Inequity Threatens Our Future Growth

BY LAWRENCE SUMMERS

Despite our polarized politics, Americans from across the political spectrum share a common creed—that every person should have the opportunity to succeed in life, and that success should depend on one's talent and hard work, not on being born rich or poor.

But today our commitment to this basic creed is in jeopardy.

For years America has thought of itself as the land of opportunity. But as inequality has widened and the middle class has withered, parents' earnings and educational attainment increasingly dictate their children's life prospects, placing children from less privileged backgrounds at an enormous disadvantage. Contrary to our national self-conception, we now have less economic mobility than nearly any country in Europe.

If we are to seriously grapple with this growing opportunity gap, we cannot ignore the role of race. For even as overt and explicit discrimination has become less common, pernicious racial disparities have persisted. As a result, it continues to be especially hard for people of color to achieve economic security, let alone prosperity.

As explained throughout this book, racial disparities in poverty, employment, and wealth are widening. Take poverty. More than a quarter of blacks, Hispanics, and American Indians and Alaska Natives were living in poverty in 2011, compared to less than 1 in 10 whites. And poverty rates for African American and Hispanic children are 39 percent and 34 percent respectively, compared to 12.5 percent for white children.

Youth unemployment is especially worrisome, because it has the potential to profoundly reduce future earnings and career opportunities. Among Americans ages 16 to 24, the unemployment rate is 16.2 percent, more than double the national average. Yet the rates for some communities of color are even higher—for instance, a shocking 43 percent of black teens and 26 percent of black youths in their early 20s are unable to find work.

America also has a huge racial wealth gap, which grew even larger during the recession. While white household wealth dropped by 16 percent from 2005 to 2009, Asian household wealth dropped by 31 percent, and black and Hispanic households experienced drops of 53 percent and 66 percent, respectively, during the same span.

The gravity of these problems should be evident to anyone who is committed to the basic principles of fairness and opportunity for all. But as an economist, I also worry that these inequities pose a serious threat to our future economic growth. When people of color represented a small minority of the population, their exclusion from the economic mainstream was a profound moral problem, but it had a limited impact on aggregate economic performance. Now as people of color become a majority of the population, the failure to end their economic exclusion means the failure of the American economy.

In an advanced knowledge economy such as ours, economic growth is driven in large part by the human capital of its workers. That means it's critical to cultivate individuals' talents and to match them to jobs that will enable them to make the best use of their skills and abilities. For example, a 2009 McKinsey paper estimated that U.S. GDP would be 2 percent to 4 percent higher if we had closed the achievement gap between black and Latino students and white students during the 1980s and 1990s. The paper observes that these economic consequences will grow even larger as blacks and Latinos come to constitute a greater share of the population. Another study by economists from the Chicago Booth School of Business and Stanford University found that 16 percent to 20 percent of U.S. economic growth from 1960 to 2008 can be explained by the entry of women and people of color into professional occupations from which they had previously been excluded. The lesson is clear: When a person's talents and abilities are squandered simply because he or she grows up in poverty or can't find a foothold in the labor market, we are all made worse off.

The opportunity gap also threatens to reduce growth by hindering entrepreneurship. We know that new Americans, particularly Latinos and Asians, start new small businesses at extraordinary rates. Yet poor access to financial capital and the loss of wealth in communities of color have made it difficult for many of these businesses to become large-scale endeavors and job creators. And without a wealth cushion, many prudent would-be entrepreneurs may conclude that starting a new venture is simply too risky.

So how can we begin to turn the tide and expand opportunity to more Americans? Our top priority should be to ensure that every young person has access to high-quality education from pre-K all the way up to college and graduate school. To achieve this goal, we must move beyond the sterile debate that pits more resources against more accountability. The fact is that we need to invest more resources while also pursuing reforms that ensure better outcomes.

First, enabling every child to attend high-quality preschool is a no-brainer. Study after study has shown that early education yields huge returns on investment and dramatically improves children's life outcomes, especially for the lowest-income kids. To expand and strengthen state programs, we both need to invest more and also promote stronger quality standards.

Second, given the innumerable ways in which affluent parents can confer advantages on their children, it is unconscionable that our public education system further exacerbates the opportunity gap by placing our poorest children in our poorest schools. To close the achievement gap, states should consider lengthening the school day and the school year in high-poverty schools, adopt new strategies to attract high-quality teachers, and end the upside-down practice of providing poorer children with fewer educational resources rather than more.

