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Bridging the Divide

BUILDING AN ECONOMY THAT WORKS FOR ALL

CHAIRMAN JIM HIMES &
RANKING MEMBER BRYAN STEIL

HOUSE SELECT COMMITTEE ON
Economic Disparity &
Fairness in Growth

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Letter of Transmittal

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,

SELECT COMMITTEE ON ECONOMIC DISPARITY AND FAIRNESS IN GROWTH,

Washington, DC,

DECEMBER 12, 2022

Hon. CHERYL L. JOHNSON, Clerk,

House of Representatives,

Washington, DC.

DEAR MS. JOHNSON:

Pursuant to clause 3(a)(2) and 3(b) of Rule XI of the Rules of the House of Representatives, we herewith transmit the attached report, ''Bridging the Divide: Building an Economy that Works for All.''

Sincerely,

JIM HIMES, Chairman.

BRYAN STEIL, Ranking Member.

Committee Work

Over the course of the 117th Congress, the Select Committee on Economic Disparity and Fairness in Growth hosted numerous hearings and events in Washington, D.C. and across the country to hear directly from local experts, civic leaders, and community stakeholders. Established by Speaker Nancy Pelosi and created by the 117th Congress by House Resolution 8, the Select Committee set out "to investigate, study, make findings, and develop recommendations on policies, strategies, and innovations to make our economy work for everyone, empowering American economic growth while ensuring that no one is left out or behind in the 21st Century Economy." Led by Chairman Jim Himes and Ranking Member Bryan Steil, the Select Committee created the following report of its findings which highlight actionable policies to alleviate the economic hardships Americans face and build a more vibrant and resilient economy of shared and inclusive prosperity.

The Select Committee convened the following events:

- **July 1, 2021:** Committee Meeting with Heather Boushey, Member, White House Council of Economic Advisers
- **July 29, 2021:** Hearing: "The Nature and Consequences of American Economic Disparity"
- **September 21, 2021:** Tour of Library of Congress: Works Progress Administration exhibits
- **September 21, 2021:** Briefing with Kate Bahn, Ph.D., Washington Center for Equitable Growth and Michael Strain, Ph.D., of American Enterprise Institute
- **September 28, 2021:** Hearing: "The Interconnected Economy: The Effects of Globalization on U.S. Economic Disparity"
- **October 17, 2021:** Trolley Tour of Lorain, Ohio led by Mayor Jack Bradley
- **October 18, 2021:** Lorain Historical Society Listening Session and Tour
- **October 18, 2021:** Field Hearing in Lorain, Ohio: "Renewing Prosperity in the Industrial Heartland: An Economic Agenda for Forgotten Communities"
- **November 3, 2021:** Hearing: "Our Changing Economy: The Economic Effects of Technological Innovation, Automation, and the Future of Work"
- **November 15, 2021:** Roundtable with National Faith Leaders
- **November 17, 2021:** Roundtable on Measuring Economic Disparity
- **December 8, 2021:** Hearing: "Growing our Economy by Investing in Families: How Supporting Family Caregiving Expands Economic Opportunity and Benefits All Americans"
- **December 9, 2021:** Roundtable on America's Unbanked and Underbanked
- **January 20, 2022:** Hearing: "Race, Ethnicity, and the Economy: How Improving Economic Opportunity Benefits All"
- **February 9, 2022:** Hearing: "Connecting Americans to Prosperity: How Infrastructure can Bolster Inclusive Economic Growth"

- **February 22, 2022:** Roundtable discussion on Artificial Intelligence and Economic Disparity in San Francisco, California
- **February 23, 2022:** Visit to Anthropic in San Francisco, California
- **February 23, 2022:** Roundtables in San Francisco, California with Community Leaders on Family-Support Programs and Bold Ideas to Alleviate Economic Disparity
- **March 1, 2022:** Hearing: "Promoting Economic Prosperity and Fair Growth Through Access to Affordable and Stable Housing"
- **March 3, 2022:** Member briefing from the Organization for Economic Co-operation and Development's Centre on Well-being, Inclusion, Sustainability, and Equal Opportunity
- **March 16, 2022:** Hearing: "Big Ideas for Small Businesses: Fostering American Entrepreneurship Through Starting, Sustaining, and Growing Small Businesses"
- **April 6, 2022:** Hearing: "(Im)Balance of Power: How Market Concentration Affects Worker Compensation and Consumer Prices"
- **April 7, 2022:** Roundtable: "Economic Empowerment for Native Communities: Harnessing Innovation and Self-Governance to Unlock Economic Potential"
- **April 11, 2002:** Listening Session with University of Wisconsin - Parkside Students and Local Business Leaders
- **April 11, 2022:** Field Hearing in Kenosha, Wisconsin: "Pathways to Opportunity: Lessons from Kenosha"
- **April 11, 2022:** Forum with Milwaukee, Wisconsin, Community Leaders and Housing Experts
- **April 12, 2022:** Bus Tour of Milwaukee Neighborhoods
- **April 12, 2022:** Field Hearing in Milwaukee, Wisconsin: "Addressing Milwaukee Housing Inequality"
- **April 26, 2022:** Member Meeting with AFL-CIO President Liz Shuler and AFL-CIO Executive Committee Members
- **May 11, 2022:** Hearing: "Bringing Prosperity to Left-Behind Communities: Using Targeted Place-based Development to Expand Economic Opportunity"
- **June 17, 2022:** Listening Session with Community Members in McAllen, Texas
- **June 17, 2022:** Driving and Walking Tour of Indian Hills Colonias in Weslaco, Texas
- **June 17, 2022:** Field Hearing in McAllen, Texas: "Infrastructure Investment: Building Economic Resilience in South Texas"
- **June 22, 2022:** Hearing: "Tackling the Tax Code: Evaluating Fairness, Efficiency, and Potential to Spur Inclusive Economic Growth"
- **July 14, 2022:** Roundtable: "Building Inclusive Prosperity for Rural America"
- **July 28, 2022:** Hearing: "Building a Modern Economic Foundation: Economic Security and Income Support for 21st Century America"

- **August 8, 2022:** Welcome Discussion with Local Elected Officials in Seattle, Washington
- **August 8, 2022:** Labor Roundtable in Seattle on fair pay and worker protections
- **August 8, 2022:** Dinner with Local Business Leaders in Seattle, Washington
- **August 9, 2022:** Boat Tour and Visit to Harbor Island Training Center Hosted by the Port of Seattle
- **August 9, 2022:** Field Hearing in Seattle, Washington: "Lessons from Seattle: New Horizons for Workers' Pay, Benefits, and Protections"
- **September 21, 2022:** Roundtable: "Just Good Business: Private Sector Strategies that Promote Shared Economic Prosperity"
- **September 29, 2022:** Roundtable: "Good Pay for Hard Work: Apprenticeships, Workforce Development, and Diverse Pathways to High-Quality Jobs"
- **October 3, 2022:** Tour of North Atlantic States Regional Council of Carpenters Apprenticeship facility in Boston, Massachusetts
- **October 3, 2022:** Discussion with Faculty from Harvard Kennedy School and Harvard Business School in Cambridge, Massachusetts
- **October 3, 2022:** Discussion with Commission on Reimagining Our Economy hosted by the American Academy of Arts and Sciences in Cambridge, Massachusetts

Acknowledgments

The Select Committee on Economic Disparity and Fairness in Growth would like to thank the hundreds of experts, officials, storytellers, and staff who enriched its work and made this report possible. Committee Members and staff benefited from the generous time, effort, wisdom, and hospitality provided to them in Washington, D.C. and around the country. The Committee would like to thank Speaker Nancy Pelosi for her leadership in forming the Committee, its colleagues on standing Committees for their collaboration, and everyone who took the time to share their story.

The Committee would particularly like to thank the following individuals from the Select Committee staff who contributed to this report:

Majority Staff

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- **Diane Lim –** Policy Director
- **Eric Harris –** Senior Advisor and Communications Director
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- **Mauricio Armaza –** Press Secretary and Committee Clerk
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Introduction 1

ECONOMIC DISPARITY AND THE AMERICAN DREAM

CHAIRMAN HIMES AND COMMITTEE MEMBERS ANNOUNCE COMMITTEE MISSION AND MEMBERSHIP

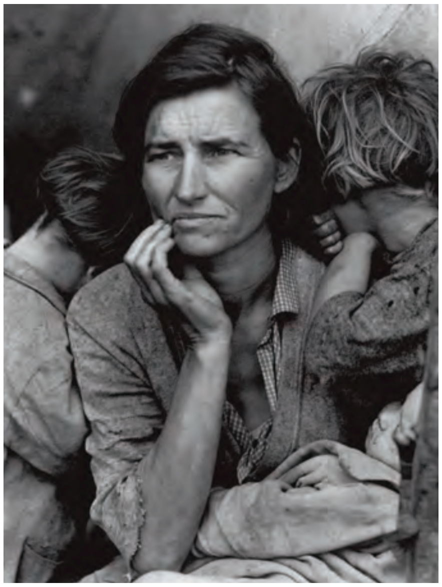
It's not just a dream. From our founding centuries ago, the United States has been thought of as the iconic land of opportunity. The poem inscribed on the Statue of Liberty welcomes the homeless and "tempest-tost" immigrant through a "golden door" to a freedom and prosperity unimagined in the old world. It is the defining idea of America in the world's imagination, and our history has shown that the American Dream can be a reality. Our nation has been the stage for a million tales of rags to riches, and home to a burgeoning middle class whose citizens enjoy health and wealth undreamt of by our ancestors.

In truth, there have always been very different American stories: Langston Hughes spoke of the "dream deferred" for his people. H.L. Mencken wrote of the "forgotten men who always suffer when schemes of uplift are afoot." Walker Evans hauntingly photographed the slow-burn brutality of rural poverty in Appalachia and the Dust Bowl.

And yet, the American story endured. Perhaps because the wealth always grew and was shared, occasionally and unequally. Perhaps because, in America, hope always seemed to outpace abundance.

Until today.

In the middle of its third century, America is both more prosperous and still profoundly unequal. A once-proud middle class now struggles to educate its children or to retire with dignity. The lucky few launch themselves into space and buy global companies like baubles in a toy store, while almost 40 million Americans, including too many children, live in poverty.



DOROTHEA LANGE'S PHOTO "MIGRANT MOTHER"[1]

Put 100 representative Americans into a room with one big pie representing all of American wealth: One solitary person would own a third of that pie. His slice alone would be 15 times bigger than the crumbs left for 50 of the people in that room. That is the definition of inequality run amok.

There are reasons — moral, economic, and political — for concern. Profound inequality dashes not just the dreams of individual Americans. It reduces the productivity of the economy as a whole, shrinking the size of the pie. Deeply unequal economies don't perform as well as more equal economies.

Ominously, a society in which fewer and fewer people have meaningful economic stakes may not be compatible with democracy. A quote attributed to Supreme Court Justice Louis Brandeis noted that "we can have democracy in this country, or we can have great wealth concentrated in the hands of the few, but we can't have both." Thomas Jefferson realized in the early days of the Republic that enduring democracy depends upon a population of educated citizens capable of critical thought who see themselves as stakeholders in a free society. As more Americans feel left behind or unequipped to succeed, as they strive within a system that seems incurably rigged against them, we should not be surprised to see rot growing at the very foundations of our democracy.

In 2021, House Speaker Nancy Pelosi established the House Select Committee on Economic Disparity and Fairness in Growth ("the Committee") to shine a light on the nature of this problem, and to propose practical, analytically sound solutions to the Congress. Members of the Committee held hearings and roundtable discussions with economists, policy experts, and representatives from the public and private sectors to better understand the barriers to prosperity.

Our Committee was determined to listen to people whose voices are not normally heard in Washington: in the hulking shadows of shuttered steel mills in Lorain, Ohio; in isolated residential "colonias" along the Texas-Mexico border; and in previously redlined neighborhoods in Milwaukee. The Committee traveled to San Francisco to consider the role of technology; heard from researchers, union, and business leaders in Seattle; and visited the Academy of Arts and Sciences in Cambridge, Massachusetts.

From the start, the Committee faced the challenge of defining “fairness.” We need a concept of fairness to take the measure of today’s economy and to lay out a roadmap for progress. There is, of course, no consensus on the nature of a just society. For centuries, utopias have been developed in libraries and coffee houses only to collapse in the streets, sometimes with hideous violence. Forests are felled for innumerable tracts on utilitarianism, communitarianism, and the nature and possibility of meritocracy.

COMMITTEE VISITS TO SAN FRANCISCO, THE RIO GRANDE VALLEY, MILWAUKEE, AND THE PORT OF SEATTLE

Fortunately, Americans have a practical answer to the question of fairness: Everyone who works hard and plays by the rules should be able to make a secure and comfortable life for his or her family. This rough-and-ready definition of fairness has its critics. There are those who argue for equality of outcome, and those who worship unfettered capitalism. History shows that neither of those absolutes is durable or desirable.

The pragmatic American ideal of fairness embraces the notion that freedom from want and fear unleashes the full human potential of each and every citizen. The next great thinkers, leaders, inventors, jurists, and creators are growing up today. If each of them is able to reach his or her full potential, our society as a whole will flourish.

We understand that our society falls far short of this modest standard of fairness. Too often success in our country depends on carrying a certain last name, being a certain gender, or being born into a certain neighborhood or with a certain skin color, things over which an individual has no control. There is no formal American aristocracy, but some Americans are borne by powerful tailwinds of wealth and privilege while others face cruel headwinds of poverty and despair.

Of course, effort, talent, and grit matter. But they are far from all that matters in determining who succeeds. This Committee starts from the premise that those things should matter more for every American, and arbitrary factors should matter less. Could any principle better capture the founding spirit of our nation?

SPEAKER PELOSI APPOINTS COMMITTEE MEMBERS[2]

The Committee's hearings, research, and travels gave us a fine-grained look at the economic challenges faced by Americans. We also developed a profound appreciation for the stories of struggle and dignity, of success and failure, of doors opened and closed that are lost in dry statistics. We produced a 30-minute documentary entitled "Grit and Grace" which tells the stories of three American families. Our hope is that our recommendations will be considered with those families in mind.

The Committee recognized from the start that addressing economic disparity has never been the sole purview of the federal government. In fact, programs at the state and municipal levels often demonstrate an adaptability and nimbleness that federal programs find difficult to achieve. Philanthropy transforms lives, as well it should. At nearly $500 billion per year, American charitable giving approximates the size of Canada's federal budget.[3] American employers make a meaningful difference not just by providing jobs but by assisting employees to get college educations, by offering child care, and, in some cases, by paying minimum wages that exceed the federal minimum wage. The federal role should be thought of as a partnership that backstops, supports, and augments these efforts.

Our recommendations are organized around the three biggest factors that determine an individual's success. A free-market economy, however regulated or buoyed by safety nets and social insurance, is (or should be) an essentially competitive environment, and so we borrow a sports metaphor. Success is a function of the native talent, application, and training of the individual athlete. But no athlete succeeds in a vacuum: Support and teamwork matter. And no matter how well an athlete or a team is trained and supported, the fairness of the playing field matters. Our proposals, therefore, fall into the categories of investing in individuals, building and supporting communities, and dismantling structural barriers hindering opportunity and growth.

Investing in Americans throughout their lives — including affordable, high-quality child care, universal pre-kindergarten, and accessible lifelong learning options — is one of the most effective ways to help children realize their full potential, reduce the costs and financial burdens facing families, and provide opportunities for adults to sharpen their skills and improve their prospects.[4]

Underserved and left-behind communities often suffer as much from a lack of connection as they do from a lack of capital. Crumbling or non-existent physical infrastructure — including roads, bridges, and broadband — have undercut the ability of various places to support local entrepreneurship and promote consistent job growth.[5] An absence of accessible and affordable housing holds back economically vibrant locales and challenges the stability of older communities. Federal investment in local economic development partnerships can address these challenges.

No examination of American economic disparity can ignore the charged issue of race. Communities of color struggled for generations with violence, prejudice, bigotry, and economic systems which kept them down. The achievements of the civil rights movement and the diversification of American society have delivered some progress. But they have not silenced the echoes of generations of discrimination and of opportunities denied, echoes which are apparent in almost all social indicators and economic statistics.

AN UNOCCUPIED, CITY-OWNED HOME IN MILWAUKEE[6]

Even as our courts and legislatures struggle with the debts that may be owed and the remedies that might be offered for our nation's history of prejudice and bigotry, we must at a minimum not shrink from honest reflection on the systemic barriers that helped turn the American Dream into a mirage for too many.

Finally, the Committee was comprised of Democrats and Republicans working in a historically polarized time. We disagreed more often than we agreed, on the causes and implications of economic disparity, and especially on solutions that might be offered by the federal government. The Committee did, however, dedicate itself to putting observation and analysis ahead of ideology and partisanship. We built unlikely personal relationships of trust and respect.

This report and the views of the minority demonstrate the visions of the Committee's members. We have made the case for those visions as well as we can. But we decided to highlight those measures, modest though they might be, that could be implemented in our divided legislature.

Our history has shown that modest initiatives that remove barriers or expand opportunity have cascading effects over time. Every GI who went to college, every family that grew up in a beloved home that became their financial nest egg, every senior liberated from being a burden by Social Security and Medicare, every new business funded with a prudent loan guaranteed by the Small Business Administration created seeds of opportunity for individual American families.

If we know one thing for sure it is this: Give Americans a lifeline out of poverty and an opportunity to flourish and they will amaze the world. We urge the Congress to move speedily on the passage of the modest initiatives chronicled here.

Economic Disparity

2

WHAT IT LOOKS LIKE

THE CHICAGO GARMENT WORKERS' STRIKE IN 1910; AN OCCUPY WALL STREET PROTEST IN 2011[7]

America's system of modified free-market capitalism was, and is, a machine for unprecedented and explosive wealth creation. Industrialization and the era of the robber barons radically transformed our economy into a coal-fired behemoth of mass production. Workers had new access to cheap goods but struggled in a Dickensian dystopia of seven-day workweeks, child labor, and violent catastrophes like the Triangle Shirtwaist factory fire in 1911 that killed 146 garment workers, including 123 women and girls. Unions rose to fight for worker safety and dignity. Muckraking journalists like Ida Tarbell and Ray Stannard Baker exposed the brutal depredations of trusts like Standard Oil and the rank corruption in city political machines and the U.S. Senate.

In response, the federal government, led by Presidents Roosevelt, Taft, and McKinley, ushered in the Progressive era, which limited the power of monopolies, established a federal Department of Labor, set standards for food and drugs, and laid the groundwork for the emergence of a national social safety net. States also responded. Wisconsin, led by reformers like Robert La Follette, innovated with progressive ideas for good governance and instituted the nation's first workplace injury compensation law and the first state income tax.[8]

By the end of World War II, national mobilization and this progressive evolution had helped create a massive, consumer-oriented, and optimistic middle class. Even those who had been historically excluded from the nation's burgeoning prosperity, especially Black Americans, found opportunities in the insatiable demand for workers by factories throughout the Midwest, New England, and in the explosive growth of California. The vast majority of Americans could expect to earn more than their parents.[9] Prosperity was shared, if not equally, across American demographics. The portion of total income going to the top 10% of earners fell from 50% in 1928 to 33% in 1944.[10]

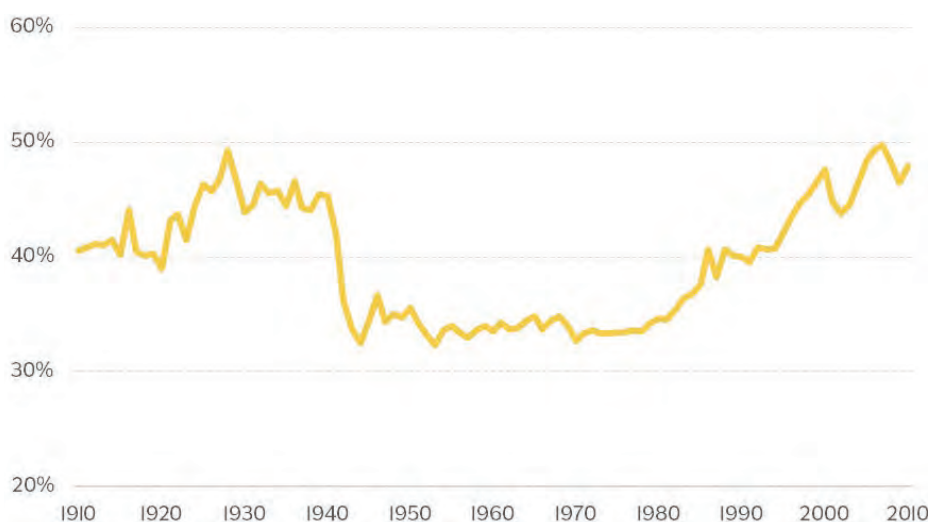
Expanded progressive taxation generated critical government revenue streams, allowing the expansion of the social safety net, the construction of the interstate highway system, and investments in education and research that would drive innovation for generations. Rising incomes and plentiful job opportunities were the norm.

About 40 years ago, this remarkable engine of increasingly shared prosperity slowed, sputtered, and for many, came to a grinding halt, then began to reverse.[11]

Globalization and the emergence of sharply competitive international labor markets, technology, and the decline in union membership and collective bargaining power[12] led to stagnant wages for most workers.[13] The evolution of the economy away from manufacturing and towards automation and services increased downward wage pressure even as it put huge premiums on high-end knowledge workers, leading to dramatic pay increases for those at the top of the income ladder.[14]

Figure 1: Income Inequality Has Been Rising For Decades

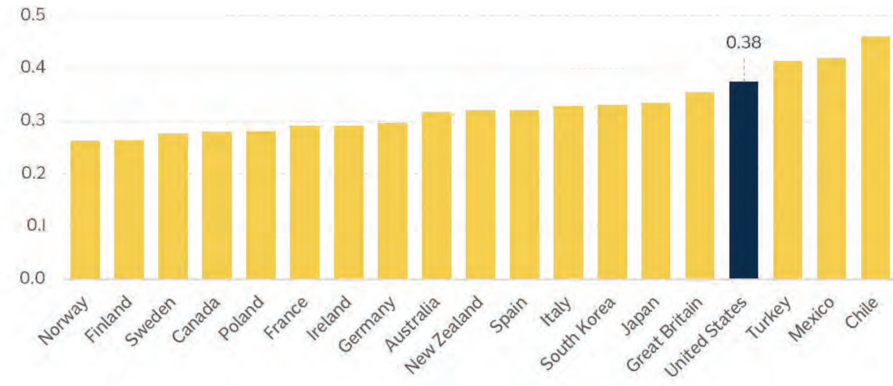
SHARE OF NATIONAL INCOME RECEIVED BY THE TOP DECILE (1910 – 2010)



SOURCE: THOMAS PIKETTY (2013)[15]

In the last several decades, income inequality and economic disparity across job sectors, geographic areas, and racial groups have grown with alarming speed. Today, income and wealth inequality is higher in the U.S. than nearly any other developed nation,[16] and it's getting worse.[17] Disturbingly, the ability to climb the economic ladder — so central to the American Dream — has all but disappeared. Over this period, as wages for most workers stagnated, the costs of housing, health care, child care, and higher education have soared. Worker pay grew in tandem with rising productivity in the postwar decades, but since 1980 productivity has risen much faster than wages.[18] The difference in average pay for CEOs and their workers at large corporations was 20:1 in 1965. Last year, it was nearly 400:1.[19]

Figure 2: The United States Is One Of The Most Unequal Wealthy Nations
COUNTRIES BY GINI COEFFICIENT (2017 OR MOST RECENT YEAR)



SOURCE: ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (2017-2021)[20]

Inequality in America Today

Disparities in income and wealth have grown so large that the U.S. has become the world's most unequal wealthy country. High-wage and low-wage jobs have proliferated, as middle-income jobs have dwindled. More than two in five workers — 53 million people — earn less than about $16 per hour. While the top 1% of earners had an average income of more than $820,000 in 2020, the bottom 90% averaged about $40,000.[21]

Such disparities in income are much less common in Western Europe and Japan. The Gini coefficient, a widely used measure of inequality, is significantly higher in the United States than in other rich countries. Disparities have been growing in Europe, but at a slower rate, as the top 10% increased their share of the pie by four percentage points across the Atlantic, compared to 13 percentage points in the U.S.[22]

Importantly, wages don't fully reflect total compensation as the top three-fifths of the workforce get health-insurance, 401(k)s, and other employer-provided benefits that most lower-wage workers do not. The wealthy also benefit disproportionately from income on capital such as capital gains, interest, and dividend income, all of which are taxed more lightly than wages. Complicating the picture, millions of poor, middle class, and older Americans receive government services and benefits ranging from Social Security and unemployment insurance to the Earned Income Tax Credit and food stamps. If the precise income picture is messy, the broader situation is clear: Income inequality is at levels unseen since the 1920s, and it is getting worse.[23]

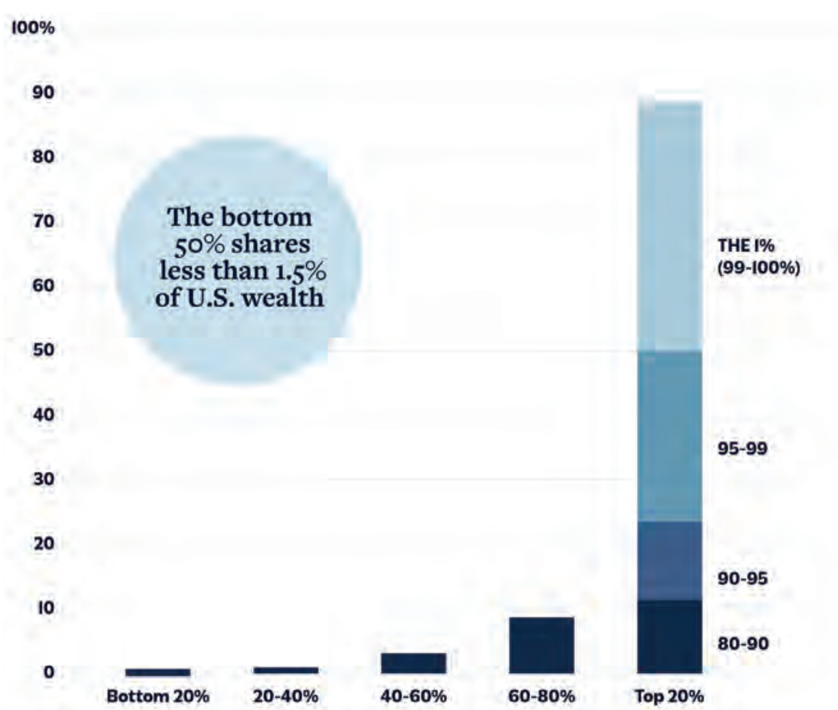
SCENES FROM THE GREAT DEPRESSION[24]

Significant economic disparity manifests in very troubling ways as poverty and lack of access to services deprive many families of a decent life. It correlates with health outcomes, as high-income Americans live an average of 10 to 15 years longer than their low-income neighbors. Rates of diabetes, addiction and overdoses, hypertension, accidents, infant mortality, and crime are significantly higher among low- and middle-income individuals. Environmental hazards threaten the less well-off disproportionately.[25]

The distribution of wealth — ownership of assets such as homes, investments, retirement plans, businesses, and other assets — is even more skewed: The richest 1% of households had 15 times the combined wealth of the bottom 50% in 2021.[26] That same 1% hold about one-third of the country's wealth. By contrast, the median wealth of those in the bottom quarter of the population was negative; they had more debt than assets. Such asset poverty is widespread, as more than a quarter of Americans do not have the cash to cover three months of expenses.[27]

Figure 3: The Distribution Of Wealth In The United States

THE WEALTHIEST QUINTILE HOLDS NEARLY 90% OF U.S. WEALTH



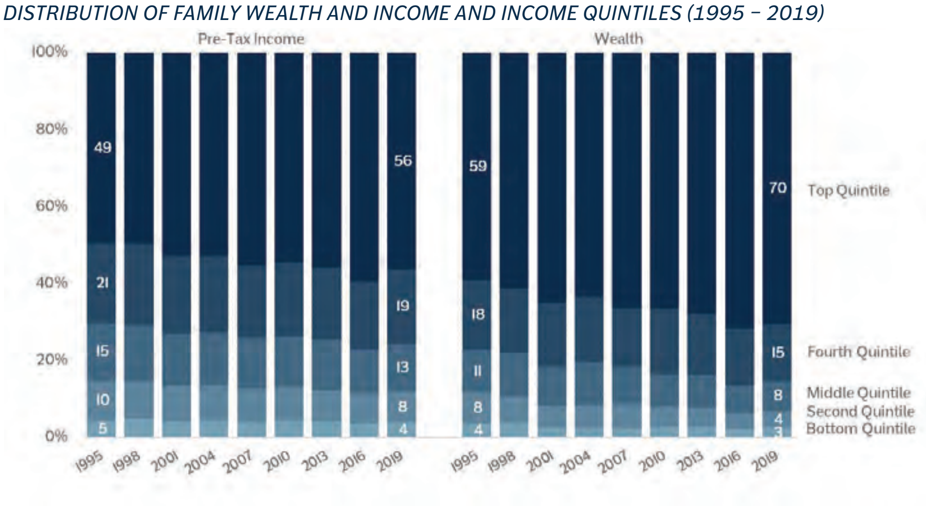
SOURCE: WASHINGTON CENTER FOR EQUITABLE GROWTH (2019)[28]

People with even modest wealth face much less risk in life. They have the means to pay unexpected expenses. Unemployment is less of a threat. They are much less likely to borrow and pay the high interest rates that lenders charge low-wealth, low-income borrowers.

Those with above-average wealth tend to live in neighborhoods where schools are better and associate with those who know of job or business opportunities. They have more freedom to set their own schedules and find it easier to risk a move, a new job, or an early retirement. They pass on wealth to their children. Opportunity, which entails far more than achieving high levels of consumption, surrounds them and their families in ways not available to those with little or no wealth.[29]

Figure 4: Income and Wealth are Increasingly Concentrated in the Top Quintile

DISTRIBUTION OF FAMILY WEALTH AND INCOME AND INCOME QUINTILES (1995 – 2019)



SOURCE: BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (2019)[30]

It is important to understand that inequality itself is not evenly distributed among different segments of the American population, a fact that is often obscured by aggregated economic statistics. Racial inequities are particularly stark. Median wages for Black workers were just three-fourths those of white workers in 2019. Because unemployment rates are higher and labor force participation rates are lower, the earnings of Black households are only half those of white households. The typical Black household has about one-eighth the wealth of its white counterpart. The huge wealth differential between white people and Black people, as well as a host of disparities ranging from education and health to housing, cannot be understood without an understanding of how such differences originate in a long history of racism.[31]

Other racial disparities are also pronounced. Hispanic household earnings average about half that of white households, and median net worth is just one-fifth the amount of the typical white family. Among America's indigenous peoples, median household income is less than two-thirds that of white households, and wealth is only one-eleventh.[32]

Gender matters as well. There is a nearly 2-to-1 wealth gap between male- and female-headed households. Women as a group earn about 80 cents for every dollar that men earn, a fact driven by the disproportionate numbers of women in low-wage jobs. The gender wage gap is even more pronounced among college graduates, as women with a bachelor's degree earn just 74 cents for every dollar that men make.[33]

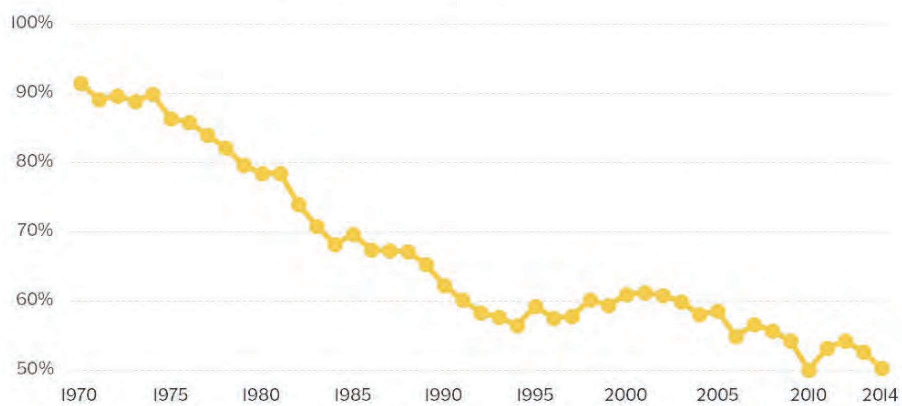
Dwindling Social Mobility

Widening wealth and income inequality have been accompanied by declining social mobility, as children from families with low or moderate wealth are less able to out-earn their parents than their ancestors 50 years ago or their peers in other wealthy nations.[34] This is disturbing for a country that has long considered itself the iconic land of opportunity.

Around 90% of children born in the 1940s grew up to out-earn their parents. Similar numbers out-learned their parents, as college attendance rates shot up. Stories of upward mobility were popular in Hollywood and regularly featured in the news media. In contrast, American children born in the 1980s — millennials — could not expect the same: Only about 50% would out-earn their parents.[35]

Figure 5: Children Out-Earning Their Parents Is Becoming Less Common

PERCENT OF CHILDREN EARNING MORE THAN THEIR PARENTS AT AGE 30 (1970 – 2014)



SOURCE: OPPORTUNITY INSIGHTS (2016)[36]

Evidence that increasing inequality dampens mobility compounds the challenges to those seeking to better their circumstances. Studies show a strong correlation between social mobility and shared economic growth. According to the International Monetary Fund: "In societies where opportunities are unequal, including across generations, an increase in income inequality tends to become entrenched, which limits the potential and prospects of low-income earners, and stymies long-term growth."[37]

The correlation between high inequality and low mobility was dubbed "the Great Gatsby curve" by Alan Krueger, chairman of President Obama's Council of Economic Advisers. By the late 2010s, the probability that someone in the bottom income quintile would remain stuck there was higher — and the chances of rising to the top quintile were lower in the United States than in Sweden, Germany, France, and Japan.[38]

Why Has This Happened?

So, why has inequality increased and why has upward mobility become so much harder than in the mid-20th century?

The answer lies in a combination of factors: globalization, technological innovation, regressive policy changes, a labor market increasingly divided by educational attainment, and the residual effects of generations of discrimination against certain groups.

There has always been a robust debate, particularly in American politics, about the relative importance of these structural factors and personal choices around work, training, and behavior, with Democratic policy makers focused on the former and Republican ones on the latter. Personal choices do meaningfully affect economic outcomes, but for many these choices are made in a context that is powerfully determinative of outcome. A 2020 analysis by the National Bureau of Economic Research concluded that about three-fifths of American income inequality is a function of structural factors and other "circumstances beyond people's control."[39] It is counterintuitive to believe that the personal choices of workers in the 1950s differed so radically from personal choices today that they drive the shocking disparities that developed in that period.

Stories in Context

WATCH VIDEO: MARJORIE CHAMBERS, CLEVELAND, OH

Tool and Die Maker at General Motors,
Vice President UAW Local 1005

"I've been with UAW for 47 years. I've been with General Motors for 43 years. When I started working in the early 70s, we had thousands of workers," Marjorie Chambers of Cleveland, Ohio told the Committee at its hearing on Revitalizing the Industrial Heartland in Lorain, Ohio. "Right now, in our plant, we have under a thousand."

"I was laid off for two years with no hopes of going back and then worked again for a year and was laid off for another year," she added. "We have to reinvent ourselves so that we can save and keep as many of the workers as we can."

In the years following World War II, the U.S. economy stood nearly alone amid the wreckage of Europe and Asia. American workers struggled to meet the explosion in appetite for consumer goods from American consumers. As Europe and Asia rebuilt, they became new markets, but also cheap competition. Japanese goods, which in the early postwar years were emblematic of low prices and poor quality, began to compete with many American products, from consumer electronics to the fabled production of the iconic U.S. auto industry.[40]

International trade provides many benefits, from raising living standards around the world, reducing prices, and increasing variety for consumers, to expanding markets for domestic producers and farmers, and creating jobs in export-oriented industries. It also generates severe harm to those products, industries, and workers that are displaced. This is what economists euphemistically call "dislocation."

While the benefits of trade are generally diffuse, the costs were often concentrated in specific communities. In the last generation, dislocation has devastated jobs in manufacturing hubs in communities from Flint, Michigan and Newton, Iowa to Rochester, New York, and Baltimore, Maryland.

Although trade has increased since the General Agreement on Tariffs and Trade (GATT) in 1947 began reducing tariff barriers, the 1994 North American Free Trade Agreement (NAFTA) and China's entry into the World Trade Organization (WTO) in 2001 caused widespread job loss and reduced job quality in certain communities — particularly among workers in manufacturing who could no longer support their families with high-wage union jobs after offshoring. Referring to this "China shock," economists David Autor, David Dorn, and Gordon Hanson wrote: "Employment has fallen in the U.S. industries more exposed to import competition, as expected, but offsetting employment gains in other industries have yet to materialize."[41]

CHAIRMAN HIMES SPEAKS WITH AFL-CIO CHIEF ECONOMIST BILL SPRIGGS

The outsourcing of these jobs to countries with low-cost, sometimes exploited labor often raised corporate profits and share prices, resulting in an aggregate transfer of wealth from labor-intensive industries to capital-intensive ones. This dislocation often devastated towns and regions, even as financial, services, and consulting services thrived in different parts of the country.[42]

The country's trade deficit also totaled $13.1 trillion between 1992 and 2021, as domestic production was displaced by imports.[43] This left the U.S. more dependent on international energy, metals, electronics, pharmaceutical components, semiconductors, and even food.

