

# CAN SUBSIDIZED EMPLOYMENT PROGRAMS HELP DISADVANTAGED JOB SEEKERS?

A Synthesis of  
Findings from  
Evaluations of  
13 Programs



*Executive Summary*



OPRE Report 2020-23  
February 2020

# Can Subsidized Employment Programs Help Disadvantaged Job Seekers?

## A Synthesis of Findings from Evaluations of 13 Programs

OPRE REPORT 2020-23

FEBRUARY 2020

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**CONTRACT NUMBER:** HHSP 233-2010-0029YC; DOLJ101A21513

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Suggested citation: Cummings, Danielle, and Dan Bloom. 2020. *Can Subsidized Employment Programs Help Disadvantaged Job Seekers? A Synthesis of Findings from Evaluations of 13 Programs*. OPRE Report 2020-23. Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

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# Funders

MDRC and subcontractors MEF Associates, Branch Associates, and Decision Information Resources (DIR), Inc., are conducting the Subsidized and Transitional Employment Demonstration under a contract with the Administration for Children and Families in the U.S. Department of Health and Human Services (HHS), funded by HHS under a competitive award, Contract No. HHSP 233-2010-0029YC. The project officer is Girley Wright. The Rockefeller Foundation also provided funding to support the demonstration.

Dissemination of MDRC publications is supported by the following organizations and individuals that help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: The Annie E. Casey Foundation, Arnold Ventures, Charles and Lynn Schusterman Family Foundation, The Edna McConnell Clark Foundation, Ford Foundation, The George Gund Foundation, Daniel and Corinne Goldman, The Harry and Jeanette Weinberg Foundation, Inc., The JPB Foundation, The Joyce Foundation, The Kresge Foundation, and Sandler Foundation.

In addition, earnings from the MDRC Endowment help sustain our dissemination efforts. Contributors to the MDRC Endowment include Alcoa Foundation, The Ambrose Monell Foundation, Anheuser-Busch Foundation, Bristol-Myers Squibb Foundation, Charles Stewart Mott Foundation, Ford Foundation, The George Gund Foundation, The Grable Foundation, The Lizabeth and Frank Newman Charitable Foundation, The New York Times Company Foundation, Jan Nicholson, Paul H. O'Neill Charitable Foundation, John S. Reed, Sandler Foundation, and The Stupski Family Fund, as well as other individual contributors.

The findings and conclusions in this report do not necessarily represent the official positions or policies of the funders.

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# Overview

## Introduction

Even in a strong economy, some job seekers struggle to find and keep jobs. These individuals often have limited work experience, few educational credentials and job skills, and other characteristics such as criminal records or primary caretaking responsibilities that make it difficult for them to compete in the labor market. For decades, government entities, private foundations, and nonprofit organizations have developed programs to help disadvantaged job seekers. One such approach is subsidized employment, where the government temporarily subsidizes all or a portion of wages for job seekers to provide a bridge to unsubsidized employment and improve participants' longer-term employment prospects. Past research has found mixed results regarding these programs' ability to achieve those goals.

In 2010, the U.S. Department of Health and Human Services launched the Subsidized and Transitional Employment Demonstration (STED) and the U.S. Department of Labor launched the Enhanced Transitional Jobs Demonstration (ETJD), complementary large-scale research projects designed to build rigorous evidence on the effectiveness of the latest generation of subsidized employment models. The projects recently finished random assignment studies of 13 subsidized employment programs; this report summarizes findings from the studies and discusses the implications for practitioners, policymakers, and researchers. This report also presents employment and earnings impacts — the changes in participants' outcomes attributable to each program — over an extended follow-up period of up to five years for each program, findings that provide additional insight into whether subsidized employment programs can help participants make lasting changes in their lives.

## Primary Research Questions

This report seeks to answer the following questions:

- Do subsidized employment programs get people into subsidized jobs?
- Do subsidized employment programs improve participants' employment outcomes in the first year after they enrolled?
- Can subsidized employment programs achieve sustained employment and earnings impacts beyond the first year after participants enrolled?
- Can subsidized employment programs improve nonemployment outcomes, for example by reducing recidivism or increasing child support payments? (In this report “recidivism” refers to the rate at which people with criminal records are rearrested, reconvicted, or reincarcerated.)
- Do subsidized employment programs work better for certain subgroups of participants?
- How much do subsidized employment programs cost, and do the benefits outweigh the costs?