We also need to expand access to higher education. This will require a suite of strategies—greater financial aid, a stronger commitment to recruit and admit applicants from less affluent families, and efforts to ensure that once these students are enrolled, they get the support they need to graduate. In addition, we must build stronger pathways to help students transition into the workforce. And we must reform our student-loan policies to ensure that they don't graduate with an unmanageable debt burden.

Beyond education, greater financial inclusion should also be a priority. One reason that households of color were hit especially hard by the housing crisis is that they had less access to affordable home loans than white families who were comparably creditworthy. As a result, communities of color were more reliant on costly subprime loans, leading to higher default and foreclosure rates. We need to ensure that all Americans have access to safe and affordable financial products that help them manage their day-to-day lives as well as achieve future goals such as homeownership, sending a child to college, and a secure retirement. This requires not just the right financial products, but also clear disclosure rules and opportunities to obtain financial counseling.

Of course, there are scores of additional policies that also merit consideration. Immigration reform, for example, would expand opportunities for millions of Latinos. Tax policies could be better targeted to reduce intergenerational wealth transfers and help low-income families get ahead. And we need to ensure policy is encouraging, not discouraging, family structures that support children over the long term.

Ensuring that every American gets a fair shot in life will not be easy. But I draw hope from the belief that Americans continue to be committed to our core creed of opportunity for all. ■

CHAPTER SEVEN

Jobs, Income, and Assets: Economic Security for All

BY CHRISTIAN WELLER, JULIE AJINKYA, AND SARAH TREUHAFT

Economic benefits of erasing racial gaps in jobs, income, and assets

- Racial inclusion and income inequality are key factors driving regional economic growth, and are positively associated with growth in employment, output, productivity, and per capita income, according to an analysis of 118 metropolitan regions.[1]

- Eliminating racial gaps in income in 2011 would have boosted earnings by $687 billion, much of which would recirculate in the economy and create more jobs, and would have increased U.S. GDP by $1.2 trillion.[2]

- Regions that became more equitable in the 1990s—with reductions in racial segregation, income disparities, or concentrated poverty—experienced greater economic growth as measured by increased per capita income.[3]

- Making a national economy's income distribution 10 percent more equitable prolongs its typical growth spell by 50 percent. [4]

- Raising the national minimum wage from $7.25 per hour to $10.10 per hour would put $51.5 billion annually in the pockets of affected workers, who are disproportionately people of color, and would create approximately 140,000 new jobs every year. [5]

- Preventing foreclosure and ensuring fair access to credit and stable homeownership would have prevented significant wealth losses for communities of color. In 2012 majority-people-of-color ZIP codes lost an average of $2,200 per household, and ZIP codes with above-average shares of people of color lost $2,000, compared to $1,300 in majority-white ZIP codes. [6]

- From 2006 to 2008 a $260.1 million investment in affordable housing leveraged roughly $470 million in additional public and private funds and resulted in nearly $1.4 billion in direct, indirect, and induced economic activity. This level of activity generated roughly $62.5 million in state and local tax revenue. [7]

For too many families, economic security—having enough money to cover a family's basic needs and enough savings or assets to invest in its future—has become increasingly elusive. Economic security can be thought about as a three-ingredient recipe:

- Good jobs that pay enough in wages to cover a family's basic needs, offer benefits including health care and retirement savings, and provide stable and consistent employment

- Sufficient wealth or assets to weather short-term economic setbacks and invest in the future

- A dependable social safety net that provides income and other support—for example, food and child care—during periods of unemployment, disability, or poor health

While attaining economic security is a challenge for nearly all of us except the very top earners, communities of color face greater hurdles to accessing the first two economic security recipe ingredients, and the third ingredient—a dependable social safety net—has been unraveling for decades and is now frayed for everyone. Consider these experiences:

- After working at McDonald's for more than 20 years, 44-year-old Tyree Johnson still makes minimum wage. He takes shifts at two of the restaurants' locations, trying to cobble together enough hours to earn his $320-per-month rent at a single-room-occupancy hotel on Chicago's north side. Despite the fact that he has a certificate in computer operations and even paid off his student-loan debt just a couple of years ago, he was unable to find a job in that field and ultimately ended up in fast-food service. Twice a month Tyree stocks up on food staples from church food pantries. He's received some small pay raises and minimum-wage increases, but when the fast-food franchises change owners or he is transferred to a different location, his pay gets knocked down to minimum wage again. In November he joined employees from more than 100 Chicago retailers to demand a $15-per-hour wage.[8]

- For nearly a year Alcides Rodriguez installed insulation for a Houston-area general contractor. After being paid in cash for most of the job, near the end of the project, the employer told Alcides and the other workers that they would be paid once the project was complete. But when the workers went to collect their pay, the company supervisor never showed. Twenty-three of the company's employees now claim that they are owed $25,000 in back wages for three months of construction work and are suing the company to retrieve their pay.[9]

- Deborah Goldring had beaten the odds. Growing up poor in an all-black neighborhood in Baltimore, raised only by her mother for much of her childhood, Deborah dropped out of high school at 16 and went to work cleaning hotel rooms.

