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SUBSIDIZED JOB PROGRAMS AND THEIR EFFECTIVENESS IN HELPING FAMILIES GO TO WORK AND ESCAPE POVERTY

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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SUBSIDIZED JOB PROGRAMS AND THEIR EFFECTIVENESS IN HELPING FAMILIES GO TO WORK AND ESCAPE POVERTY

WEDNESDAY, JULY 30, 2014

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to call, at 2:03 p.m., in room 1100, Longworth House Office Building, the Honorable Dave Reichert [Chairman of the Subcommittee] presiding.

[The advisory of the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
Wednesday, July 30, 2014
No. HR–13

CONTACT: (202) 225–1025

Chairman Reichert Announces Hearing on Subsidized Job Programs and Their Effectiveness in Helping Families Go to Work and Escape Poverty

Congressman Dave Reichert (R–WA), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on subsidized jobs programs and their effectiveness in helping families escape poverty. **The hearing will take place at 2:00 p.m. on Wednesday, July 30, in room 1100 of the Longworth House Office Building.**

In view of the limited time available to hear from witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include individuals with experience administering subsidized employment programs and experts who have studied the effectiveness of these programs. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Helping people find full-time jobs is the best way to reduce poverty. Over *97 percent* of individuals age 18–64 who work full-time have earnings that place them above the poverty line, while almost one-third of individuals in that age range who do not work are in poverty. Working full-time also helps individuals move up the economic ladder. Of households in the bottom 20 percent of the earnings distribution, fewer than *one in five* had a household member working full-time, and more than 60 percent included no one who was working. Households in the top 20 percent of earners had on average two household members working, in almost all cases full time.

The major accomplishment of the 1996 welfare reforms was to help more low-income families and individuals find jobs, so they could escape poverty and dependence on government benefits and move up the economic ladder. Since the work-based welfare reforms were enacted, the employment rate of adults receiving Temporary Assistance for Needy Families (TANF) welfare benefits has more than doubled. Child poverty rates *fell* dramatically in the years immediately after welfare reform, while welfare caseloads *declined* by 60 percent through June 2013. In addition to expecting more welfare recipients to work and prepare for work, welfare reform provided more flexibility for States to support work by providing child care benefits, transportation assistance, and other work supports.

While welfare reform moved many low-income families into work, more can be done to help welfare recipients work and escape poverty. States now report spending only a small share of their TANF funding—*6 percent* in FY 2013—on activities designed to get welfare recipients jobs. Although States are required to engage 50 percent of welfare recipients in work or work-related activities, 22 States face effectively no such requirement because of loopholes in the law. Further, in the most recent State data on work performed by welfare recipients (*FY 2011*), States reported that almost 60 percent of adults performed no hours of work or work-related activities, such as education or training.

A number of States have taken steps to more quickly move welfare recipients into the workforce, in some cases providing wage subsidies to employers to hire these individuals so they can earn a paycheck instead of receiving welfare. State approaches to subsidizing employment have been varied, including by the type of recipient placed in subsidized jobs, whether the placement is in the public or private sector, the length of the subsidy, and the amount of the subsidy. Specific Federal funding for this purpose was provided under the 2009 economic stimulus law (P.L. 111–5), under which $1.3 billion was spent on subsidized jobs programs between 2009 and 2010. Placing welfare recipients in subsidized jobs can help these individuals gain skills that will help them find and maintain full-time employment. However, because research on the long-term impacts of subsidized jobs is mixed, it is important to review the structure of different subsidized jobs programs to determine which features appear most likely to make these programs successful.

In announcing the hearing, Chairman Reichert stated, **"Our nation's welfare programs should be focused on one thing" helping people in need find work, so they can escape poverty and move up the economic ladder. The 1996 welfare reforms achieved this goal by requiring States to get welfare recipients working or preparing for work. One of the ways States have done so is by connecting recipients quickly with employers, sometimes by subsidizing their wages. Welfare reauthorization is on hold as the Administration continues to insist—despite 15 years of TANF law and precedent to the contrary—that it can waive the critical TANF work requirements. So now is a good time for us to review how these subsidized job programs are working. I look forward to hearing more about these State efforts so we can improve our nation's welfare system and move more people out of poverty."**

FOCUS OF THE HEARING:

This hearing will focus on State subsidized jobs programs designed to move individuals from welfare to work, including what research reveals about the impact of such programs on employment and earnings.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Please click here to submit a statement or letter for the record." Once you have followed the online instructions, submit all requested information. Attach your submission as a Word document, in compliance with the formatting requirements listed below, **by August 13, 2014.** Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available online at *http://www.waysandmeans.house.gov/*.

Chairman REICHERT. The committee will come to order.

I had a chance to visit briefly with our witnesses. They are so excited to be here, and we are excited to have you. A couple of them are a little nervous, so I told them we would go easy on them. So it will be no big deal.

I want to thank you again to our guests and witnesses for joining us today for this important hearing to review what we can do to help more parents go to work and help families escape poverty. We clearly have lots of work to do as we enter the 6th year of the so-called Obama recovery. Not only has this been the worst recovery for jobs and growth ever, but record numbers of Americans are not working or working only temporary jobs. More people dropped out of the workforce during this recovery than during the recession that preceded it. And the median household income is down over $2,000 since this recovery started. All of which may be why nearly half of Americans think that the U.S. is still in a recession.

Over 5½ years after Democrats' trillion-dollar stimulus plan, Americans are still asking, where are the jobs? Make no mistake, work is not only what parents need and what they are looking for, it is the only real path out of poverty.

We know this implicitly, and the data confirms it. Less than 3 percent of full-time workers are in poverty, while the poverty rate for people who don't work is 10 times higher. Work also addresses inequality, the inequality of households in the bottom 20 percent of the earnings ladder. Less than one in five had a household member working full-time, and more than 60 percent had no one in the household who was working at all. In contrast, households in the top 20 percent of earners had an average two workers in the household, with almost all of them working full-time.

Looking back, we see the 1996 welfare reforms confirm the centrality of work to reducing poverty. Since the work-based 1996 welfare reforms were enacted, the employment rate of welfare recipients more than doubled and child poverty rates fell dramatically and are still below the level in the early 1990s. Welfare caseloads have declined by 60 percent. And still in many places loopholes have allowed States to keep welfare recipients on the rolls too long without working, reducing their income and increasing their dependence on taxpayers.

States now spend only a small share of their TANF funding, 6 percent in 2013, on activities designed to get welfare recipients back to work. The most recent data from States for 2011 shows almost 60 percent of adults on TANF who were required to work had no reported hours in any work or work-related activity.

So the question is this, how can we get more low-income adults into jobs so they can better support their families and move up the economic ladder? And as we will learn in the testimony today, one approach to achieving this goal is through supporting subsidized jobs. For years, some States have placed welfare recipients in subsidized jobs, providing payments to public and private employers to hire welfare recipients so they earn a paycheck instead of just collecting a welfare check.

The goal of this approach is for the job to continue even after the subsidy ends, but it doesn't always work that way, and raising concerns about effectiveness and cost of such efforts compared to other approaches is legitimate. We hope to review those sorts of issues today to determine how these types of programs can help low-income families escape poverty.

The bigger picture is important, too. If we want to promote subsidized jobs or any other way of helping welfare recipients go to work, we simply will not make any progress while the administration continues to insist it can waive precisely these sorts of policies. The irony is, when the administration announced its TANF waiver policy 2 years ago, we were working together across party lines to close loopholes that weaken welfare back-to-work rules.

Those loopholes remain wide open today. We can and should revisit ways to close those loopholes along with discussing ways to implement ideas like promoting subsidized jobs in the months ahead. But if the administration continues to insist it can simply waive any of the rules Congress creates, it is very unlikely that that will happen.

I look forward to today's testimony and our continuing work together on ways to help low-income parents find the work they so desperately need and want.

And, Mr. Doggett, you are now recognized for your opening statement.

Mr. DOGGETT. Thank you so much, Mr. Chairman.

I believe that our objective should be to encourage innovation without wasting taxpayer money on programs that don't work that are not cost effective. There is not enough TANF block grant money available now to adequately fund existing programs designed to help poor people secure stable employment and that is despite the fact that each year TANF continues to serve a smaller and smaller share of poor families.

Since no additional resources are being proposed to help lift people out of poverty, we are really in a zero-sum game situation here. Every dollar that we shift to subsidize employment means a dollar less for some other initiative. That doesn't mean it is not a good idea to shift money into subsidized employment. It just means that we need to scrutinize what we are moving it into carefully and what we are moving it out of carefully. Our decision should be guided by what the evidence shows, not what ideology dictates. Before we divert more TANF funds to any particular initiative, let's

ensure that we have that kind of objective evidence to justify how the money is being allocated.

Probably the greatest potential for subsidized employment is for those individuals who face the greatest barriers to being hired: ex-offenders, those with serious physical or mental health issues, long-term unemployed, and older workers who often face discrimination. I know that one of our witnesses that I look forward to hearing from, Ms. Collins, will tell us about the transformative effect that such a program had on her life, and I am sure that is true of many others.

Overall, however, the evidence is modest and it is mixed as to whether subsidized employment programs are actually effective, cost effective, in helping a substantial number of poor people secure a stable job at a wage that will help them escape poverty. Certainly the offer of free or almost free taxpayer-financed labor would have appeal to most any business.

The question is whether when the taxpayer subsidy ends, does the job end also or does it truly open the way to long-term employment? Does subsidized employment offer an opportunity or is it just another windfall? I think the verdict is largely still out. Probably to ensure more opportunity through subsidized employment where it does appear to work, we need some strong safeguards in place to protect the taxpayer investment that is at stake.

Today's hearing is another way to scrutinize the potential of expanding subsidized employment programs to more people, and it deserves the same care and attention that this subcommittee has applied in previous hearings to other types of public expenditures. I note Mr. Bloom's testimony indicates that most subsidized employment programs that have been tested have not produced the sustained increases in unsubsidized employment we would like to see, and Mr. Doar writes that in his experience running a subsidized employment program sometimes proves to be an expensive intervention that was not necessarily more effective than some less costly strategies at trying to get people from welfare to work.

Today is an opportunity to learn more about these programs and their effectiveness. It will also help us to determine whether we can make decisions to support programs based on evidence or whether we will simply rely on ideology as a guide.

I agree that the TANF program, set to expire at the end of September, very soon, is long overdue for serious examination. I voted for the 1996 welfare reform law that established TANF because I support reducing poverty by promoting work. It is just a matter of determining what the most effective way to do that is. And indeed this law, in combination with a very strong economy and improvements in the earned tax credit, did help prepare more individuals into the workforce back in the 1990s.

Unfortunately, nearly all of the progress that we experienced from the law in increasing employment levels for single mothers or reducing poverty for children ended in about 2000, and ever since then most of the major trends have been negative. Four years of success followed by 14 years of shortcoming is not the greatest record.

Why are we seeing this failure? Well, I think to start with, the amount of resources available for TANF, the size of the block grant

has declined in real terms by almost a third since 1996. And some States, including my home State of Texas, have seen a much sharper decline because Congress refused to renew TANF supplemental grants that expired in 2011.

As I said earlier, a smaller and smaller portion of poor families, poor children, receive TANF, and when folks aren't receiving TANF, they are not participating in TANF work activities like working, education, training, so forth.

I look forward to the testimony of each of you so that we can learn how to make genuine improvements that really make effective use of our taxpayer money to accomplish the objective of helping people move from welfare to work and stay in that workforce with a living wage.

Thank you.

Chairman REICHERT. Thank you, Mr. Doggett.

And without objection, each member will have the opportunity to submit a written statement and have it included in the record at this point.

I want to remind our witnesses to limit their oral statements to 5 minutes. And, however, without objection, all the written statements and all your written testimony will be made a part of the permanent record.

On our panel this afternoon we will be hearing from Sandra Collins, assistant manager of Goodwill Olympics, Rainier Region; Amy Dvorak, employer relations coordinator, New York State/Erie County Department of Social Services; Robert Doar, Morgridge Fellow, Poverty Studies, American Enterprise Institute; Dan Bloom, director, Health and Barriers to Employment Policy Area.

Now, the first witness we will have testify today is one that I am personally proud to have here and to have the privilege to introduce. Ms. Collins came all the way to Washington, D.C., from Washington State to be here today to share her story, and it takes a lot of courage to share a story that has been a struggle. I think all of us can relate to stories within our own families that maybe get retold and told and maybe you are going through a current story in your own family that you can identify with. But those stories build character, build strength, and build a person like Sandra.

And we are so happy to have you here to share your success with us, and as Mr. Doggett said, to help us, members of this committee, subcommittee, and members of the full committee understand what we can do to help people get back to work and off welfare and have a smile on their face like you have right now. And I know you are a little nervous, but you are going to do just fine. So you are recognized for 5 minutes, Sandra. Welcome.

STATEMENT OF SANDRA COLLINS, ASSISTANT MANAGER, GOODWILL OLYMPICS, RAINIER REGION

Ms. COLLINS. Chairman Reichert, Ranking Member Doggett, and Members of the Committee, it is an honor for me to sit before you today to tell you my success story. I am Sandra Collins, and I am now the assistant manager at Goodwill Outlet store in Kent, Washington. I am about to become a homeowner. I have come a long way.

