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HIGHLIGHTS

WHY PRESIDENT OBAMA SHOULD CARE ABOUT "CARE": AN EFFECTIVE AND EQUITABLE INVESTMENT STRATEGY FOR JOB CREATION

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Introduction

Since the onset of the current recession, the most vulnerable of its victims—the poor and the vast majority of the unemployed—have gotten very little coddling relative to Wall Street (which perpetrated the crisis) and the sectors deemed "too big to fail." When employment and household income and wealth plummet, aggregate demand is bound to suffer. The household sector, it must be understood, is also too big to fail.

Unemployment in the United States stood at 10 percent, or about 15.4 million people, in December 2009—double the level at the beginning of the recession in December 2007. The jobs deficit exceeds 20 million when counting the number of part-time and discouraged workers. Moreover, parts of the country face unemployment rates exceeding 25 percent. For single mothers the official unemployment rate is 13 percent, while the rates for African American and Latino workers are 16 and 13 percent, respectively, and youth unemployment stands at about 27 percent (BLS 2010).

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The Obama administration has engaged in expansionary fiscal policy to rein in rising unemployment (e.g., the American Recovery and Reinvestment Act [ARRA], and the Jobs for Main Street Act of 2010) that includes extending the term limits for unemployment benefits, infrastructure spending (mainly on highways and public transit), and public sector jobs (primarily in education). These efforts are welcome, but more needs to be done in order to overcome the jobs crisis.

What is urgently needed is useful work projects that have the potential for *massive public job creation*, and spending allocations commensurate with the *scale* of the problem. Policy design that frets over "deficit spending" on job creation while generously disbursing billions to firms considered "too big to fail" discredits the social-inclusiveness principles of democratic states.

Direct job creation so far has come in the form of investing in physical infrastructure and green energy, and should be a part of our national strategy. But given the astounding numbers of unemployed, public investments must be (1) selected with a view to *maximizing* the extent of immediate job creation and (2) equitable. Both issues are particularly important for the most vulnerable groups among the unemployed. The number of expected ARRA jobs is clearly insufficient given the broadly expected lag in job creation by the private sector in the near term. And cutbacks in state and local government budgets are certain to increase vulnerabilities.

It is crucial that new job creation interrupts the cycle that keeps poor men, women, and young people locked out of the job market. In this context, the Obama administration's job-creation strategists must take a closer look at *social sector* investment.

Why a Focus on Social Sector Public Job Creation?

Public funds invested in social care sectors create more jobs than several other common stimulus programs combined (see Antonopoulos and Kim 2008, Simonazzi 2009, Warner and Liu 2006).[1] As compared to physical infrastructure and green energy—the favored job-creation sectors under ARRA—social care investment generates more than twice the number of jobs as infrastructure spending, and almost one and a half times the number of jobs as green energy (Table 1). It is also more effective in reaching the least-educated group in the labor market, creating twice as many jobs for those with a high school diploma or less as compared to infrastructure investment.

Table 1 Number of Jobs Created per $1 Million in Spending, by Sector and Educational Level

Education (≥16 years old)	Social Care	Infrastructure	Green Energy
High school or less	16	8	8
Some college	4	1	5
College graduate	3	2	4
Total	23	11	17

Note: The green-energy job creation estimates are based on Pollin, Wicks-Lim, and Garrett-Peltier 2009. Their analysis includes an induced job effect from consumption of earned income (expenditure multiplier), and is roughly 40 percent of the total. Our own estimates for social care and infrastructure provide the lowest job creation boundary. If the induced effect is accounted for in social care estimates, the job impact of social care would be even stronger relative to green energy. We justify our choice on empirical grounds in our forthcoming working paper.

Source: Authors' calculations, based on the Levy Institute Microsimulation Model; see Zacharias, Masterson, and Kim 2009 for details.