## Purpose

The 13 subsidized employment programs evaluated as part of the STED and ETJD projects intended to help reconnect participants to work, or in some cases education or training, in order to improve their long-term economic prospects. MDRC conducted random assignment evaluations of these programs to determine whether they achieved their goals and improved participants' outcomes, and this report synthesizes findings across the STED and ETJD evaluations.

## Key Findings

Overall, the evaluations found that subsidized employment programs can improve employment, earnings, and other outcomes under some circumstances, and for a variety of populations. However, the



pattern of results makes it difficult to draw firm conclusions about which type of program works best, and for whom.

Though participation in subsidized employment varied widely across the 13 programs studied, almost all the programs improved employment and earnings in the first year after study enrollment, and about half maintained those impacts through the second year. Four programs sustained earnings improvements beyond the second year.

Programs that used a traditional transitional jobs model (offering temporary, subsidized jobs not intended to become unsubsidized jobs) generally had higher participation rates and larger employment and earnings impacts through the first two years than wage-subsidy models (which offer subsidized jobs that are intended to turn into unsubsidized jobs) and hybrid models (which offer a mix of both approaches). However, none of the three model types studied stands out as the best approach to improving employment and earnings outcomes beyond the second year.

Programs serving noncustodial parents (those without custody of at least one of their children) and formerly incarcerated adults often improved child support and recidivism outcomes, respectively, particularly in the short term, and sometimes even when there were few earnings or employment impacts.

Improvements in employment, earnings, and recidivism were typically concentrated among people who were less employable (that is, those who had been out of the workforce longer when they enrolled in the study, were at higher risk of recidivism, or did not have high school diplomas or equivalents).

One program's benefits outweighed its costs from society's perspective — that is, taking into account benefits and costs to the government, participants, and in this program's case, the victims of crimes committed by study sample members. Three other programs resulted in earnings increases that persisted throughout the extended follow-up period and exceeded the programs' net costs, so those programs' benefits may have also outweighed their costs from society's perspective. However, it is unlikely that any of the programs saved the government money.

## Methods

This report synthesizes findings from 12 evaluations of 13 subsidized employment programs. (One evaluation used a three-group test to evaluate two programs.) Each evaluation included an implementation study and an impact study, and 11 of the 12 evaluations included a cost study.

This report focuses on findings from the impact studies. Each impact study used a randomized controlled trial design in which individuals eligible for services were randomly assigned to a program group who had access to the subsidized jobs program or to a control group who did not, but who may have sought out other services. The impact studies estimated impacts on employment and earnings, well-being, and other areas relevant to the populations studied, such as child support payments made by noncustodial parents. Data sources for the impact studies included administrative wage records, up to three rounds of participant surveys administered up to 30 months after random assignment, and various other records, depending on the populations studied (for example, child support, criminal justice, or public-assistance records).

In this report, implementation study findings provide context for the impact study findings, and cost study findings are briefly summarized. The implementation studies described the models as they were designed and as they ultimately operated, drawing on various data sources including staff and participant interviews. The cost studies estimated programs' financial costs, and in one case compared those costs with their observed and estimated financial benefits.

# Acknowledgments

This report would not have been possible without the contributions of many individuals and organizations. First and foremost, we extend our deep appreciation to the thousands of individuals who participated in the study and gave generously of their time to participate in surveys, interviews, and focus groups. We hope that the knowledge that they helped generate will benefit those who encounter obstacles to finding and maintaining employment.

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

We are grateful to the staff members in each of the 13 STED and ETJD programs who gave generously of their time throughout the project, and we greatly appreciate the assistance and support of local, state, and federal government administrators who provided vital administrative data for the study.

Over 50 past and present MDRC staff members contributed to these projects. In particular, Johanna Walter and Bret Barden oversaw many of the data-acquisition and data-processing efforts for the projects, and Richard Hendra served as the impact adviser. Sally Dai processed the administrative employment and earnings data, including data for new analyses presented for the first time in this report. Beata Luczywek, Gary Reynolds, Chloe Anderson, and Melanie Skemer all played vital roles in the data analysis. We thank our partners MEF Associates, Abt Associates, Branch Associates, and Decision Information Resources (DIR) for their vital contributions to both projects.

