to place participants into fully subsidized, temporary jobs than into subsidized, permanent positions.
- The policies and practices of the criminal justice, public assistance, and child support systems may affect the outcomes of both program and control group members.

In 2016, the ETJD and STED evaluations will begin to release interim study results.

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CONTENTS

OVERVIEW	iii
LIST OF EXHIBITS	vii
ACKNOWLEDGMENTS	ix
Introduction	1
The Varying Goals of Subsidized Employment Programs	1
Subsidized Employment Models	2
The Roots of the Current Projects	3
What Is Being Tested?	5
How Do the Programs Intend to Work?	13
Overview of the Evaluations	16
The Studies' Participants	17
Early Findings from the Evaluations	19
Future Findings and Publications	21
REFERENCES	23

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LIST OF EXHIBITS

TABLE

1	STED and ETJD: Individual Program Characteristics	7
2	Categorization of Programs by Subsidized Employment Model	11
3	Types of Transitional Jobs Placements	11
4	Examples of Wage Subsidy Structures	14
5	Hybrid Model Programs	15
6	Characteristics of Sample Members at Enrollment, Among Programs That Completed Sample Enrollment	18

FIGURE

1	Locations of STED and ETJD Programs	6
2	Three Categories of Program Models	12

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The Subsidized and Transitional Employment Demonstration and Evaluation Project (STED) is conceived and sponsored by the Administration for Children and Families in the U.S. Department of Health and Human Services (HHS). The Enhanced Transitional Jobs Demonstration (ETJD) is conceived and sponsored by the Employment and Training Administration in the U.S. Department of Labor (DOL). Dedicated staff members in these agencies have been instrumental to the success of both projects, in particular Girley Wright and Erica Zielewski from HHS and Eileen Pederson from DOL.

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INTRODUCTION

The Great Recession triggered a resurgence of interest in subsidized employment programs that use public funds to create or support jobs for the unemployed. In late 2010, the U.S. Department of Health and Human Services (HHS) launched the Subsidized and Transitional Employment Demonstration (STED) and the U.S. Department of Labor (DOL) launched the Enhanced Transitional Jobs Demonstration (ETJD), complementary large-scale research projects designed to build rigorous evidence on the effectiveness of the latest generation of subsidized employment models. MDRC, a nonprofit, nonpartisan research organization, is leading both projects.¹ This report introduces the two projects by describing the program models being tested and presenting some early data from the studies.

THE VARYING GOALS OF SUBSIDIZED EMPLOYMENT PROGRAMS

The first large-scale subsidized employment programs in the United States — the Works Progress Administration and other New Deal programs — employed millions of people during the Great Depression, built thousands of roads and bridges, and improved many other public facilities.² A much smaller subsidized employment program operated in the 1970s under the auspices of the Comprehensive Employment and Training Act. In 2009, when the national unemployment rate reached 10 percent, states used funds from the American Recovery and Reinvestment Act’s Temporary Assistance for Needy Families Emergency Fund (TANF-EF) to create jobs for about 280,000 people.³ These relatively large, “countercyclical” subsidized employment programs were designed primarily to provide work-based income support — that is, to put money into the pockets of jobless workers during periods of high unemployment. At a broad level, the programs aimed to stimulate the U.S. economy.

Another, less well-known strand of smaller-scale subsidized employment programs has operated sporadically since the 1970s. These programs are designed to provide income support, but they also aim to improve participants’ long-term success in the labor market. They target groups that tend to have high rates of joblessness even when labor market conditions are good — recipients of Temporary Assistance for Needy Families (TANF), people with criminal records, “disconnected youth” (young people who are not employed or in school), and others — and they use subsidies to give participants opportunities to learn employment skills while working in a supportive setting, or to help them “get a foot in the door” with employers who have job openings. Often, the programs also provide a range of support services to help these structurally unemployed participants address personal barriers to steady work. The goal is to improve participants’ ability to get and hold regular, unsubsidized jobs.⁴

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1. MDRC’s partners include MEF Associates, Abt Associates, Branch Associates, and Decision Information Resources (DIR).
 2. Taylor (2009).
 3. Farrell, Elkin, Broadus, and Bloom (2011).
 4. Bloom (2010).

When assessing the success of a particular subsidized employment program, it is critical to consider the program's goal. One might judge a large, broadly targeted, countercyclical program on its ability to expand quickly and provide meaningful work opportunities to large numbers of people who would not otherwise be working. In contrast, one could assess a program designed to improve participants' success in the labor market on the longer-term employment patterns of its participants, at least in part, as well as related measures like reduced recidivism for people with a history of incarceration or reduced reliance on public benefits for TANF recipients.⁵

SUBSIDIZED EMPLOYMENT MODELS

There are many different kinds of subsidized employment programs, and their differences occur in many categories. For example:

- **Organization providing subsidized job.** Subsidized workers may be placed with private, for-profit businesses, with not-for-profit organizations, or with public agencies. Some programs are operated by social enterprises: entities that sell a product or service but have an explicit goal of employing disadvantaged workers.
- **Employer of record.** The employer of record may not be the same as the organization or business where the subsidized worker works. In some models, the worker is employed by a nonprofit employment program or social enterprise. The participant may work directly in the program's office or facility, or may work for another employer (public or private) but remain on the payroll of the program. In other models, the subsidized employee works directly for a private employer that is reimbursed for all or part of the worker's wages.
- **Level of subsidy.** In some models, 100 percent of the worker's wage is subsidized with public funds. In other cases, the wage is partially subsidized and the employer pays the rest. Some models use a graduated model in which the subsidy starts at 100 percent and then tapers off over a period of several months.
- **Possibility of rollover.** In some models, the goal is for the worker to "roll over" from a subsidized to an unsubsidized job with the same employer. In others, there is very little chance that the worker can become a permanent, unsubsidized employee, usually because the employer does not have funding to hire additional staff. In those cases, program staff members help the worker find an unsubsidized job when the subsidized job ends.
- **Work-site supervision.** In some models, the subsidized worker is supervised by a staff person from the employment program. In other cases, the supervisor is a workplace employee.

5. In this report "recidivism" refers to the rate at which people with criminal records are rearrested, reconvicted, or reincarcerated.

- **Level of support.** Some programs provide a rich array of social services. Others simply provide subsidies.

The model typically reflects a program's goals. On one end of the spectrum are fairly simple programs that serve a broad range of unemployed workers and provide subsidies to employers who hire them. Some of the state TANF-EF programs looked like this. On the other end are programs that target a specific group of disadvantaged workers, provide temporary subsidized jobs in a supportive setting, and offer social services. Programs that follow this approach are often referred to as transitional jobs programs.

