



# American Jobs Act

September 2011

## New Work and Learning Opportunities for Low-Income, Unemployed Adults and Youth

Recently released income and poverty data from the U.S. Census Bureau highlight the Great Recession's brutal toll on the economic security of American workers and families. Between 2009 and 2010, real median household income shrank by 2.3 percent and is now 7.1 percent below what it was in 1999. A record 46.2 million people live in poverty, defined by the Census Bureau as less than \$22,314 annually for a family of four. Children are particularly likely to be poor, with 22 percent of all children living in poverty—a climb from 20.7 percent in 2009.<sup>1</sup>

The American Jobs Act announced by President Obama is a big step in the right direction. It recognizes the need to create jobs through broad, economy-wide programs that stimulate consumer spending and invest in infrastructure. Forty percent of the proposal's total cost—\$175 billion—would come from a temporary tax cut for all workers. Cutting employee payroll taxes in half would put extra money in every worker's pocket and encourage consumer spending.

The proposal encourages hiring through \$65 billion in payroll tax cuts for businesses, with a focus on small businesses. Another \$140 billion would support improvements to highways and roads, modernized schools, rehabilitation of distressed properties, and rehiring of teachers and first responders. A large-scale response of this sort is needed to make up the almost 7 million jobs that have been lost since the recession began.<sup>2</sup>

Equally important, the bill includes provisions specifically aimed at those workers most affected by the recession as well as those struggling even before the economy turned sour. More than six million workers in America have been unemployed for 27 weeks or more and, of those, 4.5 million have been unemployed for a year or more. Minorities have experienced particularly high unemployment in the current economy. The unemployment rate for blacks stands at 16.7 percent, more than double the unemployment rate for whites, while the unemployment rate for Hispanics is 11.3 percent. America's young people have been especially hard hit, and youth unemployment is at crisis levels. Only 45 percent of all youth ages 16 to 24 are employed, down from 57.7 percent just a decade ago.<sup>3</sup>

The American Jobs Act would continue federal emergency unemployment assistance that is currently set to expire at the end of 2011, maintaining a vital lifeline for individuals who have lost jobs through no fault of their own. The bill also includes an innovative proposal to expand state work sharing programs that provide employers with an alternative to layoffs through the federal-state unemployment insurance system.

CLASP has long argued that low-income adults and youth require targeted assistance to ensure that all have the opportunity to share in our nation's recovery, and we are pleased that the American Jobs Act includes many of the provisions for which we have advocated. In particular, the \$5 billion Pathways Back to Work Fund includes three elements that would create work and learning opportunities for thousands of disadvantaged individuals across the country:

- Subsidized Employment for Unemployed, Low-Income Adults
- Summer and Year-Round Jobs for Low-Income Youth
- Competitive Grants for Work-Based Training for Unemployed, Low-Income Adults and Low-Income Youth

## Pathways Back to Work<sup>1</sup>

### Subsidized Employment for Unemployed, Low-Income<sup>2</sup> Adults (sec. 364)

The American Jobs Act would promote subsidized employment by building on a successful, two-year program funded by the American Recovery and Reinvestment Act (ARRA) that provided jobs for about 250,000 people.<sup>4</sup> Of the total \$5 billion under the Pathways Back to Work Fund, \$2 billion would be available for subsidized employment programs. A small percentage of the funds would be reserved for evaluation and technical assistance and for grants to Indian tribes and territories, with the remainder distributed to states by formula. The formula takes into account the number of unemployed individuals in areas of high (over 6.5 percent) unemployment, the number of unemployed individuals in excess of 4.5 percent of the population, and the number of poor adults and youth (ages 16 or older).

States must submit a plan describing their proposed use of these funds within 75 days of the bill's enactment. If a state does not submit a plan, or the plan is not approved, the funds allocated to that state will be made available for discretionary grants. Funds are available for expenditure by grantees and sub-grantees until Sept. 30, 2013.

Funds must be used to provide subsidized employment opportunities to low-income unemployed adults, which may include support services needed to participate, such as transportation and child care. The state plan must describe any subpopulations that may be targeted (such as individuals with disabilities or those who have exhausted unemployment assistance) and the duration and amount of subsidies, subject to guidance to be issued by the U.S. Department of Labor (DOL) in consultation with the U.S. Department of Health and Human Services (HHS). The plan must also describe the number of individuals expected to be placed, timelines for program operation, and how the program will be coordinated with Temporary Assistance for Needy Families (TANF), the Workforce Investment Act (WIA) and other programs designed to increase the employment of low-income adults. Performance measures used to assess program results must include entry, retention, and earnings in unsubsidized employment.

At the federal level, DOL will operate the program in coordination with HHS. Governors have the choice of whether to administer the program through the state WIA agencies, the TANF agencies, or a combination of the two.

