Transitional Jobs: Background, Program Models, and Evaluation Evidence

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Acknowledgments

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Abstract

The budget for the U.S. Department of Labor for Fiscal Year 2010 includes a total of $45 million to support and study transitional jobs. This paper describes the origins of the transitional jobs models that are operating today, reviews the evidence on the effectiveness of this approach and other subsidized employment models, and offers some suggestions regarding the next steps for program design and research. The paper was produced for the U.S. Department of Health and Human Services by MDRC as part of the Enhanced Services for the Hard-to-Employ project, which includes two random assignment evaluations of transitional jobs programs.

Transitional jobs programs provide temporary, wage-paying jobs, support services, and job placement help to individuals who have difficulty getting and holding jobs in the regular labor market. Although recent evaluation results have raised doubts about whether TJ programs, as currently designed, are an effective way to improve participants' long-term employment prospects, the studies have also confirmed that TJ programs can be operated at scale, can create useful work opportunities for very disadvantaged people, and can lead to critical indirect impacts such as reducing recidivism among former prisoners. Thus, in drawing lessons from the recent results, the paper argues that it may be important to think more broadly about the goals of TJ programs while simultaneously testing new strategies that may produce better long-term employment outcomes.

The budget for the U.S. Department of Labor for Fiscal Year 2010 includes $45 million to demonstrate and evaluate transitional jobs (TJ) models. This paper describes the origins of the models that are operating today, reviews the evidence on the effectiveness of this approach and other subsidized employment models, and offers some suggestions regarding the next steps for program design and research. The paper was produced for the U.S. Department of Health and Human Services by MDRC as part of the Enhanced Services for the Hard-to-Employ Demonstration and Evaluation Project, which includes two random assignment evaluations of TJ programs.[1]

Transitional jobs are a particular form of publicly subsidized employment that has attracted increasing attention in recent years. TJ programs provide temporary, wage-paying jobs, support services, and job placement help to individuals who have difficulty getting and holding jobs in the regular labor market. Although closely related to several other subsidized employment models that have been implemented or tested in the past, TJ programs are distinguished by their focus on very hard-to-employ populations and their emphasis on using the subsidized work experience to prepare people for regular unsubsidized jobs. Although recent evaluation results have raised doubts about whether TJ programs, as currently designed, are an effective way to improve participants' long-term employment prospects, the studies have also confirmed that TJ programs can be operated at scale, can create useful work opportunities for very disadvantaged people, and can lead to critical indirect impacts, such as reducing recidivism among former prisoners. Thus, in drawing lessons from the recent results, the paper argues that it may be important to think more broadly about the goals of TJ programs while simultaneously testing new strategies that may produce better long-term employment outcomes.

The paper begins with a brief review of the evolution of subsidized and transitional employment programs in the United States through the late 1980s, focusing in particular on the programs' different goals and target groups and on the results from rigorous evaluations of the programs' effectiveness. This review sets the stage for a detailed discussion of today's TJ models, including data on their design, implementation, and impacts. The final section of the paper offers concluding thoughts and recommendations for the future.

Background: The Goals and Evolution of Subsidized Employment Programs

The roots of the TJ programs that exist today can be traced back to a number of different subsidized employment models that have been implemented and tested in the United States

[1]The Enhanced Services for the Hard-to-Employ project has also received funding from the U.S. Department of Labor.

over the past 80 years.[2] These models have used many different designs and have gone by many different names (often used inconsistently), including *public service employment, publicly funded jobs, paid work experience, workfare, transitional employment, community service jobs,* and *supported work.* Regardless of the specifics, most of these programs have aimed to achieve one or more of three direct goals:

- **To provide work-based income support.** Subsidized jobs have been used to support people who are unable to find jobs in the regular labor market. The largest programs have emerged during cyclical periods of high unemployment, but smaller programs have also targeted disadvantaged groups that have difficulty finding jobs even when the labor market is relatively strong. Proponents of this approach have often argued that support provided in the form of wages is more consistent with American values than support provided in the form of cash payments that do not require recipients to work.

- **To improve the employability of disadvantaged groups.** Subsidized employment models have been used to try to improve the employability of people who have limited work histories, often owing to personal or situational barriers, such as health problems or low levels of education or skills. By providing work experience in a supportive setting, these programs aim to increase the odds that participants can get and hold regular, unsubsidized jobs. Specific target groups have included long-term welfare recipients, individuals returning to the community from prison, disconnected youth, and individuals with disabilities.

- **To improve communities.** Workers in subsidized jobs may be deployed on projects that aim to improve infrastructure or to provide needed public services. As discussed further below, the goal of improving infrastructure or public facilities was particularly important in subsidized jobs programs during the Great Depression, and it also plays a role in many youth-focused programs today.

[2]This paper uses the term "subsidized employment" to refer generically to many different models that use public funds to create or support temporary work opportunities for people who might otherwise be unemployed. However, the term is imprecise. For example, some of the programs discussed below were supported, at least in part, by earned income in addition to public funds. More broadly, it is difficult to draw a clear distinction between subsidized employment and regular public sector employment or public spending. For example, hiring practices for regular local government positions are sometimes designed to promote employment for certain disadvantaged groups. Similarly, economic stimulus programs that increase public spending on infrastructure are designed, in part, to put the unemployed to work, though such initiatives are usually not thought to fall into the same category as the programs discussed in this paper.

Of course, these goals are not mutually exclusive. Programs that aim to improve the employability of disadvantaged groups through paid work also provide income support and may be structured to improve communities. Similarly, in many programs for disadvantaged youth, providing opportunities for young people to serve their communities (while receiving wages or stipends) is seen as critical to promoting healthy development and improving long-term employability. That said, the goals do not *always* coincide: programs that are primarily designed to provide work-based income support are not necessarily structured to build employability or improve long-term employment outcomes for participants.

It is also important to note that subsidized employment programs may have critical indirect goals. In some cases, these indirect goals are as important as the direct goals described above. For example, programs targeting former prisoners are usually designed (and funded) on the assumption that individuals who are working — particularly during the period just after release — will be less likely to commit crimes or violate parole conditions and return to prison; many employment programs for disadvantaged youth also aim to prevent future involvement with the justice system. Similarly, subsidized employment programs targeting welfare recipients aim to reduce welfare dependence.

The TJ models operating today have typically been described as a strategy to improve the employability of hard-to-employ groups (the second goal described above). However, as discussed further below, a broader view of the programs' goals may be important to understanding the emerging data on their impacts. TJ programs may target all three of the goals and, in so doing, may also further indirect goals like reducing crime or welfare dependence.

The rest of this section briefly reviews the evolution of subsidized employment programming through the late 1980s and describes the results from rigorous evaluations of these programs. Then the section "Transitional Jobs" picks up the story in the early 1990s, when a new round of welfare reforms at the state and federal levels triggered the emergence of today's TJ models. As will become clear, both the design of today's programs and the way that they are described have been shaped by the experiences of the recent past.

The 1930s and the 1970s: Implementation and Experimentation

There have been two periods — the 1930s and the 1970s — when subsidized employment played a major role in U.S. public policy.[3]

[3]This paper does not discuss subsidized employment programming outside the United States. For example, India's Rural Employment Guarantee Act, enacted in 2005, guarantees 100 days of paid employment per year to all residents of rural India.

The best-known subsidized employment program, the New Deal's Works Progress Administration (WPA), was designed to provide income support to jobless people in a way that also produced visible improvements in the nation's infrastructure. President Roosevelt strongly opposed direct cash payments for the unemployed, famously comparing "relief" to a "narcotic . . . a subtle destroyer of the human spirit." The WPA had many critics in its time — stereotypes of WPA workers "leaning on rakes" were commonplace — but the program is remembered for employing more than 8 million people, building 650,000 miles of roads and 78,000 bridges, and improving many other public facilities. The WPA was not designed as a training program although, in its waning days, the program trained WPA workers who were transitioning into defense industry jobs.[4]

The other famous New Deal subsidized employment program, the Civilian Conservation Corps, targeted unemployed young men. At its peak, the CCC employed 500,000 young men in 2,600 camps in every state; participants worked on natural resource conservation projects. Reflecting its focus on youth, the program also offered some education and vocational training. As with the WPA, the program's physical legacy is well known: CCC workers planted 3 billion trees, developed hundreds of state parks, and built more than 3,000 fire towers.[5] Another youth-focused New Deal program, the National Youth Administration, provided work-study jobs for young people who were in school and on-the-job training for out-of-school youth.

The New Deal programs were dismantled in the early 1940s as the Great Depression ended, and the next surge of interest in subsidized employment did not come until the 1970s, when a number of initiatives were developed or expanded.[6] Some of these programs were subject to rigorous evaluation, as shown in Table 1.[7] As in the 1930s, there were distinct strands of programming for adults and youth.

The largest and best-known subsidized employment program in the 1970s was the Public Service Employment (PSE) component of the Comprehensive Employment and Training Act (CETA). At its peak, in 1978, the PSE program employed more than 700,000 people — about 5 percent of all state and local government employees in the United States.[8]

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[4]Taylor (2009).

[5]Civilian Conservation Corps Legacy (2004).

[6]There were a few subsidized employment programs in the 1960s. The Neighborhood Youth Corps program targeted disadvantaged youth; Operation Mainstream targeted older workers in rural areas; and the Public Service Careers program aimed to open up opportunities for public employment for minorities. None of the programs approached the scale of the 1970s programs discussed below.

[7]Table 1 casts a fairly broad net, including both "pure" subsidized employment programs and multifaceted programs in which subsidized employment was one of several program components. The table includes only studies or programs that used rigorous research designs — in almost all cases, random assignment designs.

[8]Mirengoff, Rindler, Greenspan, and Harris (1982).

The Enhanced Services for the Hard-to-Employ Demonstration

Table 1

Major Evaluations of Subsidized Employment Programs

Program/Study	Target Group	Program Model	Sites / Sample Size	Results
Subsidized employment programs for welfare recipients				
National Supported Work Demonstration – AFDC target group (1975-1980)	Female welfare recipients on welfare at least 30 of the past 36 months	12-18 months of highly structured paid work experience, including "graduated stress"	About 1,600 people in 7 sites	Large increases in employment and earnings during in-program period; earnings gains sustained through 3-year follow-up period; reductions in welfare use
AFDC Homemaker-Home Health Aid Demonstration (1983-1986)	Welfare recipients who had received benefits for at least 90 days	4-8 weeks of training followed by up to one year of subsidized employment	9,520 recipients in 7 sites	Increases in employment and earnings in most sites, sustained through 3 years
Two studies of on-the-job training (OJT) in the welfare system	Welfare recipients who applied to participate in the programs	Participants in OJT positions worked in regular jobs; subsidy for employer (usually 50 percent of wages for up to 6 months)	About 2,000 welfare recipients in Maine (444) and New Jersey (1,604)	Increased earnings in the postprogram period for both programs
Community work experience programs (CWEP) in the welfare system	Welfare recipients Studies in San Diego, Chicago, and West Virginia designed to isolate impacts of CWEP	Recipients required to work in exchange for welfare benefits; hours usually determined by dividing the welfare grant by the hourly minimum wage	More than 25,000 welfare recipients in San Diego, Chicago, and West Virginia	Synthesis: little evidence that CWEP increased employment or earnings; from 7 percent to 60 percent of program group worked in CWEP

(continued)

Table 1 (continued)

Program/Study	Target Group	Program Model	Sites / Sample Size	Results
Subsidized employment programs for welfare recipients (continued)				
Vermont's Welfare Restructuring Project (1994-2001)	Welfare applicants and recipients	Paid community service jobs offered to recipients who were unable to meet a requirement to work after 30 months on welfare	More than 7,000 people in 6 welfare districts in Vermont	Increases in employment sustained through a 6-year follow-up period; very few sample members in community service jobs
Enhanced Services for the Hard-to-Employ Project: Philadelphia site	Long-term or potential long-term welfare recipients	Two employment strategies tested: one with up to 6 months of a paid transitional job	Nearly 2,000 welfare recipients from 4 welfare offices	Large increase in employment in the in-program period; no longer statistically significant after 1.5 years; increases in earnings and reductions in welfare use
Personal Roads to Individual Development and Employment (PRIDE)	Welfare recipients with work-limiting health conditions and disabilities	Key program component: unpaid work experience (But unpaid work was only one of three key components.)	Approximately 3,000 welfare recipients In New York City	Statistically significant increases in employment sustained through at least 4 years; employment levels very low for program and control groups; about one-third of the program group in an unpaid work experience position
Subsidized employment programs for other adults				
National Supported Work Demonstration – ex-offender target group (1975-1980)	Individuals who had been incarcerated in the past 6 months	12-18 months of highly structured paid work experience, including "graduated stress"	About 2,300 people (94 percent male) in 7 sites	Large increases in employment and earnings in the in-program period; little evidence of longer-term impacts on employment outcomes; no overall impacts on recidivism but some reductions for older participants