THE ROOTS OF THE CURRENT PROJECTS

All of the programs being tested in the two federal projects — the HHS STED project and the DOL ETJD project — aim to use subsidized employment to improve long-term labor market outcomes for “hard-to-employ” groups.

Two key developments over the past decade shaped STED and ETJD. First, between 2004 and 2010, MDRC, with support from HHS, DOL, and private foundations, evaluated six transitional jobs programs, five targeting formerly incarcerated people and one targeting long-term TANF recipients.⁶ All of the transitional jobs programs provided participants with temporary subsidized jobs, usually lasting two to four months. In some models, the participants worked directly for the program, while in others they worked for other nonprofit organizations in the community. In either case there were very few opportunities for participants to move into permanent, unsubsidized jobs with the host employer. Thus, the programs helped participants look for permanent, unsubsidized jobs, and provided a range of support services. The studies randomly assigned eligible applicants to a program group that had access to the transitional jobs program or to a control group that did not; in most of the studies, the control group was offered basic job search assistance, but not subsidized jobs.

The studies found that all of the programs dramatically increased employment initially: rates of employment were typically 30 to 50 percentage points higher for the program group than for the control group in the early months of the study period. This means that the programs gave jobs to many people who would not have worked otherwise. However, the employment gains were driven by the subsidized jobs themselves and faded quickly as people left the transitional jobs. None of the programs consistently increased *unsubsidized* employment over follow-up periods ranging from two to four years. One of the programs for formerly incarcerated people (the New York City-based Center for Employment Opportunities) significantly reduced recidivism, but the others did not. The results of these evaluations led to a search for transitional jobs models that could produce sustained increases in unsubsidized employment.⁷

6. Redcross, Millenky, Rudd, and Levshin (2012); Valentine and Bloom (2011); Valentine (2012).

7. The results of the transitional jobs evaluations were generally similar to the results from the 1970s National Supported Work Demonstration, which tested an intensive work experience model for formerly incarcerated people, young people who had dropped out of high school, recovering addicts, and long-term welfare recipients. Only the welfare-recipient target group had sustained increases in earnings beyond the subsidized employment phase.

The other key development came in 2009, when states began to draw down funds under the TANF-EF to support subsidized employment programs launched or expanded during the economic downturn. Forty states put at least some people to work under its auspices before the funding expired in late 2010, and 14 states and the District of Columbia each placed at least 5,000 people in subsidized jobs. In contrast to earlier countercyclical programs that placed workers with public agencies, many of the largest TANF-EF programs placed most subsidized workers with private-sector companies.

Importantly, most of the TANF-EF programs (particularly the larger ones) broadly targeted unemployed workers. Eligibility was not limited to TANF recipients, people with criminal records, or other disadvantaged groups (notably, about half the placements nationwide were summer jobs for young people). Also, many of the programs did not place a strong emphasis on transitioning participants to unsubsidized jobs. Like other countercyclical programs before them, the TANF-EF programs served many people who had steady work histories, and the models assumed that these people would return to regular jobs once the labor market improved. The TANF-EF programs were popular in many states, with governors from both parties expressing strong support. Thus, the experience, while relatively short-lived, rekindled interest in subsidized employment more broadly.⁸

HHS and DOL launched the STED and ETJD projects, respectively, in late 2010. In 2011, DOL awarded about \$40 million to seven transitional jobs programs chosen through a grant competition. DOL required the programs to target people who were recently released from prison or who were low-income noncustodial parents (usually fathers) unable to meet their child support obligations because they were unemployed or underemployed. The grant competition required each applicant to provide core components of a strong, basic transitional jobs program, as well as specific enhancements tailored to address the employment barriers of the applicant's specified population. The applicants also had to justify why the particular enhancement(s) they proposed were likely to yield stronger long-term outcomes than those achieved by programs previously tested.

HHS's STED project focuses on subsidized employment programs for TANF recipients, disadvantaged young people, and others. Most of the STED programs draw on existing federal, state, or local funding streams. That is, unlike ETJD, the STED project is not associated with a special federal grant program.⁹

Both projects are evaluating the programs using a random assignment research design, the "gold standard" for studies of this type. Although the projects were developed separately, HHS and DOL are working together to coordinate them since both evaluations are being conducted by MDRC and both agencies consider it critical to conserve resources and reduce the potential of issuing conflicting results. As a result of this coordination, ETJD and STED are using many of the same data-collection instruments, timing their data collection for consistency, and jointly issuing reports; in addition, two of the DOL-funded ETJD programs are in both the ETJD and STED evaluations.

8. Farrell, Elkin, Broadus, and Bloom (2011); Pavetti, Schott, and Lower-Basch (2011).

9. When first conceived, the STED project aimed to evaluate programs that were developed under the TANF-EF. However, the fund expired around the time the project began. Nevertheless, some of the programs being tested in STED were either developed or expanded under the TANF-EF and then continued after it expired.

WHAT IS BEING TESTED?

As shown in Figure 1, the ETJD and STED projects are evaluating a total of 13 subsidized employment programs in 10 locations across the United States. The evaluation team will examine the results for each program separately.¹⁰ Table 1 shows that the programs target different populations: TANF recipients, formerly incarcerated people, noncustodial parents, and disconnected youth. Most of the programs are serving at least 500 participants, with a similar number randomly assigned to a control group.

Each of the 13 program models is distinct, but it is possible to group them into three broad categories. Table 2 shows which programs fall into each category, while Figure 2 illustrates the three general approaches graphically. As discussed further below, there is a great deal of variation among the models within each category.

Modified Transitional Jobs Models. The Modified Transitional Jobs programs place all or nearly all participants into a “practice job”: a fully subsidized, temporary job (intended to last four to six months) designed to teach “soft skills,” such as how to show up to work on time and how to work cooperatively with others. In some cases, the transitional job employer is the program provider, while in others it is another agency or company in the community. Whatever the venue, the program generally does not expect the transitional job to become a permanent position. As a result, all of these programs also help participants find unsubsidized jobs after the subsidized job has concluded. These programs are most similar to the previously evaluated transitional jobs programs described earlier, but differ somewhat in the populations served and the program enhancements provided (for example, legal services or occupational training), offering hope that the results will be more positive.

As shown in Table 3, the programs in this group provide transitional jobs in different ways. For example, in Indianapolis participants work for the program, a social enterprise that recycles electronics, while in Milwaukee they are placed in fully subsidized, temporary jobs with local businesses or nonprofit organizations.