Deborah eventually earned her GED, enrolled in community college, became an executive assistant at a hospital, married a man with a good job and a house, and lived a middle-class life. But things changed dramatically in 2007 when her husband got sick and the couple used up their savings to pay for nursing homes until he passed. Then Deborah lost her job after the hospital where she worked underwent restructuring. The bank was about to foreclose on her home of 30 years until she was able to get help from a state program that helped people behind on their payments due to layoffs or medical expenses.[10]

Tyree, Alcides, and Deborah's stories illustrate the economic security challenges for people of color, who are more likely to be unemployed, underemployed, or in the low-wage workforce, and as a result have more difficulty attaining middle-class status and a greater chance of slipping out of the middle class once they get there.

But low economic security is not only bad for families of color—it also hurts communities and the economy. People have limited capacity to participate productively in the economy without income and wealth. For one, they have less cash to spend on goods and services, which in the aggregate means less demand for businesses and fewer jobs. Economically insecure people also have less ability to weather a personal economic emergency or an economic downturn, which can contribute to overall economic instability. And they have less ability to plan for the future in ways that enable them to realize their full talents and capabilities and to contribute to America's economic growth, such as starting a business, sending their children to college, and switching jobs and careers when new and better opportunities arrive.

The challenge of economic security for communities of color

The jobs challenge

African Americans, Latinos, and other people of color were hit first and worst by the Great Recession and continue to face much higher rates of joblessness than whites.[11] Unemployment rates for African Americans are consistently double those of whites, and even college-educated blacks are much more likely to be unemployed than whites, while Latino unemployment rates are about one-and-a-half times those of whites.[12] Native Americans are also more than one-and-a-half times as likely to be jobless as whites, with unemployment rates close to 11 percent.[13] African Americans particularly, but also Latinos, are also more likely to be among the long-term unemployed—those individuals who are out of work for at least 27 weeks.[14]

Employment insecurities are compounded for people of color who identify as lesbian, gay, bisexual, or transgender, or LGBT. It has been well documented that LGBT workers experience extraordinarily high rates of employment discrimination based on their sexual orientation and gender identity. For LGBT people of color, discrimination is magnified when accounting for race and ethnicity. For this reason LGBT people of color suffer from severe economic vulnerabilities; for example, black lesbian couples are twice as likely to be living in poverty compared to the general population.[15]

The income challenge

While having a job is essential, it is often not sufficient because of America's glut of low-wage jobs. A growing legion of workers face Tyree's situation of having a job—or more than one job—but the combination of low pay and inconsistent hours make it impossible to make ends meet at the end of each month. Since the recession the U.S. economy has been shedding middle-wage jobs and adding low-wage ones, exacerbating the low-wage-jobs problem.[16] A quarter of all jobs in the United States now pay below poverty-level wages (about $23,000 annually for a family of four), and half of all U.S. jobs pay less than $34,000 annually.[17] And while the low-wage challenge affects all races and ethnicities, people of color make up a disproportionate share of the low-wage workforce compared to their share of the overall labor force.[18]

Low-wage workers are also less likely to receive benefits such as health insurance and retirement savings from their employers—both of which are essential ingredients for economic security.[19] And wage theft, as experienced by Alcides and his coworkers, is much more common than the public knows, contributing to the income challenge faced

> The Pew Research Center's analysis of 2009 Census data found that whites, on average, have 20 times the net worth of African Americans and 18 times that of Latinos.

by people of color. A survey of more than 4,000 low-wage workers in Chicago, New York, and Los Angeles found that two out of three of these workers had experienced wage theft in the past week, including working off the clock, working for less than minimum wage, not receiving overtime pay, having their tips stolen, or not being paid at all. In these three cities alone, wage theft adds up to more than $56 million per week in lost wages.[20]

