



## Speech given by Senator Charles Schumer

### **African American Males and OTDA's Earned Income Tax Credit**

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This speech was sponsored by the Association for a Better New York (ABNY) and 100 Black Men at the Sheraton Hotel in New York City on 7th Ave.

#### **Introduction**

In America, and New York, there is a growing crisis of joblessness for African American men. The crisis is profound, persistent and perplexing.

Both across the country and here in New York City, far too many black men - especially in urban areas - lack an adequate education and face difficulty finding and keeping work. The numbers are staggering and getting worse.

Yet, shocking as these statistics are, some might yawn at this and ask, "Why another speech about unemployment? Haven't we been there, done that."

Poverty is not new. African American disadvantage is - sadly - not new.

So, why now for this speech? Well, I see at least three prime reasons:

- First, the problem is severe and it is worsening.
- Second, due to an impending retirement exodus, there will soon be an unprecedented need to fill unskilled and semi skilled jobs in this City and there is a large supply of jobless black men who could fill them.
- Third, after much trial and error, we now have several successful job training and placement models THAT WORK, as well as federal policy options with a proven track record of making a real difference in the labor force. Yet sadly, while the programs are finally working, the federal funding has gone down by 90%.

Consider this: According to a recent story on this dilemma, "The share of young black men without jobs has climbed relentlessly, with only a slight pause during the boom of the 1990's. In 2000, 65% of black male high school dropouts in their 20's were jobless - in other words not looking or unable to find work - and by 2004, the share had grown to 72% "jobless." (NY Times, Plight Deepens fir Black Men, 3/20/06)

72% jobless! It takes your breath away. By comparison the rate for white male high school dropouts was 34% and Hispanic males 19%.

In 2003, the Community Service Society focused on the collapse in black male employment in NYC following the post 9-11 down-turn and reported that that barely one-half of New York's black men of all ages were employed.

Think about that for a second. Can you imagine a healthy, functioning community that had 1 out of every 2 men - or anything close to that - out of work for any length of time? It sounds a lot more like a description of the job scene in Belfast or Beirut than it does Brooklyn and the Bronx. And it does not take a fertile imagination to conjure up a host of negative scenarios for any society that left this problem to fester. Crime, alienation, radicalism, intolerance and violence are all predictable results.

One reason this crisis is perplexing is because the exacerbation of the plight of the black male in the labor market is playing out against a backdrop of economic success and unprecedented historical advances for many sectors of our nation's African American population.

Obviously we know the stories of successful individuals - Richard Parsons, Stan O'Neil, Oprah Winfrey, Condi Rice and countless others. But more importantly there is a burgeoning black middle class, black higher education rates have grown at a steady pace, black median incomes are outpacing their white counterparts in Queens, and lower income women have made impressive gains in terms of work force participation in just the last few years.

So, we can lull ourselves into thinking things are alright. But then we come back to the recent analyses and we see how mistaken that belief is when it comes to black males with less than a college education.

For example, between 1992 and 1999 - the greatest economic expansion in our nation's history - the labor force participation of young black men actually declined from 83.5% to 79.4%. Clearly the rising tide did not lift all boats.

There is a complex interplay of forces that led us to this point, and many of them are familiar culprits such as: failing schools, dysfunctional families, high incarceration rates, overt and subtle racism, and the decimation of manufacturing jobs that typically afforded opportunities to men.

All these political, cultural, economic and personal elements combine to erect a steeplechase of barriers that is far too difficult to traverse for far too many urban black men.

And while this is a sensitive subject, there is also a subculture of the street that provides easy money and allows some to eschew personal responsibility. But we can't sit passively by and let that subculture claim another generation of these men. I think the Reverend Johnny Ray Youngblood said it best: "Government has a moral responsibility to compete against, and win against, subcultures that are immoral, illegal and really inhuman."

One goal I have today is to shine a firm spotlight on a problem that - to my thinking - has received scant attention, inadequate resources, intermittent focus and poor coordination.

And to offer some solid, practical steps forward.

Let me be clear: there is a host of dedicated, even heroic, leaders who have been addressing these issues every day for years. From workers in local non-profits, to clergy leaders like Reverend Johnny Ray Youngblood, A.R. Bernard, Floyd Flake and Calvin Butts, and Susan Johnson Cook to Mayor Bloomberg and his Commission on Economic Opportunity, there are ideas and leaders out there can turn this problem around. I am proud to add my voice to this group and I hope that many more will join us.