We would also like to express our gratitude to the reviewers of this report for their helpful comments: Bret Barden, Mary Farrell, Richard Hendra, John Hutchins, Cindy Redcross, and Johanna Walter. Viktoriya Syrov and Jillian Verrillo coordinated the production of this report. Joshua Malbin edited the report and Carolyn Thomas prepared it for publication.

The Authors

# Executive Summary

## Introduction

Even in a strong economy, some job seekers struggle to find and keep jobs. These individuals often have limited work experience, few educational credentials and job skills, and other characteristics such as criminal records or primary caretaking responsibilities that make it difficult for them to compete in the labor market. For decades, government entities, private foundations, and nonprofit organizations have developed programs to help disadvantaged job seekers succeed in the labor market. One such approach is subsidized employment, where the government temporarily subsidizes all or a portion of wages for job seekers to provide a bridge to unsubsidized employment and improve participants' longer-term employment prospects. Past research has found mixed results regarding these programs' ability to achieve those goals.

In late 2010, the U.S. Department of Health and Human Services launched the Subsidized and Transitional Employment Demonstration (STED) and the U.S. Department of Labor launched the Enhanced Transitional Jobs Demonstration (ETJD), complementary large-scale research projects designed to build rigorous evidence on the effectiveness of the latest generation of subsidized employment models. The projects recently finished random assignment studies of 13 subsidized employment programs, and this report summarizes findings from the studies and implications for practitioners, policymakers, and researchers. The report also presents employment and earnings impacts over an extended follow-up period of up to five years for each program, providing additional insight into whether subsidized employment programs can help participants make lasting changes in their lives.

## Background and Policy Context

Since the Great Depression, government agencies have periodically implemented subsidized employment programs to achieve one or both of the following goals: (1) provide work-based income support for jobless workers, particularly during periods of high unemployment, and (2) improve long-term economic prospects for populations that tend to have high rates of joblessness even when labor-market conditions are good (for example, people with criminal records). Rigorous studies of various approaches to subsidized employment have generally found that programs dramatically increase employment initially, but the employment gains are the result of the subsidized jobs themselves and fade quickly as people leave the subsidized jobs. The results of these evaluations led to a search for subsidized jobs models that could produce sustained increases in unsubsidized employment, and the STED and ETJD projects were developed to find and test promising models.

All the programs tested in the STED and ETJD projects aimed to use subsidized employment to improve long-term labor-market outcomes for groups with substantial barriers to employment, though each program took a different approach to achieving that goal. Each of the 13 program models was distinct, but it is possible to group them into three broad categories: traditional tran-

sitional jobs models, wage-subsidy models, and staged and tiered hybrid models. There was a great deal of variation among the models in each category, but in general, the underlying philosophies tended to align within each approach.

At the broadest level, almost all programs that sought to improve participants' long-term employment outcomes used one or more of the following strategies: (1) They sought to improve participants' skills or behaviors, (2) they sought to connect participants with jobs they would not otherwise find, or (3) they sought to induce employers to favor program participants over other job applicants when making hiring decisions. All the STED or ETJD programs used each of these strategies to some extent, but the emphasis among them varied according to the model type, as described below:

- **TRADITIONAL TRANSITIONAL JOBS MODELS** focused primarily on the first two strategies.<sup>1</sup> These models assumed that, at the point of enrollment, participants were not ready to succeed in regular, unsubsidized jobs and needed to spend time in a more forgiving work environment first. They therefore placed participants into fully subsidized, temporary jobs, often with the program sponsor or another nonprofit organization. Eventually, staff members helped participants make connections to unsubsidized jobs; the models assumed that participants would be more attractive to unsubsidized employers and better able to hold jobs after they had performed well in transitional jobs.
- **WAGE-SUBSIDY MODELS** focused more on the second and third strategies. While some of these programs provided preemployment services, they generally assumed that participants could be placed directly into open jobs in the private sector soon after enrollment, with a wage subsidy provided by the program. Thus, these programs tended to focus on connecting participants to jobs and using subsidies to try to influence employers' hiring decisions.
- **HYBRID MODELS** combined all three strategies. **TIERED HYBRID MODELS** focused on the first two strategies for participants with fewer skills and less work experience, while focusing on the last two strategies for participants with more skills and experience. These programs assessed participants' work readiness in order to offer them subsidized jobs that met their needs (that is, traditional transitional jobs or wage-subsidy jobs). **STAGED HYBRID MODELS** used all three strategies for all participants; individuals began with traditional transitional jobs and then moved to wage-subsidy positions.<sup>2</sup>

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**1** The term “transitional jobs” typically refers to temporary, subsidized jobs that are not intended to roll over into unsubsidized jobs at the end of the subsidy period. However, the terms “transitional jobs” and “subsidized jobs” are often used interchangeably.