Technological Change and Automation

Technology similarly both benefits and costs workers — particularly low and medium-skilled workers. This is not a new problem. Since the early days of the Industrial Revolution, workers have been displaced by machines that can do certain tasks more efficiently and quickly than humans. Routine tasks, like those involved in manufacturing, have been the most subject to automation, creating pressure on wages and employment even as knowledge jobs and some service jobs like cleaning are more insulated from harm.

Automation has shifted labor market demand, not only by doing away with jobs but also by depressing wages for workers in affected sectors.[44] As once well-paying, unionized manufacturing jobs that required less education disappeared, workers who survive are forced to accept lower wages, less secure

TWO INDUSTRIES FACING RAPID AUTOMATION

jobs and less opportunity for advancement. Additional middle-skilled jobs, like those of nearly nine million cashiers, retail salespersons, and administrative assistants, are now at high risk from automation.

The story of Marjorie Chambers at General Motors illustrates how trade and technology have decimated well-paid U.S. auto industry employment. One study estimated that the differential exposure to automation among American workers may be the cause of as much as half the increase in inequality during the last 40 years.[45]

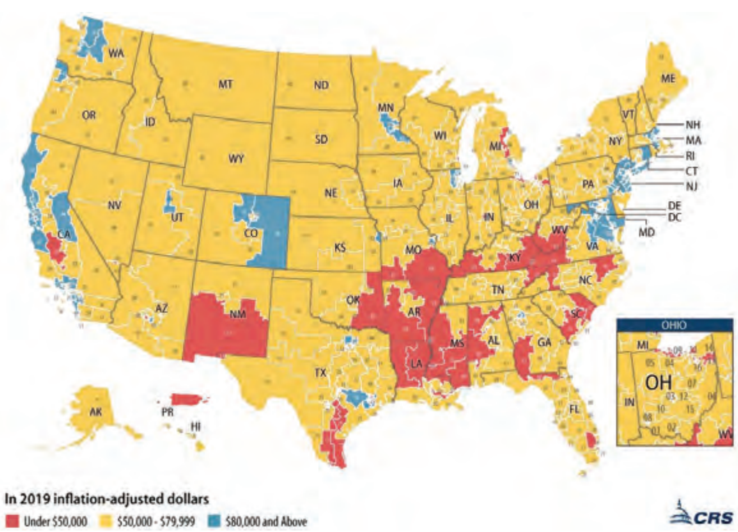
Looking ahead, it is hard to imagine this pressure moderating. Artificial intelligence (AI) is boosting productivity and raising overall living standards, but, because of its ability to closely mimic sophisticated human skills, may cause "much more worker displacement and inequality than older generations of inequality," according to labor economist Harry Holzer. Whereas robotics and software have replaced repetitive and predictable tasks, AI is threatening higher-wage white-collar occupations like accounting, editing, and even some medical fields.[46]

An Increasingly Bifurcated Labor Market

As trade and technology eliminated millions of semi-skilled middle-class jobs, America's workforce has become increasingly divided between high-wage occupations requiring at least a college degree and low-wage jobs largely held by those with less than four years of college. Jobs that require highly specialized knowledge, associated with manipulating information and technology, have commanded a wage premium. Conversely, "since the 1970s, low-wage jobs have undergone marked growth as a proportion of the U.S. labor market," according to the Bureau of Labor Statistics. "These jobs include food service; housekeeping; low-level healthcare positions, such as nursing assistants; and low-level retail positions, such as cashiers. Women tend to be disproportionately represented in these occupations."[47]

Figure 6: Estimated Median Household Income by Congressional District in 2019

MAP DISTRIBUTED AT 2021 COMMITTEE FIELD HEARING IN LORAIN, OHIO



PREPARED BY THE CONGRESSIONAL RESEARCH SERVICE (2021)[48]

The typical weekly earnings of Americans with a professional or doctoral degree in 2021 was around $1,900, compared to about $800 for those whose highest credential was a high school diploma, and $900 for people with some college. Economic status does not always correlate with educational attainment, but median net worth for those with a college degree was about four times that of those without in 2019.[49]

This growing divide between well-educated, higher-paid workers and lower-paid workers with less education has been increasingly correlated with geographical disparities between thriving urban and suburban areas, particularly in the Northeast and on the West Coast, and rural, inner-city, and exurban areas left behind. America is increasingly segmented into prosperous, at-risk, and distressed communities. While knowledge workers are concentrated in the former, the latter have become home to distressed populations including disproportionate numbers of people of color, immigrants, the less educated, and those disconnected from the labor force.[50]

Racism, Bigotry, and Anti-Immigrant Sentiment

For generations, de jure and then de facto racism excluded Black Americans from the prosperity enjoyed by many whites. From the early 17th century in the New World until the American Civil War, most Black people were brutally enslaved and denied even the basic concept of personhood. For another century, Jim Crow laws codified racial discrimination. Bias was and, despite progress, still is pervasive — in our laws and law enforcement, our culture, our educational institutions, and among employers.

Those laws designed to protect or boost the prospects of white workers, veterans, and homeowners — ranging from the 1935 National Labor Relations Act and the 1938 Fair Labor Standards Act to the Home Owners' Loan Corporation in the 1930s and the GI Bill in 1944 — effectively excluded people of color. The 1964 Civil Rights Act outlawed discrimination, but racial inequities persist in education, employment, and homeownership, shortchanging opportunities for people of color to build wealth.[51]

Native Americans were massacred, decimated by diseases brought by European settlers, and forcibly resettled, keeping them on the sidelines of American abundance. Today, Native American reservations have some of the most endemic deep poverty in the country.

America has long considered itself a melting pot, yet that understanding has often not extended to the actual experience of all races, ethnicities, and cultures. The complex history of the United States reveals that not all people have been welcomed or seen as equal under the law. For centuries, nearly all immigrant and minority communities, especially those of non-European descent, have experienced discrimination, hostility, and violence as a result of xenophobia and bigotry — with detrimental outcomes that often persist today.

Stories in Context

WATCH VIDEO: SGT. JOHNNIE CHEATOM, KANSAS CITY, MO

Army Sergeant First Class (Retired, 25 years)
Awarded the Bronze Star and a Purple Heart
Served in Germany, Korea, and Vietnam

"I didn't get the chance of getting the GI Bill," says Sgt. Johnnie Cheatom from Kansas City, MO. "I didn't receive the same benefits as the rest of the GIs, because they got the GI Bill and got a house with a low interest rate. Financially, it was a bad deal for me. I was on my way to Vietnam, and I had five kids and a wife and, if I got killed over there, I wanted them to have a place to stay. It was promised to you [when you enlisted] that you could get a GI Bill."

Like many servicemembers, Sgt. Cheatom tried to apply for the no-money-down, no-interest rate home loan guaranteed by the GI Bill. However, he believes he was denied a loan because of the color of his skin.

"I think they steered me away from getting the GI loan – I felt discriminated against," he explains. "And so, I put my uniform on, went over there to the FHA and they said, 'Yeah, you can get the house, you can get the house.'" But there was a catch. "I got a 30-year loan, but I still had to pay interest on it," he says, despite the zero-interest rate mortgage loan promised to him through the GI Bill. "I had to pay a high interest rate for 30 years."

Just as overall American inequality diminished in the postwar era, racial income and wealth gaps narrowed in the wake of the civil-rights movement of the late 1950s and 1960s. Wages for Black and Latino Americans began to catch up with those of their white counterparts, as racial segregation and discrimination moderated. However, some economic gaps have widened since the 1980s due to "retrenchment on anti-discrimination policy, in combination with policies and practices that fueled growing wage inequality," according to Valerie Wilson of the Economic Policy Institute.[52] Many of them will take generations to close on current trajectories.

Regressive Policy Changes

Trade and technological change have affected other rich nations, but what distinguishes the U.S. from most of the European Union and the advanced economies of East Asia are certain policy changes enacted since the 1980s that have aggravated disparity.

In response to the economic stagnation and high inflation of the 1970s, lawmakers began enacting tax cuts for wealthy Americans based on the "supply-side" theory that these would unleash investment and economic growth that would "trickle down" to the rest of the population and increase overall government receipts. This did not prove to be the case. While federal tax rates for middle-class workers remained largely unchanged, average rates for the richest Americans plummeted. The net effect has been to increase inequality, constrain government investments in people, and increase federal borrowing and debt.[53]

The Reagan Administration paired tax cuts for the wealthy with cuts to programs supporting job training, access to higher education, affordable housing, and food security. The 1996 welfare-reform law ended welfare as an entitlement program, required recipients to work after two years of benefits, and placed a lifetime limit of five years on those benefits. These cuts to cash assistance programs led to increases in deep poverty among families with children, even as refundable tax credits like the Earned Income Tax Credit and the Child Tax Credit blunted some of their effects.[54]

Figure 7: The Richest Americans Have Received the Largest Tax Cuts
CHANGE IN EFFECTIVE TAX RATE BY INCOME GROUP (1970 – 2004)

SOURCE: THOMAS PIKETTY, EMMANUEL SAEZ (2007)[55]

The Tax Cuts and Jobs Act of 2017, which in 2020 reduced the tax burden of the richest 1% of Americans by $77.6 billion and that of the poorest 40% by just $14.3 billion, only accelerated the trend of more lightly taxing high-income America.[56]

During the last 40 years, policy changes eliminated or watered-down regulations and antitrust laws that protected homeowners, workers, and consumers. Collective bargaining rights have been cut in many states. Federal, state, and local governments have cut spending for education. Investments in children and workers, as well as other "non-defense discretionary spending," also declined until 2021. Whereas half of federal spending growth between

1945 and 1980 went to domestic discretionary initiatives, only about 20% of the absolute growth since then has gone to such programs.[57] Meanwhile, accumulated inflation has caused the federal minimum wage to fall 40%, in real terms, below its 1968 peak.

These policies are a dramatic break with the traditions of the Progressive era of Teddy Roosevelt and Woodrow Wilson, when the government countered inequality with a progressive income tax system, antitrust laws to limit monopoly power, and laws limiting worker hours and child labor. The New Deal cemented fair labor standards laws, protections for collective bargaining, and income-security programs like Social Security and unemployment insurance. In the postwar era, particularly during Lyndon Johnson's Great Society, policies made higher education and homeownership affordable for millions, expanded eligibility for the minimum wage and Social Security, supported infrastructure and research and development, provided federal aid to help educate the poor through Head Start and Title I of the 1965 Elementary and Secondary Education Act, and took aim at racial discrimination through the 1957 and 1964 Civil Rights Acts, the 1965 Voting Rights Act, and the 1968 Fair Housing Act.[58]

It is not hard to see which policy instincts have delivered widely shared growth and social mobility to the American people.

PRESIDENT FRANKLIN DELANO ROOSEVELT; WPA POSTER[59]

Inequality is Not Inevitable

As historical experience demonstrates, economic disparity is not inevitable. It ebbs and flows with cycles of economic change and is mitigated or aggravated by the decisions of political leaders. In short, we do not have to accept the current state of affairs.

Much can be done at the state, local, and federal levels, as well as by the private sector, philanthropies, and faith-based institutions to change course and unlock prosperity for far more people. The Progressive era should inspire, even if the solutions to 21st century challenges will be very different than those of a century ago. Some policies must come from Washington because people, goods, services, and ideas move and interact throughout the nation. Others are better initiated and implemented by states, counties, cities, and towns, which best understand local needs and can serve as proverbial laboratories of democracy. Often, the most innovative ideas come from the private and nonprofit sectors. Churches, synagogues, mosques, and other religious institutions may be more attuned to caring for their congregations and communities.

For too long, we have failed to make the future-oriented investments in people and communities that made the nation great. As a result of more than a year of research, hearings, and engagement with citizens throughout the country, we have identified a series of policies that will catalyze shared prosperity and promote fairness in access to opportunity. We turn to these in the next chapters.

MEMBERS TOUR A TRAINING FACILITY IN SEATTLE

Finding Agreement 3

BIPARTISAN SOLUTIONS WE CAN DO NOW

Over the 18 months of the Committee's work, Democratic and Republican Members frequently disagreed over the causes and nature of economic disparity. We did agree that too many Americans are finding opportunity elusive and prosperity beyond reach.

The partisan debate, and the research and philosophical differences that underlie that debate, have been honed over many generations. As the Chairman frequently reminded the Committee, we were unlikely to meaningfully expand on the decades of academic work produced by the world's research institutions and think tanks.

We could, however, apply our hard-earned political judgment and a feel for the current political moment to offer suggestions that might be achievable in an era of divided government. Both parties will continue working to expand popular support and create the legislative pathways for their ideas, but that process must not forestall the progress that can be made today. The ideas presented below have bipartisan support in one form or another, and the Committee recommends the 118th Congress act immediately in these areas.

REP. OCASIO-CORTEZ AND REP. DAVIDSON AT THE ROUNDTABLE ON MEASURING ECONOMIC DISPARITY

Investment in Early Childhood Education

Every one of the four million children born in the United States each year deserves access to opportunity. This means a good home, good health, nutrition, care, and the intellectual and social stimulation so critical for child development.

Early childhood education has a transformative impact, as studies repeatedly show a significant return on investment and other long-term benefits both for individuals and the economy at large. That is why there is broad support among business, educators, and the American people for expanding access to early education, and why states like Oklahoma and Vermont have introduced universal pre-K programs. A group of Republican Senators has called for increased funding to support the public child care system and families in need of child care assistance.[60]

While the Committee urges Congress to take action to expand early education, the Committee also urges states to act now to expand access and enrollment for early childhood education programs, including universal pre-K.

Increasing the Child Tax Credit

There is bipartisan recognition that every child should have good and fair opportunities to thrive. That is why most Democrats and some Republicans support the Child Tax Credit and other legislation to direct additional resources to low-income families with children. These include the proposed Family Security Act, introduced by Sens. Mitt Romney (R-UT), Richard Burr (R-NC), and Steve Daines (R-MT), and the Advancing Support for Working Families Act, co-sponsored by Sens. Bill Cassidy (R-LA) and Kyrsten Sinema (D-AZ).

The Committee believes such legislation does not sufficiently help children and parents in low-income families overcome barriers to upward mobility and success. However, the bipartisan interest demonstrates that Congress can work together to enhance opportunities for our nation's children and families.

Lifelong Learning

The Committee agrees on the challenges facing adult workers in today's rapidly evolving economy. The U.S. needs more flexible, affordable, and accessible education and learning opportunities. The Committee agrees on the need for reauthorization of the Workforce Innovation and Opportunity Act to address administrative and regulatory barriers that inhibit the success of a workforce development system and support apprenticeship expansions for non-traditional occupations.

The Committee also finds bipartisan support for expanding Pell Grant eligibility to students enrolled or seeking enrollment in short-term technical training programs — at community colleges or other technical training schools — and reducing the 600-clock hour length requirement to allow students in programs of less length to be eligible for Pell Grants.

Expanding Access to Paid Family and Medical Leave

As a country that believes in the importance of strong families, we know how precious and critical it is for parents to be with a newborn baby or young child, and for family members to care for a sick or elderly relative. This caregiving often conflicts with responsibilities on the job, forcing many Americans to choose between family and work. While those who are more affluent are better equipped to handle both, for low- and moderate-income Americans, the choice may jeopardize the safety and health of a relative or endanger income or employment.

The Committee agrees that working Americans with young children or family caregiving responsibilities need time off for these purposes. Republican and Democrats both supported expanding 12 paid weeks of leave to nearly all civilian and military federal employees through the passage of the National Defense Authorization Act for Fiscal Year 2020 (S.1790 and Public Law 116-92). Similarly, the bipartisan Strong Families Act provides a tax credit to employers that offer employees paid leave.

While the Committee Majority is committed to the principle that every worker should have access to 12 weeks of paid family and medical leave, the Committee believes that bipartisan action to expand access to paid leave is possible in the 118th Congress.

Small Businesses

The Committee believes that small businesses and entrepreneurs face obstacles to reaching their full competitive and economic potential.

The Committee supports increasing the provision of technical assistance for small businesses to improve competitiveness. The bipartisan SCORE for Small Business Act (H.R. 6450), sponsored by Representatives Young Kim (R-CA) and Angie Craig (D-MN), would reauthorize the Service Corps of Retired Executives (SCORE) program under the oversight of the Small Business Administration. The SCORE program would enable volunteers participating in the program to provide free personalized business expertise and facilitate educational workshops for small businesses. The bill's emphasis on recruiting diverse volunteers and providing services in rural and underserved communities will support those who need it most.

Occupational Licensing Reform

The Committee believes variations in state licensing laws are an obstacle for active duty servicemembers, veterans, and military spouses, who may be unable to work where they are stationed due to local regulations. The Committee recommends the bipartisan Military Spouse Licensing Relief Act of 2021 (H.R. 2650 and S.1084), sponsored by Rep. Mike Garcia (R-CA) and Sen. Mike Lee (R-UT), to allow the portability of professional licenses of servicemembers and their spouses who are relocated outside of the jurisdiction issuing the license.

The Committee believes states should consider occupational licensing reform as a pathway to alleviate acute labor shortages in certain occupations. Bipartisan support exists at the state level, evidenced by Arizona's 2019 enactment of reciprocity of occupational licensing with all out-of-state occupational and professional licenses.

Housing

A safe and stable home is fundamental to economic opportunity. Affordable housing can make a vital difference in securing the American Dream. The costs to build, buy, or rent a home are far too high. The housing supply imbalance of millions of housing units is threatening the nation's economic growth and denying opportunity to aspiring Americans.

The Committee believes Congress can take steps to encourage localities to reduce restrictive zoning and prioritize housing affordability. The Committee supports the bipartisan Yes In My Back Yard (YIMBY) Act (H.R. 3198), sponsored by Reps. Derek Kilmer (D-WA) and Trey Hollingsworth (R-IN) and Sens. Brian Schatz (D-HI) and Todd Young (R-IN), requiring Community Development Block Grant program recipients to report on their local zoning, so that localities are encouraged to remove barriers to the production of new housing units. The Committee further encourages states and local governments to proactively take more steps to embrace inclusive zoning measures and reduce restrictive zoning measures to increase affordable housing.

The Committee also recommends increasing the total amount of federal Low Income Housing Tax Credits (LIHTC) offered by the federal government and simplifying their use. The full Committee supports passage of the bipartisan Affordable Housing Credit Improvement Act (H.R. 2573 and S. 1136), sponsored by Reps. Suzan DelBene (D-WA), Donald Beyer (D-VA), the late Jackie Walorski (R-IN) and Brad Wenstrup (R-OH) and Sens. Maria Cantwell (D-WA), Todd Young (R-IN), Rob Portman (R-OH) and Ron Wyden (D-OR). It would increase Low Income Housing Tax Credit allocations by 50% over current levels and make the tax credit more responsive to local needs. The bill would support the production of 1.5 million new affordable housing units over the next decade.

Support for Local Economic and Community Development Efforts

One of the many divides in contemporary America is between communities and neighborhoods brimming with opportunity and those mired in decline.

There is bipartisan agreement that geographical disparities hurt the American people and economy. States, localities, and the private sector need the financial and technical support of the federal government to rehabilitate and revitalize these communities. Congressional proposals to increase targeted regional investments have found bipartisan support.

The Rebuilding Economies and Creating Opportunities for More People Everywhere to Excel Act (RECOMPETE) Act led by Rep. Derek Kilmer (D-WA), includes block grants to provide direct, long-term assistance to distressed labor markets, helping them to avoid navigating the maze of different federal grant programs. A pilot version of the program passed into law as part of the bipartisan CHIPS Act in August 2022.

The Restoring Communities Left Behind Act (H.R.816), introduced by Rep. Marcy Kaptur (D-OH), has bipartisan support and "directs the Department of Housing and Urban Development to establish a grant program for local partnerships to carry out neighborhood revitalization support activities in economically distressed areas."

The Committee recommends Congress act to deliver more targeted resources to support local economic development.

Addressing Administrative Burdens

The Committee finds that it is often complicated and time consuming for people to access economic security programs for which they are eligible. Since individuals with the least resources often face the biggest barriers to accessing benefits, administrative burden can widen economic disparity.

Members of Congress have expressed bipartisan support for a whole-of-government approach to make it easier for people to access government benefits and services, and the White House has issued an executive order with similar goals

The Committee recommends additional policies to make it easier for people to access benefits administered at the state level, including additional funding for states to modernize technology and simplify application processes. Additionally, the Committee recommends revising certain eligibility and certification requirements that make it difficult for people to access benefits they need. For instance, the bipartisan Modern WIC Act, introduced by Sens. Kirsten Gillibrand (D-NY) and Roger Marshall (R-KS), would permanently revise in-person application requirements for WIC by allowing remote certifications begun during COVID-19.

Limiting Non-Compete Agreements

Noncompete agreements, which bar employees from switching to a similar position with a competing firm, may make sense for workers with proprietary knowledge, but they are harmful to fast-food, retail, and other low-wage workers. The Minneapolis Federal Reserve found that "more than one in 10 lower-wage workers have non-compete contracts." The Committee finds bipartisan support to limit the use of non-compete agreements in the Workforce Mobility Act (S.483 and H.R. 1367), sponsored by Reps. Scott Peters (D-CA), Mike Gallagher (R-WI), Anna Eshoo (D-CA) and Peter Meijer (R-MI) and Sens. Chris Murphy (D-CT), Todd Young (R-IN), Tim Kaine (D-VA) and Kevin Cramer (R-ND). This legislation would prohibit companies from entering, enforcing or threatening to enforce most non-compete agreements.

Supporting Free School Meals

Although adequate nutrition is essential for students to learn and succeed at school, one in eight children faced hunger in 2021 and many more do not get the healthy meals they need.[61] These disparities add to other social and economic inequalities that threaten the well-being of low- and moderate-income children. The free and reduced-price school lunch and breakfast programs help millions of children, but millions more fall through the cracks for reasons ranging from eligibility, food shortages, and school buses that arrive too late for breakfast.

During the pandemic, when the number of hungry children at risk of starvation rose, Congress and the Administration recognized the need to keep children fed by providing regulatory waivers. Bipartisan support for expanding access to free school meals is evident by the introduction of Rep. Abigail Spanberger's (D-VA) Keeping School Meals Flexible Act (H.R.6613) — cosponsored by several Republican Members — to grant the Department of Agriculture the authority to establish, grant, or extend child nutrition waivers.

At the state level, action by Republican and Democratic governors like Charlie Baker (R-MA), Phil Scott (R-VT), Tom Wolf (D-PA), and Steve Beshear (D-KY) has expanded access to free school meals for public school children. In the absence of federal action, the Committee recommends other states and localities follow their lead.

Employee Stock Ownership

Americans should have more tools to accumulate wealth. The Committee believes more workers should have a stake in business profits through Employee Stock Ownership Plans (ESOPs).

The bipartisan Securing a Strong Retirement Act (H.R.2954) — sponsored by Ways and Means Committee Chairman Richard Neal (D-MA) and Ranking Member Kevin Brady (R-TX) — includes provisions to create a tax deferral on contributions to an ESOP by owners of S Corporations and clarify rules for ESOP eligibility.

Measuring Economic Well-Being and Disparity

Members of the Committee are concerned that statistical measures produced by government sources do not provide the necessary information to make timely and accurate policy decisions. Advancements in technology offer opportunities to more easily and frequently collect data, including leveraging methods and data collection by the private sector. Computing power and statistical methods now exist to process larger data sets and identify smaller trends in shorter periods of time. Policy makers should have access to this real-time, more granular data. Agencies should receive adequate funding to produce better statistics and data.

Investing in People

4

LIFELONG SUPPORT FOR BETTER FUTURES

WATCH VIDEO: JANNA RODRIGUEZ, FREEPORT, NY

President & CEO, Innovative Daycare Corp

“I founded the Innovative Daycare Corp four years ago, motivated by a goal to expand opportunities for very young children,” says Janna Rodriguez, the President and CEO of a small business in Freeport, NY.

“The resources available are just not accessible to everyone, especially Black and Brown people and women. Many of the children that I serve do look like me, so I know firsthand the importance of inclusivity and diversity.

"When representation is at the core of your business philosophy, as it is with mine, you are encouraging children to be astronauts, doctors, lawyers, teachers, even advocates such as myself.” She explains, “You can get there — I believe that I am living the American Dream.”

The most essential investment for the growth of the American economy is in human potential — people’s skills, knowledge, and education. Investments in people enhance productivity, increase labor force participation, and spur economic growth.

But what does it mean to invest in people? And how can such investment reduce disparities and increase opportunity while boosting our nation's output and competitiveness?

Education and training are critical. Early education, K-12 education, post-secondary education, and job training and retraining are all vital, high-yield investments. These investments in children, youth, and adults are made by the federal government, states and localities, the private sector, faith institutions, and nonprofits.

America's public schools, established in the 19th century, and its public institutions of higher education are two of our nation's greatest successes. The GI Bill, enacted in 1944, enabled millions of veterans to get a college education and financing for homeownership. Andrew Carnegie financed libraries that helped millions read and learn. The 1962 Manpower Development and Training Act pioneered federal investments in retraining workers dislocated by automation. Community colleges, mostly funded by cities and states, have provided career and technical education to millions.

LEFT TO RIGHT DESCENDING: SKILLS TRAINING PROGRAMS; BLACK SERVICEMEMBERS LEARNING ABOUT THE GI BILL; A PRE-K CLASSROOM; AND THE CARNEGIE LIBRARY IN WASHINGTON, D.C.[62]

Despite our past successes, there are many ways in which we are not doing as well as we could be, or as well as competitors. Fewer than one in six children eligible for child care subsidies receives them and, in over half of states, child care for infants costs more than tuition at a public university.[63] Half of American three- and four-year-olds, mostly from low-income families, are not in preschool because it is not free and universal (as it is in France). For the majority of American youth who do not get bachelor's degrees, we do not provide career-oriented skills or apprenticeships, as Germany does. Community college enrollment has fallen as these institutions, many of which were once tuition-free, have become too pricey for low-income students.[64]

At every stage of life, the U.S. under-invests in education and training relative to our economic competitors. In a world in which innovation and high-end services — the products of the human mind — produce significant wealth, we cannot expect to win the economic race if we underinvest in those minds.

In today's lightning-fast, knowledge-based economy, a high school diploma is just a start. To keep up with the changing economy and the demands of employers, Americans need an education system that starts earlier and supports them throughout their lives.

Educational investments cannot stop after high school or post-secondary education; in order to help Americans learn, change and adapt, they must continue right to the point of retirement.

> "It is not enough to think about this strictly in terms of training for adults or retraining for adults … We need to be thinking about the formation of human capital from the beginning of life, including among young children."
>
> **BRENT ORRELL, SENIOR FELLOW AT THE AMERICAN ENTERPRISE INSTITUTE**

Early Education

WATCH VIDEO: MARC E. JAFFE, STAMFORD, CT

CEO, Children's Learning Centers of Fairfield County

"Investing more early will have dramatic savings later in a whole range of ways ... both economic and social," Marc E. Jaffe, the CEO of Children's Learning Centers of Fairfield County, CT, testified. "90% of the brain is developed by the time a child is five years old."

"Unlike the public schools that are open nine months a year and six hours a day, we are open and available not only to educate children and prepare them for kindergarten, but to enable parents to work," he added. "The population that we typically serve are working class and lower income, about 95% of our families are minority. About 70% of our families are immigrant, and they are the workforce economy for Stamford and the surrounding communities."

The first five years of a child's life are the most consequential for enabling success in school and adulthood, and "the benefits of a functional early care and education system are difficult to overstate," Elliot Haspel of the Robins Foundation testified.[65]

"Earlier this year, we got the results of a natural experiment from Boston, where a lottery determined which students got into a public preschool program," he added. "Comparing demographically similar lottery winners to lottery losers, winners were 6% more likely to graduate high school, significantly less likely to be suspended or incarcerated, and significantly more likely to take the S.A.T. and to attend and graduate college."

The Boston experiment, the first randomized control study of the long-term effects of a large-scale preschool program, found other positive outcomes across racial and income groups.[66]

High-quality, birth-to-age-five programs can provide a 13% return on investment when offered to children from disadvantaged socio-economic backgrounds. That return is based on reduced costs in special education and criminal justice expenditures, increased income, and tax payments across children's lives, and increased parental earnings — which is discussed later in this chapter.[67]

The market for child care, however, displays the signs of market failure, in which the aggregate value of the services exceeds what is charged or paid for the services. In the case of child care, the costs of care are already unaffordable to many, while the wages of care workers are too low to attract enough providers, which leads to chronic shortages and continuing high prices.[68]

One estimate suggests families will spend an average of $10,000 on care per child in 2022 — and in large cities, closer to $20,000 a year per child. Some low-income families are spending up to 35% of their income on child care.[69]

Not surprisingly, enrollment in early childhood education and pre-K appears to correlate with family income. Nearly half (48%) of children in households making over $150,000 a year were enrolled in pre-K, while just over a third (36%) from families making $20,000 to $50,000 were.[70] These data suggest that not everyone has access to the same opportunities for high-quality early childhood education.

Beyond the issue of affordability, the majority of people in half the states are living in a child care desert, defined as any geographic area where child care supply meets less than one-third of the potential demand. Montana, a rural state with several urban centers, illustrates this point: The Montana Department of Labor and Industry has found that 60% of Montanans live in a child care desert.[71]

Expanding the supply of licensed facilities and child care workers could reduce prices, but the labor-intensive child care industry offers low pay. The median child care worker earned an annual income of just over $27,000 (and an hourly wage of just over $13) in 2021.[72]

The COVID-19 pandemic also had a lasting impact on child care workers, as many left the industry or the workforce and have not returned. As of July 2022, there were at least 88,000 fewer child care workers than there were pre-pandemic, exacerbating the pre-existing shortages.[73]

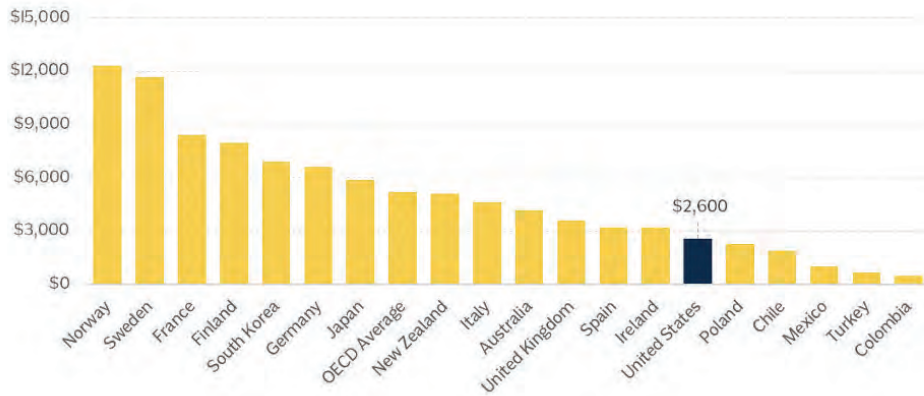
To attract more workers, child care providers could raise the pay for workers to compete with higher wages elsewhere in the economy, but without sustained public investment, the costs to families would likely go up.

Current federal support already falls short of reaching most eligible children: The primary federal support for child care to states, territories, and tribes — the Child Care and Development Block Grant — reaches less than 15% of eligible children, and Head Start reaches less than one in five children.[74]

The lack of funding at the federal and state level decreases access to early childhood education, including pre-K programs. It also lowers the quality of existing programs, particularly for lower-income communities.[75]

Figure 8: The United States Invests Relatively Little in Children Under 5

SPENDING PER CHILD ON CHILD CARE AND EARLY ED. (2017 OR NEWEST DATA AVAILABLE)



SOURCE: ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (2022)[76]

Despite the importance of high-quality early childhood investments and the significant growth in enrollment in such programs over the past century, particularly for lower income communities, data from 2017 indicate that the U.S. ranks below other industrialized nations on this metric, with a pre-primary school enrollment exceeding only that of Turkey.[77]

> "The fact that we as a nation are almost dead last in investing in our youngest children amongst industrialized countries should sound alarms, inasmuch as that is a threat to our global competitiveness"
>
> **CHAIRMAN JIM HIMES**

Only 40% of U.S. three- and four-year-olds attend pre-K, one form of early childhood education. Of those, 60% were in a public program (enrollment in early childhood education is lower for children under age three). However, this level of enrollment has increased over the last half century, largely due to the federal Head Start program — which provides children from low-income families with early childhood education and their parents with daycare services.[78] Nonetheless, only 36% of eligible children are enrolled in Head Start programs. Early Head Start, which serves children from birth to three years of age, serves only 11% of eligible children.[79]

In the states, insufficient funding levels and income eligibility requirements reduce children's access to public pre-K programs. While every state participates in federal Head Start, six states do not offer state-funded pre-K.[80] Another 31 states offer some programs, but they are not available to every three- and four-year old due to lack of funding, insufficient facilities, teacher shortages, and geographic barriers.

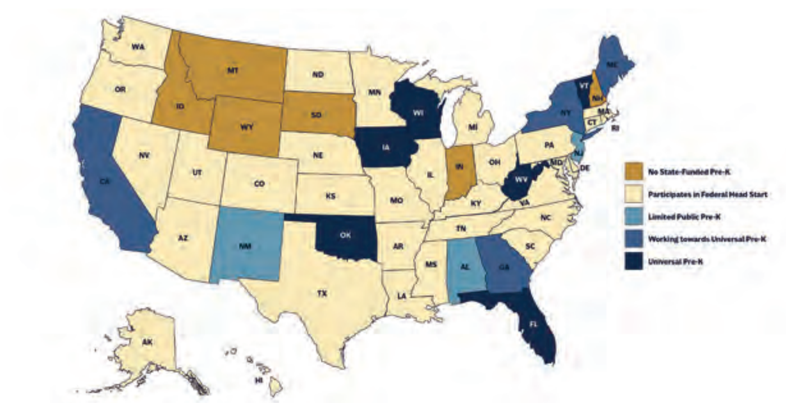
Currently, 13 states have passed laws to offer universal pre-K to eligible four-year-olds, but only six states — Florida, Iowa, Oklahoma, Vermont, West Virginia, and Wisconsin have at least 70% of eligible children enrolled. Another four — Georgia, Maine, New York, and California — lack the funding and available spots to fully enroll all eligible children. The final three — Alabama, New Jersey, and New Mexico — offer limited, public pre-K due to inadequate funding.[81]

Research shows that universal systems tend to be better funded, promote more socioeconomically integrated classrooms, and have higher classroom quality. They also provide relief to middle-class families who struggle to afford private market preschool.[82]

In states where resources are limited and pre-K is targeted to the most disadvantaged children instead of being universal, states spend their scarce dollars only on the highest need children.[83] This is how children from families with limited resources can end up concentrated together in severely underfunded pre-K classrooms, which is a problem because children make greater educational gains in classes with children of mixed income households.

Figure 9: Funding of Pre-K Across States

PRE-K PROGRAM ACCESSIBILITY BY STATE



SOURCE: THE NATIONAL INSTITUTE FOR EARLY EDUCATION RESEARCH (2022)[84]

Providing universal pre-K is expensive, but estimates suggest that every dollar spent on preschool programs returns six dollars in benefits. Providing less than universal preschool reduces impact and is less cost-effective. Moving closer to universal pre-K provides the broadest benefit. This is why the U.S. public education system is universal as opposed to targeted, and why education scholars are concerned by economic and racial segregation within public schools.[85]

Oklahoma has seen significant benefit from universal pre-K, for over 20 years, including increased cognitive scores and test results for students.

Universal Pre-K Program in Oklahoma

EARLY CHILDHOOD CENTER IN MUSKOGEE, OK[86]

In 1998, Oklahoma expanded its successful pre-K program for disadvantaged children to make it universal and high-quality. The state began providing full funding to each of the state's 543 public school districts without a required match. A key requirement of the program was that all teachers have a college degree and a certificate in early childhood education. Group sizes were set at 20 students and child-to-staff ratios at 10-to-1.

A 2005 study of the program's impact in Tulsa showed tangible benefits to children, especially those from low-income and minority communities. The researchers found an increase in cognitive and knowledge scores, language, and motor skills among the program's participants starting kindergarten.[87]

A 2017 Georgetown University study showed lasting effects on test scores, increased enrollment in honors courses, and grade retention for students through middle school.[88]

The benefits of providing high-quality preschool to low-income children are further illustrated by the Abbott preschool program, which was developed after the New Jersey Supreme Court required the state to provide high-quality preschool in 31 school districts with high concentrations of economically disadvantaged and minority children.[89]

The program is considered the most successful example of a large-scale, publicly funded initiative in closing gaps in educational outcomes between low-income and high-income children. According to researchers, the reason for its effectiveness was ample funding — $13,000 per child per year — as well as requirements for highly qualified, well-paid teachers, and an ongoing improvement and assessment system of curricula and standards.

Importantly, investments in preschool should be paired with holistic investments across the early care and education system. Researchers in states that have expanded only publicly funded pre-K have found that some providers may drop their infant and toddler programs to focus on providing care to the larger pool of pre-K children due to the high labor costs associated with providing infant care.[90] Additionally, early childhood programs must address the needs of working families. Pre-K programs typically run for a limited number of hours during the day, but families often require access to care outside of these hours.

Early childhood education delivered through a variety of programs — including family and center-based child care providers, community-based organizations, federal Head Start and Early Head Start, state programs, and public schools — allows parents to choose a program that works best for their needs.[91]

Committee Findings and Recommendations

Investments in early childhood education yield enormous intellectual, psychosocial, and economic returns throughout an individual's lifetime, increasing productivity and the nation's economic growth. Because enrolling young children in early education is critical to fostering their opportunities and expanding our national economic potential, the Committee recommends significant expansion of public investment in children.