(continued)

Table 1 (continued)

Program/Study	Target Group	Program Model	Sites / Sample Size	Results
Subsidized employment programs for other adults (continued)				
National Supported Work Demonstration – ex-addict target group (1975-1980)	Individuals who had been in drug treatment in the past 6 months	12-18 months of highly structured paid work experience, including "graduated stress"	About 1,400 people (80 percent male) in 4 sites	Large increases in employment and earnings in the in-program period; some evidence of postprogram increases in employment outcomes but not definitive; some crime reductions
On-the-job training in the Job Training Partnership Act (JTPA) system	Economically disadvantaged adults and youth Subgroup analysis focusing on those recommended for on-the-job training (OJT) or job search assistance (JSA)	Participants in OJT positions worked in regular jobs; subsidy for employer (usually 50 percent of wages for 6 months) to promote training	6,180 people recommended for OJT/JSA in 16 sites	Higher earnings, relative to the control group, for adult women recommended for OJT/JSA; particularly large impacts for welfare recipients; about 30 percent of those recommended for OJT/JSA placed in an OJT position
New Hope Project	Low-income residents of 2 Milwaukee neighborhoods	Health insurance, child care, and wage supplements offered to individuals who worked at least 30 hours/week; paid community service jobs offered to participants who were unable to find jobs on their own	1,357 low-income individuals	Increases in employment and earnings, mostly during in-program period; longer-term impacts on some child outcomes; about one-third of program group in a community service job, which played a critical role in generating the employment gains

(continued)

Table 1 (continued)

Program/Study	Target Group	Program Model	Sites / Sample Size	Results
Subsidized employment programs for other adults (continued)				
Enhanced Services for the Hard-to-Employ Project: New York City site	Former state prisoners currently on parole	Transitional jobs in work crews plus assistance finding permanent employment	977 parolees (over 90 percent male)	Large increases in employment in the in-program period; increase no longer statistically significant by the end of the first year of follow-up; significant decreases in several measures of recidivism through 3 years
Subsidized employment programs for youth				
National Supported Work Demonstration – youth target group (1975-1980)	17- to 20-year-olds who had dropped out of high school	12-18 months of highly structured paid work experience, including "graduated stress"	About 1,200 youth (86 percent male) in 5 sites	Large increases in employment and earnings in the in-program period; no longer-term impacts on employment outcomes
Youth Incentive Entitlement Pilot Projects (1977-1981)	16- to 19-year-olds from low-income families who had not graduated from high school	Guaranteed part-time and summer jobs conditioned on school attendance	About 82,000 youth in 17 sites	Large increases in employment in the in-program period; no impacts on school outcomes; project terminated before long-term follow-up could be conducted
Structured Training and Employment Transitional Services (STETS) Demonstration (1981-1983)	Developmentally disabled young adults	Training and subsidized jobs (up to 500 hours of paid work), followed by placement in competitive jobs (sometimes with subsidies) with support, followed by postplacement services	437 people in 5 sites	Increases in regular employment sustained in the postprogram period (2 years after enrollment)

(continued)

Table 1 (continued)

Program/Study	Target Group	Program Model	Sites / Sample Size	Results
Subsidized employment programs for youth (continued)				
Summer Training and Education Program (STEP) (1986-1990)	Economically and educationally disadvantaged 14- and 15-year-olds	Two-summer program of paid work, education, and life skills classes	Approximately 3,000 youth in 5 sites	Initial impacts on educational outcomes; no long-term effects on education, employment, or other outcomes
American Conservation and Youth Service Corps (1993-1996)	Mostly 18- to 25-year-old out-of-school youth	Paid work experience in community service projects; education and training; support services	1,009 youth in 4 sites	Increases in employment and decreases in arrests, particularly for African-American males; short follow-up

When CETA was enacted in 1973, it included a relatively small PSE program targeted to areas of high unemployment (Title II).[9] A year later, in response to a rapid increase in the unemployment rate, Congress created Title VI, a universal countercyclical PSE program. Over time, PSE came to dominate the CETA program. Like the WPA, the PSE program was quite controversial, with critics complaining that the program "creamed" (that it served people who could likely be employed without substantial assistance) and that federal spending simply substituted for state or local spending, resulting in little net job creation.[10] Amendments in 1976 and 1978 sought to refocus the program, but it remained contentious. Moreover, the PSE program did not leave behind a WPA-like legacy of visible infrastructure improvements. Nonexperimental evaluations of CETA generally concluded that female participants experienced earnings gains as a result of their participation in PSE but that there was little if any impact on men.[11]

This period also saw the first rigorous evaluation of a subsidized employment model, the National Supported Work Demonstration. Supported Work was explicitly designed as a transitional program intended to improve the long-term employability of hard-to-employ groups.[12] The 15 Supported Work programs offered 12 to 18 months of highly structured paid work experience. Participants worked in crews to promote peer group support, and the model emphasized "graduated stress"; that is, expectations at the work site were supposed to increase over time until they approximated the expectations in a regular job. Almost all the programs helped participants find regular jobs, though the intensity and quality of this assistance varied. Some of the Supported Work programs were "social enterprises" that sold products or services to partly offset the costs of running the program.

A random assignment design was used to measure the impacts of the model for four target groups: female long-term recipients of Aid to Families with Dependent Children (AFDC) and three mostly male groups — young high school dropouts, recently released former prisoners, and former drug addicts. In a random assignment study, applicants who meet the eligibility criteria for the program being tested are assigned, at random, to a program group that gets access to the program or to a control group that does not. Both groups are followed over time,

[9]The CETA PSE program replaced the Public Employment Program, created in 1971.

[10]Ellwood and Welty (1999) note that when federal spending substitutes for state or local spending, the state/local spending is presumably "freed up" for other purposes. Also, in a jobs program that targets a specific disadvantaged group, employment for that group may increase even if total employment does not. This may achieve an important policy goal.

[11]See, for example, Bassi and Ashenfelter (1985), who speculate that programs of this era were more effective for women because women tended to work less than men without the programs, leaving more room for programs to make a difference.

[12]"Supported work" is sometimes confused with "supported employment." The latter term usually refers to a program model that is targeted to individuals with disabilities and that emphasizes direct placement into competitive employment.

and any statistically significant differences that emerge — for example, differences in employment rates or earnings — can be attributed to the program.[13] These differences are known as "impacts."

As shown in Table 1, Supported Work initially generated very large increases in employment and earnings for all target groups, suggesting that the programs successfully enrolled hard-to-employ participants who would have been unlikely to work without the program. This initial period, when many program group members were working in subsidized jobs, is called the "in-program" period. However, the differences in employment rates faded rapidly for all four target groups as program group members left the subsidized jobs. Two or three years after people entered the study, the program group was no more likely to be working than the control group. Nevertheless, results for the long-term AFDC target group remained positive: the program group worked more hours per month and had higher average earnings than the control group for at least three years, and the program group also received less welfare. Within the long-term AFDC target group, impacts were largest for individuals who had been on welfare for a very long time (more than seven years) and those who had never held a job. These individuals were least likely to find employment on their own, without the program, leaving more room for the program to make a difference.

In general, results for the other three target groups were disappointing, though there were decreases in crime and some hints of long-term employment impacts for the former addict group. In addition, it appears that Supported Work reduced recidivism for older ex-prisoners (those over age 26), perhaps because they had reached a point in their lives when they were determined to avoid further incarceration and the jobs program helped them further this goal.[14]

As noted above, a number of 1970s subsidized employment models (including Supported Work) targeted youth. Subsidized summer jobs programs for youth emerged in the 1960s, first in demonstration projects and then under the Neighborhood Youth Corps program, and they continued during the 1970s under CETA. Summer jobs were designed to provide young people with work experience and income, to improve communities, and, potentially, to prevent crime.[15] Youth service corps — descendents of the CCC — received funding from the federal Youth Conservation Corps Act of 1970 and the later Young Adult Conservation Corps program.[16]

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[13]When a difference between groups is "statistically significant," one can be quite certain that the program actually had an effect and that the difference did not arise by chance.

[14]Hollister, Kemper, and Maynard (1984); Gueron and Pauly (1991); Uggen (2000).

[15]Zuckerman (2000).

[16]Corps programs are considered a form of subsidized employment in this paper, though participants may receive stipends rather than wages.

Another research demonstration project, the Youth Incentive Entitlement Pilot Projects (YIEPP), provided subsidized part-time and summer jobs to all low-income youth in particular geographic areas who agreed to attend school regularly. YIEPP provided jobs to 76,000 young people and virtually erased the large gap in unemployment rates between black and white youth in the target areas, though it did not affect school outcomes. The project was terminated before postprogram impacts could be fully measured.[17]

Finally, it was also during the 1970s that public policy began to focus on employing individuals with disabilities. Prior to that point, it was widely assumed that people with disabilities either were unemployable or could work only in sheltered settings. A follow-up project to Supported Work, the Structured Training and Employment Transitional Services (STETS) demonstration targeted developmentally disabled young adults. The program model reflected a growing preference for placing individuals with disabilities into competitive employment as quickly as possible. In the first phase of the intervention, emphasizing training, participants were paid by the program; some participants worked in sheltered settings, and others worked in regular employment settings. In the second phase, all participants worked in competitive settings, though they sometimes stayed on the program's payroll, and the employers often received full or partial wage subsidies. A random assignment evaluation found that STETS substantially increased the percentage of young people working in competitive employment in the postprogram period.[18]

The 1980s: A Focus on the Welfare System

Subsidized employment programming and research receded in the 1980s, when the Reagan Administration scaled back or eliminated many antipoverty programs. Public service employment was not an allowable activity under the Job Training Partnership Act (JTPA), which replaced CETA in 1982. Nevertheless, there were some important initiatives in this period, several of which included rigorous studies.

Much of the focus was on the AFDC cash assistance program. As the role of mothers in the workforce evolved, there was growing discomfort with the notion of providing direct cash payments to nondisabled single mothers. States and the federal government began to focus on helping and, if necessary, requiring AFDC recipients to find jobs. The first work-focused rules were adopted in the 1960s, but the pace of change accelerated rapidly in the 1980s. At the same time, an unprecedented series of rigorous evaluations tested the impacts of various welfare-to-work models, some of which used subsidized employment.

[17]Gueron (1984).
[18]Kerachsky et al. (1985).

The AFDC Homemaker Home Health Aid demonstration tested a voluntary subsidized employment model for nearly 10,000 welfare recipients in seven locations. Participants received four to eight weeks of training, followed by up to one year of subsidized employment as home health aids. The evaluation found that the program increased employment and earnings in the postprogram period in most of the sites.[19] Two other studies, in Maine and New Jersey, tested versions of on-the-job training (OJT), another type of subsidized employment in which disadvantaged job-seekers are placed in regular jobs and public funds are paid to their employers to partly offset their wages during the first several months of employment.[20] Both programs significantly increased earnings — a result that is largely consistent with the national JTPA evaluation, which examined results for participants who were recommended for OJT or job search assistance (JSA). There were significant earnings gains for adult women in the OJT/JSA service stream, and the impacts were particularly large for AFDC recipients.[21]

The 1980s also saw the rise of workfare, or community work experience, in the welfare system. The idea of entirely replacing cash assistance with work was more controversial in this case than it had been in the New Deal because almost all AFDC recipients were single mothers with young children. Instead of receiving paying jobs, recipients were required to work in community service positions in exchange for their benefits, with work hours typically being calculated by dividing the monthly welfare grant by the hourly minimum wage. Those who failed to comply could be penalized by having their benefits reduced.[22] Although much discussed, workfare was implemented on a large scale in only a few places. The few studies that were designed to isolate the impact of unpaid work experience found little evidence that it led to increases in employment or earnings, though some advocates argued that the main purpose of workfare was to enforce a reciprocal obligation — that is, to transform AFDC into a work-based income support program — not to prepare recipients for unsubsidized employment.[23]

On the youth side, youth service corps continued to grow, though the focus shifted to states in the 1980s when federal funding was cut (federal funding increased again in the 1990s). A growing number of youth corps programs were established in urban areas. A random assignment evaluation found positive results for the corps model, particularly for African-American males, though the follow-up period was short (Table 1).[24]

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[19]Bell and Orr (1994).

[20]Auspos, Cave, and Long (1988); Freedman, Bryant, and Cave (1988).

[21]Orr et al. (1995).

[22]Starting in the 1990s, recipients could have their entire welfare grant canceled in response to noncompliance with work requirements.

[23]Brock, Butler, and Long (1993). It is important to note that, in assessing impacts on employment and earnings, the evaluations generally did not count work experience participants as employed.

