

Executive Summary

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
November 2017



The Subsidized and Transitional Employment Demonstration

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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

November 2017

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Overview

Introduction

Securing unsubsidized employment in a competitive labor market can be difficult for low-income job seekers in an economy that is increasingly driven by highly skilled technical and professional employment. This is particularly the case in San Francisco, whose tech boom has received national attention for dramatically, but unevenly, affecting the city's economic landscape. San Francisco has a scarcity of opportunities for individuals who are less educated or lack the higher skills required by the jobs that have driven the economy's growth. More than ever, securing stable employment is a must for lower-income workers in both San Francisco and the United States at large. While subsidized jobs can be designed to teach participants basic work skills, give them work experience that can be used on future résumés, or help them get a foot in the door with employers, past research has found mixed results regarding these programs' ability to affect participants' employment rates or earnings in the long term.

The STEP Forward program attempted to address these issues by offering job seekers opportunities to interview for jobs with private sector employers at weekly job fairs, and by offering employers temporary wage subsidies to encourage them to try out job seekers whom they might not otherwise hire, with the goal of ultimately hiring these workers into permanent unsubsidized employment. A diverse group of low-income job seekers enrolled in the program, the vast majority of whom were either CalWORKs (California's Temporary Assistance for Needy Families program) clients, individuals who had exhausted their unemployment insurance benefits, or CalFresh (California's Supplemental Nutrition Assistance Program) recipients.

Primary Research Questions

The study seeks to answer the following research questions:

- How was the program designed and operated?
- What are the impacts of the program on employment-related outcomes, income, and personal well-being, relative to what would have happened in the absence of the program?
- Does the program appear to be more effective for specific subgroups in the sample?
- To what extent do the program costs differ from the amounts expended on behalf of individuals randomly assigned to a control group that could not receive STEP Forward services? How does this cost differential relate to the benefits associated with program impacts, if any?

Purpose and Key Findings

This report presents implementation findings and interim impact results (with a one-year follow-up) from a random assignment evaluation of STEP Forward. Findings from the report include the following:

- **The program greatly increased receipt of employment services, which was unsurprising given that most of the program group received job-readiness services through STEP Forward, while control group members could receive such services only through other programs and services they found in the community.** While over half of the control group reported receiving help with finding or keeping a job, likely through other programs and services they found in the community, nearly 94 percent of the program group received these services. These services included help with job searches, job referrals, developing a résumé, filling out job applications, and preparing for job interviews, among other activities. STEP Forward offered many of these services to program group members in the form of job-readiness activities.
- **A little over a third of program group members never interviewed for a subsidized job, and among those who interviewed and were hired (25 percent), it took about three and a half months on average from the date of random assignment to the first day worked.** While a high percentage (82 percent) of program group members received job-readiness services, a significant number of participants (36 percent) never had an interview with employers, the key service offered by STEP Forward. The number of participants who were placed in a subsidized job and the length of time it took were influenced by a variety of factors, such as the competitive nature of interviewing for and getting a subsidized job, the types of jobs available, and the skills and interests of the participants.
- **In the first year after random assignment, program group members were more likely than control group members to have been employed, had higher average earnings, and may have been employed in higher-quality jobs.** These impacts appear to have been driven by the subsidized employment itself during this period and diminished as subsidies ended. Nearly 70 percent of the control group worked in the year following random assignment according to administrative records. However, three-fourths of program group members were employed in the year following random assignment, resulting in an impact on employment of 5.6 percentage points. Program group members also worked in slightly more quarters and earned approximately \$1,600 more (including the subsidy amount) than control group members, on average, in the year following random assignment. Impacts on employment and earnings rose and fell in line with participation in subsidized jobs. As subsidies ended, differences in the employment rates and earnings of the program and control groups narrowed.

Methods

The evaluation includes an implementation study, an impact study, and a benefit-cost analysis. This report presents implementation findings and interim impact findings (after one year). Benefit-cost findings and longer-term impact findings (after 30 months) will be presented in a future report.

The implementation study describes the STEP Forward approach as it was designed and as it ultimately operated. Data sources for the implementation study include staff interviews, observations, and participation data. The implementation section of this report integrates qualitative and quantitative data from these various sources to create a coherent picture of the implementation of the program.

The impact study uses a randomized controlled trial design in which individuals eligible for and interested in the subsidized jobs program were randomly assigned to STEP Forward, or to a control

group that does not have access to the STEP Forward services. This design makes it possible to compare the STEP Forward group with the control group. The study will evaluate impacts on employment and earnings, and personal well-being, among other areas. Data sources for the impact study include administrative wage records, subsidized employment payroll records, and a survey conducted approximately 12 months after participants entered the study.