Wage Subsidy Models. The second group of programs, referred to as Wage Subsidy models, uses a quite different approach. Rather than placing participants into transitional jobs, these programs attempt to place them directly into permanent positions, usually with private employers. The employer receives a temporary subsidy covering all or part of the employee’s wages and in return is expected to move the individual into a regular, unsubsidized job if things go well during the subsidy period. The Wage Subsidy models are similar in some ways to the TANF-EF programs that targeted private employers, but the TANF-EF programs usually did not expect participants to roll over into permanent jobs with the host employers. The Wage Subsidy programs also resemble on-the-job-training models that have been used in the workforce development system for many years. Studies from the 1980s found that on-the-job-training models can lead to sustained increases in earnings, but the programs

10. The projects can also be said to include a total of 12 “tests.” One of the STED tests (in Los Angeles) is evaluating two different subsidized employment models side by side. Each of the other 11 tests is evaluating a single program. To avoid confusion, this report avoids the term “site” because it often implies a geographic location (that is, a city), and there are multiple separate tests occurring in New York City and San Francisco.

FIGURE 1 Locations of STED and ETJD Programs

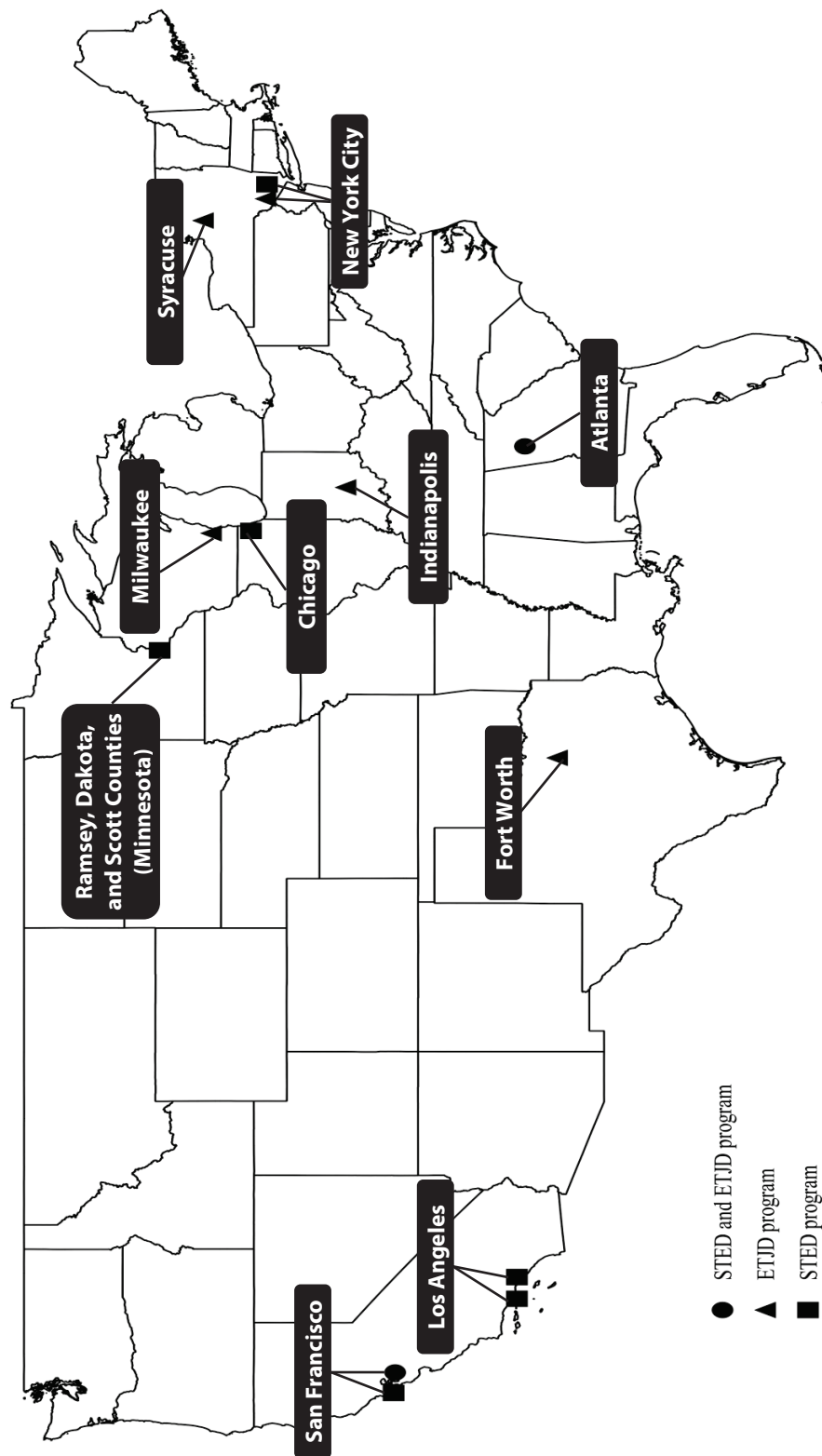


TABLE 1 STED and ETJD: Individual Program Characteristics

PROGRAM NAME, OPERATOR, AND LOCATION	STUDY	TARGET GROUP	DURATION OF SUBSIDIZED JOB	PROGRAM OVERVIEW
Bridges to Pathways Two community-based organizations, under contract to the Chicago Dept. of Family and Support Services <i>Chicago, IL</i>	STED	Young people involved in the justice system	3-4 months 10-15 hours/ week	Participants are enrolled in academic education (online high school or GED preparation) throughout the program. In the first month, they receive a \$10/day stipend for participating in a community service project and workforce-development workshops. These program components are infused with social-emotional learning and mentoring. In Months 2 through 4, time spent on projects and in workshops is reduced, and participants are placed in internships according to their skills and interests. They receive up to \$99/week.
Good Transitions Goodwill of North Georgia <i>Atlanta, GA</i>	ETJD and STED	Noncustodial parents	4 months 20-40 hours/ week	Participants start with a two-day assessment process, after which they are assigned a case manager and a Goodwill location to begin the first of two transitional jobs. Participants work at a Goodwill store for approximately one month while receiving support and feedback from an on-site job coach. Participants then move into a less supported subsidized position with a private employer in the community for about three months. The program offers case management, job-development services, life-skills workshops, and certifications in fields such as commercial driving and forklift operation.
Jobs Now STEP Forward San Francisco County Human Services Administration <i>San Francisco, CA</i>	STED	Various low-income groups	5 months Hours not specified	Each participant begins by meeting with a case manager for an intake interview. Depending on the participant's job readiness and interest level, the participant either proceeds with job-readiness activities or may be immediately scheduled for a weekly group interview, attended by multiple participants and employers. The jobs last five months and are typically subsidized up to \$1,000 per month, though some are unsubsidized. When participants obtain unsubsidized employment, they may continue to work with their case managers, and may return to the program if they lose their jobs.