Increase federal funding for early childhood education.

Congress should increase funding for states to help them offer high-quality, early childhood education, including universal pre-K for all three- and four-year-olds. Funding should focus first on expanding access for low- and middle-income children, for whom the gains from early childhood education are greatest.

Congress should support funding to ensure families — especially low-income and middle-class families — can afford high-quality child care that costs no more than 7% of their income.[92]

Proposals for federal investment to support early childhood education from birth to age five range from $40 billion to $70 billion annually and would direct funding through the Department of Health and Human Services.[93]

Lifelong Learning

WATCH VIDEO: CHARNELE EVANS, RACINE, WI

Electrician at Current Electric, WRTP | BIG STEP Tradeswoman

"When I first started out, I was in the medical field and I just wasn't getting ahead," said Charnele Evans, an electrician at Current Electric in Racine, Wisconsin. "So, I went to my community workforce training site, but I didn't even know what trade I wanted to do. The teacher was telling me that I should come try electrician training.

"Now, I knew nothing about [being an] electrician. I didn't know nothing about no screwdriver, no drill, none of that," she added. "But she told me to apply, and I applied and I got the job. And Current Electric gave me hands-on training, helped me get an apprenticeship. So, every day since I've been there, I'm just learning.

"I love being an electrician," she said. "Being an electrician has brought me so much stability to my life and so much discipline for me and my daughters. And I enjoy what I do. I wake up and I look forward to going to work and I love to see the finished project."

In a rapidly evolving economy, globalization, automation, and other economic factors can eliminate the need for workers in one industry and swiftly create new jobs in another. The ability to learn new, in-demand skills is critical to maintaining stable employment and income, especially for workers in the most economically precarious situations.

Workers, particularly those whose jobs have been displaced by technology, must be able to adapt. The Government Accountability Office (GAO) found that "technological advancement has caused the skills required for common job postings to change up to 40% in the last decade," while other research finds nearly half of U.S. workers will find their jobs changed or completely eliminated by automation.[94] These changes have not fallen uniformly on workers: scholars anticipate that many labor-intensive and cognitive tasks are easily replaceable by machines.[95]

CHARNELE EVANS SHARING HOW HER TRAINING AS AN ELECTRICIAN CHANGED HER LIFE

Those with postgraduate degrees and certifications have seen their real wages increase substantially since 1980, while those without college degrees have experienced stagnant wages.[96] Some of the least educated workers — those without high-school diplomas — have seen real wages fall since 1980.

More occupations and tasks will soon be subject to automation, threatening the ability of an increasingly large share of workers, including those in professional services, to maintain stable employment and wage growth.

Technological change generally creates jobs even as it alters or eliminates others. Many of yesterday's jobs requiring strength or repetition are being replaced by others that require adaptable thinking and specialized skills.

Occupations that will be most in demand in the future — those in healthcare, caregiving, food service, clean energy, building and repairing infrastructure, and highly competitive science, technology, engineering, and mathematics (STEM) fields — already face shortages of adequately trained workers.[97]

Lifelong learning, the continuous process of acquiring in-demand skills throughout one's life, is required for workers to stay competitive in a rapidly evolving economy. Lifelong learning can be done through a range of workforce development and post-secondary educational programs for working adults and new job seekers, including: career and technical education (CTE) in high school; on-the-job apprenticeship programs; community college courses; four-year universities; and public-private workforce training initiatives.

These programs are not necessarily sequential or mutually exclusive; rather, workers must be able to easily access whichever ones help them adapt to changing conditions.

Underinvestment in lifelong learning programs has inhibited their accessibility, coordination, and effectiveness, and many existing programs either fail to address individuals' or employers' needs, for programs and curricula that match available jobs.[98] Furthermore, these programs are often siloed or in competition, rather than coordinated effectively.[99]

The private sector generally recognizes the need for additional investment, and some employers provide effective education and training to their employees. But often that training goes to the best-educated, well-paid, and long-tenured employees, exacerbating existing disparities.[100]

In order to ensure workers can adapt and compete in an evolving economy, Congress must ensure America's core educational and workforce development programs are well-funded and align with the needs of workers and employers.

A HEAVILY-AUTOMATED U.S. CAR MANUFACTURING PLANT

Career and Technical Education in High School and Beyond

There is a broad range of career-specific learning opportunities available to high school students. The first exposure that many people have to lifelong learning is through high school Career and Technical Education (CTE) programs, which increase their post-high school earning potential and connect them to post-secondary education or full-time employment.

In CTE programs, students study in both traditional classrooms and in practical settings. CTE covers 10 areas, including engineering, healthcare, and business communication technologies.[101]

CTE programs are widely accessible. The National Center for Education Statistics (NCES) finds that 98% of public school districts offer students CTE coursework, and 12.3 million students were enrolled in CTE in 2022. The Department of Education provided $1.3 billion in funding to these programs under the Perkins V Act of 2019, enabling schools to provide CTE programs at no cost.[102]

CTE programs can lead students to immediate post-graduation employment or act as a stepping stone to other programs — including post-secondary degrees, certificates, or apprenticeships.[103] More than a third of all school districts report that CTE programs align with post-secondary programs, and 73% of districts provide courses that can earn high school and post-secondary credit. The financial benefits to students in CTE programs are clear: They make more money after graduation than their non-CTE peers.[104]

Funding challenges in CTE programs can hurt teachers' ability to do their jobs. Language barriers and a lack of supportive services, including transportation to offsite work-based learning, child care for student parents, or other financial support, can also inhibit students' success. Moreover, some studies have found that CTE occupational segregation — the sorting of students into different career paths based on race, gender, or family income — has led to disparate outcomes in earnings.[105]

The Power of Apprenticeships

After high school, registered apprenticeships can provide workers with paid, on-the-job training for in-demand and high-wage occupations. High earning potential in fields with apprenticeships, as well as the opportunities for full-time employment following program completion, make them a key avenue for upward mobility. The Department of Labor estimates that 93% of people who complete an apprenticeship get jobs, and the average annual salary of those who do is $77,000.[106]

Unfortunately, apprenticeships have not yet been widely adopted beyond construction and other trade occupations.[107]

There is growth potential for apprenticeships in multiple industries, including energy, finance, and technology. One study identified three million current job openings that could be filled through apprenticeship programs, including in construction and advanced manufacturing. The healthcare industry faces complex and fast-growing workforce needs and is turning to the registered apprenticeship model for "apprenticeable" occupations including medical assistants, pharmacy technicians, and certified nursing assistants.[108]

Some researchers estimate that the 27 occupations in which apprenticeships now operate could be expanded to 74 occupations — comprising up to 3.2 million jobs.[109]

The number of registered apprenticeships has, in fact, risen 64% over the last 10 years, with over 636,000 apprentices and 26,000 registered apprenticeship programs across the nation in 2020. In addition, 3,143 new apprenticeship programs were established nationwide in 2020, and almost a quarter million people will begin an apprenticeship this year.[110]

NORTH ATLANTIC STATES REGIONAL COUNCIL OF CARPENTERS APPRENTICESHIP TRAINING FACILITY IN BOSTON, MA

The Link Between Community College and Career Mobility

Community colleges are another important component of lifelong learning: Their open enrollment and low-cost education options provide students an accessible and affordable path towards economic opportunity and mobility at any point in a career.

Public two-year colleges generally offer open enrollment for a range of academic and technical programs, from associate's degrees to short-term technical certificate programs. Those with a community college degree earn more over the course of their lives than those without post-secondary education. One study estimated that workers with associate's degrees earn $2 million over their lifetimes, compared to $1.6 million for those with only a high school diploma.[111]

Community colleges are also an affordable pathway: The average in-state tuition for public two-year colleges is $3,770 annually, compared to $10,560 for public four-year colleges. Many states, including Arkansas, California, Nevada, New York, and Oklahoma, offer tuition-free community college.[112]

Though community college are affordable, completion rates are lagging, with fewer than 40% of students earning a certificate or degree within six years of enrolling.[113]

A variety of factors contribute to this low completion rate, including: academic under-preparation in high school; institutional barriers and bureaucracy; personal non-academic barriers, including health issues, financial shocks, familial obligations, and mental health struggles; and the inability to pay tuition.[114]

Many community college students take on debt to cover costs — around $14,700 for certificate completers and $20,400 for associate's degree completers. Worse yet, 14% of two-year college entrants default on their loans.[115]

Research shows that community college students who receive Pell Grants are more likely to complete their degrees than those who do not, but there has been a decrease in the percentage of community college students receiving Pell Grants over the last decade.[116]

One reason why fewer community college students are receiving Pell Grants is the current requirement that 600 hours of study be completed: Nearly 10% of Americans attend community colleges for certificate programs, which have been shown to increase wages by 10%, but these programs often take fewer than 600 hours to complete.[117] This restriction puts shorter programs and their economic benefits out of reach for many low-income students.

A significant reason for the high costs of some community colleges is that these institutions receive $8,800 less per enrolled student in revenue than four-year institutions — a $78 billion revenue gap — and they receive only 18% of their funding from the federal government.[118] This lack of funding can compound students' inability to graduate since it can reduce the amount of affordable and accessible support services, including advising and counseling services, quality classes, child care, and transportation assistance, which help students complete their programs and acquire good-paying jobs.

Still, seven million students were enrolled in public two-year colleges during the 2020-21 academic year — representing 33% of all undergraduates. The share of Black, Latino, Indigenous, and Asian American students enrolling in community college is increasing: They made up more than 50% of the community college student body in 2020, an increase from 37% in 1996.[119]

A large share of working adults and parents attend community colleges as well. One study found that 42% of all student parents are community college students, while another shows adults aged 25 and over comprise 21% of all full-time and 37% of all part-time community college students.[120]

While there is often a focus on degree-earning, studies show that the short-term certificates offered at many community colleges have positive impacts on earnings and economic mobility.[121] Two-year public colleges are also credited with helping half of the people in the U.S. who eventually earn a bachelor's degree.[122]

Enhancing College Affordability

SAN FRANCISCO KINDERGARTEN TO COLLEGE

The Committee visited with beneficiaries of the City and County of San Francisco's Kindergarten to College (K2C) program, the first universal Child Savings Account program in the country. The program helps families prepare for college by opening a college savings bank account for every new San Francisco Unified School District student in grades K-12 with an initial $50 deposit. Families and students can earn incentives when they start making deposits into their K2C accounts.[123] Students with dedicated college savings accounts — even with less than $500 — are 2.5 times more likely to attend college.[124]

As of 2020, there were over 8,000 K2C families with savings totaling $5 million dollars. Each family that has made at least one contribution to their children's K2C account has saved an average of $731.50.

Benefits of the Higher Education Track

Four-year colleges and universities are another element of post-secondary education: Among high school graduates who went to college in 2021, seven in 10 attended four-year colleges[125] and 23.5% of Americans in 2021 had a bachelor's degree.

To many Americans, a four-year college education is seen as a prerequisite for economic mobility, especially in a rapidly changing world — and some of the data bear this out. Research by Raj Chetty shows college education increases earnings and supports intergenerational upward mobility.[126] In 2020, workers aged 18 and older with bachelor's degrees made approximately $73,000 a year, while high school graduates and GED recipients made about $39,000 a year.[127]

College provides students with more than just a skills-based education: Most who enter college develop broad analytical and communication skills that are transferable across occupations.[128]

However, gaining a bachelor's degree doesn't guarantee access to the middle-class, and there is evidence of recent shrinking income and wealth premiums to college education — especially for people born after 1980.[129] Preston Cooper, a senior fellow at the Foundation for Research on Equal Opportunity, testified that the lack of a clear return on investment for four-year college attendance suggests the need to consider other approaches like community college or specialized programs. His research finds an associate's degree in nursing will provide a better return than most four-year degrees at a fraction of the cost.

The cost of pursuing a four-year degree is a barrier and a source of risk. The average net price of attendance for a four-year degree was $14,200 at a public school and $28,100 at a private college in 2019, sharply higher than community colleges, which cost students $7,600.[130] Partly as a result, the average student loan held by a bachelor's degree recipient was $27,800.

The cost of tuition can lead to students dropping out before completion, sacrificing the college wage premium and sometimes leaving the student stuck with debt. On average, only 62% of students who enroll in a four-year school complete their bachelor's degree in six years.[131]

STUDENT BODY PRESIDENT ALISSON ANGUIANO SALAS WELCOMES ATTENDEES TO THE UNIVERSITY OF WISCONSIN PARKSIDE CAMPUS

Setting Workers Up for Success in the 21st Century Economy

Whether helping individuals grow in their current jobs or assisting them in learning new skills to change careers, workforce development is critical to workers and companies in a rapidly changing economy.

The Workforce Innovation and Opportunity Act, last reauthorized in 2014, is the primary federal workforce development program. It was designed to increase coordination, prepare workers for in-demand occupations, and provide student support and career services.

Though comprehensive in its approach to workforce development, research shows mixed results from WIOA. The Department of Labor reports a 58%–68% employment rate following the completion of a WIOA program (Youth, Adult, and Dislocated Worker), and WIOA-funded programs served around 3.5 million people in FY 2019.[132]

Other research, however, found WIOA programs had little impact on some participants' long-term earnings or employment.

Some studies further indicate more must be done to improve earnings potential and job prospects for jobseekers, including combating preexisting occupational segregation for Black and Latino workers and providing more support services for low-income participants to better facilitate training.[133]

MEMBERS VISIT WITH APPRENTICES AT THE PORT OF SEATTLE

The development of state and local workforce development boards was core to the WIOA reauthorization and intended to identify skills that are in demand by employers. The boards are charged with developing strategies to meet the needs of job seekers and employers searching for skilled workers and to conduct outreach to employers and workers that would benefit from WIOA programs and services.

Of course, the most important funders of workforce training are the most direct beneficiaries of it: private sector employers. According to the Center for American Progress, employers are "responsible for funding a large share of the worker training across the country." Estimates vary widely across studies, but the Georgetown University Center on Education and the Workforce estimates employer-provided training costs to be $177 billion, with another $413 billion going to informal training.[134]

Dane Linn from the Business Roundtable (BRT) testified that "BRT member companies also understand the importance of focusing on workforce issues to fill the millions of open jobs and address their emerging workforce needs."[135] Linn highlighted the Business Roundtable CEOs' work with the Chicago Apprenticeship Network to scale its programs and create over 10,000 apprenticeships across the country by 2030, as well as the efforts of their Multiple Pathways Initiative, in which "member companies are focused on recruitment, retention and reskilling practices that create opportunities for individuals to work and advance."

MR. DANE LINN FROM THE BUSINESS ROUNDTABLE DISCUSSES WORKFORCE DEVELOPMENT

During its field hearing in Kenosha, Wisconsin, the Committee also heard about a program that helps local workers gain new employment skills.

Sherry Carrion — a 56-year-old Racine native — had been a cook at the Racine County Jail for nearly three decades. After her father became ill and passed away, she vowed to care for others the way she had wanted her father to be cared for, but, without additional education, her options were limited. Then she heard about SC Johnson's Hope Scholars program, which provided the funding she needed to become a Certified Nursing Assistant.

SC Johnson Foundation announced a donation to the Gateway Technical College in Kenosha for the Highly Skilled Occupations for Professional Employment (Hope) program in May 2020. SC Johnson's donation supported Gateway in providing the training for students to earn a workforce certificate for jobs in construction, advanced manufacturing, information technology, and health sciences. The initial investment of $500,000 was expected to have an annual economic impact of $5 million on Racine County.

Other companies make similar investments in their workforce. Chipotle offers employees $5,250 per year for college tuition and offers to fully cover workers' eligible degrees through their Guild Education program. To date, 85% of their "crew members" have utilized these programs, and those who do are 7.5 times more likely to move into management within the company.

Disney likewise provides 100% tuition-free education to all part-time and full-time employees through its Disney Aspire network schools, whether or not they relate to their job at Disney. Microsoft offers student loan refinancing and consolidation programs for employees and financial assistance for pertinent

GATEWAY TECHNICAL COLLEGE GRADUATE MS. SHERRY CARRION SPEAKS TO THE COMMITTEE IN KENOSHA

coursework taken at accredited colleges, as well as apprenticeships and career transition programs at community colleges and through the Microsoft Datacenter Academy.

Many other companies also offer robust on-the-job workforce training and development courses and programs to their employees. AT&T partners with Georgia Tech University and the online education website Udacity to offer executive-led professional development courses like web and mobile development, data analytics, and tech entrepreneurship.

These efforts are admirable, but policymakers should not consider them alternatives to more broadly available education and training programs. One study found that businesses often concentrate their training investment among their highly-educated and well-paid employees, while workers with short-term contracts and tenures have less access to these opportunities.[136]

Committee Findings and Recommendations

Education and training can no longer be confined to the first 18, 22, or 25 years of life. Higher education and advanced credentials are generally routes to better-paying, more secure jobs, but continual ongoing education, training, and re-training are increasingly necessary, as many workers end up having to find new jobs that demand new knowledge and skills.

It is imperative that we improve, expand, and better coordinate educational and training opportunities. Although states, localities, and the private sector have significant roles to play, Congress should invest more in each part of America's post-secondary and workforce development ecosystem. These include initiatives with a proven track record, whether or not they rely on traditional credentialing and promising new programs.

Provide free community college and fund programs that assist students with child care and transportation needs.

Given community colleges' central role in providing affordable education and skills training, the Committee strongly supports making public community college free throughout the U.S. In the past, many institutions of higher education offered tuition-free enrollment, and states and localities are currently leading the way.[137]

Connecticut has taken steps to make community college free, establishing the Pledge to Advance Connecticut (PACT) in 2019 to cover the gap between the federal and state grants that students receive and community college tuition and mandatory fees. The Seattle Promise program offers tuition-free access to all of the city's public universities and scholarships to help with related expenses. Georgetown University estimates that state and federal funding of $14.3 billion a year can provide tuition and fee-free community college, significantly expanding economic opportunity.[138]

REP. GONZALEZ AT THE ROUNDTABLE ON PRIVATE SECTOR EFFORTS THAT BENEFIT WORKERS

Student support services are vitally important to ensure the success of community college students. The federal government should award grants to community colleges and consortiums of those institutions to help offer services like child care, transportation, and case management for students.

Expand Pell Grant eligibility.

The Committee recommends expanding Pell Grant eligibility to students enrolled or seeking enrollment in short-term technical training programs at community colleges or other technical training schools and reducing the 600-hour requirement. Removing that restriction would put shorter-term programs and their economic benefits in reach for many low-income students.

Increase federal investment in career and technical education and apprenticeship programs.

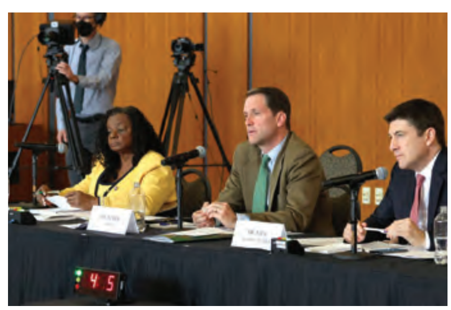
The Committee recommends that Congress award federal grants to fund existing high school career and technical education programs, to improve program quality and increase career and supportive services.

The Committee further recommends that Congress support the expansion of federally recognized registered apprenticeship programs, pre-apprenticeship programs, and youth apprenticeship programs. New apprenticeships should expand into jobs and industries demonstrating growth. Congress should also encourage participation and alignment of employers and educational institutions.

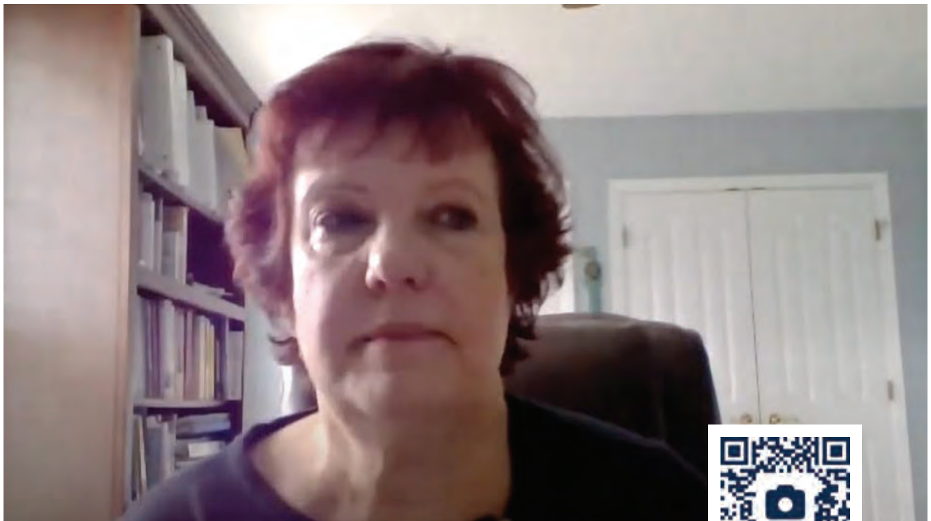
The bipartisan National Apprenticeship Act of 2021 would invest $3.5 billion to expand federally registered apprenticeship programs, youth apprenticeships, and pre-apprenticeships, creating one million new apprenticeship opportunities.

Strengthen the public workforce development system.

Lastly, in order to strengthen the public workforce development system, Congress must reauthorize the Workforce Innovation and Opportunity Act to increase supportive services like transportation and child care for workers in training, reduce occupational segregation, and better enhance coordination. The changes to WIOA and increased support services would reduce barriers to employment and improve outcomes for program participants. The 2021 House-passed reauthorization of the Workforce Innovation and Opportunity Act makes these important changes while also creating training paths for previously incarcerated people.[139]



COMMITTEE MEMBERS DURING THEIR VISIT TO SOUTHEAST WISCONSIN



WATCH VIDEO: CLAUDIA MORRELL
BALTIMORE COUNTY, MARLYAND

Family and Community Caregivier, Founder and CEO of STEM Equity Initiative

"[My mother] is in a facility, and the facility closed. I had three daughters and three grandchildren — ages three, five and seven — so I took over. My children all had to go to work and their child care services disappeared," Claudia told the Committee. "The demand was who's gonna take care of these kids. And because I was working from home, the [grandkids] came into my home."

"Now you've gotta deal with making sure that your grandkids are safe and healthy and staying on track and are feeling loved, and then going to work at night because you can't work during the day with three small children, and you've gotta find time to go take care of your mom," she continued. "As we take on these important jobs of caring for our elder adults and our children, we lose the ability to serve the very economy that is supposed to support us.

"That's middle America. Middle-class America," finished Claudia. "I think we're invisible. And we're getting crushed. We need help. I still need help, because if you take me out of this equation, the whole house collapses."

Economic Opportunity Through Family Care Investments

Most Americans need to care for children and sick or elderly family members at some point in their lives, but doing so typically entails either significant out-of-pocket costs, lost potential for career advancement and wealth-building, or both. Low- and middle-income families, and typically the women in those families, often have to choose between paying thousands of dollars for child or elder care or leaving the workforce to provide that care themselves, exacerbating disparities between those who can afford care and those who cannot.

To make matters worse, because child care and home health aides are poorly paid and, in the case of elder care, the job is physically demanding, there are significant worker shortages. If a person cannot find a caregiver (or is effectively bidding against others who can pay more), the choice of whether to work or provide care disappears. Given a rapidly aging population, these worker shortages will only grow more acute in the absence of policy interventions.

The millions of women (and some men) who don't work to provide necessary care for their families also represent lost productive potential for the economy at large. During the COVID-19 pandemic, the increased need for child care coincided with women's labor force participation hitting a 33-year low in 2021.[140]

Public policy has often left American families in the lurch. The Child Care and Development Block Grant and Head Start programs only have funding to support care for a small proportion of the nation's children. Government-guaranteed paid family leave — which is offered in virtually every other rich country — is unavailable in most of the United States, making it much harder for mostly women to balance their jobs and caring for their families.

Making child and elder care more affordable, boosting the pay of workers in these industries, and providing paid family leave would all increase individual opportunity, reduce disparities, expand workforce participation, benefit businesses, and enhance economic growth.

Without a resilient and affordable care system, our economy risks lagging behind for generations to come. As Dr. Michelle Holder of the Washington Center for Equitable Growth told the Committee, "As a mother of two young children and the daughter of a mother experiencing a health crisis, I can tell you that families are desperately in need of support when it comes to the provision of care. This is about increasing labor force participation, developing human capital, increasing productivity. It is about building a more vibrant economy."[141]

> "To lower the cost of child care for a family like my son and daughter-in-law — who are just starting out here in this world as a young couple — will give them the freedom to pursue the American dream."
>
> **REP. ANGIE CRAIG**

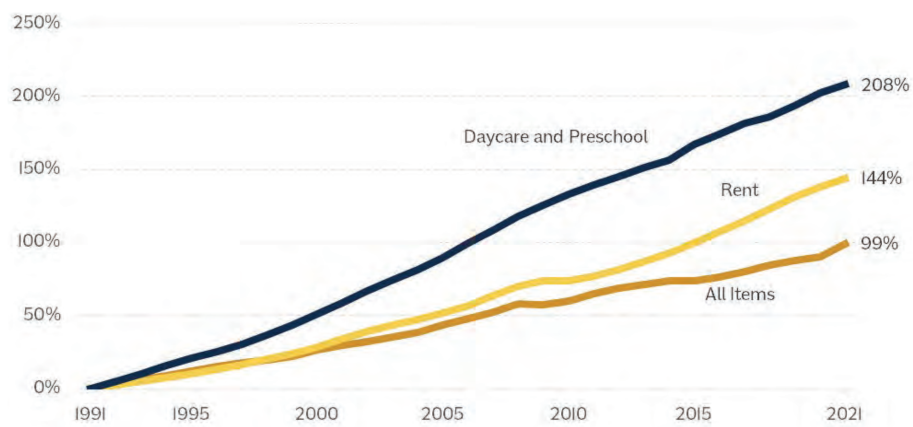
Accessible and Affordable Child Care

The long-term benefits to children of high-quality early childhood education, as previously discussed in this chapter, are not the only reason to invest in child care. The market failures that lead to high costs for and limited supply of child care also affect their parents' — and particularly their mothers' — ability to work.

The average child care expenditures per household had reached a record high of $7,602 in 2019 — before the pandemic — with cost increases outpacing other household expenses (as seen in the chart below). In 2022, families reported spending an average of $10,000 on child care for the year.[142]

Figure 10: Daycare and Preschool Have Become Increasingly Expensive

PERCENT GROWTH FOR CONSUMER PRICE INDEX FOR VARIOUS GOODS (1991 – 2021)



SOURCE: BUREAU OF LABOR STATISTICS (2022)[143]

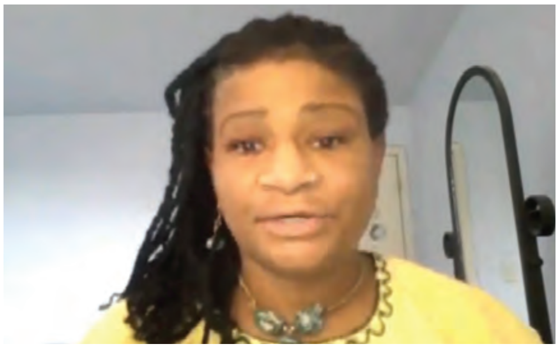
But the cost alone obscures the fact that in order to pay those rates, many lower- and middle-income families would spend a potentially prohibitive percentage of their salary for child care — often even outpacing one parent's earnings. These expenses are a particularly large financial strain on the household budgets of low-income families who spent up to an average of 35% of their incomes on child care even before the pandemic.[144]

Moreover, it is often young parents, many also at a critical point of their working lives, who can least afford these costs.[145] All of this makes the balancing act between caregiving and working even tougher, particularly for middle- and low-income families.

> "Our broken child care infrastructure is holding back kids, working parents, and our economy. In my district in San Diego, child care is 40% of the budget for a family of four – nearly six times what's considered affordable. And that's only for families lucky enough to find a spot. In the wealthiest country in the world, every single family should have access to affordable and high-quality early care and education. Universal child care isn't only the right thing to do, but also the responsible thing to do. Because when we invest in high-quality care, it saves us $6 long-term for every $1 invested."
>
> **REP. SARA JACOBS**

Improving child care availability and affordability, on the other hand, is strongly associated with increases in employment among women, and particularly among low-income women with young children.[146]

Dr. Holder testified that, “when the supply of child care in a community increases, so too does that community’s parental labor supply.” Specifically, she said, “a 10% reduction in child care costs increases maternal employment by between 0.5% and 2.5%.”



DR. HOLDER AT THE HEARING ON FAMILY CARE

“In a state such as West Virginia — where about 136,000 women have children at home and participate in the civilian labor force — a 10% reduction in child care costs would lead to around 3,400 women entering the labor force,” she explained. “That’s 3,400 more productive workers, and more dollars in the pockets of consumers to support local businesses.”

The lack of accessible, affordable child care has massive spillover effects in the economy. The U.S. Chamber of Commerce Foundation estimates that employers pay between $375 and $500 per working-aged adult due to child care-related absences and employee turnover — cumulatively totaling about $3 billion in costs per year.[147]

The long-term economic benefits of expanding access to affordable and high-quality child care are significant in terms of boosting overall labor force participation and increasing the productivity of current and future workers.[148] But making it affordable and accessible would require a higher level of government support.

Rising Adult Care Costs

The costs of care for elderly Americans or those with special needs have also ballooned over the past decades, leading more working people to take on these responsibilities themselves.[149]

A nursing home room can cost over $9,000 per month, while home health aide services cost over $5,000 per month, much of which is not covered by health insurance. About 48 million Americans provide unpaid care to an adult family member or friend, and almost 80% of these caregivers report spending an average of $7,242 per year out of pocket.[150]

For low- and middle-income workers, especially those without generational wealth, the need to take care of aging parents or family members with disabilities in their homes can come at a significant expense in their working lives. Unpaid care costs caretakers on average $300,000 of earnings over their lifetimes, and often holds people back from participating more fully in the labor force or further training and education.[151]

"The majority of working family caregivers report having to make changes to their work status due to caregiving responsibilities, like reducing work hours, changing jobs, or leaving the workforce altogether," Ai-Jen Poo, president of the National Domestic Workers Alliance, testified to the Committee. "The burden is especially acute for 'sandwich generation' family caregivers, who are the 11 million Americans providing care for an aging or disabled loved one while also raising and managing caring for children."[152]

The situation is not likely to improve without some sort of intervention. By 2060, 94.7 million Americans will be over 65, and 70% of them will require long-term care at some point in their lives.[153]

AI-JEN POO FROM NATIONAL DOMESTIC WORKERS ALLIANCE TESTIFIES

In 2021, however, over 820,000 people were on waitlists for long-term in-home care services, a preferred and more economical form of long-term care. At the same time, the median annual pay for home health and personal care aides is $29,430 — almost 40% lower than the median pay for all workers — and nearly 18% of such workers are living in poverty. As with child care workers, the pandemic considerably increased turnover among these workers.[154]

This suggests that the supply and demand for care workers are currently moving in opposite directions, and points to potentially even greater disparities in the future.[155]

Investments in elder care — specifically in home-based care — can help strengthen the economy by creating jobs, reducing costs by shifting people out of nursing homes, and improving care outcomes for the elderly. Already, investments in home and community-based services are projected to accelerate economic recovery, increase GDP, and create hundreds of thousands of jobs in the long-term.[156]

Paid Leave: Balancing Work and Family Support

One way to help workers balance their family responsibilities (and their own health) without sacrificing their jobs or their income is to provide workers with paid family and medical leave.

As Dr. Michelle Holder testified, "Paid family and medical leave provides wage replacement to workers who take time off from work to attend to the needs of a loved one or their own serious medical condition," she explained.

A mother's access to paid family leave at the time of a birth increases labor market participation by 5% — but, in its absence, 30% of those women leave the labor market. The women who receive paid leave have higher earnings and are 40% less likely to receive public assistance in the year after giving birth than women who keep working and have none.[157]

Despite the evidence that paid family leave benefits parents, employers and Americans at large, only 11 states offer paid leave programs.[158] Each programs' eligibility and benefits vary, and each program is funded through employee- or employer-paid payroll taxes. Without a federal program, California's first-in-the-nation paid leave program is an example of how states can provide access to paid leave for all workers, as seen in the box below.

California's Paid Family Leave Program

THE CALIFORNIA STATE CAPITOL IN SACRAMENTO, CA[159]

The first paid family leave (PFL) program was enacted in California in 2004 as a component of an existing benefit program known as State Disability Insurance (SDI). It provides wage replacement benefits to workers who need to take time off from work for child or ill family member care. The program provides up to eight weeks of paid leave to care for a seriously ill child, spouse, parent, or registered domestic partner, or to bond with a new child.[160]

Since 2004, nearly 14.2 million claims have been paid, nearly one-third of which went for family caregiving or child bonding. In 2020, about 6.7% of covered workers used the program, an increase from the average 5% per year.[161] One study found that the program is associated with higher work and employment probabilities for mothers nine to 12 months after birth and with increased hours and weeks of work during their child's second year of life.[162]

A survey of California businesses from 2009 and 2010 showed that about 60% of businesses coordinate their sponsored benefits with PFL, resulting in cost savings for some of these businesses. Another economic study on the effects of the program from 2004-2018 concluded that PFL increased employment among new mothers and reduced labor costs of 14% per worker for small businesses.[163]

Since October 2020, most military and civilian federal employees have 12 weeks of paid parental leave per year, and many states offer paid parental leave for their employees.[164]

"Just one in five workers has access to paid family leave through their employers," Dr. Holder testified. "The figure is closer to one in 20 for workers in the lowest-paid workers, who are disproportionately workers of color and especially women of color."

Compared to Asian American and white workers, Black and Latino workers are overrepresented in low-income jobs, where paid leave is less likely to be offered. This disparity in access compounds for families in which parents are less educated or unmarried, who are even less likely to have paid leave regardless of race or ethnicity.[165]

Access to paid leave ensures workers have money in their pockets so they can buy food and pay rent. Without paid leave, workers lose out on income for daily survival and are hindered from moving up the economic ladder.

> "I am the daughter of a domestic worker. And I grew up doing my homework in strangers' houses while my mom vacuumed, and cleaned, and did what needed to be done... The United States is the only country in the OECD that does not guarantee any paid family and medical leave to its citizens. And yet, we come in here every day and people act as though it is impossible."
>
> **REP. ALEXANDRIA OCASIO-CORTEZ**

Committee Findings and Recommendations

Caring for young children, elderly relatives, or others with special needs are responsibilities that most Americans assume at different points in their lives, but these should neither be unaffordable nor create irreconcilable conflicts with people's abilities to hold down jobs and earn their livings. The high cost of paying for caregivers or sacrificing pay to provide care — a task that disproportionately falls to women — causes economic and psychological hardship for lower- and middle-income households. This hinders individual opportunities for economic and career advancement and, hence, economic growth.

In addition, care workers are generally underpaid and have little job security, resulting in shortages of these workers at a time when demand for their services is increasing.

The Committee therefore urges Congress to ensure that affordable and high-quality child care and elder care are available for every American family that needs it. We also believe that workers should be able to take limited paid leave to care for young children and respond to family health crises throughout the lifecycle.

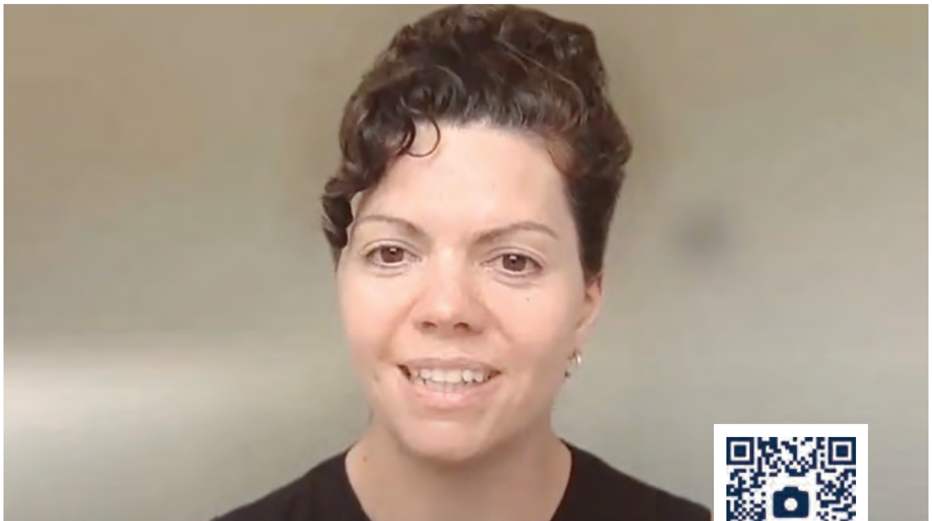
Provide increased funding for child care.

As recommended in the previous section on Early Childhood Education, the Committee calls on Congress to ensure families — especially low-income and middle-class families — can afford high-quality child care that costs no more than 7% of their income. As discussed, these investments not only improve children's outcomes, they also boost parents' labor force participation and strengthen our economy.[166]

Establish a national standard for paid family leave.

