Job Opportunities Task Force

Winter 2005 - 2006

JOTF Works

JOTF Public Policy Agenda 2006

By Kevin Griffin Moreno

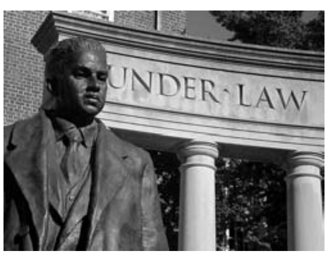
JOTF advocates legislation and budget proposals that can improve the economic opportunities of Maryland's low-skill, low-income workers and their families. Our advocacy work stems from a recognition that a healthy Maryland economy requires public policies that meet the workforce needs of employers while promoting better skills, jobs, and wages for low-income Marylanders, particularly people of color.

JOTF advocates legislation and budget proposals that can improve the economic opportunities of Maryland's low-skill, low-income workers and their families.

During the 2006 state legislative session, JOTF will support legislative and budget initiatives that support adult education, ex-offender employment, income supports for working families, and higher wages for low-income workers.

ADULT EDUCATION

Nearly one million Marylanders are in need of basic literacy, GED, or ESOL services. Maryland's investment in adult education currently lags far behind most other states. Increasing the State's share of adult education funding would carry substantial benefits to individuals, families, and the workforce.



Solution

Expand state investment in adult education as recommended by the Superintendent's Panel on Adult Education.

EX-OFFENDER EMPLOYMENT

Approximately 15,000 former inmates return annually from state prisons to communities throughout the state. Many ex-prisoners leave with low levels of education and little mainstream work experience. By adequately preparing inmates for employment, Maryland can increase public safety, lower recidivism, and help businesses find job-ready workers.

Solutions

Certificates of Employability: Develop a state credential to lower employment barriers for transitioning inmates who have completed a prescribed course of programming.

Criminal Record Expungement: Expand access to the criminal history record expungement process in order to reduce employment barriers among low-income job seekers.

Inmate Construction Training Initiative: Establish a building trades training program for inmates in specified state correctional institutions.

Transitional Services: Increase sites, staff, and resources for education, training, and counseling programs within state prisons.

INCOME SUPPORTS

One-sixth of Maryland's working families earn less than 200 percent of the federal poverty threshold. Over 384,000 Maryland workers hold jobs that pay less than the federal poverty wage for a full-time worker in a family of four.

Solutions

Child Support Incentive Program: Promote mainstream employment among non-custodial parents who owe child support arrearages to the state: establish a statewide debt-leveraging plan for obligors who meet their current child support obligations to custodial parents.

Temporary Cash Assistance Benefits: Ensure that families receiving public assistance meet a minimum household income standard: increase TCA benefits so that the income of recipient families reaches the statutorily required 61 percent of MD's Minimum Living Level.

Unemployment Insurance: Modernize the unemployment insurance (UI) system to provide adequate coverage to workers who lose their jobs through no fault of their own.

Minimum Wage: Support override of the gubernatorial veto of legislation to raise the state minimum wage from $5.15 per hour to $6.15 per hour.

ECONOMIC DEVELOPMENT

Each year Maryland gives businesses millions of dollars in tax abatements and loans designed to create jobs for residents, among other benefits. JOTF supports increased accountability and transparency in the economic development system through adequate reporting and monitoring of the outcomes of these business incentives.

Solution

Adopt a disclosure policy requiring businesses that receive state economic development subsidies to report the number and quality of jobs created and retained; require that the state make this information publicly available.

JOTF Helps Launch Training Programs in Construction, Healthcare Sectors

By Jason Perkins-Cohen and Phyllis Lewis

Construction and healthcare are two of the fastest-growing occupational sectors in the Baltimore region.

JOTF focuses on these industries because they offer good job opportunities and career advancement potential to workers who do not have advanced degrees. Recent partnerships among businesses, nonprofit workforce organizations, and public agencies have resulted in employer-driven training initiatives designed to meet the needs of workers and employers alike.

