

## **THE AMERICAN JOBS ACT: IMPACT FOR YOUTH AND THE ECONOMY**

The American Jobs Act reflects a commitment to strengthen the recovery and help increase access to jobs for all Americans. With nationwide unemployment at an unacceptably high rate – and many young people across the country especially struggling with the challenge of finding work – the President believes that inaction is not an option. That is why the President is putting out a plan to increase the pace of job creation, and why he is committed to fighting for Congress to act on this plan. These measures – which will provide job and work-based training opportunities for young people hit hardest in this tough economy, provide incentives for businesses to hire, and make investments in revitalizing schools and community colleges, infrastructure and neighborhoods, and provide support and opportunity for construction workers, teachers, veterans, and first responders– will help create new job opportunities for younger workers and all Americans.

- **Supporting for summer and year-round jobs for youth.** The new Pathways Back to Work Fund will provide states with \$1.5 billion to support for summer job programs for low-income youth, including the 17.7% of youth ages 16-24 who are unemployed, and will build on that success by supporting year-round employment for economically disadvantaged young adults.
- **Supporting local efforts to implement promising work-based strategies and to provide training opportunities with good records of placing low-income adults and youth in jobs quickly.** The Pathways Back to Work Fund will also provide \$1.5 billion to local governments through a competitive grant process to support promising work-based strategies and training opportunities for low-income adults and youth, including apprenticeship programs, sector-based training, and career academies.
- **Modernizing our schools and keeping teachers in the classroom:** The President is proposing a \$25 billion investment in school infrastructure that will modernize at least 35,000 public schools – investments that will create jobs, while improving classrooms and upgrading our schools to meet 21<sup>st</sup> century needs – and a \$5 billion investment in modernizing community colleges, bolstering their infrastructure in this time of need while ensuring their ability to serve future generations of students and communities. The President’s plan will also invest \$30 billion to help prevent up to 280,000 teacher layoffs, along with first responders in communities across the country.
- **Tax credits and career readiness efforts to support veterans’ hiring:** The President is proposing a Returning Heroes Tax Credit of up to \$5,600 for hiring unemployed veterans who have been looking for a job for more than six months, and a Wounded Warriors Tax Credit of up to \$9,600 for hiring unemployed workers with service-connected disabilities who have been looking for a job for more than six months, while creating a new task force to maximize career readiness of servicemembers. Currently, 9.8% of post-9/11 veterans are unemployed, the majority of whom are under the age of 30.
- **Extending and expanding the payroll tax cut to benefit 45 million Americans under the age of 30.** By extending the payroll tax cut next year, the President’s plan will help increase the paychecks of 45.5 million young people in the workforce – providing them with more money to support their families and spend in their communities.

## **WHAT THE PLAN WILL DO**

### **Tax Cuts to Help Youth-Owned Small Businesses Hire and Grow**

- *Cutting Payroll Taxes in Half for Small Businesses:* The President is proposing tax cuts that will go to every small business nationwide – providing broad tax relief to all businesses, but targeting it to the 98 percent of firms with wages below this level.

*Example:* A small business has 40 employees, with an average salary of \$40,000 a year – meaning a total payroll of \$1.6 million. The business adds another 20 employees with the same average salary. Under the President’s plan, the business would receive a \$49,600 tax cut on the payroll taxes of their existing employees, and another \$49,600 tax cut due to the new employees.

- *Helping Small Businesses Access Capital and Grow:* The President’s plan includes administrative, regulatory and legislative measures – including those developed and recommended by the President’s Jobs Council – to help small firms start and expand. This includes changing the way the government does business with small firms and working with the SEC to conduct a comprehensive review of securities regulations from the perspective of these small companies to reduce the regulatory burdens on small business capital formation in ways that are consistent with investor protection. In addition, the President is calling for comprehensive patent reform, increased guarantees for bonds to help small businesses compete for infrastructure projects and the removal of burdensome withholding requirements that keep capital out of the hands of job creators.

### **Revitalizing Neighborhoods, Schools and Infrastructure – Including In Our Hardest-Hit Communities**

- *Targeted Investments to Modernize Schools and Community Colleges – From Science Labs and Internet-Ready Classrooms to Renovated Facilities:* The President is proposing a \$25 billion investment in school infrastructure that will modernize at least 35,000 public schools – investments that will create jobs, while improving classrooms and upgrading our schools to meet 21<sup>st</sup> century needs. Funds could be used for a range of emergency repair and renovation projects, greening and energy efficiency upgrades, asbestos abatement and removal, and modernization efforts to build new science and computer labs and to upgrade technology in our schools. The President is also proposing a \$5 billion investment in modernizing community colleges, bolstering their infrastructure in this time of need while ensuring their ability to serve future generations of students and communities.
- *Preventing Layoffs of Teachers, Cops and Firefighters:* The President is proposing to invest \$35 billion to prevent layoffs of up to 280,000 teachers, while supporting the hiring of tens of thousands more and keeping cops and firefighters on the job. These funds would help states and localities avoid and reverse layoffs now, requiring that funds be drawn down quickly. Under the President’s proposal, \$30 billion be directed towards educators and \$5 billion would go to the cops and firefighters who keep our communities safe.
- *Putting Construction Workers Back on the Job By Modernizing Infrastructure – With a Focus on Expanding Access to These Jobs:* In order to jump start critical infrastructure projects and create hundreds of thousands of jobs, the President’s plan includes \$50 billion in immediate investments

for highway, highway safety, transit, passenger rail, and aviation activities – with one-fifth of the funding advancing a transformation of how we finance transportation infrastructure and what we finance.

