



**National Urban League
Policy Institute**

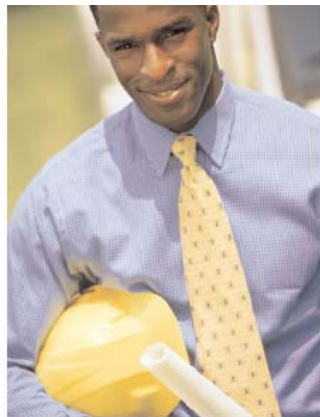
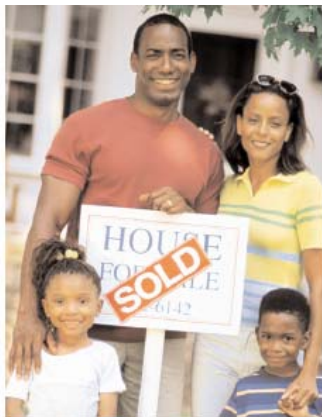
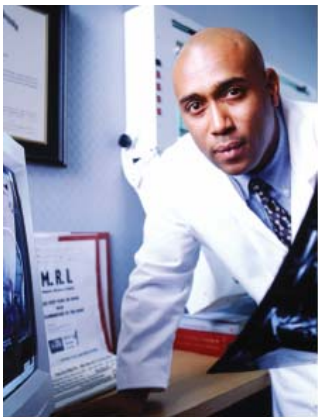
THE OPPORTUNITY COMPACT

Exploring the Opportunity to Earn

With a Presidential Candidate Scorecard

NATIONAL URBAN LEAGUE POLICY INSTITUTE

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[T]onight we declare it is time for a new Opportunity Compact for America. This Opportunity Compact . . . The first cornerstone of the Opportunity Compact is Jobs. Jobs . . . jobs . . . jobs. Good jobs with good wages. We must continue the League's work of finding every willing American a good job with a decent wage. National Urban League President Marc H. Morial, July 27, 2005

Every willing adult in America should have a job that allows them to earn a decent wage and provide a reasonable standard of living for themselves and their families. Every adult in America should have equal access to the resources that enhance employability and job mobility, including postsecondary education and other investments in human capital. The National Urban League's *The Opportunity Compact* 2007

Your Opportunity Compact speaks of the urgent need to . . . create jobs . . . Equal employment opportunity is set firmly down in law. But with jobs becoming scarcer -- and more than 400,000 Americans thrown out of work just this year -- that can amount to an equal share of diminished opportunity. Sen. John McCain, National Urban League Annual Conference, August 1, 2008.

[T]he truth at the heart of your Opportunity Compact [is] that we cannot have a thriving Wall Street and a struggling Main Street. That when wages are flat, prices are rising, and more and more Americans are mired in debt, our economy as a whole suffers. Our competitiveness as a nation suffers. Our children's future suffers. Sen. Barack Obama, National Urban League Annual Conference, August 2, 2008.

Introduction

The economy has become the dominant issue in the 2008 presidential race, and rightly so. With foreclosures surging, consumer prices on the rise (4.9% between September 2007 and September 2008)¹ and a loss of 760,000 jobs between January and September 2008, the future of this nation's economy will depend largely upon the policies set in place by the next president of the United States. Though recovery of the U.S. economy will require a careful balancing of national goals and priorities, a well-informed electorate will prove to be the first line of defense against the weakening U.S. economy.

The National Urban League has long advocated for such an approach and played a strong thought leadership role in developing solutions for policymakers, politicians and our constituents. As part of this effort, in 2005, National Urban League President Marc Morial introduced the concept for *The Opportunity Compact* stating that, "*our Opportunity Compact is the first step toward a concrete action plan...a blueprint for*



building a nation that lifts every American together, as one people, united by our commitment to a better future.” Over the next two years, this action plan was developed through a series of five roundtable discussions and other conversations and activities during which the National Urban League obtained feedback and recommendations from dozens of policy experts from academia, public policy think tanks, non-profit service and advocacy organizations, the business sector, and the Urban League movement.

The Opportunity Compact was unveiled in 2007 at the National Urban League Annual Conference. At *The Opportunity Compact’s* core are four cornerstones that reflect the values represented by the American dream: (1) The Opportunity to Thrive (Children), (2) The Opportunity to Earn (Jobs), (3) The Opportunity to Own (Housing) and (4) The Opportunity to Prosper (Entrepreneurship). These cornerstones are supported by a list of ten policy priorities.

This report explores the three policy recommendations under The Opportunity to Earn and assesses how the two major presidential candidates’ economic plans address them:

(1) Expand “second chance” programs that help ex-offenders, high school drop outs, and at-risk youth to secure GEDs, job training and employment;

(2) Increase economic self-sufficiency by indexing the minimum wage to the rate of inflation and expanding the Earned Income Tax Credit to benefit more working families; and

(3) Create an urban infrastructure bank to fund reinvestment in urban communities.

The following is a summary of how the two major presidential candidates’ economic plans measure up against the Opportunity to Earn recommendations discussed in this report.

Issue	Barack Obama	John McCain
Infrastructure Investment	Yes	No
Index Minimum Wage	Yes	No
Expand EITC	Yes	No
Expand Second Chance Programs	Yes	Yes*

*Has voiced support for such programs but did not cosponsor the Second Chance Act



Overview of the Economy

Thus far, the 2008 American labor market has been characterized by mounting job losses, rising unemployment and declining real wages. The first signs of trouble came in February when the Bureau of Labor Statistics reported two consecutive months of negative job growth for the first time since 2003 (-76,000 jobs in January and -83,000 jobs in February)². In September, the tally rose to a net loss of 760,000 jobs for the year with an unemployment rate of 6.1%, the highest level since September 2003. The unemployment rate of African Americans is even higher at 11.4%, the highest level since February 1994. Real wages have also declined steadily since October 2007 and inflation in the cost of energy, food and health care, depreciating home values, tightened credit availability and a tumultuous stock market have affected people at virtually every economic level.

These changes have occurred against the backdrop of mortgage and financial market crises that have made casualties of industry giants – Countrywide, Bear Stearns, Fannie Mae, Freddie Mac, Lehman Brothers, Merrill Lynch, AIG, Washington Mutual and Wachovia – with others expected to follow. In September, the Bush Administration responded by proposing an unprecedented \$700 billion bailout plan by the federal government that was met with skepticism from both the public and Congress. After two weeks of debate and rejection of the first bill by the House of Representatives, the Emergency Economic Stabilization Act was accepted and signed into law on October 3, 2008. Generally, the plan gives Treasury access to \$700 billion (\$250 billion immediately with the rest disbursed upon justification of necessity) to purchase companies' troubled assets for any price with the intended purpose of maintaining the availability of credit and mitigating the depth of the impending economic downturn.