Acknowledgments

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

At the Human Services Agency of San Francisco (HSA), we would like to thank Steve Arcelona, Tony Lugo, James Whelley, and Roxana Morales. They have been invaluable partners in the development of the STEP Forward program and the research design of its evaluation. We would also like to acknowledge and thank the many HSA staff members who operated the STEP Forward program. We also thank Chris Warland at the National Transitional Jobs Network for assistance with the implementation of this study.

At MDRC, Dan Bloom, Cindy Redcross, Vanessa Martin, Charles Michalopoulos, Gayle Hamilton, and Richard Hendra provided thoughtful comments on several drafts of this report. Ms. Martin was also instrumental in conducting implementation research on STEP Forward's program management and operations. John Wallace, a consultant, played a vital role in the site selection and development work with the HSA managers in the early days of the study. Michelle Manno capably managed the report's production. In addition to the authors, Sally Dai and Danielle Cummings were part of the stellar quantitative analysis team who processed the surveys and federal and local data sets used in the report, and offered insightful recommendations. Jonathan Timm and Molly Williams coordinated the production of the report. Christopher Boland edited the report and Ann Kottner prepared it for publication.

Finally, we extend our deep appreciation to the women and men who participated in the study and gave generously of their time to respond to surveys and participate in interviews and focus groups. Their experiences will contribute to the policy world's knowledge of the challenges faced by job seekers as they strive to improve their lives.

The Authors

Executive Summary

Securing unsubsidized employment in a competitive labor market can be difficult for low-income job seekers in an economy that is increasingly driven by highly skilled technical and professional employment. San Francisco's tech boom is a case in point. Despite its prosperous economy, San Francisco has a scarcity of opportunities for those who are less educated or lack the higher skills required by the jobs that have driven the economy's growth. The disparities in income and economic opportunities, as well as the skyrocketing housing market, have exacerbated the difficulties of living in San Francisco for the poor. While San Francisco provides a prime example of the shifting economy and plight of lower-income workers, these trends are largely present throughout the country. More than ever, securing stable employment is a must for lower-income workers in both San Francisco and the United States at large.

STEP Forward, a voluntary program in San Francisco that aimed to connect low-income job seekers to the labor market with the goal of ultimately increasing permanent unsubsidized employment among this population, attempted to address these issues. The program was operated by the Human Services Agency of San Francisco (HSA) under the umbrella of JOBSNOW!, HSA's broader subsidized employment initiative. STEP Forward offered job seekers opportunities to interview for jobs with private sector employers at weekly job fairs, and offered employers temporary wage subsidies if they hired disadvantaged job seekers whom they might not otherwise hire. A diverse group of low-income job seekers enrolled in the program, the vast majority of whom were either CalWORKs (California's Temporary Assistance for Needy Families program) clients, individuals who had exhausted their unemployment insurance (UI) benefits, or CalFresh (California's Supplemental Nutrition Assistance Program) recipients.

This report presents implementation findings and interim impact results (with a one-year follow-up) from a random assignment evaluation of STEP Forward. This research design — generally considered to be the most rigorous method of evaluating large-scale social service programs — involves a lottery-like process that randomly places individuals into either a program group, which is offered the services being tested, or into a control group, which is not offered those services. The STEP Forward study is part of a larger demonstration funded by the U.S. Department of Health and Human Services, called the Subsidized and Transitional Employment Demonstration (STED), which is testing various subsidized employment strategies in several cities across the country.

Background

Prior efforts to use subsidized employment to improve the long-term employment outcomes of hard-to-employ populations have had mixed results. Bloom (2010) outlines the history of subsidized and transitional employment tests, finding a long legacy of programs seeking to use subsidized employment to ease individuals' transition into the unsubsidized labor market.¹ While some examples exist of programs that resulted in long-term gains in employment and earnings, most recent studies suggest that subsidized employment can generate impacts on employment and earnings during the subsidy period, but that the effects recede quickly following the conclusion of the subsidy.²

Subsidized employment received renewed attention as a result of the recent economic recession. In 2009, when the national unemployment rate reached 10 percent, states used funds from the American Recovery and Reinvestment Act's (ARRA) Temporary Assistance for Needy Families Emergency Fund (TANF-EF) to create jobs for about 280,000 people. Forty states put at least some people to work before the funding expired in late 2010, and 14 states and the District of Columbia each placed at least 5,000 people in subsidized jobs.