The assets challenge

In addition to having fewer benefits and lower incomes, people of color have less savings and assets to help them weather unexpected financial crises and to pay for education, entrepreneurship, homeownership, or other investments that will pay off in the future. According to the Corporation for Enterprise Development, 4 in 10 households of color lack enough emergency savings to go three months without income, compared to 2 in 10 white households.[21] And the racial wealth gap is enormous: The Pew Research Center's analysis of 2009 Census data found that whites, on average, have 20 times the net worth of African Americans and 18 times that of Latinos.[22] The recession exacerbated this gap, since communities of color were hit the hardest by the foreclosure crisis. Nearly 8 percent of African Americans who bought homes between 2005 and 2008 lost them to foreclosure, compared to 4.5 percent of whites, even after controlling for income and credit rating.[23] The foreclosure crisis illustrates another challenge for people of color: The assets they do own tend to be less secure ones.[24]

As Deborah's situation illustrates, not having sufficient assets to draw upon in case of an economic emergency can create a very precarious middle-class existence, increasing the possibility of moving down, instead of up, the economic ladder. Examining data tracking families for nearly four decades, researchers at the Brookings Institution found that while 16 percent of white children born to middle-class parents end up poor, 45 percent of their black middle-class counterparts slip into poverty.[25] Racial segregation is an important factor that contributes to this wide racial gap: Almost half of black children born to middle-income families grow up in poor neighborhoods, compared to just 1 percent of white middle-income children, and growing up in a high-poverty neighborhood dramatically increases the chances of downward mobility.[26]

Building economic security in an All-in economy

To increase economic security, our national economic policies must focus on creating good, family-supporting jobs; building a strong workforce and base of entrepreneurs; and strengthening the nation's capacity to innovate and produce.[27] In the context of growing racial gaps, these policies need to create real pathways for people of color to shape the new economy, enter the middle class, and contribute to our shared economic growth and democracy. Building an inclusive economy requires an approach that is sensitive to the general barriers to economic participation faced by those who are unemployed, underemployed, or working in

Diego Valdez, 3, waits for his mom, Veronica Majia, right, to sign in at the Maricopa County Workforce Connections job fair Tuesday, Nov. 23, 2010 in Phoenix.

AP PHOTO/MATT YORK

low-wage jobs, while also addressing the particular challenges faced disproportionately by people of color, such as being more likely to experience discrimination, live in high-poverty neighborhoods, attend racially and economically segregated schools, or be incarcerated.

Inclusive job-creation strategies

Let's look more closely at one critical strategy for building an equitable economy—job creation—to further explain how it advances economic inclusion. Creating new jobs is central to boosting employment, income, and assets for low-income people of color. But job creation in and of itself is not enough. The jobs that are created need to be accessible to people of color and pay family-supporting wages, along with offering benefits and career-advancement opportunities.

Targeting high-need communities

One requirement for inclusive job creation is that the new jobs created must reach the communities where jobs are most needed. A 2012 Government Accountability Office assessment of federal economic development investments found that they were not as well targeted as they could be. In urban areas, for example, with the exception of the cities with the highest rates of poverty and unemployment, the investments were fairly evenly distributed instead of being targeted based on the level of need according to poverty and unemployment data.[28]

Creating career pathways

Clear pathways for workers of color to access jobs is another essential ingredient for inclusive job creation. Targeted hiring and job training and placement strategies focused on underserved workers can accomplish this goal. Workforce-training partnerships that are

Evergreen cooperatives: Building income and assets in Cleveland

The Evergreen Cooperative Initiative is a network of worker-owned cooperative businesses located in some of Cleveland's lowest-income neighborhoods. It seeks to leverage a portion of the $3 billion in annual supplies and services purchased by local universities and hospitals to create good jobs and ownership opportunities for hard-to-employ workers, who are also predominantly people of color. With investments including New Market Tax Credits and resources from the U.S. Treasury Department's Community Development Financial Institutions Fund, Evergreen was able to start its first venture: a commercial green laundry. The cooperative eventually expanded to include a solar-panel installation firm and a lettuce greenhouse. To date, the three businesses have more than 100 worker-owners, half of whom have criminal records.