There is little doubt that the economic events of 2008 have signaled an end to the recovery that began in November 2001; a recovery that has significantly lagged behind previous recoveries in terms of job creation (figure 1). Not only has monthly job creation been lower than it was during previous recoveries, but job growth has also trailed monthly labor force and population growth since November 2001. The consequences of this slower job creation have been employment-population ratios for African Americans and whites that have shown very little sustained growth since November 2001 (figure 2),



as well as an upward trend in long-term unemployment. The share of unemployment that is long term went from 11.8% in 2001 to 18% in 2008.

Figure 1

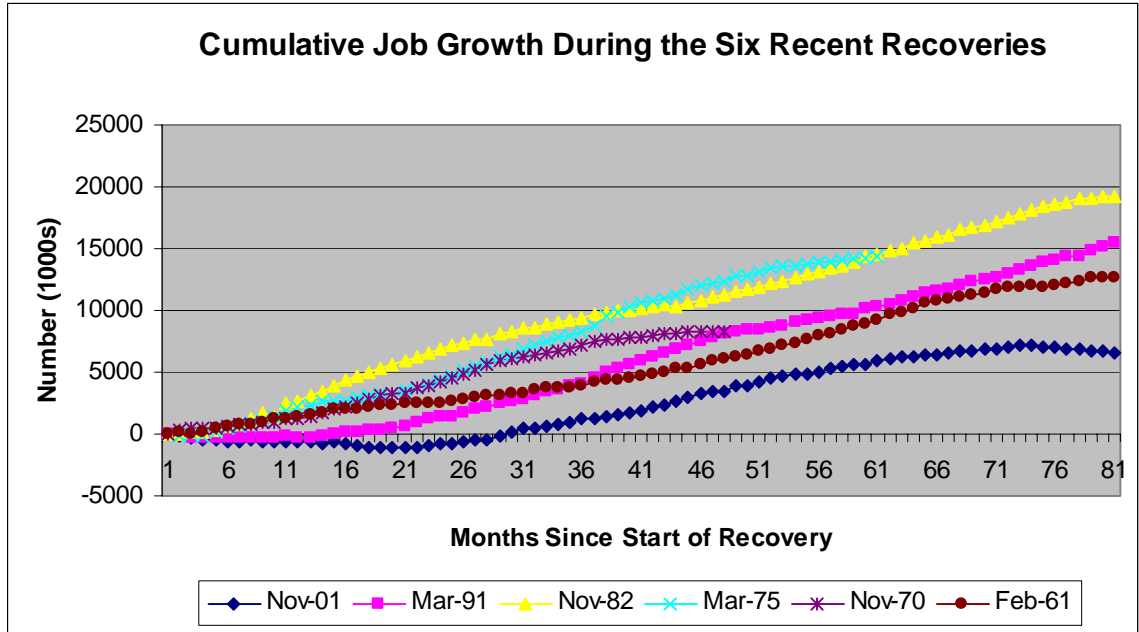
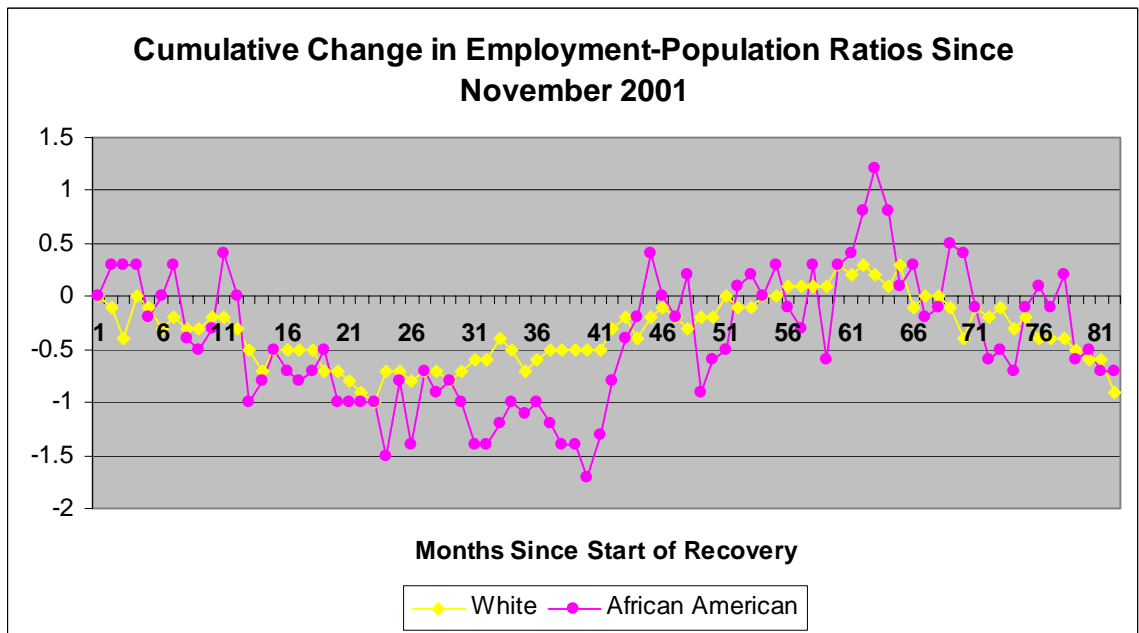


Figure 2





With a recession looming on the horizon, the incoming Administration will face the gargantuan task of stimulating the economy again while also determining the best way to bring an end to a war that has drained a tremendous amount of resources away from important investments in the American people and economy, including jobs, infrastructure, support for working families, education and health care. Though resources are limited, the smaller than expected boost from the economic stimulus checks sent out this summer has already led many, including the National Urban League, to call for a second stimulus package. Nevertheless, as the nation rebounds from what many are calling the worst economic crisis since the Great Depression, it will be important for us to once again get our priorities in order by having and implementing a plan for building a strong, inclusive American workforce that offers everyone a chance to achieve their American dream. Such a plan should include ways to reconnect those disconnected from the labor force, to make work pay for working families and to create job opportunities and economic development in urban communities. Specific proposals for accomplishing these goals have been articulated through The Opportunity Compact's Opportunity to Earn recommendations. The remainder of this report explores the potential impact of those recommendations and concludes with an analysis of how each of the 2008 presidential candidates, Barack Obama (D) and John McCain (R), score with respect to the Opportunity to Earn recommendations.