This much is certain though: on the Federal level, there has been no comprehensive public policy response to this situation. We have allowed the problems of black men to grow worse unabated.

So where do we begin? Let's start with some rays of hope.

I believe there is a rare confluence of forces that should be exploited - now - to ramp up efforts to aggressively attack the plight of jobless black men.

Specifically, I speak of opportunities inherent in the changing demographics of the job market; the opportunities to implement new, innovative and successful job training efforts; and the opportunities to use new tools like the earned income tax credit to draw many more African American men into the labor force.

### **The Workforce in Transition**

Let me begin by explaining some interesting trends in the labor market that could make it real possibility to connect many of today's jobless with good paying jobs in the very near future. Here is a fact that will surprise you: the Bureau of Labor Statistics estimates that around 75% of projected new jobs in the next ten years will not necessarily require a college degree. In the information age this is certainly counter-intuitive.

The American labor force is in transition and therein lies the opportunity. By 2010 as many as 64 million Americans from the generations born before and after World War II will approach retirement age. Over this period we will be losing 20% of our entire workforce - a turnover rate the likes of which our country has never experienced. There will be huge opportunities for people without a higher education.

As a report from the Center for an Urban Future concluded earlier this year, when these workers retire, large vacancies in key sectors of our economy including health care, skilled construction, automotive repair and many other industries will become available. Nationally, we could face a shortfall of 100,000 automotive technicians in the coming years.

In New York City alone, the construction industry could have as many as 20,000 vacancies in the next 5 years. Mayor Bloomberg and Congressman Charlie Rangel and the Building Trades community have seen this opportunity and his Construction Opportunity Commission will link thousands of young people to these jobs in the coming years.

Many of the new jobs I am speaking about don't require college degrees, many are entry level, but many can pay upwards of \$40,000 with benefits, and they can't be outsourced or

downsized-because they're crucial to keeping cities working. A nurse, welder, mechanic or long-haul commercial driver doesn't do you any good if he or she is working in Bangalore. We've never before had such a clear picture of where the jobs will be-or what we have to do to connect our struggling young people to them.

What we need to do now is ensure that black men have access to the best, most successful job training programs that can prepare them for these jobs. After years of trying, I believe there is a new paradigm for job training that will make this possible.

### **The STRIVE Approach**

In the last twenty years a number of innovative job training programs have demonstrated that it is possible to move large numbers of hard to reach men and women into good paying jobs and onto career tracks.

There are scores of them in this city alone. Let me tell you about one of them; its called STRIVE and while its not the only approach out there, it offers some good clues on what makes a job program work.

Founded in 1985, here is the most important thing you need to know about STRIVE: 70% of their graduates retain their jobs after 2 years, compared to a 40% city-wide average. I visited them recently to see first hand how they do it.

First, STRIVE'S core program does not begin with teaching participants how to read an account ledger or hammer in a nail. It begins with what they call "soft skills" like how to dress for work, interact with your boss and superiors, and accept criticism. Seems obvious enough, but for many it is harder than it should be to tell the difference between constructive criticism and a provocative "dis" that, in the code of the street, demands an aggressive reaction.

For one month, everyday from 9 to 5, participants attend an attitudinal workshop that simulates the rigors of the modern workplace. A collared shirt and tie are the dress code, no exceptions. Being late more than once is grounds for having to start the program from the beginning.

During my visit, Robert Carmona, the Executive Director of STRIVE said something that really struck me: "Finding a job is easy;" he said, "Keeping it is hard." That said to me that there are major-league attitudinal and cultural barriers to success here. And it also told me that the labor market alone won't solve this problem. Even in a hot economy with ample jobs, it is unrealistic to put many of the men I saw and spoke with into an office, store or construction site and be confident that they would succeed, without rigorous training.

The second element of STRIVE's success is intensive follow-up. After a graduate is placed in the most appropriate job for his or her skills, STRIVE does not let them fly on their own. For two full years they offer individual follow-up and supportive services. If someone is having a rough time of it at work, maybe from a difficult co-worker, STRIVE is there as a support network to help them keep working.