Construction Pre-Apprenticeship Program for Baltimore Residents

In October, JOTF signed a contract with the Associated Builders and Contractors (ABC) to provide pre-apprenticeship training for Baltimore City residents. The program is designed to help residents enter electrical, plumbing or carpentry apprenticeships that can often be competitive. Participants will receive training twice a week for 12 weeks, learning more about careers in construction and basic skills needed in the industry. As apprentices, participants will work during the day while they continue to receive additional training. First-year apprentices receive 50 percent of a journeyman wages – usually $9-15 per hour – with a 5% salary increase after every 1000 hours in the program. Most apprentice programs last four years. Once completed, participants will be considered journeymen in their chosen fields, and will stand to earn over $50,000 per year on average.

Although the program is open to any city resident with at least 6th grade reading and math levels, preference will be given to residents of East Baltimore. ABC is working with Goodwill Industries and the East Baltimore Community Corporation to provide job readiness and placement services, as well as assistance in resolving barriers to participation and employment. Participants will receive a $50 per week stipend during the training period, and efforts will be made to help individuals obtain a driver's license.

Recent partnerships among businesses, nonprofit workforce organizations, and public agencies have resulted in employer-driven training initiatives designed to meet the needs of workers and employers alike.

JOTF, which helped to develop the initiative, will oversee the pre-apprenticeship program and provide technical assistance where needed. The project is funded by the Annie E. Casey Foundation and Open Society Institute-Baltimore, with support from the Baltimore Workforce Investment Board. For more information contact Phil Holmes, Goodwill Industries: (410) 837-1800; or Mike Henderson, ABC: (410) 821-0351.

Pathways to Success for Healthcare Workers

The nonprofit Baltimore Alliance for Career in Healthcare (BACH) was formed this year to address critical labor shortages in healthcare, Baltimore's largest employment sector. BACH grew out of the efforts of the Baltimore Healthcare Coalition, a network of hospitals, foundations, training providers, and workforce development organizations, including JOTF. Established in 2003, the coalition identified healthcare positions with high vacancy rates and developed a long-term strategy for meeting the sector's most pressing workforce needs.

BACH's current priorities include: development and implementing a Pre-Allied Health Bridge Training Program; completing a Career Mapping Initiative for five Baltimore Hospitals; and continuing the Career Coaching Initiative which began last year.

The Career Coaching Initiative works with area hospitals to match "career coaches" with new and incumbent low-wage workers. The coaches identify entry-level employees to be trained for higher-skill positions, and develop individualized training programs to prepare trainees for the jobs. Participating hospitals include Mercy Medical Center, University of Maryland Medical System, St. Agnes HealthCare, Union Memorial Hospital/Medstar Health, Sinai Hospital/LifeBridge Health, and Johns Hopkins Hospital.

Ronald M. Hearn Jr., who was hired as BACH's first executive director in September, is optimistic about the new organization's potential. "The Baltimore region is facing significant challenges finding qualified workers to fill important jobs in the healthcare sector," he says. "But the Alliance is in perfect position to meet the needs of providers while helping workers move into good jobs and careers."

Previously, Hearn was vice president of New Jersey's Burlington County Community College, and before that he was vice president of Baltimore City Community College, where he developed successful business-community partnerships.

BACH members include over 70 healthcare organizations, public agencies, educational institutions, and community partners. To date BACH has received $925,000 in grants from the Annie E. Casey Foundation, the Open Society Institute-Baltimore, the Aaron Straus and Lillie Straus Foundation, the Abell Foundation, the Harry and Jeanette Weinberg Foundation, and the Alvin and Fanny B. Thalheimer Foundation.

For more information contact Ron Hearn at ronald.hearn@comcast.net.

Making Money Work for Working Families

By Jessica Traskey and Kevin Griffin Moreno

As the costs of education, healthcare, and energy rise nationwide, solid financial management skills are becoming more important than ever to working Marylanders.

A lack of sound financial knowledge in areas such as budgeting, saving, credit, and investing can lead to drastic effects on individuals and their families. This is particularly true in low-income communities, where good-paying jobs are scarce and family economic health is precarious.

People who are financially literate are aware of how to make their money work for them. They can balance their home budgets, open checking accounts with safe financial institutions, improve their credit ratings, and begin saving for their children's education and for their own retirement. For many families, basic financial literacy can be the key to self-sufficiency and economic success.

Unfortunately, poorer neighborhoods offer few reliable financial management resources, partly because mainstream banking institutions too often do not invest in or reach out to residents of lower-income communities.