For Medrick Addison, a worker-owner at Evergreen Cooperative Laundry, the opportunity to not only have a job but to also be a part owner of a thriving business has been life-changing. As a younger man Addison ran afoul of the law and served time in prison. When he was released he found a job with Evergreen, an event that he says helped him turn his life around. And it's an opportunity he wants to extend to others. "We're hiring people that nobody else is thinking about," says Addison. "This initiative has been a real second chance." Other cities are beginning to take notice of the Evergreen model and are seeking to replicate it. In Richmond, California, for example, three new worker cooperatives have launched in the past year inspired by the work started in Cleveland.

designed for specific industry sectors—such as the Pacific Gas and Electric Company's PowerPathway initiative in California—exemplify this approach. With an aging workforce and the prospect of 4 in 10 workers about to retire within the next five years, the utility company continues its partnership with community colleges and unions to implement a training program that provides opportunities for workers underrepresented in the utility sector to access good career-ladder jobs. The results are remarkable: More than half of its graduates are women or people of color—a majority of whom have taken utility jobs that pay between $19 and $29 per hour.[29]

Linking underserved communities with high-growth industry sectors

Another inclusive job-creation strategy is connecting underserved communities with the high-growth industry sectors that are critical to our nation's economic growth. In Pittsburgh, for example, the Central Keystone Innovation Zone is bridging the longstanding gap between high-tech companies and low-income communities of color by encouraging startups to locate in the city's historic African American Hill District community, helping local entrepreneurs develop their businesses, and placing interns from local community colleges with the startup companies. The recent Jobs and Innovation Accelerator Challenge competitive federal grant program for regional economic development promotes a focus on underserved communities, and in 2011 the Central Keystone Innovation Zone and its partners received a $1.95 million competitive grant to help grow the area's energy and health care sectors in an inclusive way.[30]

Fostering minority entrepreneurship

Cultivating the development of minority-owned businesses is yet another strategy for building an inclusive economy. Because entrepreneurs of color are more likely to both hire people of color and locate their firms in communities of color than other firms, their growth leads directly to more job opportunities for workers of color. But entrepreneurs of color face significant barriers to accessing the capital, information, and training that is needed to launch and sustain successful enterprises. Economic development strategies and small-business development programs can break down these barriers and help these entrepreneurs get started, expand their businesses—creating more jobs—or break into new markets and industries.

St. Paul, Minnesota's Neighborhood Development Center, for example, helped the Payans, a first-generation immigrant Mexican family, expand their tortilla business to meet the needs of the Twin Cities' growing Latino community. In so doing, they grew Tortilleria la Perla into a $3 million company and expanded their payroll from a few part-timers to 50 full-time workers.[31] The Payans are just one example. Since 1993 the Neighborhood Development Center has collaborated with community-based organizations to help African American, Hmong, Latino, Native American, Oromo, and Somali communities obtain training, technical assistance, startup loans,

In this June 8, 2012 photo, Mary Lindsey, owner of the Jokes and Notes comedy club buses drinks for her waitresses during the first of two shows in Chicago's Bronzeville neighborhood.

AP PHOTO/CHARLES REX ARBOGAST

and low-cost business incubator space. Five hundred graduates of the center's programs are currently operating businesses that have sustained 2,200 jobs and returned $64 million annually to their communities in payroll, taxes, and rent each year.[32]

Leveraging public investments for good jobs

Maximizing the good-jobs return on public spending and investment is an additional way to foster economic inclusion. Every year the federal government purchases billions of dollars' worth of goods and services and invests billions of dollars in the public infrastructure—schools, roads, bridges, transit, health care, water systems, and more—that makes our economy run. Since these public investments touch millions of private-sector jobs—more than one in five people (about 26 million total) work for employers contracted by the federal government—these investments are a major lever for connecting under-represented workers to good jobs and ensuring that public dollars are building a more inclusive economy.[34] High-road contracting policies, for example, ensure that federal contracts go to companies that invest in their workers by providing family-supporting wages, benefits, opportunities to advance, and more, as opposed to "low-road" companies that egregiously violate the law, damage the environment, and treat their workforce poorly. [35] These contracting policies can create a new yardstick by which companies are measured, thereby raising the quality of jobs not only in the contracting companies but also in the companies that aspire to become federal contractors. The federal government can learn from local innovations. More than 140 cities and one state—Maryland—have adopted "living-wage" laws that require public contractors to pay their employees a nonpoverty wage (about $10 to $15 per hour).[36] Other states have enacted laws that require companies contracting for public-sector work to pay at least the prevailing regional- industry wage for the type of job being performed, which has helped improve wage standards in service industries.[37] Such laws have long been used to protect contracted construction workers, who are disproportionately workers of color.