Researchers have also found significant positive psychological and social impacts on participants and their communities, as well as on the children who receive early childhood development care (NICHD 2000; Dickens, Sawhill, and Tebbs 2006; Heckman and Masterov 2007). Home-based health care is more cost effective than hospital or institutional care for certain chronic patients (Fields et al. 1991, Rich et al. 1995), and it allows family members to be more productive at work, thus saving the economy billions of dollars in lost productivity.[2] These benefits will be strongly felt in poor communities, whose members suffer disproportionately from a combination of social exclusion, high unemployment, and insufficient services. It will also benefit women directly, as they are the primary providers of unpaid care to children and the elderly.

Profile of the Unemployed by Income, Educational Level, and Occupation

The current recession's employment impact is dismal. At the aggregate level, the employment-to-population ratio in December 2009 was at its lowest in 26 years, and the drop from the peak the largest on record. Data also reveal that the number of workers looking for a job but unable to find one for over 27 weeks stood at 40 percent in December—the highest figure since estimates were first published in 1948.

In our study we use March 2009 Current Population Survey data to compare our results to other studies pertaining to the ARRA and green jobs. The less educated workers are the most vulnerable in the current labor market (workers with a high school diploma or less constitute almost 60 percent of the unemployed). In order to be equitable, public job creation ought to reach households whose members belong to the lower end of the income distribution and have low levels of skill.

Methodology

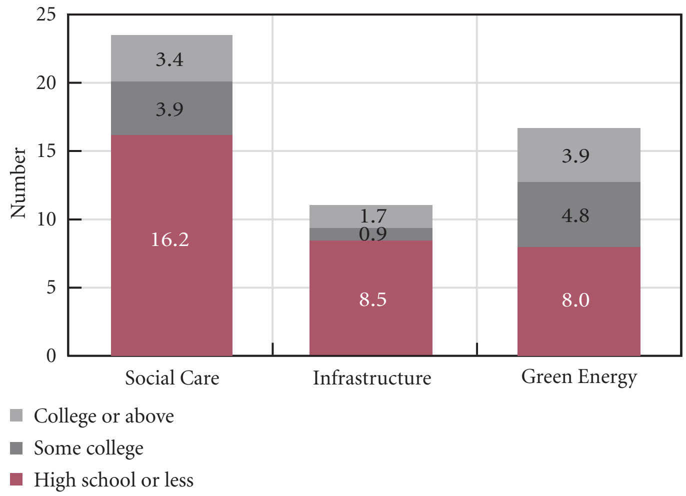
To analyze the employment impact of our proposed intervention we combine input-output analysis, which allows for the calculation of aggregate changes in employment, and a microsimulation model, which distributes these jobs by matching them to the individuals who are most likely to occupy them (Zacharias, Masterson, and Kim 2009). To estimate the employment multiplication through the industry linkages, we use the 2006 input-output (I-O) table, recompiled by the Bureau of Labor Statistics (BLS) from the original I-O table issued by the Bureau for Economic Analysis. This I-O table depicts the interindustry linkages of 201 industries, from which one can calculate the employment multipliers.

In the next stage, we classify the new jobs, direct and indirect, created in each industry, by occupation. The original data are taken from the BLS National Industry-Occupation Employment Matrix. In the microsimulation portion of our study, we assign jobs by matching workers' socioeconomic characteristics to the available jobs. We assume that the additional demand for labor created by each scenario will be met from the pool of "employable" individuals, drawn from the Annual Social and Economic Supplement of the Current Population Survey in 2009.

Job Creation Impact of Government Investment

We simulate an investment of $50 billion on projects that enhance the social infrastructure of care provisioning (divided equally between home-based health care and early childhood development for children under the age of five). The BLS predicts that home-based direct care will be one of the fastest-growing occupations in the next decade as the population grows older and lives longer.[3]

Figure 1 **Number of Jobs Created per $1 Million in Spending, by Educational Level**