In recent years, government agencies and private organizations at the local and national levels have made important strides in bridging the financial education gap.

In Southwest Baltimore, a financial services center called Our Money Place helps address the financial services needs of neighborhood residents. Established by a coalition of partners, including the Annie E. Casey Foundation, Our Money Place provides working families with information about credit/debt management, banking, savings, taxes, budgeting, financial planning, and predatory lending. A check cashing facility and a credit union help residents manage and grow their household incomes.

Since it began operations in 2003, Our Money Place has provided over 30 hours of financial management training to 160 graduates of workforce development programs run by the Bon Secours of Maryland Foundation. Over 50 of these graduates are working actively one-on-one with the center's financial advisor on developing household budgets, clearing debt, and improving their credit ratings, according to Kevin Jordan, Director of Community and Economic Development with the Bon Secours Foundation. So far, Our Money Place has assisted Southwest residents in clearing over $40,000 in debt.

Another important resource is a financial literacy curriculum known as *Money Smart*. Launched four years ago by the Federal Deposit Insurance Corporation (FDIC), *Money Smart* is designed to foster financial health among low-income families. FDIC encourages banks to deliver financial education and services in neighborhoods whose residents have historically lacked these resources. By using *Money Smart* to reach out to local communities, banks are in part fulfilling their obligation under the federal Community Reinvestment Act, which prohibits banks from refusing to lend in low- and moderate-income communities.

Between 2002 and 2004, the *Money Smart* site in Washington, D.C. provided financial literacy training to 553 Welfare-to-Work program participants and 309 participants of the Circles of Support and Accountability ex-offender program. Over 400 students opened bank accounts as a result of the *Money Smart* training.

Money Smart has also been implemented in Baltimore, under a partnership that brought together the FDIC, the Mayor's Office of Employment Development, and local banks.

Financial literacy skills are essential not just for adults, but for young people as well. According to the Maryland Council on Economic Education, 50 percent of high school graduates enter the workforce directly from high school, yet only 15 percent of graduates received any instruction in personal finance. Many are unable to balance a checkbook and have little sense of the basic monetary principles of earning, spending, saving and investing.

The consequences of this lack of financial education can be clearly seen in the shift Americans' saving habits. During World War II, Americans saved 24 percent of their incomes; by 2001, that rate had dropped dramatically to 2.3 percent. The Jump$tart Coalition for Personal Financial Literacy is one of several national organizations working to reverse this disturbing trend. Since 1995, Jump$tart has partnered with public agencies, schools, private businesses, and nonprofit organizations across the country to include financial education in k-12 curricula.

Businesses such as those that partner with FDIC and Jump$tart are crucial to expanding communities' access to financial literacy resources. Businesses can offer real-world expertise and trained staff who can work with communities to tailor financial education programs to meet residents' needs. Banks in particular can offer guidance and safe money management opportunities to low-income consumers who have had little positive experience with mainstream financial institutions.

For working families, financial literacy means financial independence. By partnering to make financial management resources accessible to low-income families, public and private organizations can help hard-working Americans save money, buy homes, provide for their children's education, and retire comfortably.

For more information, visit:

- Operation Reach Out Southwest: **http://www.aecf.org/initiatives/fes/atwork/bon2.htm**
- FDIC – *Money Smart*: **http://www.fdic.gov/consumers/consumer/moneysmart/**
- Jump$tart Coalition: **http://www.jumpstart.org**
- Maryland Council on Economic Education **http://www.econed.org**

From the JOTF Bookshelf:

Fighting Poverty in the US and Europe

By Joanne Nathans

The United States and Western Europe have hugely different attitudes and approaches to the redistribution of wealth from the rich to the poor, and to government programs that ensure a minimum standard of living for low-income families.

Why this difference? Why are Americans much less willing than Europeans to support government policies that redistribute wealth from the rich to the poor? Why do Europeans legislate programs that provide the poor with an above-poverty living level, while Americans accept concentrations of poverty, generation-to-generation, urban and rural?

These are some of the questions posed by Alberto Alesina and Edward Glaeser in *Fighting Poverty in the US and Europe: A World of Difference* (Oxford University Press, 2004). The authors, both Harvard University economists, look for explanations in economic systems, in the impact of history and geography on the evolution of political institutions, and the impacts of a homogeneous population compared to a racially or ethnically diverse population.

