

*Executive Summary*

IMPLEMENTATION  
AND EARLY IMPACTS  
OF THE MINNESOTA  
SUBSIDIZED AND  
TRANSITIONAL  
EMPLOYMENT  
DEMONSTRATION

OPRE Report 2019-68

June 2019

## Executive Summary

# Implementation and Early Impacts of the Minnesota Subsidized and Transitional Employment Demonstration

OPRE Report 2019-68

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# Overview

## Introduction

Recipients of Temporary Assistance for Needy Families (TANF) often face barriers such as limited education and work experience, health issues including substance abuse problems, and other obstacles that stand in the way of finding employment. In an effort to help these individuals gain work experience, boost their earnings, and eventually find permanent employment, some states, including Minnesota, have launched programs that use public funds to temporarily subsidize individuals' wages, known as subsidized employment programs.

Minnesota's TANF program, called the Minnesota Family Investment Program (MFIP), provides a full range of employment services to families receiving MFIP benefits, including job-readiness workshops and job search assistance. However, in 2014, despite Minnesota's strong labor market, some MFIP recipients were unable to find employment. The state funded the Minnesota Subsidized and Transitional Employment Demonstration (MSTED) to improve the employment outcomes of MFIP recipients who were unable to find employment after receiving MFIP services for six months or more. MSTED placed participants into two different types of subsidized employment based on their job readiness: Participants who were less job ready were placed in temporary paid work experience in the nonprofit and public sectors, and participants who were more job ready were placed in subsidized jobs in the private sector designed to roll over into unsubsidized permanent positions.

This report presents implementation findings and interim impacts (after one year) from a random assignment evaluation of MSTED in which individuals were randomly assigned to a program group that had access to MSTED services or to a control group that did not have access to MSTED services but could receive other welfare-to-work services. This study is part of a larger demonstration funded by the Administration for Children and Families in the U.S. Department of Health and Human Services, called the Subsidized and Transitional Employment Demonstration (STED), which is testing various subsidized employment strategies in several locations across the country.

## Primary Research Questions

- How did MSTED operate and whom did it serve?
- How did MSTED affect participants' receipt of services, employment-related outcomes, income, and personal well-being relative to what could have happened to study sample members in the absence of the program?
- Does the program appear to be more effective for specific participant subgroups?
- What is the cost of MSTED?

## Purpose

The primary goal of the implementation study is to describe how three contracted employment service providers operated MSTED from November 2014 through December 2016 across three Minnesota counties by documenting the intended model, how the providers implemented the model across the three counties, how participants experienced the program, and the extent to which the services received by the program group differed from those received by the control group. The impact study addresses the question of whether MSTED improves outcomes for MFIP recipients in three key areas of interest: employment and earnings, receipt of public assistance, and overall well-being.

## Key Findings and Highlights

- About one-third (34 percent) of all MSTED program group members worked in a paid work experience position or subsidized job in the year following enrollment in the program.
- MSTED staff members experienced difficulties finding participants subsidized jobs with private employers, and midway through the program they began placing participants in paid work experience as a way for participants to earn income, stay engaged, and obtain work skills. Overall, 20 percent of program group members worked in a subsidized job with a private employer, while 19 percent worked in paid work experience. (About 5 percent of program group members worked in both types of jobs.)
- In the first year after random assignment, program group members were more likely than control group members to have been employed. The impact on employment was modest but continued after the subsidies ended. Program group members also had somewhat higher earnings, though the difference between groups is not statistically significant.

## Methods

The implementation of MSTED was assessed using several different data sources, including staff and participant interviews conducted during site visits, case reviews, participation data from the Minnesota Department of Human Services' management information system, and wage subsidy data.

The research team evaluated the early impacts of MSTED using a random assignment research design. A total of 799 adults enrolled in the MSTED study between November 2014 and June 2016. Half (403) were randomly assigned to the program group and offered MSTED services, and the other half (396) were randomly assigned to the control group and not offered these services. As a result of the random assignment process, these two groups were comparable on both measured and unmeasured characteristics at the time of study enrollment. The research team followed the program and control group members for 12 months using surveys and government records to measure outcomes in the following three areas: employment and earnings, receipt of public assistance, and overall well-being. If differences emerge between the program groups and the control group over time, and these differences are statistically significant, then the differences can be attributed with some confidence to the subsidized employment approaches.