Importantly, most of the TANF-EF programs (particularly the larger ones) broadly targeted unemployed workers, and did not particularly focus on TANF recipients. In addition, many of the programs did not place a strong emphasis on transitioning participants to unsubsidized jobs, but rather emphasized "rapid job placement to alleviate unemployment."³ Similar to previous efforts to provide opportunities for earned income among unemployed populations during periods of economic downturn, the TANF-EF programs served many people who had steady work histories, and the models assumed that these individuals would return to regular jobs once the labor market improved. The TANF-EF programs were popular in many states,

¹Dan Bloom, *Transitional Jobs: Background, Program Models, and Evaluation Evidence* (New York: MDRC, 2010). See also Indivar Dutta-Gupta, Kali Grant, Matthew Eckel, and Peter Edelman, *Lessons Learned from 40 Years of Subsidized Employment Programs* (Washington, D.C.: Georgetown Center on Poverty and Inequality, 2016).

²Effects on other outcomes, however, can occur. A recent study of one program targeting TANF recipients in Philadelphia, which did not find longer-term positive impacts on employment, did find sustained positive impacts on measures of TANF receipt, with program group members less likely than control group members to be receiving cash assistance 18 months after they enrolled in the program. See Dan Bloom, Sarah Rich, Cindy Redcross, Erin Jacobs, Jennifer Yahner, and Nancy Pindus, *Alternative Welfare-to-Work Strategies for the Hard-to-Employ: Testing Transitional Jobs and Pre-Employment Services in Philadelphia* (New York: MDRC, 2009).

³Mary Farrell, Sam Elkin, Joseph Broadus, and Dan Bloom, *Subsidized Employment Opportunities for Low-Income Families: A Review of State Employment Programs Created Through the TANF Emergency Fund* (New York: MDRC, 2011).

with governors from both parties expressing strong support. The experience, while relatively short lived, rekindled interest in subsidized employment more broadly.

In 2010, the U.S. Departments of Human Services (HHS) and Labor (DOL) made substantial investments to advance the field's understanding of subsidized employment.⁴ Through STED, HHS is funding studies of eight subsidized employment interventions. These studies explore how subsidized employment strategies can meet the needs of TANF recipients and other low-income adults and youth. The San Francisco STED program that is the subject of this report, referred to as STEP Forward, targeted a diverse group of low-income, job-seeking adults living in San Francisco.

Historical Context of STEP Forward

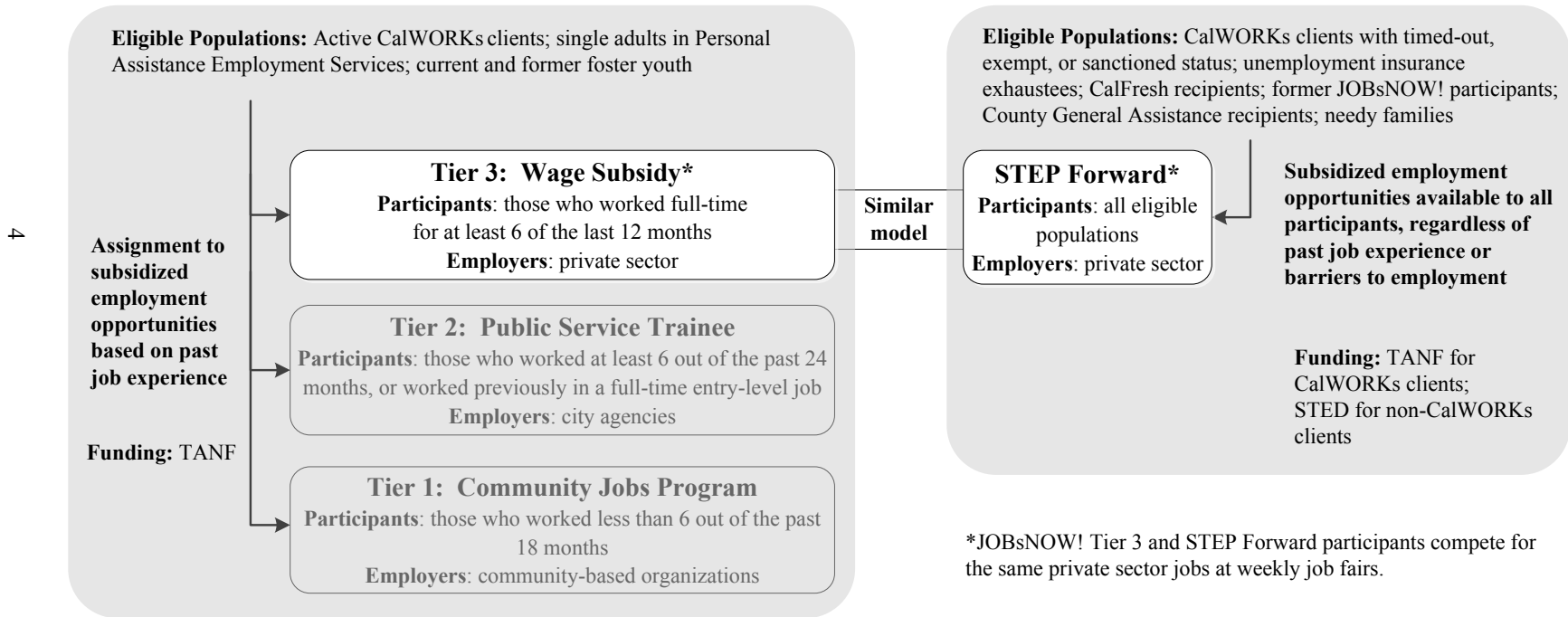
STEP Forward came out of a desire to test a private sector wage subsidy program. JOBSNOW!, HSA's broader subsidized employment initiative, was of particular interest to MDRC and HHS because, unlike many other subsidized job programs that offered only transitional or public sector jobs to provide training opportunities and work experience, JOBSNOW! also included a private sector wage subsidy component.