**2** Some participants in staged hybrid models may have remained in transitional jobs if the program did not believe they were prepared for more rigorous wage-subsidy jobs.

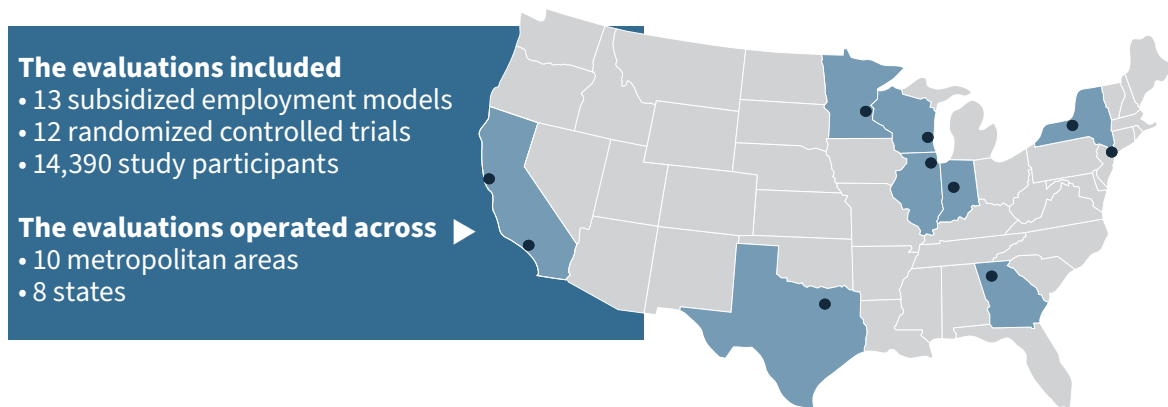


## Overview of the Evaluations

MDRC and its partners conducted a comprehensive evaluation of each program in the ETJD and STED projects. (Figure ES.1 further describes the background of the evaluations.) The team evaluated each program using a random assignment design in which eligible participants were assigned at random to a program group whose members were offered access to the program or to a control group whose members were not offered services from that program but may have received other services in their communities. One of the evaluations, conducted in Los Angeles County, evaluated two programs using a three-group random assignment design. This design provided a unique opportunity to compare two subsidized employment models — the traditional transitional jobs model and the wage-subsidy model — with each other and with a control group.

### FIGURE ES.1 Background on the STED and ETJD Evaluations

HHS sponsored the evaluation of STED and DOL sponsored the evaluation of ETJD. The evaluation contracts were awarded in 2010, and random assignment happened between 2011 and 2016. ETJD’s contract ended in 2018, and STED’s contract ends in 2020.



The evaluations initially followed the groups for 12 to 36 months using administrative records and individual surveys.<sup>3</sup> This report presents additional findings from an analysis of administrative employment and earnings data covering an extended follow-up period of up to five years. Because assignment to the program and control groups was random, one can be confident that the groups were comparable at the start. If differences emerged between the groups over time and those differences are large enough to be considered statistically significant, one can be confident that the differences are the result of the subsidized employment program. These differences are known as the “impacts” or “effects” of the program. The studies assessed whether each program led to increases in participants’ employment and earnings, and also examined other areas relevant to the populations studied, such as child support payments for noncustodial parents.<sup>4</sup>

In addition to assessing whether the programs affected these outcomes, the evaluations tried to illuminate how and why the programs generated impacts by carefully studying the implementa-

**3** Administrative records are data collected primarily for the management of programs and public services.

**4** Noncustodial parents are those who do not have custody of at least one of their children.

tion of each program. The research team studied program implementation using questionnaires administered to and interviews with participants, staff members, and work-site supervisors. The evaluations also estimated most programs' financial costs, and in one case compared those costs with their observed and estimated financial benefits. Findings from the evaluations have been documented in 13 publications.<sup>5</sup>