The Committee recommends establishing a national standard of 12 weeks for paid family and medical leave. The Family and Medical Insurance Leave (FAMILY) Act (H.R. 804)[167] would establish the first national leave insurance program within the Social Security Administration. It would create a new payroll tax on employers and employees to fund the program. The insurance would provide 66% of an employee's regular pay for up to 12 weeks of family leave. The Congressional Budget Office estimates the FAMILY Act would cost $547 billion over a 10-year budget window, while the taxes to fund it would raise $319 billion in tax revenues.

SPEAKER PELOSI ADDRESSING THE NEED TO MAKE CHILD CARE MORE AFFORDABLE



WATCH VIDEO: MOLLY MOON NEITZEL, SEATTLE, WA

Founder and CEO of Molly Moon's Homemade Ice Cream

"I opened my first shop in the spring of 2008 with seven employees," testified Molly Moon, owner and founder of Molly Moon's Ice Cream, during a Committee field hearing in Seattle, WA. "You can start in our company with no experience and get management training, and leadership training to move up in our company and, you know, make a job at Molly Moon's your career, and be able to have a family if you want to or buy a house."

"It's all a very interconnected web when you're doing good in the community and you're running a business," she continued. "Those things go well together ... it's been really wonderful and amazing and fulfilling that it is profitable."

Many Americans dream of pursuing an idea, being one's own boss, and creating a business. Whether it's a neighborhood restaurant or a global tech firm, nothing can be more exhilarating to those with the entrepreneurial spirit.

Starting a business, while demanding and speculative, can also be liberating and lucrative, providing a path to upward mobility for people with low or moderate incomes. This has been especially true for immigrants.[168]

People who start businesses on average earn higher lifetime incomes, enabling small business owners to accumulate wealth and, for family-owned businesses, transfer wealth to children.[169]

Small businesses have other benefits for communities and the country. While about 96% of small businesses have fewer than 10 employees, they create two-thirds of all new jobs and employ 61.7 million people — almost half of all private sector employees.[170] They also cultivate social capital, increase local tax revenues, and are engines of economic growth.[171]

When small businesses succeed, American workers benefit.

Until the COVID-19 pandemic led to an uptick in small-business formation, entrepreneurship in the United States had been in decline for about 40 years. Financing constraints, complex and costly licensing requirements and regulations, and the greater appeal of more secure, high-paying jobs may all have played a part. Because of continued discrimination, capital — a requisite for many budding businesses — has been particularly hard for minority entrepreneurs to obtain.[172]

Since small businesses can do so much to increase opportunity and reduce disparities, policies need to redress existing barriers to successful entrepreneurship.[173] Expanding access to capital, increasing technical assistance, reducing regulatory red tape, and facilitating better options for family-friendly policies for businesses would all be beneficial.

> "Entrepreneurship and small businesses are at the very core of the concept of the American Dream. It is also true, obviously, that it is extraordinarily difficult to start a business and to succeed. The market economy can be unforgiving. And, of course — at least in my own anecdotal experience — entrepreneurs who have identified a need often have extreme difficulty in finding the capital to actually start the business and grow that business successfully."
>
> **CHAIRMAN JIM HIMES**

Starting a business is an inherently risky venture shaped by a variety of factors — including the quality of the business model, the industry, the presence of local competition, access to financing, and macroeconomic conditions — some of which are not in an entrepreneur's control. Between 1994 and 2019, about one-third of new firms with employees closed within two years of opening, and half closed within the first five years.[174]

That is not inherently a problem: Not every business venture is well-conceived, has a natural market, or should succeed. And serial entrepreneurs often learn more from failure than initial success.[175]

There is evidence, however, of market failures and barriers that keep even the most innovative entrepreneurs from starting, sustaining, and scaling a venture.

The economic justification for any government intervention in markets rests on a failure of the free market to allocate resources efficiently.[176] When it comes to access to capital for small businesses, market failure stems in part from lenders or investors who are unwilling to provide capital to firms due to perceived risks — whether true or driven by gaps in information — associated with localities, business development stages, or industries. Other studies revealed that racial and gender bias can affect the decisions of lenders and investors.

Smaller firms, particularly in low-income communities, may have fewer resources to navigate the complexity of the federal and state regulatory systems which tend to be disproportionately burdensome on small businesses. On average, small businesses pay $11,700 per year per employee in regulatory costs, and the costs to smaller businesses — those with 50 or fewer employees — of complying with regulation are nearly 20% higher than they are for the average-sized firm.[177]

Low- and middle-income entrepreneurs often lack access to business networks that can provide technical assistance and support business-building activities like mentorship, business skills development, market expansion, and business skills training.[178]

Removing barriers like these to successful entrepreneurship will bolster national competitiveness and help chart a path to inclusive and sustained economic growth.

Expanding access to capital, targeting technical assistance, reducing redundant licensing requirements and regulations, and providing better access to child care are the primary strategies for the government to strengthen the competitiveness of small businesses.[179]

Access To Capital: Starting, Growing, and Sustaining a Business

One of the steps to starting a business is securing the necessary capital — whether via one's own money or external financing, like loans or equity. There are significant differences in access to capital across geography, race, ethnicity, and gender.[180]

> "Thankfully there is broad bipartisan support for small businesses in the United States. But oftentimes we see that we don't treat all small businesses equally, depending on who starts them or what kind of business you are, you don't often get access to policies, you don't get access to capital. And sometimes you are just not even treated favorably, whether it is by your municipal government or your federal government."
>
> **REP. ALEXANDRIA OCASIO-CORTEZ**

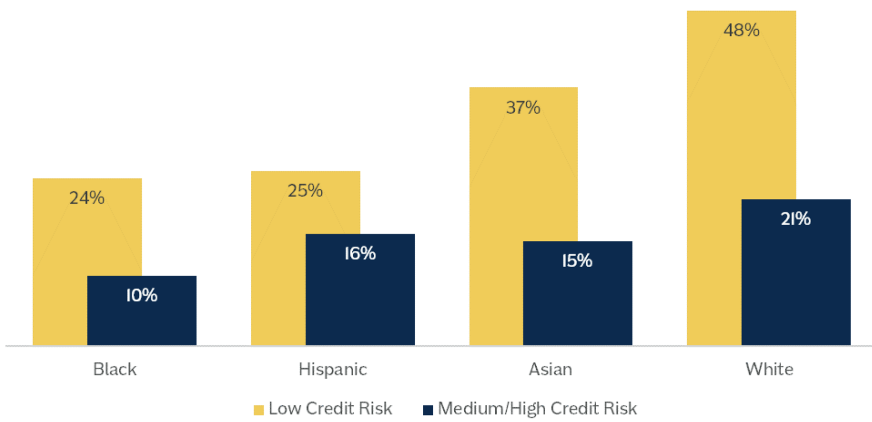
Studies have found that there is less small business lending in poor neighborhoods and in neighborhoods where a majority of residents are Black or Latino, even when controlling for factors like the number of employees. This limits the potential of would-be entrepreneurs in those communities.[181]

A substantial body of research shows that racial bias plays a role in the ability of minority-owned businesses to access start-up and growth capital, hindering the potential of these businesses to succeed. Some studies showed that minority borrowers were charged higher interest rates on bank loans than similar white borrowers. A "mystery shopping" study on bank lending practices showed Black testers were asked to provide more information about the business than white testers, including information that was not related to the business.[182]

And, Black small business owners with high credit scores "are more than twice as likely to report a fear of denial than white founders with below median credit scores."[183]

Research does show that minority-owned businesses are more likely to have higher credit risks, limiting their ability to secure affordable capital. But the Federal Reserve has found that minority-owned companies are less likely to be approved for financing than companies with white owners, even after controlling for credit risk.[184]

Figure 11: Minority-Owned Businesses Receive Funding They Seek Less Often.
SHARE OF FIRMS RECEIVING TOTAL FUNDING SOUGHT BY RACE/ETHNICITY & CREDIT RISK (2021)



SOURCE: UNITED STATES FEDERAL RESERVE SYSTEM (2021)[185]

All of these factors — combined with lower levels of inherited wealth, as discussed in previous chapters — probably contribute to the fact that minority entrepreneurs use less external funding and start their ventures with less capital on average.[186]

In rural areas, the volume of small loans to rural businesses declined by more than half between 2004 and 2017. The decrease coincided with regional and community banks disappearing as the industry consolidated in the wake of the Great Recession (2007-09).[187]

Women business owners are more likely to use their personal savings and less likely to use bank loans compared to men — which may put their firms at a disadvantage later, because an early relationship with a bank may be key for future business financing.[188]

"I started my small business from scratch and was able to create my own economic opportunities," LaJuanna Russell, a small business owner of 20 years and chair of the board at Small Business Majority, testified to the Committee. "Accessing capital as a woman of color isn't a small task, but I benefited from a community bank in the early stages of my business, which helped set our trajectory."[189]

There are organizations that seek to bridge these gaps. Community banks and financial institutions (CFIs) — including Community Development Credit Unions, Community Development Financial Institutions (CDFIs), Community Development Banks, SBA microlenders, and Certified Development Corporations — play a critical role in providing access to capital and technical assistance to small businesses, especially in underserved communities.[190]

Community banks are generally defined as organizations with less than $10 billion in assets. They often have a strong presence in rural areas, local community ties, and, in many cases, local ownership. Community banks often rely heavily on interpersonal relationships instead of on financial statements and data-driven models for making lending decisions.[191]

MS. LAJUANNA RUSSELL FROM SMALL BUSINESS MAJORITY

As of 2019, community banks accounted for 15% of total industry loans but held 36% of the banking industry's small business loans. Yet, the number of community banks has shrunk considerably over the past 30 years, and, should this trend continue, it could threaten the role community banks play in small business lending.[192]

"Community banks are essential to the small business ecosystem, as they are able to provide critical funding to entrepreneurs with better terms and/or lower fees and interest rates compared to more established financial institutions," Ms. Russell testified.

"They also offer more guidance and support in ways larger banks do not," she added. "Building and establishing my relationship with a community bank not only opened the doors for me to build a network, but it also afforded me the financial understanding and long-term support necessary to capitalize on programs quickly."[193]

Though it is less common, some small businesses — particularly in the services industry — have been able to use equity to start or grow their businesses.

Numerous studies confirm that investors tend to concentrate their offers with companies that are already close in proximity, generating a geographic disadvantage for new small businesses in small towns and rural areas outside of California's Bay Area and Silicon Valley, New York and the Boston area. Women are also less likely to receive funding in early-stage decisions from angel investors, even when controlling for the content of the pitch.[194]

Federal Government Support for Small Business

The Small Business Administration (SBA), created in 1953, supports access to capital for small businesses through a variety of programs, such as SBA's 7(a) loan guarantee program, CDC/504, and the Microloan Lending Program. SBA also funds technical assistance to businesses through 14,000 resource partners, including 62 Small Business Development Centers, 136 Women's Business Development Centers, 22 Veterans Business Outreach Centers, and more than 250 chapters of the Service Corps of Retired Executives (SCORE).[195]

U.S. SMALL BUSINESS ADMINISTRATION HEADQUARTERS AND THE DEPARTMENT OF COMMERCE BUILDING IN WASHINGTON, D.C.[196]

SCORE is the nation's largest network of volunteer, expert business mentors that has served more than eleven million small business owners. SCORE recently created the Small Business Resilience Hub, mentoring more than 700,000 clients online on topics like funding and finance, recovery and growth, and startup business plans.[197]

The Minority Business Development Agency (MBDA) promotes the growth and competitiveness of minority-owned businesses through a national network of MBDA business centers, including Federal Procurement and Export Centers.

The Department of the Treasury established the Community Development Financial Institutions Fund (CDFI) in 1994 to address persistent barriers to capital access among disadvantaged communities and populations, with the goal of expanding economic opportunity for underserved people and communities.[198]

Technical Assistance and Administrative Burdens

To gain access to capital or grow, small businesses may also require technical assistance to persuade lenders of their capacity to repay debt. Other needs may include targeted technical assistance for expanding a business, including writing a business plan, helping overcome language or cultural barriers[199] and more effectively engaging in e-commerce.[200]

> "Years ago, when I ran a loan fund that was geared towards small businesses with public health projects, we didn't require collateral. We had extensive technical assistance, which I heard mentioned today from the witnesses. We cut down the bureaucratic application process, and we had a specific outreach strategy to reach the right kinds of businesses. And guess what? We had a 99% repayment rate, even with all of that."
>
> **REP. PRAMILA JAYAPAL**

"Entrepreneurs across America can benefit from free and low-cost business assistance support to help them manage and pivot their businesses in times of crises," Ms. Russell testified. "The COVID-19 pandemic has shown that the Small Business Administration (SBA) and its different mentoring and technical assistance providers require more funding and resources in order to better assist the growing influx of new and current entrepreneurs."[201]

Small businesses face difficulties understanding, complying with, and affording federal, state and local regulations — burdens which fall disproportionately hard on them compared to larger companies, and which may be much more difficult for new entrepreneurs to navigate.

For example, as Ms. Russell testified, "My business operates in 11 different states, which means I need to become familiar with each state's regulations and processes. My annual tax return can be up to 200 pages. As you can imagine, this takes a lot of time away from maintaining and expanding my operations."

The regulatory costs of economically significant federal rules to small businesses amount to over $40 billion per year, according to the U.S. Chamber of Commerce. Increases in per capita regulatory expenditures are directly correlated with decreases in the number of small firms that employ between one and four persons, according to the Chamber's report.[202]

Occupational licensing is another barrier for some small business owners. While the ostensible objectives of licensing are to promote high-quality services and safeguard public health, researchers and policymakers have acknowledged the obstacles inherent in licensing and underscored opportunities for reform. Experts agree on the need to balance licensing requirements to ensure that market competition is not stifled.[203]

Committee Findings and Recommendations

Increased entrepreneurship can provide a way to tackle the country's dramatic wealth gap and secure an economic future for the next generation. Yet many entrepreneurs and small business owners, particularly people of color and those living in rural areas, face barriers that prevent them from reaching their full competitive and economic potential. Many others with good ideas for businesses that could serve needs and create jobs are unable to launch them because they cannot raise the capital.

WATCH VIDEO: PAMELA AND MONTINIQUE CAGER DISCUSS CHALLENGES FOR THEIR CAKE SHOP IN NORTH CAROLINA

The federal government should level the playing field by expanding access to capital, increasing support for and improving the quality of technical assistance, easing administrative burdens, and collecting more granular and timely data on small businesses and federal program performance. These efforts should be targeted to those facing barriers because of their economic status, geography, race, or gender.

Update and expand existing Small Business Administration programs.

The Small Business Administration's loan guaranty programs encourage lenders to provide loans to small businesses "that might not otherwise obtain financing on reasonable terms and conditions."[204] The Committee recommends that Congress continue to support, monitor, and update the SBA flagship 7(a) and 504 loan guaranty and Microlending programs.

In particular, the Committee recommends that Congress provide permanent statutory authorization for SBA's Community Advantage (CA) Loan Program. Part of the 7(a) loan guaranty program, the CA Loan initiative is designed to increase access to capital for small businesses located in low- and moderate-income communities by allowing nontraditional, mission-oriented lenders, including CDFIs, to participate in the 7(a) program, and by providing technical assistance to small businesses located in underserved communities.[205] SBA data show the program reached underserved business owners but it remains in a pilot status, limiting lenders' willingness to participate.[206]

The Committee also recommends that the Administration improve small businesses' access to equity capital by amending SBA's Small Business Investment Company (SBIC) Program regulations to reduce barriers to program participation for new private fund managers and private funds focused on equity and long-term debt investments, particularly those in underserved communities and geographies. Through this public-sector equity-finance program, qualified investment funds are licensed to operate as SBICs, which allows them to leverage government-guaranteed debt and capital raised from private investors. Some research shows that SBIC financing is comparatively more diverse than private venture capital, but important gaps remain in serving minority-owned and other disadvantaged businesses that persist within the program.[207]

Further, the Small Business Administration should take additional measures to reach neighborhoods in need of entrepreneurial advancement by expanding the SBA Community Navigator program, including through the potential use of mobile units to reach underserved communities in person.

Scale federal support for community and mission lenders.

The Committee repeatedly heard that community banks and other mission lenders, notably Community Development Financial Institutions (CDFIs) and Minority Deposit Institutions (MDIs), play a key role in bridging lending gaps, particularly for small rural and underserved businesses. However, CDFIs and other mission lenders are a small part of small business lending and are not present in all communities.[208] A Federal Reserve survey further indicated that CDFIs experience capital and capacity gaps, limiting their ability to serve clients effectively.[209]

The federal government can address some of the bottlenecks to the ability of CDFIs to raise capital through a combination of administrative and legislative actions. The Committee recommends that Congress increase funding for the U.S. Treasury CDFI Fund to build capacity and pilot a loan loss reserve pool for small business lending. The Committee recommends the Administration increase Community Reinvestment Act (CRA) credits for banks that invest into CDFIs for community enhancing projects.

In a positive step, the Treasury Department recently has directed more than $15 billion in investments and tax credits to community lenders and other mission capital providers to expand inclusive entrepreneurship.[210]

Enhance technical assistance programs for small businesses, especially underserved and rural businesses.

The Committee supports increasing the provision of technical assistance for small businesses through refining and expanding high-quality, online training programs. The federal government should increase its support of public-private partnerships and local organizations that increase awareness of technical assistance and CDFI products in smaller neighborhoods.

The Committee recommends passing the SCORE for Small Business Act of 2022, sponsored by Reps. Young Kim (R-CA) and Angie Craig (D-MN).

Ease administrative burdens for new entrepreneurs.

The Committee recommends taking steps to help would-be entrepreneurs get better information about state level licensing requirements, which can be burdensome and redundant. The One Stop Shop for Small Business Licensing Act of 2022 (S.5012), introduced by Sens. Shelley Moore Capito (R-W.V.) and Jacky Rosen (D-NV), would "require the Small Business Administration (SBA) to create a centralized website for licensing and business permit information and materials for small businesses."

Collect and publish more granular data on small business lending and investments.

The Committee supports the collection of more timely and robust data on small business lending. Section 1071 of the Dodd-Frank Act directs the Consumer Financial Protection Bureau to collect data on lending to small businesses in order to understand credit availability for small businesses operated by minorities and women.[211]

Building Connections 5

BRIDGING THE DIVIDE TO ECONOMIC OPPORTUNITY

WATCH VIDEO: SHARON VOGEL, RIVER SIOUX RESERVATION, SD

Executive Director of the Cheyenne River Housing Authority

"One of the things happening throughout Indian Country is overcrowding and a lack of housing," said Sharon Vogel, a member of South Dakota's Cheyenne River Sioux tribe and an employee at the Cheyenne River Housing Authority. "Families living in poverty just have some really tough conditions, and when they lack stable housing, it just becomes tougher.

"And if they were working, a lot of their money was being spent on transportation," she added. "It was taking away disposable income because they're traveling on unmaintained gravel roads, so they were having car repairs and of course the cost of gasoline to get to and from work."

Broadband, roads, and transit — the physical connections between our homes, jobs, and schools — connect us to economic opportunity. Often, how well you are physically or virtually connected to others strongly influences your ability to achieve the American Dream.

Ms. Nikitra Bailey, the senior vice president of public policy at the National Fair Housing Alliance, put it in stark terms: "One's ZIP code is often life-impacting," she testified.[212] "Where people live determines their access to home ownership, the type of credit they use, their ability to attend a well-resourced school, their exposure to toxins and pollutants, and their employment opportunities — all of which are consequential to their economic status and level of wealth."

> "We sometimes talk about a whole-of-government effort. The problems we address today are whole-of-society. And so, the solutions lie — as they always have — partly with the government, but also in our neighborhoods, our businesses, our families, our houses of worship."
>
> **CHAIRMAN JIM HIMES**

When housing, roads, transit, and broadband are designed with the needs of all Americans in mind, people are connected to economic opportunities and critical services. When those connections fail, aspiring Americans can't make headway, and communities wither.

WATCH VIDEO: RAE JOHNSON, MILWAUKEE, WI

Writer at Esri, Homeowner Supported by Acts Housing

Homeownership and the American Dream

Rae Johnson, a first-time Milwaukee homeowner, explained during a field hearing in Milwaukee what home ownership means: "If you understand where you're going to lay your head down at night, that's one less thing that you have to worry about when you're trying to work or get your kids to school or daycare," said Johnson. "Having that security of knowing that I have a place to stay, that I have a place to sleep tonight, can really alleviate a lot of burdens for a lot of people."

"In 2019, I decided that I wanted to buy a house," they added. "I was renting a small apartment on the South Side with my son, who kept asking me if we could get a dog. And I said, 'No, we just don't have space but once I buy a house, you can get a dog.' So, I worked really hard in 2019 to pay off my debt and save money in order to be creditworthy, to buy a home."

"When I finally got the call that I qualified, I was so overwhelmed with pride and joy. My coworkers could hear in my voice that I was crying."

A safe, stable, affordable place to live immeasurably improves quality of life and the possibility of accumulating assets. Homeownership, in particular, provides a clear pathway to upward mobility through home equity, improved credit, and asset-building. Homeownership is by far the most critical wealth-building mechanism for Americans, as it provides better long-term financial security than renting and accounts for the majority of financial assets held by lower- and middle-income people.[213]

While loan terms, location of home, and time of purchase all affect equity gains, there are clear financial benefits to homeownership compared to renting. The typical single-family home sold recently provided the seller with an equity gain of $146,000 if purchased five years prior, $229,000 if purchased 10 years prior, and $352,000 if purchased 30 years prior.[214] For the vast majority of Americans, these are life-changing sums.

Unfortunately, these benefits are becoming increasingly inaccessible to a growing share of the American population and, in the process, constricting opportunities for economic mobility.

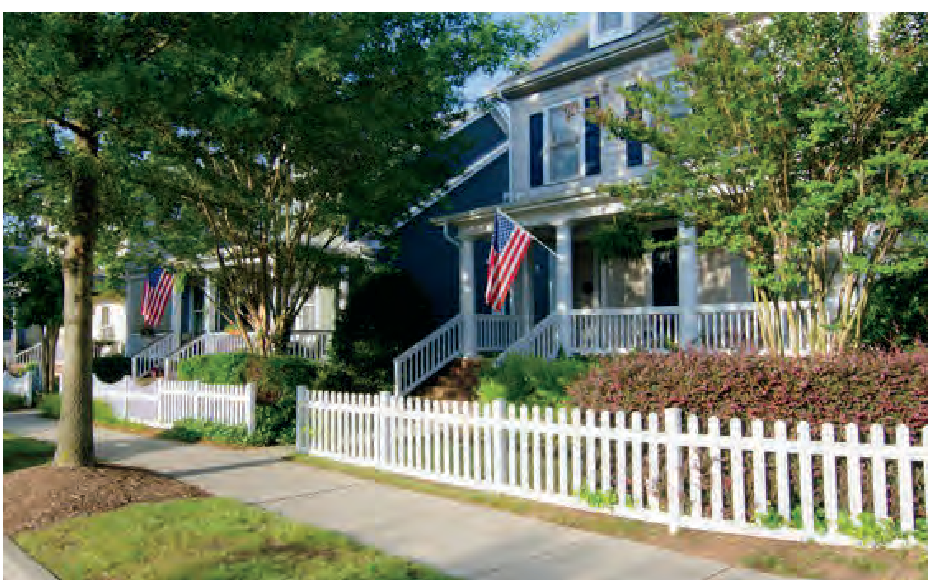
Over the past 30 years, increases in home prices and rent have significantly outpaced increases in wages.[215] As homes become more expensive, higher incomes or outside financial resources will be prerequisites for buyers.

Consequently, the once widely available path of intergenerational wealth-building that helped shape the American middle class is eroding one of the most critical elements of the American Dream.

Signs of this erosion are showing in the data, despite the fact that, in 2017, more than nine in 10 Americans believed that owning a home was either "essential" or "important" to achieving the American Dream. The National Association of Realtors found that first-time homebuyers recently accounted for just barely one-quarter of all home purchases — the lowest share on record. The age of the typical first-time homebuyer reached an all-time high of 36 years, up from 29 in 1981 and 24-25 in 1960.[216]

Public sentiment reflects these statistics. Roughly seven in 10 Americans believe that young adults today have a harder time saving for the future and buying a home than their parents' generation. Prospective homebuyers cite a lack of affordable homes and saving for a down payment as the biggest challenges associated with purchasing a home.[217]

The decrease in affordability largely reflects a lack of supply. The U.S. had a deficit of 3.8 million housing units in 2020.[218] As more Americans compete to buy and rent — particularly in high-demand areas — a lack of sufficient housing units drives up costs, limiting prospects for those with the lowest incomes and least wealth.



The relatively low rate of new housing construction in the U.S. in the last decade is largely to blame for this shortage. In the 1990s and 2000s, construction began annually on an average of 52 housing units per 1,000 Americans. In the 2010s, construction started on an average of just 31 housing units for every 1,000 Americans per year — 60% of the rate in the previous two decades.[219]

This low rate of construction is largely due to a lack of workers in the construction industry and the state and local restrictions on home density in places where people want to live.

> "The lack of supply of new homes is also driving up price — and we are seeing this in communities all over the country. We have seen a number of instances where the government has imposed unnecessary burdens on developers, which further reduces supply of housing and drives up prices."
>
> **RANKING MEMBER BRYAN STEIL**

There are relatively few people willing and able to work in the construction industry — especially compared to 20 years ago. After the Great Recession, overall employment took 58 months to return to its pre-recession level.[220] Construction employment, on the other hand, had still not fully recovered by March 2020, even amid the tight labor market prior to the COVID-19 pandemic. Given the high labor intensity of the construction industry, fewer workers means less output.

The supply shortage of labor in construction is unlikely to end soon, as construction workers have been aging out of the workforce. In 2021, the median construction worker was 42 years old, compared to 36 in 1985.[221] Efforts to attract younger workers have proved insufficient due to both the limited pathways into construction as well as the cyclical nature of this employment.

The high cost of building new homes — particularly in areas where people want to live — is often inflated by restrictive zoning, regulation, and land-use laws. There are important reasons for governments to use zoning restrictions, but Dr. Salim Furth, a senior research fellow at the Mercatus Center at George Mason University, testified that the "primary driver of high housing costs is strict local land use regulations."

Research shows that restrictive land-use and zoning regulation tend to increase home prices and limit economic mobility, curb productivity, and contribute to segregation and poverty.[222]

Some of the most detrimental zoning requirements prohibit multifamily development. In 2017, three-quarters of most American cities were zoned for single-family detached homes, meaning that building apartments, condos, or townhouses was simply illegal.[223] While there may have been a time when these zoning requirements did not prevent the supply of housing from meeting demand, they now directly constrain how many units can be built.

In high-demand, high-opportunity areas, single-family zoning requirements are often accompanied by minimum lot size requirements, parking requirements, and building height limits, all of which reduce housing density and increase prices. A 2022 study concluded that more than 40% of the costs associated with building multifamily developments were attributed to regulatory costs at the local, state, and federal level.[224]

These constraints, coupled with continued long-term migration out of rural areas, will put more pressure on regional housing markets.[225]

Zoning and regulation are associated with physical characteristics of neighborhoods, but they were also commonly used to shape and control the demographics by limiting racial and ethnic minorities' access to certain homes (or home ownership), a practice which has long term effects on who owns, or can afford to own, a home today.

Roughly seven in 10 white households own their own homes, compared to just four in 10 Black households, five in 10 Hispanic households, and six in 10 Asian households. Research from the Brookings Institution suggests these homeownership gaps are "byproducts of systemic racism, including the legacies of slavery, Jim Crow segregation, redlining, and other anti-Black policies."[226]

Jacqueline Waggoner of Enterprise Community Partners testified about the intergenerational effects of these actions. "Children of homeowners are more likely to become homeowners themselves, and at earlier ages," she explained.

The federal, state, and local actions that systematically denied homeownership opportunities to minority communities still contribute to racialized economic disparities today. The now-defunct Home Owners' Loan Corporation (HOLC) — established as part of the New Deal — is one such example. It created maps for over 200 American cities to rate the "riskiness" of lending in different neighborhoods using a color scale. This gave rise to the term redlining, as the color red indicated that a neighborhood was "hazardous" for lending.

MS. NIKITRA BAILEY AT THE HEARING ON AFFORDABLE HOUSING

In addition to characteristics such as proximity to industrial pollutant sources and high flood risks, large non-white and immigrant populations were considered by the HOLC to be "hazardous." These areas subsequently suffered from lower levels of investment and mortgage lending than neighborhoods that were not redlined.[227]

MS. JACQUELINE WAGGONER AT THE HOUSING HEARING

Redlining was outlawed more than 50 years ago by the Fair Housing Act of 1968, but its legacy continues to shape and harm urban neighborhoods to this day.[228]

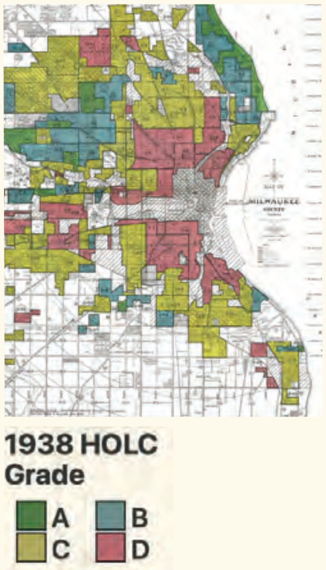
Nearly three-quarters of neighborhoods that were redlined nine decades ago remain low-to-moderate income today, and more than three in five are minority enclaves. Dr. Anne Bonds, professor of geography and urban studies at the University of Wisconsin-Milwaukee, testified that "racial covenants and other discriminatory housing policies and practices continue to inform contemporary racial wealth gaps and patterns of racial and housing segregation."[229]

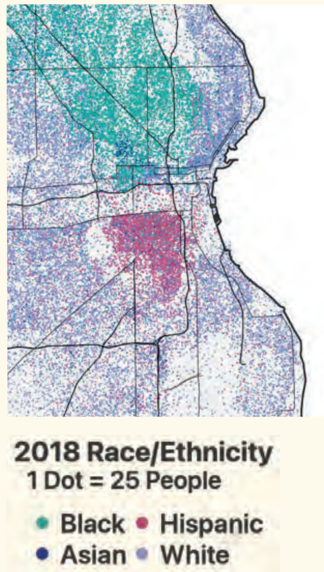
See the next page for more.

PANEL OF WITNESSES AT THE ACCESSIBLE HOUSING HEARING IN MILWAUKEE, WI

CRITICAL CONTEXT

The Legacy of Redlining in Milwaukee





SOURCE: UW APPLIED POPULATION LAB[230]

Milwaukee has been particularly affected by redlining: In the 1930s, nearly half of central Milwaukee neighborhoods received yellow grades, while nearly a quarter received red grades on the scale established by the HOLC. Meanwhile the green grade was reserved for a select 8% of elite neighborhoods in the suburban and lakefront areas — which tended to be the areas with then-new housing supported by federal mortgage programs as well as race restrictions prohibiting non-white residents (other than domestic workers) and homeowners.

Because of redlining, residents of Milwaukee who weren't considered white — its Black residents and members of ethnic minorities who were then considered "undesirable" by the majority culture — faced increasingly inadequate living conditions and poorly funded education systems; a stronger likelihood of being in closer proximity to environmental hazards; and a greater probability of isolation from adequate shopping, medical, and other social services.[231]

By the 1950s, Milwaukee was among the most racially segregated cities in America. Despite the general decline in segregation in the United States since 2000, in 2018 Milwaukee had the highest level of Black-white segregation among metro areas with populations over one million.[232]

As many Committee witnesses explained, continued racial segregation in underserved and impoverished areas fosters intense physical, social, and financial inequalities.

Former Secretary of Housing and Urban Development Shaun Donovan testified that "the pandemic-fueled dramatic increases in rents and home prices have fallen particularly hard on the lowest-income Americans, [which] only compounds a chronic crisis of unaffordable and unstable housing that had been growing for decades in our country."[233]

> "Low incomes, not high rental prices, are the primary driver of Milwaukee's affordability gap. More than half of the households are rent-burdened, meaning that they spent more than 30% of their income on rent."
>
> **REP. GWEN MOORE**

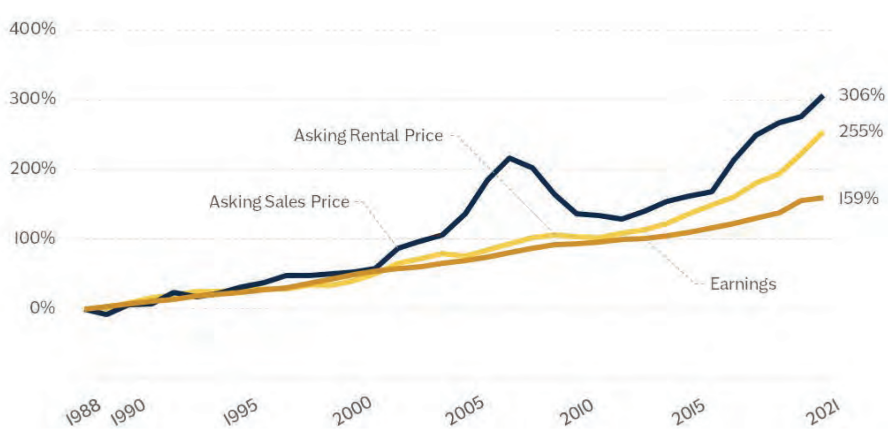
Many renters are prevented from moving into home ownership by a lack of capital for a down payment. In a 2017 survey, nearly seven in 10 renters cited saving for a down payment as an obstacle to their homeownership.[234] But because rents are increasing faster than wages, saving has become increasingly difficult.

This is particularly true for lower-income renters. The share of rent-burdened households — those that spend more than 30% of their income on rent and have little, if any, income left for savings after meeting basic needs — rose from 41% to 47% between 2001 and 2017.[235]

From 1998 to 2021, typical rents increased by 255%, while earnings have increased only 159%. The average minimum-wage worker had to work 79 hours per week — nearly two full-time jobs — in 2020 to afford a one-bedroom rental home without being rent-burdened. When sales and rental prices outpace earnings, average Americans have to save more or wait longer to achieve homeownership.[236]

Figure 12: Rent and Housing Price Increases Have Significantly Outpaced Wages

U.S. NOMINAL MEDIAN ASKING SALES PRICE, ASKING RENTAL PRICES, EARNINGS (1988- 2021)



SOURCE: U.S. CENSUS BUREAU AND THE BUREAU OF LABOR STATISTICS (2022)[237]

Even if the many factors contributing to the lack of affordable housing were to be resolved, there have always been Americans who earned too little to afford market-rate housing. For decades, the federal government has provided assistance.

The Housing Act of 1949 significantly increased construction of federally-owned public housing stock. Owned by HUD and administered by local housing agencies, public housing is available to low-income families, as well as the elderly and the disabled. Rent is set based on the tenant's income and is typically no more than 30% of their monthly adjusted income. The program currently serves about 970,000 households through roughly 3,300 local housing authorities.[238]

Due to negative perceptions of public housing in the middle of the 20th century, however, the federal government largely abandoned it: The Nixon Administration declared public housing a failure in 1973 and placed a moratorium on further spending; there has not been a significant expansion of the stock of public housing since.[239]

As a result, much of the current stock of public housing is in disrepair. The Public Housing Capital Fund, which pays for repairs, is underfunded to the extent that roughly 10,000 public housing units become unavailable to the people who need them each year because they become uninhabitable. As of 2019, the cost to repair all public housing stood at $70 billion.[240]

More recent federal efforts to create affordable housing have incorporated the private sector. The Low-Income Housing Tax Credit (LIHTC), established in bipartisan fashion under President Reagan, awards federal tax credits to developers in exchange for building rent-restricted units for low-income tenants.

State housing agencies administer LIHTC funding through a competitive application process and distribute tax credits to investors who provide upfront funding for projects over a period of 10 years. Since the 1990s, the LIHTC program has received substantial bipartisan backing and has supported the construction or rehabilitation of over two million affordable rental units.[241]

To encourage landlords to rent to low-income households, the federal government also administers the Housing Choice Voucher Program via the states. It provides money both to public housing authorities and to low-income households via portable vouchers to help them rent from private landlords. Tenant contributions to rent payments are capped at 30% of household income, with the remainder covered by the federal government. Studies have found that housing vouchers are effective at reducing homelessness, housing instability, and overcrowded living conditions. They also lead to more positive educational, developmental, and health outcomes for children. Due to funding limitations, however, only one in four families eligible for vouchers actually receive them, and waitlists in some parts of the country keep eligible families waiting for years.[242]

Though critical, these programs are modest in scale compared to the totality of the American housing stock. In 2021, there were approximately 142 million housing units in the United States — meaning that the Low-Income Housing Tax Credit is responsible for less than 2% of them. Housing vouchers were used by fewer than two million households in 2020, out of a total of 128 million, partially due to funding constraints.[243]

SECRETARY SHAUN DONOVAN AT THE HOUSING HEARING

Committee Findings and Recommendations

Access to affordable housing in high-demand areas is a substantial contributor to economic disparity. As lower- and moderate-income Americans are faced with fewer options for affordable housing in the areas they want to live, they are denied access to good schools, public amenities, and well-paying jobs. High housing costs also weaken economic security by preventing savings and wealth accumulation.

When talented, hard-working, or entrepreneurial people are effectively kept out of places with opportunity, they face barriers to achieving their economic potential.

Because much of the nation's housing crisis is a function of shortages of affordable homes, supply must be increased to meet current demand. The Select Committee recommends that the federal government provide incentives for the construction and rehabilitation of affordable and market-rate homes in areas of the most acute shortages.

Discourage overly restrictive zoning and encourage inclusive zoning.