Sources: Pollin, Wicks-Lim, and Garrett-Peltier 2009; authors' calculations

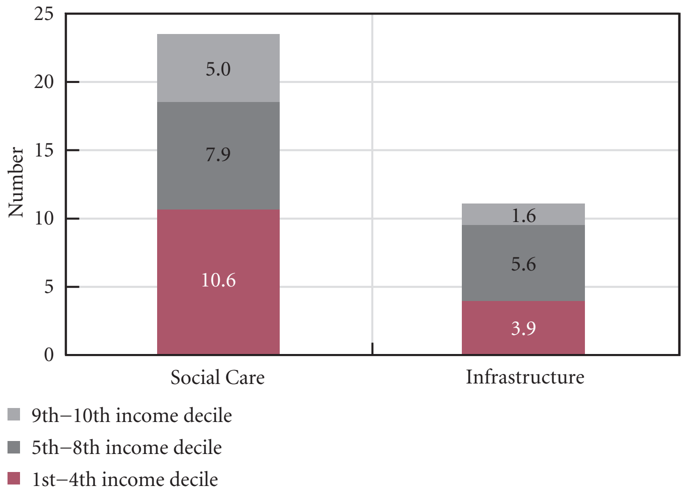
We compare the results of estimates for a social care expenditure package with one of an equal size aimed at infrastructure. The industrial classification of the "construction" sector in the I-O table encompasses highway construction, the single largest item of infrastructure expenditure provided for in ARRA.

The job-creation potential of the social sector is roughly 2.1 times that of infrastructure (1.2 million versus 556,000 jobs), reflecting the relatively high labor-intensity of the social care sector. Three-quarters of new jobs are in high- and low-end services (teaching, child care, and home health care) that are traditionally female-dominated. In the infrastructure scenario, 61 percent of all jobs are production related and traditionally male-dominated.

Distribution of Jobs: Who Benefits?

Figure 1 depicts our estimates of job creation for workers with different levels of educational attainment for the three sectors. As indicated above, social care expansion is well suited to creating jobs for groups with lower levels of educational attainment but it also creates more jobs for the more educated groups relative to infrastructure construction (7.3 versus 2.6 jobs per $1 million in spending). Green investment benefits the more educated groups more than the less educated one (see Pollin, Wicks-Lim, and Garrett-Peltier 2009).

Figure 2 Number of Jobs Created per $1 Million in Spending, by Household Income



Source: Authors' calculations

Based on our microsimulation model, social care expansion outperforms infrastructure in terms of job creation for the lower-income households (10.6 versus 3.9 jobs per $1 million in spending) (Figure 2). This result is consistent with the previous finding on job assignment by education. Home health aides, who compose one of the major occupation groups in social care, are mainly women from low-income households. What is equally important to notice is that the care expansion generates more jobs for the middle income and top income groups than infrastructure spending.

Conclusion

The administration claims to be aware of the devastating impact unemployment has on families and the economy. Yet government resources have focused on saving Wall Street, banks, and the automobile industry. The beneficiaries during times of prosperity are being "saved," while lower-income people continue to lose their homes and their jobs.

The government has attempted to create jobs via expansionary fiscal policies by focusing on tax cuts, transfers to individuals and state and local governments, energy-efficiency measures, and physical infrastructure. These measures are needed, but investing in social care would maximize the potential for job creation.

The need for a second stimulus package is clear. State and local governments already have the administrative and delivery structures in place, but they are expected to face a combined budget shortfall of about $350 billion for 2010 and 2011 (McNichol and Johnson 2009), and they lack the resources to deliver the increased levels of social care. This is where the Obama administration needs to be bold, and our results should resonate with the president's past experience as a community organizer.

Notes

1. See Antonopoulos 2009 for a brief discussion of ARRA in the context of social care and gender equality. Antonopoulos and Kim (2008) demonstrate in detail the effectiveness of social care expansion for job creation in South Africa. Simonazzi 2009 reviews European models of elderly care.
2. See MetLife 1999. The amount was projected to exceed $41 billion in 2009.
3. See www.bls.gov/news.release/ecopro.t06.htm for the complete table of the 30 fastest-growing occupations, 2006–16 (accessed December 2, 2009).

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