

# A JOB CREATION AGENDA FOR ALL

## Policy and Practice

### ■ OVERVIEW

America is in the midst of a jobless recovery, experienced by millions of people every day who hear that the recession is over but still can't find a job and still struggle to make ends meet for themselves and their children. Policies implemented to date – the stimulus package, the bailout of financial institutions, and rock-bottom interest rates-- have helped to lessen the depth and severity of the recession, but they haven't helped average Americans gain a stable foothold in the economy.

A job creation agenda is needed to complete the package of federal policies and levers already enacted to fuel the nation's recovery. The Obama administration and key members of Congress are exploring a range of options that will likely include fiscal relief for state and local governments, assistance to small businesses and tax credits for employers adding jobs. While there is reluctance in some quarters to go down the public job creation path, because of the legacy of big government programs like the WPA and CETA, political leaders should take the lessons from those programs to craft a program for 2010, rather than discarding the idea of a jobs program outright.

It's time for the federal government to ensure that all Americans have access to jobs. For many Americans, the recession started long before 2008; there are hundreds of communities, rural and urban alike, where unemployment has been high for decades, where skills and education are low, and where families and children are struggling to stay afloat.

Any job creation effort needs to serve these communities and their needs. The first stimulus package failed to provide significant job opportunities for low-income, low-skill workers—the populations that in the long term, will form a significant portion of the nation's workforce – and in which investment is needed to help the United States remain competitive.

Job creation, when done right, can uplift communities that have experienced significant disinvestment and a crumbling of their core services and infrastructure. Linking job creation to improving our schools and educational systems, strengthening our physical infrastructure and cleaning the environment will help to rebuild these communities and prepare them to participate more fully in the economic recovery as it gains strength.

A successful job creation agenda should:

- ✓ target jobs that are visible and will have substantial impact in communities with an emphasis on low-income communities that would benefit the most
- ✓ prioritize creating job opportunities linked to skill-building and education for those who have been shut out of the economic mainstream while also providing opportunity for those more recently out of work

- ✓ be deployed in the short term and structured for the long term, with an increasing emphasis on including private leverage as the economy rebounds
- ✓ build upon past experience of job creation programs, use existing mechanisms and adapt to newer innovations such as transitional jobs programs
- ✓ be paired with an infusion of fiscal relief to cities and states to prevent displacement of current workers
- ✓ employ a mix of policy levers and programs, including a job creation tax credit for new jobs or for shorter work weeks, as well as public jobs to re-build community infrastructure and a program to support training and employment in the private sector.

Local government has already begun innovating out of necessity, as they have seen budgets slashed and community needs rise. Harnessing these local innovations and initiative, while maintaining transparency and accountability, can help to spur the creation of jobs in both the private and public sectors. Local and some state governments are in a good position to be able to quickly and accurately identify where public sector jobs can have an impact, and where private sector jobs can provide opportunity.

### Case Study: San Francisco

Through San Francisco Jobs Now!, the city is offering 1,000 unemployed people a 100% wage subsidy through September 2010 in a range of industries. The program will target three skill levels, and workers with the fewest skills will receive subsidized employment and training through a program with Morgan Memorial Goodwill and an English language provider. Employers pay taxes and any usual health insurance; wages must be similar to those in unsubsidized employment. By the end of the past summer, 300 people had already been placed in jobs.

## ■ KEY POPULATIONS FOR A JOB CREATION AGENDA

With millions of Americans out of work, and many of those experiencing unemployment for the first time in their lives, there might be a temptation to focus primarily on those workers recently unemployed with higher skills and credentials. Yet those are the very workers who will more easily re-attach to the labor market through established channels as the economy rebounds.

While it is certain that a job creation initiative will incorporate those workers, it is imperative that any effort include a significant emphasis on those who have been traditionally marginalized in the labor market. Low-income youth and adults with few skills should be targeted because they are:

- more likely to have been out of the job market longer and to have a harder time re-entering because of competition with a more skilled workforce
- more likely to need training and additional education to compete over time in the labor market
- less likely to have assets and reserves to help them weather the recession, and
- more likely to spend their paychecks immediately than to save even a portion, thus helping to fuel the economic recovery.

## ■ PRINCIPLES TO GUIDE A JOB CREATION AGENDA

As Congress and the Administration craft legislation, it is crucial to establish a solid framework and set of guiding principles for job creation. Key principles should include:

**Ensuring that those who stand to benefit most are included.** Low-skill, low-income individuals who traditionally have difficulty maintaining a foothold in the labor market should have priority. This includes young people, those without a college education and those re-entering communities from prison.

**Create jobs in high-visibility, high-impact areas.** Job creation efforts should include communities experiencing long-term disinvestment and areas of the public good that will help the nation remain competitive, such as education and the green economy. Creating the jobs in high-visibility areas will help taxpayers to see the return on investment. Repairing and rebuilding the nation's infrastructure will position us well for future economic competitiveness.