Restrictive zoning severely curtails the construction of market-rate housing, driving up prices in precisely those areas where Americans want to live. The Select Committee believes that Congress should explore ways to incentivize states and localities to eliminate unnecessarily restrictive zoning laws and to encourage more inclusive zoning policies.

Inclusionary zoning programs vary in structure but often provide incentives — such as density bonuses, expedited approval timelines, and fee waivers

— to developers in exchange for providing affordable housing for low-and moderate-income families. A study by the RAND Corporation of inclusionary zoning programs notes that they successfully provide low-income families with access to low-poverty neighborhoods and better performing schools.[244]


COMMISSIONER EILEEN HIGGINS AND REP. DONALDS DISCUSS LAND USE PERMITTING AT THE INFRASTRUCTURE HEARING

The Committee believes Congress should encourage localities to roll back restrictive zoning through the YIMBY Act (H.R. 3198), which would require Community Development Block Grant program recipients to report on policies for expanding high-density single-family and multifamily zoning.

The Unlocking Possibilities Program, which was included in the Biden Administration's Housing Supply Action Plan, would encourage states and localities to eliminate barriers to housing production through $1.75 billion in new competitive grants to state, local, and tribal governments to incentivize the elimination of exclusionary and restrictive zoning and land uses to advance fair housing and support the creation of affordable housing.[245]

Further, communities should plan to repair existing structures and add infill housing to increase density in high-demand areas, creating a plan with engaged residents and building trade leaders from impacted neighborhoods needing revitalization.

Encourage the private sector to build additional affordable housing units.

The private sector also needs better, more efficient incentives to build affordable housing units. The Committee recommends increasing the total amount of funding for federal Low-Income Housing Tax Credit (LIHTC) offered and simplifying its access and use by passing the Affordable Housing Credit Improvement Act (H.R. 2573 and S. 1136), sponsored by Reps. Suzan DelBene (D-WA), Donald Beyer (D-VA), the late Jackie Walorski (R-IN) and Brad Wenstrup (R-OH) in the House and Sens. Maria Cantwell (D-WA), Todd Young (R-IN), Rob Portman (R-OH) and Ron Wyden (D-OR) in the Senate.

This legislation would raise LIHTC allocations by 50%, increasing LIHTC investment by approximately $5.5 billion per year, enable the credits to better reach underserved communities, and simplify rules to preserve existing affordable housing. According to the National Council of State Housing Agencies, it would result in the creation of over 1.5 million additional affordable homes over the next decade.[246]

To support affordable housing in rural areas where the Low-Income Housing Tax Credit may not work effectively, the Committee recommends passing the Strategy and Investment in Rural Housing Preservation Act (H.R.1728), sponsored by Rep. Cynthia Axne (D-IA), which would provide assistance to rural, multifamily rental-housing projects, and to tenants. It would restructure the Department of Agriculture's Section 515 loans, extend incentives for owners to remain in the program, and provide properties with resources to repair homes. The Section 515 program serves hundreds of thousands of low-income families and elderly households and, in many rural areas, provides the only affordable rental housing.

Enact down payment assistance for first-generation homebuyers.

A down payment assistance program, aimed at helping those from less economically secure backgrounds to make a down payment on home ownership, would expand wealth-building opportunities to a greater share of the population.

The benefit of down payment assistance would be particularly valuable to Black Americans and other racial and ethnic minorities, given the historically discriminatory homeownership policies at the federal, state, and local levels, as well as ongoing systemic discrimination in appraisals and lending.[247] All are significant contributors to racial gaps in home ownership.

Congress should consider legislation like the Down Payment Toward Equity Act of 2021 — sponsored by House Financial Services Committee Chair Maxine Waters (D-CA) — requiring that HUD establish a grant program for first-time, first-generation homebuyers for up to $25,000 for down payments.

PUBLIC HOUSING UNITS OUTSIDE NEW YORK CITY

Increase support to low- and moderate-income renters.

Increasing housing supply is vital but will take years. Renters need relief now. The Committee therefore recommends increasing subsidies to low- and moderate-income renters. Housing vouchers are a highly effective policy tool to reduce homelessness and housing instability, with significant positive spillover effects, especially for children, yet roughly 75% of eligible families do not receive them due to funding limitations.[248] The Committee recommends that Congress pass the Ending Homelessness Act of 2021, which would create and fund an entitlement for Housing Choice Vouchers for low-income families, ensuring that all eligible renters receive the support they need.

Public housing also provides economically vulnerable populations with access to stable and affordable shelter, but funding limitations continue to render much of the current stock unlivable. To prevent the condemnation of more affordable housing units and ensure that current public housing residents do not live in unsafe conditions, the federal government should support the rehabilitation and repair of public housing.

Increase the construction workforce.

The Committee believes that increased focus on Career and Technical Education (CTE), apprenticeship, and workforce development programs could help ease the construction worker shortage.

Hard Infrastructure Investments

WATCH VIDEO: RHONDA DIAZ, PROGRESO, TX

University of Texas Rio Grande Valley Student

JOINED BY: SERGIO CONTRERAS

CEO of Atlas Hall & Rodriguez LLP, Member of the Texas Broadband Development Office Board of Advisors

"Starting with COVID, most of our classes were over Zoom," Rhonda Diaz, a Texas college student and VIDA program mentee, testified at the Committee's field hearing in McAllen, Texas. "The little town where I live, we have satellite internet and the high speed we'll get is probably 12 megabytes — so it's very slow. My Zoom meetings were always getting disconnected.

"Now whenever I had to do homework, I had to download a program to download a program," she adds. "So, I have to go to town somewhere where I have access to free WiFi, because I'm not able to download that large an attachment with just satellite internet."

"With the gas being what it is — and I do have a small car — but even then, I still spend about $70 a week because I have to drive from one town to the other, just so I could go to Starbucks," she says. "Sometimes I even spend extra time at the campus just so I could be able to take advantage of using the WiFi there, 'cause I know once I get home, I'm really not gonna be able to do anything online."

We need better ways for people to connect to the American Dream in the 2lst century. Safe roads and bridges, reliable public transportation, and high-speed internet all connect people to economic opportunities and contribute to economic growth.

The passage of the Infrastructure Investment and Jobs Act (IIJA), a once-in-generation bipartisan infrastructure bill, will not only create millions of well-paying jobs that can't be outsourced; it will transform the government's most significant investments in passenger and freight rail, roads, bridges, ports, airports, and public transit.

Reliable public transit and roads are particularly important to Americans' ability to get jobs and stay employed.[249]

> "We should be making investments in our nation's infrastructure that can meaningfully improve people's lives. Strong infrastructure can provide individuals a safe road to drive on, it can help lower gas prices, and it can make it affordable for people to heat their homes on cold winter days."
>
> **RANKING MEMBER BRYAN STEIL**

"My residents would say they need affordable housing near public transit so they can get more quickly towards economic opportunity," Miami-Dade County Commissioner Eileen Higgins testified. "And that is because transit infrastructure is housing infrastructure: Affordable housing is even more affordable when it is located near reliable transit."[250]

The gap between where jobs are and where people live, considered a "spatial mismatch problem," is correlated with both overall unemployment and longer durations of unemployment for low-income populations. Commute times are likewise a strong predictor of upward mobility, according to research by Raj Chetty and others.[251]

> "I grew up poor in a rural textile town in South Carolina, and I actually remember the days when the school bus had to travel down dirt roads to pick up students ... We have made progress. But for many communities, whether minority, Appalachian, Tribal, urban, or rural, the dream of an inclusive economic infrastructure is still not yet a reality."
>
> **RICK WADE, SENIOR VICE PRESIDENT, U.S. CHAMBER OF COMMERCE**

The quality of local bridges, roads, mass transit, and broadband also factors into where businesses decide to open, how accessible they are to their suppliers, workforce, and customers, and whether they earn enough to stay open and continue employing staff.[252]

According to the Business Roundtable, “a modern infrastructure system is key to unleashing the full productive potential of the U.S. economy. In recent years, however, public-sector investment in infrastructure has dwindled, leaving many critical systems in disrepair and hampering U.S. competitiveness and productivity.”[253]

“Texas is the gateway for U.S.-Mexico trade,” Cameron County Commissioner David A. Garza testified.[254] “In 2020, 65% of all the goods coming in from Mexico to the U.S. went through Texas.”

“Recognizing the importance of high-quality transportation is a necessity for our area to compete nationally for industry and jobs,” he added. “And interstate highways are at the top of the site-selection factors to attract new industry to an area.”

Similarly, the economic and social returns on broadband expansion and adoption are significant: Increasing access and use of broadband in rural areas results in increased job and population growth, higher rates of new business formation, and lower unemployment rates.[255]

Finally, public investments in physical infrastructure systems are associated with well-paid, long-term job opportunities, including everything from bus drivers to telecommunication line installers.[256]

WATCH VIDEO: DAVID GARZA FROM THE TEXAS HEARING

Neal Crabtree, a foreman and pipeline welder from Arkansas, explained to the Committee: “With entry-level positions in this field, $50,000 to $70,000 is not unheard of,” for a yearly wage, he said. “It all depends on how often you want to work. It is like any field: The more effort you put into it, the more you are compensated.”[257]

But, as Dr. Carlos Martín, an engineer and architect, testified, “The needs of both a growing population and the maintenance of past investments” in the connections between communities have not aligned with available funding for decades.[258]

From Here to There: Roads and Public Transit

The federal government has a long history of investing in physical infrastructure — the means by which people, goods, and services get from one place to another.

The creation of the Interstate Highway System (IHS) after WWII spurred significant national economic gains, including approximately one quarter of the nation's productivity gains between 1950 and 1989.[259]

But the undertaking spurred economic disparity, particularly in minority communities.

The Interstate Highway System and Inequality

Building the IHS divided and, in some cases, destroyed urban neighborhoods, especially in historically Black and immigrant neighborhoods in places like Milwaukee, Wisconsin, Chattanooga, Tennessee, Cincinnati, Ohio, Miami, Florida and St. Paul, Minnesota.

THE CONSTRUCTION AND RAMIFICATIONS OF THE IHS[260]

Estimates suggest that "more than 475,000 households and more than a million people were displaced nationwide because of federal roadway construction between 1957 and 1977." As communities lost churches, parks, and homes to the construction of the highways, they also lost small businesses that created jobs locally and kept those local economies afloat, economies that were already struggling from zoning policies, disinvestment and white flight.[261]

As government investments in infrastructure decreased as a percentage of GDP over the last half century, the number of collapsed bridges, dilapidated roads, and other structures has increased.[262]

In early 2021, the American Society of Civil Engineers (ASCE) found that 43% of public roadways are in poor or mediocre condition, and 7.5% of the nation's bridges — a total of 46,154 — are considered structurally deficient.[263] An earlier report by the Government Accountability Office (GAO) found that in 2014, nearly a quarter of all bridges were deficient.[264]

Dilapidated roads impact mass transit and individual commuters. The largest group of public transportation commuters — 46.3% of all public transportation commuters, or about 3.6 million people — reported that buses were their primary commuting mode, which are dependent on sound roads and bridges.[265]

Public transit alleviates congestion and pollution in large metropolitan areas. In 2019, about 5% of workers in the United States used public transportation to get to their jobs, primarily in urban areas like New York, where over two million people commuted by public transportation, and San Francisco, where over one third of workers did so.[266]

The availability of public transportation provides a critical option for people who cannot afford to purchase a car and particularly those who work late shifts. The American Automobile Association estimated that on average in 2015, owning a modest car cost close to $9,000 annually, while the average annual income for a household living in federally assisted housing was roughly $14,000.[267]

One in four adults regularly found it difficult to get from place to place in 2018, regardless of mode of transit.[268]

Without access to high-quality, reliable, and accessible transportation, as Commissioner Higgins described in her testimony, a resident from Florida City — where the poverty level exceeds 40% — "can spend over an hour to simply connect to the Metrorail system" to get to a job located in the urban core.[269]

> "Robust public infrastructure is a prerequisite for prosperity. But it is more than an obligation; it is actually an opportunity to make lasting and transformational change to our economy and shift it from an extractive one to a resilient one, an equitable one to one that benefits everyone, white, Black, and brown."
>
> **REP. PRAMILA JAYAPAL**

As new residents choose to live closer to downtown business districts, economic and demographic shifts can lead to displacement of low-income, Black, immigrant, and Latino families. Those displaced are often left disconnected from job centers and experience increased commute times, as suburban areas are less served by frequent and reliable transit.[270]

As the Chamber of Commerce noted, it can also have effects on employers: "Inefficient public transit in America leads to longer travel times, as well as a slowdown in workers' economic output … [and thus has] a major negative impact on business revenue."[271]

All over America, access to safe transportation is essential to realizing economic gains at the individual, family, community and national levels.

Mr. Ray Allen, former Secretary of the Wisconsin Department of Workforce Development, told the Committee about the need for more partnership between government, the private sector, and nonprofits in creating infrastructure.[272] "We've got to be more creative in how we think about solutions to address" the mismatch between where people live and where employers have facilities, he explained.

Bridging the Broadband Digital Divide

The increased availability and adoption of broadband is associated with improved local economic conditions in the form of local economic growth, increased median household incomes, increased employment and earnings for low-income individuals, and the decisions of business about where to locate — particularly in rural areas.[273]

High speed digital connectivity facilitates remote work, job searches, e-recruiting, and increased productivity. The COVID-19 pandemic further amplified the role of digital connectivity as a critical tool for health care, distance learning, and remote work, among other uses.[274]

But affordability keeps broadband out of reach for millions of households and businesses in rural and urban areas.[275] This " digital divide" exacerbates other disparities.

> "The COVID-19 pandemic exposed some of the ramifications of underdeveloped broadband infrastructure. Without access to reliable broadband, our young people cannot receive the quality education they deserve, and our workforce could not meet the 21st Century needs."
>
> **REP. VICENTE GONZÁLEZ**

The COVID-19 pandemic exposed the uncomfortable fact that 15 million students are without broadband internet. This resulted in a "homework gap" between school age children with and without high-speed internet at home. In a 2021 Pew survey, most respondents cited a lack of home broadband as a major disadvantage for getting schoolwork done, a significant issue for some children even prior to the pandemic.[276]

This lack of connectivity has also hurt college students' progress and success. Andrew Seibel, the former state secretary of the Virginia Future Farmers of America (FFA), testified about how the lack of broadband infrastructure impacts what young people study and how they view their future prospects.[277]

MR. ANDREW SEIBEL AT THE ROUNDTABLE ON RURAL AMERICA

"I feel like if I want to go into a technical field, I can't stay in a rural community right now," he said. "I have many friends who are going to Virginia Tech engineering, who went through high school with me but are going all different ways in their lives because they feel like they can't come back to Roanoke County if they're doing something that's more technical."

"We're expecting those students to be able to put themselves through college — in addition to covering those travel costs — and get the training and then come back to a community that doesn't have the infrastructure to provide those technical positions," he added.

There are different approaches to measuring availability and adoption, so estimates of how many people cannot access broadband vary. The Federal Communications Commission (FCC) estimated that census blocks containing 14.5 million households lack access, but a Minority-led letter from the House Committee on Oversight and Reform noted recent research put the total number of households lacking broadband access at 42 million.[278]

Dr. Nicol Turner Lee, the director of the Center for Technology Innovation at the Brookings Institution, testified that 11.3 million to 17.6 million rural residents do not have access to broadband — somewhere between 17% and 27% of Americans living in rural areas. Ms. Jessica Fulton of the Joint Center for Political and Economic Studies testified that there are significant racial disparities in broadband access in rural America: 38% of Black people and 23% of white people who live in rural areas lack home internet access.[279]

There is strong correlation between household income and home broadband across both rural and urban communities: 43% of adults with incomes below $30,000 report not having broadband services at home, compared to only 7% of those earning $100,000 or more.[280]

"Digital inclusion is economic inclusion," Ms. Jordana Barton-Garcia, the principal at Barton-Garcia Advisors and a senior fellow at Connect Humanity, testified.[281] "A lot of the young people [in the Texas colonias] go away currently — we call it the brain-drain — to start their business."

"Like a young woman from the Las Milpas Colonia in Pharr who went away and started her business in the Silicon Valley," she explained. "It is a telehealth business, and she could run it here, but we just don't have the broadband infrastructure to be able to have those kinds of businesses."

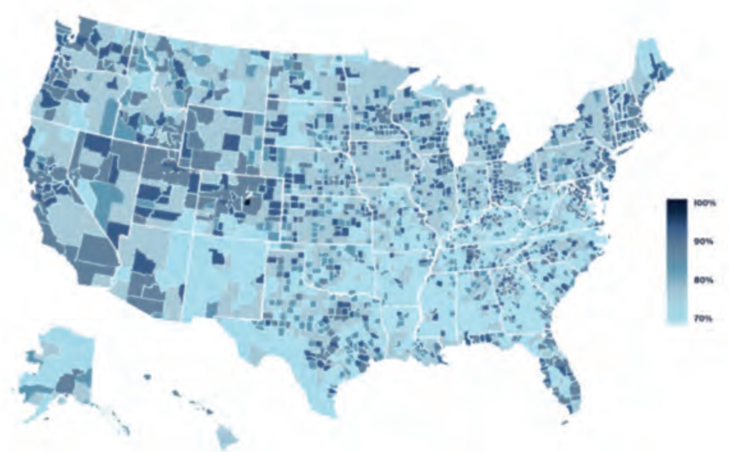
"By having broadband networks, you will be supporting entrepreneurship, workforce opportunities, hands-on experience for learning for young people in the assets of the digital economy, and you will be creating an environment for entrepreneurship," she added. "If you don't have that connectivity, you are less likely to be able to start the business here and create those jobs and opportunities here."

Committee Findings and Recommendations

Since the nation has taken a historic first step in addressing many of our infrastructure needs with the passage of the bipartisan Infrastructure Investment and Jobs Act (IIJA) in 2021, communities will be able to get federal assistance to "begin addressing long-term, systemic shortcomings that have hindered economic prosperity and economic growth," as Commissioner Higgins testified.[282] The legislation, which provides $550 billion over five years for bold, targeted investments, including $110 billion for roads, bridges, and major projects, $66 billion for passenger and freight rail, $65 billion for broadband, $39 billion for public transit, $11 billion for transportation safety, and $1 billion to remove barriers to opportunity created by past infrastructure projects.[283]

Figure 13: U.S. Household Broadband Adoption

HOUSEHOLD BROADBAND ADOPTION RATES BY COUNTY (2019)



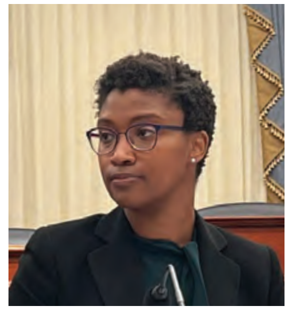
SOURCE: BROOKINGS INSTITUTION (2021)[284]

Establish criteria for infrastructure projects to prioritize equity and maximize impact.

The Committee recommends establishing monitoring and evaluation criteria for infrastructure projects to ensure investments prioritize left-behind communities. Clear, measurable objectives will help ensure targeted, holistic, and transformative investments.

Strengthen local administrative capacity and prioritize engagement.

The Committee recommends implementation of the IIJA to prioritize local engagement and building community capacity, targeting funding for under-resourced communities through partnerships between federal agencies and local governments. The federal government should focus on investing in capacity building and technical assistance. Without such investments, Dr. Martín testified "the states and localities with extensive pre-existing resources for conducting analysis, outreach, and innovation will continue to be more competitive in discretionary federal fund applications and in being able to advocate for state formula allotments."[285]



MS. BARTON-GARCIA, DR. TURNER LEE, AND MS. FULTON ALL STRESSED THE IMPORTANCE OF BROADBAND INVESTMENTS IN ADDRESSING ECONOMIC DISPARITY

Simplify and streamline regulatory and permitting processes on infrastructure projects.

The Committee found that it is important to simplify the regulatory and permitting processes in order to expedite critical projects. The current federal permitting process for projects can be prohibitively slow, and the federal government needs to ensure that the communities and workers can benefit from the investments quickly while maintaining high environmental standards.

IIJA will lessen regulatory and permitting burdens on communities through, among other provisions, codifying "One Federal Decision," based on an Executive Order from the Trump Administration. The legislation requires that a single lead agency bear responsibility for shepherding projects through multi agency reviews, limits National Environmental Policy Act (NEPA) reviews to two years, and limits most environmental impact statements for major projects to 200 pages.[286] In addition, it expedites operational rights-of-way evaluations to 45 days, and opens up project schedules, descriptions, and other details to public review.

Invest in a talent pipeline for the infrastructure workforce.

The Committee recommends using IJJA funds to build a talent pipeline for the infrastructure workforce. Nearly a quarter of all existing infrastructure workers are expected to retire over the next decade, according to Brookings. And, as Dr. Turner Lee testified, "having quality broadband infrastructure relies upon an established training pipeline and workforce," and "over four million jobs will be 5G or related technology opportunities … [with] higher than average wages."[287]

The bipartisan IIJA allows states to allocate funds for workforce development, including for pre-apprenticeship, apprenticeship, and on-the-job training. It also provides expanded funds for engagement with workforce development boards and additional new funding for digital upskilling.[288]

An Unlevel Playing Field 6

STRUCTURAL ECONOMIC CHALLENGES

WPA WORKER IN 1939; ACTIVISTS ORGANIZE IN SUPPORT OF DISABILITY RIGHTS LEGISLATION IN 1977[289]

Our discussion so far has focused on the need for adequate investments in people and communities that maximize individual potential, opportunity and mobility, and on the need to invest in the infrastructure that opens doors to learning, connection, and the entrepreneurship that allows individuals and communities to thrive. But these investments alone are insufficient as long as individuals continue to face structural inequities that drag them down.

The metaphors collide: level or unlevel playing fields; headwinds or tailwinds. However framed, the fact is that individual Americans are meaningfully helped or hurt by factors beyond their control: race, gender, and geographic location. Distressed rural and urban areas suffer from disinvestment, poverty, crime, poor schools, low tax revenues, and outmigration, leaving those who are left behind at a distinct disadvantage compared to those in thriving, highly educated centers of the knowledge economy. The more these arbitrary factors matter, the further the nation strays from the idea that a fair outcome is the product of working hard and playing by the rules.

Leveling the playing field has been the work of generations of activists, faith leaders, philanthropists and political leaders. But in this critical work, government has played a central role. The New Deal created programs to address poverty, exclusion, and social inequities. The 1935 National Labor Relations Act gave workers a fairer balance of power with employers. Title I of the 1965 Elementary and Secondary Education Act gave schools in poorer neighborhoods more equal funding. The 1990 Americans with Disabilities Act sought to equalize opportunities for disabled Americans. Monumentally, the Civil Rights Acts and interventions of the mid-20th century accelerated the perennial quest for justice and equality for Black Americans.

Today, a survey of the "playing field" suggests five areas in which thoughtful government intervention might shift our nation towards better equality of opportunity: place-based policies, worker protections, economic security, tax policy, and market competition.

DR. GALE, PROF. BROWN, AND MR. HANLON AT THE HEARING ON THE TAX CODE

In the nation's poorest ZIP codes, median household income hovers around $10,000 a year, a fraction of the poverty level. A typical household in America's wealthiest ZIP codes makes more than $1 million. These disparities are extreme, yet the United States is divided economically by geography, with the well-to-do clustered in particular neighborhoods and communities, moderate-income families in other areas, and the poor in still others. Federal, state, and local governments have attempted to address these disparities with place-based policies focusing on economic development, jobs, education, housing, and education. Some have worked, some have not.

Over time, workers' rights to organize and collectively bargain for fair pay, benefits, and decent working conditions have been rolled back at the federal and state levels. Coupled with labor market trends that have eroded the relative power of working people, this roll-back has contributed to a decline in worker prosperity and security. Support like the minimum wage has also eroded. Although many states and localities have raised their minimum wages, the federal minimum wage is half of what it was in 1968 in real terms.

Income security programs, sometimes called the "safety net," consist of a patchwork of social-insurance programs like Social Security and unemployment insurance (UI) and means-tested benefits like food stamps, rental assistance, housing vouchers, and refundable tax credits like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Because of complexity and isolation, many Americans fail to access these programs at critical moments.

Tax policy that disproportionately benefited the wealthy in the last 40 years has also contributed to the explosion in inequality. Capital income, which is earned mostly by the wealthy, is taxed less than the wages of middle-income workers, and most tax expenditures — subsidies in the tax code — are skewed to the well-to-do.

Finally, as the trust-busting Teddy Roosevelt understood, a free market economy depends on truly fair competition to deliver equal opportunity to workers, consumers, and entrepreneurs. Today many large companies have inordinate market power that has hurt innovators, workers, and in some cases, employees.

As it has for centuries, the government can address these structural challenges. The Committee believes that government rules and tools can give Americans a fighting chance by investing more in specific places; helping give workers stronger ground to bargain for a good wage; modernizing the social safety net to help people in crisis; rewarding work as much as wealth; and ensuring fair competition.

MS. SHARON PARROTT, MR. MARC MORIAL, MS. MICHELE EVERMORE, AND MR. INDIVAR DUTTA-GUPTA AT THE HEARING ON ECONOMIC SECURITY PROGRAMS

WATCH VIDEO: LEAH HALL, ROCHESTER, MN

Affordable Housing Development Director, 3 Rivers Community Action

"I can say that for a fact … I know what the small towns need, and I know what the communities and the folks that are in those communities are looking for," Leah Hall, the director of affordable housing development at 3 Rivers Community Action in Rochester, Minnesota explained.

Lorain, Ohio, like a lot of places in America, has seen more than its share of economic struggle as the American economy shifted.

"Minus five years in the early 80s, I have been lucky to not spend a lot of time unemployed," testified Rick Cain, Vice President of United Steelworkers Local 1104 in Lorain, Ohio.[290] "But unfortunately for too many of my union brothers and sisters, they have been on the front line of deindustrialization from globalization and a lack of domestic investment in our manufacturing sector."

"In Lorain, we have seen this decline firsthand: When I first started in the steel industry, there were over 10,000 workers maintaining and operating the mill," he added. "This number has steadily decreased over time until, today, I am one of 60 employees working at Republic Steel's bar mill."

"The U.S. has suffered a net loss of more than 91,000 manufacturing plants and nearly 5 million manufacturing jobs since 1997," he went on. "These lost jobs have led to systemic, long-term displacement in communities like my own, and lack of attention by lawmakers has only made economic disparity worse and undermined the American Dream."[291]

Mr. Cain's story — and the story of Lorain, Ohio — is not a unique one in America.[292] From the lumber mills of the northeast to the manufacturing centers of the mid-Atlantic and Midwest, from the mines of Appalachia to the textile mills of the South, the company towns and jobs in which many Americans once built their lives have disappeared, and very little has come along to replace them.

> “The history of America’s workers and farmers in our industrial and agricultural heartland has been a rugged one, but one that also inspires. We must bolster their potential to meet the future. What America makes and grows makes and grows America.”
>
> **REP. MARCY KAPTUR**

While the solution voiced by some political leaders in the last few years has been to tell residents to “go to another state where they can get a great job,” the reality is that many Americans have neither the ability nor the desire to move across the country for a job.[293]

Upward mobility in America is increasingly shaped by where people live, and living in economically distressed areas is associated with lower economic mobility, productivity, lower employment probability, and diminished opportunities for innovation and entrepreneurship.[294]

AN ABANDONED STEEL MILL IN DOWNTOWN LORAIN, OHIO

Remarkably, the location of a person’s childhood is predictive of differences in those children’s earnings as mid-career adults.[295]

This research suggests that “a child from a low-income family raised in San Jose or Salt Lake City has a much greater chance of reaching the top than a low-income child raised in Baltimore or Charlotte,” and that, even within these cities, different neighborhoods may lead to different levels of economic mobility.[296]

Patterns of local economic distress have persisted or widened both between and within regions across the country over the past four decades. Since 1980, a fraction of primarily coastal metropolitan areas have become some of the most economically prosperous regions in history, while other places have seen a precipitous economic decline.[297]

Outside of cities, labor force participation among people between the ages of 25 and 54 years old has not rebounded to levels before the Great Recession (2007-09), while urban areas have seen a 9% increase in prime-age labor force participation.[298]

Despite the economic gains in metropolitan areas, two-thirds of urban neighborhoods continue to suffer from disinvestment and have experienced persistent or growing poverty rates. In 2018, poverty rates exceeded 30% in nearly 4,300 urban neighborhoods — home to 16 million Americans.[299]

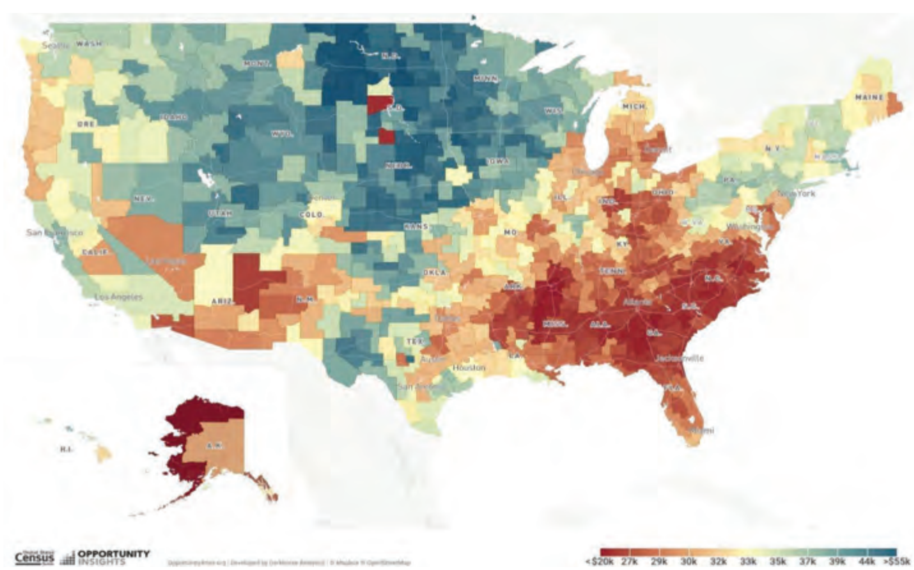
To address geographic inequalities like these, economists and policymakers traditionally recommended targeting relief to people, rather than places, because for most of the 20th century people simply moved to places with more opportunities.[300] Americans today, however, are not moving to higher-income regions in pursuit of better economic opportunities, because of high moving costs, lack of affordable housing, and existing local social ties, making policies tied to location more important.[301]

As Dr. Timothy Bartik, a senior economist at the Upjohn Institute, testified, encouraging people to move to other areas "removes young workers and entrepreneurs, depresses property values, weakens local tax bases, and lowers local demand for goods and services and hence local jobs," hurting both the areas and people left behind.[302]

The positive effects of encouraging people to move to different neighborhoods are limited even within cities, as demonstrated by the Moving to Opportunity program, a federal initiative in which low-income families were given housing vouchers to move to less economically distressed communities. While moving to lower-poverty neighborhoods led to positive long-term economic outcomes for young children — supporting the importance of neighborhoods early in life — there were no detectable short- or long-term impacts on adult economic or educational outcomes.[303]

Experts now increasingly recognize that bringing economic opportunities to underserved and left-behind communities requires both direct aid to people and complementary "place-based" policies — i.e., ones that are geographically targeted to support community and economic development.[304]

Figure 14: Household Income at Age 35 for Adult Children of Low-Income Parents
LOW-INCOME CHILDREN'S HOUSEHOLD INCOMES AT AGE 35 BY COMMUTING ZONE



SOURCE: OPPORTUNITY INSIGHTS (2022)[305]

Economic Empowerment for Native Communities

Fostering economic opportunities in place is essential for Native Americans residing on tribal lands. Despite significant economic progress resulting from increased sovereignty over the past 30 years, tribal governments continue to face hurdles in fully realizing economic opportunities for their citizens, as a result of the federal government failing to recognize tribal sovereignty and its obligations to Native peoples.

The Committee, joined by Native American Caucus Co-Chair Rep. Sharice Davids (D-KS), subject matter experts, and Native American leaders, held a roundtable to examine barriers and pathways for Native American communities to cultivate sustainable economic development and growth.

Experts and leaders provided key recommendations, foremost among them to respect and expand self-governance of Tribal governments, emphasizing that they are best positioned to serve their communities and should directly receive and administer federal funding.[306] The leaders also proposed strategies to tailor current federal policies for facilitating flow of capital, economic diversification, and data collection on tribal lands.[307]

Federal Place-Based Policies

The federal government has a long history of supporting place-based policies to help address persistent geographic disparities.[308] These policies are generally implemented in partnership with state and local governments — and sometimes with other community partners.

Though the definitions and objectives of place-based policies vary across agencies, annual federal spending on the most common type of place-based policies — targeted local economic development and job creation — is between $10 and $20 billion.[309] This funding is split across many agencies and distributed to states and localities through competitive grants or statutory formulas.

The federal government supports these communities for two main reasons. First, many state and local governments look for federal assistance after their communities have become economically distressed following the departure of industries like manufacturing.[310] As a result of the loss of both jobs and tax revenues, it is challenging for localities themselves to fully fund key economic development and diversification efforts.

Second, the legacies of past federal discriminatory policies — discussed earlier in this report — still resonate in concentrations of urban poverty today. "America's separate and unequal neighborhoods did not evolve naturally or result from unfettered market forces," the Urban Institute notes. "Rather, they resulted from plans, policies, and practices of racial exclusion and disinvestment that primarily targeted Black people and laid the foundation for the segregation of other people of color."[311]

MILWAUKEE, WISCONSIN AS A MANUFACTURING HUB[312]

Lagging rural towns, former industrial hubs, and persistently disinvested neighborhoods, however, require different policy approaches.

"In designing place-based policies, federal policymakers should recognize that one size does not fit all," Dr. Bartik testified. "Urban areas have different needs from rural areas and each area has different industrial bases, amenities, or proximity to markets which dictate different strategies."

The Community Development Block Grant (CDBG) program, a dedicated fund administered by the U.S. Department of Housing and Urban Development (HUD), has been the most sizable, flexible, and holistic source of support for local community and economic development since the 1970s.[313]

The economic development portion of CDBG is, on average, $1.1 billion of its roughly $3 billion in federal funding, but the program has remained funded at that level since its inception and has not kept pace with inflation or the increase in eligible communities. This reduced its ability to support transformative projects.[314]

A recent University of Maryland study found an increase of 13% in jobs among low-income workers living in or near a community where large CDBG investments occurred. However, these grants may not sufficiently target the most distressed members of a community, as more jobs were created in comparatively less-disadvantaged neighborhoods.[315]

Experts agree that much more could be done to reform the program to help it reach the most distressed neighborhoods.

The U.S. Economic Development Administration (EDA) — a sub-agency of the Commerce Department — was created in 1965 to lead the economic development agenda, investing in physical infrastructure, regional economic planning, and technical assistance projects.[316] The Brookings Institution suggests that the EDA is under-resourced and tasked to do "too much with too little" with pre-pandemic annual funding of only $300 million.[317]

The fragmentation of funding at the federal level poses difficulties for distressed communities looking for transformative development despite the EDA's and other agencies' work. As Jay Williams, the president of the Hartford Foundation for Public Giving and a former Assistant Secretary of EDA, testified, "While each agency's funding and programs address community needs per the agency's subject matter expertise, mission focus, and statutory authorities, this too often results in 'stove-piped' program execution."[318]

Federal Empowerment Zones

The federal Empowerment Zone (EZ) program is one of the most prominent federal place-based policies. Jointly administered by HUD, HHS, the USDA, and the Internal Revenue Service (IRS), the program provided a combination of tax credits, grants, bonding authority, and other benefits in distressed urban and rural communities.[319]

The first round of EZ designations in Atlanta, Baltimore, Chicago, Detroit, New York , and Philadelphia "resulted in substantial increases in zone employment along with increases in the wages of zone residents" and "appeared to have successfully transferred income to a small spatially concentrated labor force."[320]

MAP OF FEDERAL EMPOWERMENT ZONES IN DETROIT, MICHIGAN[321]

At a Committee hearing, Dr. Bartik noted that the success of the first round of the program was largely due to the fact that, in addition to tax incentives, it "also gave a large block grant to each neighborhood that was used in practice for job training; it was used for small business job creation; it was used for nurturing the growth of small businesses."

In addition to grant programs, the federal government also created a system of place-based tax incentives. But experts say that without more targeted complementary funding for programs, tax cuts alone have yielded mixed results in economic development.

The Opportunity Zones (OZ) program, for example, was recently created as part of the Tax Cuts and Jobs Act of 2017 (TCJA) to spur investment in economically distressed neighborhoods by reducing capital gains taxes for individuals and businesses who invest in qualified OZ funds.[322]

Early evidence suggests that the program facilitated the flow of funds into some communities, but that communities most in need of these investments are not receiving them, as more investment has been made in neighborhoods with relatively higher incomes, home values, educational attainment, and population growth.[323] The incentives also overwhelmingly funded real estate projects, rather than investments in ongoing businesses, limiting their effectiveness for long-term development in these communities.

Dr. Tracy Hadden Loh, a Brookings Metro fellow, testified that one issue with the program is that it was designed "without any mechanism to commit this capital to increasing wages, creating new job opportunities for residents, or offering entry points for residents to ownership of properties or businesses."[324]

In contrast, the New Markets Tax Credit (NMTC), enacted in 2000 and operated through Community Development Entities (CDEs), works to attract private capital into communities by permitting individual and corporate investors to receive tax credits for making equity investments into projects and non-profits served by the CDEs.