## Acknowledgments

This report would not have been possible without the support of many individuals and organizations. The Subsidized and Transitional Employment Demonstration (STED) is conceived and sponsored by the Administration for Children and Families in the U.S. Department of Health and Human Services (HHS). Dedicated staff members in that agency have been instrumental to the success of the project, in particular Girley Wright and Erica Zielewski.

We are tremendously grateful to staff at the Minnesota Department of Human Services, including Deborah Schlick, Tria Chang, Erika Martin, Kristen Boelcke-Stennes, and Erika Nicholson, with whom we enjoyed a productive collaboration throughout this project. In addition to developing the Minnesota STED (MSTED), they contributed to the research design of its evaluation, facilitated our communication with county and program staff, supplied program participation and cost data, and provided feedback at every stage of the project.

We would like to acknowledge and thank the MSTED staff members who worked tirelessly to help program participants find employment and played a critical role in helping to recruit and enroll participants into the evaluation. In particular, we thank Kyle Van Acker and Lisa Guetzkow from Goodwill Easter-Seals, John Klem and Bryan Anderson from HIRED, and Julie Kizlik and Kristin Simmons from Avivo. We also thank the county staff who skillfully oversaw the delivery of MSTED in their counties, especially Jill Pettelkow from Dakota County; Angela Conley, Patricia Avery, and Tamba Gordon from Hennepin County; and Hua Moua, Patricia Yates, and Kate Probert Fagundes from Ramsey County. We would like to thank Chris Warland at the National Transitional Jobs Network for providing technical assistance to the MSTED staff. Finally, we thank the many staff at the Minnesota Family Investment Program who took the time to discuss MSTED with their clients and referred those who were interested to the program.

At MEF Associates, Mike Fishman co-led the site work and implementation research and made valuable contributions to the report; Emily Ellis and Claire Ma were also instrumental in site work and implementation research. At MDRC, Dan Bloom, Ali Tufel, and Rick Hendra provided thoughtful comments on several drafts of this report. Johanna Walter and Beata Luczywek oversaw the data acquisition and data processing effort and offered insightful recommendations. Jillian Verillo and Melissa Cummings capably managed the report's production. Christopher Boland edited the report, and Carolyn Thomas prepared it for publication.

Finally, we extend our deep appreciation to the women and men who participated in the study and gave generously of their time to respond to surveys and participate in interviews and focus groups.

The Authors

## Executive Summary

Recipients of Temporary Assistance for Needy Families (TANF) often face barriers such as limited education and work experience, health issues including substance abuse problems, and other obstacles that stand in the way of finding employment. In an effort to help these individuals gain work experience, boost their earnings, and eventually find permanent employment, some states, including Minnesota, have launched programs that use public funds to temporarily subsidize individuals' wages, known as subsidized employment programs.

Minnesota's TANF program, called the Minnesota Family Investment Program (MFIP), provides a full range of employment services to families receiving MFIP benefits, including job-readiness workshops and job search assistance. However, in 2014, despite Minnesota's strong labor market, some MFIP recipients were unable to find employment. The state funded the Minnesota Subsidized and Transitional Employment Demonstration (MSTED) to improve the employment outcomes of MFIP recipients who were unable to find employment after receiving MFIP services for six months or more. MSTED intended to place participants into subsidized employment — either in temporary paid work experience in the nonprofit or public sectors, or in subsidized jobs in the private sector designed to roll over into permanent unsubsidized positions.

This report presents implementation findings and interim impacts (after one year) from a random assignment evaluation of MSTED. This study is part of a larger demonstration funded by the Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services, called the Subsidized and Transitional Employment Demonstration (STED), which is testing various subsidized employment strategies in several locations across the country. MDRC, a nonprofit, nonpartisan research organization, is leading the project under contract to ACF along with its partner, MEF Associates.