Reconnecting Those Disconnected from the Labor Force

Expand “second chance” programs that help ex-offenders, high school dropouts, and at-risk youth to secure GEDs, job training and employment.

Work is a central part of the national identity of the United States; so much so that employment statistics for the country are monitored and reported on a monthly basis. Additionally, the overall barometer of the strength of our national economy, gross domestic product (GDP), is driven largely by employment and worker productivity. Therefore, maintaining full employment of a highly productive workforce is critical to the United States’ economic growth and sustainability and global competitiveness. Unfortunately, certain segments of the population – particularly ex-offenders, low-income or at-risk youth and high school dropouts – are too often disconnected from this important aspect of American mainstream life be it by circumstance or personal decisions. In “the land of a second chance³”, access to education, job training and other resources necessary to connect or reconnect these individuals with employment are both in the best interest of those directly affected and the country as a whole.

A Second Chance

The Pew Public Safety Performance Project estimates that at the beginning of 2008, there were nearly 1.6 million adults serving time in federal and state prisons and another 723,131 in local jails; more than any other country in the world. This amounts to an adult incarceration rate of 1 in 100; yet, rates among young African-American and Latino men are even higher. For example, the incarceration rate for men age 18 and older is 1 in 36 for Latino men and 1 in 15 for African-American men. A startling 1 in 9 African-American men between the ages of 20 and 34 are incarcerated. Rising rates of incarceration have also resulted in increased costs to states. According to a 2008 report by the Pew Center on the States, total state spending on corrections—including bonds and federal contributions—topped \$49 billion last year, up from \$12 billion in 1987^{4, 5}. Collectively, correctional agencies now consume 6.8 percent of state general funds, or 1 in every 15 dollars of the states’ discretionary money⁶. Because state budgets are limited,



more spending on corrections amounts to less spending in other areas like education and healthcare. As the second fastest growing expenditure in FY 2006 (transportation was first), spending on corrections outpaced both education and Medicaid expenditures⁷. In addition to the fiscal costs of incarceration, there are a number of social costs including the disintegration of the family structure, high rates of unemployment associated with the stigma of imprisonment and diminished lifetime earnings. One way to curb the high costs associated with incarcerating people is to have in place a system by which ex-prisoners can truly be rehabilitated and re-enter society as productive citizens.

Out of the millions of people held in prisons across the country, approximately 650,000 ex-prisoners reenter society every year⁸. These individuals often return to communities that are unprepared to provide services in education, employment and housing, all of which are crucial for successful reintegration into society. As a result, about half of all former prisoners return to prison for a new crime or a parole violation within three years. *The Second Chance Act of 2007 (H.R. 1593/S 1060)*, enacted into law on April 9, 2008, was developed in response to this growing need with the goal of reversing cycles of recidivism and violence. Some of the key provisions in the law include demonstration grants to state and local governments that can be used to provide services important in promoting a successful transition. These services include employment services, substance abuse treatment, housing, family programming, mentoring, victim services, and the use of risk-assessment tools to improve release and revocation decisions⁹. Also included are key elements from President's Bush's 2004 Prison Reentry Initiative that provided funding for non-profit community and faith-based organizations to deliver mentoring and transitional services.

The National Urban League strongly supports "Second Chance" programs for ex-offenders and recently recommended in its May 2008 Legislative Agenda that this concept be expanded to include programs that help high school dropouts and at-risk youth to secure GEDs, job training and job attainment. Given that 75 percent of America's state prison inmates and 59 percent of America's federal prison inmates are high school dropouts¹⁰, addressing the problems faced by dropouts and those at risk for dropping out is a proactive step toward reducing rising rates of incarceration in this country.



The dropout crisis is particularly prevalent among minority communities. According to *The Silent Epidemic: Perspectives of High School Dropouts*, the graduation rate for Black, Hispanic and Native American students is about 50 percent compared to 75 percent for whites and 77 percent for Asians. The decision to drop out is not only detrimental to the students, but also to their families and communities. For example, a high school dropout earns \$260,000 less over his or her lifetime than a high school graduate and is 72 percent more likely to be unemployed than a high school graduate¹¹. In terms of costs to society, the United States loses \$192 billion – 1.6 percent of its current gross domestic product in combined income and tax-revenue losses – with each group of 18-year-olds who never complete high school¹². Other consequences of dropping out of school may include poverty, long-term dependence upon public assistance, trouble with the law (incarceration), limited healthcare coverage, and greater risk for divorce or single parenthood. High school dropouts are also more likely to have children who drop out.

One of the reasons behind the 1990s boom was the successful implementation of various programs and policies (like WIA and the EITC) that stimulated the economy by helping previously disconnected groups gain access to the workforce. Recognizing the importance of education and job training in the development of employable skills and increased worker productivity, the National Urban League has also provided Congress with extensive recommendations for the reauthorization of the Workforce Investment Act (WIA)¹³ that include restoration of and increased funding for job training programs benefiting adults, youth and dislocated workers. With an eye toward opening employment avenues for America's youth – the future workforce of this country -- the National Urban League has also called for restoration of the Summer Jobs Program for youth as a stand alone program with increased funding.



The Importance of Employing America's Youth

Summer employment is more than just a means for youth to earn extra money during the summer. It's an important part of the informal educational process by which young people learn to develop the "soft skills" necessary to secure and maintain permanent employment upon the completion of school. Summer employment teaches teenagers the value of work along with responsibility, independence and how to manage one's time and money. However, research shows that it has become more difficult for teenagers of all races and income backgrounds to secure summer employment. According to a Northeastern University study, the seasonally-adjusted employment rate of youth ages 16-19 fell from 45 percent in 2000 to 37 percent in 2006 despite strong national wage and salary job growth¹⁴. For low-income youth who often lack access to the formal and informal networks available to their middle- and upper-income counterparts, the statistics are even worse. In 2006, only 17 percent of young African Americans from families with household incomes under \$20,000 managed to find summer employment¹⁵.