A recent Urban Institute study found that 52% of NMTC funding went to local manufacturing, food processing, retail, health care, schools, and child care facilities projects.[325]

> "It's clear to me that we can and must do more to promote economic growth in rural areas, because if we don't, the small towns and communities that make this country such a special place to call home could be left behind."
>
> **REP. ANGIE CRAIG**

The fragmented nature of federal development funds makes access difficult — especially for competitive grants, as many distressed communities lack the funding and/or the technical capacity to secure such grants compared to better-resourced areas. "Many under-resourced communities do not have the capacity or funds to prepare these complex reports and must rely on engineering firms for assistance," Cheryal Hills, the executive director of the Region Five Development Commission in Minnesota, testified.[326]

Dr. Loh further stressed in her testimony that, "Without high-capacity local partners and implementation, program targets may not know about, trust, or be in a position to take advantage of program tools."

Committee Findings and Recommendations

Geography is clearly linked to economic status and opportunity: Some communities offer abundant high-paying jobs in expanding industries, while others are home to declining industries and primarily low-wage service jobs. Some places have high-quality schools, good housing stock, excellent transportation, and an appealing environment, while others have few of these attributes. These differences may be stark in different regions of the country or in different neighborhoods within a metropolitan area.

PANELISTS AT THE HEARING ON LOCAL ECONOMIC DEVELOPMENT

Rather than allow such differences to perpetuate disparities among Americans, the Committee believes that the federal government can more effectively and efficiently stimulate local economic activity in less advantaged areas. We offer several policy recommendations to increase funding to hard-hit areas, improve coordination among federal, state, and local economic development efforts, and better target and evaluate federal programs like Opportunity Zones.

Support, monitor, and evaluate the most recently enacted place-based programs.

Congress should appropriate full funding at authorized levels and monitor and evaluate requirements that are set up for the pilot RECOMPETE and Regional Technology Hubs place-based programs as enacted through the CHIPS and Science Act of 2022.

With $11 billion of funding over five years, the two programs represent the most significant and comprehensive investment in place-based economic development since the Tennessee Valley Authority (TVA). The programs will be administered by EDA as flexible funding for a wide variety of infrastructure and services, including workforce development and entrepreneurial programs. The Hubs program will focus on technology development, whereas RECOMPETE is a grant program that will provide direct long-term help to distressed labor markets, helping them navigate the maze of different federal grant programs.

Reauthorize the U.S. Economic Development Administration (EDA).

The Committee recommends reauthorizing the U.S. Economic Development Administration (EDA) to expand economic planning and federal resource integration efforts. As part of reauthorization, we recommend expanding the EDA planning coordination program and increasing pre-development funding to support local capacity building.

Enhance coordination of regional, rural, and urban economic development resources.

Congress should also consider and pass the Great Lakes Authority Act of 2022 H.R.7131, introduced by Rep. Marcy Kaptur (D-OH), an example of a holistic place-based strategy that coordinates across the federal agencies. Communities in the Great Lakes region were devastated by the loss of American manufacturing jobs. Rep. Kaptur's legislation seeks to restore economic vibrancy in the region by building on existing regional strengths. Supported by local stakeholders, the Great Lakes Authority aims to spur local economic growth by making critical investments to finance green and clean energy, broadband, and water infrastructure projects, while also investing in local workforce education and training.

The Committee also recommends that federal agencies standardize economic development plans, measures of economic distress, and evaluation criteria. Now, at least three federal agencies — HUD, Labor, and Transportation — in addition to EDA, require communities to produce detailed economic development plans to apply for federal funding related to community or local economic development. Integrated plans and objectives could help communities pursue more holistic and inclusive place-based development strategies, incorporating workforce, land use, transportation goals, and more traditional economic development goals.[327] Another complicating factor in coordinating, implementing, and evaluating current place-based efforts is that separate agencies have different definitions of economic distress, including varying standards of unemployment rate, poverty rate, and others. In order to tailor strategies to local economic needs, the Committee recommends that federal agencies harmonize definitions of local economic distress.[328]

Further, we support the creation of a commission to document the "Impact of Deindustrialization of U.S. Industries and Communities and Recommendations for Reinvestment and Revitalization" that will report back to Congress in 2024.

Reform Opportunity Zones.

The Committee suggests that Congress reform the Opportunity Zones program to narrow the targeting of eligible areas; require that OZ funds be paired with flexible grants for local capacity building to help prepare, place, and keep OZ residents in jobs and invest in small businesses; and increase reporting and independent evaluation requirements to ensure that the program is incentivizing investment that benefits existing residents.

Proposals include the "Opportunity Zones Transparency, Extension, and Improvement Act of 2022," sponsored by Sens. Tim Scott (R-SC) and Cory Booker (D-NJ), which would narrow the eligibility for higher-income tracts and increase reporting requirements on investment. Other legislative efforts, like Rep. James Clyburn's (D-SC) "Opportunity Zone Reform Act," would tighten eligibility both for zone designation and acceptable investment projects.

Better coordinate assistance for rural areas.

To enhance coordination of federal resources in rural areas, the Committee recommends enacting the bipartisan Rural Prosperity Act H.R. 7018 introduced by Rep. Angie Craig (D-MN). This bill would establish the Office of Rural Prosperity within the Executive Office of the President and charge it with developing a strategy for rural development, standardizing metrics to measure the effectiveness of federal programs on rural areas and setting up a council to coordinate federal efforts.

The Balance of Power Between Employers and Workers

WATCH VIDEO: EMILY WILDER, STANDISH, ME

Registered Nurse in the Cardiac Intensive Care Unit at Maine Medical Center; Member of National Nurses United

"I got into nursing, fell in love with it, fell in love with the patients and specifically with the ICU," Emily Wilder, a registered nurse in Portland, Maine and a member of National Nurses United, said "It was the fall of 2019 — before COVID hit — when we first started saying: We don't have enough bodies on the floor. We don't have enough staff to safely care for these patients — not even enough for me to walk off the floor for 15 minutes to pump."

"Year after year, we're told, 'Sorry, it's not in the budget, we don't have the money for staffing,'" she added. "The driving force behind unionization was never about the money. It was never about being able to take extravagant vacations and time off. The number one priority, when people were surveyed at the beginning of the union drive, was that we could not provide safe care because we didn't have enough people."

"Once the hospital got wind of our unionization efforts, they hired consultants from an out-of-state company to come in for something called captive audience meetings, to speak with us about the 'dangers of unionization,'" she explained. "But they were coming into the hospital to hold these meetings at a time when, because of COVID, we were completely shutting out visitors. I was holding my personal phone up to patients' family members so they could say their last goodbyes. And it was just such a punch in the gut."

"It was definitely the straw that broke the camel's back," she said. "We won our union election."

In the wake of the economic disparities of the Gilded Age and 1920s and the widespread suffering of the Great Depression, New Deal-era legislation was, in part, driven by the idea that economic growth should be shared among all who contribute to it. President Franklin Delano Roosevelt explained that "the test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."[329]

For more than 30 years after the conclusion of World War II, worker compensation largely reflected overall economic productivity. Private-sector wages grew 102% between 1948 and 1980, while total economic productivity grew 112%.[330] Worker power — the ability of workers to command wages commensurate with their productivity — not only helps solid wage growth, it also reinforces competitive market dynamics, which increase both economic efficiency and economic growth.

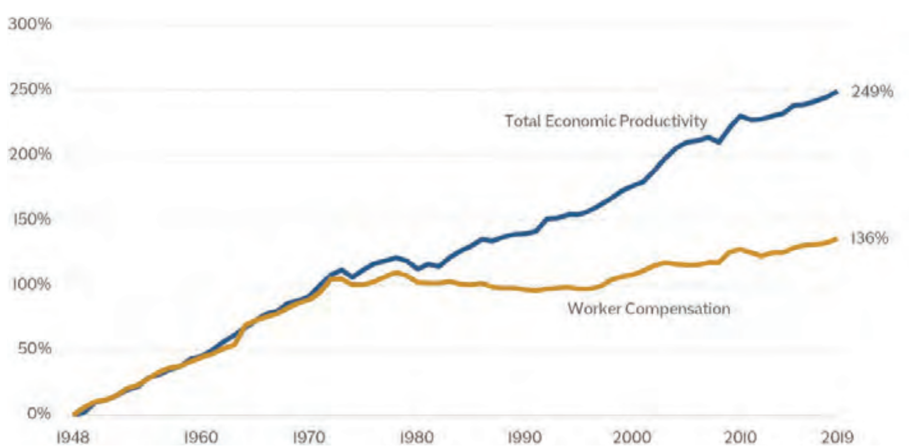
Research shows unions were instrumental in keeping economic disparity in check in this period: The "wage premium [for union members] was larger at the bottom of the income distribution than at the middle or higher" and "unions substantially narrowed urban wage inequality at mid-century."[331]

Between 1980 and 2021, however, the relationship between economic productivity and worker compensation began to unravel. The former increased 65%, while the latter grew by just 17% — barely a quarter of economic productivity.[332]

While external forces, such as globalization, automation, and a shift in labor demand from production-oriented jobs to services, contributed to the decoupling of wages and productivity, stagnant income growth for the average American is also a result of the decline in union membership.[333]

Figure 15: Wage and Productivity Growth Have Been Diverging Since the 1970s

PERCENT GROWTH IN WORKER COMPENSATION & TOTAL ECONOMIC PRODUCTIVITY (1948–2019)



SOURCE: ECONOMIC POLICY INSTITUTE (2021)[334]

Unions Under Siege: Declines in Organized Labor

This reduction in unionization began with the passage of the Taft-Hartley Act of 1947, which led to a series of rulings by the National Labor Relations Board (NLRB) that weakened unions, including through the prohibition of secondary boycotts and decreased bargaining power regarding contracting and plant closings.[335] It also allowed states to pass right-to-work laws — which through banning union shops and making union dues optional for employees lower rates of unionization and in turn wages.[336]

As states began to pass such laws, the South became generally less friendly to unions than the Northeast and Midwest, and highly-unionized manufacturing industries in the latter two regions began to move production to Southern, right-to-work states in an effort to reduce labor costs.[337]

Vastly increased foreign competition starting in the late 1970s — which coincided with the establishment of the General Agreement on Tariffs and Trade (GATT) and the culmination of Japan's economic rebound following World War II — put sustained pressure on the highly unionized domestic manufacturing industry. Newly competitive imports from Japan, coupled with the lowering of trade barriers with developing countries and large swings in the value of the United States dollar, led to widespread, permanent job losses in manufacturing.[338]

The Supreme Court further weakened union power in its 1974 ruling in Linden Lumber Division v. NLRB, which ruled that employers could deny recognition of then-standard "card checks" and instead insist on an official NLRB-supervised election.[339] Critics of card checks state that elections should be conducted in secret and organized by the NLRB, yet the time it takes to organize an official election often allows employers to engage in aggressive — and sometimes illegal — anti-union campaigns.[340]

AMAZON WORKERS IN NEW YORK CITY PROTEST IN FAVOR OF UNIONIZING[341]

Deregulation in the 1970s and 1980s in the trucking, railroad, airline, and telecommunications industries — through legislation such as the Airline Deregulation Act of 1978, the Staggers Rail Act of 1980, and the Motor Carrier Act of 1980 — increased cost- and wage-cutting pressures. Though these established more robust competition in those sectors and thus increased choices and lowered prices for consumers, unions experienced increased difficulty in matching organizing efforts with the rate of firm creation, which led to decreased unionization and lower real wages for workers.[342]

Then, in what was perhaps one of the most critical shifts in public perception of organized labor, in 1981 President Reagan fired more than 11,000 striking air traffic controllers who were organized by the Professional Air Traffic Controllers Organization (PATCO).[343] Previously, public sentiment opposed the firing of striking workers, despite its legality.[344]

SEARS ROEBUCK EMPLOYEES ON STRIKE AGAINST UNFAIR LABOR PRACTICES, MARCH 15, 1967[345]

The Reagan Administration's decision ultimately normalized what was seen as a direct attack on workers and weakened the power of the strike as a bargaining tool. The data on strike frequency since reflect this: In the decades prior to the air traffic controller strike, major strikes occurred roughly 300 times each year. There are fewer than 30 per year today.

The dual recessions at the beginning of the 1980s had yet further negative effects on employment in the manufacturing and mining industries — both of which had large union membership.[346] While output in these industries eventually recovered, employment did not: Over that decade alone, 6% of workers shifted from goods-producing industries to service-producing ones.[347]

Domestic manufacturing employment fell — and with it unionization rates — even more after the implementation of the North American Free Trade Agreement (NAFTA) in 1994 and the entry of China into the World Trade Organization in 2001.[348]

Increased global connectivity, meanwhile, allowed firms to transfer elements of their operations to foreign nations with lower labor costs, dislocating domestic workers in the process. What became known as foreign outsourcing tended to first displace workers with low levels of education in occupations that require less training. This offshoring accelerated with ever-improving transportation and communication technology.

The growing import competition and the movement of manufacturing capacity to lower-cost countries contributed to job loss and depressed regional economic activity, particularly in New England, the Southeast, and the Midwest.

Between 1970 and 2021, goods-producing employment as a share of total nonfarm employment fell from 31% to 14%, while service-providing employment grew from 69% to 86%.[349] And, in the same period, the number of private-sector workers belonging to a union had dropped from one in three to about one in 20.[350] The advancement of labor-reducing or -augmenting technology has presented employers with similar competitive pressures.

Technology offers lower costs and increased efficiency but drives out those workers whose skills are most easily replaced by automation.

Strong Protections Demand Strong Enforcement

Despite unions' importance in providing workers with a means to collectively bargain for fair compensation and safe workplaces, the decline in union density alone does not completely capture the entirety of the recent decline in worker power.

Laws such as the National Industrial Recovery Act of 1933, the Fair Labor Standards Act of 1938, the Equal Pay Act of 1963, and Title VII of the Civil Rights Act of 1964 were crucial to curbing extreme income inequality, in part by establishing many of the rights and workplace protections that workers enjoy today, including collective bargaining, the federal minimum wage, overtime pay rules, and pay equity laws–all of which help keep economic inequality at bay.

IN 1981, MEMBERS OF THE PROFESSIONAL AIR TRAFFIC CONTROLLERS ORGANIZATION HELD NATIONWIDE STRIKES FOR BETTER WAGES AND WORKING CONDITIONS[351]

Yet laws are only effective when enforced ... and enforcement has decreased since the 1980s.

The Wage and Hour Division (WHD) of the Department of Labor — which is responsible for enforcing the Fair Labor Standards Act — has gone from allocating about 82,000 workers per investigator in 1979 to roughly 190,000 per investigator in 2019, an enormous increase in workload, due to Congressional appropriations to the Division not keeping pace with the growing workforce.[352]

The resulting decrease in enforcement has drastic impacts for workers; between 2017 and 2020, WHD recovered just $3 billion in stolen wages for workers. In 2019 alone, more than $9 billion was estimated stolen from workers earning below $13 per hour.[353]

The Occupational Safety and Health Administration (OSHA), which is responsible for ensuring the "safe and healthful working conditions for workers by setting and enforcing standards" that prevent workplace-related sickness and injury, is likewise less equipped to inspect workplaces for violations than four decades ago.[354] In 1979, there were roughly 62,000 workers for each OSHA inspector; by 2019, there were about 199,000–a more than threefold increase.[355]

With weakened enforcement mechanisms, many firms may find that the risk of being fined by OSHA or the WHD — or the fines themselves — are not large enough to warrant compliance with existing laws. A study from the Peterson Institute for International Economics notes that "neither the FLSA nor the NLRA penalty and enforcement regimes create sufficient incentive to comply for many firms," adding that given such weak enforcement, "the substantial evidence of minimum wage and overtime violations, and of illegal employer behavior towards unions, is not surprising."[356]

Looking Back and Moving Forward: The History and Future of Unions

"On average, a worker covered by a union earns 10.2% more in wages than a peer with similar education, occupation, and experience in a nonunionized workplace in the same sector," Dr. Heidi Shierholz, the president of the Economic Policy Institute, testified.[357] "Union workers are far more likely to be covered by employer-provided health insurance ... [and] more likely to have paid vacation and holidays, more input into the number of hours they work, and more predictable schedules."

Unions also provide beneficial spillover effects to non-unionized workers.[358]

According to an August 2022 Gallup poll, some 71% of Americans are supportive of unions — the highest approval rating since 1965.[359] Yet nationally, only 9% of all American adults actually belong to a union.[360]

"The large gap between the share of workers who want a union and the share of workers who are in a union underscores that our system of labor laws is not working," Dr. Shierholz testified.

Studies note that "public policies that make it harder for unions to organize and represent workers lead to lower bargaining power and wages."[361] Other research has shown that union decline starting in the 1970s explains between one-fifth and one-third of the increase in wage inequality between 1973 and 2007.[362]

Today, evidence points to decreased economic gaps between racial and ethnic groups for unionized workers compared to those who are not unionized.[363] However, not all workers were granted the right to organize and bargain collectively or were initially welcomed into unions. Despite the benefits to many workers from the passage of the National Labor Relations Act (NLRA), agricultural and domestic workers were not — and to this day still are not — classified as employees and are therefore not covered under the NLRA's guarantees.[364]

PRESIDENT FRANKLIN D. ROOSEVELT SIGNING THE WAGNER UNEMPLOYMENT BILL ON JUNE 6, 1933 WITH REP. THEODORE A. PEYSER (D-NY), SECRETARY OF LABOR FRANCES PERKINS, AND SEN. ROBERT WAGNER (D-NY)[365]

Today, Latinos make up a majority of agricultural workers, and more than half of all domestic workers are women of Black, Hispanic, Asian American, or Pacific Islander descent.[366] None are covered by the NLRA.

Despite the pervasive racism present in many unions prior to the Civil Rights Era, organized labor became a crucial ally in the fight to pass many of the protections against discrimination that workers enjoy today.[367] Unions today are far more representative of the overall working population.[368]

When Employers Respond to Changing Workforce Dynamics

Changes in the ways employers view their relationships with their employees have also contributed to the decline in worker power. Shareholder primacy — a form of corporate governance that proposes that the maximization of profit and shareholder wealth should be the objective of public firms — served to reinforce the decline of American labor.

During most of the post-World War II era, large corporations often saw themselves in service to a variety of stakeholders, including customers, suppliers, workers, stockholders, and the communities in which they operated. Financial sector deregulation in the middle of the 20th century — which led the share of corporate stock held by institutional investors to rise from 10% in the early 1950s to more than 60% in the early 2000s — led to more shareholder interventions pushing for increased shareholder payments.[369] Mergers, downsizings, and anti-union activity were increasingly seen as channels through which stock buybacks and dividends could be increased, despite their unproven effects on firm profitability.[370]

Compounding the negative effects of shareholder primacy on workers is employee misclassification, which occurs when companies hire someone who is an employee as defined by the Fair Labor Standards Act as an independent contractor, thereby avoiding the costs associated with employing workers.[371]

Misclassification can impose costs on workers, including the addition of taxes that traditional employees do not pay. Moreover, misclassified workers are often denied basic workforce protections such as access to the minimum wage, overtime pay, unemployment insurance, and workers' compensation.[372] Various state-level analyses estimate that 10 to 30% of employers engage in misclassification.[373]

Though the popular idea is that misclassified workers are largely employed in the gig economy, the construction industry is the major field in which misclassification has historically been endemic.[374] Construction workers — who represent one in five independent contractors — are among the lowest paid and least-protected workers, and are generally not provided the flexibility and opportunity that comes from being an independent contractor.

There are employment relationships in which misclassification is challenging to determine. The gig economy, for instance, provides workers with flexibility in exchange for more traditional employment benefits. While some workers appreciate the flexibility to earn extra income, other people who work full-time at a single gig economy job are denied the benefits that traditional employment relationships provide.[375]

REP. KAPTUR, REP. JAYAPAL, AFL-CIO SECRETARY-TREASURER FRED REDMOND, AFL-CIO PRESIDENT LIZ SHULER, AND CHAIRMAN HIMES

Non-compete contracts, which prohibit workers from starting in a similar position at a competing firm, are another tool that can be abused by employers to suppress worker power. Traditionally reserved for employees who have proprietary knowledge and could carry that knowledge to a competing firm, low-wage workers without access to such knowledge — such as hourly-paid fast-food workers or retail workers — have been subjected to non-competes with detrimental effects.

By constraining their ability to find alternative employment and reducing competition for labor between employers, non-competes serve to suppress wages for some of the most economically vulnerable workers. According to the Federal Reserve Bank of Minneapolis, more than one in 10 low-wage workers report having a non-compete contract.[376]

According to the same study, "when Oregon ended the enforcement of non-competes for hourly paid workers, wages for those workers rose by 2-3%, with larger effects in occupations where non-competes are more common."

Committee Findings and Recommendations

Individual workers rarely, if ever, have the power that their employers do to determine their pay, benefits, working conditions, or job security. Labor laws and regulations play a key role in protecting employees' rights, safety, and opportunity. Such laws are especially important in ensuring that workers have the rights to collectively bargain, receive a fair paycheck, and are treated with dignity on the job.

Therefore, the Committee recommends a set of specific policies that support unions, increase the minimum wage, and fully fund those government agencies entrusted with looking after the welfare of the 160 million Americans who work for a wage or salary.

Support unions and collective bargaining.

The Committee recommends that Congress make it easier for workers to bargain collectively by passing the Protecting the Right to Organize Act (PRO Act), which would expand the scope of workers covered by NLRA standards, ban state-level right-to-work laws, and make it easier to organize a union, among other policies.

MS. STERLING HARDERS, MX. MAELSTROM PULLMAN, AND MR. TRENT WU AT THE ROUNDTABLE ON WORKER RIGHTS IN SEATTLE, WASHINGTON

The Committee also recommends that Congress pass the Public Service Freedom to Negotiate Act (PSFNA). Currently, states have wide discretion over public-sector collective bargaining procedures. If signed into law, the PSFNA would empower the Federal Labor Relations Authority to determine whether each state provides a minimum level of rights, including the right of public-sector employees to self-organize, form or join a union, or collectively bargain.

RIDESHARE DRIVER IN NEW YORK SUPPORTING THE PASSAGE OF THE PRO ACT[377]

Raise the federal minimum wage.

The Committee recommends raising the federal minimum wage — which is currently in its longest streak of nominal stagnation since its implementation in 1938 — pegging it to inflation, and broadening the scope of workers who are covered. Increasing the minimum wage and ensuring it will go up over time without continual Congressional intervention would provide workers greater bargaining power in wage negotiations with employers.[378]

According to an analysis by the Congressional Budget Office (CBO) "increasing the federal minimum wage would raise the earnings and family income of most low-wage workers, lifting some families out of poverty."[379] The CBO estimates that raising the federal minimum wage to $15 would lift 300,000 people out of poverty and increase the total annual income of all families earning below three times the official poverty rate by $4.5 billion.

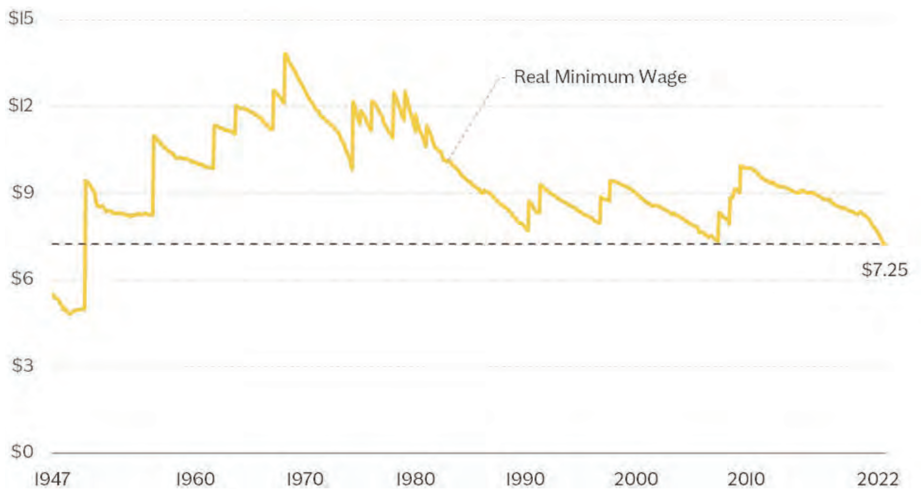
Moreover, a higher wage floor increases bargaining power of low-wage workers earning above the minimum wage, as outside employment options with comparable pay become more plentiful and provide workers with credible threats to find new employment if their current employers do not meet their needs.

In the 117th Congress, the House passed legislation, the Raise the Wage Act, that would increase the federal minimum wage to $15 over a five-year period, index it to inflation, and eliminate the separate minimum wage requirements for tipped and disabled employees.

Critics claim that raising the minimum wage in this way could reduce overall employment and hours for low-income workers — but the gains for the most economically vulnerable are clear. Moreover, many studies point to the fact that there are few, if any, aggregate job losses when the minimum wage is raised.[380]

Figure 16: The Real Minimum Wage is at its Lowest Point Since 1949

REAL HOURLY FEDERAL MINIMUM WAGE (1947 – 2022)



SOURCE: DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS (2022)[381]

Strengthen the agencies that protect worker rights.

The Committee recommends increasing funding to federal agencies protecting worker rights, including the National Labor Relations Board, the Wage and Hour Division, and the Occupational Safety and Health Administration.

Dr. Kate Bahn, the chief economist at the Washington Center for Equitable Growth, suggested in her testimony the NLRB should be better equipped to enforce current worker protections.[382] Congressional appropriations for the agency have remained the same for the last nine consecutive years despite a rise in union election petitions and unfair labor practice charges.[383] Compared to fiscal year 2010 levels, this is equivalent to a 25% budget cut, which delays the adjudication of claims.

Ms. Danielle Alvarado, the executive director of Working Washington & Fair Work Center, testified at the Seattle field hearing about the importance of enforcing worker protection laws, suggesting that Congress should be "committing dedicated funding for federal agencies to community-based enforcement partnerships, particularly the NLRB, DOL, and EEOC."[384]

Economic Security Programs

WATCH VIDEO: ANGELA HILL, ANDERSON, SC

Founder of Journey Changers Scholarship Solutions

"Just because my mother was on welfare does not mean that I had to be on welfare," Angela Hill told the Committee. "But I had to use the resources that were available for me."

"At the time, I had two younger boys, and it allowed me to be able to afford the benefit of going to the grocery store," she explained. "And then once I landed a job, I was able to say, 'OK, I don't need the SNAP benefits anymore, I don't need the unemployment benefits because I have a full-time job.'"

"It was a building block for me. It is a resource to use to help make yourself and make your life better," she said. "I had an incentive of going to college, becoming a business owner, and being able to show people how I can pay it forward."

Angela Hill is one of the millions of Americans who have experienced the challenges of poverty and relied on an economic security program. Government benefits gave her the tools to keep going and to eventually be able to contribute and give back to her community. She has since founded Journey Changers Scholarship Solutions — an organization that provides financial aid for people to realize their career goals and find economic success. Nearly every American will, like Angela, access economic security programs at some point over the course of their lives.

According to the White House Council of Economic Advisers (CEA), 70% of Americans have benefited from economic security programs.[385] The CEA also found that between 1978 and 2010, more than one-third of all people received support from either SNAP, TANF, or Supplemental Security Income (SSI). Including Social Security, an economic security program for elderly, disabled, orphaned and widowed people, nearly every American will obtain federal economic benefits.[386]

These programs are important because many Americans are unable to withstand even small financial disruptions: 40% of Americans are not able to cover a $400 emergency expense, and 17% of adults couldn't pay some or all their bills in the month they were surveyed.[387] Whether an economic crisis affects the entire country or an individual, without sufficient support, seemingly temporary economic episodes can permanently widen disparities.

The United States provides support through a variety of programs to help individuals and families. Some, like Social Security, are universal programs to insure people against loss of income due to old age, sickness, and disability, while others are means-tested. Economic security programs play an important role in reducing inequities among the American people.

A History of Economic Security Programs

Meaningful federal social welfare programs began with the New Deal to combat the poverty and unemployment of the Great Depression. The Social Security Act of 1935 provided retirement security for the elderly and support for other disadvantaged people and established the unemployment insurance (UI) system and the Aid to Dependent Children (ADC) program, which provided cash assistance to low-income families. The temporary Food Stamp Program of 1939 was the first iteration of federal nutrition assistance to combat hunger and is now known as the Supplemental Nutrition Assistance Program (SNAP).[388]

President Johnson's Great Society initiative established Medicaid and Medicare[389] — health-insurance coverage for the poor and elderly. The Nixon Administration established the Supplemental Security Income (SSI) program to benefit low-income people with disabilities and the Women Infants and Children (WIC) program to provide food assistance to pregnant women and young children.

The idea of using the tax code to bolster the economic security of lower-income Americans became law under President Ford, with the establishment of the Earned Income Tax Credit (EITC) and expanded through the Child Tax Credit (CTC), a refundable tax credit created in 1997.

Since the 1960s, the poverty rate in the U.S. has declined but remains high, especially compared to other developed countries: In 2021, it was 11.6%, meaning that 37.9 million people lived in households with incomes below the Census Bureau's official poverty threshold.[390] This is among the highest of all OECD countries — higher than Germany, Australia, the U.K., and France.[391]

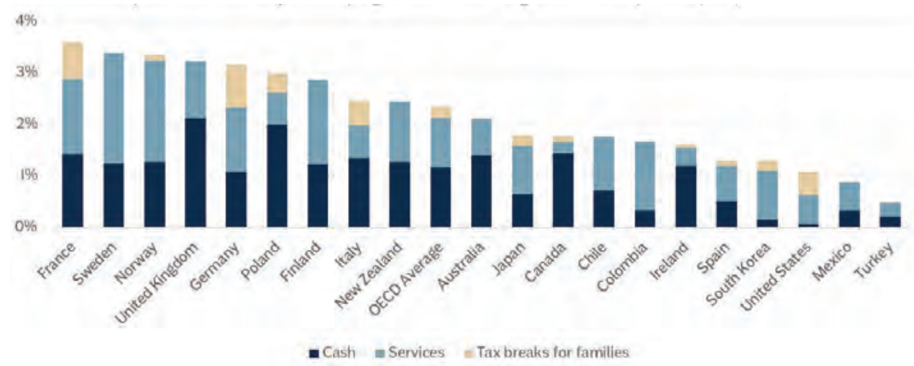
Millions of Americans struggle with incomes just above the official poverty threshold, which does not take into account the cost of housing, transportation, child care, health care, or geographical differences.[392]

More middle-income families are receiving benefits to address their needs. Research shows that government benefits are an increasing proportion of middle-income households' finances. But the most deleterious effects of poverty and near-poverty fall on children — and can last a lifetime.

Poverty rates are higher among the youngest Americans than among the oldest: The child poverty rate in 2021 was 16.9%, while the poverty rate for people over age 65 was 10.3%.[393]

Childhood poverty damages children as well as the U.S. economy. Research measuring the loss of human potential that childhood poverty imposes on society — including on health costs, reduced earnings, increases in crime, the social costs of incarceration, child homelessness, and increased child maltreatment costs — concludes that the annual aggregate cost of child-poverty is over $1 trillion, or 5.4% of GDP.[394]

Figure 17: The United States Spends Relatively Little on Benefits for Families
GOVERNMENT EXPENDITURES ON FAMILY BENEFIT PROGRAMS AS A SHARE OF GDP



SOURCE: ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (2021)[395]

In the face of these costs, the United States spends less of its GDP to mitigate or alleviate childhood poverty than other developed countries do.[396]

There are many long-term benefits for both society and poor children when their families have access to economic security programs. These programs, which immediately increase parents' disposable income, improve not only children's health, but also their educational and career outcomes.[397] The effects last into adulthood.[398]

Ms. Sharon Parrott, the president of the Center on Budget and Policy Priorities, testified that "Studies link additional income with better outcomes for children in families with low incomes, including better educational performance and attainment, higher earnings in adulthood, and better health, which can yield benefits for children and their communities over the course of their lives."[399]

Federal, state, and local governments, the private sector, and charitable organizations all have roles in protecting and enhancing Americans' economic well-being. Philanthropy plays a significant role in alleviating poverty, improving opportunity, and exploring new approaches to social problems. America's nonprofit sector is much larger than in other rich nations, making up for at least some of the shortfall in U.S. government spending on economic security relative to Western European countries.[400]

However, according to the National Philanthropic Trust, less than one-fourth of total private giving went to "public-society benefit" and "human services" combined.[401]

"While the philanthropic community has always played an essential role in supporting the well-being of our communities, philanthropy should not — and cannot — fill the resource gaps created by lack of government support," the Chicago Community Trust, a large community foundation, declared. "Government funding for human services is essential because no other entity can provide the capacity of support that government does."[402]

Economic Security for All

The CTC and the EITC reach the largest number of people of any current economic security programs besides SNAP and have the biggest impacts on poverty reduction.

The CTC benefits Americans with children in married households earning up to $150,000 per year or for individuals earning up to $75,000 per year. It lifted an estimated 9.8 million people out of poverty in 2018.[403]

In 2021, the CTC was temporarily expanded from $2,000 to $3,600 and made fully refundable under the American Rescue Plan Act (ARPA) to help more families weather the economic shocks of the COVID-19 pandemic. The families of some 61 million children received the CTC, which brought 5.3 million people out of poverty, including 2.9 million children. It also reduced the Black child poverty rate from 14.5% to 8.1%.

The EITC is a refundable tax credit targeted at families with children. Established in the 1970s and subsequently expanded, it provides support to low- and moderate-income workers and families. ARPA broadened EITC eligibility to include people aged 19 to 24 and over 64 and tripled the maximum credit for childless workers to $1,502 in 2021. As a result, in 2021, about 25 million workers and their families received the EITC, further reducing poverty. However, despite overwhelming support in both Democratic chambers of Congress for extension, the expanded CTC and EITC expired at the end of 2021.[404]

A 2019 National Academies of Sciences report concluded that "out of 10 policy options, a child allowance similar to the expanded Child Tax Credit would be the single most effective policy for reducing child poverty."[405]

In addition to the tax credits, another broad-based economic security program is the UI system, which provides cash benefits to those who lose their jobs.[406]

Unemployment insurance plays a critical role alleviating poverty, most recently during the COVID-19 pandemic.[407] The CBPP found that around five million more people would have fallen into poverty in 2020 — and potentially another six million in 2021 — without expansions provided through pandemic relief programs. Close to 46 million individuals received unemployment benefits in 2020 — and Black workers' poverty levels declined by 2.5%, compared with 1.4% over all.

Programs like these are designed to expand automatically during recessions to address unemployment and income loss, and not only provide short-term relief, but reduce the macroeconomic severity of a recession.[408]

Unemployment benefits thus provide some countercyclical stabilization to the economy — more than other economic assistance programs do — but are not as responsive or effective as they could be.

The UI system is handicapped by its dependence on state-level funding — and state funds are routinely exhausted during downturns.[409] The pandemic also highlighted challenges with the current UI system's outdated information technology, which resulted in delayed payment of benefits to workers.

Programs That Target Poverty

Other economic security assistance programs, such as Temporary Assistance for Needy Families (TANF) or SNAP, are targeted at households that fall below the poverty threshold and thus serve a smaller number of people — four million in the case of TANF. Their total cost is smaller than the broad-based programs, but they also have less impact on poverty reduction.[410] Still, the Urban Institute has found that in a typical month, nearly one in five people receive support through SNAP, SSI, TANF, public or subsidized housing, the WIC program, or the Child Care and Development Fund.[411]

Outside of the tax credits, SNAP is one of the largest economic security programs, in terms of both cost and reach: More than 41 million people (estimated) received SNAP benefits in July 2021, which cost $111 billion. Food assistance through SNAP has one of the largest anti-poverty impacts for low-income working families, older adults, and people living with disabilities on fixed incomes. Over two-thirds of SNAP participants are families with children, while the rest are households with older adults or people living with disabilities.[412]

The CBPP found that households below the poverty line received 92% of SNAP benefits and that the program kept nearly eight million people out of poverty every year before the pandemic.[413]

However, the Department of Health and Human Services (HHS) found in 2018 that 64.4 million people were eligible for SNAP benefits, yet benefits reached only 40.9 million people — a 63.4% participation rate.[414] Standards for eligibility for both SNAP (as well as UI) recipients have not kept pace with the modern workforce.

A number of other direct-benefit programs are operated by federal, state, and local governments, including TANF, which provides cash assistance.

In 2019 and 2020, $5.4 billion in TANF benefits were distributed to states, helping over a million families. However, TANF's design allows its funds to be used by states for reasons other than cash assistance and, since it replaced the Aid for Families with Dependent Children (AFDC) program, the number of people served has declined by 76% due in part to that flexibility.[415]

In 2020, an estimated 2.38 million families who would have been eligible for AFDC failed to qualify for TANF.[416]

MR. MARC MORIAL AT THE HEARING ON ECONOMIC SECURITY

Accessibility

Much of the challenge with economic security programs is a result of coverage gaps stemming from outdated benefit levels, eligibility, and duration. Beyond these gaps, the administration of these programs poses a significant challenge to people applying for and accessing these program benefits. This is due partly to administrative burdens, lack of easily available information for potential beneficiaries, and compliance costs.[417]

Furthermore, outdated technology at the federal and state levels hampers access and delivery of many benefits, according to the House Budget Committee. UI capacity also varies by state. Without updated and resilient technology, economic security programs cannot function at an optimal level.[418]

The Impact of Work Requirements On Poverty

The Clinton-era Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ended AFDC, replacing it with the TANF program, which provided time-limited benefits and required recipients to work.