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<sup>1</sup> Title III: Assistance for the Unemployed and Pathways Back to Work.

<sup>2</sup> Note: for activities under the Back to Work Act, low income is defined as not exceeding the poverty line or 70% of the lower living standard. However, states and local areas are given the option of raising that to 200% of poverty level.

## **Summer and Year Round Jobs for Youth (sec. 365)**

The Pathways Back to Work Fund includes \$1.5 billion in funding for a new round of “Summer and Year-Round Employment Opportunities for Low-income Youth,” modeled on the ARRA program successfully mounted during 2009. Funding would flow through the WIA System and be allocated by formula to states based on three factors related to relative share of unemployment and households in poverty. Five percent of funds would be set aside for state administration and the balance would be allocated to local workforce areas based on the same factors. Funding can be used to:

- Provide summer employment opportunities for low-income youth ages 16 through 24 with direct linkages to academic and occupational learning, and may include the provision of supportive services necessary to participate, such as transportation or child care; and
- Provide year round employment opportunities, which may be combined with a broad range of other activities authorized in WIA, including: basic skills instruction, alternative secondary school services, work experience, internships, mentoring and counseling, skills training, community service, and leadership development.

Priority is to be given to low-income out-of-school youth who are high school dropouts or youth who have a high school diploma or equivalent but lack basic skills and are unemployed or underemployed. Priority funding use includes (1) creation of employment opportunities in emerging or in-demand occupations in the local labor market, or in the public or private nonprofit sectors that meet community needs, and (2) linking year-round participants to education and training activities that lead to industry-recognized certificates or credentials.

In lieu of the WIA performance standards, states are required to submit reports to DOL on a limited set of performance outcomes.

## **Competitive Grants for Work-Based Training for Unemployed, Low-Income Adults and Low-Income Youth (sec. 366)**

The Pathways Back to Work Fund includes a \$1.5 billion competitive grant program for local entities offering work-based training or education programs that help unemployed, low-income adults and youth obtain needed skills and assistance for employment. This fund is to be administered by the local elected chief official in collaboration with local workforce investment boards (WIBs) and other entities, including employers, adult education providers, community colleges, and community-based organizations. The grant program can support a number of promising and research-based practices that help low-skilled, low-income adults and youth access education or training leading to family-sustaining employment. These include strategies that:

- Combine work and training, such as on-the-job training or registered apprenticeships;
- Are designed to meet specific employer needs and may offer employment directly after completion of training, such as sector-based training and training with employer-industry partnerships;
- Help participants obtain industry-recognized credentials in growing fields;
- Provide direct work experience along with supportive services, such as subsidized employment and summer jobs for low-income youth;

- Use the Career Academy model, a pathway to a postsecondary credential where participants concurrently enroll in postsecondary-level courses and work in paid internships;
- Help low-skilled participants prepare for jobs in their region through adult basic education services or integrated education and training models that allow students to quickly obtain a marketable postsecondary credential.

Many of these programs require strong inter-agency collaboration to ensure participants are able to complete their program and gain skills needed for employment. Although funds for these grants would flow solely through DOL, the Secretaries of Labor, Education, and Health and Human Services would jointly administer the program to ensure cross-system strategies can be implemented expeditiously and effectively.

## Additional Opportunities for Low-Income, Disadvantaged Workers

### Community College Modernization (sec. 229)

The Act includes \$5 billion for the modernization, renovation, or repair of existing community college facilities, to be allocated through a formula based on student enrollment in degree and certificate programs below the bachelor's degree level. The fund would provide each state a minimum of \$2.5 million. To receive funding, states must describe how these funds will be used to improve instruction and help community colleges better prepare students to meet the skill demands of local employers. These funds are critical to ensuring that community colleges, estimated to have nearly \$100 billion in deferred maintenance needs, are well-equipped to offer modern and robust programs that will help educate and build a 21<sup>st</sup> century workforce.

### Transportation Investments (sec. 241 and 261)

The bill includes \$27 billion for surface transportation investments, such as highways, transit, bridges and rail. Of the funds targeted to infrastructure investments, \$50 million is set aside for competitive grants to support training, apprenticeships and skill development for transportation workers. These funds, which are available to state and local agencies, have typically been used to deliver and improve transportation-related career awareness and training programs, including activities for women and minorities. The bill specifies program outcomes, including diversity of training participants, number of participants obtaining certifications or credentials and employment outcomes that are consistent with those established under WIA. Although this program is within the purview of the U.S. Department of Transportation, the bill allows it to be transferred to, or administered in partnership, with DOL. Another provision in the bill clarifies that recipients of federal funding may advertise contracts for transportation projects that contain requirements for hiring residents in or nearby areas where work is performed.