[24]Jastrzab, Masker, Blomquist, and Orr (1996).

Other service-oriented models for youth also emerged, including Civic Justice Corps, targeting youth involved in the justice system, and YouthBuild, which started as a single program in New York City and has grown into a network of more than 200 programs nationwide. YouthBuild participants — mostly low-income high school dropouts — split their time between work sites (where they learn construction skills while building affordable housing for low-income people) and classrooms (where they study for a high school diploma or General Educational Development [GED] certificate). Participants receive wages or stipends for their time in the program. A random assignment evaluation of YouthBuild is planned.

The Summer Youth Employment program continued after JTPA replaced CETA, but the stand-alone summer program was eliminated when the Workforce Investment Act (WIA) replaced JTPA in 1998. However, many cities continue to run summer jobs programs using other funding sources, and the 2009 American Recovery and Reinvestment Act included new funding for summer jobs for youth. Although there have been no rigorous evaluations of the basic summer jobs program, a 1980s demonstration project, the Summer Training and Education Program (STEP), tested a special model that included both education and subsidized jobs for at-risk youth over two summers. Short-term results — mostly focusing on educational outcomes — were promising, but the program generated no lasting impacts on educational or employment outcomes.[25]

Lessons from the 1970s and 1980s

Since the end of the Great Depression, there has been limited support for the large-scale use of subsidized employment as an income support strategy, perhaps reflecting traditional concerns about expanding the role of government. Fairly or not, CETA's PSE program was quite controversial, and the fact that direct public job creation has not been widely discussed so far in the current recession, with unemployment rates in double digits in many states, suggests that many people are still reluctant to adopt this approach.[26] A key exception is in the welfare system, where workfare has received fairly wide support, at least on a rhetorical level. But, in that case, subsidized employment is targeted to a group of people who are already receiving cash assistance, and the goal is to replace welfare with work, not to expand assistance to more people.

[25]Grossman and Sipe (1992).

[26]As noted above, the precise definition of "subsidized employment" is blurry. For example, by raising the federal share of Medicaid funding, the American Recovery and Reinvestment Act of 2009 provided funding to states, in part to reduce the number of public employees who would be laid off. Similarly, federal funds are being used to support state and local infrastructure projects that will be carried out by public employees or employees of firms contracting with the government. However, these initiatives are not generally considered to resemble the subsidized employment programs discussed in this paper.

At the same time, there is a 35-year history of efforts to use subsidized employment as a tool to build employability or promote youth development. Indeed, most of the evaluations in Table 1 have studied subsidized employment programs that aimed to improve long-term employment outcomes for participants, not just to provide immediate income support. There are several examples of programs that were at least moderately successful in this regard (for example, Supported Work and OJT), suggesting that subsidized employment can be an effective strategy for building employability.

Two key caveats are in order, however. First, most of the subsidized employment programs that generated long-term employment gains targeted women; there are very few positive postprogram results for disadvantaged men. Second, most of the positive results for women were generated by models that had strong links to regular employment. For example, the OJT models in Maine and New Jersey placed participants directly into regular jobs and subsidized their wages, and the Homemaker Home Health Aid model placed participants into subsidized positions as home health aides in regular work environments. Notably, studies suggest that the most effective employment programs for individuals with disabilities also place participants fairly quickly into competitive employment; proponents argue that people are best able to learn to work by working.[27]

With the exception of the Supported Work results for the AFDC target group, there are very few examples of programs that achieved long-term employment gains by placing participants into subsidized jobs outside the regular labor market and then helping them transition into regular jobs. (Interestingly, a substantial portion of Support Work's long-term impact on earnings for the AFDC target group came by placing participants into permanent jobs in the public sector; it is not clear how well this strategy would work today, with the strong pressure on state and local governments to reduce their "head count.") As discussed further below, a key question is whether OJT-like models that attempt to place participants directly into private firms can be designed to serve groups such as former prisoners who are seen as quite undesirable by many employers.

Transitional Jobs

The TJ models that have attracted attention in recent years emerged in the 1990s, again in the context of the welfare system. During the Clinton Administration, the Department of Health and Human Services granted waivers of AFDC rules to many states, allowing them to

[27]Several random assignment studies have found positive results for the Individual Placement and Support model of supported employment; see, for example, Bond et al. (2001). One study (Mueser, 2004) compared an IPS model with a model called "transitional employment," in which the employment agency, not the client, contracts with the employer; IPS generated much higher rates of competitive employment.

test a variety of reforms, including imposing time limits on benefit receipt and, in some cases, creating publicly funded jobs of last resort for recipients who reached the limits. States were required to evaluate these initiatives. Vermont's Welfare Restructuring Project required recipients to work after 30 months on welfare and offered subsidized jobs to those who could not find other employment. The program increased employment relative to a control group, though very few recipients actually worked in subsidized jobs (Table 1).[28]

At around the same time, an innovative demonstration project in Milwaukee, the New Hope Project, tested a model in which residents of two low-income neighborhoods were offered earnings supplements, child care assistance, and health care coverage, on the condition that they work 30 hours a week; the model operated outside the welfare system. Participants who could not find unsubsidized employment were offered subsidized community service jobs. New Hope increased employment, earnings, and income, and it appears that the subsidized jobs were critical to generating these effects; most of the employment and income gains occurred during the in-program period, though positive impacts for children persisted longer.[29]

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 included time limits and work requirements, but it did not require states to create or guarantee subsidized jobs. However, the Temporary Assistance for Needy Families (TANF) program, which replaced AFDC, did allow states to use federal funds to support the creation of wage-paying jobs. Advocates called on states to exercise this option, predicting that states would need to create work opportunities for thousands of recipients in order to meet the new law's work requirements and to provide support for recipients who reached time limits on cash assistance. They argued that wage-paying jobs — often called "community service employment" at the time — were preferable to the unpaid work experience programs described above, in part because participants earning wages would qualify for the Earned Income Tax Credit, which had recently been dramatically expanded.[30] Some also asserted that wage-paying subsidized jobs would be more likely than unpaid jobs to lead to unsubsidized employment, though this hypothesis has not been tested. (A counterargument is that the nature of the work site experience, rather than the presence or absence of a paycheck, is the most critical factor in shaping later outcomes.)

As it turned out, most states did not need to create large numbers of subsidized jobs — paid or unpaid — in the 1990s in order to meet the federal work participation rate requirements. With a strong labor market, expanded supports for low-wage workers, and state welfare-to-

[28]Scrivener et al. (2002).
[29]Miller et al. (2009).
[30]See, for example, Savner and Greenberg (1997).

work programming, large numbers of TANF recipients were able to find unsubsidized jobs.[31] The number of recipients who reached state time limits was smaller than expected, and many large states did not implement time limits strictly.[32] However, there was a growing recognition that new strategies would be needed to assist "hard-to-employ" TANF recipients who had been unable to make a stable transition into the labor market. Proponents of subsidized jobs for welfare recipients began to focus more on the goal of building employability and less on the goal of providing income support; the term "transitional jobs" signaled this shift.[33]

Although subsidized employment was not very widely used across the country, a few states or cities created fairly large subsidized employment programs for TANF recipients. Washington State's Community Jobs program (created in 1997) and Philadelphia's Transitional Work Corporation (created in 1998) still exist today and have placed tens of thousands of TANF recipients into wage-paying transitional jobs.

The State of Wisconsin and New York City took a different approach, creating large numbers of unpaid jobs for TANF recipients. Wisconsin's TANF program, called "Wisconsin Works," or "W-2," assigned recipients to one of four job tiers based on their level of employability. In 2002, about 40 percent of the state caseload (and 60 percent of the caseload in Milwaukee) were assigned to the Community Service Jobs (CSJ) tier. CSJ participants received a grant, not a wage, and their grant could be reduced by the hourly minimum wage for each hour of work that they missed without good cause.[34] New York City greatly expanded its existing unpaid work experience program in the late 1990s. At the peak, in 1999, more than 35,000 welfare recipients were in work experience positions.

In the past few years, as the welfare caseload has declined and interest in the prisoner reentry issue has grown, TJ programs have increasingly targeted former prisoners, a group with very poor employment outcomes. (Some have argued that "prison-to-work" policies grew out of the recent history of welfare reform.) The National Transitional Jobs Network (NTJN) — established in 2000 to support technical assistance and advocacy — lists nearly 100 TJ programs currently operating nationwide.[35] As the model has gained notoriety, some subsidized

[31]Also, because of a provision in the law reducing a state's required work participation rate by one percentage point for each percentage point decline in the state's welfare caseload, most states faced very minimal federal work requirements.

[32]Farrell et al. (2008).

[33]As noted above, the term "transitional employment" is often used in the disability field to refer to models that do not necessarily involve subsidized work.

[34]Robles, Doolittle, and Gooden (2003). The distinction between a grant and a wage is not always clear, especially in a situation where the amount of money given to the participant/worker is reduced by the hourly minimum wage for each hour of work that is missed.

[35]See the NTJN Web site: http://www.heartlandalliance.org/ntjn/. In addition to the populations discussed in this paper, the NTJN lists refugees and the homeless as groups that might benefit from transitional jobs.

employment programs that have operated for many years have been redesigned or relabeled to fit under the TJ umbrella.

As noted above, transitional jobs are described primarily as a strategy to build participants' employability. According to the NTJN:

> The Transitional Jobs model seeks to overcome . . . barriers by providing individuals with a wage-paying, short-term job that combines real work, skills development, and supportive services to successfully transition participants into the labor market . . . [the] Transitional Job is the first step toward permanent employment and economic opportunity.

The straightforward theory behind the TJ model is that people are best able to learn to work by working. Similarly, program staff are best able to assess participants' needs by observing them in a work environment and identifying and addressing issues that might cause an employee problems in a "real" job (for example, tardiness or difficulty taking direction). In this sense, TJ programs are direct descendents of the Supported Work programs that were tested in the 1970s, though TJ programs usually do not last as long and, in theory at least, place more emphasis on helping participants move to unsubsidized jobs.

TJ Approaches

Although most TJ programs share the same basic components — a temporary, wage-paying job, support services and some form of case management, and job placement services to help participants find permanent jobs — the programs come in many shapes and sizes. Box 1 briefly profiles four TJ programs, two targeting TANF recipients and two targeting former prisoners.

In perhaps the most common TJ model (sometimes called the "scattered-site model"), participants are placed individually in transitional jobs, usually with nonprofit organizations or government agencies. Participants remain on the payroll of the agency that runs the TJ program (usually another nonprofit organization), which provides support and eventually helps the participant look for an unsubsidized job; typically, work site sponsors are not asked to commit to hiring participants into permanent jobs, though some do that.

In a second model, participants work directly for the TJ program, which may be a social enterprise that sells a product or service. For example, Goodwill Industries agencies sponsor TJ programs in which participants work in jobs associated with retail stores or in other enterprises.

In a third model, participants work in crews. The TJ program serves as the employer, contracts with government agencies or private firms to perform specific tasks (such as buffing floors), and assigns crews of TJ workers (and, in some cases, a supervisor) to those work sites.

Box 1

Profiles of Four TJ Programs

The New York City-based **Center for Employment Opportunities (CEO)** serves about 2,000 parolees each year. Participants begin with a four-day preemployment class and then are placed into a CEO work crew. The crews, supervised by CEO staff, do maintenance and repair work under contract to city and state agencies. Participants work four days per week and are paid the minimum wage; they are paid daily at the work site. The fifth day is spent in the program office, where participants meet with job coaches and job developers and attend supplemental activities, such as a fatherhood group. Each participant's job performance is rated daily in five categories corresponding to key soft skills. When deemed job-ready, participants work with a CEO job developer to find a permanent position. CEO continues to provide support after placement and also offers financial incentives for maintaining employment over time.

Philadelphia's **Transitional Work Corporation (TWC)** mostly targets hard-to-employ TANF recipients. Participants begin with a two-week preemployment class and then are placed in a transitional job, usually with a nonprofit organization. Participants remain on TWC's payroll but are supervised by employees of the work site sponsor; TWC case managers provide support and assistance. Participants work 25 hours per week and participate in 10 hours per week of professional development activities, including General Educational Development (GED) programs and work readiness classes. Once deemed job-ready, participants work with a TWC job developer to find a permanent position. TWC continues to provide support after placement and also offers financial incentives for maintaining employment over time.

Washington State's **Community Jobs Program** is a statewide program targeting TANF recipients. The lead state agency contracts with nonprofit organizations across the state to administer the program. Participants work 20 to 30 hours per week for up to nine months, mostly at nonprofit and government agencies, and may also participate in educational activities. The contractors are responsible for identifying work sites and providing intensive case management.