(continued)

TABLE 1 (continued)

PROGRAM NAME, OPERATOR, AND LOCATION	STUDY	TARGET GROUP	DURATION OF SUBSIDIZED JOB	PROGRAM OVERVIEW
<p>MSTED County Human Service agencies, with employment service providers <i>Ramsey, Dakota, and Scott Counties, MN</i></p>	STED	TANF recipients	4 months 24-36 hours/week	<p>All participants receive job-readiness training, either individually or in a two-week workshop. More job-ready participants are placed into private-sector jobs with wages subsidized up to \$15/hour for the first two months and at 50 percent for the next two months. Less job-ready participants are placed into nonprofit or public-sector jobs with wages subsidized at \$9/hour for two months. Participants transition between subsidy types according to their individual needs. The program provides case management and job search assistance, and participants continue to receive support services through the TANF program.</p>
<p>Next STEP Workforce Solutions of Tarrant County <i>Fort Worth, TX</i></p>	ETJD	Formerly incarcerated people	4 months Full time	<p>Participants begin with a two-week “boot camp” that includes assessments and job-readiness training. They are then placed in jobs with private employers. The program pays for 100 percent of wages for the first eight weeks and 50 percent for the following eight weeks. Employers are expected to retain participants who are performing well after the subsidized period. Other services include case management, monthly group meetings, GED classes, and for some participants, mental health services provided by a partner agency.</p>
<p>Parent Success Initiative Center for Community Alternatives <i>Syracuse, NY</i></p>	ETJD	Noncustodial parents	4 months 24 hours/week	<p>Cohorts of 15–20 participants begin the program with a two-week job-readiness course. Participants are then placed in work crews with the local public housing authority, a business improvement district, or a nonprofit organization. The program offers family life-skills workshops, job-readiness and retention workshops, case management, civic restoration, legal services related to child support, and job search and placement assistance. Participants also receive peer support through job-retention clubs.</p>
<p>Ready Willing and Able Pathways The Doe Fund <i>New York, NY</i></p>	ETJD	Formerly incarcerated people	3.5 months 21 hours/week	<p>Participants move through the program in cohorts. After a one-week orientation, participants work on the program’s street-cleaning crews for six weeks. Participants are then placed into subsidized internships for eight weeks. If the internship does not transition to unsubsidized employment, the program will pay participants to search for jobs for up to nine weeks. Additional services include case management, job-readiness programs, opportunities for occupational training and certification, parenting and computer classes, child support assistance, and employment planning and counseling.</p>

(continued)

TABLE 1 (continued)

PROGRAM NAME, OPERATOR, AND LOCATION	STUDY	TARGET GROUP	DURATION OF SUBSIDIZED JOB	PROGRAM OVERVIEW
<p>RecycleForce RecycleForce, Inc. <i>Indianapolis, IN</i></p>	<p>ETJD</p>	<p>Formerly incarcerated people</p>	<p>4 months 35 hours/week</p>	<p>Participants are placed at the social enterprise, an electronics recycling plant staffed by formerly incarcerated workers. Participants are trained and supervised by “peer mentors” — other formerly incarcerated people who have been promoted. The business excuses workers for five hours of development time that may be used to search for jobs and address barriers to employment, especially those regarding criminal-supervision compliance. The program also offers industry certifications, case management, job development, work-related support, and child support-related assistance. Participants may later be hired as unsubsidized employees.</p>
<p>Supporting Families Through Work YWCA of Southeast Wisconsin <i>Milwaukee, WI</i></p>	<p>ETJD</p>	<p>Noncustodial parents</p>	<p>4-6 months 30 hours/week</p>	<p>Participants start in a three- to five-day job-readiness workshop. They are then placed individually in transitional jobs, mostly with private-sector employers. Support during the transitional job includes case management, job-development assistance, and weekly group meetings. The program supplements wages in unsubsidized employment to bring them up to \$10 an hour for six months. The program also provides child support-related assistance.</p>
<p>Transitional Subsidized Employment: On-the-Job Training L.A. County Dept. of Public Social Services with South Bay Workforce Investment Board <i>Los Angeles, CA</i></p>	<p>STED</p>	<p>TANF recipients</p>	<p>6 months Hours per week vary</p>	<p>Participants are placed individually in private-sector positions. Participants’ wages are subsidized up to minimum wage for the first two months, and for the remainder of the placement employers receive a subsidy roughly equal to 50 percent of minimum wage. All participants receive case management and assistance searching for unsubsidized jobs through Worksource Centers, along with support services through the TANF program.</p>

(continued)

TABLE 1 (continued)

PROGRAM NAME, OPERATOR, AND LOCATION	STUDY	TARGET GROUP	DURATION OF SUBSIDIZED JOB	PROGRAM OVERVIEW
Transitional Subsidized Employment: Paid Work Experience L.A. County Dept. of Public Social Services with South Bay Workforce Investment Board <i>Los Angeles, CA</i>	STED	TANF recipients	6 months 32 hours/week	Participants are placed individually in minimum-wage employment with public agencies or nonprofit organizations. Participants' wages are fully subsidized for the duration of the placement. All participants receive case management and assistance searching for unsubsidized jobs through Worksource Centers, along with support services through the TANF program.
TransitionsSF Goodwill Industries, with the San Francisco Dept. of Child Support Services <i>San Francisco, CA</i>	ETJD and STED	Noncustodial parents	5 months 24-30 hours/week	Participants are enrolled in cohorts of about 25. They begin with one week of assessments followed by two weeks of job-readiness training. Then they are placed into one of three tiers of subsidized jobs depending on their job readiness: (1) nonprofit, private-sector jobs (mainly at Goodwill); (2) public-sector jobs; or (3) for-profit, private-sector jobs. Participants continue to meet with their case managers, attend GED or digital literacy classes, and search for jobs. They may receive modest financial incentives for participation milestones and child support-related assistance.
Young Adult Internship Program NYC Dept. of Youth and Community Development with community-based organizations <i>New York, NY</i>	STED	Disconnected youth	3 months 25 hours/week	Cohorts of about 30 young people begin the program with a paid orientation lasting two to four weeks. Participants are then placed individually or in small groups into internships in a variety of sectors. During the internships, participants attend weekly workshops on development, work readiness, and life skills. They receive case management, job search assistance, and other forms of support during their internships and for nine months afterward.

SOURCE: The information in this table was collected in interviews with program staff members and administrators.

NOTE: GED = General Educational Development; TANF = Temporary Assistance for Needy Families.