A Profile of the National Urban League's Urban Youth Empowerment Program

As part of its commitment to making a positive difference for at-risk groups, the National Urban League, in partnership with the Department of Labor, created the Urban Youth Empowerment Program (UYEP) in 2004. UYEP is a youth career preparation initiative designed for at-risk, out-of-school, and adjudicated youth and young adults between the ages of 18 and 24. The goals of UYEP are to deliver the educational assistance, job training, and employment and personal development acumen that are prerequisites to launching a successful career. Implemented in partnership with community and faith-based organizations, UYEP services are executed by case management, education, mentorship, internships in the private sector, occupational skills training, personal development, and unsubsidized employment. As of June 2008, when the demonstration period for the program officially ended, 27 Urban League affiliates had acted as sites for the program which served 3,900 youth. The results are as follows.



As of June 2008

- The retention rate for program participants was 92 percent
- 65 percent of participants either had job placements or attained their high school diploma or GED
- The average hourly wage for job placements was \$9.32/hour
- 45 percent of participants had at least one year's grade gains in reading and math
- Over 200 participants completed their secondary education and were placed in postsecondary schools or colleges
- Annualized income for job placements was \$15.2 million
- Annualized savings due to decrease in recidivism was \$19 million
- The recidivism rate for adjudicated youth was 10 percent

Though UYEP was a small-scale short-term program, it serves as a model of what can be accomplished when youth and young adults are given a 'second chance' through much needed guidance that offers options and alternatives for education and employment.



Making Work Pay for Working Families

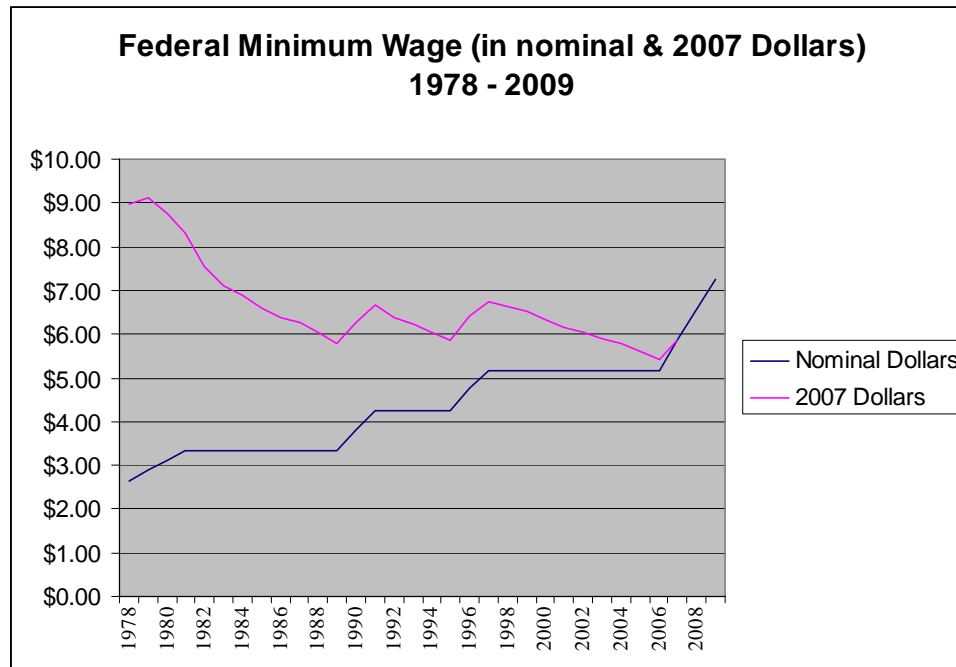
Increase economic self-sufficiency by indexing the minimum wage to the rate of inflation and expanding the Earned Income Tax Credit to benefit more working families.

Indexing the Minimum Wage

Before Congress raised the minimum wage in 2007 to \$5.85 an hour (\$7.25 by 2009), it had remained unchanged at \$5.25 an hour for almost ten years. During that time, the real value of the minimum wage fell from \$6.74 an hour in 2007 dollars to \$5.43 an hour, the lowest level since 1955¹⁶. Even when the newly mandated minimum reaches its peak of \$7.25 an hour in 2009, the minimum wage will only be about 40% of the average wage of non-supervisory workers¹⁷. Unless Congress acts quickly at that time to pass another increase, millions of working Americans will again be at the mercy of the political process while inflation erodes the purchasing power of their wages each year. The National Urban League proposes that one way to avoid this perennial battle and keep the minimum wage at a basic, inflation-adjusted level is to index it to the current rate of inflation. This would ensure that the value of work continues to at least keep pace with the cost of living in the United States. Indexing the minimum wage to prices is a policy that has already been implemented in several states -- Washington, Oregon, Vermont and Florida. As a result, these states have maintained purchasing power for minimum wage workers without creating adverse effects to the broader state economy¹⁸.