The original JOBSNOW! program launched in 2009 with funding from the American Recovery and Reinvestment Act (ARRA) to help combat the high unemployment caused by the recent recession. JOBSNOW! comprised three tiers of subsidized jobs, depicted in the left-hand panel in Figure ES.1. Enrollees in JOBSNOW! were assigned to one of the three tiers based on their past work experience, with those who had the most recent work experience assigned to the Wage Subsidy tier, which provided jobs with private sector employers. The economic circumstances, generous funding, and broad eligibility criteria for JOBSNOW! early in the recovery period meant that many who enrolled were highly skilled and had recent work experience. As such, the Wage Subsidy tier — which offered wage subsidies of up to \$75,000 per person per year to private employers to spur job creation, screened applicants, and facilitated connections between the two by holding job fairs, but did not provide opportunities for additional training — became the largest of the three tiers. The program was highly popular among both job seekers and employers, and HSA cultivated enduring relationships with private sector employers from which later iterations of JOBSNOW! benefitted.

⁴For a summary of other subsidized employment tests being funded by HHS and DOL, see Dan Bloom, *Testing the Next Generation of Subsidized Employment Programs: An Introduction to the Subsidized and Transitional Employment Demonstration and the Enhanced Transitional Jobs Demonstration* OPRE Report 2015-58 (Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2015).

Figure ES.1

Features of the JOBSNOW! and STEP Forward Programs



NOTES: CalWORKs = California’s Temporary Assistance for Needy Families program; CalFresh = California’s Supplemental Nutrition Assistance Program.

After the ARRA funding ended in September 2010, HSA used CalWORKs (California’s Temporary Assistance for Needy Families program) and the city’s general funds to keep JOBSNOW! operating, but this meant that the program had to be significantly scaled back. While a subsidy was still provided to attract employers, the maximum amount was capped at \$5,000 per person over a maximum time period of five months, and the program was pitched to employers as a chance to “try out” an employee as opposed to creating new jobs. This funding source also allowed the program to serve most — but not all — CalWORKs clients and a couple of other disadvantaged groups who were generally less skilled than the participants during the ARRA funding period, and as a result it was more of a challenge to identify good matches between job seekers and employers.

Around the time this transition of the JOBSNOW! program was taking place, MDRC approached HSA to discuss an evaluation of post-ARRA JOBSNOW!’s Wage Subsidy tier. However, because the CalWORKs funding was sufficient to serve those individuals then eligible for the JOBSNOW! program, ruling out the possibility of a randomized controlled trial, HSA opted to test a version of JOBSNOW! with groups it had not previously served. Using STED funds, HSA created STEP Forward to extend eligibility to and recruit from a set of individuals that they thought could benefit from the Wage Subsidy tier but who were not eligible for JOBSNOW!. This set included three categories of CalWORKs clients who were exempt from work requirements and UI claimants with children who had exhausted their UI benefits. A key difference between the JOBSNOW! program and STEP Forward was that STEP Forward would provide only the streamlined Wage Subsidy tier services, described in greater detail below, that were offered since the program’s inception — it would not assign participants to different categories of services based on their level of work readiness as was the case in JOBSNOW!.