TABLE 2 Categorization of Programs by Subsidized Employment Model

MODIFIED TRANSITIONAL JOBS MODEL PROGRAMS	WAGE SUBSIDY MODEL PROGRAMS	HYBRID MODEL PROGRAMS
Paid Work Experience (Los Angeles)	Jobs Now STEP Forward (San Francisco)	Bridges to Pathways (Chicago)
Parent Success Initiative (Syracuse)	Next STEP (Fort Worth)	Good Transitions (Atlanta)
RecycleForce (Indianapolis)	On-the-Job Training (Los Angeles)	MSTED (Minnesota)
Supporting Families Through Work (Milwaukee)		Ready Willing and Able Pathways (New York City)
Young Adult Internship Program (New York City)		TransitionsSF (San Francisco)

NOTE: The program in Los Angeles as a whole, including both the Modified Transitional Jobs and Wage Subsidy Model Programs shown in the table, is called the Transitional Subsidized Employment (TSE) Program.

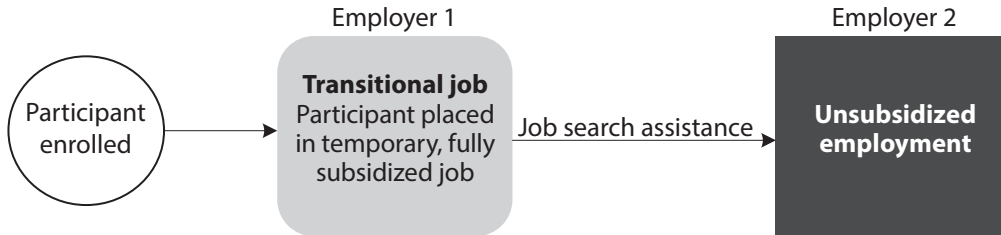
TABLE 3 Types of Transitional Jobs Placements

PROGRAM	PLACEMENT TYPE	TYPICAL JOB RESPONSIBILITIES
Parent Success Initiative (Syracuse)	Participants work in crews at the local housing authority or at a nonprofit organization	Cleaning and maintaining buildings, litter abatement
RecycleForce (Indianapolis)	Participants work in-house at the recycling plant (social enterprise)	Sorting and disassembling electronics for recycling
Paid Work Experience (Los Angeles)	Participants are placed individually in public- or nonprofit-sector jobs	Clerical, customer service, or janitorial/maintenance work
Supporting Families Through Work (Milwaukee)	Participants are placed individually in private- or nonprofit-sector jobs	Janitorial or customer service work, or stocking/organizing products
Young Adult Internship Program (New York City)	Participants are placed individually or in small groups in jobs in any sector	Clerical, customer service, or janitorial/maintenance work

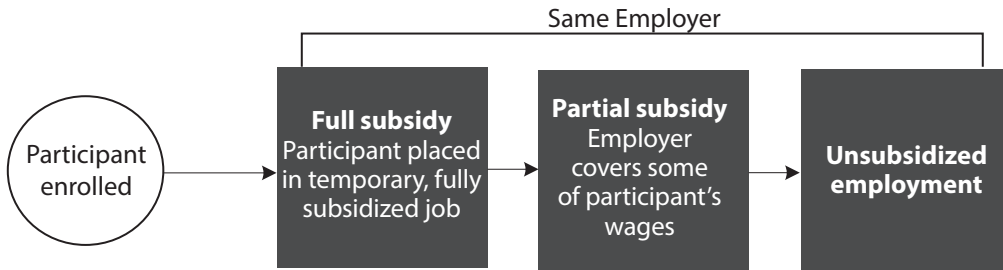
SOURCES: The information in this table was collected through staff and employer interviews, work-site observations, and participant questionnaires.

FIGURE 2 Three Categories of Program Models

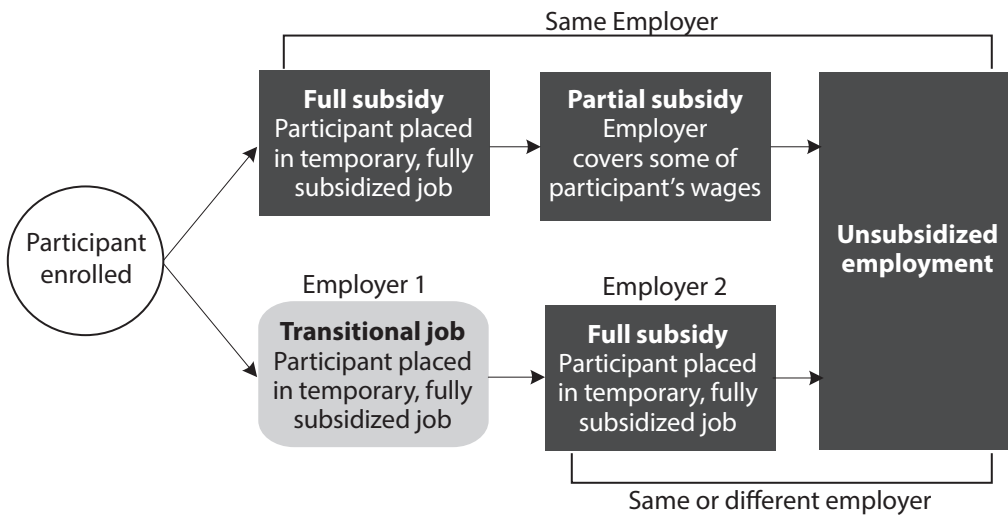
Modified Transitional Jobs Models



Wage Subsidy Models



Hybrid Models



were typically small and targeted relatively job-ready participants.¹¹ The Wage Subsidy programs in STED and ETJD are attempting to serve more disadvantaged job seekers. Table 4 describes four different subsidy models, including programs in the Wage Subsidy category and one of the Hybrid Model programs discussed below.

Hybrid Models. The programs in the third category use both transitional jobs and wage subsidies to create a hybrid model. As shown in Table 5, in a few of these programs participants move through two program stages, with each stage featuring a different kind of subsidized job. Typically, in these programs participants start in positions with the program providers that look much like the transitional jobs in the Modified Transitional Jobs models. If successful, they move to subsidized positions with outside employers that are closer to “real” jobs and in some cases may lead to permanent employment. The New York City and Atlanta programs both use models in which participants start off working for the program and then move to fully subsidized jobs in the community. However, the New York City program hopes that a substantial number of the community placements will evolve into permanent positions, while the Atlanta program does not have this expectation.

One of the programs in the Hybrid Models group, San Francisco’s TransitionsSF, offers different types of subsidized jobs side by side rather than sequentially, with participants assigned to a particular type of job based on their educational and work histories. The least employable participants are placed in transitional jobs, while the most employable receive wage-subsidy positions. Another Hybrid Models program operating in three counties in Minnesota also offers a transitional-jobs-like model and a wage-subsidy model side by side. Program operators can decide to place participants in a transitional job initially, but it is expected that most participants will either start with, or move to, a wage-subsidy position.