- *Project Rebuild: Putting People Back to Work Rehabilitating Homes, Businesses and Communities.* The President is proposing to invest \$15 billion in a national effort to put construction workers on the job rehabilitating and refurbishing hundreds of thousands of vacant and foreclosed homes and businesses. Building on proven approaches to stabilizing neighborhoods with high concentrations of foreclosures, Project Rebuild will bring in expertise and capital from the private sector, focus on commercial and residential property improvements, and expand innovative property solutions like land banks. This approach will not only create construction jobs but will help reduce blight and crime and stabilize housing prices in areas hardest hit by the housing crisis.
- *Tax Credits and Career Readiness Efforts to Support Veterans' Hiring.* The President is proposing a Returning Heroes Tax Credit of up to \$5,600 for hiring unemployed veterans who have been looking for a job for more than six months, and a Wounded Warriors Tax Credit of up to \$9,600 for hiring unemployed workers with service-connected disabilities who have been looking for a job for more than six months, while creating a new task force to maximize career readiness of servicemembers.

### **Pathways Back to Work for Young People Looking for Jobs.**

- *An Extension of Unemployment Insurance that Will Help American Youth Who Would Otherwise Lose Their Unemployment Benefits.* In December, the President successfully fought for unemployment insurance to be extended – keeping 7 million workers from losing their benefits this year. The President has called for a further extension into 2012 to prevent some of the American youth who are currently receiving unemployment insurance from losing their benefits next year.
- *Targeted Support to Help The Long-Term Unemployed Get Back to Work.* The recession pushed long-term unemployment to its highest level since 1948, the first year for which such data are available – with over one million youth aged 16-24 out of work for more than six months. The President's plan is targeted directly at helping these young people get back to work by, for example:
  - *Tax credits for hiring the long-term unemployed.* The President is proposing a tax credit to provide up to \$4,000 for hiring workers who have been looking for a job for over six months.
  - *“Bridge to Work” Programs.* States will be able to put in place reforms that build off what works in programs like Georgia Works or Opportunity North Carolina, while instituting important fixes and reforms that ensure minimum wage and fair labor protections are being enforced. These approaches permits long-term unemployed workers to continue receiving UI while they take temporary, voluntary work or pursue work-based training. The President's plan requires compliance with applicable minimum wage and other worker rights laws.
  - *Wage Insurance.* The President's plan would let states use federal funds to set up wage insurance programs for older workers, helping those who must take a loss of pay to return to work.
  - *Startup Assistance.* States will have flexibility to support long-term unemployed workers in efforts to create their own jobs by starting their own small businesses.

- Work-sharing to help avoid layoffs: The President is proposing to expand work-sharing to encourage arrangements using unemployment insurance that keep employees on the job at reduced hours, rather than laying them off.
- Investing in Training and Other Pathways Back to Work: Building on highly successful Recovery Act programs that provided job opportunities for low-income youth, the President's *Pathways Back to Work Fund* will make it easier for young people to remain connected to the workforce and gain new skills for long-term employment. The Initiative will include:
  - Support for summer and year-round jobs for youth. The new *Pathways Back to Work Fund* will provide states with support for summer job programs for low-income youth in 2012 and 2013, including the 17.7% of youth ages 16-24 who are unemployed, and will build on that success by supporting year-round employment for economically disadvantaged young adults. This builds on successes from the Recovery Act, which provided 367,000 summer job opportunities through the public workforce investment system to young people in the summers of 2009 and 2010.
  - Subsidized employment opportunities for low-income individuals who are unemployed, building off the successful TANF Emergency Fund program that placed more than 260,000 low-income adults and youth in paid jobs during a time of high unemployment, according to the Center on Budget and Policy Priorities.
  - Support for local efforts to implement promising work-based strategies and to provide training opportunities with good records of placing low-income youth in jobs quickly.
- Prohibiting Employers from Discriminating Against Unemployed Workers: The President's plan calls for legislation that would make it unlawful to refuse to hire applicants solely because they are unemployed or to include in a job posting a provision that unemployed persons will not be considered.

### **More Money in the Pockets of Every Young American Worker**

- Cutting the Payroll Tax in Half Next Year — Benefitting 45.5 Million Young People: The President is proposing to extend and expand the payroll tax cut passed last December, increasing it to 3.1% for 2012. In total, this will help the 45.5 million people under the age of 30 who pay payroll taxes. Because the payroll tax applies at the same rate on the first \$106,800 of wages regardless of how many hours an employee works, it provides the same benefit for part-time workers or others who may have flexible work arrangements.

*Example*: A household with \$29,000 in income – near the median for individuals ages 25 to 34 – would typically pay about \$1,800 in Social Security taxes. In 2011, that household would receive a payroll tax cut of \$580. Under an expansion of the payroll tax cut, they would receive a tax cut of about \$900.

- Helping More Americans Refinance Mortgages at Today's Historically Low Interest Rates:: The President has instructed his economic team to work with Fannie Mae and Freddie Mac, their regulator the FHFA, major lenders and industry leaders to remove the barriers that exist in the

current refinancing program (HARP) to help more borrowers benefit from today's historically low interest rates. This has the potential to not only help these borrowers, but their communities and the American taxpayer, by keeping borrowers in their homes and reducing risk to Fannie Mae and Freddie Mac.

### **Fully Paid for As Part of the President's Long-Term Deficit Reduction Plan**

- To ensure that the American Jobs Act is fully paid for, the President will call on the Joint Committee to come up with additional deficit reduction necessary to pay for the Act and still meet its deficit target. The President will, in the coming days, release a detailed plan that will show how we can do that while achieving the additional deficit reduction necessary to meet the President's broader goal of stabilizing our debt as a share of the economy.