In April of 2007, my life looked very different. I was homeless, living in a shelter with two children, had been a meth abuser for 17 years, a victim of domestic violence, and I felt alone. I had burnt all my relationships with my family and friends, I had zero credit, no high school diploma, and a stack of legal offenses that kept me from a driver's license. My self-worth and confidence were at all-time lows. It was time for a change, but I didn't know how to get it started.

I went to apply for TANF and enrolled in the WorkFirst Community Jobs program. I was assigned to my caseworker, Cindy, and she was the first of many trusting relationships for me. I was closed about my problems with her at first for fear of having my children taken away, losing my financial assistance, or being put in jail. My license had been suspended, and I didn't tell Cindy that I was homeless. It took a few months to start to build trust.

Cindy got me placed into a work program at a Goodwill outlet store close to my GED class site. It turned out to be the best job for me and would change my life permanently. Without a car and living 2.5 miles from the bus stop, my commute was 4 hours a day round trip, but I was punctual and I worked hard. I even volunteered to do additional work. Things were real dark, but there was a glimmer of hope breaking through.

I knew the power of having a job would help me escape poverty. My manager was willing to flex with my commute schedule. Not only did I expand my work skills, but coworkers showed real happiness to see me. I felt special and important. I had meaning in my life and gained self-worth. It made me want to return every day.

Cindy enrolled me in a program that provided me with transportation to the bus stop, making my commute so much shorter. Cindy's role as a case manager was critical. Eventually I did open up about my problems, and Cindy provided resources or solutions for all of them. I didn't feel as helpless or alone anymore. She even helped me get my license back. When the Community Jobs program ended, I had my GED, and my Tacoma outlet store manager, impressed with my hard work, recommended me for the perfect full-time job at a Goodwill store.

I remember my first day very clearly, January 15th, 2008. I started at the Lakewood Goodwill as a production worker. That April, the original Tacoma outlet store had an opening and asked me to return. It felt like a great accomplishment to be wanted back. I remember thinking that I am somebody.

In July of 2008, I was promoted to supervisor at the Tacoma outlet store. Work had changed my life. The people were supportive, as I worked hard and proved myself. While working, other Goodwill services also made a huge difference. I took the Goodwill financial literacy course and opened a bank account.

The course taught me how to set goals. My short-term goals were to focus on staying clean and sober, getting to work every day, keeping my kids safe and on a good path. My long-term goals were get a car and a house and become a manager. I jotted them down as a pie in the sky.

In 2009, I enrolled in a Goodwill Wheels to Work program, and I was able to get financing for my own car. I am proud to say I will be buying my own home for my family in August.

Since becoming a supervisor, I have had an amazing opportunity to bring on people who have faced similar problems. Out of the 36 employees at my store, 13 are community job program graduates and a few others are enrolled in the program now. I take great pride in serving as a mentor and helping them. People call me the volunteer queen because I always have community job participants placed at my site.

Because of my experiences, Community Jobs participants open up to me about their lives. I am able to give back to them what was given to me—support, encouragement, challenges, and resources. Now it is time for me to set some new goals. I just interviewed for a Goodwill store manager position, and I got it.

In closing, people like me need a second chance to get our lives back on a better path. Goodwill and the Washington WorkFirst Community Jobs program gave me and many others that chance. I could not have done it alone.

Thank you, and my family thanks you, for the Federal funding and support that has helped me get to where I am at today. These programs make a difference, and I am living proof of it, because jobs change lives. Thank you.

[The prepared statement of Ms. Collins follows:]

Written Testimony of

Sandra Collins, Assistant Manager, Goodwill Outlet Store, Kent, WA

315 Washington Ave. South

Kent, WA 98032

Prepared for

Congress of the United States, Committee on Ways and Means

Washington, DC 20515

Subcommittee on Human Resources

Hearing on

"Subsidized Job Programs and their Effectiveness in Helping Families Go to Work and Escape Poverty"

Wednesday July 30th, 2014 at 2pm

Chairman Reichert, Ranking Member Doggett and Members of the Committee, it is an honor for me to sit before you today to tell you my success story. I am Sandra Collins, and I am now the Assistant Manager at the Goodwill® Outlet store in Kent, WA. I'm about to become a homeowner. I've come a long way!

In April 2007 my life looked very different—I was homeless, living in a shelter with two children, had been a meth abuser for 17 years, a victim of domestic violence and I felt alone. I had burned all my relationships with family and friends. I had zero credit, no HS diploma, and a stack of legal offenses that kept me from a driver's license. My self-worth and confidence were at all-time lows. It was time for a change but I didn't know who could help or how to get started.

I went to the Department of Social and Health Services (DSHS) office to apply for TANF, enrolled in the WorkFirst Community Jobs program, which is Washington State's transitional jobs program for people on public assistance. DSHS assigned me to my Community Jobs caseworker, Cindy Farnsworth. Cindy was the first of many new trusting relationships that I was going to form. I was hesitant to share all of my problems with her at first for fear of having my kids taken away, losing my financial assistance or being put in jail. My license had been suspended and I didn't tell Cindy I was homeless. It took a few months of weekly meetings to build trust. She would tell you that I was closed up. I felt as if I had no self-worth.

One of the first things Cindy did was get me placed into a work program at a Tacoma Goodwill outlet store. I also needed my GED so she assigned me to work close to the GED site. Little did I know it would turn out to be the best job for me and would change my life permanently.

Without a car, and living 2.5 miles from a bus stop, my commute was 4 hours a day round trip but I was punctual and worked hard, even volunteering to do additional work beyond my normal responsibilities. Though things were dark, there was a tiny light of hope breaking through. I knew the power of having a

job would help me escape poverty. My manager was willing to flex with my commute schedule. Not only did I expand my work skills but everyday co-workers showed real happiness to see me. I felt special and important. I had meaning in my life and gained self-worth. It made me want to return to work every day.

Cindy helped me enroll in a program that provided me with transportation to the bus stop, making my commute so much shorter. Cindy's role as a Community Jobs case manager was critical to the changes happening in my life—eventually I did open up and with every problem that I revealed, Cindy provided resources or solutions . I didn't feel as helpless or alone anymore. She helped me get my license back—I wrote letters to each of the courts where I had amassed violations and the Community Jobs program provided the funding for the license reinstatement fees.

And by the time the 6 month Community Jobs program ended, I had completed my GED and my Tacoma outlet store manager, impressed with my reputation for hard work, recommended me for the perfect full time job at a nearby Goodwill store.

I remember my first day very clearly—On January 15th, 2008 I started my job at the Lakewood Goodwill as a production worker. That April the original Tacoma outlet store I trained at had an opening and asked me to return. It was a great accomplishment to be wanted back. I remember thinking "I am somebody!" In July 2008 I was promoted to supervisor back at the Tacoma Outlet Store. Another great success. Work was changing my life and people were supporting me as I worked hard and proved myself.

While working, other Goodwill services also made a huge difference—I took the Goodwill financial literacy course and opened a bank account. The course taught me how to set goals, short and long term, and reach them. My short-term goals were to focus on the day-to-day: stay clean and sober, get to work, keep my kids safe and from going down the path I did. My long-term goals were to get a car

and to buy a house. At the time, I jotted them down as "pie in the sky" but in 2009 I was enrolled in the Goodwill Wheels to Work program and I was able to get financing so I now own my own car. Last October I found out I needed to move, and I'm proud to say I'll be buying my own home for my family in August.

One of the greatest things is that since becoming a supervisor, I have had an amazing opportunity to bring on and support people who have faced similar problems. Out of the 36 employees at my store, 13 are Community Jobs program graduates and a few others are enrolled in the program now. I take great pride in serving as a mentor and helping them. People call me the "volunteer queen" because I always have a handful of Community Jobs participants placed at my site. Because of my experiences, Community Jobs participants open up to me about their lives. I'm able to give back to them what was given to me. Support, encouragement, challenge, resources.

Now it is time for me to set some new goals. I just interviewed for the Goodwill Lacey Store Manager position. I'm confident I can do this job. As a Goodwill employee now I understand how important my retail work is - more than 9,000 people a year get job training and education in many careers thanks to the revenue from our stores.

In closing, people like me need a second chance to get our lives on a better path. Goodwill and the Washington WorkFirst Community Jobs program gave me and many others that chance. I couldn't have done it alone. I thank you and my family thanks you, for the federal funding and support that has helped me get where I am today. Please keep these programs alive—they make a difference and I am living proof of it!

Respectfully Submitted,

Sandra Collins

Chairman REICHERT. Well, Sandra, that was pretty powerful testimony.

The other three still want to continue?

Congratulations on your promotion, and congratulations on the purchase of your home, too. Good job.

Ms. Dvorak, unfortunately, you get to follow. You are recognized.

STATEMENT OF AMY DVORAK, EMPLOYER RELATIONS COORDINATOR, NEW YORK STATE/ERIE COUNTY DEPARTMENT OF SOCIAL SERVICES

Ms. DVORAK. Good afternoon, Chairman Reichert, Ranking Member Doggett, and Members of the Committee. Before I begin, I would like to thank you for this opportunity to speak to you on behalf of the Erie County Department of Social Services and the PIVOT Program.

In September of 2000, the Erie County Department of Social Services initiated a job training program called the PIVOT Program. This unique wage subsidy initiative was designed to bridge the gap between the local business community and welfare recipients and is based on the premise that welfare reform success requires that TANF recipients play an active role and become a part of the business community.

The goal of the PIVOT Program is to provide incentives to employers to hire clients with multiple barriers and those that may need more time-on-the-job training. PIVOT provides quality job opportunities for the employable TANF population while serving as a resource for the hiring needs of local employers. Job developers match employable TANF clients with companies looking to fill existing positions. All candidates are prescreened for job compatibility, including matching up client's skills, abilities, and education with the job specs. The employers must be an existing company and have permanent long-term positions.

PIVOT is always looking to work with companies where there is room for advancement and higher-paying wages. The employer benefits include a 6-month subsidy that covers 100 percent of the client's wages. Employers are involved in the interviewing process and provided an opportunity to select from multiple candidates. The employer receives a 3-month advance when the client is first hired to cover initial training costs. The contract is then reconciled before final payment is made to the employer. The employer is able to reduce hiring and training costs and is able to participate in monthly job fairs, enabling the company to interview and recruit new prospective employees.

Many clients' cases close within a month of obtaining employment, and case management is provided to help guarantee these clients do not return to welfare and receive public benefits. The benefits of the social services include client placement into employment and reduction of the cash grant and the closing of cases due to employment. Another benefit is the development of community partnerships for placement of unsubsidized clients. By developing good working relationships with employers, job developers are able to make additional placements for other DSS client not eligible for PIVOT.

We have learned from employer feedback that prospective employees lack soft skills needed to be successful in jobs. In an effort to address this need and broaden the base of PIVOT-eligible candidates, the PIVOT Program works hand-in-hand with the work experience program. Erie County has developed a model of neighborhood hub sites at various not-for-profit sites located in the north, south, east, and west of the city. These work experience hubs were developed to increase participation in federally countable work ac-

tivities by making worksites more accessible to TANF clients. These sites are located in neighborhoods where TANF clients live and combine work experience with vocational and education programs, computer training, high school equivalency, and English as a second language classes.

There is a job developer assigned to every hub site. This person goes out weekly and meets with the clients that are ready to be placed into employment. The client will continue to work with the job developer until placement occurs.

Several of our supervisors at these hub sites are former clients that were working with our development unit. They were referred for positions based on their leadership qualities, excellent attendance, and motivation at the worksite.

One of the biggest problems businesses have is attracting and retaining high quality employees. Businesses want employees that can come to work every day, be punctual, communicate with their supervisor, and be a good team player. The number one reason people lose their job is time and attendance. The number two reason is problems with their supervisor.

With PIVOT, the job developer initially acts like a mentor between the client and supervisor. The client is provided extensive case management services when they first begin their employment. Follow-up is provided to assure supportive services are in place, which include transportation and child care.

Some of the businesses that have been targeted and successful with PIVOT are nursing homes, hospitals, banks, hotels, call centers, manufacturing and industrial companies, small and large businesses, food service, not-for-profits, and community agencies. The PIVOT Program currently works with over 300 businesses in western New York and is always evolving based on the time of year and labor trends.

Since 2000, over 4,300 clients have been placed in PIVOT, with an average of 460 per year. The PIVOT Program is funded through the Flexible Fund for Family Services, which is a Federal allocation. The success of PIVOT has proved that when people are given support and the opportunity to work, they can be successful in their lives, role models for their children, and can be self-sufficient.

Chairman REICHERT. Thank you, Ms. Dvorak. Good job.