HOW DO THE PROGRAMS INTEND TO WORK?

These three general approaches reflect three somewhat different underlying philosophies, or theories of change. At the broadest level, almost all programs that seek to improve participants’ employment outcomes use one or more of the following strategies: (1) They seek to improve participants’ skills or behaviors (that is, they seek to change the participants); (2) they seek to connect participants with job openings they would not otherwise find; or (3) they seek to induce employers to create new jobs or to favor program participants over other job applicants when making hiring decisions.

All of the STED and ETJD programs use all three of these strategies to some extent, but the emphasis among them varies. The Modified Transitional Jobs models focus primarily on the first two strategies. These models assume that, at the point of enrollment, participants are not ready to succeed in a regular, unsubsidized job and need to spend time in a more forgiving work environment first. Eventually, staff members help participants make connections to unsubsidized jobs, and the model assumes that participants will be more attractive to unsubsidized employers — and better able to hold jobs — after they have performed well in a transitional job.

11. Bloom (2010).

TABLE 4 Examples of Wage Subsidy Structures

PROGRAM	MAXIMUM SUBSIDY PER PARTICIPANT	SUBSIDY LEVEL AND DURATION	EMPLOYER OF RECORD ^a
Next STEP (Fort Worth)	No maximum	100% for first two months; 50% for next two months	Staffing agency for first two months, then staffing agency and employer
On-the-Job Training (Los Angeles)	Approx. \$2,000 over first two months; \$1,400 - \$2,200 over next four months	100% for first two months (\$8/hour); 50% for next four months	Program for first two months, then employer
Jobs Now STEP Forward (San Francisco)	\$5,000 over five months ^b	<i>For employers paying less than \$13.50/hour: \$1,000/month for five months</i> <i>For employers paying \$13.50/hour or more (up to \$35/hour): 100% in Month 1, 75% in Month 2, and \$1,000/month in Months 3 through 5</i>	Employer
MSTED (Minnesota) ^c	\$4,800 over first two months; \$2,400 over next two months	100% for first two months; 50% for next two months	Program or employer for first two months, then employer

SOURCE: The information in this table was provided to the research team by program administrators.

NOTES: ^aThe employer of record is typically the company or organization responsible for administering payroll, among other employer obligations. Employers that place participants onto their payrolls during the subsidy period are considered more likely to continue employing those participants when the subsidy period ends.

^bAs of spring 2014, there is no longer a cap of \$5,000 per participant.

^cMSTED's Wage Subsidy Model is shown in this table even though the program as a whole falls into the Hybrid Model category of programs.

The Wage Subsidy models focus more on the second and third strategies. While some of these programs provide strong preemployment services — for example, counseling or classes to teach job-readiness skills — they generally assume that participants can be placed directly into open jobs soon after enrollment. To varying degrees, these programs focus on connecting participants to jobs and using subsidies to try to influence employers' hiring decisions. It is not always clear whether the subsidies are intended to encourage employers to create more positions or simply to choose program participants over other job applicants. This is an important distinction, because a program that essentially “rearranges” whom employers hire without substantially building the skills of participants or inducing employers to add new positions may provide fewer overall benefits to society.

The Hybrid Model programs try to combine all three strategies. Participants may start in transitional jobs designed to improve their employability, staff members help connect participants to unsubsidized jobs, and subsidies are used to influence employers' behavior. Some of these programs also incorporate the concept of graduated stress by exposing participants to progressively more demanding and independent work environments.

TABLE 5 Hybrid Model Programs

STAGED PROGRAMS: PARTICIPANTS MOVE SEQUENTIALLY FROM A TRANSITIONAL JOB TO A WAGE-SUBSIDY JOB.

	Transitional Job (Stage 1)	Wage Subsidy (Stage 2)	Postsubsidy Employment Goals
Ready Willing and Able Pathways (New York City)	Participants work on street-cleaning crews	Participants work in private-sector internships	Some internships are intended to roll over into unsubsidized positions
Good Transitions (Atlanta)	Participants work in-house at Goodwill Industries	Participants work in private-sector jobs	Ongoing job-development services help participants obtain unsubsidized employment
Bridges to Pathways (Chicago)	Participants work on community projects	Participants work in internships in any sector	Mentors assist with employer engagement to move participants into unsubsidized employment ^a

TIERED PROGRAMS: PARTICIPANTS ARE PLACED IN JOBS THAT CORRESPOND TO THEIR JOB READINESS.

	Transitional Job (Less job-ready participants)		Wage Subsidy (More job-ready participants)	Job-Readiness Assessment
TransitionsSF (San Francisco) ^b	Participants work in nonprofit-sector jobs	Participants work in public-sector wage-subsidy jobs	Participants work in private-sector wage-subsidy jobs	Job readiness is assessed at enrollment and participants are matched to jobs accordingly
MSTED (Minnesota)	Participants work in public- or nonprofit-sector jobs		Participants work in private-sector wage-subsidy jobs	Job readiness is dynamic: participants may move between the tiers in any order

SOURCE: The information in this table was collected in interviews with program staff members and administrators.

NOTES: ^aBridges to Pathways emphasizes placement in education and training as goals for the postsubsidy period, in addition to or in lieu of unsubsidized employment.

^bTransitionsSF offers three tiers of jobs, corresponding to three levels of job readiness. The lower and middle tiers provide transitional jobs, with the least job-ready participants going to work in the nonprofit sector and moderately job-ready participants going to work in the public sector. The private-sector wage subsidy is aimed at the most job-ready participants.

While improving long-term employment outcomes is the central objective of the STED and ETJD programs, all of them have other important goals. The programs targeting formerly incarcerated people aim to reduce recidivism, those targeting noncustodial parents hope to increase family engagement and child support payments, and programs for TANF recipients seek to reduce their reliance on public assistance. These secondary outcomes may flow from increases in employment. However, some of the programs also seek to achieve the secondary outcomes directly. For example, programs for formerly incarcerated people may pay for parole-mandated drug testing to help participants comply with the conditions of their supervision.

OVERVIEW OF THE EVALUATIONS

The MDRC team is conducting a comprehensive evaluation of each program in the ETJD and STED projects. The evaluation approach is very similar in each case: eligible participants are assigned, at random, to a program group (or in one case, to one of two different program groups) or to a control group. Those in the program group are offered access to the subsidized employment program. Control group members are not offered services from the program being tested, but these individuals (like their program group counterparts) may receive other services in their communities; this is particularly likely to be true if the sample members are part of a system like TANF or parole that requires people to participate in productive activities.