**Prioritize 'good' jobs that prepare workers for future jobs.** The jobs should reflect a range of skill levels that provide workers with the opportunity both to contribute their existing skills and build new ones to establish a career that will eventually sustain their families. According to the National Commission on Adult Literacy, 60% of the adult workforce have a high school diploma or less, or have limited English skills – hampering our economic competitiveness in an increasingly high-education, high-skill economy.

**Pay the prevailing wage or at a minimum, the industry wage.** Paying equal wages for similar jobs is important for at least three reasons: 1) it prevents downward pressure on wages, which will only reverse spending power for existing workers; 2) it will create less disruption in the workplace, as existing workers and those funded through a job creation initiative compare wages; and 3) it lays the foundation for moving workers into unsubsidized employment over time.

**Establish a flexible infrastructure that can adapt to changing market conditions.** While an immediate infusion of jobs is needed, creating a program that can be adapted to changing labor market conditions over time is a smarter investment for government. In the short-term, creating jobs in government and nonprofit organizations will generate spending, help to solve existing government challenges, and help

### Case Study: Chicago

The Cara Program's Cleanslate is a social enterprise that contracts with 14 business districts that pool their money and bid out cleaning and other services. Cleanslate staffs its contracts through a transitional jobs program employing more than 70 workers with criminal records or with low skill levels and poor job histories. Workers gain skills in cleaning, recycling and snow removal, even as they learn such soft skills as coming to work on time, following instructions, managing their work day and promoting the program to businesses and shoppers. Workers earn the minimum wage and are moved into permanent jobs in the private sector as they are ready and jobs are available. Cleanslate generated \$1.6 million in revenues in 2008 and was a break-even business operation; costs of intake, assessment, case management, and job placement are funded through a mix of private and public funding.

### **Case Study: Perry County, Tennessee**

Perry County is a small county that experienced unemployment rates higher than 25% early in the recession. The Tennessee Department of Human Services decided to take a whole-county approach and subsidize wages with a mix of money from ARRA, TANF funds and Emergency Disaster Relief funds from a tornado. The county, the mayors, and the business community all bought in to implement a broad-based, rapid employment program targeting low-income individuals and families. DHS identifies the job seekers and authorizes them for the program; jobs are secured from both employers interested in the program and those found by job seekers. The wage subsidy is 100% and the maximum hourly rate is \$15.85; more than 450 individuals have been placed in jobs, and the unemployment rate for the county has dropped by 8% since the program began earlier this year. Some private employers have already used the subsidy strategically to position themselves for expansion.

to spur growth. In the long-term, a job creation mechanism increasingly involving the private sector can provide a systematic approach to bridging the skills gap for low-income Americans and transition them to unsubsidized employment.

### **Build upon existing programs and innovations that work:**

Using programs and policies focused on both public and private employment can fast-track a job creation program and get Americans back to work more quickly. Serve America, transitional jobs programs, wage subsidies and other platforms are already in place and could be expanded.

**Leverage existing public and private dollars:** Where possible, creating jobs that further the work begun with ARRA funds and encouraging private investment through job creation should be encouraged and incentivized.

**Minimize displacement of existing workers.** Perhaps the largest criticism of past programs was the occasional practice of laying off workers and rehiring them with job creation funds. While not widespread, it garnered public attention and is instructive for a new jobs program. This can be mitigated by providing new fiscal relief to cities and states to prevent layoffs and by requiring documentation of existing city or state jobs at the start of the program.

## **■ PLATFORMS AND MECHANISMS FOR JOB CREATION**

A comprehensive job creation agenda will provide a mix of public and private employment that includes on-the-job training and transitional jobs. Public employment must both add value to the public infrastructure and builds skills for a transition to private employment as the economy recovers.

To deploy federal resources quickly and get Americans back to work, jobs can be created or subsidized in a range of arenas:

**Job creation directly within government.** City and state governments would identify the areas where additional staffing would enable them to improve their service delivery to their communities. These jobs would include a range of positions, including teachers' aides in classrooms and Head Start, tutors to supplement classroom work, office workers to manage already-allocated ARRA resources for public space improvement and maintenance staff.

**Private jobs that are contracted by the government.** City and state governments would work with its contracted social service and community agencies to identify jobs; hiring could be done directly by the government with placement at those agencies, or through providing money agencies need to hire the workers. Jobs would include working in health care, weatherization, school construction and renovation of foreclosed homes. Workers would also be needed to assist the disabled, screen others for benefits and conduct job training and literacy tutoring. Procurement and contracting processes need careful consideration to facilitate this process.

**Private jobs that leverage private dollars.** By offering a temporary wage subsidy or a tax credit to employers who hire new workers, private employers will minimize their risk in expanding their businesses while providing income and skills to workers.

**Transitional jobs:** Through a three- to six-month placement in a temporary jobs, low-skill, low-income youth and adults would have the opportunity to learn job readiness skills while working. Additionally, an increasing number of transitional jobs programs are becoming social enterprises, generating significant private revenue to fund their social mission.