The STED Evaluation of STEP Forward

The research team is evaluating STEP Forward using a randomized controlled trial research design. A total of 837 adults who met the eligibility criteria were enrolled into the STEP Forward study between November 2012 and March 2015. Half (n=421) were randomly assigned to the program group and were offered STEP Forward program services, and the other half (n=416) were randomly assigned to the control group and were not offered these services, although they could receive other services through HSA’s other programs and services they found in the community.

The evaluation set out to answer the following questions:

1. How was the program designed and operated?

2. What are the impacts of the program on employment-related outcomes, income, and personal well-being, relative to what would have happened in the absence of the program?
3. Does the program appear to be more effective for specific subgroups in the sample?
4. To what extent do the program costs differ from the amounts expended on behalf of individuals randomly assigned to a control group that could not receive STEP Forward services? How does this cost differential relate to the benefits associated with program impacts, if any?

To answer these questions, the evaluation includes an implementation study, an impact study, and a benefit-cost analysis. The implementation study aims to answer the first question above about how the program was designed and operated. The impact study uses a randomized controlled trial design, as described above, to address the second and third questions of whether STEP Forward improves key outcomes of interest and whether the program is more effective for specific subgroups of the sample. The random assignment design ensures that any subsequent difference in outcomes between the program and control groups, or “impacts,” can be attributed — with high confidence — to the program’s effects. The benefit-cost analysis will address the last question by assessing how STEP Forward’s costs compare with its benefits. This report focuses on the implementation findings and interim impact results (with one year of follow-up). Final impact results (which will have a 30-month follow-up period) and benefit-cost findings will be included in a future report, expected in 2019.

Intended Program Model

This section describes what was intended to happen in STEP Forward; the study’s implementation analysis examines what actually happened. STEP Forward was designed to operate similarly to a staffing agency that connects job seekers and employers, with an added wage subsidy component to attract and encourage employers to take on job seekers that they might not have otherwise hired. Once enrolled in the voluntary program, participants would meet with a case manager who would assess if they were ready to interview for jobs based on whether they had an updated résumé, had appropriate interview attire, and access to the necessary child care and transportation. If the participant met these requirements, the case manager would review the available job openings that employers had listed with the program and complete a worksheet that ranked how well the participant fit a particular job, selecting the highest ranked participants to interview with that position’s employer (as long as those participants expressed interest in the position). For those participants who did not meet the requirements, the case manager would work with them to help prepare them for the job market by reviewing their

résumés, conducting practice interviews, or referring them to outside providers for services and resources HSA did not offer.

Interviews were held at weekly job fairs that HSA organized exclusively for participants in JOBSNOW!. Positions were competitive: participants might have been rejected or hired based on that interview, or they might have been invited to subsequent interviews. Still, the weekly job fair was the mechanism that gave participants the opportunity to meet employers directly, bypassing the usual process of submitting an application to employers and waiting to hear back. Once participants successfully obtained a subsidized job, HSA considered them to have completed the program and HSA staff did not initiate post-placement contact.

In order for employers to qualify for subsidies, the jobs they offered had to be at least 25 hours per week and pay the prevailing wage for the position. Employers were expected to treat participants as regular employees — providing supervision and training and paying payroll taxes and benefits — while HSA provided the subsidy reimbursement, which varied based on the position's hourly wage but had a maximum of \$1,000 per month for up to five months. This subsidy was intended to encourage employers to hire individuals that they may not have otherwise considered and would follow HSA's post-ARRA JOBSNOW! approach of letting them try out job seekers on a conditional basis. In order for businesses to be a part of HSA's employer network, they were expected to retain participants after the subsidy ended so long as they met employers' job performance standards.

Key Implementation Findings

The implementation of STEP Forward was assessed using several different data sources, including staff interviews and observations, employer interviews, participant focus groups and interviews, and participation data from HSA's JOBSNOW! database and payroll records.

- **A variety of recruitment issues led HSA to expand STEP Forward's target population, beyond what was originally intended, to include a heterogeneous array of individuals whose job readiness varied widely. This expansion in turn put pressure on the program to adapt to meet the needs of participants at both ends of the spectrum.**

STEP Forward suffered from a variety of recruitment issues during the first year of the study. These issues included an extension of UI benefits by six months that went into effect shortly after recruitment started and reduced UI exhaustee enrollment, an over-projection of the number of eligible and interested CalWORKs candidates, and an improving local economy — all of which resulted in lower-than-expected demand for the voluntary program. This low demand ultimately led HSA to expand its target populations to also include CalFresh (California's Supplemental Nutrition Assistance Program) recipients, UI exhaustees without dependent

children, and various other low-income groups. As a result, the study sample was extremely diverse in terms of age, gender, household composition, English proficiency, education, and wage history.