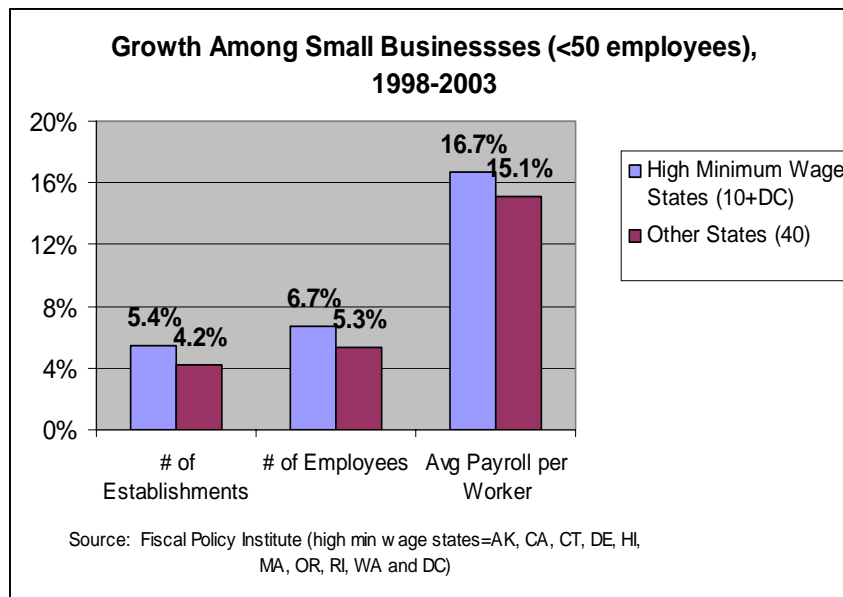
Figure 3



Despite familiar arguments about the relative costs and benefits of increasing the minimum wage that come up during each potential raise, the data continue to show that the minimum wage is an important earnings floor that sustains millions of American families with minimal negative impact on the overall U.S. economy. The numbers of people affected are significant. An estimated 6.6 million workers benefited directly from the 2007 minimum wage increase, and another 8.3 million low-wage workers could benefit indirectly. That amounts to a total of almost 15 million affected workers, or 11 percent of the workforce. Eighty percent of these workers are adults, and 84 percent work at least 20 hours per week. More than a quarter of affected workers (26%) have children under 18, including almost 1.4 million single parents. Therefore, this increase could also affect 7.3 million children whose parents' income would rise¹⁹. Women, people of color, and those with low levels of education are other groups likely to benefit from increasing the minimum wage. A study by William Carrington and Bruce Fallick found that once finished with school, 15.1 percent of women and 16.2 percent of blacks spent at least half of the first ten years of their careers in jobs paying no more than \$1.50 above the minimum wage²⁰.

Although critics claim that increasing the minimum wage will lead to job losses, a Fiscal Policy Institute study of the 10 states (and the District of Columbia) that have raised their minimum wage above \$5.15 an hour since 1998 reveals that these states had better job growth among small businesses, even in the retail industry (which is considered the most affected by a minimum wage increase)²¹. The benefits employers derive from an increase in the minimum wage include higher productivity, decreased turnover, lower recruiting and training costs, decreased absenteeism, and increased worker morale^{22, 23}. Today over 20 states have increased their minimum wage above the federal minimum and the majority have seen decreases, rather than increases, in their unemployment rate over the last year²⁴.

Figure 4

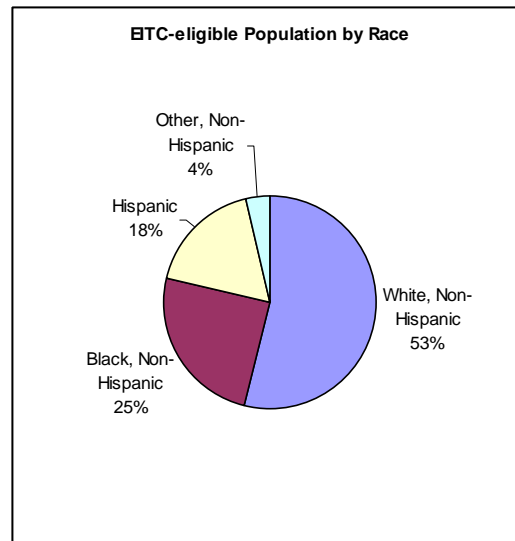


Expanding the EITC

The Earned Income Tax Credit (EITC), created in 1976, has become the nation's largest anti-poverty program. The EITC has lifted 4.4 million people out of poverty, including 2.2 million children—more children than any other program²⁵. In 2006, the program distributed over \$43 billion to over 22 million lower-income families. The EITC has also been shown to increase employment among single mothers, accounting for more than 60 percent of the increase in single mothers' work between 1984 and 1996²⁶.

Finally, the program helps to reduce income inequality, which has risen to record levels in the United States. The Congressional Budget Office finds that the EITC boosts the share of total income received by lower-income households with children by 1.2%²⁷. Under the current program, approximately 13% of the population is eligible for the credit. Of the eligible population, 53% are white, 25% are black, 18% are Hispanic and the remaining 4% are of some other race. Over half of black families and almost 90% of White families are ineligible because their incomes are too high, while another 35% of black families are ineligible because they lack earned income²⁸. Given the success of the program at increasing employment among single mothers, proposals to strategically extend the program have the potential to attract some of these non-earners, particularly unemployed males, into the labor market.

Figure 5



The EITC encourages work because the subsidy increases with earnings until it reaches the maximum. The amount of benefit that an eligible family receives depends on the family's size and income. The largest EITC benefits go to working families with incomes below the federal poverty line, but many families with incomes well above the poverty line benefit to at least some degree because the EITC phases out gradually as income rises above \$15,740 for single-parent families or \$18,740 for married couples (in



2008). Single-parent families with two or more children are eligible for some EITC benefit until income exceeds \$38,646, while such families with one child remain eligible for some EITC benefit until income exceeds \$33,995. For married couples, the maximum eligibility levels are \$41,646 for two or more children and \$36,995 for one child²⁹.

In part because of the demonstrated success of the program, 24 states and the District of Columbia, as well as Montgomery County, Maryland and New York City, have a local EITC program that supplements the federal one. Though the federal program has not been expanded since 1993, there are three major proposals to expand EITC: expanding the credit for low-income childless workers; eliminating the current “marriage penalty”, allowing married couples to exclude some portion of a second earner’s income; and expanding the EITC for working families with three or more children. Each of these proposals and its potential impact is discussed below.

Expanding the Credit for Low-Income Childless Workers

Low-income childless workers face significant obstacles in the labor market. Sixty percent of the 24 million poor adults in this country have no children³⁰ and over time, employment rates have declined among less-educated men, particularly African-American men. Those who are employed face a much higher tax rate than their counterparts with children. The Center for Budget and Policy Priorities found that the poorest one-fifth of non-elderly childless adults pay, on average, more than four times as large a share of their income in federal taxes as low-income families with children³¹. Although workers without children are eligible for the EITC, they are only allowed a maximum credit of \$438 (for 2008). Researchers at Brookings estimate that tripling the credit (to a maximum of \$1,313) would encourage work and provide key support to these low-income workers, benefiting 7.1 million low-income workers nationwide³². Additionally, the EITC could be expanded for non-custodial parents (considered “childless” under the current program) who pay child support.



Eliminating the Marriage Penalty

Because the EITC eligibility and credit amounts are based on the combined earnings of spouses, low-income couples face a “marriage penalty” that would not exist if they were unmarried and filed separately. For instance, under current law a married couple with \$30,000 in income, two children and filing jointly can claim a credit of \$2,453 in 2008. As two single filers, each earning \$15,000, the parent with two children could earn almost double that (\$4,824). While there is a slightly higher income level for married couples, discounting half of the earnings of the lower-earning spouse would result in higher credits for these families and eliminate disincentives to marriage among low-income families. This proposal would benefit 3.3 million married-couple, joint tax filers nationwide.

