DĒMOS POLICY RECOMMENDATIONS

THE STATE OF YOUNG AMERICA

DĒMOS POLICY RECOMMENDATIONS[1]

REBUILDING THE MIDDLE CLASS

The unraveling of the middle class didn't happen overnight, and it wasn't caused by the Great Recession. Rather, the middle class was undermined over the course of several decades by both bad policy decisions and in many cases by a complete failure of policymakers to act in the face of broad-reaching economic change. Consequently, reviving the middle class is no simple or short-term endeavor. But we believe it can be done, and done most effectively by aiming to improve the trajectory of young people. Think of it this way: every major decision about life is made between the ages of 18 and 34. This is the time when individuals are getting the education and skills to compete in the workforce; it's when they are starting families and buying homes; and it's when they need to begin the long-term act of saving for retirement. The path that each young person takes during their young adulthood often largely determines whether they end up in the middle class as older adults. Given the nation's current anemic levels of investment in young people, the existence of our future middle class is severely imperiled. How these early years of adulthood unfold—and what decisions are made at each marker in adulthood—will either make or break someone's chances of getting ahead and reaching their full potential.

CREATE GOOD JOBS—NOW AND IN THE FUTURE

In order to rebuild the middle class, the United States faces two fundamental challenges: we need to increase the *quantity* of jobs being created and we need to increase the *quality* of those jobs. The Great Recession has created a giant hole in the labor market, with 12.4 million jobs still needed to reach pre-recession levels of employment.[2] If we do nothing, and current economic growth rates continue, it'll be at least 2016 before we're back to normal. At the same time, the United States faces a severe crisis in job quality—too many of the jobs that do exist fall below the standards that most Americans regard as decent work, as measured by wages, benefits and overall working conditions. Young people are feeling the brunt of both of these trends—they have the highest rates of unemployment and are earning less than the previous generation in the jobs they do hold. In order to ensure this generation and future generations can enter the middle class, America must create jobs and also increase job quality so that more jobs are good, middle-class positions—or, at minimum, offer a means to climb into the middle class. Below are five policies that would directly improve job creation and quality, in both the short- and long-term.

A TEMPORARY DIRECT PUBLIC JOBS PROGRAM

to put millions of Americans back to work immediately, using public funds in the most efficient way to directly hire out-of-work Americans and build the consumer demand that fuels private-sector job creation. These jobs would be available to all unemployed workers, but young people would be given a priority for hiring. A $100 billion, two-year public jobs program would create more than 1.5 million new jobs at peak employment, compared to 568,000 jobs created by a comparable increase in spending on unemployment insurance and food stamps, or just 108,000 jobs created by Bush-style tax cuts of comparable size.[3] A direct jobs program allows the government to offer work where it is most needed and to those individuals who most need it. Finally, it allows these jobs to be made available to people immediately, when they need them, rather than requiring them to wait for the economy to recover before they can put their lives back on track.[4] The President's American Jobs Act proposes a small amount of spending ($5 billion) on a "Pathway Back to Work Fund," which would provide subsidized jobs, as well as training, for young adults and low-income adults. This level of proposed spending falls short in meeting the scale of the challenge facing non-college educated young people. The President's plan proposes $90 billion in infrastructure spending—a plan that would both spur job creation and lay a stronger foundation for future growth. This investment is surely needed, and will help spur short-term job creation, yet it does not fundamentally alter the long-term plan to invest in rebuilding and sustaining America's infrastructure.

A LONG-TERM PUBLIC INVESTMENT PLAN to provide a foundation for sustained economic growth in the private sector by strengthening the public structures that facilitate business and individual success. Through investments in efficient roads, rail lines, seaports and airports, safe drinking water, waste systems, reliable electrical transmission, new scientific research, 21st-century energy technologies, and a financial system that successfully provides credit to small businesses, public investment lays the groundwork for private sector productivity and the private creation of solid, middle-class jobs. These investments produce critical public goods—like a transportation system that can bring millions of workers to their jobs quickly and affordably—that the private market relies on, but would not generate on its own. Yet, despite a substantial, one-time infusion of public dollars through the American Recovery and Reinvestment Act, the nation's long-term investment in infrastructure is inadequate. The American Society of Civil Engineers gave the nation a grade of D on the state of its physical infrastructure in 2009.[5] Last year, a bipartisan group of transportation experts[6] estimated that the United States needs to spend an extra "$134 billion to $262 billion per year for roughly the next quarter century" to meet its transportation infrastructure needs and ensure future prosperity. Meanwhile the world's other major economic powers, including China and the European Union, are making substantial national investments in transportation infrastructure,

