

GRASSROOTS REPORT

'HIGH ROAD' JOB CREATION

THE NEW PARTY'S URBAN AGENDA

BY ARCHON FUNG AND JOEL ROGERS

Pam Jordan is single, has three children, and is a long-time resident of central city Milwaukee — a place of staggering unemployment and one of the highest black infant mortality rates in the nation. This past May, Jordan started a full-time job at Tecumseh Products Company, a local manufacturer of gasoline engines and related products. Local 1326 of the Machinists union represents Tecumseh's workers, who are overwhelmingly white. As an entry-level General Laborer, Jordan makes \$9.13 an hour plus health care and dental benefits. Her previous job as a cashier was part-time, offered no benefits, and paid \$5.00 per hour. She left it in 1994, and in the three years before starting work at Tecumseh had been scraping by on government assistance and child support.

Another miracle from the ghetto, perhaps suitable for retelling at the next Republican convention? A "pull yourself up from the bootstraps even when you don't have shoes/anybody can make it if they try" story of human perseverance? Not really. Pam Jordan has plenty of persever-

Archon Fung is a doctoral student in political science at Massachusetts Institute of Technology. Joel Rogers is the national chair of the New Party.

ance, but her change in fortune owed less to that enduring quality than to new opportunity. Somebody finally offered her a decent job, and the means to qualify for it.

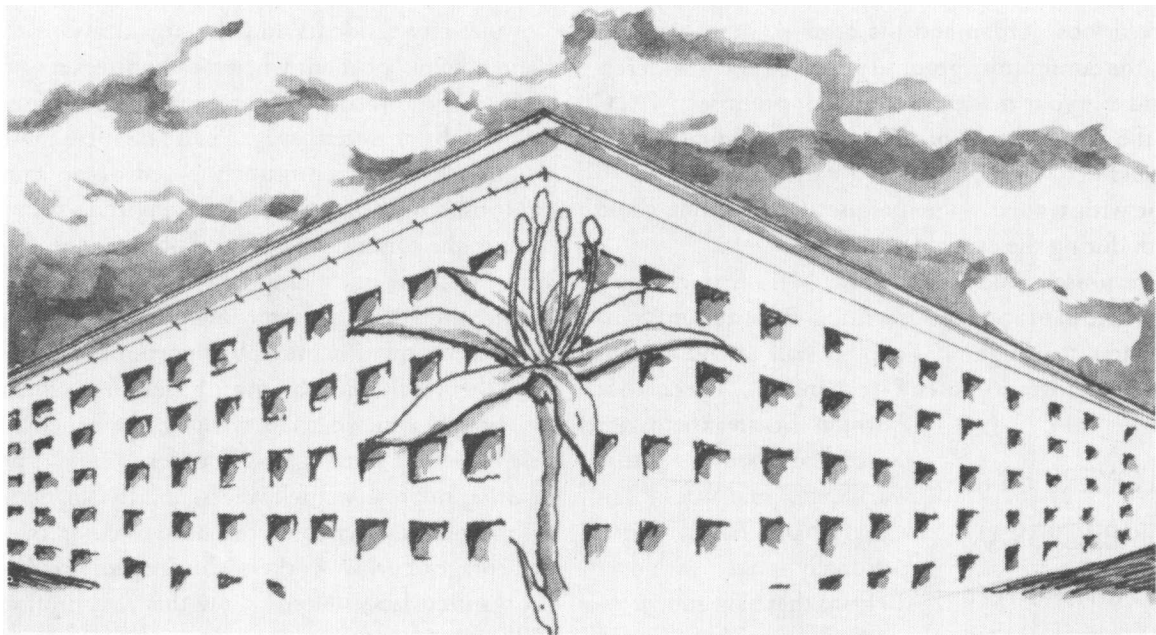
Jordan secured her job through a labor-community-business project called the Milwaukee Jobs Initiative (MJI). MJI is part of a new urban strategy that is beginning to emerge in cities throughout the country, and which the New Party is actively promoting. This politics is more hopeful and practical than either the simple demands

of the traditional left for redistribution or the free-marketizing carnage now promoted by national urban policy. It seeks to build on the natural economic advantages of cities — the skills of their residents, employers, market base, and infrastructure. It is driven by alliances between cities and their inner-ring suburbs; unions and communities of color; environmentalists and job-seekers; and "high-road" companies (those offering skilled jobs with good wages, solid benefits, and environmental responsibility) and the public whose economic future depends on defeating the "low-road" alternative.