Expanding EITC for Families with Three or More Children

Families with three or more children had a poverty rate of almost 25% in 2006, compared to a poverty rate of 12.6% for families with one or two children³³. Increasing the phase-in rate for these families from 40 to 50 percent would increase the amount of the credit they could qualify for by \$1,500 and affect nearly 2.9 million low-income working families.

These modest reforms would go a long way toward expanding this successful program in ways that support millions more low-income workers. In combination with a minimum wage that provides an effective wage floor, the Earned Income Tax Credit can offer families a way to maintain a basic subsistence level that rewards work and helps keep millions of people out of poverty.



*Creating Job Opportunities & Economic Development in Urban
Communities*

**Create an urban infrastructure bank to fund reinvestment in
urban communities.**

The State of American Infrastructure

The United States is currently facing a myriad of 21st century domestic policy challenges including a weakened economy, poverty, education, health care and immigration reform. While each of these issues is fundamental to the strength and well-being of this nation, America's aging infrastructure is yet another issue, arguably just as fundamental, though long neglected in the vast sea of competing public spending needs. As the U.S. population continues to grow, aging U.S. infrastructure faces extreme demands that without adequate investment, threaten to endanger economic growth and productivity, global competitiveness and public safety. Infrastructure spending on transportation, water and sewer infrastructure has fallen from over 3% of gross domestic product to a current level of 2.4%, and the share of spending that goes to new capacity (as opposed to maintenance) has declined as well.³⁴ The results are showing: in August of 2007, a major bridge on I-35 crossing the Mississippi River collapsed, killing thirteen.

In 2005, the American Society of Civil Engineers (ASCE) released its latest *Report Card for America's Infrastructure* which graded the nation's overall infrastructure a "D" and estimated that it would take a five-year total investment of \$1.6 trillion to address all the needs³⁵. The report also indicated that 27% of the nearly 600,000 bridges nationwide are structurally deficient or obsolete, requiring an investment of \$94 billion a year for 20 years to eliminate all deficiencies. Another \$11 billion will be needed annually to replace aging drinking water facilities. Even more alarming is that three quarters of the nation's public school buildings fail to meet the basic needs of children³⁶. In terms of technological infrastructure, the United States was once a broadband pioneer, but recent OECD statistics indicate that we currently rank 15th of 30 developed countries in overall broadband penetration.³⁷



The National Infrastructure Bank Act of 2007 was introduced by Senator Chris Dodd (D-Connecticut), Chairman of the Senate Committee on Banking, Housing and Urban Affairs, and Senator Chuck Hagel (R-Nebraska) to address the severe underinvestment in America's infrastructure. The purpose of the Bill is to revitalize, repair, and replace America's aging infrastructure and in turn improve the quality of life while stimulating employment and economic growth. The Bill proposes the creation of an independent national bank that would identify, evaluate and help finance specific large capacity-building projects that are vital to the country and not adequately served by current financing mechanisms. These projects would include publicly-owned mass transit systems, housing properties, roads, bridges, drinking water systems, and wastewater systems³⁸.

Infrastructure Investment in Urban Communities

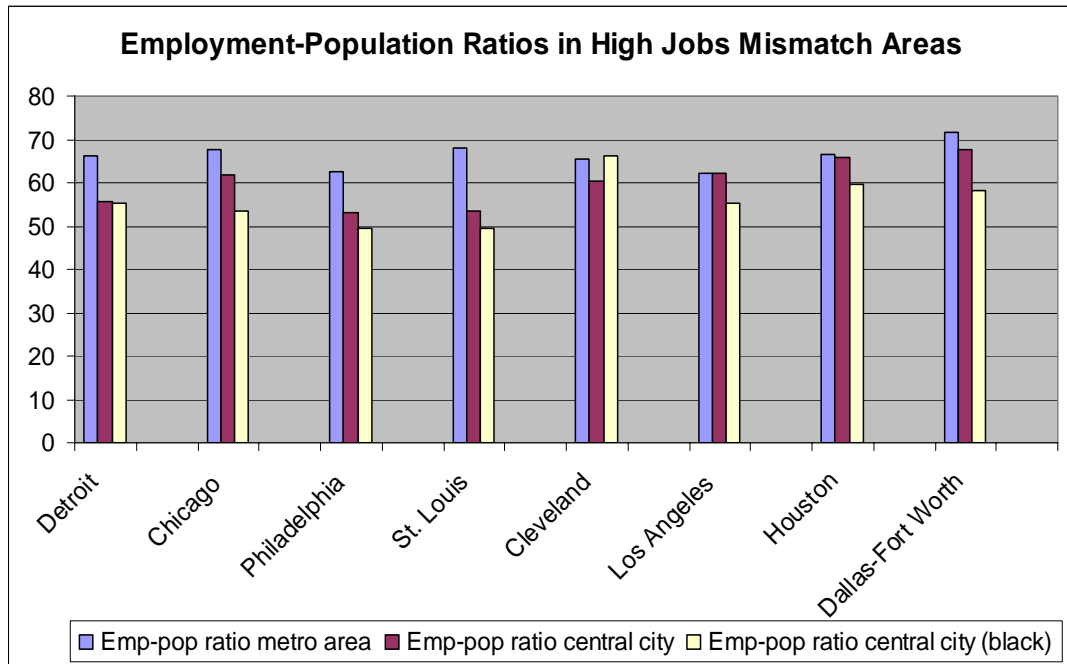
Perhaps some of the most shocking examples of the need for investment in infrastructure can be found in urban communities. Prior to the introduction of the Dodd-Hagel Infrastructure Bank bill, the National Urban League proposed the creation of an Urban Infrastructure Bank to fund investments in both the infrastructure and people of urban communities where constant economic structural changes have contributed to high levels of joblessness, particularly among adult males in poor, urban black neighborhoods. In the last three decades, low-skilled African American males have encountered increasing difficulty in gaining access even to menial jobs.