"THE AMERICAN GOVERNMENT HAS HISTORICALLY PLAYED A CRITICAL ROLE IN MAKING THE INVESTMENTS THAT SPURRED PRIVATE ENTERPRISE AND PRODUCTIVITY" including freight facilities, ports, and high speed rail lines that will promote economic growth in the coming decades.[7] With lagging public investment, America risks losing ground to countries that have invested more wisely. From the Erie Canal to the Interstate Highway System to the American military's investments in the basic research that produced jet aviation, the internet, and the computer, the American government has historically played a critical role in making the investments that spurred private enterprise and productivity. As the bipartisan political leaders of the Building America's Future fund note, "the infrastructure past generations built for us – and the good policymaking that built it—is a key reason America became an economic superpower." To continue that tradition, we propose investing roughly $200 billion annually in the development and maintenance of physical infrastructure, clean energy, and providing credit to small businesses. Another critical part of the nation's infrastructure—the schools, colleges and training programs that produce an educated citizenry and workforce—is considered in its own section of this report.

INCREASE THE FEDERAL MINIMUM WAGE so that people working hard at low-wage jobs are able to live above poverty. The Federal minimum wage was introduced in 1938 in order to guarantee a minimally decent level of income for all those who work. However, since the 1980s the minimum wage failed to keep up with inflation. The value of the minimum wage today is 30 percent below its peak in 1968. The minimum wage was last raised in 2009, to $7.25. Before this gradual increase was approved in 2007, it had been a decade since the last minimum wage increase. A majority of minimum wage earners are adults living in low-income households and making significant contributions to their family's total income.[8] Far from disappearing, low-wage jobs are expected to make up a growing part of the U.S. economy. The Department of Labor projects that, over the coming decade, the largest job growth will be in low-paying occupations: jobs such as home health aides, food service workers, and retail salespeople.[9] Research shows that a higher minimum wage does not result in lost jobs, as many have warned.[10] For example, there is no evidence that states that increased their minimum wages above the federal level suffered job loss as a result. In fact, minimum wage increases stimulate economic growth by putting money in the pockets of people most likely to spend it: a recent study by the Federal Reserve Bank of Chicago concluded that every $1.00 increase in the minimum wage results in a $2,800 boost in spending by a low-wage worker's household over the following year.[11]

"WE PROPOSE PHASING IN AN INCREASE OF THE FEDERAL MINIMUM WAGE TO $10.00 AN HOUR BY 2013, RESTORING MUCH OF ITS LOST BUYING POWER"

We propose phasing in an increase of the federal minimum wage to $10.00 an hour by 2013, restoring much of its lost buying power and ensuring that a family of three with a single working parent will not fall below the federal poverty line. The new minimum wage should be indexed to inflation so that workers' wages keep up with the cost of living.

STRENGTHEN THE RIGHTS OF WORKING PEOPLE TO ORGANIZE UNIONS AND BARGAIN COLLECTIVELY to reverse a generation of decline in the ability for workers to negotiate pay and benefits. Unions were instrumental in creating the American middle class, and today they continue to empower millions of Americans to bargain for wages and benefits that are capable of sustaining a middle-class standard of living. Among workers in similar jobs, unionized employees are significantly more likely to earn middle-class wages;[12] and have sick, family, and vacation leave policies, health care, and retirement plans.[13] Unions also improve wages and job quality even for those who are not members: in areas and industries with a high degree of union representation, unions can exert upward pressure on industry standards across-the-board.[14] Today, the system meant to defend the rights of employees to form unions no longer functions. Weak and slow-moving enforcement of labor rights allows employers to routinely violate the law, threatening and harassing employees who attempt to organize. Illegal threats, bribes, and even the firing of union organizers are commonplace.[15] Employees who dare to stand up for their right to join a union can face years of unemployment when they are illegally fired, while employers face virtually no penalty for denying their employees' basic legal rights. A policy based on the Employee Free Choice Act considered by Congress in 2007 that strengthens penalties and replaces the easily abused mechanism of National Labor Relations Board (NLRB) elections with a streamlined employee sign-up procedure would restore Americans' ability to choose union representation. In every workplace where a majority of employees want union representation, they could join easily, and begin to negotiate the pay and benefits that would enable them to enter the middle class.