The evaluation team will follow the groups for at least 30 months using government administrative records and individual surveys. Because assignment to the groups is random and a sufficient number of individuals were enrolled into the study, one can be confident that the groups were comparable at the start. If differences emerge between the groups over time and those differences are large enough to be considered statistically significant, one can be quite confident that the differences are the result of the subsidized employment program.¹² These differences are known as the “impacts” or “effects” of the program.

The studies will assess whether each program leads to increases in participants’ employment and earnings in unsubsidized jobs. Other outcome areas monitored will depend on the target group, as noted earlier. For example, the evaluations will assess whether programs serving noncustodial parents lead to increased child support payments during the follow-up period, and whether programs serving individuals who were incarcerated lead to reductions in the number of participants who are rearrested, convicted of new crimes, or reincarcerated. In several of the STED tests, an early survey — administered while many program group members are still in subsidized jobs — will attempt to measure whether initial employment combined with the related services provided to program participants leads to nonfinancial benefits such as better mental health.

In addition to assessing *whether* the programs affect these outcomes, the evaluations will try to illuminate how and *why* the programs generate impacts by carefully studying the implementation of each program. As part of the implementation studies, which are components of each evaluation, the MDRC team administered questionnaires to program participants who were working in subsidized jobs, program staff members, work-site supervisors, and other employer representatives. The responses to these standardized questionnaires will provide a systematic way to capture key program practices and potentially compare them across tests. The implementation studies also include in-depth interviews with small numbers of participants in each program. The evaluations will also assess each program’s financial costs and benefits.

One of the most challenging questions for the studies to address is the extent to which program group members who are placed in subsidized jobs are displacing other, similar people who would

12. The statistical significance level indicates the probability that quantifiable differences between the program and control groups are due to chance.

have worked in those same positions (either control group members or people who are not in the study at all).¹³ The questionnaires administered to employers (mentioned earlier) include questions on this topic in the hope of shedding some light on this issue, but it will not be possible to draw firm conclusions about displacement. As noted earlier, it is very difficult to determine whether employers who hire subsidized workers are creating new jobs or hiring different kinds of people than they would have hired without the subsidies. While displacement is important to consider when studying employment programs, the STED and ETJD evaluations were not designed to address this topic in a rigorous manner.

THE STUDIES' PARTICIPANTS

Ten of the 13 programs discussed in this report finished enrolling study participants in late 2013 or early 2014, and the remaining 3 are expected to complete sample enrollment in 2015. Table 6 shows some key characteristics of the people who are participating in the study in the 10 programs that completed enrollment. The first column of data combines the four tests that target noncustodial parents and the second column combines the three tests that target formerly incarcerated people. The third column includes the Los Angeles test, which is studying two programs for TANF recipients, and the fourth column includes the New York City Young Adult Internship Program test. The remaining tests, in Chicago, Minnesota, and San Francisco, which respectively target young people involved in the justice system, TANF recipients, and a mixture of low-income populations, have not yet completed enrolling participants into the study and therefore are not included in this table.¹⁴

While there are some similarities across the four target groups — for example, the vast majority of people in all four groups are black or Hispanic, few were married at the time of enrollment, and relatively few had postsecondary education — there are also dramatic differences, indicating that the studies are testing subsidized jobs programs for a range of different populations. Almost all of the noncustodial parents and formerly incarcerated people are men who were in their thirties or forties when they enrolled, and fewer than one in five lived with any children. In contrast, most of the TANF recipients were unmarried mothers. As expected, the study participants in the New York City Young Adult Internship Program were young adults, and more than half of them still lived with their parents.

There is substantial overlap in characteristics between the formerly incarcerated and noncustodial parent groups, as 37 percent of the noncustodial parents had been incarcerated (though not necessarily recently) and 42 percent of the formerly incarcerated people were noncustodial parents (not shown). Because the programs in the second column targeted individuals who had been recently released from prison, it is not surprising that only a small proportion of the people in this group rented or owned their own homes or that a quarter of the group was in some kind of supervised

13. This is not to say that all instances of displacement are necessarily undesirable. For example, a program that trains and places women in nontraditional jobs in the construction industry may achieve a socially desirable goal even if it displaces some men.

14. Approximately 2,000 people are expected to enroll in the study across the remaining three tests.

TABLE 6 Characteristics of Sample Members at Enrollment,
Among Programs That Completed Sample Enrollment

CHARACTERISTIC	PROGRAMS TARGETING NONCUSTODIAL PARENTS	PROGRAMS TARGETING FORMERLY INCARCERATED PEOPLE	PROGRAMS TARGETING TANF RECIPIENTS	PROGRAM TARGETING DISCONNECTED YOUTH
Average age	37.6	35.5	31.7	20.7
Male (%)	93.3	94.0	14.5	49.1
Race/ethnicity (%)				
Hispanic	7.9	14.5	54.7	36.1
White/non-Hispanic	5.5	16.2	6.5	1.6
Black/non-Hispanic	82.4	67.4	31.6	57.9
Other	4.2	1.8	7.2	4.4
Ever employed (%)	95.6	81.1	93.9	71.7
Employed in the past year (%)	49.9	19.9	45.3	35.6
Highest degree achieved ^a (%)				
High school diploma	30.6	16.8	28.8	32.9
GED certificate	17.5	46.2	5.3	7.4
Some postsecondary education but no bachelor's	20.5	11.1	22.1	21.4
Bachelor's degree or higher	2.3	1.3	4.8	0.4
No degree	29.2	24.7	39.0	38.0
Married (%)	8.4	9.0	13.9	3.8
Housing status ^b (%)				
Rents or owns home	45.4	11.8	NA	6.3
Supervised living ^c	3.7	25.6	NA	2.1
Homeless	7.9	5.8	NA	2.0
Living with parents	NA	NA	NA	60.6
Staying with someone else, such as friends or relatives	43.0	56.9	NA	21.9
Months of TANF or AFDC assistance received ^d	NA	NA	21.1	NA
Has minor-age children (%)	93.2	51.5	100.0	18.8
Average number of minor-age children ^e	2.5	2.1	1.7	1.3
Living with minor-age children (%)	18.2	14.0	100.0	18.0
Has a formal child support order ^f (%)	97.9	15.8	NA	NA
Ever convicted of a crime (%)	NA	100.0	14.9	8.2
Ever incarcerated in prison (%)	36.9	100.0	NA	NA
Average months between release and random assignment	62.2	1.5	NA	NA
Sample size (total = 12,300)	3,998	3,002	2,622	2,678

(continued)

TABLE 6 (continued)

SOURCES: Calculations based on data from MDRC’s random assignment system, the programs’ management information systems, and the U.S. Department of Labor ETJD management information system.