Goodwill/Easter Seals in St. Paul operates the **Reentry Works** program as part of the Transitional Jobs Reentry Demonstration (TJRD). The program targets men released from prison within the past 90 days. Participants are placed in transitional jobs within 24 hours of enrollment. They generally work at one of two Goodwill locations in jobs supporting the agency's retail operations (processing donations, stocking shelves, and so on) and are supervised by Goodwill staff; they work side by side with other clients, such as TANF recipients and individuals with disabilities. The first month in a transitional job is considered an assessment period. Participants who perform well during that time can move to the job development phase or can apply for on-site, paid training programs focusing on automotive repair, construction, and others. Once placed in a permanent job, participants can receive up to $1,400 in incentive payments if they maintain employment for six months.

In addition to these differences in basic structure, there are other key areas of variation across TJ programs, including:

- **Funding.** TJ programs are funded in a variety of ways, and it is sometimes difficult to determine the extent to which the jobs should be considered "subsidized." For example, TJ programs that are operated by social enterprises may sell a product or service to the public, and the earned income at least partly offsets the cost of participants' wages (though not necessarily the costs of ancillary supports). Similarly, programs may sell the services of TJ work crews to public agencies, which pay for the crews out of their regular maintenance and repair budgets.[36] That said, few if any TJ programs are fully self-supporting, and most receive direct public funding, for example, from a welfare or corrections agency. (Some programs also receive private funding.) Programs that target welfare recipients have a built-in advantage in this regard because they may be funded with welfare dollars. Programs for former prisoners or other groups that are unlikely to receive cash assistance have a more difficult time tapping into existing funding streams, though transitional work is increasingly an allowable activity in federal employment programs.[37]

- **Preemployment activities.** Most TJ programs start with a class or workshop that introduces the program, describes the program rules and appropriate work site behavior, and builds motivation. The class may also teach job-seeking skills and help participants develop a résumé. Programs for former prisoners often devote a great deal of time and energy to helping participants secure official government identification needed for employment. The preemployment phase of the program typically lasts from three to ten days, and participants may be paid wages or stipends during this period.

- **Work in transitional jobs.** Many TJ participants work in fairly low-skilled administrative, maintenance, or production jobs for nonprofit organizations or government agencies. TJ programs for youth tend to place a greater emphasis on service projects that create visible improvements in communities.

[36]In the Center for Employment Opportunities — the crew-based TJ program profiled in Box 1 — the city and state agencies where CEO crews work contract with the New York State Division of Parole; CEO acts as managing agent for Parole. An Internal Service Fund, housed at Parole, is used to reimburse CEO for its costs, including participant wages. Funds provided to Parole by the agencies that contract for services are deposited into the Internal Service Fund.

[37]For example, transitional jobs are allowable under certain components of the Second Chance Act (targeting former prisoners), the Department of Labor's Pathways Out of Poverty program, and the TANF Emergency Fund.

- **Work site supervision.** Work site supervision is critical to the TJ model because it is the supervisor who spends the most time with the participant, observes his or her behavior and performance on the job, and provides the coaching needed to improve the participant's employability. In social enterprise and crew-based models, the supervisor may be an employee of the TJ program. In the scattered-site model, the supervisor is usually an employee of the work site host organization, which promises to report to the program on participants' performance.

- **Wages, hours, and duration of TJ positions.** The characteristics of the TJ positions are determined both by the program philosophy and by funding and legal constraints. Most transitional jobs offer 20 to 35 hours of work per week and pay at or near the minimum wage, in part to create an incentive for participants to move to unsubsidized jobs as soon as they are ready. The jobs may last anywhere from three months to nine months on paper, though individual participants may drop out earlier or be allowed to stay longer. In most cases, participants are treated as regular employees, making them eligible for the Earned Income Tax Credit and Social Security credits. The TJ program, as the employer of record, pays unemployment insurance and other employment-based taxes. However, TJ workers in some agencies have a different employment status.[38] Participants may be paid biweekly, weekly, or even daily (Box 1). Some programs have their own payroll systems, while others may contract with outside payroll vendors.

- **Strategies for assessing job readiness.** Many TJ programs use an explicit process to determine when a participant is "job-ready" — that is, ready to start working with a job developer to try to find a permanent job. Typically, job readiness is determined based on performance at the TJ work site. Programs may "grade" participants' performance weekly or even daily, and some expect participants to spend a minimum amount of time in the transitional job in order to fully assess job readiness. At the same time, many TJ programs face pressure from funders to move people through the transitional jobs as quickly as possible to hold down wage costs and open up slots for other participants.

- **Skills training.** Most TJ programs focus on developing "soft skills" — general behaviors that allow someone to succeed in a work environment. As

[38]For example, TJ workers employed by Goodwill Industries are not considered regular employees and are not covered by unemployment insurance.

noted earlier, the work in TJ work sites may require minimal hard skills, and programs do not necessarily seek to place participants in work sites that match their skills and interests, in part because the menu of available TJ positions is often limited. In most programs, clients participate in other program activities during the hours when they are not working, but these tend to focus on remedial education, life skills, or job search techniques rather than occupational training. However, a handful of TJ programs offer paid training in particular vocational areas (Box 1).

- **Case management and support services.** Many TJ programs have a case management structure that is separate from work site supervision. Staff based in the program office are assigned to work with participants to help them become job-ready. This role may involve helping participants address outside issues like child care, child support, housing stability, or family problems, or it may involve reinforcing the instruction provided by work site supervisors. Case managers may also be responsible for administering the program's disciplinary system; there are usually provisions for suspensions or termination when participants fail to show up for work without a valid excuse or behave inappropriately at the work site. TJ programs may also provide a range of ancillary supports; for example, given the close link between prisoner reentry, child support, and family relations, the Center for Employment Opportunities (CEO) operates a fatherhood program that includes parenting classes, child support advocacy, and other services.

- **Job development and placement.** TJ programs help participants look for permanent jobs once they are deemed job-ready. (Participants may work fewer hours per week while they are looking for a job.) Some TJ programs have job developers on staff, while others subcontract this function or partner with another organization. As with other job placement programs, the level of support and assistance provided by job developers varies. Some programs help participants create a résumé and learn how to conduct an interview, and then they teach them how to look for jobs. In other programs, job developers reach out to employers to identify job openings for particular participants, schedule the interviews, help participants prepare, and then follow up with the employer after the interviews to get feedback on the participant's performance. Job developers often have specific placement quotas and may be paid on a performance basis.

- **Postplacement services.** Many TJ programs continue to work with participants after they are placed in permanent jobs. This postplacement support

can range from a reactive "open-door" policy to proactive outreach in order to identify and address problems that might cause participants to lose their job, and to provide reemployment assistance for those who become unemployed. Some programs offer financial incentives to promote retention in a job following a transitional job (Box 1).[39]

There is no clear evidence about which operational strategies work best. Indeed, different TJ models may be more or less appropriate in different contexts and for different target populations.

The scattered-site model may be the most feasible to implement quickly from scratch because it can build on an existing infrastructure of work sites. In addition, this model may provide a greater variety of TJ slots to allow for some matching with participants' skills and interests, and it also gives participants an opportunity to work side by side with regular employees in a regular work environment that — in theory, at least — could turn into a permanent job.

On the other hand, scattered-site models may have little ability to generate revenue because work site hosts are typically not expected to pay for the TJ workers. (In fact, in some cases, host agencies receive money from the TJ program to compensate for the extra supervision that they provide.) In contrast, in social enterprises, TJ workers may produce a product or service that is sold to the public. Similarly, a crew-based model may charge host agencies for the services of a crew and supervisor. Moreover, both of these models may have an easier time providing coaching and support on the job because TJ participants work directly for the TJ program, often in groups or in the program office. Some believe that crew-based models are particularly appropriate for younger participants, who may need more help and support from staff and peers.

That said, there can be conflicts in a social enterprise between the goal of generating revenue and the goal of serving participants — sometimes called "mission creep."[40] For example, from a business perspective, it may be advantageous to minimize turnover and hold onto employees who are doing their jobs most efficiently. But from the service perspective, these top performers are precisely the ones who should be moved into unsubsidized employment to open a TJ slot for a new client. Indeed, social enterprises that employ disadvantaged workers do not necessarily see themselves as TJ programs; in some cases, the primary goal is to

[39]Two sites in the Transitional Jobs Reentry Demonstration, discussed below, are offering employment retention bonuses to participants who work in a transitional job and then move to regular employment. In one site, the program began offering the bonuses halfway through the study enrollment period, so it will be possible to compare results for participants who were offered the bonuses and those who were not.

[40]Altstadt (2007).

employ people who cannot find jobs, and the jobs in the social enterprise are not considered to be temporary.

TJ Implementation Experiences

It is not possible to characterize the operational performance of TJ programs in general, but a number of the most prominent programs have participated in studies that assessed program implementation. For example, Mathematica Policy Research published a study of the implementation of six TJ programs for TANF recipients in 2002, and, as discussed further below, MDRC is currently leading full-scale evaluations that include a total of six TJ programs, five of them targeting former prisoners.[41] The National League of Cities published a report that examined city-level strategies for creating TJ programs.[42]

These studies show that it is feasible to operate TJ programs on a fairly large scale and to provide participants with opportunities for real work. In addition, many participants move successfully from transitional jobs into regular jobs. Most of the programs that have been involved in the studies are well managed, with strong staff and clear program designs. Programs that place participants in transitional jobs in the public sector have found ways to avoid major conflicts with public sector unions — typically, by ensuring that TJ workers "supplement" rather than "supplant" unionized employees.

At the same time, qualitative research has also identified several common operational challenges that may confront TJ programs.

First, it can be challenging to ensure that the work site experience provides a real opportunity for participants to build their soft skills. Ideally, work site supervisors — the staff who have the most direct contact with participants on the job — are well suited to provide this kind of instruction in real time. However, in many programs, the supervisor works for the work site host agency, not for the TJ program, and his or her primary responsibility is to make sure that work gets done. The supervisor may have neither the time nor the expertise to act as a coach.

This can be an issue even when the supervisor is employed by a TJ agency in a social enterprise; as noted above, there can be conflicts between the revenue-generating and client services functions within such organizations. Also, it is difficult to hire staff who have expertise both in the substantive work that must be done and in coaching workers who may need extra support. Office-based case managers, who are directly responsible for improving job readiness,

[41]Kirby et al. (2002). Philadelphia's Transitional Work Corporation was involved in both the Mathematica study and an MDRC evaluation.

[42]National League of Cities (2006). The project found, for example, that it is important to align TJ programs with employer needs, and it provided advice on building a diversified funding base for TJ programs.

may be somewhat removed from what happens at the work site. At the extreme, the TJ component can inadvertently become a screening tool, with the least employable participants dropping out or getting fired before accessing job development services. (Ironically, this may be seen as a positive outcome by job developers, who are often paid on a performance basis and may be concerned that risky clients will harm their relations with employers by performing poorly on the job.)

Some programs have developed strategies to ensure that case managers have good information about what goes on at the work site. For example, at CEO, each TJ participant is issued a Passport, a small booklet that hangs from a neck wallet that participants use to carry their program ID cards. The Passport is formatted to allow the work site supervisor to provide a daily assessment of each participant on five key soft skills (effort, timeliness, personal presentation, and so on). As described in Box 1, CEO participants work four days per week and spend the fifth day in the program office. Participants are required to bring their Passport to the office each week, allowing the office-based job coaches (case managers) an opportunity to quickly review work site performance and respond to issues. (Job coaches also visit work sites periodically and are in regular contact with work site supervisors.)

Second, programs face a delicate balancing act in determining how much transitional jobs should look like "real" jobs. On the one hand, the transitional job is supposed to provide an opportunity for learning, so it must be somewhat more forgiving than a regular work environment. It would not be productive to fire a TJ participant the first time he or she fails to show up for work without calling to report the need to be absent.

On the other hand, programs want to make transitional jobs real enough so that participants have an authentic work experience; otherwise, they will not be adequately prepared for the regular labor force. Also, if the expectations are too low, TJ participants may become "comfortable" and lose their motivation to find a permanent job. The original Supported Work model used the concept of "graduated stress"; performance expectations were modest at first, but they were gradually ramped up over time.[43] Many TJ programs informally follow this approach — staff report that they are more likely to give new participants a second (or third) chance — but it is not clear that programs are explicit about graduated stress. Pressure from funders who want participants to move through the program quickly may make it difficult to implement this approach in practice. A Boston-based TJ program that targets court-involved youth uses a multistep approach starting with stipended preemployment activities, then progressing to group TJ placements, and finally moving to individual subsidized placements.[44]

[43]Implementation research conducted as part of the Supported Work evaluation found that some sites had difficulty implementing graduated stress in practice. See Hollister, Kemper, and Maynard (1984).