### Project Rebuild (sec. 261)

The bill also includes \$15 billion for Project Rebuild, which flows through the U.S. Department of Housing and Urban Development and directs funding to state and local units of government in areas most impacted by home foreclosures and high unemployment. This funding can be used for job creation and other activities related to the acquisition and redevelopment of abandoned and foreclosed properties and the stabilization of

neighborhoods. Two-thirds of the funding will flow by formula to state and local areas and one-third will be for competitive grants. Grant recipients are expected, to the maximum extent possible, to hire residents in the vicinity of the project or contract with small businesses that are owned and operated by people living in or nearby the area where work is performed.

The infusion of Project Rebuild funding into economically distressed communities for job creation, infrastructure repair and community revitalization would strengthen the local and regional economy in the short run and have a long-term impact on building the skills of residents and providing them with pathways to economic opportunity.

### **Action is Needed Now**

Congress will return from recess the first week of October, and should act promptly to address the jobs crisis. Ideally, Congress would move a comprehensive package that addresses both the overall job shortage and the needs of disadvantaged populations. Such a package would be an appropriate response to the recent poverty numbers. Experts at the Brookings Institution estimate that the American Jobs Act, if enacted, would reduce poverty by 3 million — with half half due to new jobs, and half due to the extension of Unemployment Insurance benefits and the payroll tax cut.<sup>5</sup> However, if Congress adopts only some jobs measures, the Pathways Back to Work Fund and other components that meet the needs of long-term unemployed and disadvantaged individuals should be included.

## Additional CLASP Resources

*Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund*, Center on Budget and Policy Priorities and Center for Law and Social Policy, February 2011, <http://www.clasp.org/admin/site/publications/files/Subsidized-Employment-Paper-Final.pdf>.

*Job Creation: Creating Work and Learning Opportunities for Low-Income Populations*, November 2009, [http://www.clasp.org/admin/site/publications/files/Job-Creation-Fact-Sheet\\_Final-for-Webrevised.pdf](http://www.clasp.org/admin/site/publications/files/Job-Creation-Fact-Sheet_Final-for-Webrevised.pdf).

*Work Sharing—an Alternative to Layoffs for Tough Times*, March 2009, <http://www.clasp.org/admin/site/publications/files/0481.pdf>.

*Building a Comprehensive Youth Employment Delivery System: Examples of Effective Practice*, February 2010, <http://www.clasp.org/admin/site/publications/files/Youth-Employment-Systems.pdf>.

*Putting Youth To Work: A Jobs Strategy Linking Youth to Our Economic Recovery*, Campaign for Youth, December 2009, <http://www.clasp.org/admin/site/publications/files/CampaignforYouth-JobCreation-December2009.pdf>

“Reconnecting the Disconnected: Leveraging Federal Policy and Local Practice to Expand Education and Labor Market Opportunity for Youth,” <http://www.clasp.org/admin/site/publications/files/CLASPAgenda.ReconnectingYouth.Website.pdf>.

*Research Shows the Effectiveness of Workforce Programs: A Fresh Look at the Evidence*, May 2011, <http://www.clasp.org/admin/site/publications/files/workforce-effectiveness.pdf>.

*National Leaders Recognize Value of Workforce Development Programs: Summary of Quotes by Government Officials, Academics, and Business Leaders*, August 2011, <http://www.clasp.org/admin/site/publications/files/NationalLeadersRecognizeValueofWorkforce-Development-Programs.pdf>.

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<sup>1</sup> “Income, Poverty and Health Insurance in the United States: 2010,” U.S. Census Bureau, September 213, 2011, <http://www.census.gov/hhes/www/poverty/data/incpovhlth/2010/index.html>.

<sup>2</sup> “Labor Day by the Numbers 2011,” Economic Policy Institute, September 2, 2011, <http://www.epi.org/publication/labor-day-by-the-numbers-2011/>.

<sup>3</sup> Updated calculations based on those provided in “Unemployment Snapshot: Why We Need Strong Public Policy to Ensure a Robust Workforce,” Center for Law and Social Policy, September 1, 2011, <http://www.clasp.org/admin/site/publications/files/unemploymentsnapshot.pdf>.

<sup>4</sup> LaDonna Pavetti, Liz Schott, and Elizabeth Lower-Basch, *Creating Subsidized Employment Opportunities for Low-Income Parents: The Legacy of the TANF Emergency Fund*, Center on Budget and Policy Priorities and Center for Law and Social Policy, February 2011, <http://www.clasp.org/admin/site/publications/files/Subsidized-Employment-Paper-Final.pdf>.

<sup>5</sup> Jonathan Cohn, “Poverty Up, Incomes Down - And What to Do About It,” *The New Republic*, Sept. 13, 2011, <http://www.tnr.com/blog/jonathan-cohn/94875/poverty-census-insurance-2010-median-income-obama-jobs>