The most well-known examples of this new politics are the "living wage" campaigns in cities like Chicago, Milwaukee, Los Angeles, Minneapolis-St. Paul, Madison, Missoula, and Boston. Fought by the New Party in conjunction with local chapters of the national low-income community organization ACORN, unions, and other community-based organizations, these battles have won laws that require firms doing business with public bodies to pay high minimum wages — usually in excess of \$7 per hour — to all their employees. Raising the minimum wage makes it much more difficult for firms to compete on the basis of low wages, thus making high road strategies that include skilled workers and labor-management cooperation more attractive to businesses.

BUILDING AN ALTERNATIVE

Jobs programs like Milwaukee's MJI are another important building block of a "high road" urban policy. The Campaign for a Sustainable Milwaukee (CSM, spawned



by New Party activists), in alliance with the Milwaukee Labor Council and the Greater Milwaukee Committee (an association of the CEO's of Milwaukee's largest employers), MJI attempts to move unemployed inner city Milwaukee residents not only into jobs, but into family-supporting jobs in companies that compete using high road strategies.

Current welfare policy assumes that people like Pam Jordan can do no better than land low-road jobs in services or manufacturing, and progressives tend to emphasize that not enough of even those jobs are available. The Chicago Urban League, for example, recently issued a widely-publicized report that detailed the paucity of low-skilled job openings in comparison to the very large numbers of ex-welfare recipients who would be seeking them. MJI defies this common wisdom by demonstrating that people like Jordan can in fact get and hold much better jobs, if they are given proper training, support, and opportunity.

It is true that, like many other cities, Milwaukee has benefited from the recent national economic boom. For almost three years, Wisconsin's unemployment rate has stayed below 4%, and metropolitan Milwaukee has fared even better, scoring an unemployment rate of 3% in 1995. Due to this extremely "tight" labor market, employers cannot find enough skilled and dependable workers. Yet despite this burgeoning demand for labor, the predominantly minority residents of Milwaukee's central city have been frozen out of the economic boom. The official unemployment rate there lags at 21.5% — more than seven times the rate for the metropolitan region.

This exclusion produces predictable consequences that are familiar to anyone who has lived in or driven through the core of an American city. The overall poverty rate in

central city Milwaukee is 50%, and some 70% of children live below the official poverty line. Crime and physical deterioration are correspondingly and depressingly high.

MJI addresses this crisis by running "jobs connection" projects in manufacturing, construction, and printing. Its strategy in each of these sectors is to organize employers to state clearly how many employees they need and what skills applicants must possess, so that employment and training agencies can find central city residents and (if need be) prepare them for these *specific* jobs. This is not your typical training program, which only generates jobs for the trainers; it is employer-linked training, where the jobs at the other end are guaranteed. Nor does it simply shuffle the low-wage labor market. Central city residents get jobs that either pay high wages right away or that lead to such high-wage opportunities in the immediate future.

For Pam Jordan and her eleven classmates, it worked like this. Tecumseh Products Company knew that it needed a dozen new workers. Staff from MJI and the Wisconsin Regional Training Partnership (WRTP, a network developed jointly by businesses and unions) worked with Tecumseh personnel to determine that these new hires would need skills in basic communication, blueprint reading, shop math, and machine parts inspection. MJI and WRTP staff then worked with instructors at the Milwaukee Area Technical College (MATC) to design an eight week program that would teach these skills.

Staff then negotiated an agreement with Tecumseh Products to hire all graduates of the training program (with a limit of 12) as permanent employees. The same staff then worked with community-based organizations like the YWCA to find Milwaukee residents who seemed motivated to complete the program and hold down the

guaranteed jobs. Jordan and the other students were recruited, the community groups supported them with services, and everyone made good on their promises: MATC taught the classes, eight of the students graduated, and Tecumseh hired seven of these at a starting wage of \$8.75 per hour with regular wage increases (the last one could not work during the available shifts).