[The prepared statement of Ms. Dvorak follows:]

PIVOT Program

(Placing Individuals in Vital Opportunity Training)

Erie County Department of Social Services
95 Franklin
Buffalo NY, 14202

Mark Poloncarz
Erie County Executive

Carol Dankert-Maurer
Social Services Commissioner

Amy Dvorak
Employer Relations Coordinator

In September of 2000, Erie County Department of Social Services (ECDSS) implemented a unique wage subsidy initiative designed to bridge the gap between the local business community and Temporary Assistance to Needy Families (TANF) recipients. The goal of Placing Individuals in Vital Opportunity Training (PIVOT) Program is to provide incentives to employers to hire TANF clients, some with multiple barriers or the need for more time for on- the-job training. PIVOT provides quality job opportunities for the employable TANF population while serving as a resource for the hiring needs of local employers. Since its inception, the PIVOT Program has contracted with over 300 employers throughout the Western New York region.

PIVOT employer benefits include a wage reimbursement for 6 months at 100% of the clients' gross wages. The employer can also request a 50% advance on the clients' wages. The advance will cover expenses incurred by hiring costs and the need to provide additional training. Employers participating in the program are from a variety of industries including manufacturing, hospitality, health care, retail, professional services and nonprofits. Positions that individuals have been hired for under the program include machine operators, forklift operators, housekeepers, cleaners, porters, cooks, CNA's, LPN's, dietary aides, cashiers, customer service representatives, security guards, legal assistants, and day care assistants.

Eligible employers must be an existing company with permanent long term positions. The employer provides on – the – job training and the Department of Social Services provides supportive services in the form of day care, transportation and case management to support the transition to work. These supports assist in the successful shift from Temporary Assistance to permanent employment and self-sufficiency.

TANF clients are pre-screened for job compatibility. This includes matching skills, abilities and education with the specifications of the job to assist employers with locating suitable candidates for available positions in their company. The employer is involved in the hiring process and provided an opportunity to select from multiple candidates. In addition, monthly Job Fairs are conducted by the Department of Social Services which affords employers the opportunity to interview and recruit perspective employees.

We have learned from employer feedback that perspective employees lack soft skills needed to be successful in jobs. Soft skills that are important to employers include communication, accountability, coping skills, conflict resolution and motivation. The lack of these soft skills creates a high turnover in positions. In an effort to address this need and broaden the base of PIVOT eligible candidates, the PIVOT program works hand in hand with the Work Experience program to achieve long term successful employment placements. Work Experience is work performed at public or nonprofit organizations by individuals in receipt of Temporary Assistance to enable the participant to improve his or

her work skills and soft skills; and thus employability. TANF recipients are required to be engaged in a countable core work activity for up to 35 hours per week (25 hours for a TANF client with a child less than 6 years). A collaborative effort was developed between Erie County Department of Social Services Employment Division and community agencies to create the neighborhood hub site model. The hub sites are where clients perform their Work Experience and are located in neighborhoods where large numbers of Temporary Assistance recipients reside. In addition to enhancing the participants' work skills and soft skills, they are able to combine Work Experience with educational programs such as High School Equivalency (HSE), English as a Second Language (ESL) and Computer Skills on site. The clients combine 20 hours per week of work experience with 10 to 15 hours of educational training to meet their 35 hours per week work requirement.

Work site supervisors work exclusively with TANF recipients and provide individualized help to learn basic work habits, strengthen their job skills, as well as learning the coping skills to balance work, personal and family challenges. Participants may also access the wrap around services available within the Work Experience site, such as child care, preschool, after-school, mentoring programs, housing, financial literacy, health and wellness, and nutritional education. Several of the supervisors are former TANF clients who can demonstrate successful strategies to become self –sufficient. Supervisors work with clients daily and observe their work ethic, problem solving skills, motivation, and work place relationships. Participants who perform well at their work experience placements and demonstrate work readiness are linked with a Department of Social Services Job Developer to identify opportunities for competitive employment.

This model empowers clients through opportunities and the prospect of success. The client is provided the opportunity to acquire the skills and education that will enhance their employability and thereby, increasing our pool of PIVOT eligible candidates. These hub sites give clients a foundation to effectively function in a competitive work environment. The model also results in increased participation in federally countable work activities by making worksites more accessible. Additionally, Erie County's strategy of using Work Experience in local communities expands services available at local community centers and encourages individuals to invest in and connect with the community.

In addition to screening potential PIVOT candidates from work experience hub sites, the Job Developers also have working relationships with local providers of vocational training programs to link graduates with PIVOT employers. This stepwise movement from Work Experience - to individualized supports - to assessment of work skills and soft skills for PIVOT readiness and then finally, placement with a PIVOT employer increases the likelihood of successful transition to sustainable, private employment for the individuals served.

The PIVOT program is funded by the Flexible Fund for Family Services (FFFS) allocation. Approximately 5.5% of FFFS allocation is budgeted to the PIVOT program. The budget for fiscal year 2014 is $2,541,411. A monthly average of 30 PIVOT contracts are executed with an average contract cost of $7,800.00.

The Erie County Department of Social Services PIVOT Program is a component of our TANF program model. The model is based on core components of work activities, supports, and assessments that create a win-win situation for TANF participants and employers. Local businesses get pre-screened workers at little cost and TANF participants get the necessary education, training and experience to succeed at work.

The impact from Work Experience plus PIVOT is over 400 individuals each year, moving from Work Experience to competitive employment. A follow-up review two years ago identified some 72% of PIVOT placements were not receiving public benefits one year later. We are proud of the success of the PIVOT Program and the ability to assist individuals to empowerment and ultimately, self-sufficiency.

PIVOT Program success stories:

- A single mother of two, receiving Temporary Assistance, expressed an interest in working in the child care field and in obtaining her GED. She was enrolled in the work experience program at a community center where she worked in the day care center and attended GED classes. After working in the day care center for a period of 9 months and obtaining the necessary skills for employment, she was offered a fulltime position as a day care assistant. With the assistance of the PIVOT program and supportive services, she has since successfully transitioned into an unsubsidized job and is no longer in need of cash assistance.

- After a 46 year old single mother completed treatment to overcome the barriers and challenges of substance abuse, she transitioned into the work experience program at one of the hub sites. There she obtained the necessary soft skills to transition into competitive employment. She was hired through a PIVOT contract at a local manufacturing company as a Production Laborer and is now self-sufficient and no longer reliant on cash assistance.

- A father in a two parent household, with 9 children, arrived in the United States in 2010, unable to speak English. He was hired through a PIVOT contract with a local manufacturing company in December of 2012. His employment continues and the employer submitted a letter of praise for his job performance. Although the Temporary Assistance case remains active, the benefits have been reduced due to the individual gaining employment.

Chairman REICHERT. Mr. Doar.

STATEMENT OF ROBERT DOAR, MORGRIDGE FELLOW, POVERTY STUDIES, AMERICAN ENTERPRISE INSTITUTE

Mr. DOAR. Thank you, Chairman Reichert, Ranking Member Doggett, and other Members of the Committee. Thank you for the opportunity to testify today. I greatly appreciate being invited to discuss subsidized jobs programs and their role in alleviating poverty.

My name is Robert Doar, and I am the Morgridge Fellow in Poverty Studies at the American Enterprise Institute. Prior to joining

AEI, I spent 18 years working in government social services programs for the State and city of New York. My experience with the management of subsidized or transitional jobs programs has given me considerable insight into how these programs are actually serving welfare recipients, insight which I would like to share now.

The most important objective and key outcome for assistance programs is lasting employment for the recipient. Not only is full-time employment the surest way to avoid poverty, but earnings are the most important form of income for a family. Only 3 percent of all full-time workers are defined as being in poverty by our Nation's official poverty measure. The strong emphasis that programs such as the Temporary Assistance for Needy Families place on helping applicants and recipients move into employment as rapidly as possible clearly acknowledges the fundamental role employment has in helping people out of poverty.

In the years following the passage of the Welfare Reform Act of 1996, it became apparent that resulting increases in work opportunities and consequent earnings was the main reason child poverty and overall poverty fell during those years. More workforce participation, especially by single mothers, resulted in higher earnings and a substantial decrease in poverty.

While employment and its consequent earnings are key to alleviating poverty, it is also important to remember that we already subsidize jobs. The earned income tax credit, public health insurance, Supplemental Nutrition Assistance Program benefits, and child care assistance are the largest but not the only government assistance programs that can greatly increase the resources available to low-income working households.

It is in this context, with the recognition of existing programs that already work to shore up low wages and the focus on rapid employment in unsubsidized jobs, that we must evaluate whether subsidized or transitional jobs are an effective tool to help people in need. In New York City, we ran a large and I believe effective subsidized jobs program, but it was only a limited part of our overall effort.

In New York, we HAVE worked with the Parks Department to form the Parks Opportunity Program, which created job positions lasting 6 to 9 months and consisting of 4 workdays and 1 training day each week. The program was designed to serve a discrete subset of welfare recipients. Participants were primarily compliant, hard-to-place clients who had been on welfare assistance for more than 1 year and were not in sanctioned status.

Additionally, for a time we offered subsidized jobs to clients in shelters who agreed to leave the shelter. We also offered transitional jobs to compliant, though out-of-work noncustodial parents whose children were on welfare assistance.

While this program worked well for some recipients, participants did not exit the program with any increase in their probability of finding future employment over those cash assistance recipients in our regular program. The placement rate was similar to the rate for welfare recipients in our program in both our back to work and work first programs.

The key lesson we took away from the Parks Department program was while the availability of subsidized jobs was beneficial

for a portion of our caseload, the program itself was more costly and not effective enough to justify more than a limited investment. Upon exiting the program, placement rates were roughly equal to other work programs, but they had incurred a much higher cost.

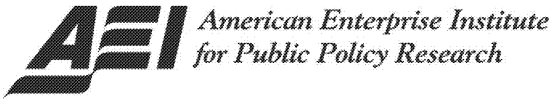
Ultimately, we need to ensure that the actions we take in creating job opportunities end in positive results and provide paths to consistent long-term employment. While subsidized jobs programs may produce those results for some individuals in some sectors, they cannot replace the focus on rapid attachment to unsubsidized employment for regular public assistance recipients.

I should also point out that there were also other benefits associated with the Parks program. First of all, the Parks Department got additional assistance in manpower to do jobs they might not have been able to do without the support of a program like ours.

In addition, for those members of our public assistance caseload who would not be able to receive the generous work supports that generally go to households with children in them, these are mostly single individuals and often young men, subsidized programs were an avenue to get them into work that we did not have and we did need. Thank you.

Chairman REICHERT. Thank you, Mr. Doar.

[The prepared statement of Mr. Doar follows:]



Statement before the U.S. House Committee on Ways and Means

Subsidized Jobs and How They Can Fit in Welfare to Work

July 30, 2014

Robert Doar

Morgridge Fellow in Poverty Studies

American Enterprise Institute

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Chairman Reichart, Ranking Member Doggett, and other members of the committee: Thank you for the opportunity to testify today before the Subcommittee on Human Resources of the House Committee on Ways and Means. I greatly appreciate being invited to discuss subsidized jobs programs and their role in alleviating poverty.

My name is Robert Doar and I am the Morgridge Fellow in Poverty Studies at the American Enterprise Institute (AEI). Prior to joining AEI, I spent eighteen years working in government social services programs for the State and City of New York. From 2004 to 2006, I was commissioner of the New York State Office of Temporary and Disability Assistance where I was responsible for the oversight of subsidized jobs programs as well as other public assistance programs in New York State. For the seven years directly before I joined AEI, I was the commissioner of the New York City Human Resources Administration and was deeply involved in the implementation of a somewhat successful subsidized jobs program. My extensive experience with the management of subsidized jobs programs has given me considerable insight into how these programs are actually serving American workers- insight which I would like to now share.

The most important objective and key outcome for assistance programs is lasting employment for the recipient. Not only is full time employment the surest way to avoid poverty, but earnings are the most important form of income for a family. Only 3 percent of all full time workers are defined as being in poverty by our nation's official poverty measure (see Figure 1).[1] The strong emphasis that programs such as Temporary Assistance for Needy Families (TANF) place on helping applicants and recipients move into employment as rapidly as possible clearly acknowledges the fundamental role employment has in helping people out of poverty. In the years following the passage of the welfare reform act of 1996 it became apparent that the resulting increase in work opportunities and consequent earnings was the main reason child poverty and overall poverty fell during those years: more work force participation, especially by single mothers, resulted in higher earnings and a substantial decrease in poverty. As Figure 1 shows, full time employment is, and has been, the most constant remedy to economic downturns and resulting increases in the poverty rate.