IMPROVE ACCESS TO COLLEGE AND TRAINING

Education has long been recognized as a primary means of improving one's economic prospects and moving into the middle class. Education is also critical to the expansion of the middle class as a whole. Researchers have attributed the prosperity that built the middle class in the last century to the rapid rise in educational attainment among American youth during the first half of the twentieth century.[16] Similarly, they argue that the slowdown in American educational attainment is a major reason why the middle class has enjoyed fewer of the benefits of economic growth over the past forty years. In one generation, the percentage of Americans with college degrees has gone from first in the world to eleventh. Financial barriers are a major reason why nearly half of all young people drop out of college and why millions never enroll in the first place.[17] We need to improve the ability of high school graduates to afford and complete college, and at the same time, provide alternative options for those young people for whom going back to college is no longer an option by strengthening our nation's system of workforce development and training. Of course, better aligned workforce development would also aid older workers displaced by outsourcing or suffering long-term unemployment since the Great Recession.

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CREATE A CONTRACT FOR COLLEGE

that provides better targeted aid and early information about available aid to families to facilitate planning and aspirations. As college tuition has more than tripled, rising faster than both inflation and family income, more students are being denied the opportunity to reap the social and economic benefits of higher education. While young people are going to college at higher rates than ever before, wide disparities in access and completion remain. The enrollment gap between low-income families and high-income families is as high as it was three decades ago. And the racial gap in college enrollment has actually widened. Many hardworking students are being priced out of pursuing and completing higher education—a fundamental component to upward mobility and opportunity in American society. And those who do enroll are leaving college with unprecedented levels of debt, often without a degree in hand. In 2010, the nation's total outstanding student loan debt outpaced its credit card debt for the first time,[18] and student indebtedness is likely to continue growing quickly in the absence of bold policy reforms.

A Contract for College would unify the existing three strands of federal financial aid—Pell grants, loans, and work-study—into one guaranteed financial aid package for students. Grants would make up the bulk of aid for students from low- and moderate-income families. The Contract would recognize the important value of reciprocity, so part of the Contract for every student will include some amount of student loan aid and/or work-study requirement. An important component in designing this program is to ensure that families have early knowledge of the financial resources available to their children to attend college. Using information collected by the IRS on tax returns, the Department of Education could send all households with students in the 7th grade and above an annual notice of their *Contract for College* that estimates their aid package using the average cost of attendance at public 4-year and 2-year institutions. In this system, whether a teenager dreams about writing code or working with animals, they will know the amount of resources available to pursue their goals and can plan, both academically and financially, much earlier than they can under the current system.

STRENGTHEN THE COMMUNITY COLLEGE SYSTEM to provide much needed resources to America's nearly 1,200 open-enrollment community colleges to better meet the many demands on these institutions. Community colleges serve many purposes—including providing a lower-cost option for achieving the first two years of a bachelor's degree, but also importantly, they are central to the effort to achieve a high-skills workforce. In the coming decades, a large proportion of new jobs are projected in fields like health care that require education and training beyond high school, but not necessarily a four-year college degree.[19] Enabling young people to train, or re-train for these largely middle-class jobs provides an important mechanism for individuals to improve their economic prospects. To meet this vital demand, we need to both strengthen community colleges' capacity to provide workforce training and improve the nation's weak system of workforce development policies. We support enacting President Obama's plan for the American Graduation Initiative to invest $12 billion in community colleges over the next decade with the aim of producing 5 million additional community college graduates. To improve workforce development, the system needs both greater funding support and system reforms to better align its programs to labor market needs. While the American Recovery and Reinvestment Act provided a $4 billion boost in funding for job training programs in 2009, the temporary increase failed to reverse the long-term shortfall in federal job training resources: in real dollars, Workforce Investment Act funding has fallen almost 30 percent over the past decade, while funding for other adult education and workforce preparedness programs has also declined.[20] We propose a plan that promotes partnerships between employers and community colleges in order to tailor job training programs to the demand for industries growing in the region. Previous legislation that would have reformed workforce development strategies in this way includes the Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act, which was passed unanimously by the House of Representatives in 2010 but was not taken up by the Senate.