## Background

Most adults who are eligible for MFIP cash assistance are required to participate in services designed to help them find employment and become self-sufficient. They are first referred to the county's Diversionary Work Program, which is a four-month program designed to help adults find work right away rather than enroll in MFIP. If they are unable to find employment during those four months, they are referred to one of the contracted MFIP employment service providers — primarily nonprofit organizations — for case management, employment services, and support services intended to help recipients find and keep jobs.

MFIP employment services include job-readiness classes, independent job search, education and training activities, community service, and unpaid work experience. In the past, the MFIP program also operated “supported work” programs, which provided job opportunities that allowed participants to get paid wages for work and that were subsidized by MFIP. For example, in 2007, the state provided funding to counties for supported work and, in 2009 and 2010, the

state received additional funding from the TANF Emergency Fund, which allowed the state to extend these efforts through 2011.<sup>1</sup>

Subsidized employment targeting individuals who face barriers to employment in the regular labor market provide work experience that might help them make the transition to unsubsidized work. However, prior efforts to use subsidized employment to improve the long-term employment outcomes of hard-to-employ populations have had mixed results. Dan Bloom outlines the history of subsidized and transitional employment tests, finding a long legacy of programs seeking to use subsidized employment to ease individuals' transition into the unsubsidized labor market.<sup>2</sup> While there are some examples of programs that resulted in long-term gains in employment and earnings, most recent studies suggest that subsidized employment can generate impacts on employment and earnings during the subsidy period, but that the effects recede quickly following the conclusion of the subsidy.<sup>3</sup>

In 2010, the U.S. Department of Health and Human Services (HHS) and Department of Labor (DOL) made substantial investments to advance the field's understanding of subsidized employment. Through STED, HHS is funding studies of eight subsidized employment interventions. These studies explore how subsidized employment strategies can meet the needs of TANF recipients and other low-income adults and young people. DOL funded the Enhanced Transitional Jobs Demonstration (ETJD), which served noncustodial parents (parents who do not have custody of at least one of their children) and individuals who had recently been released from prison.<sup>4</sup>

## **MSTED**

In 2014, the state legislature allocated \$4.3 million to the Minnesota Department of Human Services (DHS) to fund a subsidized employment program for MFIP recipients. DHS developed a specific model that it thought held the most promise for increasing the number of adults who left MFIP for sustained employment. It selected three counties — Dakota County, Hennepin County

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<sup>1</sup>The TANF Emergency Fund was established under the American Recovery and Reinvestment Act (ARRA) of 2009 and reimbursed states for 80 percent of the cost of increased spending in the following three areas: basic assistance, nonrecurrent short-term benefits, and subsidized employment for low-income parents and youth.

<sup>2</sup>Dan Bloom, *Transitional Jobs: Background, Program Models, and Evaluation Evidence* (New York: MDRC, 2010).

<sup>3</sup>Effects on other outcomes, however, can occur. A study of one program targeting TANF recipients in Philadelphia, which did not find longer-term positive impacts on employment, did find sustained impacts on measures of TANF receipt, with program group members less likely than control group members to have been receiving cash assistance 18 months after they enrolled in the program. See Dan Bloom, Sarah Rich, Cindy Redcross, Erin Jacobs, Jennifer Yahner, and Nancy Pindus. *Alternative Welfare-to-Work Strategies for the Hard-to-Employ: Testing Transitional Jobs and Pre-Employment Services in Philadelphia* (New York: MDRC, 2009).

<sup>4</sup>For a summary of other subsidized employment tests being funded by HHS and DOL, see Dan Bloom, *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 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2015).

(which includes the city of Minneapolis), and Ramsey County (which includes the city of St. Paul) — that agreed to implement the DHS model and participate in a rigorous evaluation.

Each of the three counties contracted with one or two nonprofit organizations in the community to operate MSTED. Dakota County contracted with HIRED, Hennepin County contracted with Avivo and Goodwill-Easter Seals, and Ramsey County contracted with Goodwill-Easter Seals and HIRED.