Historically, subsidized jobs programs, or transitional jobs, have been implemented with at least one of three goals: to administer welfare assistance in a work-based context, to boost employment prospects among hard-to-place individuals, and to support communities.[2] However, low placement rate numbers from program evaluations call into question the efficacy of transitional jobs as a long term employment solution. Dan Bloom of MDRC lays out five areas in which transitional jobs models could be improved to better meet the goal of keeping hard-to-place individuals in employment:

First, transitional jobs programs can be altered to address low placement rates; increased support at the "back end" of programs could help to keep participants in employment. Second, financial supplements could provide another way of improving placement rates by incentivizing participants to stay in

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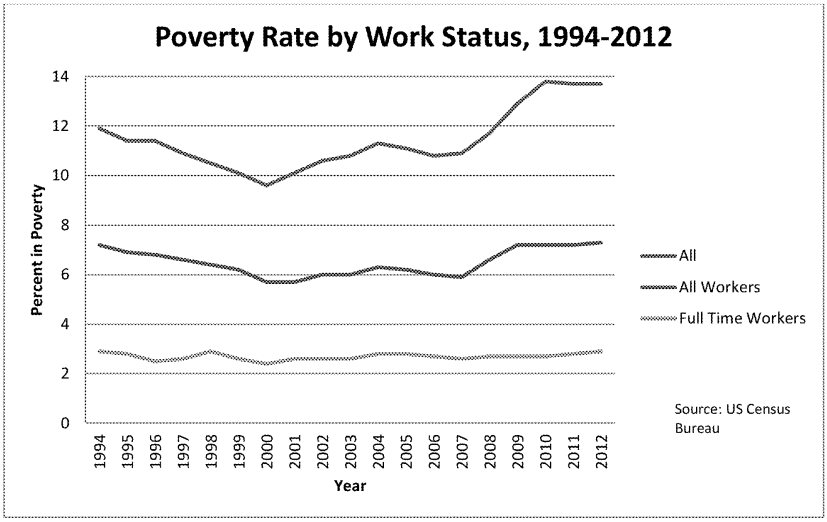
[1] "People in Poverty by Selected Characteristics: 2011 and 2012," *US Census Bureau.* Accessed 28 July 2014, <https://www.census.gov/hhes/www/poverty/data/incpovhlth/2012/table3.pdf>.
[2] Bloom, Dan. "Transitional Jobs: Background, Program Models, and Evaluation Evidence," *MDRC.* February 2010, <http://www.mdrc.org/sites/default/files/transitional_jobs_background_fr.pdf>.

Figure 1:

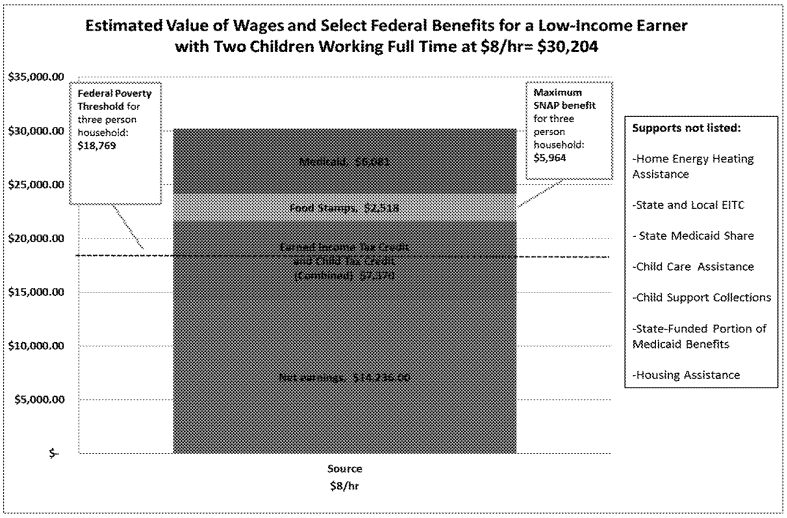


employment post-program. An emphasis on occupation training could give program participants needed skills to find and maintain work. Additionally, restructuring the model to ease the transition from the program to the real work environment—perhaps by formulating a trial period at the beginning of a permanent job placement—would improve participants' chances of sustaining employment. Lastly, Bloom suggests a "tiered" program approach that would be more effective at serving a larger range of individuals and in which subsidized job placements could be more tailored to participants' needs.

While employment and its consequent earnings are key to alleviating poverty, and it is crucial to support work, it is also important to remember that we already subsidize jobs. The Earned Income Tax Credit (EITC), public health insurance, Supplemental Nutrition Assistance Program (SNAP) benefits and child care assistance are the largest, but not the only, government assistance programs that can greatly increase the resources available to low income households. As the Figure 2 demonstrates, these federal programs already subsidize work and hold a critical role in relieving poverty.

It is in this context, with the recognition of existing programs that already work to shore up low wages, that we must evaluate whether subsidized or transitional jobs are an effective tool to help people in need. In New York City we ran a large — and I believe effective — subsidized jobs program, but it was only a small part of our overall effort.

Figure 2:



In New York City we worked with the Parks Department to form the Parks Opportunity Program, which created job positions lasting 6 to 9 months and consisting of four work days and one training day each week. The program was designed to serve a discreet subset of welfare recipients; we offered program entry to a population that was perhaps more motivated than a randomly selected group would have been. Participants were primarily compliant, hard-to-place clients who had been on welfare assistance for one year and were not on sanction status. Additionally, for a time, we offered subsidized jobs to clients in a shelter who agreed to procure their own housing. We also offered transitional jobs to compliant, though out-of-work, non-custodial parents whose children were on welfare assistance.

While this program worked well for some recipients, it was unclear whether participants exited the program with any increase in their probability of finding future employment. The placement rate after 30 and 90 days was around 25 percent—not a significant improvement over back to work and work first programs. We did assume the added benefit of having those jobs—park care and the maintenance of neighborhoods that had been damaged by the mortgage foreclosure crises —completed at a relatively low cost. The Parks Opportunity Program did provide important manpower the department wouldn't otherwise have had the funding to deploy.

The key lesson we took away from the Parks Department program was that while the availability of subsidized jobs was beneficial for a small portion of our caseload, the program itself was costly and not effective enough to justify more than that limited investment. Upon exiting the program, placement

rates were roughly equal to other work programs, but had incurred a higher cost. Ultimately, it was not useful in providing a dependable path to long term, sustainable employment to even the majority of program participants.

The outcomes we observed in New York City are consistent with the findings of MDRC: Transitional job programs do increase employment, but only in the short term.[3] While transitional job programs give hard-to-employ individuals the opportunity to work, the positive employment effects do not tend to last longer than the program's duration.

While public-sector job placements, like the Parks Department program, may not always yield promising results, private sector placements do have a better track record of success. This may be attributed to the intrinsic qualities of private sector program participants: private firms have more ability to hire participants, and the participants themselves are typically more job-ready.

Ultimately, we need to ensure that the actions that we take in creating job opportunities end in positive results and provide paths to consistent, long-term employment. While subsidized jobs programs may produce those results for some individuals in some job sectors, they are not the panacea for Americans seeking full time employment. These programs should be given limited support, with the recognition that they serve a small subsection of the population and are only part of an overall program for unemployed individuals.

[3] Ibid.

Chairman REICHERT. Mr. Bloom, you are recognized for 5 minutes.

STATEMENT OF DAN BLOOM, DIRECTOR, HEALTH AND BARRIERS TO EMPLOYMENT POLICY AREA, MDRC

Mr. BLOOM. Good afternoon, and thank you for inviting me to testify about the research evidence on subsidized employment. My name is Dan Bloom, and I am with MDRC, a nonprofit, nonpartisan research organization. I would like to use my time to make three general points about subsidized employment.

The first point is about goals. Subsidized employment is a broad term that means different things to different people. Some subsidized employment programs are designed primarily to provide work-based income support, that is, to put money into the pockets of unemployed workers during periods of high unemployment. These are sometimes called countercyclical programs. The best known of this type of program operated during the Great Depression, but many of the State programs that were supported by the TANF Emergency Fund in 2009 and 2010 also fit into this category.

Other subsidized employment programs are explicitly designed to improve people's long-term success in the labor market. They are much smaller, and they target people facing serious obstacles to steady work—people coming home from prison, long-term TANF recipients, and others. Some models, called transitional jobs programs, place people into what might be called practice jobs with nonprofit organizations so they can learn to work by working. Others offer subsidies to private employers to hire program participants, and some programs do both.

When assessing the success of a particular program, it is critical to consider the program's goals. A large, broadly targeted countercyclical program might be judged on its ability to get going quickly and provide meaningful work to large numbers of people who would not otherwise be working. In this respect, I think the TANF Emergency Fund experience was quite positive. States were able to scale up programs in a very short period, and they put about 280,000 people to work, including youth in summer jobs.

In contrast, transitional jobs programs that are designed to improve participant success in the labor market could be assessed at least in part based on the longer-term employment patterns of their participants, as well as other related measures, like reduced recidivism for ex-prisoners or reduced reliance on public benefits for welfare recipients.

My second point is about evidence. Over the last 30 or 40 years there have been a number of rigorous evaluations of subsidized employment programs. Many of these studies use a random assignment design, which is the gold standard for studies of this type. These studies tested the kinds of programs that were explicitly designed to improve people's long-term success in the labor market, and the results are mixed.

On the one hand, we have seen that programs can generate very large increases in employment initially because they give subsidized jobs to lots of people who would not otherwise be working. We studied one program for ex-prisoners that also reduced recidivism and saved money for the government.

On the other hand, most of these programs did not lead to sustained increases in unsubsidized employment. In other words, it doesn't look like the subsidized work experience helped people get or keep regular jobs. The main exception to this pattern is a few programs that provided temporary wage subsidies to private employers who hired people from certain disadvantaged groups. There is some evidence that these programs have increased employment even beyond the subsidy period. The issue has been that most of these programs have been small and selective in who they served.

One key question for any program that subsidizes private employers is whether employers are receiving a windfall for hiring the same kinds of people they would have hired anyway. Unfortunately, this is a hard question to answer. Studies can test whether providing subsidies for a particular group of job seekers improves the odds that they will find work, but it is almost impossible to know for certain whether this ends up displacing other similar workers.

My final point is that I think there is some hope for the future. The Departments of Labor and Health and Human Services are both conducting multisite evaluations of the next generation of subsidized employment programs. Although the projects were developed separately, DOL and HHS are collaborating closely in carrying them out, and MDRC is fortunate to be leading both projects.

Together, the two projects are using random assignment designs to evaluate about a dozen different subsidized employment models. Here is one example. In Los Angeles, we are testing two programs for TANF recipients who completed an initial job search activity but were unable to find work. One model provides fully subsidized jobs with public or nonprofit employers for up to 6 months.

In the other model, participants are placed with private employers but remain on the program payroll for the first 2 months of employment. Then they move to the employer's payroll and the employer receives a partial subsidy for 4 additional months. Employers are expected to retain participants after the subsidy ends.

All of the models in both projects are aiming to address the limitations of earlier transitional jobs programs, in part by using subsidies to help participants get a foot in the door with private employers. A key question is whether these private sector-focused models can be effective for less job-ready participants. Results from these projects will start to become available next year.

In sum, subsidized employment is a valuable tool for providing work-based income support, particularly during periods of high unemployment. To date, the results from programs that try to use subsidized employment to improve long-term employment outcomes for hard-to-employ groups are mixed, but we are now testing a new set of models that were developed specifically to address the limitations of earlier programs.

Thank you.

Chairman REICHERT. Thank you.

[The prepared statement of Mr. Bloom follows:]

Testimony of Dan Bloom, Director, Health and Barriers to Employment, MDRC,
Before the U.S. House Committee on Ways and Means, Human Resources Subcommittee

Hearing on Subsidized Job Programs and Their
Effectiveness in Helping Families Go to Work and Escape Poverty
July 30, 2014

Good afternoon Chairman Reichert, Ranking Member Doggett, and members of the Subcommittee on Human Resources. Thank you for inviting me to provide testimony about the research evidence on subsidized employment programs.

I am with MDRC, a nonprofit, nonpartisan research organization based in New York City. MDRC was founded 40 years ago to build reliable evidence on the effectiveness of programs for the disadvantaged and to help policymakers and practitioners use that evidence to improve policies and programs. MDRC is known for conducting large-scale evaluations and demonstration projects to test the impacts and cost-effectiveness of social and educational programs. Many of our studies use a random assignment research design, the most rigorous method for assessing such programs. I direct MDRC's work on programs for groups seeking to gain a foothold in the labor market, including recipients of public assistance, people returning to their communities from prison, disconnected youth, individuals with disabilities, and others.

Subsidized employment is broad term that covers a wide range of programs and models, with varying goals, target groups, and organizational structures. Thus, before describing research results, I will provide some background information on subsidized employment and briefly describe the kinds of programs that fall under this heading. I will then discuss key research findings, focusing first on the subsidized employment programs that states operated with funding from the Temporary Assistance for Needy Families Emergency Fund (TANF EF) in 2009 and 2010, and then on the results from rigorous evaluations of three specific types of subsidized employment models. Finally, I will discuss two important ongoing studies sponsored by the U.S. Departments of Labor (DOL) and Health and Human Services (HHS) that are testing the next generation of subsidized employment programs.

The Goals of Subsidized Employment

Subsidized employment programs provide jobs to people who cannot find employment in the regular labor market and use public funds to pay all or some of their wages. A variety of different subsidized employment models have been implemented or tested in the United States over the past 80 years, starting with the New Deal's Works Progress Administration (WPA), which employed more than 8 million people who were out of work owing to the Great Depression.