> "WE NEED TO BOTH STRENGTHEN COMMUNITY COLLEGES' CAPACITY TO PROVIDE WORKFORCE TRAINING AND IMPROVE THE NATION'S WEAK SYSTEM OF WORKFORCE DEVELOPMENT POLICIES"

PROVIDE PAID LEAVE AND COMPREHENSIVE EARLY CARE AND EDUCATION

Providing the next generation with a good start in life begins with the ability of parents to spend time with their newborns and provide them with high-quality child care through their infant and toddler years. Yet in recent decades, the number of American families in which both parents are employed has increased dramatically as more women enter the workforce. Public policy and workplace practices have not kept up with the shift. Unlike all other advanced nations, federal policy in the U.S. does not guarantee any form of paid leave to new parents. And today, despite nearly two-thirds of mothers with young children having jobs, our nation has yet to ensure that all families have access to high-quality child care. The issues of paid family leave and child care are of paramount concern to young people since the majority of young children are being raised by parents in their 20s and early 30s.

"UNLIKE ALL OTHER ADVANCED NATIONS, FEDERAL POLICY IN THE U.S. DOES NOT GUARANTEE ANY FORM OF PAID LEAVE TO NEW PARENTS"

PROVIDE PAID FAMILY LEAVE FOR ALL WORKERS by establishing an American Family Trust which is funded by premiums paid equally by employers and employees. Currently, federal law only provides 12 weeks of unpaid family leave, and only for workers at businesses with 50 or more employees. But millions of Americans cannot afford to take leave without pay.[21] And because only a small proportion of employees receive paid leave benefits directly from their employers, working Americans are still forced to risk their incomes and jobs to maintain their families.[22] The U.S. policy of offering only unpaid leave to deal with major life events stands in sharp contrast to the rest of the world. For example, 169 countries guarantee some form of paid leave to new parents—the U.S. joins Liberia, Papua New Guinea, and Swaziland on the short list of nations that leave workers alone to cope with this life-changing event and fail to mandate that employers provide paid time off when a child is born.[23] The new American Family Trust would provide a modest standard for the United States: 12 weeks of partially paid leave to enable working families to provide needed care for loved ones without losing their jobs. The American Family Trust would also have benefits for employers, especially small businesses that often have the greatest difficulty providing paid leave on their own. Enabling employees to address major life events like the arrival of a new baby or a spouse's serious illness enables companies to recruit and retain the best employees and can improve workplace morale and productivity. It will also help employers save money in reduced turnover costs. For example, California's modest six-week paid family leave program has improved retention among low-wage workers by ten percent.[24] This represents no small savings given that turnover costs can amount to 25 to 200 percent of an employee's annual compensation when recruiting, hiring, training, and other requirements are taken into account.[25] Although business lobbyists were initially the most vehement opponents of California's paid leave program, five years after its implementation nine out of ten employers reported no negative effect on business profitability or performance, with small businesses even less likely to detect any damaging impact on their bottom line.[26]

ENSURE HIGH-QUALITY CARE FOR ALL CHILDREN through a range of policies designed to enable parents to find and afford high-quality child care. Substantial research indicates that birth to age three is a critical time in a child's development, impacting later school performance and economic outcomes.[27] Yet low- to middle-income households struggle to afford and find high-quality care.[28] Current policy and budget priorities have left these needs unmet. Early Head Start, which reaches low-income children under 3, only has enough funding to reach less than 3 percent of eligible families. Head Start, which is aimed at 3- and 4-year-olds, has enough funding to reach just 40 percent of eligible preschoolers. Child care subsidies to help low- and middle-income families are too modest to make high-quality care affordable for most of these households. And subsidized child care slots often have long waiting lists. Recently proposed cuts threaten to render these programs still more deficient. To harness the economic and social potential of the next generation, we will have to significantly expand our investment in the educational pipeline that begins with child care and preschool. We support a package of investments recommended by a collaboration of national and state organizations to improve quality, access, and affordability of child care.[29] These include the provision of resources to upgrade the quality and training of providers; expansion of tax credits for moderate- and middle-income households; and new investments to ensure all low-income families who wish to participate can enroll in Early Head Start and Head Start. The estimated cost of investing in a high-quality early care system would average an additional $88 billion per year.

ENDNOTES

1. This policy blueprint reflects Dēmos' long-standing agenda to rebuild the middle class. It is not meant to provide detailed legislative language but rather to provide the basic framework for improving opportunity and security—the hallmarks of middle class life. Young Invicibles will be working with young people to deliberate policy solutions for what will ultimately become a Millennial-approved policy agenda.
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