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- 5** Chloe Anderson, Mary Farrell, Asaph Glosser, and Bret Barden, *Testing Two Subsidized Employment Models for TANF Recipients: Final Impacts and Costs of the Los Angeles County Transitional Subsidized Employment Program*, OPRE Report 2019-71 (Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2019); Bret Barden, Randall Juras, Cindy Redcross, Mary Farrell, and Dan Bloom, *New Perspectives on Creating Jobs: Final Impacts of the Next Generation of Subsidized Employment Programs* (Washington, DC: Employment and Training Administration, U.S. Department of Labor, 2018); Danielle Cummings, Mary Farrell, and Melanie Skemer, *Forging a Path: Final Impacts and Costs of New York City's Young Adult Internship Program*, OPRE Report 2018-75 (Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2018); Mary Farrell and Riley Webster, *The Subsidized and Transitional Employment Demonstration: Implementation and Early Impacts of the Minnesota Subsidized and Transitional Employment Demonstration*, OPRE Report 2019-68 (Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, XXXX); Kimberly Foley, Mary Farrell, Riley Webster, and Johanna Walter, *Reducing Recidivism and Increasing Opportunity: Benefits and Costs of the RecycleForce Enhanced Transitional Jobs Program* (Washington, DC: Employment and Training Administration, U.S. Department of Labor, 2018); Asaph Glosser, Bret Barden, Sonya Williams, and Chloe Anderson, *Testing Two Subsidized Employment Approaches for Recipients of Temporary Assistance for Needy Families: Implementation and Early Impacts of the Los Angeles County Transitional Subsidized Employment Program*, OPRE Report 2016-77 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2016); Cindy Redcross, Bret Barden, Dan Bloom, Joseph Broadus, Jennifer Thompson, Sonya Williams, Sam Elkin, Randall Juras, Janaé Bonsu, Ada Tso, Barbara Fink, Whitney Engstrom, Johanna Walter, Gary Reynolds, Mary Farrell, Karen Gardiner, Arielle Sherman, Melanie Skemer, Yana Kusayeva, and Sara Muller-Ravett, *The Enhanced Transitional Jobs Demonstration: Implementation and Early Impacts of the Next Generation of Subsidized Employment Programs* (Washington, DC: Employment and Training Administration, U.S. Department of Labor, 2016); Melanie Skemer, Arielle Sherman, Sonya Williams, and Danielle Cummings, *Reengaging New York City's Disconnected Youth Through Work: Implementation and Early Impacts of the Young Adult Internship Program*, OPRE Report 2017-22 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2017); Johanna Walter, David Navarro, Chloe Anderson, and Ada Tso, *Testing Rapid Connections to Subsidized Private Sector Jobs for Low-Income Individuals in San Francisco: Implementation and Early Impacts of the STEP Forward Program*, OPRE Report 2017-103 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2017); Kyla Wasserman, Johanna Walter, Beata Luczywek, Hannah Wagner, and Cindy Redcross, *Engaging Young Men Involved in Chicago's Justice System: A Feasibility Study of the Bridges to Pathways Program*, OPRE Report 2019-79 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2019); Riley Webster, *The Subsidized and Transitional Employment Demonstration: Cost Analysis of the Minnesota Subsidized and Transitional Employment Demonstration*, OPRE Report 2019-108 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2019); Riley Webster, *The Subsidized and Transitional Employment Demonstration: Cost Analysis of the STEP Forward Program*, OPRE Report 2019-109 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2019); Sonya Williams and Richard Hendra, *The Effects of Subsidized and Transitional Employment Programs on Noneconomic Well-Being*, OPRE Report 2018-17 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2018).

## Main Findings

Overall, the evaluations found that subsidized employment programs can improve employment, earnings, and other outcomes under some circumstances, and for a variety of populations. However, the pattern of results makes it difficult to draw firm conclusions about which type of program works best. The findings include the following:

**Subsidized employment placement rates varied widely. Some program models were more successful than others at making placements, primarily because of differences in the programs' features rather than differences in participant motivation.** Programs that operated their own work sites or that required little commitment from external employers, simply offering free labor, were generally able to place most participants into subsidized jobs. (These programs were those operating traditional transitional jobs models and some of those operating hybrid models.) On the other hand, programs designed to place participants in jobs that were intended to become unsubsidized jobs struggled to recruit enough willing work sites and thus had much lower subsidized-job placement rates. (These programs were the ones operating wage-subsidy models and some of those operating hybrid models.) It is important to note that when given the opportunity to work in subsidized jobs, most eligible participants worked and remained engaged in the jobs until those jobs ended or until they found unsubsidized work opportunities, and that participants' well-being as measured by surveys typically improved while they were working.

