The Impact of Subsidized Employment on Employment Outcomes in Michigan, United States

Researchers:

Elisabeth Gerber

Brian Jacob

H. Luke Shaefer

Sector(s): Labor Markets, Social Protection

J-PAL office: J-PAL North America

Location: Michigan, United States

Sample: 500 unemployed or underemployed, working-age SNAP recipients (anticipated)

Target group: Job seekers Adults People with a criminal record

Outcome of interest: Earnings and income Employment Take-up of program/social service/healthy behavior

Intervention type: Coaching and mentoring Recruitment and hiring Subsidies Alternative dispute resolution Child care Psychosocial support

Subsidized employment programs may help unemployed and underemployed workers in the United States get stable, well-paying jobs by encouraging employers to hire workers facing barriers to employment. In an ongoing study, researchers are testing whether a subsidized employment program for low-income adults with less than a high school degree in Michigan can improve employment opportunities and earnings while reducing public benefit receipt.

Policy issue

The need to expand work opportunities for low-income adults has received considerable bipartisan policy attention in recent years. Even as the overall economy has improved since the Great Recession, many people remain out of work, especially adults with less than a high school degree. Subsidized employment programs may increase unemployed adults' employment opportunities. These programs provide monetary subsidies to employers to offset the cost of employing individuals with limited work experience, low levels of formal education, or other barriers to employment. Enhanced programs often combine employment subsidies with placement services, ongoing guidance, skill development, and structured support services.

Experimental and quasi-experimental studies of subsidized employment programs in the United States suggest that these programs can reduce unemployment rates and boost overall economic growth if subsidies do not displace existing workers or workers who might have otherwise been employed, and if they create opportunities for workers facing barriers to employment that otherwise would not have existed. Previous randomized evaluations of subsidized employment programs suggest that the most impactful programs may affect not only employment, but also crime and children's schooling outcomes.

Context of the evaluation

For workers with less than a high school degree, the national unemployment rate was 7.4 percent in 2016, compared to 2.5 percent for those with a Bachelor's degree or higher.[1], In Michigan, this disparity was even larger as of October 2017, with 8.1

percent of those with less than a high school degree unemployed compared to 2.1 percent of those with a Bachelor's degree or higher.[2] Community Ventures (CV), a subsidized employment program for low-income, unemployed adults implemented by the Talent Investment Agency of Michigan, is currently active in the cities of Detroit, Flint, Pontiac, and Saginaw. Most of the CV population (roughly 80 percent) are single adults with no children. About a quarter of participants were formerly incarcerated. Nearly half receive food assistance through the Supplemental Nutrition Assistance Program (SNAP) and nearly one-third are on Medicaid. The goal of the program is to connect these low-income, unemployed individuals to sustainable living wage jobs.



A worker using a machine.

Photo: Shutterstock.com

Details of the intervention

Community Ventures provides a stipend of up to $5,000 to participating employers for the first year of work by a CV participant. In addition, the program provides up to $3,000 in support services for participants in the first two years of employment. These services help address barriers to work such as work attire, transportation, and child care affordability. Participants also get matched with a caseworker who can help them manage work-place conflicts and other psychosocial challenges.

This randomized evaluation will compare two randomly assigned groups of unemployed adult recipients of the Supplemental Nutrition Assistance Program (SNAP). Participants who are eligible and choose to participate will be randomly divided into two groups: a treatment group that is referred to the CV program and a comparison group that will receive standard workforce training services as usual (without the CV program). The research team will then measure the impact of Community Ventures on outcomes such as employment, earnings and public benefit receipt.

Results and policy lessons

Study ongoing; results forthcoming.

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1. "Educational Attainment in the United States: 2016." U.S. Census Bureau. Last modified March 31, 2017. Accessed February 12, 2018.https://www.bls.gov/emp/ep_chart_001.htm, using https://www.census.gov/data/tables/2016/demo/education-attainment/cps-detailed-tables.html

2. "Unemployment Rate by Education Level." State of Michigan. Accessed February 12, 2018. https://www.mcgi.state.mi.us/mieconomy/#!/unemployByEdu