Policies for government contractors are also a crucial tool to combat employment discrimination, which would force otherwise qualified candidates out of a job or prevent them from getting a job in the first place. In its most current form, for example, Executive Order 11246 bars businesses that discriminate on the basis of race, color, religion, sex, and national origin from receiving federal contracts. These and other laws and policies have been critical to making sure people of color aren't senselessly denied good jobs because of bias in the workplace. As of yet, however, these existing contractor policies still do not prevent federal contractors from discriminating against LGBT workers, who currently can be fired in a majority of states based on their sexual orientation or gender identity.[38]

Policy recommendations

Achieving real economic security for all will require shrinking persistent gaps in income and wealth between whites and communities of color. While policymakers cannot accomplish this overnight, they can take sensible steps right now that can make a real difference in the economic security of communities of color. CAP and PolicyLink suggest a set of five policy priorities around inclusive job creation, job quality, work supports, asset building, and housing.

Foster inclusive job creation

Unless we maintain and accelerate job growth, communities of color will continue to have diminished benefits from the nation's economic and labor market recoveries. Given that job creation is especially important to communities of color because of their disproportionately high unemployment rates, policies must be targeted toward these communities to generate substantial gains.

- Congress should support the Build America Bonds program, which was created in 2009 but was allowed to expire in 2010. These federally subsidized bonds were a breakthrough innovation in municipal finance and helped states and cities fund thousands of job-creating infrastructure projects at lower costs than traditional tax-exempt municipal bonds. The U.S. Treasury should implement project criteria that ensure that the jobs created will pay good wages, offer benefits and career opportunities, and reach under-represented groups—for example, women, people of color, and people with disabilities—and neighborhoods with high unemployment and poverty.

- Congress should pass the Pathways Back to Work Act, part of the American Jobs Act of 2011. This proposal will help hundreds of thousands of low-income youth and adults prepare for quality jobs in high-growth industries by supporting targeted employment and training programs with an additional $5 billion in funding. It would also support summer and year-round jobs for youth, support subsidized employment opportunities for low-income individuals who are unemployed, and support promising and innovative local work-based job and training initiatives to help place low-income individuals in work quickly.

- The White House Office of Management and Budget should require the government agencies that run economic development programs to develop plans for ensuring their investments are well-targeted to communities based on their levels of unemployment and poverty.

Raise job quality

We don't simply need more jobs—we need more good jobs. The creation of more low-wage jobs will do nothing to close the economic security gaps between communities of color and whites because these jobs usually fail to provide important benefits that provide economic stability and/or pathways to higher-paying jobs that provide economic opportunity. Strengthening labor rights is also important since the union premium (increased

Justin Lee unlocks his restaurant's front door in Philadelphia, Friday, March 6, 2009.

AP PHOTO/MATT ROURKE

wages and benefits due to union membership) is higher for African Americans and Latinos than for whites, specifically $2.60 per hour more for black union members than black nonunion members, and $3.44 per hour more for Latino union members than Latino nonunion members.[39]

- Congress should raise the minimum wage by passing the Fair Minimum Wage Act of 2013.[40] The minimum wage should be set and indexed to one-half of the average wage, or approximately $10 an hour today.

- The National Labor Relations Board should make it easier for workers to join a union, modernizing the union election process by enacting regulations that reduce unnecessary litigation, streamline pre- and postelection procedures, and facilitate communications via digital communications that workers now depend on.

- Congress should pass labor law reform that establishes a fair process for workers to decide on union representation, expands coverage so that more workers are provided the right to organize, establishes meaningful penalties and remedies for workers who are fired or discriminated against for exercising their right to organize, and includes measures to promote productive collective bargaining for first contracts, so that workers can negotiate for improved wages and benefits.

- Congress should introduce and pass both the Social Security Cares Act to increase workers' access to paid family and medical leave and the Healthy Families Act to provide workers with paid sick leave. Both pieces of legislation would promote gender equity and help close the wage gap, which in turn would help promote greater labor-force participation of women. This would especially help women of color who are more likely to be part-time and lower-wage workers and are less likely to have access to paid leave.

Strengthen work-support benefits

Work-support benefits help low-wage workers close the gap between low earnings and the cost of basic necessities in their households, and ease workers' worries about their income falling short or affording proper care for their children.

- Congress should continue support for the earned income tax credit. As a refundable tax credit for low-income workers, studies have shown that it increases work and lifts families out of poverty. Unfortunately, the credit is largely unavailable to adults who do not have qualifying children; many of these individuals are fathers and mothers living apart from their children or young adults who have the highest rates of unemployment due to their relative lack of work experience. Increasing the qualifying income levels for this group may produce the same impact that has been demonstrated for single mothers: increased work and reduced poverty. Also, in recent years, there have been a series of earned income tax credit expansions for families with qualifying children; those changes should be made permanent.