[44]See Boston Redevelopment Authority (2007).

Third, job developers may have a hard time using the TJ experience to improve their clients' odds of getting and holding a regular job. In theory, the fact that an individual has worked and performed well for a number of weeks or months in a transitional job should provide valuable evidence of an employment track record for a job developer who is trying to persuade an employer to consider a client for a job opening. In fact, in many TJ programs, there is a lack of "continuity" between the TJ component and the job development services — that is, they operate as distinct components.[45] In some programs, the job development services may not benefit much from the fact that participants have worked in a transitional job, and they may look much like job development services in programs that do not offer transitional jobs.

Some programs have attempted to address this issue by ensuring that job developers and case managers work with the same group of participants; this may help the job developers get to know their clients better and learn about their performance in the TJ assignment. For example, in Philadelphia's TWC, staff are arranged in teams that all work with the same group of participants. Each team includes a job developer and case managers who specialize in particular phases of the program.

Emerging Evidence on the Impacts of TJ Programs

Several studies have described TJ programs and tracked their outcomes, but, until recently, there was no rigorous evidence on the impacts of these models. This is changing, however, as results begin to emerge from three ongoing evaluations of TJ programs that are using random assignment research designs:

- **The Center for Employment Opportunities (CEO) evaluation.** Part of the HHS Enhanced Services for the Hard-to-Employ project, this evaluation is assessing the New York City-based CEO, one of the nation's largest and best-known TJ programs for former prisoners. In 2004-2005, nearly 1,000 parolees who showed up at CEO seeking service were assigned, at random, either to a program group that was eligible for CEO's regular TJ program or to a control group that was offered basic job search assistance (also from CEO).[46] The study is tracking the program's impacts on employment, recidivism, and other outcomes.

- **The Transitional Work Corporation (TWC) evaluation.** Also part of the HHS Hard-to-Employ project, this evaluation is testing two alternative employment strategies for long-term or potentially long-term TANF recipients

[45] Kirby et al. (2002).

[46] Random assignment was conducted only in weeks when the number of people seeking services was larger than the number of available TJ slots.

in Philadelphia. Nearly 2,000 people who met the study criteria were assigned, at random, to a group that was referred to TWC — a large, established TJ program — and was required to participate; or to a second group that was referred to a program called "Success Through Employment Preparation" (STEP), which focused on up-front assessment and preemployment services, and that was required to participate; or to a control group that was not required to participate in work activities and was not permitted to enroll in either TWC or STEP. The study is tracking impacts on employment, welfare receipt, and other outcomes.

- **The Transitional Jobs Reentry Demonstration (TJRD).** Initiated by the Chicago-based Joyce Foundation and also funded by the JEHT Foundation and the U.S. Department of Labor, this project is testing TJ programs for former prisoners in Chicago, Detroit, Milwaukee, and St. Paul. In 2007-2008, approximately 1,800 men who were recently released from prison and who agreed to participate in the project were assigned, at random, to a TJ program or to a program providing basic job search assistance. The study is tracking employment and recidivism outcomes for at least one year.[47]

The CEO evaluation has released results covering three years after people entered the study, and the TWC study has released results for a two-year follow-up period; the TWC study will eventually follow sample members for at least three years.[48] Results from the TJRD project will be available in mid-2010. (See Box 1 for more information about CEO, TWC, and the St. Paul site in the TJRD project.)

All three studies collected data on participants' characteristics at the point of study entry. For example, participants in the CEO study were mostly over 30 years old and had an average of seven prior convictions. Those in the TWC study had received 40 months of welfare benefits, on average.

Figure 1 shows the flow of study participants into the CEO and TWC programs and studies. As the figure shows, there is a key difference in the design of the two studies. In the CEO study (the top panel of the figure), individuals entered the study and went through the random assignment process when they showed up to CEO's office seeking services. Thus, by definition, 100 percent of the people in the program group showed up to CEO. Of those, almost

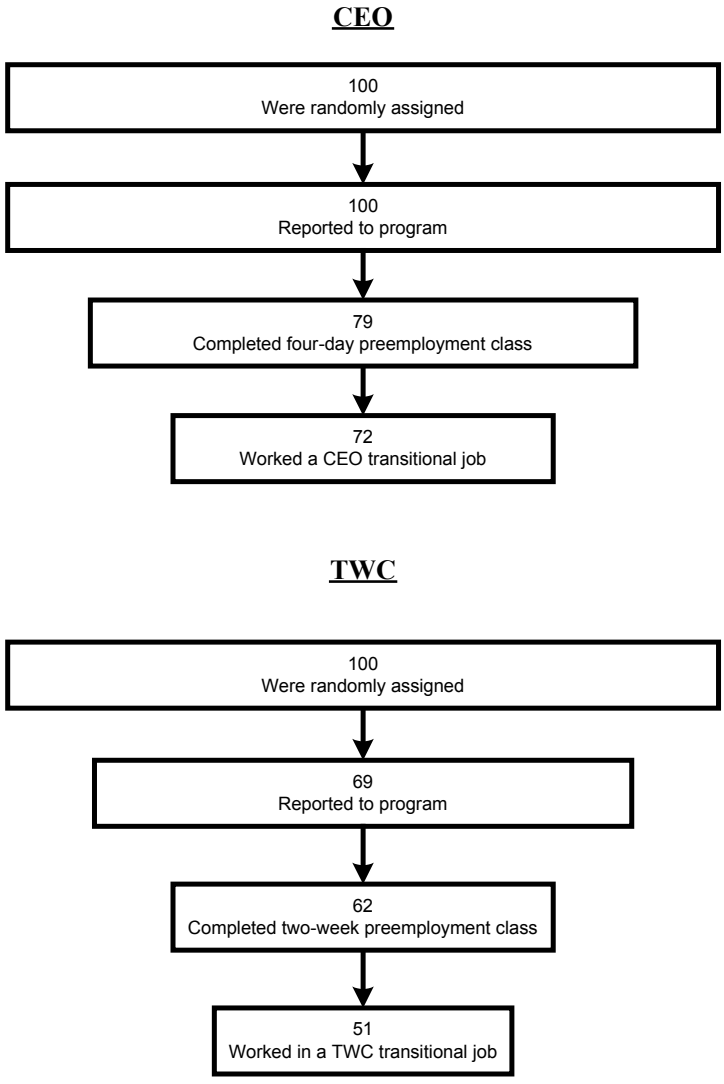
[47]See Bloom (2009).

[48]The most recent published reports cover two years of follow-up for CEO (Redcross et al., 2009) and 18 months of follow-up for TWC (Bloom et al., 2009). However, slightly longer-term results from both studies were presented at the research conference of the Association for Public Policy Analysis and Management (APPAM) in November 2009.

The Enhanced Services for the Hard-to-Employ Demonstration

Figure 1

Flow of Study Participants in the CEO and TWC Programs



SOURCES: MDRC calculations from unemployment insurance (UI) wage records from New York State and the National Directory of New Hires (NDNH) database, CEO's Network for Information Gathering Evaluation and Learning (NIGEL), and MIS data from TWC.

80 percent completed the program's first phase — a four-day preemployment class — and more than 70 percent worked in a transitional job.

In the TWC study, in contrast, study enrollment and random assignment took place at welfare offices, where recipients were assigned to work activities. Individuals who were randomly assigned to the TJ program group were then supposed to be *referred* to TWC. As the bottom panel of the figure shows, about 69 percent of the program group showed up to TWC. Some of the others were never referred to TWC by welfare staff (possibly because staff decided that these recipients should be exempt from mandatory participation in work activities), and others were referred but never showed up. Participation was mandatory, but work requirements were not strongly enforced in Philadelphia during much of the study period; also, recipients might have found jobs on their own to avoid working for minimum wage at TWC. Other people showed up at TWC but failed to complete the two-week preemployment class or completed the class but were not placed in a transitional job. Thus, only about half the program group ever worked in a TWC transitional job.

These differences in program and research design are important because, in a random assignment study, everyone assigned to the program group is counted in the results for that group. Thus, the impacts of the TJ program may be somewhat "diluted" in the TWC study, since many program group members did not participate much in the program.

Figure 2 shows the percentage of program group members who worked in a transitional job during each quarter (three-month period) of the follow-up period. In both studies, participants who worked in transitional jobs stayed in the positions for two to three months, on average. As expected, in both programs, the percentage working in a transitional job rose quickly and then fell rapidly as people left the temporary positions. The initial increase was somewhat more gradual in the TWC study because many people did not show up to the program immediately after random assignment and because the preemployment class lasted longer than in CEO. Moreover, the percentage working in a transitional job never exceeded 40 percent in TWC because, as noted earlier, many people in the program group never showed up to the program or dropped out during the preemployment class.

Figure 3 shows the employment rates for the program and control groups during each quarter of the follow-up period in both studies. The rates include both transitional jobs and any other jobs that were covered by unemployment insurance (UI).[49] Asterisks on the horizontal axis indicate quarters when the difference between groups is statistically significant.

[49]CEO's transitional jobs are covered by unemployment insurance, and TWC's jobs are not. Thus, in the TWC study, data from the UI system (obtained via the National Directory of New Hires) were combined with data from TWC's TJ payroll records to create the total employment measure. Other than the TWC transitional (continued)

Three patterns are evident in both studies. First, the employment rates for the control groups are quite low — typically below 40 percent. This indicates that both programs succeeded in targeting groups that had great difficulty finding employment.

Second, as a result of the low employment rates for the control groups and the relatively high rates of TJ placement, both programs generated very large increases in employment early in the follow-up period. In the CEO study, the program group's employment rate was about 40 percentage points higher than the control group's rate in Quarter 1, while the corresponding difference in the TWC study was 36 percentage points in Quarter 2.

Third, the differences in employment between the two groups narrowed fairly quickly after individuals left the transitional jobs. This narrowing occurred in part because the control groups' employment rates rose over time (particularly in the TWC study) but mostly because the program groups' employment rates fell. Data from the CEO and TWC management information systems show that about 40 percent to 50 percent of those who worked in a transitional job were ever placed in a permanent job; the others left without being placed.[50] Other program group members were placed in regular jobs and then left those jobs.

Figure 4 shows the rates of employment for the program and control groups without the CEO and TWC transitional jobs (that is, the rate of unsubsidized employment).[51] CEO briefly reduced the percentage of people working in unsubsidized jobs (that is, the control group's employment rate was slightly higher than the program's group rate in the first quarter of follow-up), suggesting that a few of the people who were placed in a transitional job could have found a job on their own. This negative impact was short-lived, but the program did not significantly increase the percentage of people working in unsubsidized employment. The TWC program produced modest increases in unsubsidized employment in some quarters, though the increase was no longer statistically significant by the end of the follow-up period. It is difficult to determine what role the transitional jobs played in producing these impacts, since many people found unsubsidized jobs without participating in TWC's program.[52] Further analysis suggests

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jobs, these figures do not include employment in jobs that are not covered by unemployment insurance. However, data from client surveys tell roughly the same story as the administrative records.

[50]Data on program-reported placement rates are not necessarily comparable to the employment rates shown in Figure 3. Programs may not know about all the jobs that participants obtain. In addition, the base for the results shown in Figure 3 is the entire program group, while the program-reported placement rates refer only to individuals who worked in transitional jobs.