The MSTED model included two subsidized employment options:

- Participants who were less job ready and needed to improve their workplace skills were placed in **paid work experience** at a public agency or nonprofit organization. Participants earned fully subsidized wages of \$9.00 an hour for up to 24 hours a week, for up to eight weeks.
- Participants who were more job ready were placed in **subsidized jobs** with a private employer, where they could earn subsidized wages up to \$15 an hour for up to 40 hours per week.<sup>5</sup> Wages were 100 percent subsidized for the first eight weeks, and the subsidy was reduced to 50 percent for an additional eight weeks.

The short-term goal of the program was to give MFIP recipients' work experience and increase their earnings and the ultimate goal was to move them into unsubsidized employment. As initially designed, most participants would move directly into subsidized jobs, and paid work experience would be reserved for a smaller portion of participants who were not yet ready to work with private employers and needed to improve their workplace skills. For those who were not deemed ready for subsidized jobs, they could start in paid work experience and after eight weeks move into a subsidized job, for a total of 24 weeks.

MSTED was designed to serve MFIP participants who had demonstrated challenges in securing employment but whose challenges were not so overwhelming that they could not reasonably be expected to work. Individuals could be referred to the program if they had been on MFIP for at least six months and earned \$1,200 or less during that period.

For the first year, DHS restricted eligibility to recipients who met these criteria, but MSTED failed to receive the number of referrals from MFIP providers they had expected, in part due to the improved economy and subsequent reduction in the MFIP caseload. Feedback from participating counties and MSTED providers suggested that individuals remaining on MFIP who were unable to find employment in the improved economic climate could benefit from MSTED even if they did not meet the original criteria with regard to their time on MFIP or recent earnings. As a result, DHS opened eligibility up to all MFIP recipients whom MFIP case managers, referred to as “employment counselors,” believed could benefit from the program.

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<sup>5</sup>Employment could be in the nonprofit or for-profit sectors, though it was expected that most employment would be in the for-profit sector.

## The MSTED Evaluation

The research team is evaluating MSTED using a random assignment research design in which MFIP employment counselors referred interested recipients on their caseloads to an MSTED orientation, usually at the MSTED site. At the orientation, interested recipients who provided informed consent to participate in the study were randomly assigned to one of two groups, a program group or a control group. A total of 799 adults enrolled into the MSTED study between November 2014 and June 2016. Half (403) were randomly assigned to the program group and offered MSTED services, and the other half (396) were randomly assigned to the control group and not offered these services, although they were expected to participate in MFIP employment services. As a result of the random assignment process, these two groups were comparable on both measured and unmeasured characteristics at the time of study enrollment.

The research team followed the program and control group members for 12 months using surveys and government records to measure outcomes in the following three areas: employment and earnings, receipt of public assistance, and overall well-being. If differences emerge between the program groups and the control group over time, and these differences are statistically significant, then the differences can be attributed with some confidence to the subsidized employment approaches. Such differences are referred to as “impact estimates.”

The evaluation set out to answer the following questions:

- How did MSTED operate and whom did it serve?
- How did MSTED affect participants’ receipt of services, employment-related outcomes, income, and personal well-being relative to what could have happened to study sample members in the absence of the program?
- Does the program appear to be more effective for specific participant sub-groups?
- What is the cost of MSTED?

To answer these questions, the evaluation includes an implementation study, an impact study, and a cost study. The primary goal of the implementation study is to describe the design of MSTED and how it operates. As noted above, the impact study addresses the question of whether MSTED improves key outcomes of interest. The cost study estimates the cost of the program. This report focuses on the results of the implementation study and early findings from the impact study (based on one year of follow-up data). Final results from the impact study (based on 30 months of follow-up data) and the cost study will be included in a future report, expected in 2020.

## Key Implementation Findings

The implementation of MSTED was assessed using several different data sources, including staff interviews, participant interviews, case reviews, participation data from DHS’s management information system, and wage subsidy data. The implementation study found some variation in

terms of how the three MSTED providers implemented the program, but also identified some common challenges.