Some subsidized employment programs such as the WPA are designed primarily to provide work-based income support — that is, to put money into the pockets of unemployed workers in the form of wages during periods of high unemployment. These are sometimes known as

counter-cyclical programs. Since the New Deal programs ended in the early 1940s, there have been only two large programs of this type. The Public Service Employment program, operated under the Comprehensive Employment and Training Act (CETA), employed about 700,000 people at its peak in the late 1970s. Most recently, programs operated by states using funds from the TANF EF – part of the American Recovery and Reinvestment Act (ARRA) – employed more than 250,000 people in 2009 and 2010.[1] These relatively large programs usually target a fairly broad group of unemployed workers, not just welfare recipients or other specific disadvantaged groups.

While almost all subsidized employment programs aim to provide work-based income support, a subset of these programs also has another goal. These models, which usually operate on a much smaller scale, 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 — in other words, people who tend to have difficulty finding and holding jobs even when the labor market is strong. By providing work experience in a supportive setting, these programs aim to teach participants how to succeed in a workplace and, thus, to increase the odds that they can get and hold regular, unsubsidized jobs. Specific target groups have included long-term welfare recipients, individuals returning to their communities from prison, disconnected youth, and individuals with disabilities. These programs have gone by many names over the years; today they are often called transitional jobs (TJ) programs.

When assessing the success of a particular subsidized employment program, it is critical to consider the program's goal. A large, broadly targeted counter-cyclical program might be judged on its ability to scale up quickly and provide meaningful work opportunities to large numbers of people who would not otherwise be working. In contrast, a transitional jobs program that is designed to improve participants' success in the labor market could be assessed, at least in part, based on the longer-term employment patterns of its participants, as well as other related measures like reduced recidivism for ex-prisoners or reduced reliance on public benefits for welfare recipients.

Subsidized Employment Models

There are many different kinds of subsidized employment programs. The models vary along several dimensions. For example:

- **Location of subsidized job**. Subsidized workers may be placed with private, for-profit businesses, with not-for-profit organizations, or with public agencies. Some programs

[1] The Emergency Fund provided up to $5 billion in the 2009 and 2010 federal fiscal years to states that had experienced an increase in their TANF caseload or in certain kinds of TANF-related expenditures. Specifically, the federal government offered to reimburse 80 percent of the cost of increased spending on basic assistance, nonrecurrent short-term benefits, and subsidized employment. The increased spending could come from increased use of existing TANF funds, increased state spending, or a combination of the two. TANF rules define subsidized employment as "payments to employers or third parties to help cover the cost of employee wages, benefits, supervision, or training."

are operated by social enterprises — entities that sell a product or service but have an explicit goal of employing disadvantaged workers.

- **Level of subsidy.** In some models, 100 percent of the worker's wage is subsidized with public funds. In other cases, the wage is partially subsidized and the employer pays the rest. Some models use a graduated model in which the subsidy starts at 100 percent and then tapers off over a period of several months.

- **Employer of record**. In some models, the subsidized worker is employed by a nonprofit employment program, sometimes called an intermediary. The participant may work directly in the intermediary's office or facility, or he or she may work for another employer (public or private) but remain on the payroll of the intermediary. In other models, the subsidized employee works directly for a private employer who is reimbursed for all or part of the worker's wages.

- **Possibility of rollover**. In some models, the goal is for the worker to "roll over" from a subsidized to an unsubsidized job with the same employer. In others, there is very little chance that the worker can become a permanent, unsubsidized employee of the entity where he or she works in a subsidized job — usually because the host worksite does not have funding to hire additional staff. In those cases, the worker typically gets help finding an unsubsidized job when the subsidized job ends.

- **Worksite supervision**. In some models, the subsidized worker is supervised by a staff person from the employment program or intermediary. In other cases, she or he is supervised by someone from the host worksite.

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

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

What Was Learned from the TANF Emergency Fund?

Several studies looked at the operation of state and local subsidized employment programs funded under the TANF EF.[2] Key findings from these studies include the following:

[2]Farrell, Mary, Sam Elkin, Joseph Broadus, and Dan Bloom. *Subsidizing Employment Opportunities for Low-Income Families: A Review of State Employment Programs Created Through the TANF Emergency Fund*. Washington DC: U.S. Department of Health and Human Services, 2011; Pavetti, LaDonna, Liz Schott, and Elizabeth Lower-Basch. *Creating*

- **While states and localities often had less than one year to create or expand their subsidized employment programs, many were able to mount relatively large-scale initiatives.**

The availability of funding for subsidized employment provided by the TANF EF spurred an extraordinary effort by states and localities to create or expand programs. Some states were able to build on existing programs that served TANF recipients, while others had to design and implement new programs. Many of the programs received strong support from elected officials from both parties.

Ultimately, about 280,000 individuals were placed in jobs through programs that were supported by the TANF EF in about 40 states. About half of this total was accounted for by youth who received summer jobs. While over half of all participants lived in four states — California, Illinois, Pennsylvania, and Texas, which each made more than 25,000 placements — many other states also placed thousands of individuals in jobs. Some 14 states and the District of Columbia placed over 5,000 individuals in jobs, and another 10 states and Puerto Rico made between 1,000 and 5,000 placements. While these numbers are impressive, particularly given how quickly states had to scale up to access the federal funding, this initiative was smaller than the federally funded programs described earlier.

- **Unlike many earlier subsidized and transitional employment programs, those created with funding from the TANF EF emphasized private sector positions.**

Earlier subsidized employment programs made most placements in nonprofit social service agencies or government offices. The programs that states operated using the Emergency Fund targeted a wider mixture of positions with public, private for-profit, and private nonprofit employers. State administrators cited a range of reasons for targeting the private sector, including a desire to help local businesses and a slower process of developing public sector placements because of union rules. In addition, because the participants in TANF EF programs tended to have fewer barriers to finding employment than those served by more narrowly targeted programs, placement in private sector jobs was thought to be more feasible.

- **Eligibility was limited to low-income parents or youth, but states defined low income in different ways; most states did not limit eligibility to TANF recipients.**

In about a third of the states, only TANF recipients could participate in the subsidized employment program. In the remaining states, TANF receipt was not a condition of eligibility. Many of the states that targeted a broader population limited eligibility to families with income below 200 percent of the federal poverty level. Some states targeted particular populations such as unemployment insurance (UI) claimants, ex-prisoners, youth, and noncustodial parents.

Subsidized Employment for Low-Income Parents: The Legacy of the TANF Emergency Fund. Washington DC: Center for Law and Social Policy and Center on Budget and Policy Priorities, 2011.

- **Generally, states reimbursed employers for all or part of participants' wages, but there was substantial variation in the amount to be reimbursed, the length of the subsidy, the number of subsidized hours of work, and the nonwage costs that were reimbursed.**

In over one-third of the states with adult programs, employers were reimbursed for 100 percent of the wages they paid, although, in some cases, there was a limit on the total amount that could be reimbursed. The more common strategy was to pay employers for the number of hours a participant worked multiplied by a set wage, usually the state minimum wage or slightly higher, or to reimburse less than 100 percent of the wage. Employers could pay wages above this amount but would receive reimbursement only for the set wage. Less common strategies included a flat payment regardless of the wages paid and paying 100 percent initially and reducing the percentage over time. Most states limited reimbursement to a set number of months, somewhere between three and 12 months. States set different limits on the number of hours reimbursed (generally 30 to 40 hours per week) and decided which nonwage costs they would reimburse (for example, UI, workers' compensation, FICA, and medical assistance).

- **Administrators reported that the programs' benefits went beyond income gains to families to include local businesses and governmental agencies.**

While the overarching goal of the TANF EF subsidized employment programs was to provide income support to low-income families, state and local administrators who were interviewed by researchers mentioned other benefits of the programs. For example, some said that their program helped some struggling small businesses to continue operations, while other businesses were able to expand their labor pool.

- **After funding ended, many of the programs also ended, and others sharply reduced the number of families served.**

Once the Emergency Fund ended, only a few states continued to operate at the same levels as previously, and these were states that, for the most part, were operating programs using TANF funds before the Emergency Fund was enacted. More recently, as state and local budgets situations have improved, there appears to some resurgence of interest in subsidized employment. For example, in 2013, programs were established or expanded in California, Colorado, Nebraska, and Wisconsin.

What Does the Research Say About the Long-Term Impacts of Subsidized Employment?

Over the past 30-40 years, three broad categories of subsidized jobs programs have been rigorously evaluated: private sector wage subsidy models, transitional jobs models, and unpaid work experience models. The strongest of these evaluations used random assignment designs. In these studies, a lottery-like process was used to decide which individuals applying for the

program were given access to a subsidized job. The applicants who were selected formed a program group. Those who were not selected formed a control group. Researchers then tracked both groups over time to measure their employment rates, earnings, and other important outcomes. Because people were assigned to one group or the other using a random process, and because the studies included large numbers of individuals, one can be confident that the groups were comparable at the start of the study. Any significant differences that emerged over time are due to the fact that one group had access to subsidized jobs and the other did not.

Private sector wage subsidies. The first type of program subsidizes jobs with private employers. In one common model, called on-the-job training (OJT), employers hire participants onto their payroll and are offered a subsidy worth about half of the employees' wages over a period of six months. Several OJT programs for welfare recipients and other disadvantaged groups were evaluated using random assignment in the 1980s, and the studies found that participants earned significantly more than control group members even after the subsidies ended. The positive results were mostly for women, and the programs tended to be fairly small and selective; they did not serve the least "job-ready" candidates.[3]

A recent study by Economic Mobility Corporation examined a much larger employer subsidy model that operated under the TANF EF, Florida's Back to Work program, as part of a broader study of several Emergency Fund programs. The Florida program targeted unemployed parents with income below 200 percent of the federal poverty level and placed more than 5,000 people in jobs. Each subsidized worker was placed on the host employer's payroll, and the employer received a subsidy amounting to 80 percent to 95 percent of the employee's wages. For-profit employers were asked to make a commitment to retain the employee after the subsidy ended. The study did not use a random assignment design, but the researchers were able to identify a comparison group consisting of demographically similar individuals who sought help and were deemed eligible for the program but were not placed in subsidized jobs. The study found that, in the year after the end of the program, Back to Work participants earned about $2,000 more, on average, than individuals in the comparison group.[4]

One key question for any program that subsidizes private employers is whether employers are receiving a "windfall" for hiring the same kinds of people they would have hired anyway. This is a very difficult question to answer with any certainty. Studies can test whether providing subsidies for a particular group of job seekers improves the odds that they will find work, but it is almost impossible to know for certain whether this ends up displacing other, similar workers.

A survey conducted as part of the Economic Mobility study found that 63 percent of employers reported that they generated jobs that would not have existed otherwise, though it is hard to

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[3]Bloom, Dan. *Transitional Jobs: Background, Program Models, and Evaluation Evidence.* . Washington DC: U.S. Department of Health and Human Services, 2010.

[4]Roder, Anne, and Mark Elliott. *Stimulating Opportunity: An Evaluation of ARRA-Funded Subsidized Employment Programs.* New York: Economic Mobility Corporation, 2013.

verify the accuracy of these reports. In general, employers' responses to subsidies may be sensitive to economic conditions. For example, in the midst of a deep recession, employers may be reluctant to hire new workers without subsidies.

Transitional jobs. TJ programs give participants fully subsidized temporary jobs, typically with nonprofit organizations (in some cases, participants work directly for the program sponsor). The jobs usually are designed to teach participants how to function in a work environment (rather than teaching specific occupational skills), and there is usually no expectation that the subsidized job will transition into a permanent position. Participants receive a variety of supports while they are working in the TJ, and then get help finding an unsubsidized job.

MDRC conducted random assignment studies of six different TJ programs, five targeting (mostly male) former prisoners, and one targeting (mostly female) long-term TANF recipients. The general pattern of results was the same in all six studies. As we followed the two groups over time, we found that, initially, the program group was much more likely to be employed than the control group. These early differences in employment rates between the groups were very large — sometimes 40 or 50 percentage points — indicating that the programs succeeded in identifying and employing people who would have otherwise been very unlikely to work.

However, the early differences in employment rates between the groups were driven almost entirely by the subsidized transitional jobs themselves. Once those jobs ended, the employment rates for the two groups converged, and, overall, individuals in the program group were no more likely to work in unsubsidized jobs than those in the control group in most programs.[5]

Although the long-term impacts of these programs on employment outcomes are somewhat discouraging, the studies found several positive results:

- One program targeting former prisoners, the New York City-based Center for Employment Opportunities, produced significant decreases in recidivism. The public savings that resulted from preventing some participants from returning to prison or jail were large enough to more than offset the cost of running the program.[6]

- The Philadelphia-based Transitional Work Corporation, which targeted TANF recipients, had some positive impacts on unsubsidized employment and substantially reduced welfare receipt early in the study's follow-up period, though these impacts did not persist.

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[5]Bloom, 2010; Redcross, Cindy, et al. *Work After Prison: One-Year Findings from the Transitional Jobs Reentry Demonstration.* New York: MDRC, 2010. Valentine, Erin. *Returning to Work After Prison: Final Results from the Transitional Jobs Reentry Demonstration.* New York: MDRC, 2012.