Economic explanations for the differences in degrees of wealth redistribution do not provide a clear answer. The authors give two examples: 1) If the model assumes that a high degree of unequal pre-tax income creates pressure for income redistribution, then the US, where incomes vary more widely than in Europe, should have more redistribution, but we do not. 2) A model with a high level of income uncertainty assumes pressure for a safety net that will provide the large at risk population with an above-poverty living level. The authors show that using macro economic measures of volatility over recent decades, the US economy is less stable than the European economy. However, our safety net is much lower than Europe's.

As for upward economic mobility, in the 18th and 19th centuries the US was a land of opportunity, more so than Europe, but in recent years the difference has been slight. The authors suggest that in the US our belief about economic opportunities available to the poor, and our belief that the poor can rise out of poverty if they exert themselves, derive from earlier economic conditions and are generally not consistent with current realities.

An added reason why Americans are less concerned than Europeans about protections against downward mobility and are more willing to take risks is that we are largely a nation of immigrants and descendants of immigrants, of the millions of men and women who sought to escape poverty, persecution, military service, or other condition and took the risk of crossing an ocean and settling somewhere in a new continent.

Turning to political institutions to explain the differences in redistribution between the US and Europe, the authors note several features of government in the US: 1) The US has historically been a two-party national political system that has not included a socialist ideology that would favor a welfare state. This two-party system discourages the growth of new political parties. 2) The election of individual legislators who are assured seats in the lawmaking body often results in government spending targeted to legislative districts, in contrast to the proportional representation system common in Europe, where attention is more focused on national needs and programs. 3) In Europe, the powers of government are more centralized than in the US. Our federal system leaves the states with considerable power to raise and lower taxes, and we often see states competing to attract businesses and wealthy individuals by "racing to the bottom" to lower taxes. This forces them to reduce the services and protections that they provide for all their residents. 4) The labor union movement in the US has historically been concerned primarily with wages and working conditions of its members and has not been strong enough in recent decades to be a major political force representing the interests of workers and low-income people. 5) The courts in the US are more independent and powerful than European courts, and have often set limits to change, especially when property rights are challenged.

Alesina and Glaeser conclude that the differences between the US and Europe described above provide about half of an explanation for the differing approaches to poverty, and that the homogeneity or heterogeneity of populations, specifically issues of race in the US, provide the other half. They point to our pervasive legacy of race prejudice and discrimination, and they summarize the large body of research that documents the economics of race prejudice, including much less generous social welfare spending in the states that have a higher proportion of African-American residents. Race issues can block social spending even in the face of proof of need, and can make it difficult to build economic class-based coalitions. On the positive side, the authors call attention to much evidence in the US that racial attitudes and other prejudices can be untaught and reduced. They suggest that we are still in the midst of a "fluid process where racist attitudes ebb and flow over time." Although the countries of Western Europe are highly homogeneous, several have had their own horrible periods of race, religious, and ethnic discrimination. As they are now becoming more diverse and are experiencing a rise in racist, anti-immigrant exhortations, it remains to be seen how they will evolve.

Alesina and Glaeser describe and compare the social and economic costs of the systems on both sides of the Atlantic Ocean, and they do not say that one system is superior to the other. They illuminate many aspects of history, economics, politics, and human psychology and leave readers to their own conclusions. The book is slim and very readable. I found it fascinating.

Questions? Comments?

Send feedback about this article to info@jotf.org.

Giving Credits Where Credits are Due

Getting the most out of targeted hiring incentives

By Kevin Griffin Moreno

Tax credits designed to encourage the employment of special populations can carry financial benefits for companies, and they can be a valuable tool for developing solid relationships between employers and workforce development agencies. But they do not necessarily make a difference in employers' hiring decisions.

These are the findings of an informal survey of local employers and workforce development agencies conducted in 2005 by JOTF. Between February and November, JOTF Business Liaison Phyllis Lewis interviewed representatives of 16 Baltimore area companies that work in healthcare, construction, retail, security, and other occupational fields that offer job opportunities to low-wage, low-skill men and women. A number of public and nonprofit workforce development organizations were also surveyed about their knowledge and use of targeted employment incentives such as the federal Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit.