The Congressional Budget Office has found that, while TANF's work requirements increased participants' employment, it did not increase their income — especially because some people lost benefits when they began to work, exacerbating the poverty the program was intended to alleviate.[419]

Subsequent work requirements added to SNAP and Medicaid benefits similarly reduced people's access to poverty alleviation programs but did not increase their employment rates or take-home pay. Instead the declines in people's access to cash assistance programs led to increases in deep poverty[420] among families with children, even as the welfare rolls shrank.[421]

The Future of Economic Security Programs?

Broader programs to support Americans' economic security exist.

Dr. Darrick Hamilton testified about Baby Bonds, which would create a savings account for every newborn and provide annual deposits

based on family income. At age 18, recipients could use the money to purchase a home, start a business, or pay for higher education. "The accounts could go a long way towards establishing a more moral and decent economy that facilitates assets, economic security, and social mobility for all its citizens," he stated.[422]

The American Opportunity Accounts Act, by Sen. Cory Booker (D-NJ) and Rep. Ayanna Pressley (D-MA), would enact this program on the federal level.

Some scholars recommended establishing universal income programs to provide Americans with a base level of income security. San Francisco's Abundant Birth Project, for example, aims to support maternal health and economic security of Black and Pacific Islander women through a universal cash assistance program offered monthly through their pregnancies and postpartum periods.[423]

A related proposal is the sovereign wealth fund, a mechanism designed to share government profits created from a state's natural resources.

While not widespread now, these programs could provide the basis of more expansive economic security programs in the future.

Committee Findings and Recommendations

Marc Morial, President of the National Urban League, testified that "We must invest in economic security programs, but in addition to simply investing in the number of people served — which is of paramount importance — it is just as important to ensure each program has the resources needed to reach the people they aim to serve, those who need it most."[424]

The Committee believes that the federal government should do more to ensure economic security for all Americans — especially our youngest. This would reduce disparities early in children's lives and grow the productive capacity of our economy.

The Committee supports strengthening, expanding, and modernizing existing programs like SNAP, UI, the CTC, and the EITC to deliver more effective support to more Americans, enabling them to achieve lasting self-sufficiency and preventing economic downturns from sabotaging future economic opportunity.

Restore the expanded Child Tax Credit and Earned Income Tax Credit and make the expansions permanent.

Because a person's starting point is so critical to economic prosperity — and because child poverty is unconscionable in a wealthy nation — the Committee recommends restoring the CTC provisions enacted under ARPA, increasing it to $3,000 for each child ages 6 to 17, and up to $3,600 for younger children.

The Committee also recommends restoring the "childless" EITC provisions that were enacted under ARPA, including increasing the credit to $1,502; increasing the phase-in and phase-out rates; reducing the ages of eligibility for workers; and eliminating the upper age limit.

Increase the responsiveness of economic security programs.

The Committee believes that economic security programs like UI and SNAP must be more nimble and responsive during economic crises. Unemployment Insurance must be reformed to address gaps in eligibility, duration, and level of benefits. Congress should expand eligibility for UI benefits for workers currently ineligible, including part-time, gig, and seasonal workers, among others.[425] The Committee also recommends tying increases and decreases in federal benefits to objective economic indicators in order to reduce the legislative uncertainty associated with unpredictable economic developments.

Legislation should be considered to target unemployment and maintain workers' paychecks during recessions. Consideration should include such measures as permanently extending the Employee Retention Tax Credit, originally passed under the CARES Act. This credit is designed to encourage employers to keep workers on payroll if they are forced to suspend or limit operations due to recession or a government order.

Other legislation to consider includes a version of the Paycheck Recovery Act, introduced by Rep. Pramila Jayapal (D-WA) in the 116th Congress, which would provide grants to eligible small businesses that lost revenue due to the COVID-19 pandemic to help pay employees' wages, rent, utilities, and other expenses, but could be adapted to future economic crises.

Tax Policy and Equal Opportunity

DR. WILLIAM GALE, PROF. DOROTHY BROWN, MR. SETH HANLON, MS. AMY MATSUI, AND DR. ANGELA RACHIDI TESTIFY AT THE HEARING ON TAX POLICY FOR INCLUSIVE ECONOMIC GROWTH

For millennia, nations have taxed their citizens to achieve a variety of purposes. Every society makes decisions about whom and what to tax, and how much. In the United States, particularly in the post-World War II era, individual and corporate income taxes, along with payroll taxes that finance Social Security and (since 1965) part of Medicare, have been the primary sources of federal revenue. These federal taxes affect American income distribution in two primary ways: through direct redistribution achieved by taxing higher-income earners and passing the revenue collected to lower-income earners, and through the funding of programs intended to increase the current and potential prosperity of the population as a whole.

Whereas the primary role of taxes is to fund government, the United States is unusual among rich countries in the degree to which it uses tax policy, more than economic security programs, to redistribute income and subsidize certain activities. Today these elements of tax policy, known as "tax expenditures," overwhelmingly benefit higher income Americans.

While the income tax is progressive and reduces inequality, recent changes to the nation's tax system have increasingly aggravated income inequality. First, most tax cuts since the 1980s — regardless of arguments that they stimulate demand during downturns or propel investment — mostly benefit the wealthy. Second, the federal tax code treats capital income, which comes from returns on assets like financial investments or real estate, more favorably than income earned by labor. Third, the average effective corporate tax rate has fallen dramatically. And fourth, tax subsidies, or "tax expenditures," largely benefit the well-to-do.[426]

Addressing the Theoretical Tradeoff between Progressivity and Growth

In theory, tax policy presents trade-offs between the goals of more fairly distributed income and the growth of the overall economy. Higher tax rates on the wealthy and corporations may raise revenues for economic-security programs to help low- and moderate-income Americans, but there may be a point at which too-high tax rates may disincentivize work and growth-producing investments. While tax cuts during recessions can stimulate demand for goods and services, tax cuts on those with very high incomes are often justified as being economically stimulative in a way that will "trickle down" to lower income Americans and provide higher tax revenues, growing the economy so much that everyone benefits and overall tax revenues rise.

In reality, most evidence shows that such "supply side" tax cuts increase inequality and reduce government revenues with little discernible effect on growth. The 2017 Tax Cuts and Jobs Act (TCJA) provides a good recent test of supply side tax theory. According to William Gale and Claire Haldeman of the Brookings Institution, the TCJA cuts, which reduced tax rates on new investment, produced neither increased investment nor new business creation.[427]

Supply siders' predictions that Clinton-era tax increases would lead to recession were confounded by the strong economic growth of the late 1990s, as Nobel laureate economist and New York Times columnist Paul Krugman has noted.[428] America had some of its most robust, sustained growth during the 1950s and 1960s when tax rates were much higher than they are today.[429]

Long-Term Decline of Taxes on the Rich

Taxes have been cut repeatedly since the 1980s. Despite periodic increases, the long-term trajectory of "effective tax rates" has been downward for those at the top and the bottom of the income distribution.

Between 1980 and 2020, the list of tax cuts favoring the wealthy is long: The top marginal tax rate — or the amount paid on each additional dollar of income — has been cut from 70% to 37%.[430] The top rate on qualified dividends has gone from 70% to 25%, and the top rate on long-term capital gains has been cut from 35% to 25%.[431] In addition, the estate tax has been cut from 70% to 40%, and estates of less than $11.5 million are now excluded from any tax. The top marginal corporate tax rate has gone from 46% to 21%, and the top rate on "pass-through income" — business income reported on the owner's individual tax return– went from 79% to 35%[432]

The payroll tax, which finances Social Security and Medicare, is also regressive in that it applies the same tax rate regardless of income, and it does not tax wage income above $147,000. Because of this limit, the payroll tax burden on the top 1% declined from 3.1% in the mid-1990s to 2.7% in 2018.[433]

The evolution of the federal income tax has also led to a byzantine system that is not neutral in how it treats different sources and levels of income, types

PROF. DOROTHY BROWN AT THE COMMITTEE'S HEARING ON TAX POLICY

of employment, household structures, and different forms of consumption, making an already unlevel economic playing field even more so. The tax code therefore affects all kinds of household decisions–including where to live and work, saving for retirement, buying a home, even whether to marry.

How the Tax System Favors Capital Income over Labor Income

One of the main reasons for regressivity in the tax code is the fact that capital income, or income from assets like stocks or real estate, is taxed at a lower marginal rate than income from wages and salaries. Although the primary source of income for the vast majority of households is from wages and salaries, the top 1% of households, and particularly the top 0.01%, receive most of their income from capital.[434]

Because capital income is taxed at lower rates, the effective tax rate of the very highest-income households is actually lower than the rate on the next-highest-income households. The top 0.5% of tax returns, which were subject to the 37% top marginal rate, paid that rate on less than half of their income because most of their earnings were from capital gains and dividends.[435]

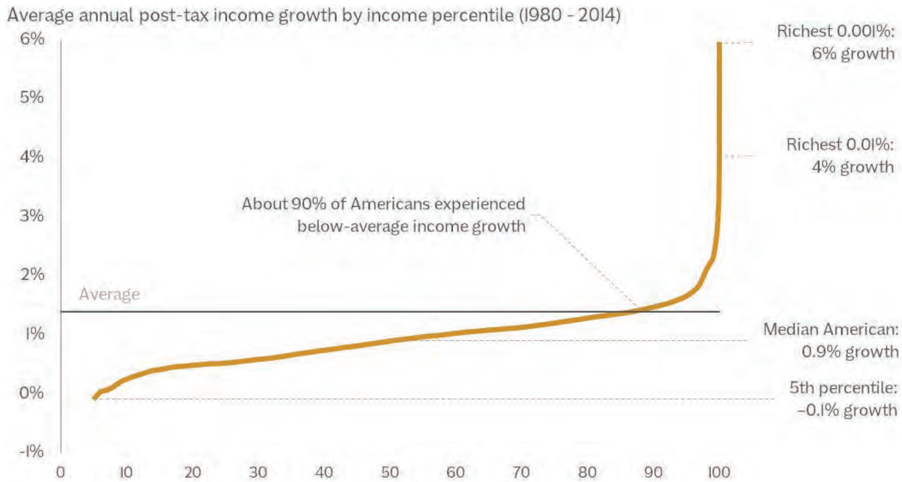
The 2017 tax cut further reduced effective tax rates on capital by cutting capital gains, dividend, and corporate tax rates. As a result, in 2018, labor income was taxed at a higher average rate than capital income for the first time in modern U.S. history, according to Berkeley economists Emmanuel Saez and Gabriel Zucman: "From the 1940s to the 1980s, the average tax rate on capital exceeded 40%, while labor paid less than 25% ... Since its peak of the 1950s, however, the average capital tax rate has been cut by 20 percentage points. At the same time, labor taxation has risen more than 10 points, driven by the upsurge in payroll taxes."[436]

The favorable tax treatment of capital also encourages "firms to substitute machines for workers, even when workers may be more productive," as MIT economist Daron Acemoglu told the Committee.[437]

Due to this preferential tax treatment and the fact that capital owners have more capital income today than in the 1980s because of appreciation in stock market and property values, the after-tax incomes of the richest households have grown more than the after-tax incomes of everyone else. Since capital income accumulates over time to become wealth, and since wealth is largely untaxed, this has been a contributor to the fact that wealth inequality is greater and has grown more than income inequality.

Figure 18: The Wealthiest Americans Experienced The Most Income Growth

AVERAGE ANNUAL POST-TAX INCOME GROWTH BY INCOME PERCENTILE (1980 – 2014)



SOURCE: GABRIEL ZUCMAN (2018)[438]

How Tax Policy Subsidizes Mostly the Activities of the Rich

Tax expenditures represent a shadow budget, as they are invisible in accounts of federal spending. These exclusions, deductions, credits, and preferential rates in the federal tax system resulted in $1.2 trillion in foregone tax revenue in 2019 — close to the cost of all discretionary federal spending actually appropriated by Congress. These tax subsidies are economically equivalent to spending and must be paid for by higher taxes or, recently, more borrowing. They generally do not go through the regular review that is part of the annual appropriations process but increase the size and scope of government. They are also inefficient and distort the tax system, because decisions are made on the basis of tax treatment rather than on market or social benefits.[439]

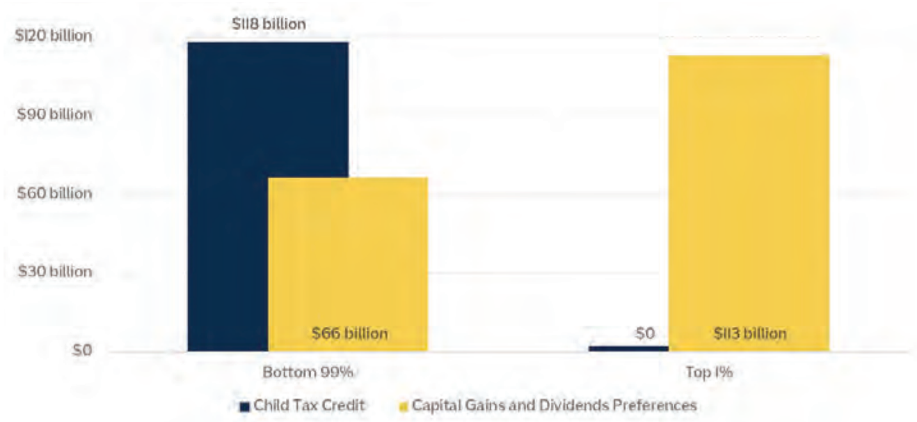
Tax expenditures are skewed, both in absolute terms and relative to income, to the wealthy, increasing economic disparities. A CBO analysis found that about half of the benefits from income-tax expenditures and one-third of those from payroll-tax expenditures accrued to households in the highest income quintile, compared to 9% and 4% in the bottom quintile. The top 1% of households receive a larger aggregate benefit from all the tax expenditures for which they qualify — $188 billion in 2019 — than the middle 20% of households do — $173 billion in 2019.[440]

The biggest tax expenditures, the exclusions for employment-based health insurance and for pensions and retirement savings accounts, account for nearly half the total cost of all tax expenditures combined. By definition, they do not benefit lower-income workers whose employers do not provide health insurance or retirement plans or people who do not owe federal income taxes. Similarly, homeowners, who generally have greater wealth than renters, benefit from the mortgage interest deduction and the exclusion of capital gains on the sale of a primary residence.

Only two of the 13 largest tax expenditures, the Earned Income Tax Credit and the Child Tax Credit (CTC) are refundable credits that supplement the incomes of lower-wage workers and therefore reduce disparities. The cost of these refundable tax credits is small relative to the cost of the tax expenditures that benefit the wealthy. CBO analysis shows that the entire cost of the CTC in 2019, $118 billion, was barely more than the value of the preferential tax treatment of capital gains and dividend income to the top 1%, which was $113 billion.[441]

Figure 19: Comparing the Child Tax Credit to Capital Income Tax Preferences

COST OF SELECT TAX EXPENDITURES AND WHERE THOSE BENEFITS GO (2019)



SOURCE: CONGRESSIONAL BUDGET OFFICE (2021)[442]

How Tax Policy Favors Traditional Relationships

American tax policy was originally designed for traditional household and employment relationships — married, single-earner families and full-time jobs with benefits rather than part-time or contract work. Despite more recent reforms, since the joint tax return was established in 1948, the income tax system has created marriage penalties on two-earner couples with similar earnings and marriage bonuses for single or primary breadwinner couples.

The tax system also favors those in full-time, conventional employment. Most part-time and contract workers do not benefit from two big tax expenditures–employer-provided health insurance and retirement savings plans. These workers have to purchase health insurance and save for their retirement on their own and without the benefit of the tax subsidy. They also pay both employer and employee portions of the payroll tax.

Committee Findings and Recommendations

America's tax code, intended to raise sufficient government revenue to fund spending and to redistribute national income more fairly, fails to achieve either of these goals. Outlays in excess of revenues requires the federal government to borrow to pay for its programs and operations. Meanwhile, the structure of the tax code makes the distribution of income and wealth more unequal than it might otherwise be.

Harmonize the effective taxation of capital.

Since capital income is taxed more lightly than labor income, the Committee recommends bringing effective tax rates on capital gains, carried interest, and dividends more in line with rates on wages and salaries, making the tax code more progressive overall.

The estate tax is the only federal tax on wealth. However, the exemption level was doubled under the TCJA, and current law exempts accumulated but unrealized capital gains at death through the step-up in basis provision, such that most wealth is never taxed at all. The Committee therefore recommends eliminating step-up in basis in a way that takes into account the effects these changes would have on passing family farms or businesses from one generation to the next. Because taxing estates does not take into account the income or wealth of individual heirs or how much of an estate they each receive, Dr. William Gale of the Brookings Institution recommends converting the estate tax on decedents' estates to an inheritance tax on heirs' inherited wealth.[443]

Reduce tax subsidies that benefit mostly the rich.

There are several ways tax policy could be changed to reduce the regressive nature of tax subsidies that deliver the highest benefits to the highest income earners. One comprehensive strategy would be to convert deductions or exemptions, which all convey higher percentage subsidies to higher-bracket households, to credits. Credits subtract the benefit from the tax liability after, rather than before, marginal tax rates are applied.

Another approach focuses on itemized deductions and would cap the rate of itemized deductions for the highest-income households at the same rate as for middle-income households at 22-24%.[444] This would reduce but not eliminate the benefit for high-income taxpayers, and would not reduce the benefit for middle- and lower-income taxpayers.

Raise more revenue.

For a generation at least, the federal government has run substantial deficits, in periods of economic growth and in periods of stagnation, under Democratic and Republican governments. Washington argues endlessly and fruitlessly over whether the cause is overspending or under-taxing. The fact is, Americans are accustomed to the social insurance programs, the national defense, and the investments in infrastructure and education offered by their federal government. They are much less comfortable with the taxes required to pay for it all. This tension has led to deficits, and to dishonest political solutions involving "waste, fraud and abuse" or cuts to obscure programs that are meaningless in the context of the budget challenges.

Most honest treatments of the federal government's long-term debt, deficit and unfunded liability issues recognize that sustainability will come from a combination of increased revenues and targeted reductions in spending in appropriated accounts or tax expenditures.

Since the fundamental role of taxes is to raise revenue to pay for public goods and services, including investments vital to equitable growth, effective individual rates could be raised on the nation's highest earners without damaging economic growth or breaking with precedents set in previous generations. If the nation does not find ways to increase revenues and move away from deficit spending, it will contribute to intergenerational inequality by shifting the burden of paying for current spending to future generations of taxpayers or will result in lower government benefits to them.[445]

Market Competition Policy

"Corporate concentration has a direct impact on widening economic disparities, making workers, consumers, and small businesses unable to bargain for fair wages, lower prices, or a sustainable market share ... To make matters worse, the abuse of power is more prevalent in industries that disproportionately employ marginalized groups — and I think that is important – such as rural communities, women, and people of color."

REP. PRAMILA JAYAPAL

Competitive markets are essential to innovation, entrepreneurship, and the reduction of economic inequality. When free markets and competition are compromised, consumers, workers, and innovation suffer.[446] As just one or a very few companies control products, services, or labor markets, they can set prices above or wages below competitive levels, benefiting themselves at the expense of workers and consumers.

History shows that economic concentration can be a driver of inequality,[447] and recent scholarship indicates that concentration can contribute to disparities.[448] A study by the OECD's Competition Division concluded that "the welfare losses due to the exercise of monopoly power are not only significant but also regressive."[449] In the late 19th century through the early 20th century, the growth of monopolies in many U.S. industries widened social and economic disparities between industrial titans and workers, permitted harsh working conditions, and limited opportunities for entrepreneurs to enter the market.

In response, Congress passed the Sherman Antitrust Act in 1890, under which federal cases were brought against giant industrial trusts like Standard Oil. In 1914, Congress passed the 1914 Federal Trade Commission Act and the Clayton Antitrust Act.[450] President Franklin D. Roosevelt, who fought monopolies ranging from railroads to tobacco and signed the 1936 Robinson-Patman Act, observed:

> "Throughout the nation, opportunity was limited by monopoly. Individual initiative was right in the cogs of a great machine. The field open for free business was more and more restrictive. Private enterprise, indeed, became too private. It became privileged enterprise, not free enterprise. . . The political equality we once had won was meaningless in the face of economic inequality."[451]
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> **PRESIDENT FRANKLIN D. ROOSEVELT**

Enforcement of these laws during the middle years of the 20th century helped foster greater competition and a sustained period of inclusive economic growth during which the middle class vastly expanded.[452] However, reduced enforcement since the 1970s has resulted in increased consolidation in a number of industries.

Concentration Hurts Consumers and Workers

It is important to distinguish between the harms caused by monopolies and oligopolies, on the one hand, and monopsonies. In monopolies, markets are dominated by a single seller, and oligopolies, which are more common, are characterized by a handful of dominant firms.[453] In monopsonies, markets are dominated by a single buyer.[454]

As the Council of Economic Advisers noted in a 2016 issue brief, firms with monopoly power are able to charge higher prices without losing customers due to a lack of competition, whereas firms with monopsony power can pay lower prices for what they buy. The latter is important in labor markets, where employers can pay lower wages than they would in a more competitive market.[455]

The Effect of Market Concentration on Worker Pay

Although the increasing power imbalance between workers and employers can be explained, in part, by increased globalization and automation and decreased unionization, market concentration in specific labor markets may also be at play. Monopsony can occur where workers have limited employment alternatives. The classic example is a factory town where an employer could pay workers less than what would be expected under competitive market conditions.

When there are only a few employers in a community or sector, workers have less opportunity to bargain for higher wages and better conditions. One study of geographically defined labor markets during the Great Recession found that industry consolidation decreased advertised wages by as much as 17%.[456]

Occupations in sectors of growing concentration, such as health care and private security, appear to have had sluggish wage growth.[457] "One recent survey finds that, on average, employers have the power to keep wages more than one-third lower than they would be in a perfectly competitive market," according to Kate Bahn, director of labor market policy at the Washington Center for Equitable Growth.[458]

REP. ALEXANDRIA OCASIO-CORTEZ AT THE HEARING ON CORPORATE POWER

Although direct causal links between market concentration and broad-based wage stagnation or decline is still a matter of some debate, the Economic Innovation Group argues that when employers' power in a labor market is substantial, this allows firms "to exert downward pressure on wages."[459] Other studies have found that labor market concentration may contribute to "declining job-to-job mobility," "rising inequality of earnings for workers in different firms,"[460] and unsafe or hazardous working environments.[461]

The Effect of Market Concentration on Prices

The ability of companies in uncompetitive sectors to set higher product prices disproportionately hurts low- and moderate-income households, deepening economic disparity. Higher prices for necessities like health care, housing, energy, phone and internet service, and food cut more deeply into limited incomes, increasing economic insecurity and reducing these families' ability to build wealth.

A study of eight OECD countries, including the United States, found that "market power increases the wealth of the richest 10% by between 12% and 21% . . . while it reduces the income of the poorest 20% by between 14% and 19%."[462] America's high racial wealth disparities are also likely to be impacted.[463] In addition, the OECD found that decreased competition and increased consumer expenses may slow U.S. productivity growth.[464]

The Effect of Market Concentration on Small Business

Small businesses are clearly affected by corporate consolidation. "Sixty-five percent of small businesses said that a top challenge was big competitors strong-arming suppliers and receiving special discounts from them, which then delays shipments to small businesses and forces suppliers to charge them more," Michael Mitchell, the Groundwork Collaborative's director of policy and research, said, reporting the findings of a 2022 survey.[465]

Dominant companies can exert such pressure on suppliers and drive out smaller businesses by lowering consumer prices below cost with the expectation that they will be able to raise prices later. Mom-and-pop stores often disappear when a chain superstore enters the market.[466]

Corporate consolidation risks driving out smaller competitors for essential goods in underserved rural and urban areas. Mega-chains, which lack the community ties that small businesses have, may be quick to leave if they are unprofitable, even after draining communities of resources and opportunity and forcing small businesses that cannot match their prices to fail.

Committee Findings and Recommendations

Increasing concentration and reduced competition in several sectors in recent years exacerbate disparities between wage- and price-setting businesses and most Americans. The Committee believes that antitrust policy has not kept up with changes in the economy.

There is broad, bipartisan concern that current antitrust law is inadequate to protect and promote competition. In 2021, the House Judiciary Committee passed five bipartisan bills to rein in the abuses of big tech monopolies, and Sens. Jon Tester (D-MT), Chuck Grassley (R-IA), and Mike Rounds (R-SD) introduced legislation to address anticompetitive practices in the meat and poultry industries. As Senator Rounds observed: "Congress knew in 1921 what we know today – anticompetitive behavior in the meatpacking industry hurts both consumers and producers."[467]

There is also bipartisan agreement that federal antitrust enforcers do not have sufficient funding to adequately enforce existing antitrust laws. Former FTC Chair Joe Simons testified in 2019 that "[t]he largest obstacle to enforcement remains resources."[468]

Current FTC Chair Lina Khan told the Senate Judiciary Committee's Subcommittee on Antitrust, Competition Policy, and Consumer Rights in 2022: "Despite the increased appropriations Congress has provided in recent years, we continue to lack sufficient funding."[469]

The Committee urges Congress to provide the FTC and the Justice Department's Antitrust Division with more resources. The Committee also recommends amending federal antitrust laws to make it easier for government enforcers and private plaintiffs to prove that firms have entered into anti-competitive agreements, engaged in anticompetitive behavior, or proposed anticompetitive mergers—and to secure prompt and effective relief from courts against those illegal behaviors.

Conclusion 7

WHERE WE GO FROM HERE

SELECT COMMITTEE MEMBERS ENGAGE WITH PANELISTS AT OUR INFRASTRUCTURE AND CORPORATE POWER HEARINGS

Economic disparity and lack of opportunity are critical national problems. Nine years ago, President Obama called inequality “the defining issue of our time.” It still is. Inequality can be found in every corner of the country. While people of color, women, those with less education, and other subsets of our population are disproportionately affected, disparity does not discriminate based on partisan affiliation or political philosophy. It holds too many Americans back from living their best possible lives. And it holds our nation back from having the most dynamic and productive economy possible, one that stands heads and shoulders above the rest of the world.

The mission of the Committee — closing the prosperity gap and reshaping the economy to work for all Americans — is one of the most audacious and consequential objectives in American history. Policy proposals discussed throughout this report recognize past oversights and look to a future where the American Dream can be achieved, regardless of any American’s race, gender, age, background, or birthplace. No simple panacea exists for the disparities that pervade the U.S. economy and American society. Our legislative proposals exemplify the practical, analytically sound approaches needed to change course and build economic resilience. As we look ahead to the 118th Congress and beyond, we see a moral and democratic imperative to support the common goal of ensuring that all Americans have equal opportunities to thrive in a time of rapid economic change.

With the country facing levels of inequality not seen for generations, the Committee — in consultation with many of the country's preeminent scholars, economists, and policy analysts — has identified targets where enhanced and well-designed federal investments can help rebalance the economy and close widening gaps in wealth, income, and broad socioeconomic well-being. That is why we call for initiatives to invest in people and communities, strengthen economic security programs, address inequities in the tax code, and tackle power imbalances between employers and workers. Federal, state, and local lawmakers — together with the private sector, faith communities, and philanthropy — can help turn the page on economic disparity in America by taking action to provide hope to struggling families and individuals. The investments we propose also take into account racism and discriminatory policies and practices in our nation's history that contributed to today's inequities.

The extent and impact of the problems associated with inequality and diminished social mobility demand a national response devoid of the tribalism and partisan entrenchment that have divided communities and turned neighbors against each other. They demand a spirit of compromise and mutual understanding. Compromise is possible, as seen by the passage of bipartisan legislation like the infrastructure law, the CHIPS and Science Act, and the PACT Act expanding veterans' health care.

Despite the different perspectives and policies offered by Committee Democrats and Republicans, many proposals reflect the Committee's decision to leave the confines of the Capitol and listen to Americans where they live. All too often, policy debates lack a visceral sense of the struggles and hopes of our nation's more than 330 million people. As both Chairman Himes and Ranking Member Steil have acknowledged, "there is immense power and wisdom in personal stories. Only so much can be learned from the dense jargon and obscure statistics inundating Capitol Hill." And we believe that by truly listening to Americans from diverse backgrounds, we can lower the temperature of our polarized politics.

With this in mind, the Committee chose to build its report and work from the moving stories of everyday Americans presented at hearings and captured in the groundbreaking documentary film detailing three different, arduous paths taken to economic security and mobility.

Entrepreneurs like Janna Rodriguez of New York shared her perspective that, despite small businesses being the backbone of America's economy, would-be entrepreneurs struggle to access necessary resources to make their dreams a reality. Rural residents like Michelle Schroeder of Minnesota discussed the daily challenges that she and her neighbors face because limited broadband connectivity hampers their ability to work, access telemedicine, and stay in touch with friends and family.

Homeowner Rae Johnson of Wisconsin told of their journey navigating the housing market as a first-time home buyer, as they saved money and built their credit. Early education specialist Marc Jaffe of Connecticut spoke passionately about how important it is to invest in young children, including those with disabilities, as well as their teachers.

These stories shed light on the barriers Americans face in their shared pursuit for prosperity that statistics alone cannot. They also illuminate ways that lawmakers can develop policies to level the playing field and make the economy more inclusive.

Economic disparity and the lack of good opportunities for all Americans are challenges that have an impact on nearly every facet of our society. If we don't take action, these problems will further hinder the nation's potential for innovation and growth. They will erode our democratic institutions and, most tragically, they will make the American Dream impossible for too many of our people. That is why every elected representative must work together to help every American achieve the bright and prosperous future that they so richly deserve.

Minority Views 8

PERSPECTIVES AND RECOMMENDATIONS

American workers and families are struggling. Over the last two years, costs have gone up, families cannot afford the same life they previously lived, and constructive leadership in Washington, D.C. has been absent. In fact, the ruling party continued to double down on reckless spending policies and ended up making things worse. Republican Members of the Select Committee on the Economy have taken the last year to hear from American workers and families on how bad things have gotten and, more importantly, what steps they can take to open more doors to opportunity. The common theme across all the hearings, roundtables, and field trips the committee has undertaken is that the cost of one-party rule in Washington, D.C. is far too high. Americans need policies focused on bringing down costs, growing the economy, creating more opportunities, and holding leaders in Washington, D.C. accountable to the people they serve.

RANKING MEMBER BRYAN STEIL

The Select Committee on the Economy, formally named "The Select Committee on Economic Disparity and Fairness in Growth" by Speaker Nancy Pelosi (CA-11), was formed at the Speaker's direct order to justify her ineffective, out-of-touch, and inflationary policies that have pushed America into a recession when the economy should have been roaring back to life after the pandemic ended. Republican members, under the leadership of Ranking Member Bryan Steil (WI-01), included Rep. Warren Davidson (OH-08), Rep. Jodey Arrington (TX-19), Rep. Stephanie Bice (OK-05), Rep. Kat Cammack (FL-03), and Rep. Byron Donalds (FL-19). Members took the opportunity to highlight the failures of Speaker Pelosi's agenda and the financial and everyday toll it placed on Americans. Republican Members believe every American should have the opportunity to experience the freedom and prosperity that America can offer.

REP. WARREN DAVIDSON

America was built on a strong foundation of families and communities, which leads to a strong economy. Making sure people have family-sustaining jobs in a strong economy is the foundation of growth.

REP. JODEY ARRINGTON

REP. STEPHANIE BICE

Back in the economy of 2018-2019, real wages increased by 6.8%.[470] Rising wages were visible at levels unseen in recent memory among a variety of groups including women, blacks, Hispanics, and veterans. Families were getting ahead. Unfortunately, two years of one-party Democrat control in Washington has erased that prosperity. From September 2021-2022, real wages declined by 3.8% while inflation increased to a peak of 9.1% in June 2022. Workers are struggling today to afford the same life they could live just a year ago. Food prices are through the roof.[471] The cost of eggs is over 30% more expensive than last year and milk is 28% more in the same time period. Gasoline and diesel are almost double what they were in January 2021 after hitting all-time record highs at $5.01/gallon and $5.82/gallon, respectively, in the summer of 2022.

Families are struggling to afford everyday essentials, and their communities are becoming less safe. Across America, violent crime is rising. America's biggest cities are shattering homicide records and liberal politicians are letting criminals back out on the streets. That crime wave has spilled over into smaller communities, which are seeing burglaries and aggravated assaults spike as well.

Safety at the Southern Border has been neglected as well. The controlling party in Washington, DC has ignored the worsening conditions at our nation's Southern Border, where cartels are trafficking criminals and deadly drugs into the country every day. In 2022, 98 people from the terrorist watch list were caught crossing the Southern Border, more than 5 times higher than the previous 5 years combined.[472]

REP. KAT CAMMACK

REP. BYRON DONALDS

And while Border Patrol is dealing with migrants coming over the border, cartels smuggle dangerous drugs like fentanyl into the country to poison our communities. Last year, there were more than 100,000 drug deaths in America fueled by a rise in deadly fentanyl that can kill someone on his or her first use.[473] Opioid overdoses are now the leading cause of death for ages 18-45 and affect every community from coast to coast.[474]

After dozens of hearings, roundtables, and field trips across America, Republican Members of the Select Committee on the Economy are prepared to offer a new vision for America where life is affordable, safe, and free.

A Prosperous Economy

"American small business creation is one of the most powerful economic forces in the world. In no other country is it as easy and rewarding to go on to pursue entrepreneurship as here. Americans have an unparalleled privilege to improve our living standards through entrepreneurship, which provides employment opportunities and enormous value to our communities... I fear that I would not have been able to start my own business if I were beginning today. One of the biggest problems American small businesses face right now is high inflation. It must be addressed in order to turbocharge creation and growth. Officially, American businesses are approximately 10 percent inflation in their inputs. But in my restaurant experience, our supply costs are rising even faster. For instance, a box of limes that I used to be able to find for $30 now costs me $90. I have been forced to raise prices just to stay profitable, alienating my loyal customers on a fixed income who do not understand my predicament."

Name: Ms. Dina Rubio, Owner of Don Ramon Restaurant in West Palm Beach, Florida

Hearing: Big Ideas for Small Businesses

Location: Washington, D.C.

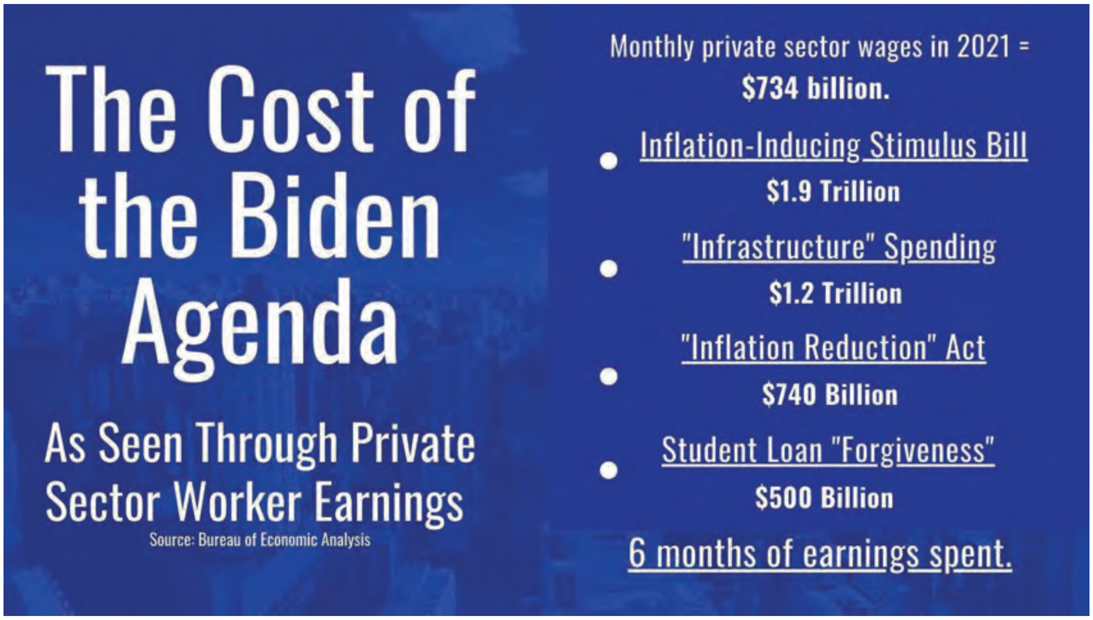
Date: March 16, 2022

Inflation at Time of Hearing: 8.5%

Unfortunately, stories like Ms. Rubio's are not uncommon across America right now. But it should not stay that way. A strong economy is the backbone of opportunities for workers to prosper and families to get ahead. Economic opportunity allows for growth, including family-sustaining wages and the ability for Americans to live the kind of life they want for their families. That was the economy America had leading up to the Covid pandemic.

The pandemic is over, but that prosperity has not returned. Inflation is clobbering workers' paychecks and families are falling behind. This inflation stems from two years of excessive federal spending with nothing to show for it but economic headwinds, higher prices, and workers continuing to remain out of the labor force.[475]

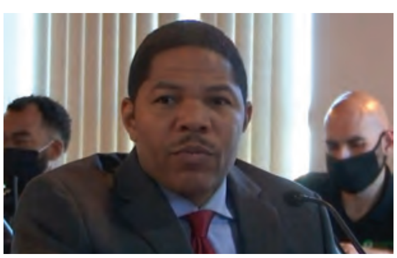
Figure 20: The Cost of the Biden Agenda



In roundtables, Members heard how the federal government spent over $1.9 trillion in three partisan actions. That is more than the entirety of the private sector payroll for almost a year.

