

A REPORT OF THE NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE

BRIDGING THE TWO AMERICAS

EMPLOYMENT & ECONOMIC OPPORTUNITY
IN NEWARK & BEYOND



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NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE

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The Institute's mission is to empower urban residents to realize and achieve their full potential. Established in 1999 by Alan V. and Amy Lowenstein, the Institute's dynamic and independent advocacy is aimed at toppling load-bearing walls of structural inequality to create just, vibrant, and healthy urban communities. We employ a broad range of advocacy tools to advance our ambitious urban agenda, including research, analysis and writing, public education, grassroots organizing, the development of pilot programs, legislative strategies, and litigation.

Using a holistic approach to address the unique and critical issues facing New Jersey's urban communities, the Institute advocates for systemic reform that is at once transformative, achievable in the state, and replicable in communities across the nation.

NEW JERSEY INSTITUTE FOR SOCIAL JUSTICE

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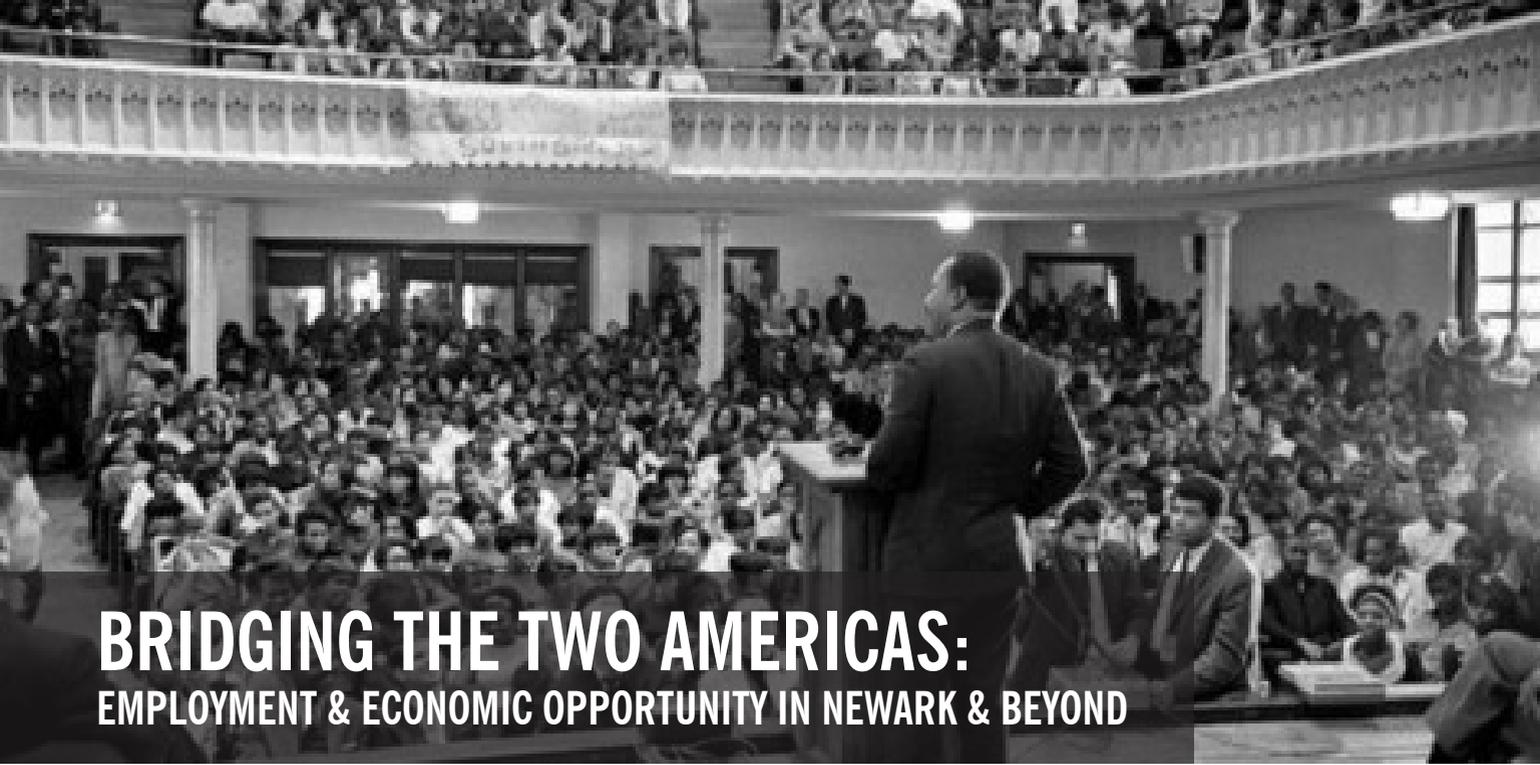
Finally, we gratefully acknowledge all of our partners in this work, both in Newark and the State of New Jersey, and in the many cities across the country that are addressing similar challenges through new models of economic inclusiveness. In particular, we would like to thank the many people in senior workforce system leadership, both public and private, from Baltimore, Cleveland, Detroit, Hartford, Minneapolis, New Orleans, and Philadelphia, whose insights and experiences informed our research and Blueprint.

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BRIDGING THE TWO AMERICAS: EMPLOYMENT & ECONOMIC OPPORTUNITY IN NEWARK & BEYOND

Dr. Martin Luther King, Jr. addressing students at South Side High School in Newark (now Malcolm X Shabazz High School). *The Star Ledger*

INTRODUCTION

Fifty years ago, Dr. Martin Luther King, Jr. looked to Newark and other urban communities and explained that the country consisted of “Two Americas.”¹ In one America, “children grow up in the sunlight of opportunity,” where there are “millions of people who have food and material necessities for their bodies, culture and education for their minds, freedom and human dignity for their spirits.”² But, in the other America, largely occupied by people of color, people “can never make ends meet because their incomes are far too low if they have incomes, and their jobs are so devoid of quality.”³ In this America, people of color “find themselves perishing on a lonely island of poverty in the midst of a vast ocean of material prosperity.”⁴

In 2017, the Two Americas persist, sharply divided by race and class. Notwithstanding the gains in civil and political rights ushered in by the passage of the Civil Rights Act of 1964,⁵ the Voting Rights Act of 1965,⁶ and the Fair Housing Act of 1968,⁷ the economic racial divide has persisted over the past fifty years. Then and now, Black people experience unemployment that is double that of white people,⁸ and the income of people of color is only about 61 percent that of

white people—compared to 55 percent in 1967.⁹ Reflecting these disparities in employment and income, the poverty rate among people of color remains more than twice the poverty rate among white people.¹⁰

Then and now, perhaps no other city embodies both the reality of the Two Americas and the possibility of bridging these entrenched divides more than the city of Newark. Newark is in the midst of an economic expansion, with thriving business industries bolstered by its strategic location as one of the main transportation hubs in the United States, with one of the busiest airports and seaports in the world. The city is home to major Fortune 500 companies, world-class research universities and cultural institutions, a dense network of manufacturing companies, and a large array of hospitals and community health centers. Indeed, cities like Newark are the economic drivers of the national economy, generating nearly 85 percent of national GDP.¹¹ And, Newark—like many other major American cities—is in a period of substantial economic development in its downtown.¹²

Yet, Newark also embodies the persistent race and class divisions of the Two Americas, as local residents—predominantly people of color—are largely excluded from the burgeoning economic opportunity in their own city. Incredibly, Newark residents hold only 18 percent of all jobs in the city.¹³

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This lack of access to employment is at the root of why Newark has a poverty rate twice the national average. Newark’s average unemployment rate for 2015 was 8.8 percent, which is approximately 70 percent higher than the 2015 average unemployment rate for the United States (5.3 percent), and approximately 60 percent greater than the 2015 average unemployment rate for the State of New Jersey (5.6 percent).¹⁴ About one-in-three local residents live below the federal poverty line, and 95 percent of these residents living in poverty did not have a full-time job during the past year.¹⁵ While tens of thousands of Newark residents are working outside of Newark, at least 28 percent of them are in part-time jobs¹⁶ and many of them are in industries with less desirable working conditions, earning less money than the people employed in Newark.¹⁷

Newark has a poverty rate twice the national average.



62 percent of Newark households qualify as “ALICE,” meaning that they are asset-limited, income-constrained, and employed.

Newark residents who are employed in their city are concentrated in lower-paying jobs. In comparison with non-Newark residents, they hold 26 percent of jobs paying less than \$15,000 annually in Newark (which are part-time jobs)¹⁸ and 28 percent of jobs paying between \$15,000 and \$40,000 per year, but only 10 percent of jobs paying more than \$40,000 annually.¹⁹ In fact, 62 percent of Newark households qualify as “ALICE,” meaning that they are asset-limited, income-constrained, and employed.²⁰ These residents do not have enough income to meet their basic needs for housing, healthcare, food, transportation, and childcare, let alone the funds to cover a financial emergency like a hospital visit or a broken down car.²¹

Moreover, there are significant racial disparities. While almost three-quarters of Newark residents are people of color,²² 60 percent of the people employed in Newark are white.²³ Just 31 percent of the people employed in Newark are Black and only 20 percent are Latino.²⁴ People of color in Newark have the highest unemployment rates, with



Black residents experience an unemployment rate double that of white residents.

Black residents experiencing an unemployment rate double that of white residents.²⁵

Importantly, these disparities in employment cannot be explained by a lack of desire of local residents to work—people of color in Newark

have a higher labor force participation rate than both the nation and the State of New Jersey.²⁶ Nor do these disparities result from Newark residents being less competitive job candidates. Since most Newark residents in the labor force are employed in jobs outside of the city, they are clearly able to connect to work in one of the most competitive job markets in the country.²⁷ Finally, these disparities cannot be explained by differences in educational attainment, as approximately only three-in-ten jobs in Newark require a college degree or other advanced education.²⁸ Newark mirrors the job market of the nation as a whole, where only 31 percent of jobs require a four-year college degree.²⁹ The majority of jobs in Newark, the State of New Jersey, and the nation, are middle-skill jobs, which require some training or education beyond high school, but not a college degree.³⁰

These disparities are systemic failures that require systemic solutions.

Instead, these disparities are systemic failures that require systemic solutions. At the most basic level, there are not sufficient career pathways for local residents to obtain middle-skill jobs in Newark. These disparities also reflect the accumulation of decades of law

and policy decisions at the federal, state, and city level, structural changes in the economy, and discrimination that limited economic opportunity and made it more difficult for people to connect to work.³¹

The limited economic mobility opportunities for poor people—particularly people of color—exact a substantial toll on the economy in Newark and around the country, since it hinders the ability of people, particularly local residents, to contribute to the economy to the fullest extent of their abilities. This is an immeasurable cost of lost human capital. It is also a strain on the future growth of the U.S. economy, which is driven by consumer spending, because millions of people are unable to obtain employment and a living wage.³² This decline in consumer purchasing power, and the corresponding necessity for individuals and families without assets to go into debt to meet basic needs for food, shelter, and medical care, also contributes to instability in our financial markets and broader economy. Indeed, increasing income inequality and the vulnerability of poor people to financial exploitation in loan terms was a key trigger for the U.S. financial crisis in 2007.³³

At the same time, businesses are also facing a significant and growing skills gap—there are not enough people with the skills sets to fill middle-skill jobs, particularly in scientific, technical, or healthcare fields.³⁴ Left unaddressed, this skills gap will widen, because 65 percent of job openings in the U.S. will require some sort of education or training beyond high school by 2020. Without a sufficient supply of qualified employees, U.S. companies will be unable to remain competitive or expand, particularly as new technology and scientific developments occur.

42% of Newark children live below the poverty line.

The aim of this report is to simultaneously address both challenges—the lack of local employment opportunities for residents, particularly residents of color, and the growing skills gap.³⁵ This report provides a blueprint—The Blueprint for Bridging the Two Americas—for the government and private sector to systemically address economic inequality through employment at the city level, as well as to explain how we reached this point and the consequences if we continue down our current path of escalating inequality.

This focus on cities is strategic, reflecting both the reality that cities are the economic drivers of the national economy, and that it is more expedient to build consensus and achieve change at the local level. Cities are also the most representative of the racial and ethnic populations of the U.S. as a whole, and they are a microcosm of what our nation will look like in the next decade.³⁶

This blueprint is intended to increase the racial, ethnic, and class diversity of local and regional employers, thereby strengthening the community. As the U.S. simultaneously enters an era in which income inequality has reached a staggering level and people of color are poised to become the majority of the country over this next generation,³⁷ it is critical to our economy and nation to remove the barriers to equality of economic opportunity and to bridge our intertwined race and class divides. And, the only way to truly bridge this nation's racial, ethnic, and class divides is to increase the opportunities for people of diverse backgrounds to live and work together. By increasing diversity among employers in the local community, we not only achieve more understanding among people, but we also help build a stronger, more interconnected community and citizenry.

This report provides a blueprint—The Blueprint for Bridging the Two Americas—for the government and private sector to systemically address economic inequality through employment at the city level, as well as to explain how we reached this point and the consequences if we continue down our current path of escalating inequality.



While the scope and potential reach of this work is national, the focus is on Newark, a city emblematic of both the challenges posed by inequality and the opportunities to forge a new path for local employment and economic mobility. The Blueprint for Bridging the Two Americas calls for (1) legal and policy changes, (2) targeted government jobs programs, (3) an anchor institution hiring strategy, and (4) an entrepreneurship strategy to grow small, local businesses, all with the goals of driving down unemployment, increasing diversity across industries, and increasing local employment opportunities.

Not only will this blueprint connect more unemployed and under-employed residents³⁸ to full-time work that pays a living wage, it will also lift many more families out of poverty in Newark as they use their increased purchasing power to live in quality housing and buy more goods and services, creating a positive ripple effect to an even broader number of local businesses and providers and, in turn, their families.³⁹ Perhaps the greatest beneficiaries of expanded employment opportunities and a more inclusive local economy will be the children of Newark, 42 percent of whom live below the poverty line because their parents or guardians do not earn enough money.⁴⁰ By creating career pathways for their parents and removing barriers to employment, large numbers of Newark's children will be lifted out of the deprivation of poverty, potentially breaking the cycle of intergenerational poverty.⁴¹

THE CHALLENGE

THE TWO AMERICAS BY THE NUMBERS

The Two Americas Nationally

There is a record level of inequality in the U.S., and that inequality is growing.⁴² Today, a child born into the bottom fifth of the income distribution in the United States has less of a chance to rise to the top fifth of the income distribution as an adult than children born in other post-industrial nations, like Canada and Great Britain.⁴³ A majority of Americans (62 percent) will be poor at some point during their lifetime due to unemployment or loss of a higher-paying job,⁴⁴ because they do not have enough savings or assets to cushion them and their families through economic hardship.⁴⁵

However, these overall statistics obscure a much bleaker economic picture for people of color in the U.S., whose economic mobility is so limited as to amount to an economic caste system. Nationally, about 16 percent of all people live below the federal poverty line, but racial and ethnic minorities have a poverty rate two to three times greater than white people.⁴⁶ Three out of every four (74 percent) people of color in the U.S. will be poor at some point during their life, compared to 40 percent of white people.⁴⁷

People of color simply do not experience economic mobility the way that white people do. Among Black people born in the bottom fifth of the income distribution, half (51 percent) will remain in that bottom quintile at age 40.⁴⁸ By comparison, only one-fourth (23 percent) of white people born in the bottom quintile of the income ladder will remain there by age 40.⁴⁹ Not only are Black people less likely to experience economic mobility, they are more likely to experience downward mobility. About 7 out of 10 Black children born into the middle class will fall into the lower class by age 40, a phenomenon that only affects 34 percent of white children born into the middle class.⁵⁰

The economic mobility for people of color is so limited it amounts to an economic caste system.

The Two Americas in Newark

People of color face additional barriers in obtaining work and being paid equitably for that work, and this reality is embodied in Newark. Unlike other areas of the country, there is not a shortage of jobs in Newark. But, of the approximately 136,979 jobs in Newark, only 18 percent of them are held by local residents.⁵¹ This makes Newark an outlier among similarly-situated cities. In Baltimore, local residents hold 33 percent of jobs; in Cleveland local residents hold 24 percent of jobs; in Detroit, local residents hold 25 percent of jobs; and in New Orleans, local residents hold 46 percent of jobs.⁵²

Many Newark residents are living in poverty despite income from work.

The exceedingly low percentage of Newark residents working in the local economy hurts both unemployed residents—who need work—and under-employed residents—who need career opportunities and better wages. Employed Newark residents—working in any city—are disproportionately in low-paying and part-time jobs in industries with less desirable working conditions, without the opportunity for career advancement.⁵³ Among all employed Newark residents, 28 percent hold jobs paying less than \$15,000 annually (which are part-time jobs),⁵⁴ 41 percent earn between \$15,000 and \$40,000 per year, but only 31 percent earn more than \$40,000 annually.⁵⁵ This means that 69 percent of Newark residents earn less than \$40,000,⁵⁶ and that many of them are working and still living in poverty.⁵⁷

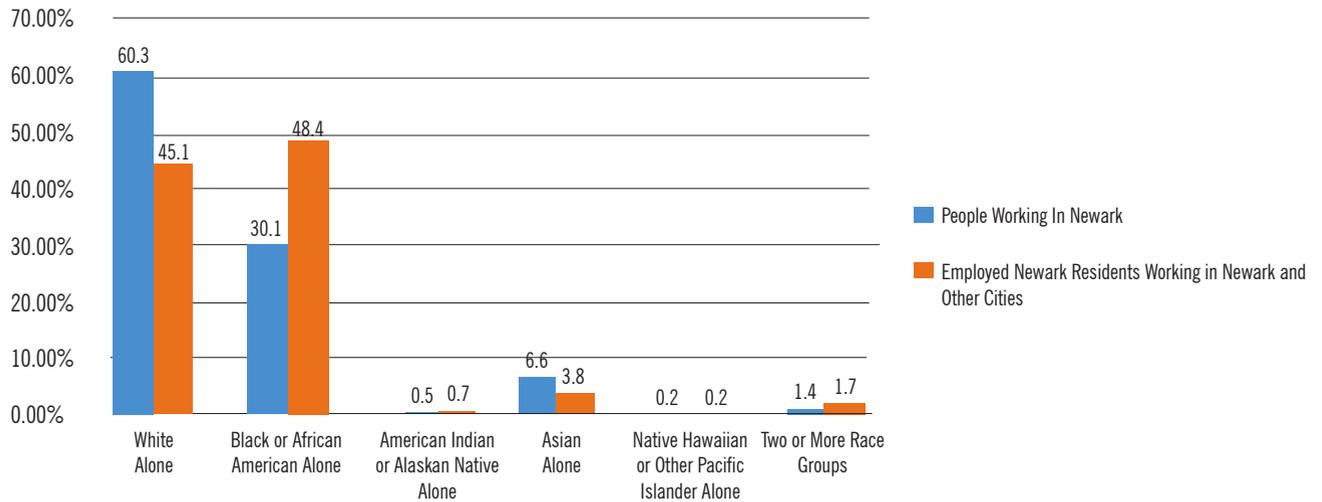
In comparison with non-Newark residents, local residents hold 26 percent of jobs paying less than \$15,000 annually in Newark and 28.1 percent of jobs paying between \$15,000 and \$40,000 per year, but only 10.3 percent of jobs paying more than \$40,000 annually.⁵⁸ While the majority of people

Sixty percent of the people employed in Newark are white, while only 31 percent are Black and just 20 percent are Latino.

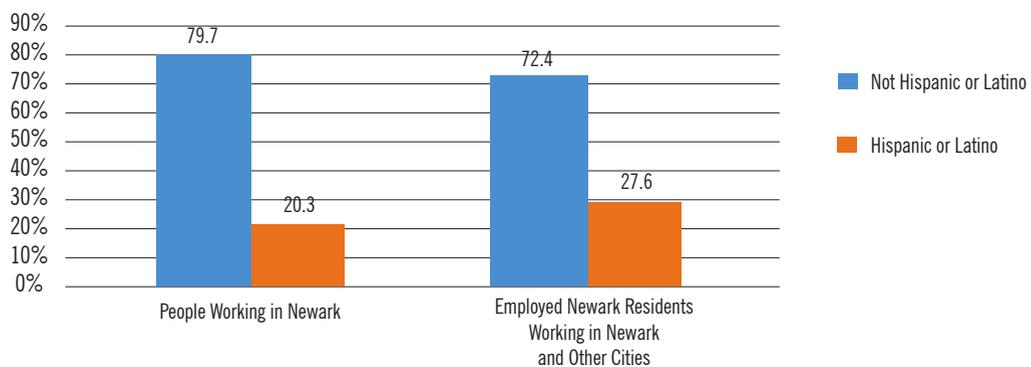
working in Newark (56.4 percent) earn more than \$40,000 annually,⁵⁹ less than one-third of employed Newark residents—working in any city—earn that amount.⁶⁰

There are striking racial disparities in employment in Newark. In a city where people of color constitute the majority of the population (71.6 percent),⁶¹ they hold a minority of jobs (39.7 percent).⁶² Sixty percent of the people employed in Newark are white, while only 31 percent are Black and just 20 percent are Latino.⁶³ In 2015, people of color in Newark had the highest unemployment rates, with Black residents experiencing a 25 percent unemployment rate, which is double that of white residents.⁶⁴ Newark residents of color also face challenges in obtaining employment outside of the city, as the relatively small group of white Newark residents have proportionately more success in obtaining work. Among employed Newark residents working in any city, 48 percent of them are Black, 45 percent of them are white, and 28 percent of them are Latino.⁶⁵

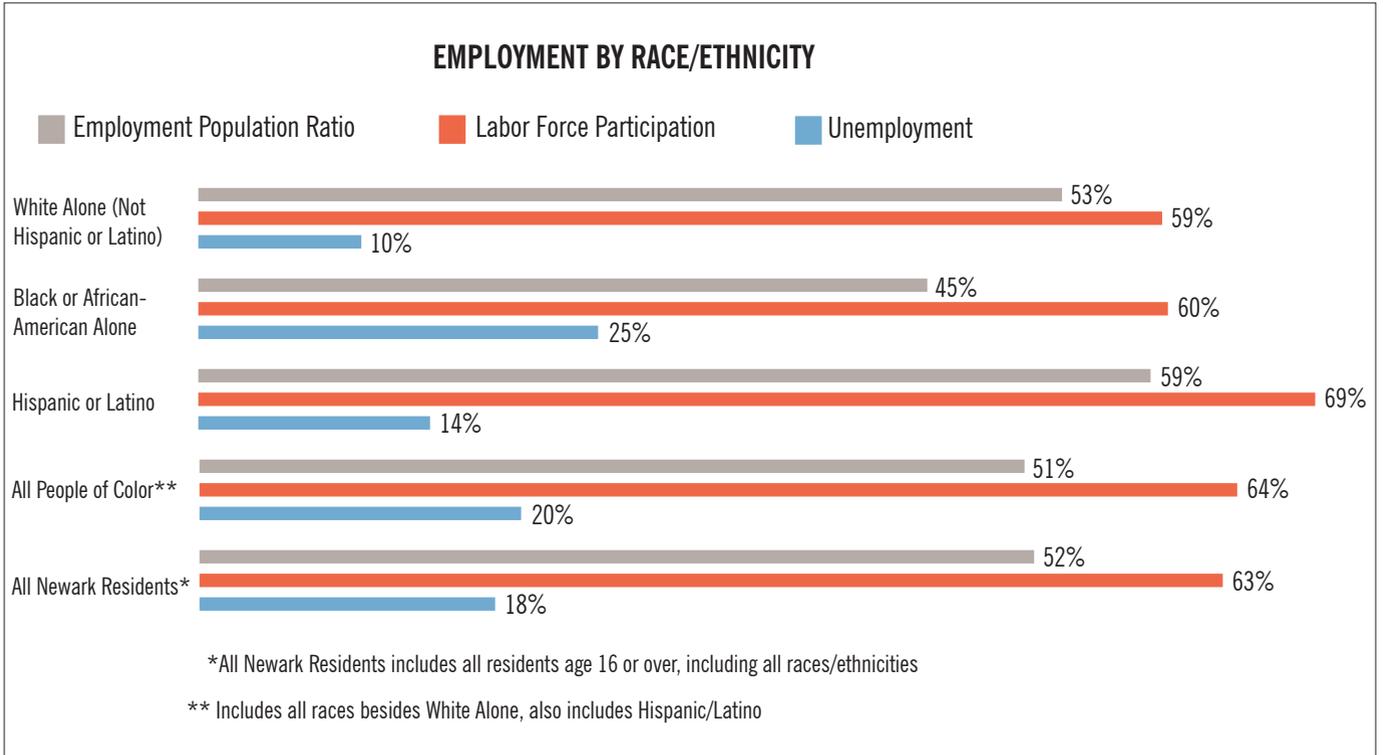
RACE OF PEOPLE WORKING IN NEWARK AND OTHER CITIES



ETHNICITY OF PEOPLE WORKING IN NEWARK AND OTHER CITIES

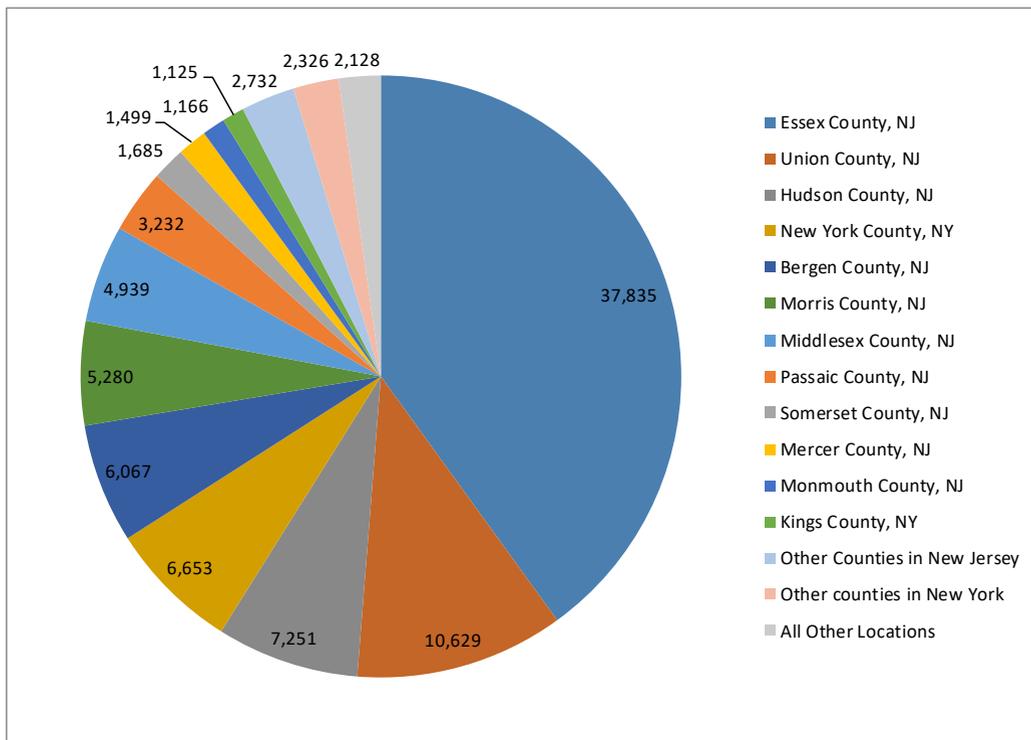


These employment disparities cannot be explained by Newark residents not wanting to work. Local residents have the same labor force participation rate (63.2 percent) as the rest of the United States (63.7 percent),⁶⁶ as well as higher unemployment.⁶⁷ Since the labor force only includes people who are either (1) employed (full or part-time), or (2) unemployed, this means that the City of Newark has a greater proportion of people who are ready and willing to work, but who cannot find either full or part-time work.⁶⁸



The inability of local residents to obtain work in Newark also cannot be explained by their employability, because tens of thousands of them have found jobs elsewhere in New Jersey and New York. Not only do Newark residents want to work, they are also willing to commute long distances for work at a great financial and time cost. Among employed Newark residents, 60 percent of them commute to other counties in New Jersey and New York for employment, and most of the employed Newark residents (61.9 percent) drive to work.⁶⁹ About one-fourth (26.4 percent) of employed Newark residents rely on public transportation for work, with nearly half of them (48.3 percent) having a commute of at least 60 minutes.⁷⁰

WHERE NEWARK RESIDENTS WORK

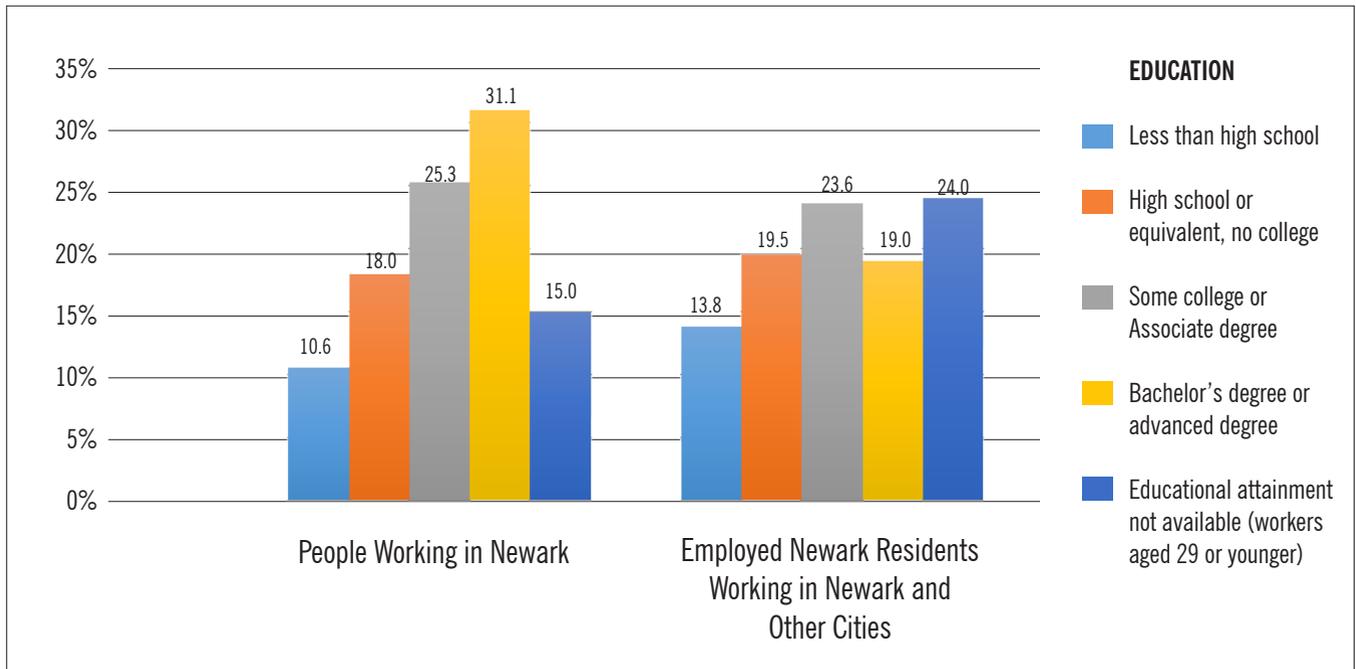


Finally, the inability of Newark residents to obtain work locally cannot be explained by disparities in educational achievement. The level of educational attainment of people working in Newark and employed Newark residents (working in any city) is similar, with the exception of one group: people with Bachelor’s Degrees or other advanced degrees. Thirty-one percent of people employed in Newark have a B.A. or other advanced degree, in comparison to 19 percent of employed Newark residents.⁷¹ While this suggests that there is a greater demand among employers for college-educated workers than could be filled by Newark residents alone, it is too small of a difference to account for the extremely low percentage of Newark residents employed in the city.

Since nearly 7 out of 10 jobs in Newark do not require a four-year college degree and Newark residents are over-represented in the city’s low-paying, low-skill jobs, it appears that they are significantly under-represented in middle-skill jobs.⁷² These jobs typically require some training or education beyond high school, but not a four-year degree.⁷³

One explanation for the under-representation of Newark residents in the city’s employment opportunities is the lack of career pathways to these middle-skill jobs. These career pathways could include apprenticeship programs and on-the-job training, workforce development programs linked to direct placement with employers, including anchor and employer-driven hiring strategies, as well as programs through community colleges, and other pathways provided by workforce intermediaries.⁷⁴

EDUCATIONAL ATTAINMENT OF PEOPLE WORKING IN NEWARK AND OTHER CITIES

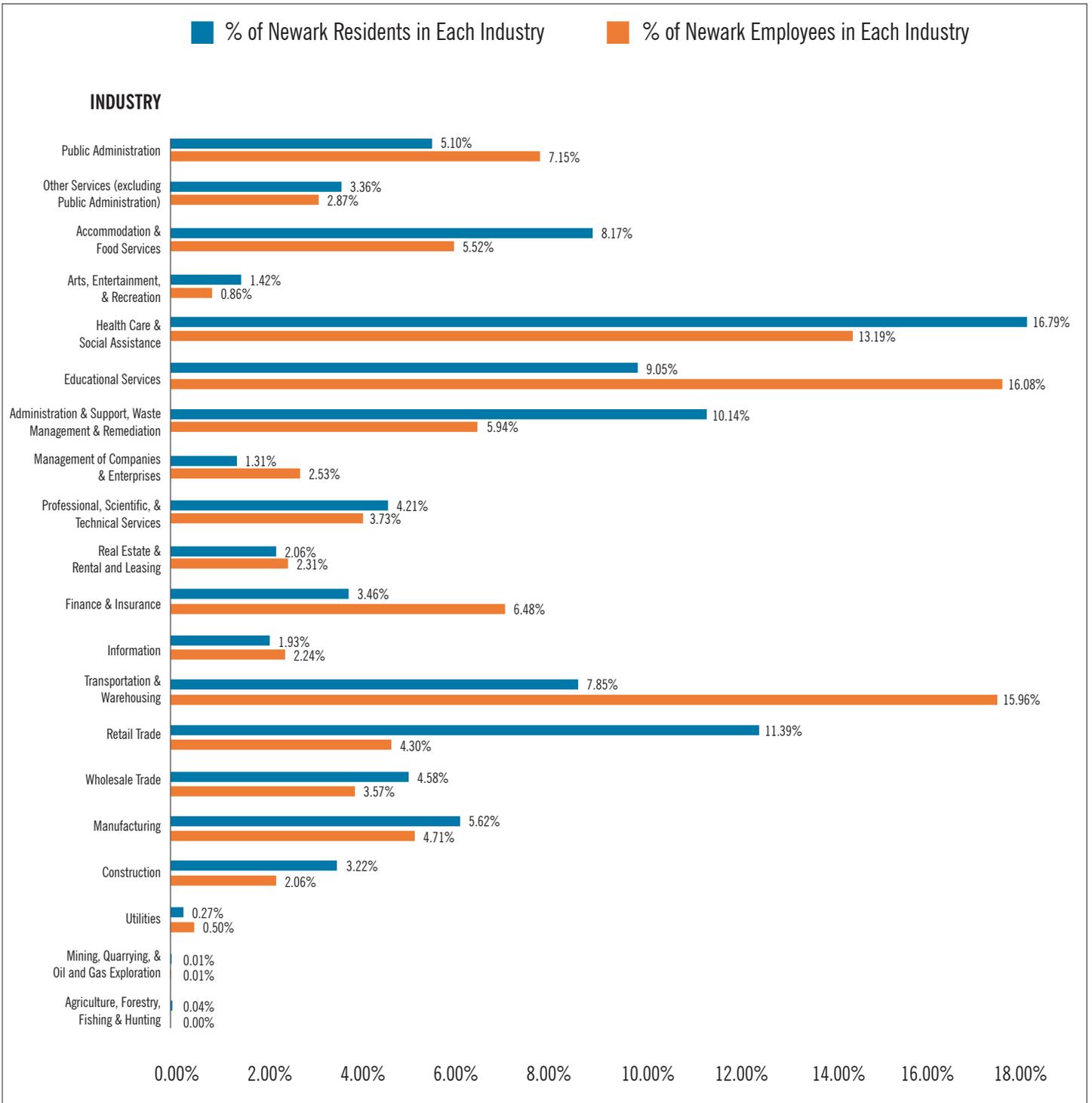


The need for these career pathways is evident in a comparison of the main industries in Newark and Essex County, and the industries in which Newark residents work. In the City of Newark, the five largest industries are (1) Educational Services (16.1 percent), (2) Transportation and Warehousing (16 percent), (3) Health Care and Social Assistance (13.2 percent), (4) Public Administration/Government (7.2 percent), and (5) Finance and Insurance (6.5 percent).⁷⁵ The size and growth of these industries in the City of Newark mirrors their representation in Essex County, and their future growth through 2022.

While Newark residents are well-represented in the Health Care and Social Assistance field (16.8 percent) and the Public Administration/Government field (5.1 percent), they are under-represented in the Educational Services field (9.1 percent), the Transportation and Warehousing field (7.9 percent), and the Finance and Insurance field (3.5 percent).⁷⁶ Moreover, a disproportionate number of Newark residents work in Retail Trade (11.4 percent) and Administration & Support/Waste Management and Remediation (10.1 percent), both fields with limited opportunities for career advancement to earn a middle-class salary.

The lack of career pathways for Newark residents that are aligned with the city’s major industries is a systemic failure that both reflects and contributes to other structural barriers to employment, including macro-economy changes, company policy and practice, discrimination, and governmental law, policy, and practice. This next section examines these causes, and explains how they are interrelated in Newark and nationally.

EMPLOYMENT BY INDUSTRY





HOW WE GOT HERE

1. The Absence of Career Pathways to Middle-Skill Jobs

At the most fundamental level, the simultaneous existence of unemployment, under-employment, and unfilled middle-skill jobs in a growing, dynamic economy like Newark occurs because there are not sufficient career pathways to middle-skill jobs for residents. Colleges and graduate schools provide career pathways for high-skill jobs that require a four-year degree or an advanced degree, and companies often recruit directly through these educational institutions. Since the training required for these jobs is the education provided by the degree, the pathway to these jobs is through the college or university—or their alumni networks. Low-skill jobs, on the other hand, require no prior training and have low barriers to entry—most applicants can simply walk up and apply. Given that many of these low-skill jobs do not provide the opportunity for advancement or a living wage, they do not provide a career pathway to the middle class.

On the other hand, middle-skill jobs pay a living wage and provide career ladders for advancement, but there are not clear pathways to these jobs. Middle-skill jobs often require training that is specialized to a particular industry or employer, which means that either the employer must provide this training (e.g. apprenticeship program or on-the-job training) or work with a workforce intermediary (e.g. the One Stop, a public-private job initiative, etc.) to connect the job seeker with the potential career pathway (training or education and job placement). These career pathways not only enable people, including unemployed or underemployed people, to connect to work and the possibility of career advancement, they also address the middle-skills gap.



NYPL Digital Archive: African-American woman with metalworking equipment.

2. Macro-Economy Changes

A generation or two ago, there were multiple pathways to a comfortable middle class income sufficient to support a family, regardless of whether an individual had any education beyond a high school degree. In particular, the U.S. had millions of industrial jobs in manufacturing, transportation infrastructure, and resource extraction—including coal, precious metals, and oil & gas. These jobs were disproportionately in the “Rust Belt,” the wide swath of the U.S. from the Northeast to the Midwest, including the Great Lake states of Michigan and Wisconsin.⁷⁷ The Rust Belt’s largest cities, including the New York metropolitan area (encompassing the City of Newark), Buffalo, Philadelphia, Pittsburgh, Baltimore, Cleveland, Cincinnati, Detroit, Milwaukee, St. Louis, and Chicago, have significant Black and Latino populations. Many Black families came to these cities during the Great Migration from the South,⁷⁸ initially drawn by their thriving industrial economies, and these cities have also drawn recent immigrants to the U.S. for generations.

However, these cities suffered a sharp economic decline over the past several decades due to several macroeconomic

Racial and ethnic minorities, who were disproportionately represented among manufacturing workers, were particularly hurt by the decline of jobs in this industry.

trends in the U.S. and global economy. In fact, after decades of increased international trade, development in other nations, expansion of corporations operating globally, and a globally-connected

banking and financial system, there is now a new global economy impacting our national and regional economies. While these macroeconomic changes have impacted all workers, they have particularly constricted the employment opportunities for workers with lower rates of education and blue collar workers—groups where people of color are disproportionately represented.⁷⁹

First, the U.S. lost more than one-third of its manufacturing jobs, declining from a peak of 19.55 million jobs in 1979 to 12.32 million in 2015.⁸⁰ Part of the loss of U.S. manufacturing jobs is attributable to globalization—which results in the export of manufacturing jobs from the U.S. to nations with lower costs of labor and production, like China and India. The federal government’s support for free trade agreements, like the North American Free Trade Agreement (NAFTA), accelerated the loss of manufacturing jobs as the U.S. imported more goods and moved more production facilities abroad.⁸¹ Of course, some loss of manufacturing jobs occurred due to technological advances that enabled industries to automate additional jobs.⁸² Cumulatively, these factors resulted in the loss of millions of manufacturing jobs that provided a stable, middle-class career without the necessity of an advanced education. Racial and ethnic minorities, who were disproportionately represented among manufacturing workers, were particularly hurt by the decline of jobs in this industry.⁸³

Second, multiple macroeconomic forces—globalization; the technological revolution and widespread use of the Internet; the emergence of new, information-based industries and the decline of goods-producing industries; increasing levels of specialization in industries; and the decline of unions—have coalesced to form a large and growing dual service sector economy in the United States.⁸⁴ Service sector jobs are

Nationally, people of color are over-represented in the low-wage service sector jobs, and under-represented in high-paid information and knowledge-based service jobs.

largely segmented between high-paid information or knowledge-based services—like health care, education, and financial services—and low-wage, entry-level service jobs—including fast-food workers, retail employees, and part-time delivery and home or lawn-service providers. Nationally, people of color are over-represented in the low-wage service sector jobs, and under-represented in high-paid information and knowledge-based service jobs.⁸⁵

Third, in a related trend, the modern economy rewards people with a higher education, at the expense of people without college degrees. The more education that a person has, the more likely they are to be employed.⁸⁶ On the other hand, the less education that a person has, it becomes more likely that they are unemployed⁸⁷—or even that they have given up on finding a job, and dropped out of the labor force.⁸⁸ Indeed, the people who are the most successful in the modern economy are those individuals with advanced degrees, particularly from top-ranked colleges and universities.⁸⁹ Not surprisingly, given their greater demand in the labor market, college graduates can expect to earn a median annual salary of \$56,700 (\$27.26 per hour), which is 74 percent more than those with just a high school diploma.⁹⁰

Black graduates of the most elite colleges and universities do not receive the same advantage in employment opportunities and salary as their white classmates.

However, the rewards of higher education are not uniform. People of color have to borrow substantially more money to finance their education, and this debt burden increases their likelihood of not completing their degree.⁹¹ Upon graduation from college, people of color are less likely

to be employed than their white counterparts⁹² and they earn less than other college graduates.⁹³ Black graduates of the most elite colleges and universities do not receive the same advantage in employment opportunities and salary as their white classmates—their prestigious degrees only make them as competitive as white job candidates from less selective universities.⁹⁴

3. Company Policy and Practice

Many large employers use human resource policies and procedures that either mirror or reinforce inequalities. At the hiring stage, employers often only solicit or receive applications online, which poses a challenge for about one-in-ten people,⁹⁵ who are disproportionately people with lower levels of education.⁹⁶ There is also growing use of computer algorithms to review resumes and application materials, despite the fact that these algorithms have been shown to replicate racial, ethnic, and gender bias in hiring.⁹⁷ These algorithms use machine learning to mimic past successful hires at a particular company, which means that they can learn to sort candidates based on subjective criteria, like a person's name.⁹⁸

Another trend that impacts the hiring opportunities for all workers is up-credentialing, which is when an employer begins requiring an additional credential for a job—particularly a college degree.⁹⁹ Some up-credentialing could be attributed to a job becoming more complex or requiring new skills, but typically employers use it to weed out more potential applicants in slack labor markets, when there are more people looking for work.¹⁰⁰

More broadly, fewer companies engage in a holistic review of an applicant; instead they use various criteria not directly related to the skills necessary to perform the job to exclude potential applicants. This criteria could include whether the applicant has a college degree (regardless of whether the skills learned during college are required to perform the job), whether the applicant is currently unemployed, and whether the applicant has a criminal record (regardless of how long ago the conviction occurred or whether it bears any

relation to the job). Further, these broad stroke exclusions of applicants may violate the Civil Rights Act of 1964 under certain circumstances, because of the disparate impact on people of color.¹⁰¹

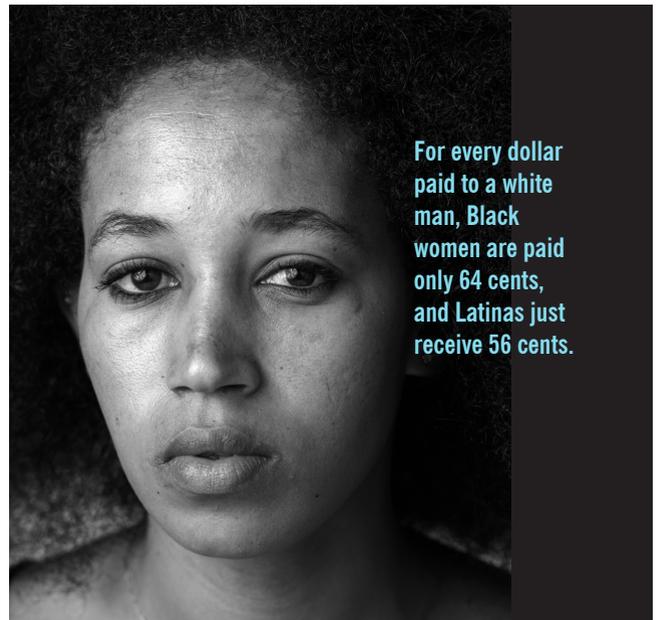
4. Discrimination

The persistence of discrimination in employment is an omnipresent barrier to full and equal employment for people of color.¹⁰² Discrimination, whether explicit or implicit,¹⁰³ occurs at every stage of the employment process, beginning with interviewing and obtaining a job,¹⁰⁴ through the period of employment (leading to worse evaluations than those given to comparable employees),¹⁰⁵ and lower wages.¹⁰⁶ This discrimination cannot be explained by levels of education or other race or gender-neutral factors, like differences in education or work experience.¹⁰⁷

In fact, racial discrimination in hiring is so pronounced that its effect is equal to or greater than an applicant having a criminal record. In an employment audit in a major American city, teams of both Black and white 23-year-old male college students were sent out to employers with virtually identical resumes, and randomly assigned whether they had a non-violent felony drug conviction or not.¹⁰⁸ The study found that only 14 percent of Black men without criminal records were called back, a proportion less than the number of white people with a criminal record who were called back (17 percent).¹⁰⁹ Among the testers of both races who did not disclose a criminal record, but had the same qualifications, 34 percent of white people were called back, compared to only 14 percent of Blacks.¹¹⁰ Other paired testing studies consistently demonstrate this racial bias in hiring.¹¹¹

This discrimination also translates into salary with people of color earning, on average, less than white workers. In 2015, Black people earned just 75 percent as much as white people in median hourly earnings.¹¹² Women of color, facing both discrimination on the basis of race and gender, earn the least. For every dollar paid to a white man, Black women are paid only 64 cents, and Latinas just receive 56 cents.¹¹³

5. Governmental Law, Policy, and Practice



Against the challenges of a changing economy and corporate practices, and the persistence of employment discrimination, the government has failed to sufficiently modernize the workforce development system to support career development, rather than simply job placement, by increasing barriers to employment, by reducing the labor force through over-criminalization, and by failing to provide adequate worker protections, like a living wage.

Unlike other nations with advanced economies, particularly many European nations, the U.S. does not adopt comprehensive national workforce planning strategies that bridge the gap between the skills of employees and the needs of employers. In many of these nations, there are industry-wide councils that coordinate between employers, colleges and universities, and training programs to ensure that people are receiving the training and skills required by employers.¹¹⁴ While some states and cities have adopted a similar approach, the U.S. workforce system is highly fragmented and focused on serving particular populations—not all jobseekers.¹¹⁵

The U.S. subsidizes the pursuit of higher education through the federal financial student aid program, but its support for job training and apprenticeship programs is inadequate and

chronically underfunded.¹¹⁶ By failing to provide sufficient support for training and apprenticeship programs, the government is missing an opportunity to simultaneously reduce unemployment, ensure that the workforce is able to meet the demands of employers and reduce the skills gap, and address the ballooning student debt crisis.

Not only is the workforce system highly decentralized and under-resourced, but it also lacks the standardization of training and education programs that is a key feature of U.S. colleges and universities. While colleges and universities typically offer the same types of undergraduate courses and allow for the transfer of credits, there is no federal law to mandate the creation or funding of stackable credentials for workforce training. A stackable credential is “an industry-recognized credential offered by a certificate or other non-degree program, or a third-party certification or occupational license” which leads to “a higher level certificate or associates degree in the same occupational area.”¹¹⁷ In other words, a person can “stack” these credentials towards receiving a better certification or degree, much like college courses are stacked towards receipt of a degree. In the absence of a federal law, only 19 states have adopted stackable credential policies, and New Jersey is not one of them.¹¹⁸

The government sought to address some of these challenges through the Workforce Innovation and Opportunity Act of 2014 (WIOA), which replaced the Workforce Investment Act (WIA).¹¹⁹ Under WIOA, states must design and submit a single, unified plan for its core workforce development programs and describe how the services offered will align with the regional labor market (employer) needs, and how the plan will address barriers to employment for marginalized groups, like racial and ethnic minorities, LGBT people, women, people with disabilities, and older workers, as well as people re-entering from prison and people with past convictions, youth, dislocated workers, and others.¹²⁰ The federal government will also now evaluate their effectiveness under a common set of measurements to track outcomes for adults and youth under all federal programs funded by workforce dollars.¹²¹ One of the performance indicators is “the percentage of program participants who obtain a recognized postsecondary credential,” which incentivizes states to adopt a stackable credential policy.¹²²

Despite these improvements to the nation’s primary workforce funding statute, other laws and policies promote job placement over long-term career development. For instance, the racially-charged welfare reform of the 1990s produced Temporary Assistance to Needy Families (TANF),¹²³ which was designed to move more cash assistance recipients to employment through mandates and time limits on the receipt of funds. TANF created a direct financial incentive for states to move people off welfare rolls into a job—any job—regardless of the long-term career prospects for that individual, because the states receive block



grant funds back from the federal government in proportion to their reduction of TANF recipients in their state, and they have discretion over how those funds are spent.¹²⁴ While Congress may have anticipated that states would reinvest those funds into programs to support career development and provide child care for low-income workers,¹²⁵ states only spend about one-fourth of the funds on these types of programs.¹²⁶ Most of the funds that used to go directly to people in poverty are now used to fill budget gaps or fund other programs, while TANF recipients are often caught in a cycle of dead-end jobs.

most economically distressed parts of the country—in Appalachia, the Deep South, and along the Arkansas-Missouri border.¹³¹ While some medical conditions would prevent an individual from ever working again, many other people could successfully work full or part-time with a disability, but they lack the education, skills training, or support to change career fields.¹³² Yet, without targeted jobs programs for people with disabilities and people with barriers to employment, they are increasingly electing to drop out of the workforce entirely to receive disability insurance.



The racially charged welfare reform of the 1990s produced Temporary Assistance to Needy Families (TANF), which created a direct financial incentive to move people off welfare rolls into a job—any job.

Welfare reform also produced another unintended consequence—it contributed to the doubling of the percentage of the population that receives Social Security disability insurance payments.¹²⁷ This massive increase can only be partially explained by the aging of the U.S. population,¹²⁸ as disabilities are not becoming more common.¹²⁹ Instead, disability insurance has become the new social safety net for people who have a physical or mental disability and cannot find work where they live.¹³⁰ Not surprisingly, disability claims are highest in the

This contributes to the declining labor force participation rate nationally, as does the country's overly punitive criminal justice system.¹³³ One-in-four Americans (65 million people) has a criminal conviction,¹³⁴ and as many as one-in-three (100 million) has a criminal history, like an arrest record,¹³⁵ so a large proportion of the American workforce is impacted by sanctions and restrictions imposed upon people because of their criminal record. Newark mirrors the national statistics, with about one-in-four residents involved with the criminal justice system.¹³⁶

Collateral consequences are imposed by both the government and by private companies, which often adopt policies against employing or contracting with people with convictions. Paradoxically, these collateral consequences often trap indigent people in a cycle of

involvement with the justice system, rather than promoting reintegration back into society, because they simultaneously deny individuals access to employment opportunities and access to government subsistence benefits that they would otherwise qualify for due to their poverty—such as food stamps and housing assistance.¹³⁷

In the employment context, there are thousands of potential restrictions on individuals due to a criminal conviction, including outright bans on individuals ever holding certain jobs or stringent restrictions on an individual's ability to

A large proportion of the American workforce is impacted by sanctions and restrictions imposed upon people because of their criminal record.

receive the license, bond, or certification necessary for certain types of jobs or career fields.¹³⁸ In New Jersey alone, there are over 600 employment-related collateral consequences.¹³⁹ These collateral consequences also extend to federal benefits that provide the resources necessary for an individual to obtain or maintain a job, including housing subsidies, and federal financial aid to further one's education.¹⁴⁰ Although collateral consequences are administered in a race-neutral way, they have a disparate effect

on people of color—particularly Black men—due to racial disparities throughout the criminal justice system.¹⁴¹

Finally, the government has also failed to provide sufficient protections for people once they obtain employment, most importantly through a living wage. Economists agree that the minimum wage is one of the primary factors driving income inequality in the U.S.,¹⁴² as the purchasing power of the minimum wage has declined about 10 percent from its peak in 1968, adjusted for inflation.¹⁴³ Although most economists believe that the federal minimum wage could be immediately raised to \$12 an hour without any net negative consequences to the economy, it is only \$7.25 an hour.¹⁴⁴

The minimum wage is one of the primary factors driving income inequality in the U.S.

New Jersey offers a somewhat higher minimum wage of \$8.44 per hour, but it is not close to a living wage in this high-cost state.¹⁴⁵ In 2016, a person earning the minimum wage here would have had to work 105 hours per week to afford a modest one-bedroom apartment at fair market rent.¹⁴⁶

Collateral consequences have a disparate impact on people of color due to racial disparities throughout the criminal justice system.

Not only would raising the minimum wage reduce income inequality and produce exponential benefits to the economy, it would also reduce racial and gender-based wage gaps, since women and people of color are disproportionately represented among low-wage workers.¹⁴⁷ In New Jersey, raising the minimum wage to a living wage would disproportionately benefit women (who represent 53 percent of workers who would benefit, but

only 47 percent of the state workforce), and people of color (who represent 51 percent of workers who would receive a raise, but only 41 percent of the state workforce).¹⁴⁸ Overall, raising the minimum wage to a living wage in New Jersey would impact working adults (91 percent), and 61 percent of those adults are working full-time.¹⁴⁹



THE OPPORTUNITY: A BLUEPRINT

At the root of our economic inequality is joblessness and the declining ability of people to earn a living wage, even when working full-time. Employment is truly the linchpin issue of economic inequality for this generation, and if we effectively address unemployment and inadequate wages, we will simultaneously reduce poverty and inequality. We will also improve our macro-economy by increasing our labor force participation rate, broadening our tax base, increasing consumer spending, and reducing the need for government social services—all of which will reduce our federal deficit and ease state and local government budgets.

To bridge the Two Americas, we must increase access to employment that pays a living wage.

Because these inequalities are the result of policies and practices, it is possible to reverse them through the broadening of economic opportunity by government and the private sector. This Blueprint includes both legal and policy reforms and proposed jobs programs to bridge the divide of the Two Americas in Newark and other communities across the nation by increasing access to employment that pays a living wage.

LAW AND POLICY REFORM

RECOMMENDATION FOR THE CITY OF NEWARK

Reform Newark's First Source Ordinance

The City of Newark, like several other large cities around the country, has a “First Source” ordinance, which requires companies doing business with the City to use local residents as their “first source” for hiring on these government contracts. This First Source ordinance, which requires contractors and other parties doing business with the City to “take affirmative steps to the greatest extent feasible to employ forty (40%) percent of qualified Newark residents,” was passed about fifteen years ago,¹⁵⁰ but its effectiveness is unclear. As the ordinance is currently drafted, contractors’ “best efforts” to comply with this law primarily consist of communicating their hiring needs to the City, and tracking information about applicants and people actually hired, including their residency status. Based on the text of the law, it does not appear that there is any ongoing reporting requirement or consequence for contractors that fail to comply with this law—either for their

current contract with the City or for their competitiveness in obtaining future government contracts.

Given the wide-ranging scope of economic development and activity in Newark and the very low percentage of residents who are employed in the city, the First Source ordinance should be revisited and amended. The City Council should first make legislative findings about this issue, including the economic and local budget impact of low local hiring rates, as well as the amount of funds that the city spends on contracts, and grants in other economic development activities, such as tax abatements and discounted leases of city land and property.

Because any preference for local residents over the residents of other states impacts the Privileges and Immunities Clause of the U.S. Constitution,¹⁵¹ Newark—and other localities—must demonstrate that there is a “substantial reason” for the difference in treatment,” and “a close relation” between the objective of the law and the differential treatment.¹⁵² Since other constitutional provisions may be implicated, there must be precise statutory drafting of the First Source ordinance, with a legislative record to support the statute and its objectives.¹⁵³

In weighing possible amendments to the First Source ordinance, the City Council should consider bringing a broader array of city-financed or supported economic activity under the law. For instance, San Francisco’s First Source law covers “any activity that requires discretionary action by the City’s Planning Commission related to a commercial activity over 25,000 square feet including, but not limited to conditional use,” “any building permit applications for a residential project over 10 units,” “City issued public construction contracts in excess of \$350,000,” “City contracts for goods and services in excess of \$50,000,” “leases of City property,” and “grants and loans issued by City departments in excess of \$50,000.”¹⁵⁴

The City should consider establishing more direct pathways between employers covered by the First Source ordinance and the city’s workforce system, like the referral systems in San Francisco and New Orleans.¹⁵⁵



Finally, the City Council should consider establishing a more rigorous reporting and enforcement system for its First Source ordinance, like the requirements under Washington, D.C. or Baltimore’s Local Source laws. In Washington, D.C., businesses bidding on city contracts must include an outline of their strategy to comply with the First Source law in the bid solicitation, and the winning bidder or offeror must submit an employment plan for compliance for approval before beginning work associated with the contract or project.¹⁵⁶ In Baltimore, businesses receiving certain city contracts or subsidies must submit detailed monthly reports on their compliance with the First Source law.¹⁵⁷



RECOMMENDATIONS FOR THE STATE OF NEW JERSEY

Raise the Minimum Wage in New Jersey

As one of the wealthiest states in the nation, with one of the highest costs of living, New Jersey should raise its minimum wage to a living wage. Currently, a living wage in the State of New Jersey for a single adult is \$12.64 per hour, although it is even higher for a single adult in Essex County, where Newark is located (\$13.04 per hour).¹⁵⁸ Given the substantial economic research supporting raising the national minimum wage to \$12 an hour, and the many competitive economic advantages that the State of New Jersey enjoys over other states, the State legislature should immediately raise the minimum wage to \$12 per hour. The Legislature should also adopt an expeditious phase-in of an increase of the minimum wage to \$15 per hour, similar to California and New York State’s adoption of a \$15 per hour minimum wage.¹⁵⁹ This increase will enable New Jersey employers to remain competitive with neighboring New York State employers in attracting employees, and it will increase the ability of many individuals and families in the state to support themselves, lifting hundreds of thousands of people out of poverty, and reducing the gender and race pay gaps in the state.

New Jersey should raise its minimum wage to a living wage.

Stackable Credential Statute

Building on state laws like the New Jersey Pathways Leading Apprentices to a College Education (NJ PLACE),¹⁶⁰ New Jersey should adopt a law that community colleges and workforce training providers receiving government funds must exclusively provide stackable credentials that would be accepted by certificate or associate degree programs in the same field.¹⁶¹ Additional funds should also be appropriated to provide technical assistance and support to colleges and training providers to implement this stackable credential requirement.

Tax Credits and Additional Funding for Apprenticeship Programs

The New Jersey Legislature should allocate additional funding for apprenticeship programs in the state, which help directly

Every federal dollar of investment in apprenticeship programs yields more than \$50 in federal revenue.

bridge the middle skills gap between unemployed or under-employed people and employers. The U.S. Department of Labor estimates that every federal dollar of investment in apprenticeship programs yields more than \$50 in federal revenue.¹⁶² If the State of New Jersey realizes a similar return on investment, these programs will more than pay for themselves over time, as well as enabling

thousands of residents to enter career paths that pay a living wage and provide the opportunity for career advancement.

Amend the Opportunity to Compete Act

While the Opportunity to Compete Act¹⁶³ (also known as the Ban the Box law) was an important first step in improving access to employment for people with convictions in New Jersey, it needs to be strengthened. Research shows that employment is essential for successful reentry.¹⁶⁴ By connecting an individual coming home from prison with employment, the public benefits in three ways: (1) there is less crime, because there is less recidivism, (2) the public is saved the cost of re-imprisoning the person, and (3) the individual pays taxes

on their employment earnings, which expands the tax base and provides additional revenue for the government. These public benefits are in addition to the immediate economic benefit to the individual and their family, as well as the critical benefit of promoting family relationships and enabling the individual to care for their children—which is not possible if they return to prison.

Ban the Box needs to be strengthened.

In addition, there are millions of Americans with criminal convictions—many from years ago—and even if these individuals pose no public safety or recidivism risk, their inability to obtain employment due to collateral consequences harms our economy because otherwise productive citizens are excluded from working and contributing to the economy through taxes and consumer spending.

Under the Opportunity to Compete Act, employers are only prohibited from asking about an individual's criminal record during the "initial employment application process," which ends when the employer has conducted a first interview of the job applicant.¹⁶⁵ The law should be amended to only permit employers to inquire about an applicant's criminal history and complete a background check after a conditional offer of employment is extended.

Then, in order for the employer to rescind the conditional offer of employment, he or she should be required to provide a written explanation to the applicant of why the criminal history makes him or her ineligible for the position, and provide the applicant an opportunity to respond and address any concerns before the employer extends the offer to another applicant.¹⁶⁶ Employers should not rescind job offers based on non-violent offenses, and they should be required to report any rescinded job offers and the justifications to the Equal Employment Opportunity Commission. New Jersey should also examine and publicly report on the denial of employment based on criminal convictions on different racial and ethnic groups in the state. In addition to government enforcement of this law, there should also be a private right of action to facilitate enforcement.

Collateral Consequences

The New Jersey State Legislature should conduct a holistic analysis of the over 1,000 collateral consequences under state law, including the over 600 employment-related restrictions, in order to assess whether each restriction is necessary for public safety.¹⁶⁷ To the extent that a collateral consequence is viewed as necessary, legislators should also amend the law to place a time limitation, since research indicates that after a period of time following a conviction, that person is no more likely to commit a crime than a person without a conviction.¹⁶⁸

Unnecessary restrictions should be repealed, and other employment-related restrictions should be reformed so we do not subject people to what amounts to lifetime punishment. The legislature should also examine and publicly report on the impacts of these restrictions on different racial and ethnic groups in New Jersey.

Targeted Government Jobs Programs

There is precedent for effective government initiatives to address widespread unemployment and poverty while meeting public needs. During the Great Depression, the federal government established the Works Progress Administration (WPA), which

provided employment for unemployed youth and adults in a range of fields, including construction, forestry, food preparation, research, and the arts. During its eight-year period of operation, the WPA employed more than eight million different people on over a million projects,¹⁶⁹ including the construction of roads, bridges, and buildings, the preparation of hot meals for school children, and the creation of works of art and books.¹⁷⁰ The Civilian Conservation Corp (CCC), another federal jobs initiative of the Depression era, provided employment for nearly 3 million young men to work on environmental conservation.¹⁷¹ The CCC was ultimately responsible for more than half of the reforestation in U.S. history, as well as the building of wildlife shelters, the repopulation of rivers and lakes, and the restoration of historic battlefield sites.

The success of these programs was due to the fact that they provided employment that paid a living wage, and that the jobs were structured around serving the public and building infrastructure that would enable future economic development. The skills that participants developed in these jobs programs were portable—they could be used in other jobs and career fields when the programs concluded.

While these programs were federal, the same principles can be applied at the state and local levels to create jobs programs for the unemployed. However, state and local governments cannot run budget deficits like the federal government, so their jobs programs may require using already-allocated budget resources or identifying opportunities for jobs programs that fulfill existing budget priorities.



Archival photograph of members of the Civilian Conservation Corp building a road.

Step One to Creating a Government Jobs Program: Assess Both the Supply and Demand for Jobs Programs

The first part of implementing a government jobs program targeted to reduce unemployment requires a dual assessment of the supply and demand side of the program.

On the demand side, the state or local government should conduct a top-down analysis of its own hiring needs over the next five to ten years, including jobs that the state or city has subcontracted to private employers, but which could be converted back to government jobs without additional expense over the next ten years. Then, the government could compare its own hiring needs with data on what industry sectors are projected to grow or decline over the next five to ten years, and identify the most promising job areas for participants to develop the skills that are in-demand by the private sector.

On the supply side, it is necessary to assess the demographics, education, and work experience of the local population of unemployed people. This assessment is critical at the beginning to ensure that the programs are designed to recruit and employ the people who have the most difficulty connecting to work, which could include young people, people with criminal convictions, dislocated or displaced workers whose industry or plant is moving or downsizing, people who have been out of the workforce for a year or more, people with disabilities, and senior citizens. Many of these people could have multiple challenges in connecting to work, and they could also be subject to discrimination in the job search process, so a government jobs program should be targeted to proactively address these barriers.

Step Two: Identify at Least One Opportunity for a Targeted Government Jobs Programs

After conducting this research, the government can identify areas of overlap between its supply of unemployed local workers and its current and future hiring needs. Then, it can design jobs programs that are specifically tailored to meeting both the needs of the unemployed and the local community. For instance, unemployed youth could be employed by a local department of parks and recreation to serve as camp counselors or park employees. For each of the potential job programs or job tracks, the government should identify the training, if any, that is necessary for each position, the salary and benefits, and the costs and benefits of running the program. In order to ensure the sustainability of the programs, they should maximize use of existing or fixed government resources, and minimize additional expenditures post-launch.

Step Three: Program Launch and Career Development of Participants

Once the jobs program launches, the local government should assess its success in recruiting the target population of the unemployed, retaining them in the training and job placement, and in providing a living wage and resources that the employee needs to succeed in the job. A career counselor should meet with each job program participant and their supervisor at regular intervals during their first year of employment (30 days, 60 days, 90 days, 6 months, 9 months and 1 year post-hire) to assess their development in the job and the next steps in their career. The local government should also establish relationships with private employers, and establish pathways for participants who are interested in working in the private sector to interview and transition to their next job opportunity.

ANCHOR INSTITUTION HIRING AND PROCUREMENT STRATEGY

While the government must play a central role in addressing employment and wage issues, the private sector should also be a key partner. Over the past few decades, the significance of private sector employment has increased as local, state and federal governments subcontract out more and more functions to private businesses.¹⁷² At the same time, large businesses and non-profits in the U.S. have continued to grow in employees and capital, which provides them with both the incentive and the means to partner with local government on jobs initiatives.¹⁷³ Perhaps most critically, both non-profit and for-profit businesses are increasingly embracing their role as corporate-citizens and acknowledging that the business community must exercise a leadership role in addressing persistent racial and economic inequality.¹⁷⁴

Anchor institution hiring strategies have already been successfully implemented in cities across the country, including Baltimore, Cleveland, Minneapolis, New Orleans, and Philadelphia.

The large employers best suited to partner with their cities are anchor institutions, which are large public and private organizations that “anchor” local economies and cities by providing economic stability and support for the community.¹⁷⁵ Anchor institutions are significant drivers of the local economy, as they employ large numbers of people, own and maintain significant amounts of real estate, purchase substantial amounts of goods and services, and often pay large amounts of taxes—directly and indirectly. Anchor institutions are often located in the downtown areas of cities, giving them a vested interest in supporting the economic and workforce development of the city.¹⁷⁶

An anchor institution hiring strategy involves a commitment to hire local residents for jobs that the anchor institution must regularly fill, typically entry-level positions. The anchor institution partners with local workforce training providers or community colleges, who provide training specifically for the job openings, and with city and non-profit partners, which assist with recruiting job candidates and creating pathways for those candidates to succeed in the training and on-the-job.

An anchor institution procurement strategy would first involve an assessment of the procurement needs of the anchor institutions and the terms of its current contracts, as well as the ability and capacity of local businesses in those areas of procurement. Then, the anchor or collection of anchor institutions identify the most promising areas to shift their procurement to local businesses, and they develop a system to link qualified local businesses with capacity in those areas of procurement with the procurement officials from the anchor institutions.¹⁷⁷ If the local businesses are unable to completely meet the procurement needs of an anchor institution, the anchor could also encourage its current procurement contractors to subcontract part of their work to local businesses.¹⁷⁸



These anchor institution hiring strategies¹⁷⁹ have already been successfully implemented in cities across the country, including Baltimore, Cleveland, Minneapolis, New Orleans, and Philadelphia.¹⁸⁰ Many of these cities have a great deal in common with the City of Newark, including that they are all post-industrial cities that lost hundreds of thousands of manufacturing jobs over the last generation, but are now epicenters for new, knowledge-based industries, home to some of the nation's best hospitals and research centers, colleges and universities, and arts and cultural institutions. Like Newark, these cities also embody the Two Americas, with huge gulfs between the opportunities in their downtown and the lives of many residents, particularly residents of color.¹⁸¹



Although there are some differences among the various anchor strategies being pursued around the country, they have many commonalities. Drawn largely from the experiences of these cities, below are ten steps to institute an anchor strategy over 18-24 months (the typical timeframe for planning and execution).

Step One: Bring All Partners to the Table, Particularly Anchor Leaders, and Create a Sustainable Governance Structure

First, a diverse coalition of partners should be brought together and commit to a common set of objectives and strategies. Anchor institution strategies are generally started by the leadership of the anchor institutions, although there are exceptions, like the multi-anchor strategy in New Orleans that the city launched¹⁸² and the multi-anchor strategies in Cleveland and Minneapolis that were started by foundations in partnerships with non-profit organizations.¹⁸³ Regardless of what entity takes the lead on beginning an anchor institution or multi-anchor institution strategy, they usually evolve into public-private partnerships between the anchors, local government, locally-based non-profit organizations,¹⁸⁴ and foundations.¹⁸⁵ This organizational diversity ensures that the continuation of the anchor strategy in the local

community is not dependent on any one organization or leader.¹⁸⁶ For cities looking to develop their own anchor or multi-anchor institution strategies, and to ensure their stability, it is critical to bring all of these different partners to the table at the beginning.

Once all of the partners are at the table, it is necessary to create a governance structure that will enable the anchors and partners to successfully develop and implement the anchor strategy over the course of several years. This governance structure is integral to the success of the anchor strategy—it must facilitate ongoing communication and implementation of the strategy, and it must create accountability for progress towards the shared objectives among independent organizations.

The most successful long-term multi-anchor governance structure is the Greater University Circle Initiative (GUCI) in Cleveland. At the top of the governance structure is the GUCI leadership, which consists of the CEOs of the participating anchors and partners.¹⁸⁷ These leaders only meet two to three times a year to review and monitor overall progress towards the anchor initiative goals,¹⁸⁸ but they all designated a senior-level person in their organization with implementation authority to serve on the “Economic Inclusion Management Committee,” (EIMC) which manages the operational objectives and programs of the anchor strategy.¹⁸⁹ The EIMC then created their own Executive Committee and four subcommittees to manage each aspect of their anchor strategy.¹⁹⁰

This governance design is ideal, because it enables the top leaders of the anchors and other organizations to set shared goals and objectives, and it provides senior and mid-level staff with the authority and responsibility to carry those objectives out. This governance structure grants each organization an equal voice in decision-making, but it also facilitates implementation because staff members can take ownership over particular aspects of the initiative and then be held accountable for progress towards the objectives and milestones.

Step Two: Conduct Research and Community Outreach at the Beginning

Second, conduct research into the needs of the local community. The research should include (1) whether any particular groups of residents require additional assistance, (2) the potential opportunities for the anchor institutions and their partners to positively impact the community through jobs programs, housing programs and assistance, shifting more of their business to local procurement, and economic development,¹⁹¹ and (3) the resources required from the anchor institutions and other partners to fully implement an anchor or multi-anchor institution strategy.¹⁹² Additionally, the anchors and their partners typically assess the cost of living in their city and what a living wage for their employees should be, so that both the participants in the program and their regular employees could be economically self-sufficient. Among anchor institutions who use subcontractors for some of their employee functions, this also involves collecting data from those employers and examining their contracts to ensure that there is not a great disparity between regular and subcontract employees in salary and benefits.

This research period often involves consultations and meetings with community members and leaders, local experts, and potential non-profit and community partners for the initiative, and the formation of at least one advisory committee to provide ongoing input into the initiative's development.¹⁹³ These consultations, and the engagement of key local leaders as advisors to the anchor strategy, help to



develop critical local support before its launch. Meanwhile, the analytic research provides a foundation upon which the anchors, the city, and other partners can base the vision and goals for the strategy. In order to ensure that the anchor strategy is informed by best practices and data, and that it has the local support necessary to its success, it is essential that this research and outreach occurs at the outset of an anchor strategy.

Step Three: Ensure that All Partners Benefit from the Anchor Strategy

Third, anchor strategies must benefit all of the participating organizations, so they receive a shared value from participating and contributing resources to the anchor institution strategy. While some anchor institutions—particularly non-profit educational and medical institutions—may lead or join an anchor institution strategy because it aligns with their core institutional mission, for-profit anchor institutions and other community organizations

with limited resources must justify their ongoing involvement in a program.¹⁹⁴

At the outset of planning, each anchor or participating partner should assess what benefits—both direct and indirect—they will receive, as well as what their costs of participation will be (including staff resources).¹⁹⁵ The anchor strategy should be designed to produce more benefits to each partner than their cost of participating; otherwise, anchors and partners could drop out of the initiative as they identify more efficient uses of their resources.¹⁹⁶

Step Four: Ensure that the Community’s Benefit from the Anchor Strategy Outweighs the Collective Investment

Fourth, before proceeding with an anchor institution hiring strategy, the key partners should conduct a cost benefit analysis to weigh the costs for developing and implementing the anchor institution strategy versus the benefits to local residents. In considering the costs of developing and implementing the anchor institution strategy, it is necessary to account for staff time, program infrastructure investments (such as the cost of office space), and other financial costs. Not all of these costs will involve new financial outlays in the anchors or organizations’ budgets, but it could involve the re-allocation of existing resources, such as dedicated staff time from current employees. Then, these costs must be weighed against the benefits to local residents and the local community, both direct (such as lower unemployment and better salaries) and indirect (such as additional local income tax collection and a reduced need for government benefits).

The key questions for the cost benefit analysis should be the following: does this anchor institution hiring strategy create a benefit to local residents that did not previously exist, and does that benefit outweigh the collective costs of the initiative?

Step Five: Coordinate the Anchor Strategy with the City’s Workforce Development System and Other Workforce Intermediaries

Fifth, coordinate anchor institution hiring strategies with the city’s public workforce development system—commonly known as the One Stop Centers (or American Job Centers)—and other workforce intermediaries in the city and region. As a preliminary matter, it is important to consult with both the city’s workforce development system and local workforce intermediaries to understand the current resources available to people seeking work, so that the anchor strategy can be designed to fulfill an unmet need beyond the scope of the One Stop Center or other privately-led workforce efforts, or to build upon existing successful strategies.¹⁹⁷ It is also helpful to learn information from the city workforce system about the characteristics of the people who are unemployed locally, including their average educational attainment and work experience. This information could help inform the job pathways with the anchor institutions, and the workforce training programs for the initiative. Ideally, the anchor strategy should be incorporated into the One Stop Center’s operations and any local workforce intermediary initiatives, so that participants could be referred to participate in the anchor strategy from the One Stop and other initiatives and vice-versa.

Step Six: Design the Anchor Institution Hiring Strategy to Target Assistance to People with the Highest Unemployment Rates

Sixth, anchor institution hiring strategies typically benefit all local residents, but they often are designed to target those with the greatest obstacles to employment. For instance, anchor institution hiring strategies in New Orleans and Minneapolis began specifically with the intention to connect unemployed Black men to work with local employers, after research showed that they had the highest unemployment rates locally.¹⁹⁸ In Baltimore, an anchor institution hiring strategy led by Johns Hopkins University aimed to connect people returning from prison with employment, because they often faced multiple barriers to work.¹⁹⁹

In order to reach the groups of people who have the highest unemployment rates, the initiative should (1) conduct targeted outreach to community groups to help recruit participants from these groups, (2) provide additional support during the workforce training component to ensure that they do not drop out due to barriers like a lack of transportation or childcare, and (3) work with the anchors and other participating employers to ensure that there is additional support provided during the first six months of their employment. It is critical that the anchor hiring strategy specifically accounts for the groups of people who most need assistance, otherwise the initiative may primarily benefit people who would have successfully connected to full-time work on their own.

Step Seven: Establish an Action Plan and the Necessary Infrastructure and Partnerships Prior to Launch

*Seventh, develop an action plan and the necessary infrastructure and partnership agreements for hiring and procurement strategies prior to launching the initiatives.*²⁰⁰ It is essential to have this infrastructure in place so that local residents are able to immediately enter the program after it is publicly announced; otherwise, the initiative may lose the trust and support of the community.

Step Eight: Ensure Transparency and Accountability by Setting Measurable, Numeric Goals and Conducting an Evaluation of the Anchor Strategy Goals

Eighth, set specific numeric goals to achieve, and be transparent with the local community about progress towards these goals. The goals should include how many residents will be connected with work over the course of the initiative, with annual, quarterly, and monthly targets. This transparency with the community naturally creates accountability within the anchors and their partners.

In order to ensure that there is adherence to the anchor strategy goals and objectives over time by the partners, and external accountability to the community and other stakeholders, it is necessary to engage a research and

Transparency and accountability to the community are essential to the success of an anchor hiring initiative.

evaluation partner to continually collect and analyze data from the various partners. The research and evaluation partner could also provide real-time information to the anchors and other stakeholders about progress towards benchmarks, and offer suggestions for improvement based on best practices from other initiatives around the country.

Step Nine: Implement Systems Change

Ninth, change the systems that create barriers for local residents to connect to work. This systems change approach creates more lasting reforms and provides benefits to local residents beyond those people directly participating in the anchor institution hiring strategy.

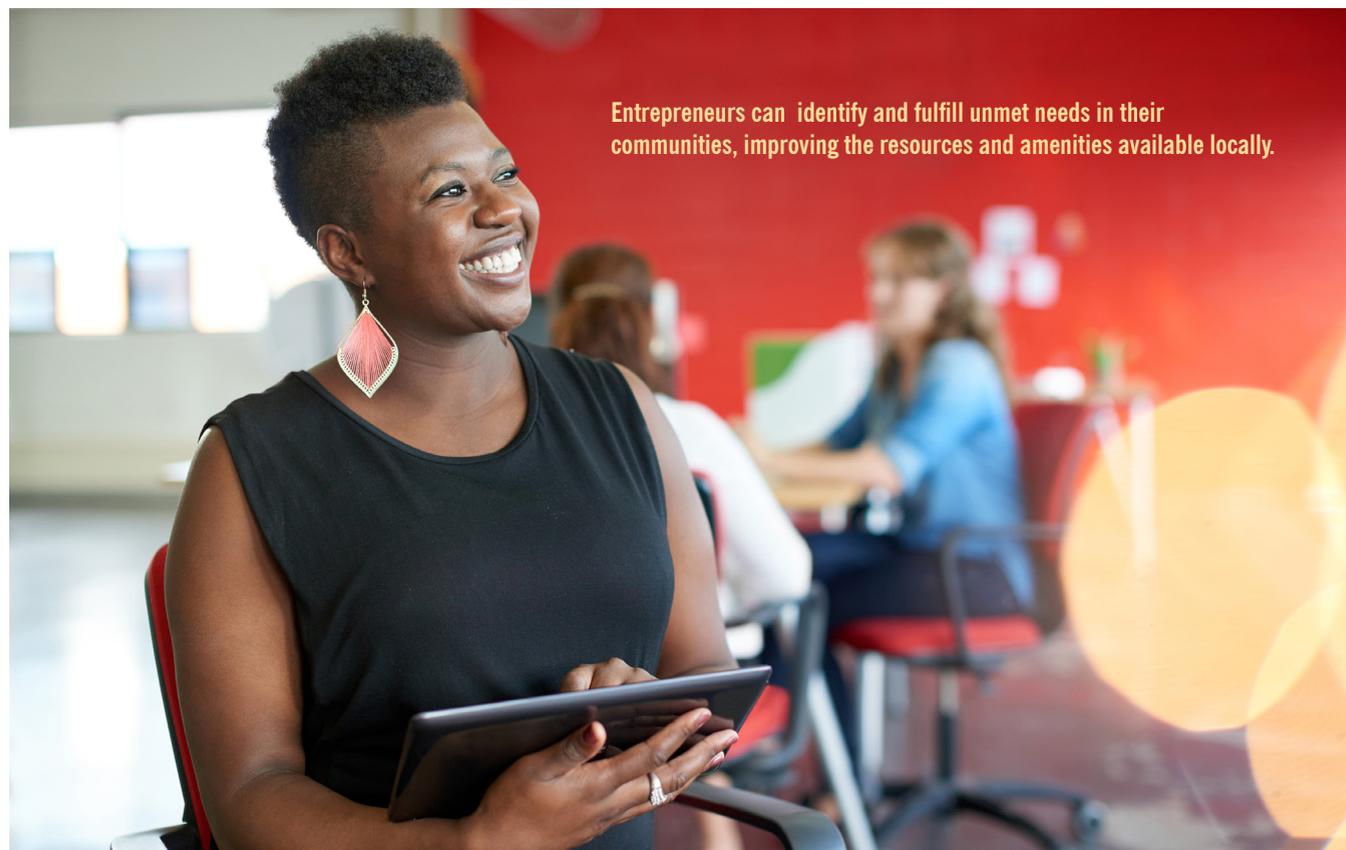
These changes could include reforms to local and state laws, like repealing laws that restrict the employment or licensing options of people with criminal convictions. Employers and anchors could also evaluate their own human resource policies to consider (1) whether they have any blanket employment bans, like a policy of not hiring a person with a felony conviction, (2) whether they recruit employees in the local community and whether they recruit in places other than college or university campuses, (3) whether they require a higher level of education for certain jobs than is necessary, such as a college degree for an administrative assistant position (up-credentialing),²⁰¹ (4) whether they have active policies and procedures to support the recruitment and retention of people of color, women, and people with disabilities as employees, (5) whether they use a computer system or algorithm that could inadvertently replicate biases against already-marginalized groups,²⁰² and (6) whether they have contracted out or outsourced jobs that could be performed by full-time employees at the same cost or a cost savings.

Step Ten: Allow for Flexibility and the Possibility that the Initiative Will Evolve

Tenth, retain flexibility to evolve to best meet the needs of the local community and ensure the continuation of successful partnerships. The anchors and their partners should learn from their direct experience what elements of the program are successful and what parts need improvement.²⁰³

ENTREPRENEURSHIP STRATEGY

Finally, a critical component of connecting unemployed people in the local community to work is empowering them to self-employ by starting their own business, and increasing the capacity of small businesses in the community. This simultaneously addresses unemployment and the decline of entrepreneurship in the U.S. economy, and enables more people to build assets and wealth. In the first quarter of 2016, jobs created by new establishments dropped to 1 percent, the lowest rate on record since the Labor Department began tracking this data in 1992, and half what it was at its peak in the 1990s.²⁰⁴ The absence of these entrepreneurs from our economy does not just limit job opportunities—it also limits our future economic development and innovation, as successful new firms tend to improve upon existing goods and services or provide a more efficient means of production or service delivery. Entrepreneurs can also identify and fulfill unmet needs in their communities, improving the resources and amenities available locally.



However, people looking to start new businesses face several challenges, including (1) navigating the legal and tax filings necessary to create their business entity, (2) obtaining financing for their start-up costs, and (3) learning how to successfully run their business by marketing, building a customer base, and establishing relationships and partnerships with other businesses. The entrepreneurship component of the Blueprint—whether led by the public or private sector—should include the following components:

Step One: Establish a One-Stop Center for Entrepreneurs to Coordinate their Legal and Tax Filings

The first and most immediate challenge for entrepreneurs looking to start a small business is navigating the legal filings necessary to establish their corporate structure and tax status. Not only can it be expensive to hire lawyers and accountants, but entrepreneurs often need basic guidance about where to start this process. It would encourage more people to start small businesses if there was a one-stop place for them to go and receive immediate assistance on, for instance, incorporating and filing their federal and state tax paperwork.

Step Two: Provide Small Start-Up Grants and Low-Interest Loans to Entrepreneurs

The next major barrier that entrepreneurs face is obtaining the financing to cover their initial start-up costs and to sustain the business until it begins to turn a profit. Small start-up grants of between \$1,000 and \$10,000 could make a material difference to potential entrepreneurs, enabling them to obtain the materials or supplies necessary for a business launch. These grants could require an application process, or be contingent on demonstrating a viable business plan. Many entrepreneurs or start-ups face challenges in accessing credit because they do not have the record of profits of established businesses, so it is also critical to work with banks—particularly Community Financial Development Institutions²⁰⁵—to establish no or low-interest loans for entrepreneurs in the community.

Step Three: Provide Mentoring and Ongoing Support

Finally, about one-third of businesses fail within the first two years, and only about half of new businesses make it to at least five years.²⁰⁶ In order to provide support for these businesses, the entrepreneurship strategy should include the establishment of a mentoring program, where established business owners mentor new business owners. The entrepreneurs should be provided with ongoing support from the small business one-stop, including information about employment law, best practices in human resources, and pro bono accounting and legal advice.



A CALL TO ACTION

Economic inequality in the U.S. fuels class and race division, dividing our nation into Two Americas. But these divisions can be bridged by providing equality of economic opportunity through employment. The adoption of the Blueprint for Bridging the Two Americas will not only reduce unemployment and promote economic opportunity, but it will also strengthen and heal our collective communities.

Fifty years ago, Dr. King urged the creation of a multi-racial, multi-ethnic, and multi-national coalition of poor people to strive for greater economic opportunity, rejecting previous efforts to divide them by stoking racial or ethnic resentment or discrimination.²⁰⁷ Today, the opportunity to bridge the Two Americas holds the same promise of also bridging racial and ethnic divides in the U.S., while unifying our local communities around the creation of more economic opportunities for people at the bottom of the income ladder.

(Endnotes)

¹ This speech was first made at Stanford University on April 14, 1967, <https://vimeo.com/117362753>; see also Dr. Martin Luther King, Jr., *The Other America*, (Mar. 14, 1968), in GROSSE POINTE HISTORICAL SOCIETY, <http://www.gphistorical.org/mlk/mlkspeech>.

² Dr. Martin Luther King, Jr., *The Other America*, (Mar. 14, 1968), in GROSSE POINTE HISTORICAL SOC'Y, <http://www.gphistorical.org/mlk/mlkspeech>.

³ *Id.*

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⁵ The Civil Rights Act of 1964 prohibits discrimination on the basis of race and ethnicity in education, employment, and in places of public accommodation. Civil Rights Act of 1964 § 601, 42 U.S.C.A. § 2000d (West 2012).

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¹⁶ According to the U.S. Census Bureau, 27.7% of employed Newark residents earned less than \$1,250 per month in 2014 (or \$15,000 annually). U.S. Census Bureau, Center for Econ. Studies, *On The Map, Home Area Profile Analysis*, 2014, (data retrieved for Newark, New Jersey), <https://onthemap.ces.census.gov/>. During 2014, the minimum wage in New Jersey was \$8.25 and the minimum wage in New York was \$8.00, which means that someone working full-time would earn, at a minimum, \$1,320 per month in New Jersey (\$17,160 annually) and \$1,280 per month (\$16,640 annually) in New York. Samantha Marcus, *N.J. Minimum Wage Will Increase Next Year*, N.J. On-Line LLC, NJ.COM, http://www.nj.com/politics/index.ssf/2016/10/nj_minimum_wage_to_increase_to_844_on_jan_1.html; (updated Oct. 1, 2016 at 10:20 AM); *NY Increasing Minimum Wage to \$8 an Hour in 2014*, Metro, N.Y. POST, by Associated Press, Dec. 27, 2014, available at <http://nypost.com/2013/12/27/ny-increasing-minimum-wage-to-8-an-hour-in-2014>.

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¹⁸⁵ Webber, *supra* note 175, at 16 (“Engaging significantly in local action requires partnerships with political leaders, public agencies, and community agencies, as well as a willingness to commit to specific programs.”); Netter Center for Community Partnerships, *supra* note 175, at 48 (“Major transformative efforts require strong and effective leadership. Sometimes anchors assume this role, sometimes not. Leadership roles can be played by the anchor, by public sector entities such as a city’s economic development agency or by the entities from the private sector. The importance is that the lead is taken and collaboration and partnering ensues with all stakeholders.”).

¹⁸⁶ Netter Center for Community Partnerships, *supra* note 175, at 24 (“Penn recognized that for transformative change to occur, a multi-pronged approach that was holistic and integrated had the greatest chance for success. A multi-pronged approach also had a greater chance of capitalizing on resources more efficiently and promoting sustainability. . . [and] requires patience and dedication of time and resources to coordinate and work collaboratively.”).

¹⁸⁷ Wright, *supra* note 181, at 8.

¹⁸⁸ *Id.* at 5. ¹⁸⁹ *Id.* at 6, 8.

¹⁹⁰ *Id.* at 8, 10.

¹⁹¹ Netter Center for Community Partnerships, *supra* note 175, at 108 (discussing how the Netter Center conducted a community needs assessment of West Philadelphia, which provided information on socio-economic issues that the University of Pennsylvania addressed through its anchor strategy).

¹⁹² Wright, *supra* note 181, at 28.

¹⁹³ Netter Center for Community Partnerships, *supra* note 175, at 24 (A multi-anchor, multi-partner approach “requires understanding of the complex layers and experiences of communities and their stakeholders.”).

¹⁹⁴ Webber, *supra* note 175, at 8 (“[R]egardless of their nonutilitarian motives, institutional leaders arguing for [an anchor strategy] will have an uphill struggle in the face of perceptions that the costs of such action outweigh the potential benefits.”).

¹⁹⁵ *Id.* at 12 (“Potential Benefits: (1) Creates a local environmental that can attract staff and customers; (2) Builds the local and regional economy; (3) Generates support from community and political leaders; (4) Contributes to institutional mission; (5) Builds support among internal constituencies. Potential Costs: (1) Requires financial and human capital investment; (2) Opportunity cost for senior management; (3) Difficulty of achieving substantive goals.”); Netter Center for Community Partnerships, *supra* note 175, at 11 (Benefits of anchor institution strategies include: “(a). It is good business; (b). Engagement fosters the socio/economic health of surrounding community; (c). Healthy environment is critical to the attraction of visitors and the retention of residents, employees and students; (d). What happens in the surrounding community affects the anchor and vice versa; (e). It is in their enlightened self-interest; (f). It is the right and moral thing to do.”). Note that it is possible that the anchors will experience financial benefits from their anchor strategy. For example, the University of Pennsylvania, “drawing on the political capital gained through its neighborhood work, [was able] to acquire a major city-owned property for less than one-sixth of the \$30 million it had unsuccessfully offered ten years earlier.” JUDITH RODIN, *THE UNIVERSITY AND URBAN REVIVAL: OUT OF THE IVORY TOWER AND INTO THE STREETS* 170 (2007).

¹⁹⁶ Webber, *supra* note 175, at 7 (“[A]nchor institutions often (1) undervalue the range of potential positive impacts that could follow from their involvement; (2) overestimate the risks and costs of civic intervention; (3) do not conduct careful assessments of the costs and benefits of possible community involvement; and (4) fail to appreciate the full range of proven and promising strategies for promoting neighborhood and city change.”).

¹⁹⁷ *Id.* at 25.

¹⁹⁸ Richard Rainey, *New Orleans Mayor Mitch Landrieu unveils broad policy to find black men jobs*, THE TIMES PICAYUNE, (Sept. 8, 2014), available at http://www.nola.com/politics/index.ssf/2014/09/new_orleans_mayor_mitch_landri_32.html; Civic Caucus, *Foundation collaborative aims to change the way philanthropy works in North Minneapolis* www.civiccaucus.org/Interviews/PDF/Black-Tawanna_08-19-16.pdf.

¹⁹⁹ Senate Presidents Forum, *Employment Opportunities at the Johns Hopkins Institute* (Aug. 19, 2016), available at <https://www.senpf.org/johns-hopkins-opportunities.html>.

²⁰⁰ Netter Center for Community Partnerships, *supra* note 175, at 100.

²⁰¹ Lederman, *supra* note 99.

²⁰² Mann & O’Neil, *supra* note 97.

²⁰³ Netter Center for Community Partnerships, *supra* note 175, at 24 (“It is important for anchors to think holistically, to execute strategically, to be flexible and open to new opportunities, to strive for collaboration with potential partners and to identify and include the host of stakeholders in the community and beyond.”); Webber, *supra* note 175, at 26 (“A successful program of community investment requires effective, deliberate, and flexible implantation.”).

²⁰⁴ Anna Louie Sussman, *Job Gains at Startups Are Way Down*, WALL ST. J. BLOG (Nov. 9, 2016), <http://blogs.wsj.com/economics/2016/11/09/job-gains-at-startups-are-way-down-and-thats-a-bad-sign/?cb=logged0.4583098385066888>.

²⁰⁵ U.S. Dep’t of the Treasury, *Community Development Financial Institutions Fund*, available at https://www.cdfifund.gov/Documents/CDFI_infographic_v08A.pdf.

²⁰⁶ U.S. Small Bus. Administration Fact Sheet, <https://www.sba.gov/sites/default/files/Business-Survival.pdf>.

²⁰⁷ MARTIN LUTHER KING, JR., *WHERE DO WE GO FROM HERE: CHAOS OR COMMUNITY?* (1967).



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