The third pillar of STRIVE's success is long term involvement with additional training opportunities. Working in Duane Reade for \$8 or \$9 an hour is a good start, but after

someone has done this successfully for a year he should be brought back into the system to receive additional training. STRIVE's CareerPath programs partner with employers and community colleges to offer 10 to 24 week intensive training modules that continue soft skills development while teaching participants new technical skills.

The sociologist Alford Young has studied the importance of making these career paths open to young black men. He has found that those who perceive \$7 or \$8 jobs as their wage ceiling prefer not to work. But those who believe that the entry level job can become a \$12 an hour job are willing to invest the time needed to make that happen. He writes that young black men "aspire to have careers rather than any form of available work. They express their desires to control their economic destiny. Their desired jobs provide emotional satisfaction as much as material rewards."

When we take close look at the programs that work, the programs that demand intensive long term commitments, I believe they makes a strong case for us to re-orient our entire conception of job training.

When someone enrolls in college, we take it for granted that they will invest at least 2 years for an Associates degree and 4 years for a bachelor's degree. We recognize that an education takes time and commitment. When someone goes for workforce and skills training, we cannot assume that a few weeks will be enough to set them on the right path. To get it right, training programs require a serious commitment.

One of the challenges for many job training programs is convincing new companies to take a chance on their workers. There is a program up in Boston that I think could provide this missing link for STRIVE and others.

It's called SkillWorks and it has gotten all the relevant players together - government, non-profits, management experts as well as large and small and companies - to team employers up with training facilities. They are able to leverage corporate relationships that are likely closed to many of these smaller non-profits. It's a new program but already they have had great success in area hospitals, putting \$10 an hour orderlies on career paths to become radiological technicians at \$40,000+ a year.

The point here is that jobs programs can't do it alone, out in the wilderness. SkillWorks fills in a piece that is missing for many programs: it provides a more systemic, more intimate connection to the employers than most training programs could do on their own.

The success of STRIVE and Skillworks is all the more unlikely given that federal funding for jobs programs has been steadily reduced in recent years. To give a sense of how much we have walked away from such initiatives, in 1978 we spent \$9.5 billion dollars on jobs programs -- \$30 billion in today's dollars. In 2006 we spent only \$3.5 billion.

In New York, the entire State received \$149 million a year for youth, adult and dislocated worker training this year. New York City got \$77 million, a pretty hefty cut from the \$96 million we received in 2004.

Considering the potential that these programs have as national models, this is a huge mistake.

We must balance this optimism with the lessons of the past. Simply throwing money at the program is a guarantee of failure. As Bob Herbert said in a recent column "the historical landscape is littered with the rusted rotting shells of job training programs and full-employment initiatives that never succeeded."

To make sure we don't travel willy-nilly down the same path we must invest in proven models, we must track progress and we must make adjustments as the facts flow in.

Unfortunately, our current federal program - the Workforce Investment Act - WIA - does not mandate or even encourage the STRIVE model. The WIA program hasn't been reauthorized since it expired in 2003.

Here is our chance. Either during the lame duck session or early in the next Congress, we should work on mandating that WIA fundees incorporate the adaptable pillars of successful programs and get this bill passed.

In other words, WIA funding should not simply go to programs that help clients write resumes and gives a couple of job leads. We must demand results. Programs should focus on "soft skills" in addition to hard skills. And they should have to track and stay with their participants for 2 years, 4 times as long as the 6 months WIA currently mandates. This will be the most effective way of guaranteeing job retention and career paths for these workers.

If we can duplicate some semblance of their 70% success rates - which they have duplicated in 22 locations around the country - we can begin to really move the employment needle in the right direction.

No discussion of job training programs can be complete without a plan for reintegrating the formerly incarcerated back into the workforce. Unfortunately, right now, there is no comprehensive federal statutory policy for re-entry. That is why I am proud to be a cosponsor of Senate bill 1943, the "Second Chance Act of 2005." This bill is a good start in expanding federal funding for education and substance abuse programs for prisoners who want to improve their lives. It would also work with children and families of the incarcerated, creating a federal resource center for the children of prisoners. As soon as the lame-duck congress returns, we should pass this bill.

### **Tax Incentives**

Now, let's talk about how tax policy, namely the Earned Income Tax Credit, has been a real help getting new workers into jobs. But currently the EITC helps women more than men. Not because they are woman, but because they have children. Of course, helping single working moms is imperative. But let me explain how we can tweak the EITC to get the same results for men as we did for many single mothers.