Though America's cities were once thriving centers of commerce, many of them have been left economically devastated following vast industrial and technological changes that shifted jobs and other vital resources away from city centers. For inner-city residents, longer commutes by automobile (an item many inner-city residents lack) coupled with a lack of information about suburban job opportunities, has resulted in spatial mismatch. Spatial mismatch occurs when employment opportunities for low-income individuals – particularly African Americans -- are located far from the areas where these individuals live. Another manifestation of suburbanizing employment is "job sprawl," which can be defined as low-density, geographically spread-out patterns of employment growth³⁹. According to a 2005 Brookings study that identified metropolitan



areas with high rates of spatial mismatch and job sprawl, blacks are more geographically isolated from jobs in high job-sprawl areas regardless of region, metropolitan area size, and their share of metropolitan population⁴⁰. Figure 3 presents employment-population ratios for eight cities identified in the Brookings study. An analysis of these ratios reveals that compared to the broader metropolitan area, a smaller percentage of populations living in central cities are employed. In most cases, these rates are even lower for blacks living in the central city.

Figure 6



Metropolitan Area	Jobs Mismatch Index ⁴¹ (Blacks)	Job Sprawl Index
Detroit, MI	71.4	92.4
Chicago, IL	69.5	77.0
Philadelphia, PA	64.2	80.9
St. Louis, MO	62.6	84.6
Cleveland, OH	62.0	75.4
Los Angeles, CA	61.6	87.1
Houston, TX	56.5	80.6
Dallas, TX	56.4	82.7



The implementation of an Urban Infrastructure Bank to fund investments in projects that improve and build new schools, parks, water facilities, roads, quality affordable housing, community recreation centers and transit systems would create jobs, generate commerce and improve living conditions in urban communities. While job creation estimates vary considerably, one Department of Transportation study found that for every \$1 billion in investment, 48,000 jobs are created in one year. Furthermore, investments in public transportation can help connect previously isolated workers to jobs⁴², relieve congestion and improve productivity. Investments in other aspects of infrastructure like broadband can also improve productivity while providing better access to online education which can enhance the skills of future workers⁴³. Without these much needed investments in infrastructure, many inner-city communities are doomed to continue the cycle of joblessness and poverty. Therefore, it is imperative that when we go to work rebuilding America, those who live in urban America are not left behind.



Scoring the 2008 Presidential Candidates on the Opportunity to Earn

During the 2008 National Urban League Annual Conference in Orlando, Florida, Senators Barack Obama and John McCain shared their positions on the policy recommendations outlined in the *Opportunity Compact*.

Barack Obama's Economic Plan

Barack Obama's Economic Plan focuses on ten different areas: jumpstarting the economy; middle class tax relief; technology and job creation; fighting for fair trade; rewarding labor; protecting homeownership; supporting small businesses; addressing predatory credit card practices; reform bankruptcy laws and focusing on establishing a work/family balance. As part of "supporting working families", he advocates for increasing and indexing the minimum wage to inflation and expanding the EITC. For the EITC, Obama specifically mentions expanding the number of working parents eligible, eliminating the marriage penalty and increasing the amount of the tax credit for all minimum wage workers from \$175 to \$555 (including those without children). He also increases the amount of the credit for those paying child support (up to \$1,110).⁴⁴ Obama supports added investment in infrastructure, including co-sponsoring the Dodd-Hegel National Infrastructure Bank of 2007⁴⁵. His campaign calls for establishing a National Infrastructure Reinvestment Bank and provides \$60 billion in funding over ten years. His website claims this will create 2 million new jobs and stimulate \$35 billion per year in economic activity.⁴⁶ For ex-offenders, Obama was a co-sponsor of the Second Chance Act, a program that helps ex-offenders reenter their communities.

John McCain's Economic Plan

The centerpiece of John McCain's economic plan is the extension and expansion of the Bush tax cuts. A second key aspect of the McCain economic plan involves reducing the cost of energy. He does not support the expansion of the Earned Income Tax Credit and voted in 2007 to abolish the federal minimum wage, leaving the issue to the states⁴⁷. John McCain was not a co-sponsor of the Dodd-Hegel National Infrastructure Bank of 2007, nor was he a co-sponsor of the Second Chance Act⁴⁸



although he responded to a questionnaire stating that he supported such programs⁴⁹. As indicated by the number of “not voting” in his record, John McCain’s voting record is somewhat incomplete in the 110th Congress—he missed over 60% of all votes, more than any other member; Barack Obama was third, missing 45% of votes (Tim Johnson, who suffered a brain hemorrhage, was second missing almost 50% of all votes)⁵⁰.



Conclusion

2008 has turned out to be historical for a number of reasons; some good and some not so good. We can be proud as we stand poised to elect a new president following one of the longest campaign seasons in which enormous strides were made in terms of the racial and gender diversity of candidates. Yet, as a country faced with recession, increasing income inequality, an economically strapped middle class and crippled housing and financial markets, there is a need to establish some important priorities for tackling these challenging issues. At the forefront of those priorities must be creating jobs, developing a solid workforce and making work pay for millions of working families.

While there will undoubtedly be many suggestions for accomplishing these goals over the next several years, the National Urban League believes that *The Opportunity Compact* and the Opportunity to Earn recommendations -- **expand “second chance” programs that help ex-offenders, high school drop outs, and at-risk youth to secure GEDs, job training and employment; increase economic self-sufficiency by indexing the minimum wage to the rate of inflation and expanding the Earned Income Tax Credit to benefit more working families; and create an urban infrastructure bank to fund reinvestment in urban communities** -- represent some of the most equitable and compelling solutions for doing so.



Notes

¹ In July of 2008 the annual rate of inflation was 5.6%, the highest level since 1991.

² Both of these figures were revised upward from their preliminary estimates of -22,000 jobs in January and -63,000 jobs in February.

³ In his 2004 State of the Union Address, President George W. Bush said, "America is the land of second chance, and when the gates of the prison open, the path ahead should lead to a better life."

⁴ Public Safety Performance Project, "Public Safety, Public Spending: Forecasting America's Prison Population, 2007-2011," (The Pew Charitable Trusts, February 2007).

⁵ These cost estimates are cumulative, including operating and capital expenditures from 2007 to 2011.

⁶ National Association of State Budget Officers, "State Expenditure Report FY 2006" (2007).
<http://www.nasbo.org/Publications/PDFs/fy2006er.pdf>

⁷ Ibid.

⁸ Source: U.S. Department of Justice, Bureau of Justice Statistics

⁹ Justice Center: The Council of State Governments, "One page fact sheet on the Second Chance Act of 2007," http://www.reentrypolicy.org/government_affairs/second_chance_act

¹⁰ Harlow, C. W., "Education and correctional populations," (Bureau of Justice Statistics Special Report, Bureau of Justice Statistics, 2003).

¹¹ Source: U.S. Department of Labor, Bureau of Labor Statistics, 2003.