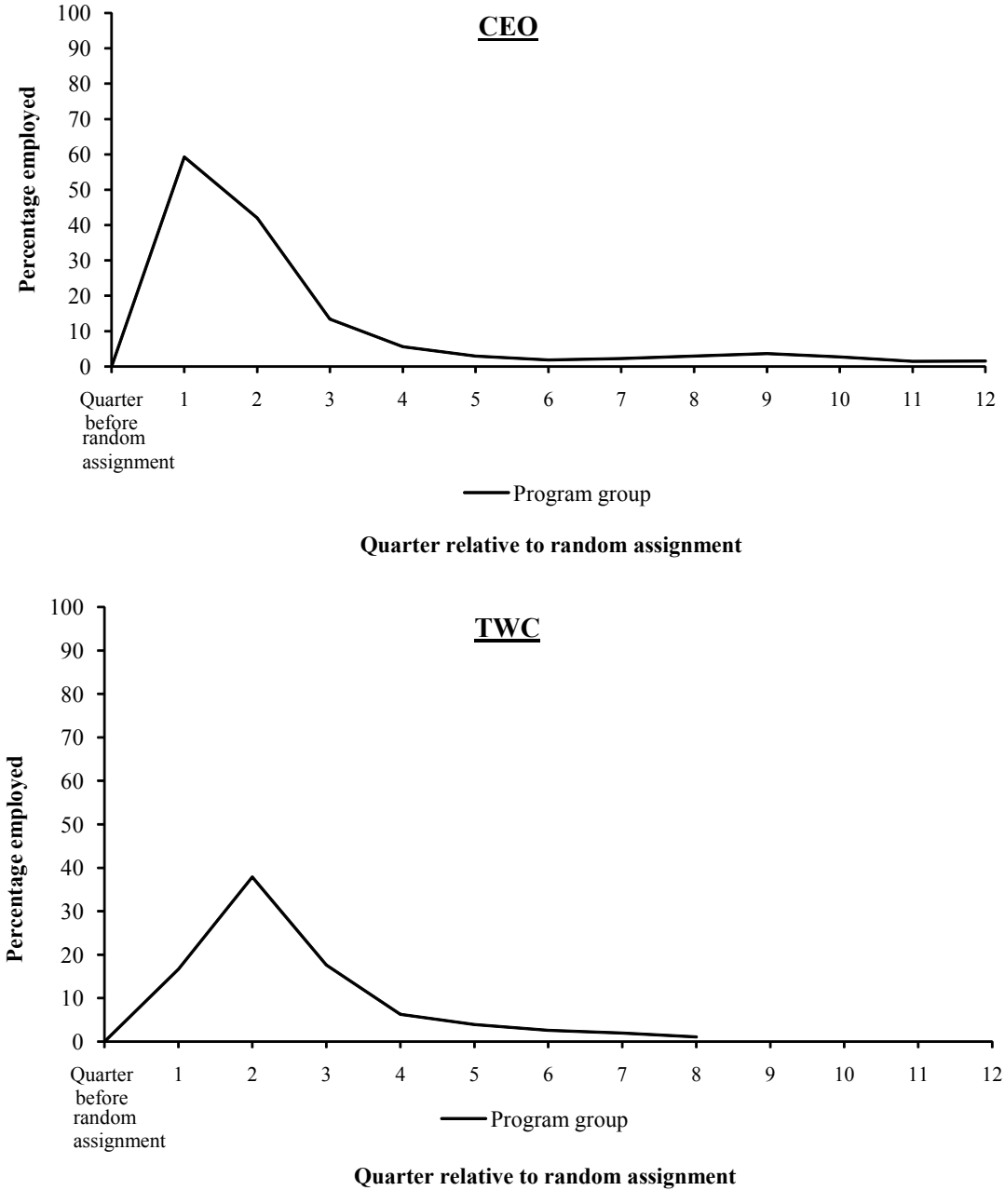
[51]The term "unsubsidized employment" is used to refer to employment that is not a CEO or TWC transitional job. It is possible that a few program and control group members in each study participated through other organizations in transitional jobs that were also counted in UI records.

[52]About 55 percent of the sample members who never enrolled in TWC worked in an unsubsidized job within 18 months after random assignment.

The Enhanced Services for the Hard-to-Employ Demonstration

Figure 2

Percentage of Program Group Working in a Transitional Job

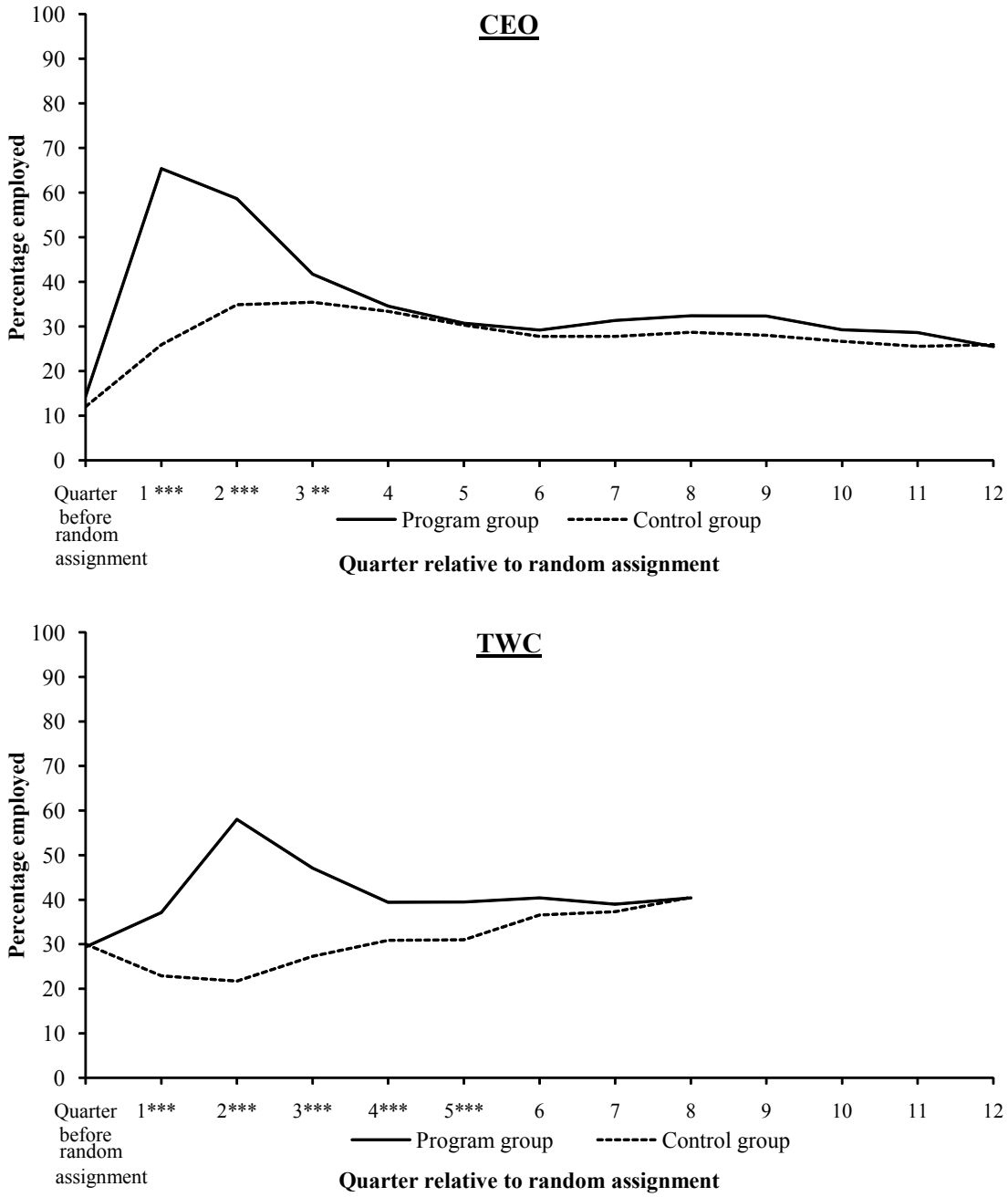


SOURCES: MDRC calculations from the National Directory of New Hires (NDNH) database, unemployment insurance (UI) wage records from New York State, and TWC payroll records.

The Enhanced Services for the Hard-to-Employ Demonstration

Figure 3

Percentage of Program and Control Groups Employed (Including Transitional Jobs)



SOURCES: MDRC calculations from the National Directory of New Hires (NDNH) database, unemployment insurance (UI) wage records from New York State, and TWC payroll records.

(continued)

Figure 3 (continued)

SOURCES: MDRC calculations from the National Directory of New Hires (NDNH) database, unemployment insurance (UI) wage records from New York State, and TWC payroll records.

NOTE: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent. The significance level indicates the probability that one would incorrectly conclude that a difference exists between research groups for the corresponding variable.

that TWC's impact on unsubsidized employment was concentrated among the most disadvantaged sample members — those with little or no recent employment and long histories of TANF receipt.

Although not shown in Figure 4, both studies also measured the programs' impacts on quarterly earnings. Combining both TJ and non-TJ earnings, TWC increased sample members' earnings by about $1,000 (26 percent), on average, over 18 months. CEO had no statistically significant impact on earnings overall, though the study could not reliably estimate earnings impacts in Year 1 of the study period, when the impact on employment was quite large.[53]

In sum, it appears that neither CEO nor TWC led to sustained increases in employment.[54] As in the National Supported Work Demonstration 30 years earlier, it appears that impacts on unsubsidized employment were slightly larger and longer-lasting for the mostly female long-term welfare recipients than for the mostly male former prisoners — and that impacts for welfare recipients were larger for a more disadvantaged segment of the population.

As discussed above, both programs had important indirect goals. Table 2 shows several measures of recidivism for the program and control groups in the CEO study during the first three years of the study period. As the table shows, CEO generated statistically significant decreases in recidivism — a result rarely found in rigorous studies. Table 3 shows that CEO had particularly large impacts on recidivism for those who came to the program shortly after their release from prison. Even small decreases in recidivism can have large budgetary implications because the cost of keeping people in prison is so high. Moreover, reductions in crime contribute to improved public safety. Interestingly, although not shown in the tables, CEO reduced recidivism in the second and third years of the follow-up period, after the employment gains had disappeared. There is no way to know for certain why this pattern occurred, but it indicates that

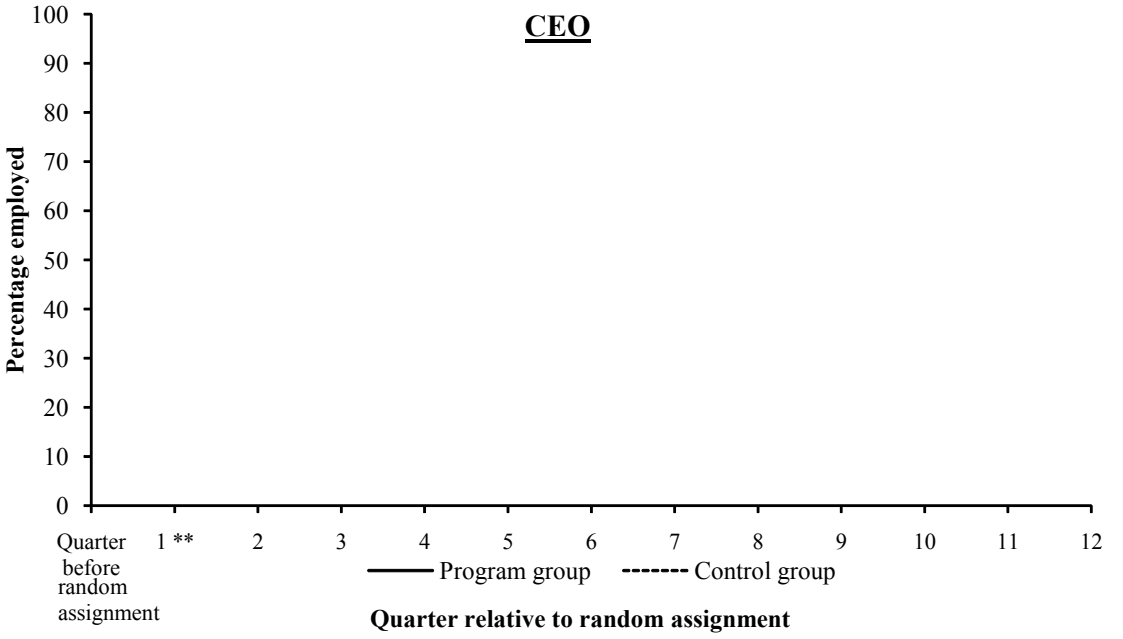
[53]The New York State Department of Labor provided UI earnings data in a form that did not allow the research team to distinguish CEO jobs from non-CEO jobs.

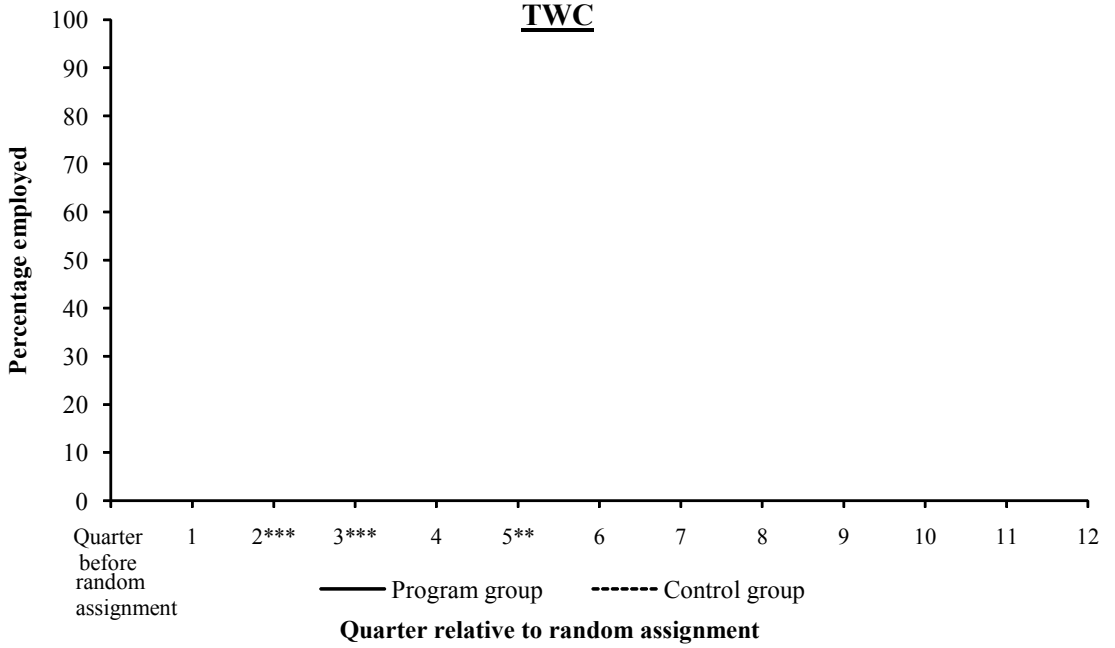
[54]In the TWC study, the impact on employment was statistically significant until the second-to-last quarter of the follow-up period. It is possible that significant impacts will reemerge later, though the pattern showed declining impacts over time.