- **MSTED encountered challenges recruiting and enrolling participants.**

The MFIP caseload declined over time due to an improved economy resulting in fewer participants whom MFIP employment counselors could refer to the program. Additionally, some MFIP counselors expressed doubts about the benefits and effectiveness of MSTED relative to the employment services their MFIP programs offered. The referral and random assignment process deterred some from making referrals. As a result, MSTED staff, referred to as “job developers,” who were responsible for helping MSTED participants find subsidized employment, had to devote more time than anticipated marketing their programs to MFIP staff and recipients. The job developers attended MFIP staff meetings to discuss the program, developed brochures and other marketing materials, and conducted MSTED orientations at the MFIP offices. These activities increased referrals, but also took time that job developers could have used helping participants find subsidized employment.

- **MSTED providers struggled with the trade-off between wanting to teach participants the skills they would need to prepare for subsidized employment and placing participants in subsidized positions quickly before they became disengaged and left the program.**

The three MSTED providers addressed this trade-off differently. HIRED offered a two-week workshop that it required all participants to attend (unless they had recently attended a HIRED workshop as part of their MFIP requirements). In this workshop, MSTED program group members produced resumes and cover letters, practiced interviewing for jobs, and learned how to conduct a job search. Goodwill also operated an MSTED job-readiness workshop that took place two days a week for six weeks, though did not require participants to attend it, and Avivo offered workshops periodically on specific topics such as how to interview for jobs, but also did not require attendance. Instead, job developers at these two providers tended to work more one-on-one with participants to learn what jobs they were interested in and help them prepare for interviews.

- **MSTED job developers experienced difficulties finding participants subsidized jobs with private employers and, as a result, began placing more participants in paid work experience.**

In developing the model that would be tested, DHS had assumed that most participants would move into subsidized jobs with private employers, which was considered preferable to paid work experience because the former could lead to unsubsidized employment with the same employer. Participants could earn subsidized wages up to \$15 an hour from their subsidized jobs, while the limit for paid work experience was \$9 an hour. However, private sector employers generally proceed with caution in making hiring decisions, even if a job candidate comes with a subsidy, and it took time to find good matches between employers and participants. Instead of reserving paid work experience for a few who were the least job ready, the MSTED providers

began using paid work experience as a stopgap measure that allowed participants to earn income, stay engaged, and obtain work skills while MSTED continued to work with them to find subsidized jobs in the private sector. This worked especially well for Goodwill, because it operated several retail stores in the metropolitan area where they could place participants in paid work experience.

- **Only about one-third (34 percent) of all MSTED program group members worked in a paid work experience position or subsidized job in the year following MSTED enrollment.**

Goodwill placed more program group members in paid work experience or subsidized jobs (45 percent) than the other providers. (Avivo placed 25 percent and HIRED placed 30 percent program group members.) The higher placement rate was due, in part, to Goodwill's higher placement rate in paid work experience; though, it also placed almost the same percentage in subsidized jobs as HIRED, which had the highest placement rate for subsidized jobs.

It is helpful to compare these percentages with those achieved by other subsidized employment programs. Among the ETJD programs, the proportion of program group members who worked in subsidized employment ranged from just under 40 percent to 100 percent.<sup>6</sup> The site with the lowest rate (Fort Worth, Texas) had a program model with a subsidized jobs track similar to that of MSTED, focusing on private sector employment and paying 100 percent of the wages for the first eight weeks and 50 percent for the following eight weeks. Another STED site that served TANF recipients in Los Angeles operated a paid work experience program that placed 79 percent of its participants in jobs with public agencies or nonprofit organizations, and an on-the-job training program, more similar to the subsidized jobs track, that placed 42 percent of its participants in private sector positions.<sup>7</sup> The STEP Forward program in San Francisco, which targeted low-income families, placed just 25 percent of participants in subsidized private sector jobs.<sup>8</sup> MSTED's 34 percent placement rate is not substantially lower than programs that focused on finding private sector employment, though lower than programs that operated a model more similar to paid work experience.

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<sup>6</sup>Cindy Redcross, Bret Barden, and Dan Bloom, *The Enhanced Transitional Jobs Demonstration: Implementation and Early Impacts of the Next Generation of Subsidized Employment Programs* (Washington, DC: U.S. Department of Labor, Employment and Training Administration, 2016).