- Congress should expand access and affordability to child care for children 0–3 years old to more low-income families and make high-quality preschool universally accessible to all 3- and 4-year-old children. Studies have demonstrated that parents with reliable child care are better able to get and maintain jobs, work longer hours, and make more money, while quality programs also help close achievement gaps between low-income children and their high-income peers. Additionally, historical data suggest that the availability of child care could save employers billions of dollars from increased worker productivity and decreased worker absence.[41]

Create opportunities to save and build assets

Building wealth is critical for economic prosperity for all, and especially urgent for low- and moderate-income people and people of color who saw tremendous losses of wealth and assets in the Great Recession. Federal policymakers should help all households realize a more economically secure future.

- Congress should turn tax deductions into refundable tax credits, such that the tax benefits depend solely on the amount of money saved, not on the saver's income level.[42] Each saver would get the same share of their savings as a tax benefit with a refundable tax credit. All households are further hampered in saving for their future by the complexity of the existing system. Households can save for a range of reasons in a variety of different accounts that all come with their own rules and thus their own tax advantages. Congress should offer just a one savings tax credit that savers can use to save for a range of purposes, such as retirement, health care, and education. This would streamline savings incentives, making it easier for people to figure out which tax incentives are available to them.[43]

- The federal government should maintain states' flexibility to remove asset limits for public benefits. Asset limits can discourage individuals considering or receiving public benefits from saving for the future, because many public benefits limit eligibility to those with few or no assets. While states currently determine many policies related to public benefit eligibility, and many have already made the important move to remove asset limit tests, there has been recent federal movement to eliminate the ability for states to use broad-based categorical eligibility, which allows them to avoid such asset limits.

Strengthen housing policies to get people into homes and keep them in their homes

The housing and foreclosure crisis touched nearly every community, but it hit unevenly and has added up to the greatest loss of wealth for people of color in U.S. history. Given the disproportionate impacts of the crisis, public investments in foreclosure recovery and affordable housing should deliver significant benefits to the low-income communities and communities of color that have suffered most. Stabilizing the hardest-hit neighborhoods will also have a positive effect on regional economic health and national competitiveness.

- **Promote principal reductions.** As the foreclosure crisis continues to wind down, keeping homeowners in their homes must be a priority, and principal reduction—when a bank lowers the outstanding balance of an underwater loan to reflect current market value as part of a loan modification—is a key method to do that. While many investors are already forgiving principal balances, mortgage giants Fannie Mae and Freddie Mac are still not permitted to do so by their regulator, the Federal Housing Finance Agency, or FHFA, and the agency should reverse this position immediately.[44]

- **Support loan modifications.** Federal housing agencies should also support "shared appreciation" loan modifications, where they write down some principal now in exchange for a portion of the future appreciation on the home later. In addition, the attorney general must ensure that the country's five largest mortgage servicers are meeting the principal-reduction mandate included in the 2012 Joint State-Federal Mortgage Servicing Settlement.[45]

- **Extend the Home Affordable Modification Program.** The Department of the Treasury and the Federal Housing Finance Agency should extend the Home Affordable Modification Program through 2015. This program, which provides incentives for servicers to modify the loans of troubled borrowers, is scheduled to expire at the end of 2013.

- **Give borrowers more refinancing opportunities.** Refinancing mortgages into rates that are now at historical lows is a great way to help families avoid default and put more money into their pockets that can be spent elsewhere in the economy. But families with little or no equity in their homes due to the steep declines in the housing market are often unable to obtain refinancing. Additional steps should be taken to improve the Home Affordable Refinance Program, which helps homeowners whose mortgages are owned by Fannie Mae or Freddie Mac, to help families with private mortgages refinance, and to use its Hardest Hit Fund foreclosure-prevention program to promote refinancing.

- **Remove barriers to sustainable homeownership.** Although the housing market has improved, millions of creditworthy families cannot access credit to purchase a home. High down-payment requirements, for example, are a major barrier for lower-wealth families who may have the income to support mortgage payments but would have to save for many years to amass the down payment. Federal housing policies should ensure access to affordable credit, including down-payment assistance, housing counseling, tax-filing assistance,[46] shared-equity land trusts, safe mortgage products, and other supports to ensure successful homeownership among creditworthy, low-wealth households. Additionally, the mortgage interest deduction should be restructured as a flat-rate tax credit. This would allow low- and moderate-income homeowners, who are less likely to itemize their income tax returns, to still receive the tax benefit, and would ensure that all households earn the same tax benefit for each dollar of mortgage interest they pay.