**Almost all programs increased employment and earnings during the time program group members were most active in subsidized jobs, and 6 of the 13 programs had earnings impacts at least a year after the subsidized jobs ended.** Some programs maintained annual earnings impacts even after annual employment impacts faded away, which in some cases suggests that at least for a short time, subsidized employment programs may have led participants to get better jobs in the unsubsidized labor market or to be employed more consistently throughout the year. Figure ES.2 shows each program's annual earnings impacts for each year of available follow-up data.

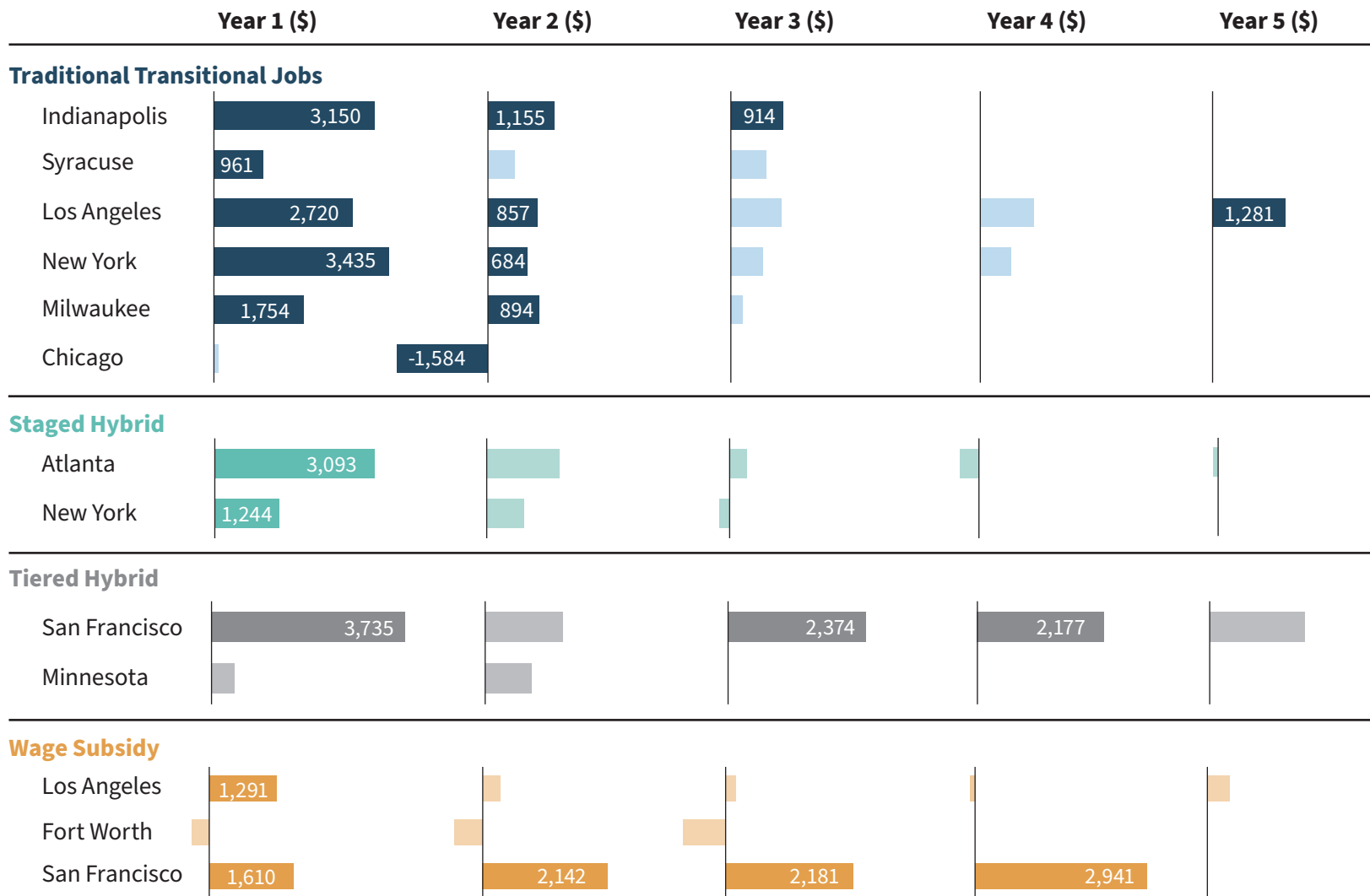
**Four of the 13 programs improved participants' employment outcomes for at least two years after the subsidized jobs ended.** These impacts are somewhat more positive than those found in past evaluations of subsidized employment programs, and they suggest that subsidized employment programs can improve longer-term employment outcomes under some conditions. However, the programs with these longer-term employment and earnings impacts were of different types, so it is difficult to draw firm conclusions about what may have caused the impacts.