Given the limited earnings potential for many young African Americans males, there can be a lot of bottom line reasons not to work in the formal economy. Working a tough job in a warehouse for \$7 an hour would put less than \$300 a week and around \$13,000 a year in your pocket. That doesn't go far in this city.

If you owe back child support - which automatically garnishes your wages - that too takes a big chunk out of every paycheck. Thus many prospective workforce entrants take jobs off the books, or worse.

We need to make work pay for African American men and giving them a credit along the lines of the one that mothers got in the 1990s will do just that.

We know this is effective because the sizable credit the EITC gives to low-income families and single parents has helped low income women enter the workforce in droves. While it wasn't the only factor, researchers estimate that the EITC expansion in the 1990's helped 500,000 women start working in that decade alone. And for young black woman the labor force participation rate jumped from 64.2% to 78.8%.

When a single woman with two children leaves welfare and gets a job for \$7 per hour, she takes home \$13,000 per year. But the EITC gives her a credit of \$4400 and with food stamps her total earnings will be around \$19,000 a year. All of a sudden, the hard work, sacrifice and a commitment to holding a job begins to pay off. The \$7 an hour job is paying like a \$10 an hour job.

But a single man or a father not living at home, working that same \$7 an hour job for a year, wouldn't receive a dime from EITC.

Here is how we change that: we should double the maximum credit that childless workers can receive from \$412 up to \$824, and slow down the rate at which the credit is phased out. Effectively, this works like a reduction in your tax rate, and you will be able to receive some credit up until your income reaches \$17,500.

For someone without kids or a family to support, the extra money you would get from this program would make a real difference.

The second thing we should do is extend the EITC to those low-wage earners who have kids and are current on their child support payments. There are lots of men out there who really want to work and do right by their families. It can be an uphill battle for them, but many find a way to make it happen.

New York State is actually a leader supporting these fathers, recently enacting a State EITC that will give them up to \$1000 if they are current on their support orders. The program has two benefits: it increases the earning power of those who are making good on their obligations and budget analysts estimate that it will act as an incentive for around 5,000 men to start working and pay their child support. Talk about two birds with one stone.

Considering that about a third of low-income non custodial fathers nationwide are black, a federal EITC expansion could have a big impact for them. Here is how we do it. If you are dad paying your child support, we should triple the existing childless tax credit from \$412 to \$1236 a year. When word gets out to dads that the \$7 an hour job could put hard dollars into your pocket at the end of the year if you are up on your child support, I believe many will answer the call and start looking for jobs.

Another thing we should explore - and this will be a challenge - is crafting a program that

allows parents who are behind but making good-faith efforts to meet their child-support obligations to also have access to the EITC.

For many, those back payments pile up fast and become daunting. In New York, the average child support arrear is \$7,000. With interest accruing at 9%, these child support orders keep many from even considering punching the time clock - an unexpected consequence of a worthy effort to pursuing father's for child support arrears.

Yet if we focus on folks who are making an effort to pay their arrears, and who have only a few thousand dollars in back payments, I believe we can be of assistance.

We let Third World countries restructure debt, we let public authorities restructure debt and we should allow young men committed to doing right by their kids restructure their debt as well. Just as long as they stay current on what they owe. As part of our amendments to WIA, we should start pilot programs that offer young men with limited arrears 1% or low-interest loans to help wipe away what they owe and get a fresh start.

Let me be clear: these programs are not just about getting men working, they are about strengthening families. Studies have documented a direct correlation between fathers who pay child support and their involvement in their children's lives. If we can get men working and they become a positive force in the lives of their sons and daughters, we will have achieved two very worthy objectives.

### **Conclusion: Raising the Level of Discourse**

In 2008 when we elect our next president, candidates from both parties should be prepared to discuss the issues of African American unemployment candidly and offer real and viable solutions; and in 2009 when we elect our next mayor they better be. Unfortunately, to date, this topic has largely ignored, except in relatively small and dedicated circles. It cannot be any longer.

Given the severity of the African American jobless problem and the unprecedented opportunity that will result from the mass retirement of workers from the post war generation, shame on us if we do not figure out how to take action to put people who want to work into jobs that pay.

The most important pieces are in place to make real progress on what has sadly become an endemic problem. It is up to us to align these tools and make them work. We must. Not only must it be a moral imperative that we give more opportunity to African American men, it must be a national imperative.