- **Capitalize the National Housing Trust Fund.** More than 100 million households live in rental housing, and one in four of these renters spend more than half of their income on rent.[47] Congress established the National Housing Trust Fund in 2008 as a way to provide resources for production, preservation, rehabilitation, or

Mary Brooks, 65, center, greets delivery man Gerard Wickham, left, with items for her new bedroom set at her new home Friday, March 29, 2013, in Eatontown, N.J.

AP PHOTO/JULIO CORTEZ

operation of rental housing that is affordable to low-income families. Unfortunately, the trust fund is not yet providing relief to renters because it is not yet capitalized. Congress should prioritize finding additional funding sources for the trust fund since the designated source of funding, the Federal Housing Finance Agency, has not yet contributed to the trust fund.

Conclusion

As the economy continues to recover from the Great Recession, we must pay special attention to those people and communities that were hurt first and worst by the downturn. We must ensure that all American workers—regardless of race, income, gender, or disability—can feel economically secure. In a country that was built on the ideals of opportunity and fairness, every individual should have access to a good, quality job. They should also have the ability to save for the future and weather setbacks, whether they come in the form of economic adversity, natural disasters, or family health failures.

Certainly, a long road lies ahead of us, but if we make the right investments now, we can make sure that the recovery is an inclusive one that ensures a future economy that works for all Americans, not just a select few. ■

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QUICK VIEW

Jobs, Income, and Assets: Economic Security for All

As the economy recovers from the Great Recession, income inequality and economic insecurity have emerged as critical challenges. Many American households are experiencing major economic hardship because they face limited opportunities to build wealth or secure a job with a family-supporting wage. This is especially the case for people of color, who are more likely to be unemployed or in the low-wage workforce and lost significant wealth in the foreclosure crisis. As the demographics of our nation shift, we must create an inclusive economy that enables everyone to contribute to and benefit from economic growth. Such an approach must increase the number of good jobs, offer pathways to build assets, and foster entrepreneurship for everyone, including people of color.

Facts at a glance

- **50 percent:** The share of jobs paying less than $34,000 a year; 25 percent of jobs pay below poverty-level wages ($23,000 annually for a family of four)[1]

- **4 in 10:** The number of households of color lacking enough emergency savings to go without income for three months compared to 2 in 10 white households.[2]

- **$500,000+:** The average wealth gap between white families ($632,000) compared to black and Latino families ($98,000 and $110,000, respectively)[3]

- **140,000:** The number of new jobs that would be created if the federal minimum wage was increased from $7.25 to $10.10 per hour[4]

- **$2.1 trillion:** Additional gross domestic product in 2011 if racial income gaps were closed[5]

- **$687 billion:** Additional earnings in 2011 if racial income gaps were closed[6]

Call to action

Congress and the administration should take several steps to promote economic opportunities that enable all Americans to secure quality employment and build wealth.

- **Foster inclusive job creation.** Congress should pass the Pathways Back to Work Act, which would help low-income youth and adults prepare for quality jobs in high-growth industries, and recommit to the Build America Bonds program to create thousands of good jobs rebuilding the nation's infrastructure

- **Raise job quality.** Congress should pass the Fair Minimum Wage Act of 2013, the Social Security Cares Act, and the Healthy Families Act. These three policies would raise the minimum wage and expand access to family and medical leave and paid sick days. Congress should also strengthen labor rights by passing labor law reform

- **Strengthen work-support benefits.** Congress should expand the earned income tax credit to support young adults and adults without children, and increase access to affordable child care for low-income families

- **Increase opportunities to save and build assets.** The federal government should incentivize savings among low-income households by turning tax deductions into refundable tax credits and maintaining states' flexibility to remove asset limits for public benefits

- **Strengthen housing policies to help people to own and keep their homes.** Federal agencies should help prevent additional foreclosures by supporting principal reductions and shared appreciation loan modifications, refinancing opportunities, and expansion of the Home Affordable Modification Program. Federal housing policies should also prioritize supporting sustainable homeownership among low-wealth households via down-payment assistance and other programs. Lastly, Congress should capitalize the National Housing Trust Fund to develop, preserve, and operate affordable rental housing

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