[6]Redcross, Cindy, et al. *More Than a Job: Final Results from the Evaluation of the Center for Employment Opportunities Transitional Jobs Program.* Washington DC: U.S. Department of Health and Human Services, 2012.

- Several of the studies suggested that the programs were more effective for less job-ready participants, individuals who were the least likely to find jobs on their own.

One other study bears mentioning, though it did not directly study a TJ program. The New Hope Project, a demonstration program that operated in the 1990s, offered earnings supplements, child care, and health benefits to full-time workers in two high-poverty neighborhoods in Milwaukee, Wisconsin. The program also offered subsidized community service jobs to those who could not find employment in the regular labor market after several weeks of job searching. New Hope was evaluated using a random assignment design, and about one-third of the program group members worked in a community service job at some point. New Hope had positive effects on employment, income, and child well-being, and the availability of community service positions was important in generating those effects.[7]

Unpaid work experience. The third type of program that has been tested is unpaid work experience, sometimes called community work experience or workfare. In these models, welfare recipients are required to work as a condition of receiving benefits. The recipients do not receive wages, but their required work hours are often calculated by dividing their welfare grant by the state minimum hourly wage. For example, if a recipient receives $560 per month in benefits and the state minimum wage is $8 per hour, she would be required to work 70 hours per month, or about 15-20 hours per week. Recipients who do not show up to work without a valid excuse could see their welfare benefits reduced or canceled depending on the state's rules and practices.

In principle, workfare programs could place participants in worksites that are similar to those used in TJ programs. However, one key difference between the models is that workers in TJ programs are typically paid wages that count in calculating the Earned Income Tax Credit, while those in work experience programs do not receive wages. Some have also argued that wage-paying positions are more similar to "real" jobs, and thus provide better preparation for unsubsidized work than work experience positions, though this has not been tested directly.

Although much discussed, workfare has only been implemented on a large scale in a few places. The few studies that were designed to isolate the impact of unpaid work experience (which were conducted in the 1980s) 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 welfare into a work-based income support program — not to prepare recipients for unsubsidized employment.[8] One more recent study tested a New York City program that targeted public assistance recipients with work-limiting disabilities. The program included unpaid work experience among other components, and the

[7]Duncan, Greg et al. *New Hope's Eight-Year Impacts on Employment and Family Income.* New York: MDRC, 2008.

[8]Brock, Thomas, David Butler, and David Long. *Unpaid Work Experience for Welfare Recipients: Findings and Lessons from MDRC Research.* New York: MDRC, 1993.

evaluation found that, overall, it generated increases in participants' employment and earnings. However, there is no way to isolate the impact of the work experience component.[9]

What's Next?

DOL and HHS are both conducting multisite evaluations of the next generation of subsidized employment programs. The DOL project is called the Enhanced Transitional Jobs Demonstration (ETJD) and the HHS project is called the Subsidized and Transitional Employment Demonstration (STED). MDRC is fortunate to be leading both projects. Although the projects were developed separately, DOL and HHS are collaborating closely in carrying them out and established a formal Memorandum of Understanding. For example, two sites are shared across the two projects, and MDRC is using the same surveys and other research instruments in both projects.

DOL's ETJD project provided grants to seven programs, selected through a competition, to serve either low-income noncustodial parents (usually fathers) or individuals returning to the community from prison. Each program was required to enroll 1,000 people into the study, with 500 randomly selected to receive services and the other 500 forming a control group. All seven sites met the goal before enrollment ended in December 2013.

HHS's STED project is not associated with a grant program; rather, the study is testing programs that are mostly funded by states or localities. Like ETJD, it uses a random assignment research design. There are seven programs in the study, two targeting TANF recipients, two targeting disadvantaged youth, one targeting a broad group of low-income people, and two targeting noncustodial parents (those are the two programs that are shared with the ETJD project). At this point, four of the seven sites have finished enrolling participants, with sample sizes ranging from 1,000 to 2,700 per site.

Both projects were explicitly designed with the earlier TJ studies in mind. They are aiming to test a new generation of subsidized employment programs that may achieve stronger results than those that were tested in the past. Here are three examples:

- The **Los Angeles** STED site is targeting TANF recipients who completed an initial job search activity but were unable to find employment. It is testing two different kinds of subsidized employment side by side: paid work experience (PWE) and on-the-job training (OJT). PWE provides fully subsidized jobs with public or nonprofit employers. OJT is a hybrid model: participants are placed with private employers but remain on the program payroll for the first two months of employment. They then move to the employer's payroll, and the employer receives a partial subsidy for four additional months. Employers are expected to retain participants after the subsidy ends.

[9] Butler, David et al. *What Strategies Work for the Hard to Employ?* Washington DC: U.S. Department of Health and Human Services, 2012.

- The **Minnesota** STED site, targeting TANF recipients, is also using two models. Structured paid work experience provides fully subsidized jobs in nonprofit or public agencies for up to eight weeks. Subsidized employment focuses on private sector employers and provides a full subsidy for eight weeks and a partial subsidy for eight additional weeks. Program operators can choose to place participants in work experience positions initially, but the expectation is that those individuals will move to either a subsidized or an unsubsidized job.

- The **Atlanta** site, which is in both projects, is testing a staged model for unemployed noncustodial parents who are identified by the state child support agency. The program is operated by a local Goodwill Industries affiliate, and participants start out working for Goodwill, usually in a retail store. Those who perform well graduate to a fully subsidized temporary job with a local private employer. In the third stage, staff help recipients find permanent, unsubsidized jobs.

All of these models are aiming to address the limitations of earlier TJ programs, in part by using subsidies to help participants get a foot in the door with private employers. A key question is whether these private sector-focused models can be effective for less job-ready participants. Results from the STED and ETJD projects will start to become available late next year. At this point, preliminary analysis suggests that at least one of the ETJD sites targeting former prisoners is significantly reducing recidivism. Employment and earnings results are not yet available.

Conclusion

Subsidized employment is a valuable tool for providing work-based income support during periods of high unemployment. The recent experience with the TANF EF shows that states can quickly scale up programs and employ large numbers of unemployed workers. To date, the results from programs that attempt to use subsidized employment to improve long-term employment outcomes for very hard-to-employ groups are mixed. On the one hand, these programs dramatically increase employment rates initially, and at least one program for former prisoners paid for itself through reductions in recidivism. On the other hand, most of the programs that have been tested have not produced sustained increases in unsubsidized employment. The most effective programs tended to provide subsidies to private employers, though it is not yet clear whether this model can be effective with less job-ready participants.

There is great hope for the next generation of subsidized employment models, developed specifically to address the limitations of earlier programs. Both HHS and DOL are testing such models and results will start to emerge late next year.

Chairman REICHERT. We will now move to our questions.

Ms. Collins, thanks again for being here, and I know maybe sometimes you don't get to pause or maybe you do get to pause and think about how far you have come from being homeless and without work in 2007, beating the addictions that you have just talked about, and getting your GED, being hired as a full-time employee, now being promoted to manager, buying your own home. And now here you are in the Capitol testifying before Congress. You have come a long way, as they say.

We want to make sure that others have that kind of success, and your testimony is powerful, but I am wondering if you could just

share with me a little bit, given your experience as a participant in the program and now someone who supervises other people—and as you said, you were described as the volunteer queen, people want to be around you and they want to learn from you and watch you work—what do you think are some of the key features of the programs that made you successful and that will help those that you are working with now be successful?

Ms. COLLINS. I think the biggest thing was, was that I was uncomfortable with the case manager being into the Washington, you know, the Department of Social Services office. I felt if I was open with her and truly expressed the barriers that I had, more bad things would happen to me.

And so I think with people who have bigger barriers, with programs being a little bit longer, being able to have time to get to know the person and really dig down and find out what those barriers are, and when the program is going it is designed to be 6 months, if they are seeing progress in the person but they are not yet where they need to be or their barriers still haven't been addressed or worked through, then maybe expanding the program a little longer.

Chairman REICHERT. Additional help.

Ms. COLLINS. Yes.

Chairman REICHERT. Yeah. Anything else that you can think of that really played a key role in helping you get your feet on the ground that you can see, thinking of some of the people that you work with, anything else that you can see might be helpful?

Ms. COLLINS. Well, with the people that I work with now, I remember where I came from and I remember the support that I had from my case manager. And so I try to work in conjunction with their case managers by identifying at the worksite any issues that might be of concern, and I share those with the case manager. And that usually breaks the ice a little bit, when I am able to see the person every day at the worksite versus the case manager once a week.

Chairman REICHERT. It sounds to me like you need somebody who cares, somebody who will be with you long term, and somebody that you can learn to trust and open up to and begin to build your life.

Ms. COLLINS. Yes.

Chairman REICHERT. Thank you.

Ms. Dvorak, Erie County in New York has and operates a program where you place welfare recipients in subsidized jobs for 6 months, and you report great success in moving people from welfare to work as a result. And your program differs from some others, I think, as Mr. Bloom has pointed out. You place your recipients in private sector jobs and the employer pays the employee directly versus in some State agencies they basically provide a free employee, the State pays the paycheck.

Do you feel the structure impacts the success of your program? And what other features of your program do you believe contribute to its success in moving people from welfare to work?

Ms. DVORAK. I think there is a huge difference. I meet with employers all the time, I work with CEOs, and employers have been incredibly supportive. But when I sell the program, I sell it that

you are going to hire someone off the street. All I am asking is that you give my TANF recipients an opportunity to interview for jobs like anybody else. We are giving you the carrot. We are giving you 6 months of gross wages because they may need alonger time in training. We will provide additional supports. We will provide case management. But when I sell it, I am selling it as a long-term position, and existing position in the company.

The position is already there. I am just asking that they look at my clients and they consider them. But it is an existing position. I never go in saying this is temporary employment. If you don't like the person in 6 months, it is okay, you can let them go. They are hiring them like they would anybody else, so that it is a permanent position.

I do think it makes a big difference how it is presented to the employer because they are making an investment in this person, their staff is training this person to their specifications, and the client is going to the job thinking they have a long-term, full-time job. We always try and make the contract full-time, because how are they going to be self-sufficient if it is not full-time?

I think you have got to, like you said, break down the barriers. I think it takes a lot of case management to break those barriers down, but I truly believe if you can empower somebody, that once they start to earn a paycheck—which is a big difference, when they are getting a paycheck from a company as opposed to getting paid from an agency there is a huge difference in how they start to feel about themselves. They want to do better.

Chairman REICHERT. Right.

Ms. DVORAK. I think it has a lot to do with how they feel about themselves, about their self-esteem. I think it is baby steps. We have seen the change.

Chairman REICHERT. I think that you just validated the comments by Ms. Collins, that long-term relationship and that stability in life and building that trust, I think those things all sound very key to the success of people that are going through this. Thank you for your testimony.

Mr. Doggett.

Mr. DOGGETT. Thank you very much.

Ms. Dvorak, do you keep data on how many of these folks get terminated when the subsidy ends or within a short time thereafter?

Ms. DVORAK. Well, I will be honest with you. If they decide they don't like the person a day after the 6 months, I call them and say, you know what, we won't be doing business with you anymore. Because I know, if they liked the person up to that point and they don't like them the day after, this is not a revolving door, and we aren't going to supply your workforce on a subsidy. So they know that I am not going to do business with them again.

Mr. DOGGETT. Have you had to do that very much through the life of the program?

Ms. DVORAK. No, because I make it pretty clear. But when we do do it, we don't do business with them again.

Mr. DOGGETT. And what type of services do you provide for the employee to try to ensure that they meet the expectations of the employer during that period of subsidy?

Ms. DVORAK. Okay. If there are issues that come up, a case manager goes out to that company and meets with that client and will say, you are right on the edge, what is going on? Because they really do not, they don't have conflict resolution skills, they don't have a lot of coping skills. That is when we need to intervene and provide a lot of support. Because we can get them on the right track, but we have to do a lot of hand holding at the beginning and slowly we can wean them off of the system. You got to do it individually. Some people have a lot of issues. You never know when you can be on the other side.

Mr. DOGGETT. Exactly.

Ms. DVORAK. It could just be a crisis, a health crisis in someone's life, and they have a work history and they can do well. Other people have a lot of barriers. So those are big steps to overcome.

Mr. DOGGETT. I salute what you have accomplished and certainly what Ms. Collins exemplifies.

I am wondering, in looking at the studies that you are doing, Mr. Bloom, what you think you will be able to tell us about the services that need to be replicated in order to increase the chances that these programs will be successful.

Mr. BLOOM. I think an important thing to know about these two studies that are going on, one with HHS and one with DOL, is that they were explicitly designed to try to address the limitations of some of the earlier programs that I was talking about. So what we are looking at, for example, are programs that use a staged approach. So they will start off with somebody working at a Goodwill, for example, and then as people progress through the program, they may move into a subsidized position with a private employer.

And so that is a different model than what we tested before, because in the past we tested a lot of transitional jobs programs that had difficulty with the transition. So they were able to give people jobs and they did meaningful work, but when it came time to transition them into a permanent job that is where the trouble started.