The Tecumseh Products class was MJI's first, and several others are in process at this writing. Business and community interest is high, and project staff see no current limits on the program's potential expansion. "There is not

EMPLOYERS FIND
THIS PROGRAM
ATTRACTIVE
BECAUSE IT
SATISFIES THEIR
NEED FOR
QUALIFIED,
DEPENDABLE
WORKERS.

a firm in this area that is not concerned about its future workforce," said WRTP Director Rhandi Berth. "I have personally spoken with over 20 firms that have shown interest in participating [in MJI] and each of those firms wants to hire as few as ten or as many as sixty workers through the program."

Since it is just starting up as an organization, MJI's actual placement goals are quite modest. The first order of business is to cement the political alliances that can assure

future support and expansion of the program. Its planning documents state that in the first year it aims to place 100 central city workers each in the manufacturing and construction sectors, and 40 workers in the printing industry.

THE BIG POLITICAL PICTURE

Is this Milwaukee experiment just a hopeful anomaly, or can it be reproduced at much larger scale? Raw self-interest of powerful groups usually stand in the way of such progressive economics. Yet Milwaukee's initial experience suggests that strong political factions which often oppose one another — organized labor, community groups, and urban businesses — all stand to gain from training programs which give inner city residents the skills needed to perform well at high-wage jobs. These groups can therefore be assembled into a metropolitan alliance not only for growth, but for equity as well.

Translating this political possibility into concrete jobs that pay enough to feed real children, however, takes old fashioned political organizing and coalition building to mobilize such groups into an effective alliance. Skillful organizing has produced such a coalition in Milwaukee, and there are good reasons why its experience can be expanded and widely duplicated.

Inner city residents and the organizations that serve them obviously benefit when local job-seekers gain access to high-wage jobs with career prospects. In addition, steady jobs at decent wages help stabilize families and neighborhoods. Community based organizations can contribute to these projects by using their deep connections to the communities. They know who needs jobs and who is capable of holding down a demanding one. As a partner in high-wage employment efforts, they can translate this information into job opportunities for those who need them most and can most benefit from them.

Though somewhat less obvious, the benefits to organized labor are just as great. In order to survive politically in cities, to preserve high wages, and to expand membership, white-dominated unions need to cut in the growing percentage of urban workers who are people of color. And if organized labor doesn't show that it can offset higher wages with higher productivity and quality, companies will move to where they can get cheaper employees.

In Milwaukee, unions recognize both these truths. Even the building trades, which have historically been among the most exclusive, are working with the Milwaukee Jobs Initiative to recruit people of color. And unions were a moving force in the organization of the "high road regional partnership" of the Wisconsin Regional Training Partnership, because they knew that their jobs were threatened if companies did not modernize their industries.

Unions also help retain the new workers. Line supervisors often design the training curricula, since they know better than management what kinds of knowledge and skills are required to do the job. And union partners in MJI run "peer advisor" programs at work sites to help new employees adjust to the new culture, rules, and expectations of work life by connecting them with more experienced workers.

Employers find this program attractive because it satisfies their need for qualified, dependable workers. As initiatives like MJI become more familiar, companies will have confidence that the trainees will arrive "job ready," thereby cutting the companies' costs of searching for new employees. Patti Pokwinski, Human Resources Assistant at Tecumseh Products, says that the new employees from MJI "understand what is expected of them from the well rounded education that they had gotten, and they were better prepared than the usual entry level workers... They are great workers and they have a positive attitude that has spread to others."

Still, high-wage employment strategies such as MJI's break sharply with the usual practices of urban economic development — which tend to promote job growth without standards for job quality, try to attract new business rather than to retain and upgrade existing ones, and seek to insulate business decision-making from labor or community involvement.

The result is declining tax bases, endless failed start ups and employment churning in low-end industries, massive giveaways of public monies to firms uncommitted to the region, and decaying public institutions and standards — all leading to merciless inequality and concentrations of poverty.