Consequently, there was great variability in sample members' perceived job readiness. In addition to the three "job ready" criteria mentioned earlier, case managers discovered that many participants had other needs that had to be addressed before they could be considered ready to interview, such as mental health and substance abuse problems, outdated skills, and disillusionment because of unsuccessful job search experiences. This variability was surprising to HSA staff, who expected participants to come in with higher levels of skill and employability based on earlier iterations of JOBSNOW!. At the same time, however, a sizable portion of participants said that they felt overqualified for the jobs on offer at the job fairs. Since STEP Forward, unlike the larger JOBSNOW! program, did not have multiple tiers of jobs, HSA attempted to connect all participants, regardless of their job history, to a subsidized job with a private employer. For this reason, there was tension at times between the wide-ranging needs of the heterogeneous sample and the program model.

In order to better meet the needs of the more disadvantaged group, HSA made previously optional weekly job club sessions — during which HSA staff members would offer employment-related advice and participants were able to share their job search experiences and job listings they had come across — a more structured and central part of the program through which case managers shared information on available jobs. HSA also intensified job-readiness activities offered by case managers such as practice interviews, help with résumés, and soft skills development. Additionally, HSA made greater use of its social work staff, who provided referrals to outside agencies and some direct assistance. While greater numbers of participants engaged in all of these activities, STEP Forward still struggled to prepare them for the job market.

HSA also took action to address the needs of participants who felt overqualified for available jobs and were seeking higher paid or skilled positions. To attract more employers that paid higher wages, HSA modified the wage subsidy model in December 2013 to increase the subsidy amount available to employers who paid \$13.50 per hour or higher. Given that the percentage of participants who were ever paid \$13.50 or more per hour was more than twice as high among those who started jobs after this point, this strategy appears to have succeeded.

- **A little over a third of program group members never interviewed for a subsidized job, and among those who interviewed and worked in a subsidized job (25 percent), it took about three and a half months on average from the date of random assignment to the first day worked.**

While a high percentage (84 percent) of program group members received job interview preparation services, a large number of participants (35 percent) never received the key service offered by STEP Forward of getting to interview with employers. There are a number of possible reasons for this outcome, such as HSA's vetting of participants to ensure that only those individuals who were job ready and who met the minimum qualifications of a particular job actually interviewed with employers. It is conceivable that the expansion of the target groups exacerbated this situation; some of the members of these groups may have been assessed as having more barriers to becoming job ready. Other factors that may have tamped down participation were the voluntary nature of the program and perceptions among some participants that the jobs on offer were poor matches or that the employers, most of which were small businesses, were financially unstable.

During the one year follow-up period, only about 25 percent of STEP Forward participants ever worked in a subsidized job.⁵ It took, on average, over three and a half months from random assignment to the first date of employment for participants who worked in a subsidized job. The number of participants who were placed in a subsidized job and the length of time it took were influenced by a variety of factors, such as the competitive nature of interviewing for and getting a subsidized job, the types of jobs available, and the skills and interests of the participants. In addition, participants could not receive program services while they were working; according to administrative data, 51 percent of program group members found unsubsidized employment without having worked in a subsidized job during the one-year follow-up period.

Among those who worked in a subsidized job, the average number of months worked (3.3 months) was short of the five-month maximum duration of the wage subsidy, but there was wide variation in the length of time spent in subsidized jobs. Because STEP Forward staff did not formally keep track of participants once they started their subsidized jobs, there is little information about why jobs ended early. Full subsidies were paid for about a third of those who worked in a subsidized job, and the vast majority (92 percent) of these individuals retained employment for at least two quarters beyond the subsidy period.

⁵Random assignment ended in March 2015 and subsidized job placements ended in December 2015, with a deadline of June 2016 for employers to request subsidy payments. Given the structure of the intervention, subsidized job placements were expected to occur pretty quickly following random assignment, and the nine-month timeframe for those in the latest cohort to be placed in a subsidized job was thought to be sufficient. As it turned out, for some, job placements took much longer than anticipated. Measures using all available data show that 3 percent of sample members were placed in a subsidized job past the 12-month period that is the focus of this report, suggesting the program was truncated for the latest cohorts relative to the experience of earlier cohorts.