So some of the programs that we are looking at now build in a more seamless transition through a series of steps so that people can try to end up in a permanent position rather than just a subsidized position.

Mr. DOGGETT. And, Mr. Doar, the experience you describe with the New York Parks Department was one where, as I understand it, the people that were in the program didn't do any better in getting long-term employment than those that receive no subsidized employment at all.

Mr. DOAR. Yes, that is correct. We had a large program in New York City where the vast majority of welfare recipients went into what we call back to work or work first programs that were intended to get them into employment rapidly, and we had placement rates in the 25 percent range, measured a certain way. And then we had others that we would select for these transitional jobs programs, smaller group, would have this 6-month employment at some significant cost, plus training, plus job search, and their placement rate in permanent employment in the period after that ended was about 20 percent.

So we had done a great deal of effort to get people into work in that circumstance, but the result was not much better than if we

just said to someone, let me see if we can get you into unsubsidized, private sector usually, employment right away, rather than spend this time in this program along the way.

Mr. DOGGETT. Do either of you have observations about what standards need to be in place, whether the programs need to be focused only at certain populations, or how we can maximize the investment? If every employer had a Ms. Dvorak there saying if the employee doesn't measure up, that is a good reason to dismiss them, but don't count on us to keep circulating people in here every 6 months just to subsidize your endeavors, we are here to try to help the employee. So she can't be all over the country. How we can replicate that kind of thing to ensure that we are helping people get long-term jobs and not just providing a short-term subsidy.

Mr. DOAR. My view was that we have to recognize that people who come apply for public assistance come in a variety of situations.

Mr. DOGGETT. Exactly.

Mr. DOAR. And if we build a program around permanent subsidized employment or intensive subsidized employment for everybody, we may be doing much more than we need to do for a lot of people. So a lot of people can be helped with getting into employment, job search, get them to employment, take advantage of the work supports that are available for everybody, like earned income tax credit, and you are on your way. Then there are certain populations that might need specialized attention where transitional jobs or subsidized jobs might be appropriate. But it has got to be carefully calibrated for populations that are in particular need.

Chairman REICHERT. Mr. Bloom, can I ask you to provide your answer in writing. We have votes about 3, 3:15, so I want to try to move quickly.

Mr. DOGGETT. Thank you.

Chairman REICHERT. If you could, we would appreciate it.

Mr. Young, you are recognized.

Mr. YOUNG. Thank you, Mr. Chairman. And I thank all our panelists for being here today. I really enjoyed the testimony.

Big picture here, we are trying to help people find full-time jobs, recognizing that it is the best way to reduce poverty. It also enhances income mobility and really one's ability to pursue the American dream, go out there and do exactly what Ms. Collins has exemplified. Over 97 percent of individuals age 18 to 64 who work full-time have earnings that place them above the poverty line. It is really powerful.

So when we are considering ways to get welfare recipients into work and up that income ladder using wage subsidies, we need to be careful that what we are actually doing is what we want them to do, is get jobs in the end. As policymakers, that means putting aside ideological biases, anecdotes we might get back in the district and using those to form our opinions as to the optimal public policies, uninformed sentiments, and so forth. We need to actually look at the available evidence base, and it is limited but growing, which is encouraging, as Mr. Bloom alluded to.

Some programs, we know, that have focused on helping welfare recipients in the past have actually been harmful, and that can be instructive. One example would be in the 1980s and 1990s the Tar-

geted Jobs Tax Credit Program, which was a predecessor to the current Work Opportunity Tax Credit Program. It was intended to encourage employers to hire welfare recipients.

In 1995, GAO called this program a, quote, "inefficient vehicle for increasing employment among the economically disadvantaged, often rewarding employers who would have hired disadvantaged workers anyway," a concern on both sides of the aisle. Worse, there were some indications that this program actually prevented hiring of needy individuals whom employers perceived as lacking the skills needed to be hired without the credit, in essence stigmatizing the employees.

I am concerned about the risk of continuing to make this mistake as we craft future public policies. And we have pointed in the course of this hearing to the existing of some rigorous evidence that tells us how to make programs successful, transitioning from a part-time position, or a temporary position, rather, into longer-term sustainable jobs. We have some evidence there.

First question would be to Mr. Bloom, and hopefully he can answer concisely based on my time limitations, whether we have evidence as well about avoiding this windfall effect to employers and/or evidence pertaining to the stigmatization of potential employees and how we can avoid that.

Mr. BLOOM. I can tell you from experience more than from hard random assignment evidence, but I think there are two things you could do to avoid this windfall. One is what we heard about from Erie County, which is to be very clear with the employer up front that there is an expectation that they are going to take this person onto their payroll and make them a permanent employee.

The other thing, I think, is to be careful with who is targeted by these programs. You don't want to target an individual for a subsidized jobs program if they can find a job without a subsidy. A lot of agencies will have people look for a job first with basic assistance, and the ones who are unsuccessful, those are the ones they might target for the subsidy program. And I think both of those things can help.

Mr. YOUNG. Excellent points. Well taken.

I am encouraged about the Department of Labor and HHS projects. I think we need to do far more demonstration projects and then robustly evaluate them in this country, especially in the social realm, and then scale up what works based on that evidence.

With that said, oftentimes we are hesitant to reveal all of our assumptions, our methodology, and results from these pilot programs in government. We issue press releases when we are successful. We spin or hide when we are not successful.

So I have a question. Do you feel as though in these cases, what you pointed to, there is sufficient opportunity to critique the methodology and learn from the project design and implementation because of its independent assessment and because of what is being provided to policy analysts like yourself?

Mr. BLOOM. Both of these projects are set up in such a way that they are using the strongest possible research designs, and that was required by HHS and DOL. I think we have total confidence that the results are going to come out and be public regardless of what they are. My organization is well known for putting out infor-

mation whether it makes people happy or not, and I am sure that will happen in this case in both of these projects.

Mr. YOUNG. And I didn't mean to insinuate otherwise. I thank you very much for your work.

And I yield back.

Chairman REICHERT. Mr. Renacci.

Mr. RENACCI. Thank you, Mr. Chairman. I want to thank the witnesses for testifying today.

An estimated 1.8 million Ohioans, my home State, are living below the poverty line, and we know the best way out of poverty is a job. Poverty in my home State of Ohio has increased by approximately 58 percent over the last decade, despite a stagnant population and a whole host of Federal programs created to end this cycle of poverty. We must find ways to address our struggling economy, improve our educational system and workforce training programs, and connect individuals to temporary resources they really need to success.

Included in the 2012 unemployment insurance reforms, the Department of Labor was granted waiver authority in the UI program. These waivers would allow States to operate demonstration projects to test alternative means of helping the unemployed return to work, including the concept we are talking about today, subsidized jobs.

Since this waiver policy was enacted in February 2012, only Texas has applied for waiver, and its application was swiftly denied. States have described the application process created by the Department of Labor as onerous and time-consuming. This Congress, I worked with the Department of Labor to introduce H.R. 3864, the Flexibility to Promote Reemployment Act, a bill that extends the UI waiver authority and provides greater flexibility to States to use existing UI dollars on programs that help the unemployed collect paychecks instead of benefit checks.

Ms. Dvorak and Mr. Doar, your program has been successful in connecting individuals with limited labor force attachments to jobs. Would your program be successful in connecting individuals with greater labor force attachment, like current UI recipients who were previously employed, to jobs?

Ms. DVORAK. Many of our clients, they have let their unemployment run out, they got their extensions, they let their unemployment run out, and then they have come to us. It is very difficult for them because they are very rigid, they let us know, "this is how much I am going to accept per hour, I am not going to work for less, these are the skills I have", and they are very adamant.

Well, one of the big pieces about the PIVOT Program is it is not a stand-alone program. It is not okay that they are not in a work activity. They have to go somewhere every day and be in a work activity, which goes hand in hand with them also working with the job developer and looking for work.

So it is really the whole piece with PIVOT. It is not just looking for work. It is doing the work activity, whether they need a GED, whether they go to the work activity and work in community projects. We also have a project in our parks, which are the Olmsted Parks in Buffalo. But it is dealing with the whole person and providing wrap around services that is tied into getting them

back into the workforce. There is a lot of resistance there, but having said that, you have got to work with them and get them back into the workforce. Which is why they are mandated to do a daily work activity.

Mr. RENACCI. Mr. Doar, do you have any——

Mr. DOAR. Our experience in New York was with welfare recipients who come to the TANF program or the general assistance program that existed in New York City, and the One-Stops that were under the WIA program dealt more with people who were on UI. And so I can't really speculate on what would happen if in a unemployment insurance program greater flexibility was provided to a locality, but the previous folks is right, it is in some respects a different population and may need different approaches.

Mr. RENACCI. Both of your programs, in your testimony you describe your experience connecting individuals with subsidized transitional jobs in the TANF program. What were really some of the common reasons that individuals were unsuccessful in finding employment?

Mr. DOAR. Well, we had a benefit in New York City of having a very vibrant entry-level employment situation for all of the time that I was there, including during the recession. The opportunities were there, and that was a good thing.

I think the principal reason people had trouble is one of two factors. One is that they were weak on soft skills and the sort of requirements of the daily rigor of work and they weren't prepared and ready to step up to that responsibility and they needed some assistance in getting there.

Mr. RENACCI. Not to interrupt you, but in that case, it is not that they weren't trained, or was training an issue, too?

Mr. DOAR. Well, again, there are a lot of opportunities in the entry-level position. And then the second would be there were language barriers and literacy barriers. If I would say that was one that was the most significant, that would be it.

Mr. RENACCI. Thank you. My time has run out. I yield back.

Chairman REICHERT. Mr. Davis is recognized.

Mr. DAVIS. Thank you very much, Mr. Chairman, and I thank the witnesses for being here.

Ms. Collins, let me commend and congratulate you for your successes, and I think that you are the epitome of what can and does happen to and with individuals when they are given opportunities and a chance.

As a matter of fact, in 2010 the State of Illinois put together a program called Put Illinois to Work, which placed eligible Illinois residents in subsidized employment positions lasting up to 6 months. Put Illinois to Work was a collaborative of the Illinois Department of Human Services, Illinois Department of Commerce and Economic Opportunity, and Heartland Human Care Services, using funding from the TANF Emergency Contingency Fund, which was created by the American Recovery and Reinvestment Act of 2009.

Illinois invested $10 million to leverage a Federal investment of $200 million. The Federal emergency TANF funds expired on September 30, 2010. The program was supposed to end November 30, 2010, but Governor Quinn used approximately $50 million in State money to keep the program alive through January of 2011.

The program was evaluated, and here is what they found. The program exceeded the goals demanded by employers and workers. It helped tens of thousands of low-income unemployed and underemployed Illinoians. It helped small businesses during economic recession. Generated income and revenue, $13.6 million in Federal income and $2.7 million in State income. It provided quality programming that satisfied trainees and employers.

Ninety-two percent of the workers and 88 percent of the employers said that they would participate in that program or something like it if they had another opportunity to do so. And over 52 percent of the employers indicated that they would hire the workers permanently if they had the resources and the opportunity do so, although only 13 percent of them indicated that they did.

Mr. Bloom, I was interested to know, given your experiences and the work that you do, have you noted anything in particular about ex-offenders, individuals who have been incarcerated, and their experiences as they get opportunity for programs like this?

Mr. BLOOM. I think people who are coming out of prison face in some ways a double issue. Many of them have characteristics that would make it difficult for them to hold a job, even if they hadn't been to prison. So they may not have finished high school or they may have limited work experience. Add on top of that the fact that they now have a criminal record, and surveys have shown that many employers are very reluctant to hire people with criminal records.

It is doubly difficult for those folks to get employment. And I think that is why a lot of these transitional jobs programs have tended to focus on individuals coming home to the community from prison, because it is so difficult for them to walk right into the private sector and get hired.

Mr. DAVIS. Ms. Dvorak, could you just off the cuff think of what it is that we might be able to do to make these programs or this effort more effective?

Ms. DVORAK. I feel that subsidized employment works. So I am in the trenches, I work with the clients, I work with the agencies. So for us it is working. So it is hard for me to say. You don't always have to reinvent the wheel, but I think we have to look at it more closely. For us, it is working.

Mr. DAVIS. So more might be better?

Ms. DVORAK. We work with ex-offenders and it is very difficult. But there are big employers out there, like Home Depot, who will give these people an opportunity, and they do promote from within, and they are an amazing employer. But you have to work one on one with these employers.

Mr. DAVIS. Thank you very much. I am familiar with the Home Depot effort, and they are in fact marvelous and do an outstanding job.

Thank you very much, and I yield back.

Chairman REICHERT. Thanks, Mr. Davis. Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman.

Thank you all for being here.

Ms. Collins, let me start off with you, because I know so many folks like you. I am also an employer. I have had the best experience in the world with having people come into our business and

showing us that they are really wanted and that they truly do have value, not just value to the dealership, but value as people in our community.