The Milwaukee experience begins to show, however, that there is a viable alternative. The high road also provides a firmer foundation for regional growth by increasing the tax base, developing infrastructure that trains workers, linking that infrastructure to companies, and using it to create a powerful, competent urban workforce. A city that transforms its welfare-dependent, economically excluded underclass into a prosperous middle class, as this strategy promises to do, is a city with a future.

Of course, federal and state policies would need to change for such experiments to fully bloom. These include policies that subsidize suburban sprawl rather than urban development, including:

- our national transportation strategy, which favors highways over public transportation.

- the home mortgage loan tax deduction, which encourages excessive spending on single-family residences, primarily in the suburbs.

We should instead use federal tax dollars to promote the clustering of people and economic activity in cities. We also need to end the practice of states giving companies incentives to move there from other states. But we must begin fighting for these changes by organizing our metropolitan areas, since people there (still the majority in the United States) have the clearest stake in building this high-road, city-centered economy. And to get that organization going, it helps enormously to have a strategy of broad appeal and wide benefit that works. ■

Resources: Rob Henken, Executive Director, Milwaukee Jobs Initiative, 2821 North 4th Street, Milwaukee, WI, 53212, (414) 372-7387; Adam Glickman, New Party Communications Director, 227 West 40th Street, Suite 1303, New York, NY, 10018, (212) 302-5053, <http://www.newparty.org>; "A Plan to Save the Cities," Daniel Luria and Joel Rogers, *Boston Review*, Vol. 22, No. 1 (February/March 1997).

ESTATE TAX GIVEAWAY

continued from page 28

transfer of wealth between generations entirely. Instead of an estate tax, the provocative book *How Rich is Too Rich* argues, we should have a tax on the heirs instead of on the estate. The authors, economist Sidney Carroll and physicist Herbert Inhaber, argue that this "inheritance" tax would put an end to the rich using trusts and other methods to avoid the estate tax.

Their plan would also limit inheritance. Any individual could receive an inheritance of \$1 million tax-free but would have to pay rising taxes on additional gifts and bequests so that the lifetime total would not exceed \$2.5 million. Their cap would slow the concentration of wealth and transfer more wealth to a wider array of heirs, including the "energetic, educated young people" more likely to contribute to a growing economy.

Other less patient critics ask why should we wait for the death of the most well-to-do to impose a tax on wealth? The increasing concentration of wealth in the 1990s, unprecedented except for the 1920s, has made the calls for a wealth tax more urgent. As of 1992, the wealth of the richest 1% of families had reached 42% of the wealth of the nation.

Economist Edward Wolff proposes a wealth tax similar to those in ten European countries including Germany and Switzerland. It would be levied each year on families with net worth above \$100,000 in graduated rates begin-

ning at 0.05%, reaching 0.3% for families with a net worth above \$1 million. Wolff estimates that this wealth tax would collect about \$43 billion a year (about three times what the estate tax will collect next year) and would be highly progressive. Less than 4% of households — those with net worth of \$780,000 or more — would pay more than \$1000 a year in wealth taxes. Wolff's proposal would make the most well-to-do finance government more in line with their ability to pay.

Taxing wealth as other countries do is a modest and positive first step toward combating the economic polarization that comes with the near tax free transmission of wealth from one generation to the next. But even this proposal is unlikely to get a fair hearing in today's political climate.

It wasn't always that way. Congress originally enacted the estate tax in 1916, in the midst of a Progressive Era concerned about the concentration of wealth in the coffers of a few families. But politics at the close of the twentieth century are far less progressive than at its beginning. Today politicians no longer fear the increased concentration of wealth but rather celebrate it. ■

Resources: William W. Beach, "The Case for Repealing the Estate Tax," in *Why America Needs a Tax Cut* (Heritage Foundation); Douglas Bernheim, "Does the Estate Tax Raise Revenues?" in Lawrence Summers, ed., *Tax Policy and the Economy* (National Bureau of Economic Research); "Federal Taxation of Wealth Transfers, 1992-1995," by Martha Brittn Eller, in *Statistics of Income Bulletin*, Vol. 16, #3 (Winter 1996-97). "Time for a Wealth Tax?" by Edward N. Wolff, in *The Boston Review*, 1997; *How Rich is Too Rich?* by Herbert Inhaber and Sidney Carroll (Praeger, 1992).