- **The program was successful in attracting employers through offering subsidies and vetting participants to ensure that only the best matched job seekers could interview, but this achievement came at a cost to participants and may have undercut the effects of providing subsidies.**

Both job seekers and employers were customers of the STEP Forward program, which functioned more like a labor exchange agency than a traditional social service program. This approach appears to have been successful in attracting employers: There were 85 employers — most of which were for-profit small businesses — that hired STEP Forward participants. The job titles of the positions for which participants were hired indicate that many of them were entry level, such as security guard and custodian. But there were also some job titles that suggested they were higher-skilled positions, such as web designer, and others that suggested they were in a specialized field, such as CAD drafter. Employers valued the subsidies, but they also appreciated the vetting process applied to job seekers, perhaps, in some cases, even more so than the subsidies. The strong emphasis on attracting employers may have worked well when JOBSNOW! was originally conceived as an economic stimulus program, but STEP Forward struggled to balance maintaining relationships with employers and finding a good fit with the available jobs for participants who were less job ready than program staff had anticipated. This issue may at least partially explain the low interview rate — and consequently the low subsidized job placement rate — among program group members.

Key Impact Analysis Findings

The impact study relies on data from two key sources: employment and earnings data from the National Directory of New Hires (NDNH) and 12-month survey data. For this report, follow-up of just over one year after random assignment was available to assess differences between program and control group members.⁶

- **The program greatly increased receipt of employment services, which was unsurprising given that most of the program group received job interview preparation services through STEP Forward, while control group members could receive such services only through other programs and services they found in the community.**

While over half of the control group reported receiving help with finding or keeping a job (58 percent), likely through other programs and services they found in the community, nearly 94 percent of the program group received these services. These services included help

⁶Unless otherwise indicated, all impact results discussed in this report are statistically significant, with p-values less than 0.10.

with job searches, job referrals, developing a résumé, filling out job applications, and preparing for job interviews, among other activities. STEP Forward offered many of these services to program group members in the form of job-readiness activities.

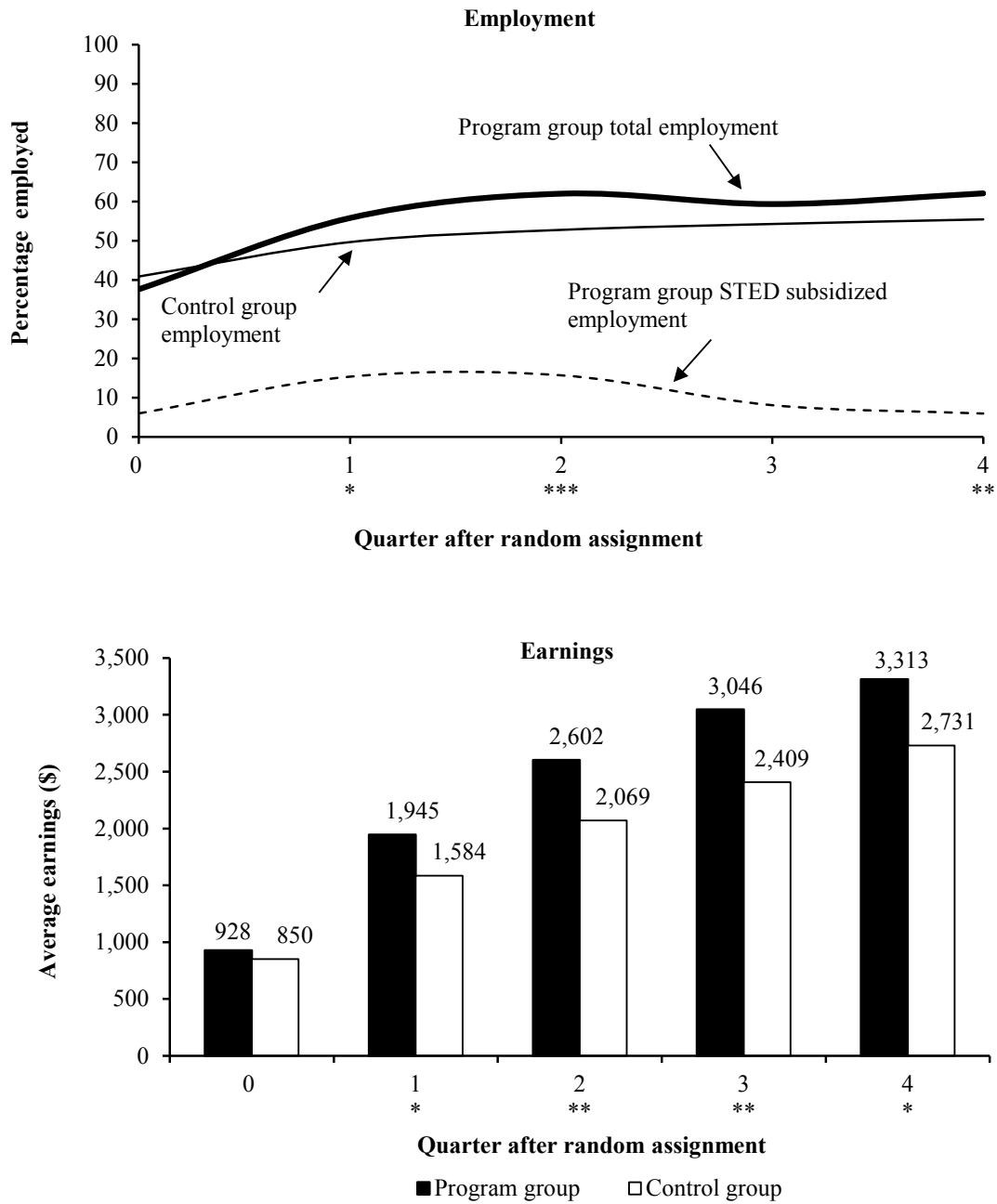
- **In the first year after random assignment, program group members were more likely than control group members to have been employed, had higher average earnings, and may have been employed in higher-quality jobs. These impacts appear to have been driven by the subsidized employment itself during this period and diminished as subsidies ended.**