<sup>7</sup>Asaph Glosser, Bret Barden, Sonya Williams, and Chloe Anderson, *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* (Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2016).

<sup>8</sup>Johanna Walter, David Navarro, Chloe Anderson, and Ada Tso, *Testing Rapid Connections to Subsidized Private Sector Jobs for Low-Income Individuals in San Francisco: Implementation and Early Impacts of the STEP Forward Program* (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2017).

## Early Impacts of MSTED

The impact study relies on data from the following two key sources: employment and earnings data from the National Directory of New Hires and 12-month survey data. For this report, the research team has access to follow-up data for just over one year after random assignment to assess differences between program and control group members.<sup>9</sup>

- **Despite a high percentage of control group members who received employment services from MFIP, MSTED increased the receipt of these services.**

All individuals in the study (including control group members) were expected to participate in work activities as a condition of receiving MFIP benefits, and it was not surprising that a high percentage of control group members, 78 percent, reported receiving help with finding or keeping a job. However, 88 percent of the program group reported receiving these services, resulting in an impact of 10 percentage points. Program group members were less likely to attend postsecondary education programs than control group members, perhaps because some control group members elected to pursue education to fulfill their MFIP participation requirements.

- **In the first year after random assignment, program group members were more likely than control group members to have been employed.**

About 80 percent of the control group worked in the year following random assignment, according to administrative records, compared with 87 percent of the program group, resulting in an impact of 7 percentage points. While program group members also had somewhat higher earnings, the difference between groups is not statistically significant. As Figure ES.1 shows, the impact on employment (the difference between the program group and control group lines) was similar across the four quarters. If the impact equaled the increase in subsidized employment (as represented by the dotted line), the difference between the two groups would be larger in the first two quarters and then decrease by the third quarter when few program group members were participating in subsidized employment. Since the lines did not converge at the end of the follow-up period, the figure indicates that MSTED increased unsubsidized employment for some program group members. This pattern differs somewhat from patterns found in other studies in which the differences in employment were concentrated in the first two quarters when participation in subsidized employment was the greatest.

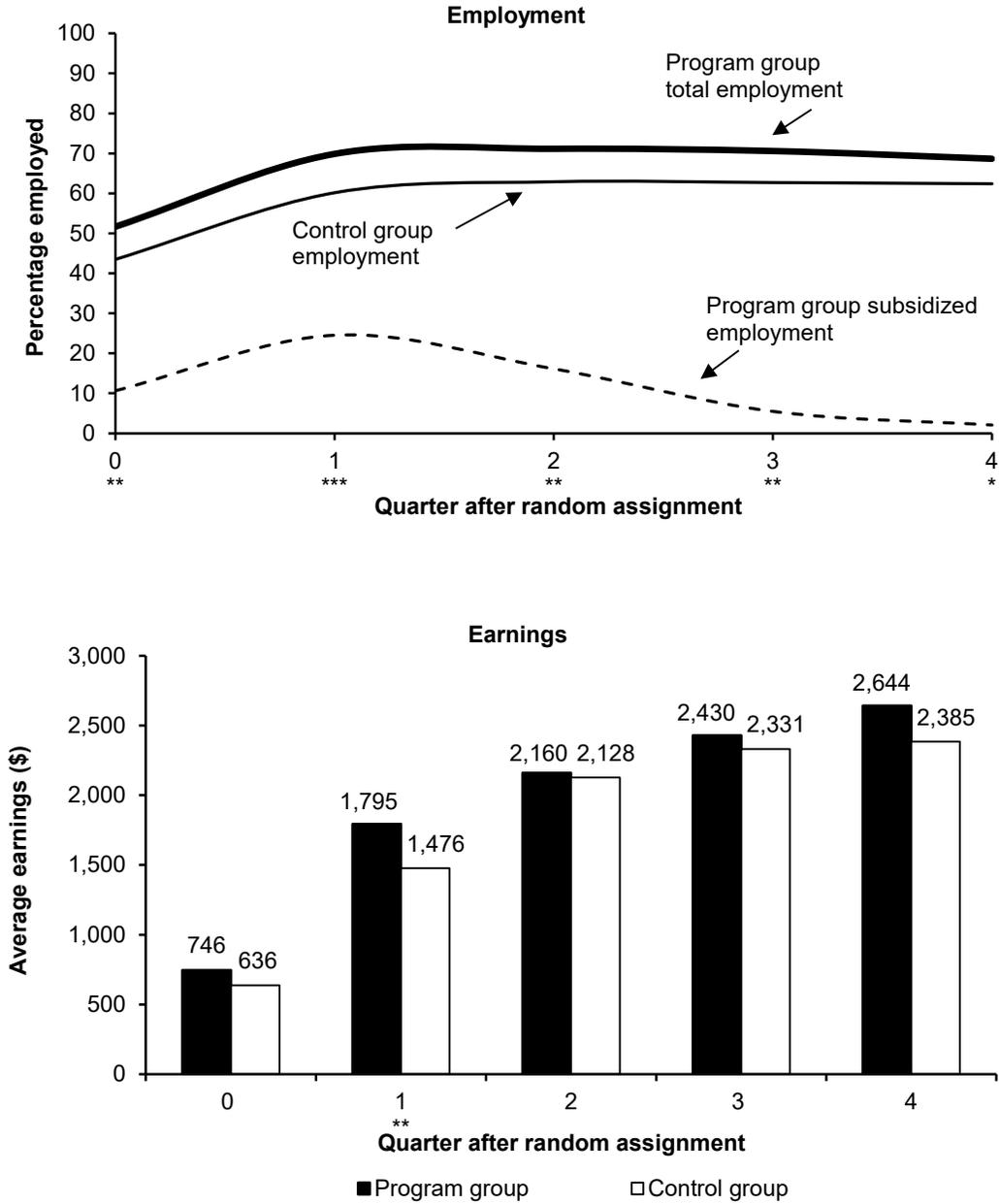
- **The impact on employment was modest but continued after the subsidies ended.**