The Enhanced Services for the Hard-to-Employ Demonstration

Figure 4

Percentage of Program and Control Groups Employed (Excluding Transitional Jobs)





(continued)

Figure 4 (continued)

SOURCES: MDRC calculations from the National Directory of New Hires (NDNH) database, unemployment insurance (UI) wage records from New York State, and TWC payroll records.

NOTE: Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent. The significance level indicates the probability that one would incorrectly conclude that a difference exists between research groups for the corresponding variable.

the link between work and crime is not straightforward.[55] Survey data show that program group members were more likely to have strong relationships with staff during Year 2; perhaps these relationships helped them avoid recidivism. It is also possible that participating in CEO's program triggered attitudinal changes that continued after people left the transitional jobs.

As shown in Table 4, the TWC program reduced TANF receipt by about $600 (10 percent) per person over the first 18 months of the follow-up period. Earnings gains and welfare losses more or less offset one another, leaving the program and control groups with about the same total income. This is a common finding in studies of welfare-to-work programs that do not provide special earnings supplements.

Conclusions and Possible Next Steps

It is difficult to draw broad conclusions from the results described above because CEO and TWC are only two of the dozens of TJ programs currently in operation. These are, however, the most reliable results currently available, and both programs are established, large in scale, and well managed.

The two studies suggest several tentative conclusions. First, it is feasible to operate relatively large-scale TJ programs that target very hard-to-employ groups and create TJ positions that offer opportunities for real, productive work. While participants in these programs were generally not engaged in highly visible community improvement projects and were not gaining sophisticated occupational skills, neither were they "leaning on rakes."

Second, both programs produced large though relatively short-lived increases in employment and had statistically significant impacts on important indirect outcomes. CEO reduced recidivism, and TWC reduced welfare receipt.

[55]In the National Supported Work Demonstration, the program group was no less likely than the control group to be arrested. This was true even during the in-program period, when the program group's employment rate was dramatically higher.

The Enhanced Services for the Hard-to-Employ Demonstration

Table 2

Three-Year Impacts on Recidivism: Center for Employment Opportunities

Outcome	Program Group	Control Group	Difference (Impact)	P-Value
Arrested[a] (%)	48.2	53.0	-4.7	0.143
Convicted of a crime[b] (%)	43.1	48.8	-5.6 *	0.078
Convicted of a felony	10.0	11.7	-1.6	0.419
Convicted of a misdemeanor	34.0	39.3	-5.4 *	0.083
Convicted of a violent crime[c] (%)	7.0	9.5	-2.4	0.176
Incarcerated[d] (%)	58.4	65.3	-6.9 **	0.026
Prison	33.7	35.2	-1.5	0.624
Jail	56.8	63.3	-6.5 **	0.039
Incarcerated for a new crime (%)	22.3	26.1	-3.8	0.161
Prison	7.7	9.8	-2.1	0.254
Jail	15.6	17.7	-2.0	0.395
Incarcerated for a technical parole violation (%)	37.1	35.6	1.4	0.645
Prison	22.2	20.0	2.2	0.403
Jail	33.1	31.8	1.3	0.666
Total days incarcerated	172	186	-14	0.393
Prison	91	104	-13	0.275
Jail	81	82	-1	0.916
Arrested, convicted, or incarcerated (%)	65.2	70.9	-5.7 *	0.057
Status in the last quarter of Year 3[e] (%)				
Incarcerated and employed	2.3	1.8	0.5	0.555
Incarcerated and not employed	23.4	28.5	-5.1 *	0.071
Not incarcerated and employed	23.4	24.2	-0.8	0.774
Not incarcerated and not employed	50.9	45.5	5.3 *	0.098
Sample size (total = 977)	568	409		

SOURCES: MDRC calculations using data from the New York State Division of Criminal Justice Services (DCJS) and the New York City Department of Correction (DOC).

(continued)

Table 2 (continued)

NOTES: Results in this table are weighted by week of random assignment and adjusted for pre-random assignment characteristics.

Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent. The significance level indicates the probability that one would incorrectly conclude that a difference exists between research groups for the corresponding variable.

[a]Each arrest date is counted only as a single event. If there are multiple crimes or charges on the same date, only the most serious charge is recorded in the analysis.

[b]The total of 23 convictions was found to be associated with an arrest that occurred prior to random assignment. These convictions are counted in the analysis as occurring after random assignment. The total includes convictions for "other" reasons, felonies, and misdemeanor crimes.

[c]Violent crimes are based on conviction charges defined by Langan and Levin (2002).

[d]Includes all reasons for incarceration, such as sentences for new crimes, technical violations of parole, detainee (jail), and other reasons. Therefore, incarcerations for new crimes and parole violations do not sum to the percentage incarcerated.

[e]Incarceration status based on Quarter 12 after random assignment. Incarceration includes both prison and jail.

Third, as operated during the studies, neither program generated long-term increases in employment or earnings. In other words, it appears that working in the programs' transitional jobs did not significantly improve participants' ability to find and hold regular jobs.

Reconsidering the Goals of Transitional Jobs

If the results described above can be generalized to other TJ programs, they suggest that it may be useful to reconsider how the goals of such programs are defined. Facing lingering skepticism about public service employment, TJ advocates have argued that transitional jobs are primarily useful as a short-term strategy for improving the employability of hard-to-employ groups. The results from these two studies do not provide much support for this view, but, at the same time, the evaluations suggest that transitional jobs can generate other, important effects.

For example, CEO's impacts on recidivism are notable. In fact, as observed above, one might argue that reducing recidivism is a direct, rather than an indirect, goal for a program like CEO, since TJ programs for former prisoners are usually funded with the explicit aim of reducing recidivism. The fact that the program decreased recidivism after its employment impacts disappeared is surprising, but it seems plausible that whatever mechanism explains this pattern — for example, changes in participants' attitudes or lasting relationships with staff — would not have occurred if the paid transitional jobs had not kept participants engaged in the program in the first place.

Moreover, the employment patterns for the study's control group (and for the cohorts followed in many other studies of former prisoners) suggest that subsidized jobs will likely need to be part of any effort to substantially increase employment rates for former prisoners in the

The Enhanced Services for the Hard-to-Employ Demonstration

Table 3

Three-Year Impacts on Recidivism for Subgroups: Center for Employment Opportunities

Outcome	Program Group	Control Group	Difference (Impact)		Difference Between Subgroup Impacts[a]
Recently released from prison					
Arrested[b]	49.1	59.1	-10.0	*	
Convicted of crime[c]	44.0	56.7	-12.7	**	
Convicted of a violent crime[d]	5.4	14.3	-8.9	***	††
Incarcerated in jail or prison[e]	60.2	71.3	-11.2	**	
Sample size	225	160			
Not recently released from prison					
Arrested[b]	47.0	50.5	-3.5		
Convicted of crime[c]	42.7	45.7	-3.0		
Convicted of a violent crime[d]	7.5	6.7	0.8		††
Incarcerated in jail or prison[e]	57.1	63.2	-6.1		
Sample size	311	233			

SOURCES: MDRC calculations using data from the New York State Division of Criminal Justice Services (DCJS) and the New York City Department of Correction (DOC).

NOTES: Results in this table are weighted by week of random assignment and adjusted for pre-random assignment characteristics.

Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; * = 10 percent. The significance level indicates the probability that one would incorrectly conclude that a difference exists between research groups for the corresponding variable.

[a]When comparing impacts between two subgroups, an H-statistic is generated. The H-statistic is used to assess whether the difference in impacts between the subgroups is statistically significant. It is interpretable in much the same way as the T-statistic and the F-statistic from analysis of variance (ANOVA) tests are interpreted.

[b]Each arrest date is counted only as a single event. If there are multiple crimes or charges on the same date, only the most serious charge is recorded in the analysis.

[c]The total of 23 convictions was found to be associated with an arrest that occurred prior to random assignment. These convictions are counted in the analysis as occurring after random assignment. The total includes convictions for "other" reasons, felonies, and misdemeanor crimes.

[d]Violent crimes are based on conviction charges defined by Langan and Levin (2002).

[e]Includes all reasons for incarceration, such as sentences for new crimes, technical violations of parole, detainee (jail), and other reasons. Therefore, incarcerations for new crimes and parole violations do not sum to the percentage incarcerated.

The Enhanced Services for the Hard-to-Employ Demonstration

Table 4

Impacts on Public Assistance Receipt: Transitional Work Corporation

Outcome	TWC Group	Control Group	Impact	P-Value
TANF measures, Quarters 1-6				
Received TANF (%)	99.3	99.2	0.0	0.937
Number of months received TANF	13.8	14.6	-0.8 ***	0.002
Total TANF ($)	5,500	6,097	-596 ***	0.000
Food stamp measures, Quarters 1-6				
Received food stamps (%)	99.3	99.4	-0.1	0.845
Number of months received food stamps	16.1	16.3	-0.3	0.112
Total food stamps ($)	5,985	6,124	-139	0.169
Status in Quarter 6 (%)				
Employed and not receiving TANF	19.3	15.1	4.2 **	0.050
Employed and receiving TANF	21.1	21.5	-0.4	0.862
Not employed and receiving TANF	46.0	53.3	-7.3 **	0.011
Not employed and not receiving TANF	13.6	10.2	3.5 *	0.062
Income ($)				
Total measured income[a]	16,354	16,314	40	0.923
Sample size (total = 1,217)	731	486		

SOURCES: MDRC calculations using data from public assistance records from the Pennsylvania Department of Public Welfare, employment and earnings data from the National Directory of New Hires (NDNH), and TWC payroll records.

NOTES: Dollar values include zeroes for sample members who had no income, were not employed, or were not receiving child support or public assistance.

A two-tailed t-test was applied to differences between outcomes for the program and control groups. Statistical significance levels are indicated as: *** = 1 percent; ** = 5 percent; and * = 10 percent. Results in this table are regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics.

Rounding may cause slight discrepancies in sums and differences.

TWC = Transitional Work Corporation.

TANF = Temporary Assistance for Needy Families.

[a]Measured income includes earnings from jobs covered by unemployment insurance, TANF payments, and food stamps.

period after release. A situation in which half or more of recently released prisoners are unemployed seems undesirable on many levels. In effect, CEO's transitional jobs may have played a critical role by providing work-based income support to a group of (mostly) men with very poor labor market prospects, even if the subsidized jobs did not lead to long-term increases in unsubsidized employment.

Although at the present time there may be limited support for large-scale programs to create public jobs, targeted subsidized jobs programs for recently released prisoners, who stand at the back of the queue for regular employment, might be more palatable — at least when the labor market is relatively healthy. Surveys have found that many employers are extremely reluctant to hire men with criminal records and that the stigma these men face in the labor market is much greater than the stigma faced by female welfare recipients. (On the most basic level, employers cannot tell which job applicants receive welfare, while it is very easy to conduct background checks to determine who has a criminal history).[56] Support for subsidized jobs might be particularly likely if the jobs helped former prisoners satisfy a parole mandate to stay employed and if they contributed to improved public safety. Two recent national reentry proposals both include large, mandatory subsidized employment programs for people under parole supervision.[57] Although the evaluation results to date suggest that the link between work and crime is complex, it would be useful to test a model in which parolees are required to work throughout their time under supervision, with subsidized jobs being provided as necessary.