In the hearing centered around simplifying the tax code on June 22, Members heard from Dr. Angela Rachidi, Rowe Scholar at the American Enterprise Institute, about workers who are staying on the sidelines or have left the workforce altogether. Because of excessive government spending, these people are achieving a similar standard of living with little to no work rather than working full time. In fact, potential low-income workers have accumulated, on average, $5,500 in savings. This comes from excessive Covid-era government benefits that have been handed out for far too long. And according to the Census Bureau, these excessive benefits have kept over 20 million workers out of the workforce altogether.[476] Work is the most effective tool against poverty, for upward economic mobility, and for the well-being of children and families. The federal government should be encouraging, not discouraging, opportunities for more Americans to have a better life than what government benefits can offer.

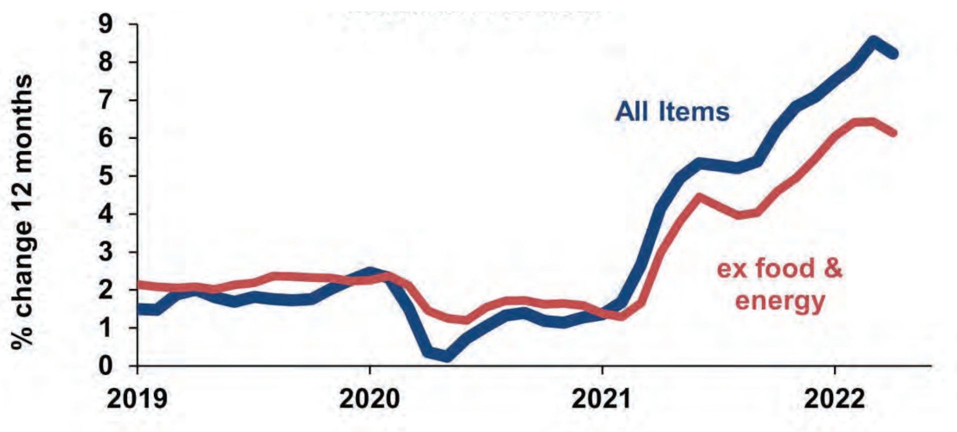

DR. ANGELA RACHIDI


MR. SHAY HAWKINS

What were the repercussions of these disastrous policies? First, America saw inflation skyrocket, reaching 9.1% in June 2022, the highest in 40 years.[477] Inflation is insidious because it hurts everyone. However, high inflation like the country has seen since January 2021 hits seniors and those living on fixed incomes the hardest. The red-hot inflation that clobbered American workers has effectively stolen a month of pay. When work only pays 11 months for 12 months of labor, families cannot grow and prosper. In the committee's first field hearing in Lorain, Ohio on October 18th, 2021, Mr. Shay Hawkins, President of the Opportunity Funds Association, described inflation as "a tax on everybody." Record inflation is regressive, hurting the poorest Americans the hardest.

In fact, the 2022 holiday season is poised to be the most expensive on record, with food costs up 21% on average. Turkey costs 20% more than last year, which was already 25% more expensive than the year before. Butter and margarine are up 27% and 44%, respectively. Potatoes are almost 18% more expensive than last year and fresh vegetables round it off at 9.2% higher. This translates to less money for families when they have to pay more for the same amount of food.

Figure 21: Consumer Price Index, 12 Month Inflation Change

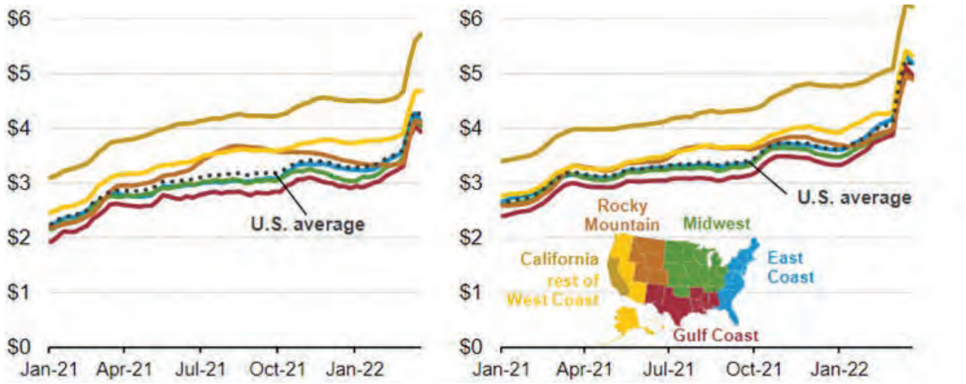


SOURCE: BUREAU OF LABOR STATISTICS, HTTPS://WWW.BLS.GOV/CPI/

Food is not the only necessity hitting record-high costs for families stocking their pantries. The cost of energy, including gasoline and diesel, is hitting record highs too. American families are dreading every trip to the gas pump. In January 2021, before one party rule took control of Washington, gasoline cost $2.38/gallon. In June 2022, gas prices peaked at $5.01/gallon, a more than 100% increase. In the same interval, diesel fuel prices climbed from $2.68/gallon to $5.82/gallon. American workers and families cannot thrive if the fuel that moves their cars, produces their goods, and powers their machines is 100% more expensive.

With record-high energy prices, it is imperative that lawmakers focus on unleashing American energy. There is an enormous domestic supply of natural resources that cannot be accessed because of liberal government policies. If the nation were to reverse course and allow that supply into the market, utility bills and prices at the pump would fall.

Figure 22: Weekly U.S. Regular Retail Gasoline Prices (LEFT) and Weekly U.S. Retail Diesel Prices (RIGHT)



SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION, GASOLINE AND DIESEL FUEL UPDATE

One example of bad policy was canceling the construction of the Keystone XL Pipeline. Not only would the pipeline have increased access and supply to consumers, but it would also negate reliance on foreign energy, improve national security, and open up thousands of new jobs for American workers. The committee heard from Mr. Neal Crabtree, a foreman on the Keystone XL pipeline whose job, along with hundreds of others, was eliminated by the stroke of a pen on January 20, 2021 by President Biden. The proposed pipeline was a privately funded project to connect American consumers with domestically and Canadian produced energy, and provide skilled workers with family sustaining jobs. The XL pipeline would have produced 830,000 barrels a day reducing reliance on sources outside North America. Following the cancellation of the pipeline's construction, gas and energy costs for American consumers began to skyrocket as the country was forced to import more foreign energy. Thousands of American workers had their jobs eliminated. Today, American consumers are dealing with the consequences of that loss.

MR. NEIL CRABTREE

In a hearing centered around American infrastructure on February 9, 2022, Members discussed the skyrocketing cost of roads and public transit thanks to excessive government regulation. For example, Ranking Member Steil referenced the cost to build one mile of a subway in New York City was about $5 billion, seven times the global average for similar projects because of excessive red tape forced on builders by the government at all levels.

The economic hardship workers and families across the country are facing has a direct link to bad policy decisions in Washington, D.C. Workers have been on the sidelines for too long and need to go back to work. Two years of excessive federal spending has sent inflation to record highs. Higher costs mean less money for families to afford everyday items.

Members of the committee have put forward several solutions to get the economy back on track. There is no greater economic threat to workers' abilities to live the kind of lives they want than the current record-high inflation.

The soaring prices for food, transportation, energy, and virtually everything else means families cannot afford the lives they lived a year ago, and it also means they cannot save for the future. The solution to getting inflation under control is getting spending under control and unleashing American energy. To get spending under control, lawmakers need to exercise fiscal discipline and prioritize spending on projects most effective in helping American workers and families.

Select Committee Member Led Solutions

H.R. 3448: "The Helping Startups Continue to Grow Act," Rep. Bryan Steil (WI-01):

This bill reduces the regulatory burden on startups and allows them to focus on creating valuable products instead of navigating a maze of regulations.

H.R.6217: "The Expanding Access to Affordable Credit for Small Businesses Act," Rep. Byron Donalds (FL-19):

This bill expands the pool of potential lenders to get small businesses up and running and provides more competition for better interest rates.

Additional Actions

HR 8913: "The TCJA Permanency Act"

This bill makes the key provisions of the 2017 Tax Cuts and Jobs Act permanent. Certainty against tax increases helps workers plan for the future and keep more of their hard-earned money.

Safety in American Communities

"Illicitly manufactured fentanyl has zero medicinal purpose. It is distributed through illegal drug markets for its heroin-like effect and is often added to drugs because of its extreme potency which makes drugs cheaper, more powerful, more addictive, and thus much more dangerous… Fentanyl is 50 to 100 times stronger than morphine and is only slightly less deadly than nerve gas and just as deadly as ricin, both of which are considered weapons of mass destruction. An amount equivalent to a grain of salt can cause death. Fentanyl is almost always consumed accidentally. Most do not seek out to use or abuse fentanyl. Fentanyl and other synthetic opioids are efficient and cost-effective for drug producers and traffickers, and often deadly for those who consume them. Unless you overdose in an emergency room, your chances of survival are slim. Even if someone with the opioid reversal med Narcan finds you overdosed and uses it on you, the chances you survive are still not great."

Name: Dr. Katherine Pannel, Medical Director of Right Track Group

Hearing: Substance Abuse and Addiction: Destroying Families, Communities, and the Opportunity for Prosperity

Location: Washington, D.C.

Date: March 2, 2022

Inflation at the Time of Hearing: 8.2%

The increasing flow of deadly drugs into communities across America threatens the safety of every community. Every American has the right to feel safe. Whether someone is leaving their house to get groceries or traveling to a different state, Americans should feel safe in their communities.

Unfortunately, this is increasingly not the case. Across the country, both smaller communities and big cities alike are becoming less safe. Nationally, robberies are up 12% and aggravated assault is up 3%. It is worse in America's biggest cities. Compared to 2019, aggravated assaults are up 36% and murder is up 50% in 2022. Nine major cities are on track to set new homicide records. The combined population of these nine metro areas is over 65 million people, roughly 20% of the national population. Because of the safety issues in cities, many established businesses are relocating to safer communities and taking workers with them. When jobs dry up and workers leave, the fabric that holds communities together falls apart.

This rise in crime is further fueled by lawlessness at the country's Southern Border where cartels are going unchecked in smuggling dangerous drugs, including fentanyl, to sell across our country. The lucrative drug trafficking business is a multi-billion dollar operation for criminal cartels.

The influx of drugs, specifically fentanyl, at the border has had a devastating effect on communities across the country. Since January 2021, 20,000 pounds of fentanyl have been seized at the Southern Border by federal, state, and local law enforcement. That comprises enough potentially fatal doses to kill every American 13 times over.

RECORD 1 MILLION PILLS WITH FENTANYL SEIZED BY THE U.S. DRUG ENFORCEMENT AGENCY, JULY 2022[478]

Members of this committee have seen the dangers this country faces firsthand. During a field hearing in McAllen, Texas, members heard from local leaders about illegal migrants flooding into their communities, overflowing jails, and creating massive court backlogs and stacks of paperwork.

They are also diverting local services like police officers and ambulances during emergencies. The committee heard the story of a long-time community resident who was unable to get the emergency medical care he needed during a heart attack because the town's single ambulance was helping a struggling migrant who also needed care. The man ultimately died when he could have been saved with timely medical care. The Members also saw Texas Public Safety (TPS) officers apprehending illegal migrants trafficked across the border by cartel members lacking enough food and water for the desert conditions. The open border has created a humanitarian crisis.

Members also heard Ms. Susan Kibbe, President of the South Texas Property Rights Association and a local rancher herself, talk about the hardships she and other ranchers face because of the border crisis. Many ranchers are too afraid to leave their homes at night, especially unarmed. Regularly, dangerous armed cartel members trespass while trafficking migrants, often leaving behind some who go on to suffer heat stroke and die. Landowners discover these tragedies, along with piles of trash and drugs. Ms. Kibbe explained that TPS does its best to apprehend cartel members and stem the flow of illegal migrants, but that they are simply too understaffed and underfunded to be effective everywhere at all times, which is a weakness the cartels exploit. While state-funded TPS works around the clock to stem the tide of illegal activity on the border, federal Border Patrol Agents are forced to stand down by an Executive Branch that has abandoned its duty to protect communities and farmers at the Southern Border.

MS. SUSAN KIBBE

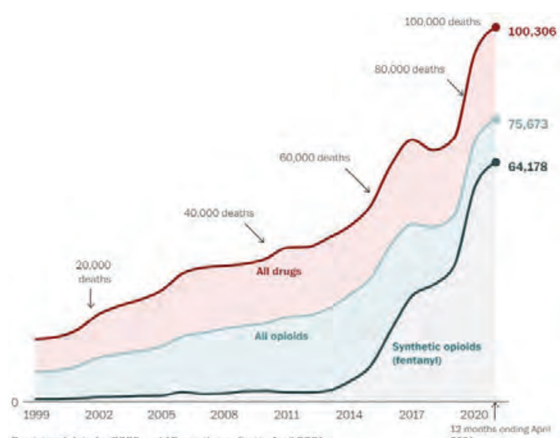
Scenes from South Texas, Broken Fences and a Truck that Ran into a Storage Shed

IMAGES COURTESY OF THE SOUTH TEXAS PROPERTY RIGHTS ASSOCIATION

In 2021, more than 100,000 Americans died of an opioid overdose, a new record fueled by the rising prevalence of fentanyl. That figure is up 300% since 2012. One key detail is that many of these deaths are poisonings thanks to fentanyl disguised as other drugs like Xanax or Adderall. Fentanyl is 50 times more potent than heroin and 100 times more potent than morphine. This dangerous substance has become a nefarious presence in communities across America. Because fentanyl is so potent and dangerous, it is killing thousands of Americans on their first use. Fentanyl is not just contributing to a crisis of addiction; it is creating an entirely new crisis of poisoning that immediately results in death.

Substance abuse has changed. Death now comes to someone with no behavioral indicators towards substance abuse because just one pill can kill. "Opioid deaths have become so commonplace, they are equivalent to a fully booked 747 jet crashing every day," said Mr. Michael Gray, a panelist at the committee's substance abuse roundtable, who lost his daughter Amanda to fentanyl poisoning at just 24 years old. The same night Amanda died, six other people in her city died as well due to fentanyl poisoning, likely from

Figure 23: US Overdose Deaths, by Substance, 1999-2021



SOURCE: KEATING, DAN AND BERNSTEIN, LENNY. "100,000 AMERICANS DIED OF DRUG OVERDOSES IN 12 MONTHS DURING THE PANDEMIC." WASHINGTON POST, NOVEMBER 17, 2021.

the same batch of drugs from a single dealer. The presence of this deadly narcotic is a threat to the safety of all Americans when left unaddressed. This crisis is putting Americans in danger, as opioid overdoses are now the leading cause of death for Americans aged 18-45.

MR. MICHAEL GRAY

Select Committee Member Led Solutions

HR 378 "The David Dorn Act," Rep Jodey Arrington (TX-19):

This bill increases the criminal penalties for inciting and participating in a riot, doubling the maximum potential prison time from five to 10 years and setting the minimum fine at $1,000.

HR 377 "The Patrick Underwood Act," Rep. Jodey Arrington (TX-19):

This bill increases the penalties for assaulting, resisting, or impeding law enforcement officers in the line of duty.

HR 5831 "The Protect Our Communities from a Porous Border Act," Rep. Jodey Arrington (TX-19):

This bill prohibits the federal government from relocating illegal migrants to a state without a state's consent and compels the Department of Homeland Security to check if a migrant has a criminal history and notify a state before relocating the migrant there. Empowering states to take control will force transparency out of the executive branch in issues of immigration.

HR 8561 "The Stop the Cartels Act," Rep. Warren Davidson (OH-08):

This bill includes common-sense reforms to reduce human trafficking, increase bilateral efforts to stop crime at the southern border, and reduce illegal immigration

Additional Actions

HR 2070 "The POWER Act"

This bill gives the Department of Justice the authority to issue grants to local police departments to screen for fentanyl and other dangerous drugs to keep law enforcement officers equipped for dangerous situations and more effective in the line of duty.

HR 6184, "The HALT Fentanyl Act"; HR 2041, "The SIFT Act"; HR 2209, "The Stopping Overdoses of Fentanyl Analogues Act":

These bills classify fentanyl and five of its deadly analogs as Schedule I Substances, meaning they have almost no practical medical or everyday use and pose a high threat to users. Schedule I status also means criminals found distributing this poison to communities face larger punishments for distributing it to communities.

Freedom for the Future

"Kids are our future. We have failed them by neglecting to educate them during school closures and isolating them and their friends. And now we have a whole generation that is not equipped with the education they deserve and the tools they need to thrive... I decided to homeschool [my 6-year-old son] rather than do school virtually. During the school closures, I struggled to keep my children inspired to learn and to stay motivated and learn the importance of tailoring each individual child's education to his and her learning needs... I know I'm not alone, nor are my children or the children that come through my center. There are thousands, maybe millions, of parents and children with similar stories like mine. Even though schools are open again, I am still homeschooling [my 6-year-old]. I remain concerned that the masking, social distancing requirements, and the school's overuse of iPads would be unhealthy for his young development stage... My teenage daughter and her peers have struggled with their return to school during the mobile learning. My daughter's school did not provide lessons. They just gave them a bunch of assignments online. As a result, the high school kids did not learn. Unfortunately, even though schools are open now, the kids are still primarily on iPads."

Name: Mrs. Denise Ladson Johnson, Mother from South Carolina

Hearing: Investing in American Families

Location: Washington, D.C.

Date: December 8, 2021

Inflation at Time of Hearing: 7.0%

Sadly, Mrs. Johnson's story is not unique and is the result of limited freedom for parents to do what is best for their children and families. When the nation's report card was released earlier this year, results showed that months and even years of closed schools resulted in the loss of 20 years of progress in math and reading scores.[479] The severe learning loss resulting from excessive school closures is set to cost students $17 trillion in lost potential wages, according to a World Bank estimate.[480] The OECD also estimates global GDP will reduce by 1.5% per year for the rest of the century due to government-mandated school closures and its resulting learning loss.[481]

Reversing these losses will be complicated and take a lifelong learning approach to overcome. From the earliest days as a three-year old in a quality pre-school setting through to a worker's mid-career change to a high-growth industry, education combined with the economic opportunities this nation has to offer will be required to overcome the consequences of the disastrous decisions to close our schools.

At the committee's field hearing in Kenosha, Wisconsin, in Ranking Member Steil's home district, Members heard from Ms. Sherry Carrion, a recent graduate of Gateway Technical College. Ms. Carrion first graduated from Gateway in 1987, but with the changing economy and a different desire for her career, she returned to Gateway to pursue a degree as a nursing assistant, inspired by the passing of her father the year before. She now has a career she is proud of, that is fulfilling, and she earns more than she had previously. Sherry personifies lifelong learning.

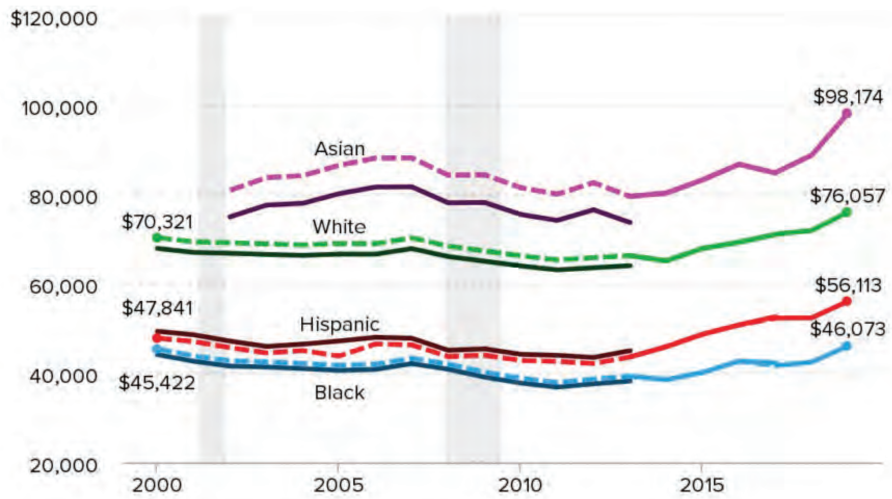
MS. SHERRY CARRION

On the same trip to Wisconsin, Members traveled to Milwaukee to discuss housing discrimination. In the hearing, Ranking Member Steil reinforced the necessity of a good education, and by extension school choice for parents, as a driver of overcoming past discrimination. Milwaukee pioneered school choice by using funds for students and not school systems. By doing so, education dollars follow students to schools that parents believe are the best fit for their children rather than locking them into a failing school because of their ZIP code, providing more opportunities for students and families. The one-track system of a ZIP code determining where a child goes to school, and the quality of education they receive, is antiquated. It limits future opportunities and wages for today's students.

Opportunity also means that workers have control of how and when they work, not the government. In a field hearing in Seattle, Washington, Members heard about the detrimental effects that excessive government mandates have had on gig workers. The one-size-fits-all mandates in Seattle hurt gig workers' opportunities to work and earn as best fits their situation. According to research at the Harvard Business School, gig workers place significant value on flexibility.[482] For many, the freedom to use their time as they see fit, including for child care or personal time is the highest priority. The simple fact is that gig jobs mean freedom for workers. Mandating structure and controls from the government removes the freedom that makes gig work so attractive for 16% of the nation's workforce.[483]

Freedom is a central value to who we are as Americans. It is what propels individuals and families from the bottom rungs of the economic ladder to the top. The success freedom breeds is the reason millions of people want to come to the United States. But to remain a leader in an ever-changing global economy, America needs workers who are ready to fill the jobs of today and be prepared to take on the challenges of tomorrow. The importance of education starts as early as Mrs. Johnson's six-year-old in front of an iPad, and continues throughout a worker's entire career, as told by Ms. Carrion. . Freedom allows gig workers to thrive in a way that best suits the needs of their family. A competitive, skilled worker has the opportunity to command a competitive wage with decreased risk for unemployment – a true recipe for economic success.

Figure 24: Real Median Household Income by Race and Ethnicity, 2000-2019



Note: Because of a redesign in the CPS ASEC income questions in 2013, we imputed the historical series using the ratio of the old and new method in 2013. Solid lines are actual CPS ASEC data; dashed lines denote historical values imputed by applying the new methodology to past income trends. The break in the series in 2017 represents data from both the legacy CPS ASEC processing system and the updated CPS ASEC processing system. White refers to non-Hispanic whites, black refers to blacks alone or in combination, Asian refers to Asians alone, and Hispanic refers to Hispanics of any race. Comparable data are not available prior to 2002 for Asians. Shaded areas denote recessions.

Source: EPI analysis of Current Population Survey Annual Social and Economic Supplement Historical Poverty Tables (Table H-5 and H-9)

Before 2020, there were enormous opportunities for employment and family-sustaining wages across America. Real wages were rising across the board.[484] In 2022, that progress has been lost and families are falling farther behind. Real wages are falling and opportunities for a family-sustaining wage are drying up as America weathers the effects of a pending recession and record-high inflation. Under one-party rule, the federal government spent too much money, too fast, while keeping workers at home and on the sidelines. The continued federal designation of the pandemic emergency has kept the spigot of federal benefits needlessly flowing. As a result, today there are nearly 11 million open jobs in the US waiting to be filled while 20 million workers continue to stay out of the labor force, all while prices continue to rise.[485]

The solution to these problems is to maximize educational and economic opportunities for current and future workers in America. It is a recognition that learning should start early and be lifelong so America's workforce remains the most competitive in the world. Government should not be standing in the way of students and workers pursuing their own path to family-sustaining wages for the economic gains of their families, their communities, and the nation.

Select Committee Member Led Solutions

HR 6436 "The Workforce and Education Partnership Act," Rep. Stephanie Bice (OK-5):

This bill connects employers to educational institutions to give workers opportunities upon graduation for a family-sustaining wage.

HR 7860 "The Financial Freedom Act of 2022," Rep. Byron Donalds (FL-19):

This bill prevents the Department of Labor from deciding where workers can invest their 401(k) earnings and instead returns that choice to the worker earning the money, opening more doors for opportunity and investment.

Additional Actions

HR 2954 "The Securing a Strong Retirement Act of 2022 (SECURE 2.0)":

This bill makes various changes with respect to employer-sponsored retirement plans, including providing for the automatic enrollment of employees in certain plans and increasing the age at which participants are required to begin receiving mandatory distributions.

HR 2990 "The Gig Worker Equity Compensation Act":

This bill prevents state governments from infringing on a worker's freedom. Instead, it gives workers the opportunity to choose for themselves by preventing states from classifying them only as employees instead of independent contractors. This gives the choice to workers and keeps state governments from forcing mandates.

Government Held in Check

"While we appreciate the attention of the theater of political campaigns, we also believe that there is a purposeful and intentional speed of government and a speed of business. In [Elkhart] county when addressing challenges, we choose to move at the speed of business. Too often the weight in any other way is tiresome and frustrating. In 2008 during the recession when our unemployment rate was over 20% National projections indicated it will take Elkhart 20 years if ever to recover. By 2012 We had mostly righted the ship. This was done through the support of local and regional entities that believed in and understood Elkhart County Business communities, and our resilience has prepared us for times like this, and we waited on outside solutions."

Name: Mr. Levon Johnson, President of the Elkhart, Indiana Chamber of Commerce

Hearing: How Targeted Place-Based Development Can Expand Economic Opportunity

Location: Washington, D.C.

Date: May 11, 2022

Inflation at Time of Hearing: 8.6%

There can be no strong economy, no safe communities, and no true freedom if the government is not accountable to the citizens it serves. Mr. Johnson's story of Elkhart, Indiana is a prime example. During the 2007 financial crisis, Elkhart was a one-track economy with the majority of its value coming from the RV industry. The federal government, thinking it knew best, tried to come in with a massive stimulus from Washington, D.C. It was a colossal failure that pushed Elkhart and the surrounding areas into an even deeper economic hole when the electric truck manufacturing plant failed. Yet, history is again repeating itself with the $1.2 trillion infrastructure package focused on green energy because of a lack of discipline in

RV MANUFACTURING FLOOR IN ELKHART, INDIANA

Washington, D.C. to have the federal government hold itself accountable both then and now.

What ultimately brought economic opportunity to Northwest Indiana was not federal government bureaucracy. As Mr. Johnson shared, it was the local leaders and residents. These leaders are accountable through elections, but also their community relationship among one another. Community leaders and residents know the strengths of their hometowns and what it has to offer.

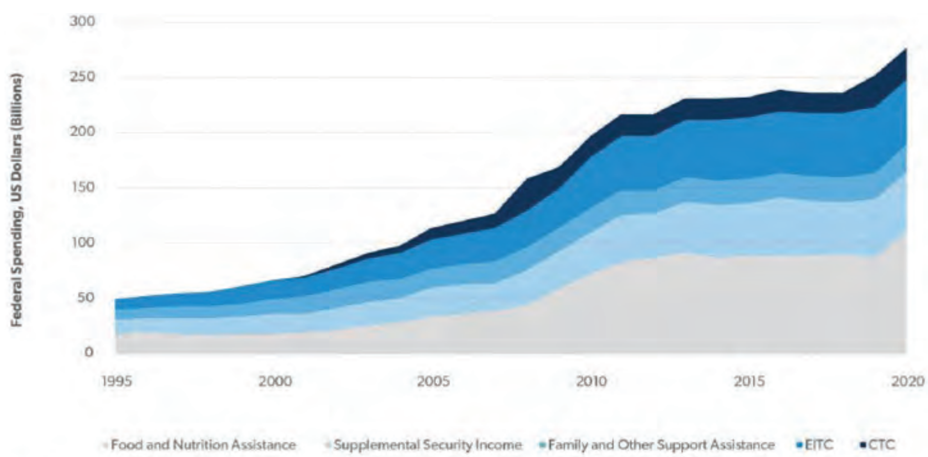
Today, the federal government is again taking sweeping actions to impose its will on local communities. Unilateral actions by the President combined with bloated partisan bills mean trillions in taxpayer and borrowed dollars are being administered by D.C. bureaucrats hundreds of miles away. The primary means of government interference is through federal regulations. Red tape is estimated to cost the American economy as much as $1.9 trillion per year in direct costs, lost productivity, and higher prices.[486] Costs to regulations are only growing. Between 2000 and 2016, the federal government budget for regulators, the agency staff responsible for drafting regulations, increased by nearly 93%, and spending on economic regulation increased by 108%. During that same period, however, the U.S. economy grew by only 32%, meaning the regulatory infrastructure grew faster than the underlying subject matter opening the door to new areas of regulation. Regulatory costs from rules issued under the Biden administration thus far have cost the economy about $309 billion, a 50% jump compared to regulatory costs in the first two years of the Obama administration when the federal government tried to "save" Elkhart.

Figure 25: Federal Means-Tested Benefit Programs and Spending in FY2018

SOURCE: RACHIDI, ANGELA, MATT WEIDINGER, AND SCOTT WINSHIP. "A SAFETY NET FOR THE FUTURE: OVERCOMING THE ROOT CAUSES OF POVERTY."[487]

Accountability should be at the core of every action undertaken by policymakers. During the Committee's hearing on the social safety net, which is a maze of state and federal programs intended to help families, there was much discussion about this lack of accountability. Decades of experience have shown that more money and more government programs does not lead to economic mobility for those who most need it.[488] Programs often trap families rather than help them experience the economic opportunity the nation has to offer. There is a lack of accountability to the families receiving benefits and the taxpayers who fund them.

Figure 26: Federal Outlays on Safety-Net Programs, Excluding Health-Related Spening in Constant (Fiscal Year 2012) Dollars; 1962-2019



Note: The EITC and CTC only include the refundable portions, not reductions in taxes owed.
Source: White House, Office of Management and Budget, "Table 8.6—Outlays for Mandatory and Related Programs in Constant (FY 2012) Dollars: 1962–2027," https://www.whitehouse.gov/omb/historical-tables/.

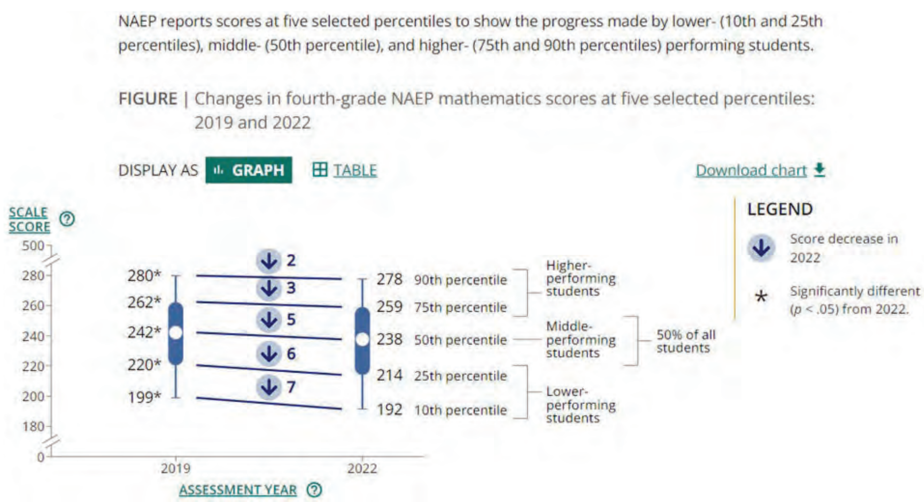
Ms. Heather Reynolds, Managing Director of the University of Notre Dame University's Lab for Economic Opportunity (LEO) encouraged policymakers at the hearing to shift from short-term solutions to long-term solutions. This meant that while the focus on stable housing, affordable food, and valuable credentials is a worthwhile endeavor, policymakers should prioritize longer-term metrics like employment, job retention, and earnings. She advocated in the hearing for achieving these economic outcomes by using evidence-based programs. This means federal policymakers should prioritize programs that have a rigorous evidence base, and they should apply rigorous evaluations to current funded programs to keep what works and modify what does not. This approach results in the biggest strides toward improving economic outcomes for families, and restoring their accountability.

MS. HEATHER REYNOLDS

There are policies and approaches that are proven to be effective, yet they are ignored. Take the Success Sequence as an example. It involves three steps: graduate from high school, work full time, and get married before having a child. The research says "that among Millennials who followed this sequence, 97% are not poor when they reach adulthood."[489] These are the outcomes that policy should be driven toward.

Instead, teachers' unions were prioritized over students in the closing of schools. The results released in 2022 from the National Assessment of Educational Progress, better known as the "Nation's Report Card," shows a lack of accountability. Students experienced steep declines in math and reading scores among U.S. fourth- and eighth-graders. The nation's average math score for fourth-graders fell by five points since 2019 (from 241 to 236, out of a possible 500). Eighth-graders' national average math score dropped by eight points (from 282 to 274, out of a possible 500). Average reading scores for both grades fell by three points. Scores in a group of large urban school districts fell by similar margins.[490]

Figure 27: Mathematics Scores Declined Most for Those Already Behind



SOURCE: HTTPS://WWW.NATIONSREPORTCARD.GOV/HIGHLIGHTS/MATHEMATICS/2022/

Accountability is a two-way street. States are sitting on billions in COVID funds intended to address the learning losses experienced by students. States that receive infrastructure funds should be held accountable for maximizing their use for projects and not overhead. Schools that received COVID stimulus funds should be using them to provide tutoring and extra academic help to students who have fallen behind, but not all that has gone to improving education outcomes.[491] Work or preparation for work should be expected from workless, able-bodied households who receive welfare benefits.

Without action to reinstate accountability on the trillions of dollars already committed by Democrat-controlled Congress, families will suffer the economic consequences. Mr. Johnson, who led his community from hard times to prosperity, emphasized the need for governments to help communities thrive, not dictate how they should operate. Government programs intended to promote economic mobility for families should be accountable for achieving desired outcomes and truly helping the families they serve. State governments, local governments, and individuals should be accountable when entrusted with taxpayer funds. Together, this is a more accountable structure that helps families, communities, and the nation to grow and prosper economically.

Select Committee Member Led Solutions

HR 7602 "The Fiscal Transparency Act," Ranking Member Rep. Bryan Steil (WI-01):

This bill compels government agencies to r`eport their annual spending and allows Americans to see where and how these agencies spend taxpayer money.

HR 5688 "The People Care Act," Rep. Warren Davidson (OH-08):

This bill simplifies and streamlines benefit systems, ensuring workers will have more time to focus on finding a family-sustaining wage and less time worried about paperwork and approaching "benefit cliffs."

HR 4132 "The Unnecessary Agency Regulations Reduction Act of 2021," Rep. Byron Donalds (FL-19):

This bill aims to cut unnecessary regulations so that workers and businesses can focus more on earning money and less time navigating government red tape by creating a report of overbearing and duplicative regulations that increase costs and make it harder for businesses to operate.

HR 1776 "The Regulations from the Executive in Need of Scrutiny (REINS) Act of 2021," Rep. Kat Cammack (FL-03):

This bill reforms the congressional rulemaking process so multi-million dollar provisions can no longer be passed without scrutiny.

HR 4513 "The Small Business Advanced Cybersecurity Enhancements Act of 2021," Rep. Byron Donalds (FL-19):

This bill creates a federal resource center to help prevent cyber attacks on small businesses and aid businesses that fall victim to cyber criminals.

HR 8157 "The Clarity Act," Rep. Byron Donalds (FL-19):

This bill outlines required public transparency from the federal government in its procurement of food during supply chain crises.

HR 8562 "The Defense Production Oversight Act of 2022," Rep. Byron Donalds (FL-19):

This bill prohibits the executive branch from skirting Congress in pursuit of partisan agenda items by activating the Defense Production Act, an emergency bill that has been used to justify partisan projects without full congressional approval.

HR 9032 "The Controlling America's Perilous Spending (CAPS) Act," Rep. Jodey Arrington (TX-19):

This bill gradually caps the amount the federal government is allowed to spend as the national debt grows far beyond the value of annual GDP, forcing the federal government to be more prudent with taxpayer dollars and the loans lawmakers take out in taxpayers' names.

Minority Conclusion

America has experienced a rocky two years under one-party rule. While this committee was created by Democrat leaders to justify their inflation-inducing policies, Republican Members of the Select Committee on the Economy focused on the issues affecting American workers and families. Costs have gone up, groceries are unaffordable, trips to the gas pump are emptying wallets, home heating costs are set to soar this winter, kids are not learning in school, and layoffs are happening at major companies.

However, the struggles forced on Americans across the country from poor leadership in Washington, D.C. do not have to continue. Members of this committee have taken the time to hear from workers and families across the country. They have listened to learn what has been successful and what has not. Members have often thrown out Washington, D.C. formalities and hosted roundtable discussions where more dynamic exchanges of ideas happened. Members have flown across America to meet workers and families in their own communities. This unique opportunity has yielded critical insights.

This committee discovered that when the government makes policies driven towards proven success indicators like the Success Sequence, poverty is dramatically reduced. When the government advances an agenda that gives workers and families more freedom, Americans experience record wage gains. When the government removes red tape and lets localities move at the speed of business instead of the speed of government, communities thrive. When the workers are gainfully employed instead of relying on the government, the economy grows and incomes rise. When schools are open and kids go to class in-person instead of online, kids thrive and have brighter economic futures.

Members have reimagined this committee into a positive action plan for the next Congress, hearing what hurt workers and families under one-party rule and how the country can improve. The bills highlighted in this report represent an agenda that Members are committed to pursuing in the next Congress. This is not just a philosophy, but an action plan.

Endnotes

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