NOTES: GED = General Educational Development; AFDC = Aid to Families with Dependent Children; NA = Not Available.

The programs targeting noncustodial parents are Supporting Families Through Work (Milwaukee, WI), Parent Success Initiative (Syracuse, NY), TransitionsSF (San Francisco, CA), and Good Transitions (Atlanta, GA). The programs targeting formerly incarcerated people are RecycleForce (Indianapolis, IN), Next STEP (Fort Worth, TX), and Ready Willing and Able Pathways (New York, NY). The programs targeting TANF recipients are Paid Work Experience (Los Angeles, CA) and On-the-Job Training (Los Angeles, CA). The program targeting disconnected youth is the Young Adult Internship Program (New York, NY).

^aStudents who obtained a high school certificate of completion but not a high school diploma or GED credential are shown as having no degree. For the sample of TANF recipients, “some postsecondary education but no bachelor’s” includes all students with a high school degree or GED credential and without a bachelor’s degree who reported completing at least one year of college or technical school or who obtained an associate’s degree.

^bComprehensive housing data were not uniformly available across all programs; therefore, sample member housing status is not shown for the program targeting TANF recipients, and the housing categories shown for the program targeting disconnected youth do not sum to 100 percent.

^cSupervised housing refers to a range of living situations that are closely monitored by a public or private agency. Examples include supervised independent living, emergency housing, work-release facilities, and halfway houses.

^dMonths of TANF or AFDC assistance received includes only months accrued toward the state’s 48-month time limit on assistance.

^eAmong participants with minor-age children. The data collected on the number of children among disconnected youth participants was capped at three or more, so the measure could understate the actual mean.

^fIncludes arrears-only cases.

living situation such as a work-release facility or halfway house. As expected, most had no recent work experience (in fact, about one in five had never worked).

EARLY FINDINGS FROM THE EVALUATIONS

As noted earlier, the MDRC team will carefully study the implementation of each subsidized employment program in the STED and ETJD projects. At this early point, a few cross-cutting findings stand out.

Recruitment Challenges

Each of the programs agreed to a recruitment target. These targets were driven by the availability of funding for program services and by calculations regarding the sample size needed for the study to do a reliable analysis of program impacts. To date, each of the programs that has completed enrollment met its target, though many of them struggled to do so. Several factors made it difficult for the programs to recruit enough study participants. First, some of the study eligibility requirements were relatively narrow. For example, programs targeting formerly incarcerated people were required to

enroll participants within 120 days of their release (consistent with research showing that recidivism is most prevalent during the early months after release),¹⁵ but some people are not interested in joining a program so quickly after returning to the community because there are competing demands on their time, such as reconnecting with family and attending mandatory treatment programs.

Second, some of the programs struggled to identify appropriate enrollees. On the one hand, programs might not have been equipped to serve people facing certain kinds of serious obstacles, for example significant mental health conditions. Most programs prefer to work with people who demonstrate some eagerness to take advantage of their services. The programs and their referral partners also understood that subsidized employment slots should generally be reserved for people who were not able to find jobs without subsidies. Thus, the programs were searching for a middle group: not so job-ready that they could find jobs on their own, but not so disadvantaged that they would be unlikely to succeed. The programs instituted a variety of screening processes to try to identify this group. The program in Los Angeles, for example, only accepted people who completed an initial job search activity without finding a job.

Finally, while all of the programs did try to establish referral partnerships prior to joining the studies (with child support agencies, for example), those partnerships sometimes failed to materialize or deteriorated over time because, for example, the number of eligible candidates available from the referrer turned out to be smaller than projected.

Differences in Subsidized Job Placement Rates

Another early finding relates to the different program approaches described earlier. Although final figures are not yet available, it is clear that the percentage of program group members placed in subsidized jobs is much higher in programs that initially place people into transitional jobs than in programs that use wage-subsidy models. This is not surprising: transitional jobs are typically at the program itself or in nonprofit organizations that can accommodate almost any worker, while wage-subsidy programs must persuade private employers that allowing participants to work for them will help their bottom lines. Even with subsidies, employers are unlikely to hire someone who they believe will not be reliable. This disparity in initial placement rates does not necessarily mean that the programs that provide transitional jobs immediately will produce larger impacts on unsubsidized employment in later years. In fact, a key goal of the studies is to identify which of these approaches is more effective for particular types of participants. As noted earlier, previous studies found that transitional jobs programs can achieve very high initial employment rates for hard-to-employ groups, but have difficulty with the transition to unsubsidized employment, while, conversely, wage-subsidy programs have had difficulty serving people who are hard to employ. The side-by-side test in Los Angeles will be particularly useful in this regard because study participants (TANF recipients who were unable to find a job through an initial job search activity) are assigned at random to a transitional jobs program or a wage-subsidy program (or a control group that receives other welfare-to-work services). This will allow for direct comparison of the two approaches.

15. Langan and Levin (2002); Blumstein and Nakamura (2009).

System Context

A final cross-cutting issue involves the roles of the three key public systems or programs with which STED and ETJD participants are involved: TANF, criminal justice, and child support enforcement. One or more of these systems is the primary source of referrals in almost all of the tests, but the broader roles of the public systems vary from test to test.¹⁶ System rules and practices may affect the outcomes of both STED and ETJD participants and members of the studies' control groups. On the one hand, to varying extents all three systems urge, require, or assist their clients to find jobs. Thus, many control group members will likely receive assistance or support of some kind. TANF recipients, for instance, may receive subsidized child care, transportation assistance, and referrals to occupational training or adult education classes.

On the other hand, the systems may also make employment difficult or unintentionally discourage participants from seeking jobs. Restrictions on parolees' movement or requirements to meet with parole officers may disrupt their work schedules and, of course, individuals who are sanctioned for violating parole conditions can be incarcerated, taking them out of the labor market. Similarly, because the child support system is required to collect support payments directly from noncustodial parents' paychecks, individuals who believe their obligations to be unfairly high may be reluctant to work in the formal labor market. Some programs have special policies in place designed to mitigate challenges imposed by the relevant public system. For example, in TransitionsSF, the child support agency reduces child support orders for ETJD participants while they are active in the program.

FUTURE FINDINGS AND PUBLICATIONS

In 2016, the ETJD and STED evaluations will begin to release interim study results. These reports will describe the implementation of each program and the characteristics of the full study sample, and present early results from the impact analyses.

16. Most of the ETJD grantees are private, nonprofit service providers that are collaborating with public agencies. In some cases, these links predated the project, while in others they were developed specifically for ETJD. In contrast, the STED programs targeting TANF recipients and young people are led by public human service agencies, though subsidized employment services may be delivered by nonprofit contractors.

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