To assess whether the impact was sustained when few program group members were participating in MSTED, the research team examined the employment in the first quarter of the

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<sup>9</sup>Unless otherwise indicated, all impacts discussed in this report are statistically significant, with p-values less than 0.10 — meaning that there is less than a 10 percent chance that the observed impacts were not a result of the program.

**Figure ES.1**  
**Employment and Earnings Over Time**



(continued)

## Figure ES.1 (continued)

SOURCES: MDRC calculations based on quarterly wage data from the National Directory of New Hires and payment records from program providers.

NOTES: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics.

Statistical significance levels are indicated as follows: \*\*\* = 1 percent; \*\* = 5 percent; \* = 10 percent.

Employment rates and earnings include both subsidized jobs and all other jobs reported to the National Directory of New Hires.

second year. During this quarter, just 2 percent of program group members were employed in a paid work experience or subsidized job. The analysis found that MSTED had an impact of 6 percentage points during this quarter, suggesting the impact was not due to members' participation in subsidized employment at the time. The research team will continue to track employment outcomes for the study's participants for 30 months to determine whether the program has an impact on employment after the first quarter of the second year.

- **Program and control group members received MFIP and Supplemental Nutrition Assistance Program (SNAP) benefits at similar rates and reported similar levels of well-being.**

According to administrative data, almost all of the study participants received MFIP and SNAP benefits in the quarter of random assignment. Just over half of both groups left MFIP at some point during Year 1, and just over 20 percent of both groups left SNAP. Given there are no statistically significant differences in earnings, it is not surprising that MSTED did not decrease receipt of MFIP and SNAP benefits. Analyses of other measures of financial and personal well-being from the 12-month survey did not find any differences between the program and control group members.

### Next Steps

The MSTED evaluation is part of a larger effort to investigate the effects of subsidized employment programs for a variety of populations. As has been the case in many recent, similar tests, this study found short-term employment impacts in the period during which subsidies were available. However, the impacts were modest. Also, unlike other studies, the impacts did not diminish substantially over time; MSTED had an impact in the last quarters, even though few participants were in subsidized employment. More follow-up is required to determine whether these modest impacts will hold up after one year. The final report will present the effects of this subsidized approach at 30 months after random assignment.

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