Similar arguments could be made for other disadvantaged groups:

- Providing subsidized jobs to unemployed, low-income noncustodial parents could allow these parents to meet their child support obligations (assuming that the obligations could be adjusted to a level commensurate with their limited earning potential). One of the national reentry proposals described above also recommended a mandatory subsidized work program for noncustodial parents.[58]

- Providing subsidized jobs to disadvantaged youth could help counter the effects of a startling collapse in the youth labor market over the past 10 to 20 years.[59] Some disadvantaged young people obtain work experience in programs like Conservation Corps or YouthBuild, but these programs are small relative to the eligible population. Giving young people work experience and opportunities to improve their communities may be beneficial even if there is

[56]Holzer, Raphael, and Stoll (2007).
[57]Mead (2007); Western (2008).
[58]Mead (2007).
[59]Sum (2009).

limited evidence about whether this will lead to long-term improvements in labor market outcomes.[60]

- In the welfare system, subsidized jobs can provide opportunities for very disadvantaged recipients to work and benefit from the Earned Income Tax Credit — and for states to meet federal work requirements. Although traditional welfare-to-work programs have generated increases in employment for very hard-to-employ recipients, most of these individuals still end up unemployed and on welfare, suggesting that subsidized jobs may be necessary for a subset of recipients.[61]

Of course, it is important to acknowledge that garnering support for targeted subsidized employment programs may be particularly challenging in the current economic environment, when unemployment extends far beyond populations traditionally considered "hard to employ."

New Directions for Program Development and Research

The foregoing examples suggest that targeted subsidized jobs programs may constitute a worthwhile investment of public funds even if they do not lead to long-term improvements in labor market outcomes. In fact, it is not clear that these models should always be called "transitional jobs." At the same time, however, it is still important to identify subsidized employment models that can do more to improve long-term employability, particularly for disadvantaged men. Several areas seem worthy of experimentation.

First, it may be possible to tinker with existing TJ models to improve long-term outcomes. For example, partly in response to the study results described above, CEO has made a number of changes to the "back end" of its program — all designed to improve job placement and retention outcomes. For example, a new job placement system is designed to ensure that participants are placed in permanent jobs that better match their skills and interests. A new unit of staff was created to follow up with employed participants to help them keep their jobs or find new ones if they become unemployed, and participants receive financial incentives if they keep

[60]There is some suggestive evidence from the Career Academies evaluation, which tested a high school-based model. The program produced large, sustained earnings impacts, and the researchers speculated that its use of internships and other career development activities may have been critical to producing these impacts. However, the Career Academies that were tested did not target a particularly disadvantaged group of students (Kemple and Willner, 2008).

[61]Michalopoulos and Schwartz (2000). A more recent study — the evaluation of New York City's Personal Roads to Individual Development and Employment (PRIDE), a program for welfare recipients with work-limiting health conditions — found that while the program significantly increased employment, two-thirds of the program group did not work at all in a two-year follow-up period.

jobs and provide verification to CEO.[62] Data obtained from employers who have hired CEO participants suggest that postplacement outcomes have improved since these changes were implemented.

It might also be possible to test programs that promote longer transitional jobs. As noted above, participants in the TWC and CEO programs stayed in transitional jobs for two to three months, on average, much shorter than the five- to ten-month average (depending on the target group) in the Supported Work demonstration.[63]

Second, it is worth exploring how much could be accomplished by providing strong financial incentives for hard-to-employ individuals to find and keep regular jobs after they transition out of subsidized jobs. (In some cases, such incentives might obviate the need for subsidized jobs.) This is particularly important for former prisoners and other groups of disadvantaged men, since broad shifts in the labor market over the past three decades have substantially reduced the availability of well-paying jobs for men with no postsecondary education or training. Moreover, since most of these men are not custodial parents, they do not benefit much from the Earned Income Tax Credit, which provides a large income boost to low-wage working custodial parents. The subset of disadvantaged men who are noncustodial parents are required to contribute to the cost of raising their children but do not benefit much from the tax credits that support custodial parents. There have been a number of recent proposals to expand and/or redesign the small existing earned income credit for childless workers and/or for noncustodial parents who pay child support.[64] It may also be worth experimenting with a special transitional earnings supplement for former prisoners, designed to address the fact that spending time in prison depresses one's earnings potential.

Several evaluations have found that earnings supplements can be effective in promoting sustained employment for disadvantaged populations, though, once again, the positive results are mainly for single mothers.[65] As noted earlier, both TWC and CEO now provide financial incentives to former participants, and similar incentives are being tested in the Transitional Jobs Reentry Demonstration, which will release results in mid-2010.

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[62]CEO's funding is based, in part, on its ability to achieve and document high postprogram employment retention outcomes. The goal of the financial incentives is twofold. First, the incentives encourage former participants to provide the documentation of employment that CEO needs for its funders. In addition, however, the incentives may help to improve job retention, either by encouraging former participants to stay in touch with program staff who can help them address barriers to continued employment or by increasing the financial payoff from continuing to work.

[63]In programs that have been evaluated, many people left transitional jobs before reaching the time limit on their placement. Thus, it is not clear how many people would stay in transitional jobs if they were able to last longer.

[64]Edelman, Holzer, and Offner (2006); Berlin (2007).

[65]Michalopoulos (2005).

Third, TJ models might do better by providing more opportunities for occupational skills training, either through the transitional job itself or concurrent with the job.[66] As noted above, most TJ positions do not require many hard skills and thus may not prepare participants for better-paying jobs in the regular labor market. Results from a recent evaluation show that well-designed training programs focusing on particular occupational sectors can substantially raise participants' earnings.[67] CEO has recently developed the CEO Academy, a program that provides academic instruction and vocational training to help former prisoners qualify for higher-paying jobs in the trades.

Although helping participants build hard skills makes sense in principle, several challenges need to be addressed. Even successful training programs tend to serve a relatively narrow range of people. For example, many training programs require a level of basic academic skills that may exceed those of many TJ participants. In addition, there are wide disparities in the quality of training programs, and some of them are not designed to meet employers' needs. Finally, in order to obtain high completion rates for very low-income individuals, it may be necessary to find a way to compensate participants for the hours that they spend in training, particularly if they are not public assistance recipients.[68]

Fourth, it is important to test the potential of models that place participants directly into jobs in the regular labor market, either with or without OJT-like subsidies for employers. Structured correctly, these programs can avoid the difficult task of helping participants transition from an artificial work environment to a real one by placing participants directly into permanent jobs, albeit with an initial trial period. There are many different versions of this general approach. Programs like America Works and various alternative staffing organizations serve welfare recipients, former prisoners, and other disadvantaged job-seekers with models that place participants directly into regular jobs while providing support services. Unlike in traditional OJT, employers typically pay an hourly fee for the workers' services.[69]

Interestingly, one of the most successful sites in the Supported Work project addressed the transition issue by creating supported work positions in public agencies; many participants were able to remain in their jobs and "roll over" onto the agency's payroll once the supported work period ended.[70] As noted above, most studies suggest that individuals with mental and

[66]Another option for criminal justice populations is to provide more training while individuals are still in prison.

[67]Maguire, Freely, Clymer, and Conway (2009).

[68]A demonstration project in the United Kingdom offers a package of financial incentives, including incentives for welfare recipients to complete training programs. See Riccio et al. (2008).

[69]For more information on alternative staffing organizations, see Spaulding, Freely, and Maguire (2009).

[70]Hollister, Kemper, and Maynard (1984). This strategy was used in the Newark site, which produced the largest impact on monthly earnings in the postprogram period for the AFDC target group.

physical disabilities do best when they are placed directly into competitive employment (although it is important to note that the type of employment discrimination confronted by individuals with disabilities is different from the stigma facing former prisoners or other disadvantaged groups).

This approach holds promise, but, again, there are key issues to address. Under the JTPA program, there was serious concern that OJT was often used to subsidize employers who provided little or no training.[71] More important, most OJT programs that were tested in the past were relatively small and served selective groups of clients. It is an open question whether this approach could be expanded to a larger, more difficult-to-serve population. It is not clear, for example, what proportion of the very disadvantaged men served in a TJ program like CEO could be placed directly into a private job even if subsidies were offered to employers.[72] Under one possible approach, OJT-like programs or alternative staffing models could be targeted to participants who have performed successfully in transitional jobs but who still have difficulty finding or holding regular jobs (see below).

The Parent's Fair Share Demonstration, which targeted unemployed noncustodial parents (most of whom had criminal records) whose children were on welfare attempted to use OJT as a central part of its employment strategy but found that it was difficult to place large numbers of participants into OJT slots. While the Parent's Fair Share programs generated some increases in employment and earnings for the most disadvantaged participants, the authors of the study ended up suggesting that subsidized jobs would likely be necessary for the most disadvantaged segments of this population.[73]

Finally, it is important to think about how transitional jobs fit into a larger sequence of employment services, to ensure that they are appropriately targeted. It may make sense to test a "tiered" model that could serve a wide range of people and allocate TJ slots to those who need them most. This type of tiered approach (described below) could be especially appropriate in broad-based systems, such as welfare (indeed, similar approaches have been used in welfare-to-work programs), parole, or child support enforcement.

Because it is difficult to accurately predict who will be able to find a job, most individuals might start by looking for a job on their own, perhaps with basic assistance in creating a résumé and tips on how to handle job interviews. (Some particularly disadvantaged categories of clients might be allowed to move directly to a subsidized job.) Those who are unable to find jobs after two or three weeks might be assessed and assigned to one of a few options. Those

[71]U.S. General Accounting Office (1991).

[72]With employer subsidies, there is always a concern that the individuals who are eligible for subsidies will displace other workers.

[73]Miller and Knox (2001).

who came close to finding jobs might receive some more intensive help from job placement specialists or alternative staffing organizations. Those one rung down the ladder might be assigned to try OJT-like arrangements offering subsidies for private employers, and those at the bottom might be assigned to subsidized jobs. Individual subsidized job assignments would not last more than a few months, and participants would receive periodic help (and possibly financial incentives) to seek regular jobs or move up to OJT-like arrangements, but there would be no limit on the total length of subsidized employment; also, individuals could return to the subsidized job if they found a regular job and lost it (hence, the jobs might not be called "transitional"). Where possible, subsidized jobs could be provided through social enterprises that earn revenue to support their operations and reduce public costs.

* * *

Prior experience and evaluation results suggest that subsidized employment models can play an important role in public policy for very hard-to-employ populations. However, it is important to approach these efforts with reasonable expectations. There is some evidence that subsidized employment models can improve participants' employability, but the positive results were mostly for women, and mostly for fairly selective models with close ties to regular employment. Thus, it is critical to develop and test new models that can produce larger, more sustained employment gains for a broader group of people, including disadvantaged men.

At the same time, however, it is important to acknowledge that transitional jobs and other subsidized employment models have multiple goals and can play an important role even if they do not necessarily lead to long-term term improvements in participants' employment outcomes. Certain groups — including long-term welfare recipients, former prisoners, unemployed noncustodial parents, and disadvantaged youth — have a very difficult time getting and holding regular jobs. Employment rates for these groups are likely to be particularly low in the current economic environment, but these groups fare poorly even when the labor market is relatively strong. The evidence suggests that giving these groups opportunities to work for pay could produce spillover benefits by reducing crime, improving communities, connecting alienated young people to mainstream institutions and lifestyles, or helping to reduce the stigma of welfare receipt.

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About MDRC

MDRC is a nonprofit, nonpartisan social and education policy research organization dedicated to learning what works to improve the well-being of low-income people. Through its research and the active communication of its findings, MDRC seeks to enhance the effectiveness of social and education policies and programs.

Founded in 1974 and located in New York City and Oakland, California, MDRC is best known for mounting rigorous, large-scale, real-world tests of new and existing policies and programs. Its projects are a mix of demonstrations (field tests of promising new program approaches) and evaluations of ongoing government and community initiatives. MDRC's staff bring an unusual combination of research and organizational experience to their work, providing expertise on the latest in qualitative and quantitative methods and on program design, development, implementation, and management. MDRC seeks to learn not just whether a program is effective but also how and why the program's effects occur. In addition, it tries to place each project's findings in the broader context of related research — in order to build knowledge about what works across the social and education policy fields. MDRC's findings, lessons, and best practices are proactively shared with a broad audience in the policy and practitioner community as well as with the general public and the media.

Over the years, MDRC has brought its unique approach to an ever-growing range of policy areas and target populations. Once known primarily for evaluations of state welfare-to-work programs, today MDRC is also studying public school reforms, employment programs for ex-offenders and people with disabilities, and programs to help low-income students succeed in college. MDRC's projects are organized into five areas:

- Promoting Family Well-Being and Children's Development
- Improving Public Education
- Raising Academic Achievement and Persistence in College
- Supporting Low-Wage Workers and Communities
- Overcoming Barriers to Employment

Working in almost every state, all of the nation's largest cities, and Canada and the United Kingdom, MDRC conducts its projects in partnership with national, state, and local governments, public school systems, community organizations, and numerous private philanthropies.