Nearly 70 percent of the control group worked in the year following random assignment, according to administrative records. However, over three-quarters of program group members were employed in the year following random assignment, resulting in an impact on employment of 6 percentage points. Program group members also worked in more quarters and earned approximately \$1,600 more (including the subsidy amount) than control group members, on average, in the year following random assignment, although they were no more or less likely to have worked in all quarters (one-fourth of both groups). As Figure ES.2 shows, impacts on employment and earnings rose and fell in line with participation in subsidized jobs. As subsidies ended, the difference between the employment rates and earnings of the program and control groups narrowed. Given the low rate of participation in subsidized jobs, these changes were also relatively small. A small share of program group members were still working in subsidized jobs in Quarter 4, which likely explains the program group's higher employment and earnings at that point. Due to small sample sizes, findings from an analysis on whether the program worked better for more or less employable sample members were inconclusive.

Survey-based measures suggest that at a year after random assignment, program group members were more likely to be working more than 20 hours per week and to be paid at higher hourly wages at their current jobs, compared with control group members. This pattern of impacts is in line with the structure of the subsidy, which required subsidized jobs to be 25 or more hours per week, and that eventually offered greater subsidies to attract higher-paying employers. Additionally, although there was no difference in health care coverage overall, program group members were more likely than control group members to have employer-provided insurance. Together, these impacts indicate that, in addition to increasing employment and earnings during the year after random assignment, STEP Forward may have provided access to higher-quality jobs than sample members would have found on their own.

Figure ES.2

Employment and Earnings Over Time



SOURCE: MDRC calculations based on quarterly wage data from the National Directory of New Hires and STEP Forward subsidy payment records.

NOTE: Results in this table are regression-adjusted, controlling for pre-random assignment characteristics. Statistical significance levels are indicated as follows: *** = 1 percent; ** = 5 percent; * = 10 percent.

Next Steps

The STED study in San Francisco is part of a larger effort to investigate the effects of subsidized employment programs for a variety of populations. As has been the case in many recent, similar tests, this study found short-term employment and earnings impacts in the period during which subsidies were available. Those employment and earnings impacts diminished over time and the employment status of program and control group members were more similar at the end of the approximately one-year follow-up period covered in this report. More follow-up is required to determine whether in fact the employment impacts are restricted primarily to the subsidy period. The work experience program group members gained from their placements may have longer-term effects on employment and earnings, particularly since early indications suggest that program group members were more likely than control group members to be employed in jobs that offered more hours, higher wages, and some employer-provided benefits. The subsidized job-seeking process provided participants with an employment experience similar to the unsubsidized labor market, which could translate to more successful employment searches in the future. In addition, because the subsidized placements could turn into permanent jobs, longer-term gains in employment and earnings could emerge. The final report, expected in 2019, will present the effects of this subsidized employment approach at 30 months after random assignment.

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