The Work Opportunity Tax Credit (WOTC) was created in 1997 as an incentive for employers to hire job seekers from certain target populations: veterans; persons with disabilities; residents of empowerment zones or enterprise zones; summer youth employees; low-income ex-offenders; and recipients of cash assistance, food stamps, or Supplemental Security Income. Under the WOTC, employers can reduce their federal income tax liability by as much as $2,400 per qualified new worker. A similar incentive, the Welfare-to-Work (WtW) Tax Credit is designed to encourage the employment of long-term public assistance recipients by reducing businesses' tax liability by up to $8,500 per employee.

An extensive body of research suggests that while incentives like the WOTC and WtW Tax Credit can be useful to employers and workforce development agencies, they are not a determining factor in employee recruitment. A 1999 policy paper by Johns Hopkins University researcher Burt Barnow suggests that targeted employment tax credits are not effective in promoting employment. This assessment echoes the findings of a study released in 1996 by the Georgia Public Policy Foundation, which reported that "tax incentive programs generally confer unnecessary tax incentives to businesses to do what they would have done anyway."

JOTF's recent conversations with employers and service providers offer some explanations for this gap.

Employers are unaware of available incentives, or disinclined to use them. Of the businesses interviewed by JOTF, only three actively use targeted employment tax credits. The rest were not familiar with the incentives available to them, or else felt that claiming the credits involves the completion of a burdensome amount of paperwork. The consensus, particularly among smaller employers, was the effort required to claim employment tax credits is not worth the return.

> **In fact, the forms for the WOTC and the WtW Tax Credit are quite short and fairly simple to complete.**

Some large companies reap the benefits of tax credits by contracting with intermediary organizations such as APG/Maximus, a for-profit corporation that helps businesses access incentive programs by identifying available credits and screening employees for eligibility. In those cases, the contractor works by reviewing a company's existing personnel files to determine which employees are eligible to receive the credit. In other words, the intermediary helps the company claim credits for workers who are already employed, meaning that the existence of a credit played no part in the employer's decision to hire. Smaller companies that lack sophisticated human resources management systems often cannot take advantage of the services provided by an intermediary.

Service providers do not promote incentives. Among the service providers that responded to JOTF's inquiries, only the smallest percentage reported that they both knew about and promoted targeted tax credits. Those that do not help businesses to access tax credits are missing a valuable opportunity. By pre-screening clients for eligibility and helping employers claim available incentives, workforce development providers can add to their portfolio of services and forge bonds of credibility and goodwill with companies, especially smaller ones.

As noted above, a common reservation expressed by employers is that the filing process to claim hiring incentives is confusing and laborious. In fact, the forms for the WOTC and WtW Tax Credit are quite short and fairly simple to complete. Workforce organizations that stand to place multiple clients with a single employer can enhance the value of their services by downloading completing the necessary paperwork for employers. This relationship-building can in turn translate into ongoing job opportunities for clients of workforce organizations.

Government does not spread the word about incentives. According to employers and service providers alike, one of the main reasons that tax-based hiring incentives are underutilized is because the public agencies responsible for administering them fail to adequately publicize them. One employer surveyed by JOTF says that basic information about tax credits, and the process for accessing them, must be simplified and made more employer-friendly if companies are to take advantage of them.

Government agencies can look to the success of the Earned Income Tax Credit (EITC) program in promoting access to and use of hiring incentives. The EITC reduces the amount of federal tax owed by low-income working individuals and families. It is the largest such tax incentive in the country, with over 20 million families claiming more than $37 billion in 2003. The success of the program is attributable to a simple design, ease of access, and an aggressive marketing effort involving the collaboration of the federal government, state and local agencies, nonprofit organizations, and the private sector.

Targeted hiring tax credits can be a means of establishing solid partnerships among government, service providers, and employers. But if they are to be effective, the process for using such incentives must be simplified and made easily accessible to employers. Otherwise the potential that tax credits represent will remain unrealized.

For more information about state and federal tax credits available to employers in Maryland, visit www.jotf.org

or contact JOTF business liaison Phyllis Lewis: (410) 234-8931 or phyllis@jotf.org

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Advocating better skills, jobs, and incomes

IN THIS ISSUE:

Meet Our Board and Staff: