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CAN INFRASTRUCTURE INVESTMENTS PROMOTE A MORE INCLUSIVE ECONOMY?

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It seems that the spring won't be much more favorable to the economy than the winter—while the April showers may have brought May flowers, according to recent job data, they also brought another 500,000 pink slips. While this represents a slight slowdown in the breakneck rates of job loss we've seen recently, the unemployment rate still rose to 8.9 percent, the highest rate in over a quarter-century. Overall, the economy has shed over 5 million jobs since April 2008, the largest yearly loss of jobs on record.

For African American communities, the situation is much worse. African American unemployment rose to 15 percent last month. As a rule, the African American jobless rate tends to be about twice the rate for whites. And it's only certain to get worse—The Economic Policy Institute's own Larry Mishel projects that continued economic weakness will lead the African American unemployment rate to 18.1 percent by mid-2010. If historical relationships between unemployment and poverty rates hold, over half of African American children will be in poverty by next year.

What's to be done? Investing in our nation's infrastructure is an excellent way to move the economy towards recovery by creating jobs and boosting demand. Many jobs will be generated in the construction industry—such as carpenters, electricians, plumbers, architects, project managers, foremen, etc.—but more than twice as many jobs will be generated in other industries, such as accounting, office supplies and construction capital manufacturing (e.g. Caterpillar). Both those direct and indirect jobs put money in the hands of workers who, in turn, spend back into the economy, thus creating more jobs. Overall, infrastructure investments are one of the most effective ways to stimulate the economy, generating about 33 percent more economic activity per dollar than tax cuts.

Recently, the U.S. Congress and the Obama administration enacted a recovery package that included substantial infrastructure funds; however, the package does not and cannot fully address the $2 trillion economic underperformance the Congressional Budget Office estimates over the next two years, nor is it enough to close the $1.2 trillion gap that is needed to bring our national infrastructure up to quality standards. President Obama has indicated that the recovery package is not just a one-time infusion of funds, but rather it is a down payment on a long-term commitment to higher levels of investment in the nation's roads, bridges, trains, subways, airports, schools and electricity grid.

Over the past few decades, the economy has been trending towards lower-paying non-union service jobs and higher-paying professional jobs that require advanced degrees. This polarization of the labor market has left millions of Americans desperately seeking entry into the comfortable middle-class and has thus exacerbated economic inequality. A permanent commitment to public investments could potentially improve the labor market by guarding against these harmful trends. At the Economic Policy Institute, we researched both the number and types of jobs created or supported by two specific public investments: transportation infrastructure and green infrastructure. We found that a $250 billion investment in roads, rail and other transportation infrastructure would produce about 2.8 million direct and indirect jobs—340,503 of those for African Americans—and $400 billion in economic activity. Only 16 percent of the jobs fall in the construction occupational category, with nearly 22 percent of the jobs in transport, 13 percent in production, 12 percent in management, business and finance, and 11 percent in office and administrative support. Compared to the overall economy, this mix of jobs tilts towards the occupational categories construction, production and transport, and away from service, professional and sales positions. Green investments produce a similar occupational breakdown, although with a heavier focus on construction jobs.

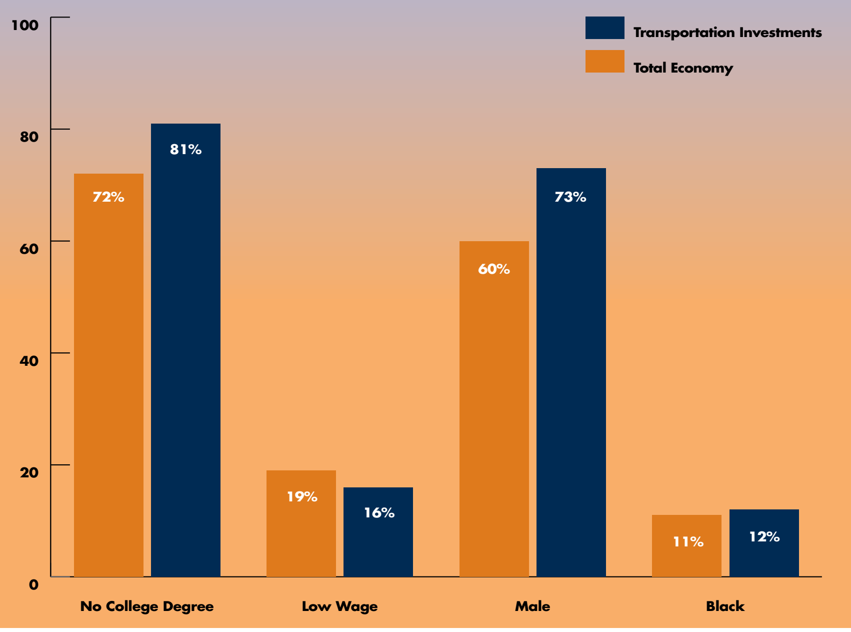
The jobs supported by transportation and green investments appear to be quality jobs as well, or at least compared to the jobs that the economy is creating at the present time. Again, this analysis focuses on transportation investments, although green investments have very similar labor market outcomes. Eighty-one percent of the workers in jobs created or supported by transportation investments do not have a college degree, compared to 72 percent of the economy-wide labor force. But despite being filled by workers with less education, fewer of these jobs are low-wage jobs (which are defined as providing wages in the bottom quintile) than in the overall economy.

In sum, our research also shows that a slightly higher share of the jobs supported by transportation investment will be filled by African Americans, while green investments provide a share of jobs for African Americans identical to those offered by the overall job market (12 percent for transportation, compared to 11 percent for green investments and the overall job market). This shows that these investments will certainly provide significant job creation to African American communities, even if only at roughly the same proportion as the current economy. Nonetheless, the Economic Policy Institute has reason to believe this still understates the job potential for African Americans that these investments can provide. Due to data limitations, we were forced to use data on the overall construction sector, which is probably biased by the residential construction subsector. Using data on exclusively commercial or public construction would have been more appropriate given the public nature of the infrastructure investments, and considering the fact that its employment leans more heavily African American than residential construction, would have likely pushed the results toward even more African American employment.

Not all of the labor market outcomes reflect favorably on transportation investment: job outcomes by gender, for example, skew heavily towards men, with only 26 percent of the direct and indirect jobs supported by transportation investments going towards women (25 percent for green investments). This is due, in part, to the job gains in the male-heavy construction sector, and to a lesser extent the manufacturing sector, although this gender disparity is softened by supplier and re-spending jobs that tend to be more reflective of the overall economy. In the short run, unequal gender outcomes are understandable and actually better-targeted to stem the job losses that have occurred so far in the recession: men have suffered much higher job losses in the recent recession than women, mainly due to the massive layoffs in the male-heavy construction industry since the beginning of the recession. These layoffs have left behind a significant male population that is trained, yet unfortunately idle.

This gender disparity is more troubling as a long-run labor market trend. Most obviously, it is patently unfair to embark on a permanent and costly policy commitment with benefits that accrue so disproportionately to a particular group. Weighting jobs so heavily towards men could also exacerbate the gender pay gap. Furthermore, given that over half the individuals in poverty are in households lacking adult males, a jobs program like

HOW TRANSPORTATION INVESTMENT JOBS COMPARE TO THE OVERALL ECONOMY



infrastructure investment can be an effective anti-poverty tool only if it provides ample job opportunities to women.[1]

Luckily, policymakers have tools at their disposal to ensure the job creation benefits of these investments are targeted toward underrepresented workers, such as African Americans and women. First, they can make the use of public funds contingent on the existence of a Project Labor Agreement (PLA), which is negotiated between the contractor, the local unions and sometimes community organizations. Although initially intended to merely ensure labor-management stability, the PLA concept has now evolved to include hiring provisions that favor local and/or minority workers and contractors. For example, the Oakland Maritime and Aviation Project Labor Agreement (MAPLA) requires that Local Impact Area (LIA) residents must perform 50 percent of all hours worked on a craft-by-craft basis (the hiring pool may be expanded to the Local Business Area if the LIA cannot provide sufficient labor). PLA hiring targets can also be directed specifically towards women or minority hiring.

Unfortunately, often times most members of the targeted community do not possess the requisite skills and training to qualify for these jobs, making hiring targets by themselves an insufficient method of ensuring equality. For this reason, it is important for PLAs to also promote apprenticeships for the targeted demographics, which it can do by stipulating that a certain share of apprenticeship hours be filled by local workers, and that a certain share of total hours worked be performed by said apprentices. The agreement can also mandate that the contactor make contributions to job training and pre-apprenticeship programs.

Although PLAs play an important role in funding job training programs, policymakers can also boost federal funding for the programs themselves. Funding for workforce development has been repeatedly cut in recent years, and the U.S. invests significantly less in job training as a share of GDP than do most OECD countries.[2] Workforce development programs within the *Green Jobs Act of 2007* and SAFETEA-LU (the most recent surface transportation authorization)—having shown success and tailoring such methods to green and transportation investments would be promising options for expansion.

Recently, we have seen some steps in the right direction. In February, President Obama signed an Executive Order allowing executive agencies to require contractors to use PLAs where the use of such an agreement advances the government's interest in achieving procurement economy and efficiency, labor-management stability and, among other things, equal employment opportunity.[3] Meanwhile, $4 billion in job training and related activities was included in the recent economic recovery package, and President Obama's FY10 budget requests a five percent increase in workforce investment.

But, much work remains. There is a temptation to look at infrastructure investments only in the context of aggregate job creation and macroeconomic recovery. While this is a crucial aspect of these investments, if they fail to provide community benefit and workforce development provisions, we will miss much of the tremendous potential of these investments to relieve poverty, reduce inequality and generally promote a more inclusive and robust economy.

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