**Subsidized employment programs can reduce recidivism and increase child support payment rates.<sup>6</sup>** One of the three programs serving formerly incarcerated adults moderately reduced recidivism in the 2.5 years after enrollment. Across all programs serving formerly incarcerated adults, reductions in important measures of recidivism tended to be larger throughout the follow-up period among participants at higher risk of recidivism. All four programs serving non-

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<sup>6</sup> In this report "recidivism" refers to the rate at which people with criminal records are rearrested, reconvicted, or reincarcerated.

**FIGURE ES.2 Annual Impacts on Formal Earnings**



SOURCES: MDRC calculations based on program records and National Directory of New Hires employment and earnings data.

NOTES: ■■■■ = statistically significant ( $p < 0.10$ ). ■■■■ = not statistically significant ( $p \geq 0.10$ ). These charts display all of the follow-up data available for each program. Some programs have more years of impacts shown because of differences in study enrollment end dates and project contract periods.

custodial parents improved at least one important outcome related to child support payments in the year from 18 months to 30 months after enrollment, the last year in which those outcomes were measured.

**Subsidized employment programs tend to work best for people who have more barriers to employment.** Nearly all programs produced larger impacts among those who had been out of work for over a year when they enrolled, those at higher risk of recidivism, or those without high school credentials when they enrolled. These differences in impacts continued in the longer term for several programs. This pattern of findings suggests that, in general, subsidized employment programs should target the most disadvantaged job seekers if they want to maximize their impact.

**Among the four programs with lasting earnings impacts, one program's benefits are known to have outweighed its costs from society's perspective, and the other three programs' benefits may have also outweighed their costs from society's perspective when the long-term earnings increases are taken into account.**<sup>7</sup> Only one program's benefits outweighed its costs from society's perspective during the original cost-analysis period. But in the extended follow-up period analyzed for the first time in this report, three other programs also had persistent earnings increases. Though a formal benefit-cost analysis was not conducted for these programs, those lasting increases appear to have been large enough that those programs' benefits may have also outweighed their costs from society's perspective. However, it is unlikely that any of the programs saved the government money.

## Discussion and Conclusion

STED and ETJD tested programs that were designed to improve participants' long-term success in the labor market. While most of the programs did not achieve this goal, a large majority of them succeeded in dramatically improving participants' employment rates in the short term, and these impacts led to gains in other areas, such as recidivism, child support payments, and individual well-being. These short-term impacts are notable because most of the large-scale subsidized employment programs that have operated in the United States were designed primarily to increase work and income during periods of high unemployment. The results from STED and ETJD can provide important lessons to inform the design and operation of such programs, which may play a valuable role for certain populations or geographic areas even when national labor-market conditions are relatively strong.

Specifically, the evaluations found that short-term program impacts are consistently concentrated among participants with more barriers to employment, so programs that are mainly interested in maximizing their short-term impacts may want to target the most disadvantaged job seekers. Further, the traditional transitional jobs model was the most promising approach to achieving short-term improvements when it was implemented well and when it targeted the participants who were likely to benefit the most (that is, those with more barriers to employment). On the other hand, wage-subsidy programs were difficult to pull off: These programs struggled to

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<sup>7</sup> "Society's perspective" takes into account benefits and costs to the government, participants, and in one program's case, the victims of crimes committed by participants.



recruit enough work sites to serve their enrollees, and as a result fewer than half of participants were ever placed in subsidized jobs. However, the program with the lowest placement rate had the largest earnings impacts throughout the follow-up period and was one of the least expensive to implement. These results suggest that wage-subsidy programs can be highly efficient under some circumstances and may be worthy of further investigation. Finally, the findings suggest that subsidized jobs programs may be useful tools for child support enforcement programs and prisoner reentry programs.