If you can share that a little bit, because I don't think there is anything better than to wake up and have the alarm go off, wake up, throw your feet out over the bed, say, you know what, I am going to go to work today and I am going to provide for my kids, I am going to put a roof over their head, clothes on them, food on the table, and a chance for the future.

So I don't think there is any woman or man out there when you get up and you have a place to go and a place that you are wanted is the key to it. Just share that a little bit. Listen, your testimony was fantastic, but you are the person that we are talking about. You are the person that wants to get back into society, wants to contribute, wants to be part of what makes America great. Just share a little bit more because I can't imagine that transition.

I have people that have actually; you know what they did when they got their first paycheck? They came in and talked to me about it, but then they took a copy of it in our copying machine so they could keep it in their wallet just to show these other people that were down on them, you know what, I actually get paid for what I do, and these people like me, and they want me back every day. If you could just share a little more of what you do, because it is an incredible story.

Ms. COLLINS. Sure. So one of the biggest turnarounds for me was, especially being a victim of domestic violence and being a meth user for so long, was that I had to self-worth. So the people that I worked with made every day that I went in, made me want to go in another day. It was a just a happy, positive place to be. When I walked in, they were very excited to see me. Even though I went there and I worked really hard, it made it worth coming back every day.

So what I do now with the participants that are at my store is I do the same thing. You have to come with a positive attitude. With a positive attitude comes a productive employee. I let them know how good of a job they are doing, and I just let them know how important they are to be part of our team and our team isn't complete without them.

It makes them open up to me a lot sooner with any kind of personal problems or any kind of barriers that they have. And just being able to, like you said, I spend a third of my day at my job, I want to go someplace that is going to be positive and where I feel important. And that is how I want my employees to feel.

Mr. KELLY. I can't imagine your children, how proud they are of their mom, every day she gets up and she is goes to work because of them. So thank you so much.

Ms. Dvorak, I have got to tell you, your program makes sense to me because you take the curse off the call. You say, hey, listen I want to come talk to you about employing somebody and it is going to work for you, too. This is a win-win situation. That program, what made you pivot to that type? Were you having a different experience in the workforce trying to get people to actually listen to you?

When it came time to talk to an employer and say, I have got a prospective employee. And they say, really, get back with me. And say, well, here is the point, we can actually work together on this. You can win, they can win. In the long run you get a great employee. But early on, through that 90 days, you are going to get a chance, these people can prove themselves.

Ms. DVORAK. The greatest part to me is going to employers. When you change people's lives and you meet with CEOs and they see that they can be a part of it, it is amazing, you get them engaged and they buy in. It is great. It is great because it is a win-win for both the client and the employer.

Mr. KELLY. Well, I think—and maybe, Mr. Doar, you can go with this—I think part of the problem, and Mr. Young and I were just talking, we have a criminal justice code that really takes people who are substance abuse people and makes them criminals, and they are addicts and they have a very difficult time. They want to get back into life and they want to be part of society, but they are constantly put down because of the way they are identified and the way they are labeled.

I think the other problem, and maybe you suggested, you talked about people with soft work, if you stay off the field too long you don't want to get back in the game. If you make it too easy to stay at home, I think you have to attach that work, getting work to get the benefit.

Your experience in New York and people walking away from jobs, that is not good enough for me, but maybe for somebody else. So the soft issue, what is that exactly, so people understand that?

Mr. DOAR. Well, one of the things I found most interesting about Mr. Bloom's testimony was his reference to a program called CEO in the city that focuses on people coming back from prison. And they, my experience with them, I knew them, I worked with them, I funded them in part through city funding, I found them to go very focused on getting people ready and understanding the basic requirements of a job, and then getting them into work in a way that they then felt they were getting something in return.

So it is both a combination from within and if they get a real return at the end of the day for work done. So it is tricky, all this work, but I would look at what CEO was doing with reentry people because they had a good model.

Mr. KELLY. I am sorry, I have run out of time. But I want to tell you, I think this investment and the return on this investment for the American taxpayer is really a positive one. And you are all doing great work. Please keep it up and let us know how we can help you. Thanks so much.

And I yield back, sir.

Chairman REICHERT. Thank you, Mr. Kelly.

Mr. Crowley, you are recognized.

Mr. CROWLEY. Thank you, Mr. Chairman.

Let me thank each of you for testifying today. I appreciate having this hearing today and particularly focusing on helping families go to work and escaping poverty.

I have to say, Mr. Chairman, this may be the least acrimonious subject we have discussed in the entire session.

And in particular, Ms. Collins, I want to congratulate you on your success and your life. It is outstanding, as was mentioned earlier by the chairman. And anyone who follows you does so at their own risk. And I applaud the others for having followed through and for contributing in a mighty way as well.

I believe that subsidized job programs are one of the key tools in our arsenal to get families into the workforce and out of poverty. I support these programs, but I don't support them at the expense, per se, of cutting other worthwhile programs as well. It goes hand in hand with programs like SNAP, which, Mr. Doar, I can't help but notice that you list in your testimony as an important work subsidy as well. And that is why I am surprised, not to embarrass any of my colleagues here, but my colleagues on the other side of the aisle all voted to cut the SNAP program as part of the Republican budget proposal earlier this year.

I see Mr. Doar's testimony also mentions that the Child Tax Credit is another important work subsidy. And I guess that is I was also surprised to see that my colleagues last week, my Republican colleagues, voted to reduce or eliminate the Child Tax Credit for hundreds of thousands of American children and their families.

I was even more surprised because this came the day after the big thinker of the Republican Party, my good friend Mr. Ryan, released his ideas of how to lift Americans out of poverty. And despite all the evidence from every direction that SNAP and the Child Tax Credit and other policies are critical pieces of keeping Americans afloat, the so-called poverty plan includes cuts to SNAP and other vital social programs.

What it doesn't include is policies that actually help lift people out of poverty, and Ms. Collins has given her own life example as an example to us all, like the very subsidized work programs that we are discussing here today; like investments in education from early childhood to higher education and in the job training; like an increase in the minimum wage, which would not only increase wages to millions of American workers, but it would also reduce the need to put on programs like nutrition assistance in the first place.

I won't ask Ms. Collins, but I am sure she would like to see a raise in the minimum wage, but I won't ask that question.

Instead, this poverty plan is just the House Republican budget dressed up with a different bow on top. The fact is the Republican Ryan proposal is their worst idea since their last idea.

So with that, Mr. Chairman, I will just yield back to you.

Chairman REICHERT. Thank you, Mr. Crowley.

I warned the panel beforehand that we might have some comments that might be political in nature, but I think the bottom line is that what you heard Mr. Crowley say in the beginning is that everybody on this panel, and I think everybody in Congress, including the staff, wants to come up with a way to help people get on their feet, get a job, and have a future as Ms. Collins has described. And that is the effort here. And those things that we have disagreements on are disagreements—if I can say, Mr. Crowley—disagreements on how we get there. And I think that is where we have the battle. I think Mr. Doggett alluded to that also.

Mr. CROWLEY. Mr. Chairman, will the Chairman yield?

Chairman REICHERT. Yes, I will yield.

Mr. CROWLEY. Mr. Chairman, I hope that you would not interpret the words that I spoke as being political in the sense that everything that I talked about is in bill form and in legislation that we Democrats are in support of and would like to see advanced here in the House of Representatives.

Chairman REICHERT. Reclaiming my time.

Mr. CROWLEY. That is not political, that is a legislative position.

Chairman REICHERT. Reclaiming my time. Matter of interpretation of legislation and the wording in the legislation language is always one party or another has a different view.

Mr. CROWLEY. Mr. Chairman, would you yield one last time?

Chairman REICHERT. No.

I want to take a moment to thank all of you, and appreciate your testimony. I think this was a very beneficial hearing in that you all provided information that we can all use, all of us together, and move forward. Again, the bottom line here is that we are all dedicated to trying to find a way to put people back to work.

And you may not know some of the background of some of the members of this committee. Mr. Davis has an interesting background to share. I think we all do. But every now and then I think it is important for you to know that not all of us are Princeton, Harvard, Yale graduates.

I was a runaway myself from my home. I was a victim of domestic violence as the oldest of seven. And I actually lived in the Kent Valley, where now you are employed in the Kent Valley. I went to Kent-Meridian High School. It is a place that I know very well. And maybe I will stop by the Kent Goodwill and say hello to you. Would that be all right?

Ms. COLLINS. Yes.

Chairman REICHERT. Okay.

Thank you all so much for your testimony and have a great day.

[Whereupon, at 3:17 p.m., the subcommittee was adjourned.]

[Submissions for the Record follow:]

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House of Representatives

Committee on Ways and Means

Subcommittee on Human Resources

Hearing

Subsidized Jobs and Their Effectiveness in Helping Families Go to Work and Escape Poverty

July 30, 2014

Letter Submitted by

American Public Human Services Association (APHSA)

Tracy Wareing, Executive Director

and

National Association of State TANF Administrators (NASTA)

Todd Bland, Chairman

Contact: Cynthia Woodside, (202) 682-0100, x235, cwoodside@aphsa.org

August 20, 2014

The Honorable Dave Reichert
Chairman, Human Resources Subcommittee
House Ways and Means Committee
Washington, DC 20515

Dear Chairman Reichert:

Thank you for the opportunity to provide information for the July 30, 2014, Human Resources Subcommittee hearing on "Subsidized Jobs Programs and Their Effectiveness in Helping Families Go to Work and Escape Poverty."

The American Public Human Services Association (APHSA) and its affiliate, the National Association of State TANF Administrators (NASTA), respectfully submit this letter outlining the experiences of states in implementing subsidized jobs programs funded through the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5).

Flexibility
At the time, revenue in the majority of states was in steep decline and many states were experiencing increases in their Temporary Assistance for Needy Families (TANF) caseloads. The states welcomed the $5 billion contained in ARRA's TANF Emergency Contingency Fund (ECF) to help address the increased need. The three options in the use of the funds were important for states to tailor the funding to meet the needs of families in their communities. Of the total, approximately 30 percent, or $1.5 billion, was expended on subsidized employment.

Flexibility in the use of new or existing funding is important to a state's ability to determine how best to address the individual needs of its TANF population, provides states with opportunities to experiment and innovate with programs and service delivery, and is in keeping with the original promise and hallmark of the TANF block grant.

Time
Given the short timeframe states were given to implement subsidized jobs programs, the results were impressive. In just two years, 40 states placed over 260,000 youth and adults in subsidized jobs. States that had existing subsidized employment programs in place had a head start over states which worked to create new programs. In states beginning programs, time was needed for creating the administrative infrastructure, designing the program, determining the target population, developing the wage subsidy structure and support services, securing matching funding (which in some states required legislative action), recruiting and nurturing relationships with employers, creating a valid evaluation process, and more. Due to the time constraints, many states fell short of their original placement goals.

States learned a number of lessons in implementing subsidized employment programs through the ECF and many admit they would do things differently if afforded another opportunity in the future.

According to states, one important factor in increasing future success is to provide more time. Over the two year time-frame, few state programs were in operation for more than a year, and the majority for fewer than 12 months. Additional time is needed both on the front-end for creating the program infrastructure and recruiting employers and on the back-end for providing sufficient time for participants to develop job skills and increase labor force attachment, and for employers to make meaningful determinations about retaining workers after the subsidy ends.

Funding

Another critical aspect of the ECF funding was that it represented a much needed infusion of new money. States contributed under the matching requirement, but the federal contribution was key to the ability of states to provide the services and supports necessary to help TANF recipients move into gainful employment and independence. Today, states find it increasing difficult to provide the necessary level of support due to the 30 percent loss in the value of the original $16.5 billion TANF block grant, the elimination of the $619 million in TANF supplemental grants, and the decrease to $612 million in the current TANF contingency fund.

A clear indication of the shrinking funding is that even given their promise, when the ECF funding was exhausted, some state subsidized job programs were ended and others were continued, but at a reduced level.

States have concerns that additional federal dollars may not be available in the future for smaller downturns, regional economic losses, or increases in population that TANF's supplemental and contingency funding streams were originally designed to address.

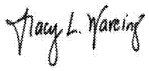
APHSA and NASTA

Founded in 1930, APHSA is a nonprofit, bipartisan membership organization composed of top executives of state and local human service agencies and their key state program managers. APHSA has nine affiliates, which include members who administer program-level and system-support operations in the states and counties. The NASTA affiliate, comprised of state and local TANF administrators and their staff, is committed to developing, implementing, and evaluating TANF programs that are responsive and accountable to the needs of the communities and people they serve.

For the past few years, APHSA, NASTA, and other affiliates have been actively engaged in implementing *Pathways: The Opportunities Ahead for Human Services*, which is our members' policy and practice agenda for transforming the present health and human service delivery system. *Pathways* envisions an integrated, holistic system that is more efficient and effective, person- and family-centered, and focused on sustainable outcomes.

For more information on *Pathways* or the states' implementation of subsidized jobs, please contact Cynthia Woodside, senior policy associate for economic supports and NASTA liaison, at cwoodside@aphsa.org or 202-682-0100.

Sincerely,



Tracy L. Wareing
Executive Director, APHSA

Sincerely,

Todd Bland
Chairman, NASTA