### Case Study: The Twin Cities

Goodwill/Easter Seals Minnesota runs transitional jobs programs using a basic operational model adapted to the population and financing needs. The core model pays the minimum wage to participants, including people with disabilities, refugees, TANF recipients, homeless and those returning from prison. The transitional jobs last 12 to 16 weeks, although exceptions are made for up to one year. Goodwill uses a mix of funding for its transitional jobs programs, including money from the state's vocational rehabilitation agency, the Department of Corrections, TANF funds, state refugee resettlement funds, revenue from its retail operation (where a number of participants have their transitional jobs) and subsidy from Goodwill's operational budget.

### Case Study: New York City

The Center for Employment Opportunities, Inc (CEO) in New York City runs 35 work crews who provide a range of maintenance and cleaning services for public agencies in the city. All of the workers were recently released from incarceration. Through New York State's internal service fund, a government procurement mechanism that enables agencies to purchase services from other agencies, CEO operates the work crews for New York's Parole Department to maintain courthouses, clean up along highways, and perform other public service work. Wages and supervision are covered through these agreements; a range of job placement and coaching and support services are paid for with public workforce and criminal justice dollars and private foundations. Last year, CEO worked with more than 2,000 people returning from prison and placed more than 1,200 in permanent, unsubsidized jobs. CEO's preliminary analysis shows that the state saves \$5 for every \$1 invested.

There are a number of existing programs upon which these strands of job creation could be built:

**City and State Human Resources:** Job creation within government would quickly generate new jobs if allocated directly to cities and states through their human resources offices. These offices are able to identify job opportunities, structure job descriptions, ensure pay equity and manage the hiring process.

**Expansion of TANF Emergency Funds and Transitional Jobs.** Through ARRA, thousands of TANF recipients are participating in transitional jobs programs. The existing TANF Emergency Fund provisions could be extended for another year. Additionally, providing new funds for transitional jobs programs for youth and adults can reach other low-skill populations.

**Serve America Act:** Passed in April of this year, the Serve America Act contains a variety of volunteer and stipend programs, primarily focused on providing jobs for young people. Serve America programs, including Americorps and VISTA, could be temporarily expanded to include adults. Expanding the education provisions would combine work with education

to prepare youth and adults for future jobs. Similarly, programs like the Youth Conservation Corps and the National CCC that provide jobs in the nation's parks could be expanded to year-round.

#### Case Study: Berkeley, Calif

California Youth Energy Services (CYES), Rising Sun Energy Center has worked since 2002 with youth ages 15-22 to provide them with training and employment during the summer that focuses on energy efficiency work. Youth make "green house calls" to identify energy savings and provide energy efficient light bulbs and plumbing fixtures. The program has trained and employed over 400 youth. CYES is funded exclusively by the public sector – roughly 80% of revenue comes from the utility and water companies based on documented energy savings for households visited, and 20% comes from city government contracts.

**WIA Summer Youth:** In 2009 WIA summer youth agencies gained significant ramp-up expertise to effectively deploy \$1 billion for summer youth workers; expanding summer youth to a year-round program for older youth ages 18-24 and linking the program to education can help prepare future workers.

**Workforce Investment Act:** Over time, using the planning and public-private partnership expertise of the WIA system will ensure that a job creation bill meets the needs of industry and of the public. Because WIA is not structured to conduct direct hiring, it is not the most efficient mechanisms to generate jobs immediately. However, it will be critical to the longer term recovery to engage the WIA system in planning during the first year of a job creation agenda to identify emerging sectors, industry needs, education and training infrastructures, and to knit together the demand and supply sides of the labor market.

## ■ MOVING AMERICA FORWARD

Without a major job creation initiative, the economic recovery is in danger of slipping backwards. Recovery does not depend on financial markets alone; putting men and women

back to work is a critical piece of the equation. New job creation policies that generate public and private jobs using a variety of mechanisms and demanding accountability will rebound to the federal government's bottom line in increased spending and tax revenues, a stronger infrastructure and a nation prepared to compete globally as the economic rebounds.

Focusing those job creation efforts on those who stand to gain the most from such an effort – low-skilled, low-income men and women, many of whom are raising families – is critical to enabling all communities to contribute to and participate in the economic recovery.

Job creation is not just a federal responsibility. Cities and states have already taken up the challenge and developed innovative approaches to putting people back to work. The private sector and philanthropy have also played key roles. The White House job summit and the legislative push in Congress should weave these strands together into a job creation agenda that can reverse years of disinvestment and bring hope, prosperity, and economic renewal to our communities.

This briefing paper was prepared by Sarah Griffen, a workforce and community development consultant, working for the Center for Family Economic Success at the Annie E. Casey Foundation. Her report is based on interviews with advocates at the Economic Policy Institute, National League of Cities, Center for Community Change, Corporation for Enterprise Development, The Workforce Alliance, CLASP, Center for Economic and Policy Research, National Transitional Jobs Network and Paraprofessional Healthcare Institute.