



Towards Shared Recovery: Job Creation Should Include Low-Income Workers

The Need: *With Help, Low-Income People Can be an Important Part of a Sustained Recovery*

The policies of the last eight years have demonstrated that a top-down economic approach fails to create broadly shared and sustainable prosperity. To ensure that incomes rise across the economic spectrum as the recovery takes hold, it will be necessary to make special efforts to assure that low-income people have access to a proportion of the jobs being created. Poor and near-poor people are much less likely to have finished high school (22 percent of those without a high school diploma are poor, compared to only 8 percent of those with some college). Those who have not finished high school are more than three times as likely to be unemployed as those with a college degree (10.5 percent vs. 3.1 percent unemployment rates respectively in November). Among poor women, only 6 percent work full time and year round; 36 percent work part time or part year. About half of poor men work at least part time; only 11 percent work full time year round. Very high unemployment levels among youth and ex-offenders are a drag on the economy. The job creation initiative of the Obama Administration should help those low-income workers to increase their hours of work and rates of pay. Targeting new jobs to low-income workers will add to their purchasing power, providing a direct boost to the economy now. And by helping low-income workers to add skills and work experience, they will be able to secure better jobs and contribute to our future prosperity.

How to Include Low-Income Workers

The recovery plan should require that at least 15 percent of work hours on federally funded infrastructure projects be performed by jobless veterans or low-income individuals who are unemployed, with special attention to low-income minorities and women, out-of-school youth, the homeless, and ex-offenders. At least 1 percent of infrastructure funds should be dedicated to job training, education, apprenticeships and pre-apprenticeships. In addition, creating jobs to meet social service, education, and health care needs will make it more likely that low-income women will find employment.

Jobs must be created across a wide range of economic sectors, with targeted job creation efforts in low-income communities. Low-income communities desperately need modernized and/or adequately staffed schools, housing, transportation, and child care and other social service and health facilities. Hiring in all these areas will rebuild infrastructure, create healthier and more energy efficient communities, and meet the needs of hard-pressed families. Some examples:

- **School repair, maintenance and retrofitting:** \$10 billion. Can be used for already-identified projects for quick employment. (*Sources: Economic Policy Institute; Center for American Progress*)
- **Weatherization assistance:** \$900 million, the fully authorized level, would retrofit 350,000 – 400,000 homes, and should include funding for training, technical assistance, and monitoring to increase the number of low-income workers entering this field. The U.S Department of Energy estimates that 52 weatherization jobs are created for every \$1 million in funding, with an economic multiplier effect of 3. Weatherized units save families 15 percent of their home energy bills on average. (*Source: Center for American Progress*)
- **HOME Investment Partnerships:** \$1 billion to cities and states through a block grant funding energy efficiency improvements for low-income rental and owner-occupied units; would reduce energy use by 20-30 percent in 300,000 units and would create jobs. (*Source: CAP*)
- **Child Care and Head Start:** Parents who are unable to secure child care are often forced out of the labor force, dramatically reducing their income. \$3 billion in new child care funding would create paid work for approximately 189,600 child care workers and would serve more than 482,000 additional children. Providing \$1.3 billion for one-time infrastructure repair for Head Start and Early Head Start facilities and \$3 billion to address program needs shortchanged by years of shrinking funding would

provide as many as 120,905 new jobs. (Sources: *National Women's Law Center, National Head Start Association*)

- **Affordable Housing:** Providing \$10 billion to capitalize the National Housing Trust Fund would create as many as 113,000 new jobs while producing 100,000 new units affordable for low-income families. Preserving public housing units through a \$5 billion increase in the Public Housing Capital Fund and \$3 billion for HUD- and Rural Housing Service-assisted project-based housing would create 88,000 jobs. (Source: *National Low Income Housing Coalition*)
- **Aid to States to prevent Medicaid and other cuts:** A temporary increase in the federal share of Medicaid costs would likely result in well over 600,000 jobs. In California, an estimated 71,900 jobs would be created with wages exceeding \$2.9 billion through December 2009. Total state aid of \$150 billion over 2 years could include funding for the Community Services Block Grant, Community Development Block Grant, Social Services Block Grant and for Temporary Assistance for Needy Families (TANF), as well as other general grants to states. These funds could increase jobs providing services for children and the elderly and for other vulnerable populations and could help modernize public buildings, roads, and public transit in low-income communities. (Source: *Families USA*)
- **Child Support Enforcement:** States have begun to lay off child support collection workers. Preventing these cuts through \$1.1 billion in restored federal funding over two years will hire back staff for an extremely cost-effective program, collecting \$4.73 for every public dollar spent. If this funding is not provided, CBO estimates families will lose up to \$1 billion a year in support they are owed. (Source: *Center for Law and Social Policy*)

Access to training and transitional jobs will increase employment among low-income and vulnerable populations. The Obama recovery plan should include training closely related to jobs either created by the plan or projected to be available in the near term in the public or private sector. Whenever possible, training or apprenticeship-type programs should provide stipends or wages. Some examples:

- **Green Jobs Act work force training:** \$125 million a year to increase the number of workers skilled in installing renewable energy units and other green construction projects. (Source: *CAP*)
- **Transitional Jobs:** \$400 million would create time-limited jobs to assist low-income people with low skills and little work experience. (Source: *Center for Law and Social Policy*)
- **Summer Jobs for Youth/transitional jobs:** \$1 billion for the summer of 2009, with 30 percent of the funds to be spent for transitional jobs after the summer for out-of-school youth. This funding would help to address the November unemployment rate for 16-19 year olds of 20.4 percent. For African American youth, the unemployment rate was over 29 percent in September. (Source: *CLASP*)
- **YouthBuild:** \$500 million in new two-year funding would allow 30,000 more 16-19 year olds to receive on-the-job training in construction trades, as well as to receive help in finding a permanent job and/or completing more education. YouthBuild also helps low-income young ex-offenders to avoid a return to crime. (Source: *YouthBuild*)
- **Education and Training for the unemployed:** New funding of \$1.25 billion for Workforce Investment Act adult, youth, and dislocated worker programs; \$250 million for Reemployment Services, and \$500 million for adult education would improve the lagging skills of American workers (25 million workers aged 18 to 64 lack a high school diploma or GED). (Source: *CLASP*)
- **College Work Study/Pell Grants:** An increase in \$250 million will enable more low-income college students to earn the funds they need to pay for post-secondary education. Increasing Pell Grants by \$500 would increase the maximum grant to \$5,231, at a one-year cost of \$5.4 billion. (Source: *CAP*)

(For more information, see **Towards Shared Recovery**, at <http://www.chn.org/pdf/2008/sharedrecovery103108.pdf>, or contact Deborah Weinstein, dweinstein@chn.org; (202) 223-2532 x111)