¹² National Education Association, "Reducing the Nation's Dropout Rate: Dropout Fact Sheet", www.nea.org/presscenter/actionplanfacts.html

¹³ WIA expired in 2003.

¹⁴ Sum, Andrew, Joseph McLaughlin and Ishwar Khatiwada, "The 2006 Summer Job Market for the Nation's Teens: Who Got the Jobs and Who Didn't and Why We Should Care", (Northeastern University, *Center for Labor Market Studies* Northeastern, 2006).

¹⁵ Ibid.

¹⁶ This rate of decline was surpassed only once in recent history: between 1981 and 1990 the minimum wage remained at \$3.35 an hour, declining in real value from \$8.33 an hour to \$6.28 an hour (in 2007 dollars).

¹⁷ During the 1950s and 60s the minimum wage was at or near 50% of the average wage among non-supervisory workers.

¹⁸ Ettlenger, Michael, "Securing the Wage Floor: Indexing Would Maintain the Minimum Wage's Value and Provide Predictability to Employers," (EPI Briefing Paper, Economic Policy Institute, 2006).



¹⁹ Economic Policy Institute, “Minimum Wage Issue Guide,”
http://www.epi.org/content.cfm/issueguides_minwage.

²⁰ Carrington, William and Bruce Fallick, “Do Some Workers Have Minimum Wage Careers?”, *Monthly Labor Review* (2001): 17.

²¹ Fiscal Policy Institute. “States with Minimum Wages above the Federal Level have had Faster Small business and Retail Job Growth,” (2006), <http://www.fiscalpolicy.org/FPISmallBusinessMinWage.pdf>.

²² Bernstein, Jared and John Schmitt, “Making Work Pay: The Impact of the 1996-1997 Minimum Wage Increase,” (Economic Policy Institute, 1998), http://www.epi.org/content.cfm/studies_stmwp.

²³ Card, David and Alan Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*, (Princeton: Princeton University Press, 1995).

²⁴ Based on National Urban League analysis of Bureau of Labor Statistics data from September 2005 to September 2006.

²⁵ Greenstein, Robert, “The Earned Income Tax Credit: Boosting Employment, Aiding the Working Poor,” (Center for Budget and Policy Priorities, 2005), <http://www.cbpp.org/7-19-05eic.htm>.

²⁶ Eissa, Nada and Jeffrey B. Liebman, “Labor Supply Responses to the Earned Income Tax Credit,” *Quarterly Journal of Economics* 111 (2) (1996): 605-637.

²⁷ Congressional Budget Office, “Historic Effective Federal Tax Rate: 1979 to 2005”,
<http://www.cbo.gov/doc.cfm?index=8885>.

²⁸ Brown, Dorothy A, “Race and Class Matters in Tax Policy,” *Washington and Lee Legal Studies Paper* No. 2006-15 (Washington and Lee University School of Law, 2007).

²⁹ Levitis, Jason and Jeremy Koulisch, “State Earned Income Tax Credit: A Legislative Update,” (Center for Budget and Policy Priorities, 2008), <http://www.cbpp.org/6-6-08sfp.htm>.

³⁰ Center for American Progress. *How to Cut Poverty in Half*. Washington, DC: 2007.

³¹ Aron-Dine, Aviva and Arloc Sherman, “Ways and Means Committee Charles Rangel’s Proposed Expansion of the EITC for Childless Workers,” (Center for Budget and Policy Priorities, 2007),
<http://www.cbpp.org/10-25-07tax.htm>

³² All estimates of the size of the affected population are from Berube, Alan, David Park and Elizabeth Kneebone, “Metro Raise: Boosting the Earned Income Tax Credit to Help Metropolitan Workers and Families” (Brookings Institution, 2008),
http://www.brookings.edu/reports/2008/05_metro_raise_berube.aspx .

³³ Based on NUL analysis of ACS 2006 Poverty data for Families.

³⁴ Deshpande, Manasi & Douglas Elmendorf, “An Economic Strategy for Investing in America’s Infrastructure” (Brookings, July 2008).

³⁵ American Society of Civil Engineers, “Report Card for America’s Infrastructure: 2005”,
<http://www.asce.org/reportcard/2005/page.cfm?id=22>.

³⁶ Center for Strategic and International Studies, “Guiding Principles for Strengthening America’s Infrastructure” (March 27, 2006).



³⁷ OECD, “OECD Broadband Statistics to June 2007”,
http://www.oecd.org/document/60/0,3343,en_2649_34225_39574076_1_1_1_1,00.html

³⁸ To read more about how the Infrastructure Bank would operate, go to
http://dodd.senate.gov/multimedia/2007/080107_InfrastructurePacket.pdf

³⁹ Stoll, Michael A, “Job Sprawl and the Spatial Mismatch between Blacks and Jobs” (Brookings Institution, February 2005), http://www.brookings.edu/metro/pubs/20050214_jobsprawl.pdf.

⁴⁰ Ibid.

⁴¹ The spatial mismatch index can be interpreted as the percentage of either population or jobs that would have to relocate to different areas to completely eliminate any geographic imbalance.

⁴² A 1999 APTA survey found that 94% of welfare recipients attempting to move into the workforce relied on public transportation.

Source: Surface Transportation Policy Project, “Transportation and Jobs,”
<http://www.transact.org/library/factsheets.asp>

⁴³ Deshpande & Elmendorf, p. 14.

⁴⁴ BarackObama.com, “Supporting Working Families”, <http://www.barackobama.com/issues/family/>

⁴⁵ Govtrack.us, “S. 1926: National Infrastructure Bank Act of 2007,”
<http://www.govtrack.us/congress/bill.xpd?bill=s110-1926>

⁴⁶ BarackObama.com, “Urban Agenda,” <http://www.barackobama.com/issues/urbanpolicy/>.

⁴⁷ United States Senate,
http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=110&session=1&vote=00024

⁴⁸ Govtrack.us, “S. 1926: National Infrastructure Bank Act of 2007,”
<http://www.govtrack.us/congress/bill.xpd?bill=s110-1926>

⁴⁹ The Sentencing Project, “2008 Presidential Candidates Platforms on Criminal Justice” (2008),
<http://www.sentencingproject.org/tmp/File/PresidentialCandidatesPlatforms.pdf>.

⁵⁰ The Washington Post, “The U.S. Congress Votes Database,”
<http://projects.washingtonpost.com/congress/110/senate/vote-missers/>