

The Nitty Gritty on the American Jobs Act

The American Jobs Act uses a variety of mechanisms to help get disadvantaged Americans working again – tax credits, economic stimulus, assistance finding a job, opportunities to get training or work experience, preventing job discrimination, and flexible funding to support innovative initiatives. The size of the bill and the scope of its strategies will hopefully prove sufficient to move the country forward to end the unemployment, disillusionment, and real deprivation that so many of us are experiencing. We have the opportunity to make meaningful investments in our future prosperity while putting people back to work.

Here's a road-map to the provisions of the American Jobs Act (AJA) that will help low-income individuals and the long-term unemployed. The draft bill, sent by President Obama, also includes many other provisions, many of which would create jobs. The White House has a [20 page summary of the whole act](#), which includes the reasons for the various provisions, and evidence of their bipartisan support. This article provides more detail, with footnote citations to the sections in the [text of the draft statute](#). This is not an exhaustive summary of every section of the act; it's a focused overview and analysis of the biggest parts that will help get people back to work.

1. **Tax credits** make up half the total cost of the bill, and there are many targeted at businesses and employees. In addition to a payroll tax cut (from 6.2 percent to 3.2 percent)¹ for businesses on the first \$5,000,000 in wages,² there is a complete payroll tax holiday for hiring new workers, or expanding the business' payroll beyond the prior year, up to a limit.³ Employers can also receive a tax credit for hiring a worker who has been unemployed at least six months in the last year,⁴ or who is unemployed veteran.⁵
2. **Reemployment services** for recipients of Emergency Unemployment Compensation (EUC is generally weeks 26-79 of unemployment insurance). The federal government will reimburse states \$200 per person,⁶ for the state unemployment agency's employees⁷ to provide services including career and labor market information, individual assessment, career one stop orientation, and job search counseling.⁸ These services are mandatory for recipients unless they are found to have "justifiable cause" to not participate.⁹ This program will create a significant influx of new recipients of job-readiness services in the state, and it's important that the federal government, and states, reduce the burden on individuals by, for example, providing virtual services, flexible scheduling, and supportive services (such as transportation allowances and child care) for individuals below 200 percent of the federal poverty line to attend these programs. Additionally, the state may set up an optional¹⁰ self-employment assistance program for recipients of EUC.¹¹

3. **Reemployment Now Program.** States have some flexibility in what enhanced reemployment services they provide to the recipients of EUC under this \$4,000,000,000 allocation.¹² States may use the funds on: individual counseling, job search skills training, and case management;¹³ innovative programs;¹⁴ wage insurance;¹⁵ administrative costs of the self-employment program;¹⁶ and/or Bridge to Work.¹⁷ Wage insurance partially compensates individuals over age 50 who were receiving EUC when they accept a new full-time job with lower earnings than their previous job.¹⁸ Bridge to Work is a voluntary program¹⁹ where individuals can work for 8 weeks²⁰ at a short-term job placement. Their pay is their unemployment benefits and an additional amount so their total payment equals the minimum wage, which the state pays from this federal funding (additionally, a state may require employers to pay more beyond this amount).²¹ This wage (even the amount the state and/or employer pay) is ignored for federal means-tested aid programs.²² In addition to paying workers enough so that their compensation equals the minimum wage, and other requirements, states must monitor and prevent misuse of the program and provide counseling services before each individual starts.²³ Additionally, the state may spend the funds on supportive services, additional wages beyond minimum and administrative expenses.²⁴ For employers to stay eligible to receive placements, they must offer at least one participant a full time job within 24 weeks, and states may (and should!) add conditions for employer participation.²⁵
4. **Short-Time Compensation Programs.**²⁶ Many states currently have a work-sharing unemployment insurance program in place, and under this statute those states may continue their program for two years before transitioning to the federal program,²⁷ and new states can create a program with the federal government. Employees who lose 10-60 percent of their hours (or states can lower the 60 number),²⁸ at participating employers,²⁹ receive a pro-rata share of their unemployment insurance.³⁰ Federal funding is capped at three years.³¹ If the state has its own program the federal government will pay the whole³² cost of the program, up to 26 times the individuals unemployment benefit level for total unemployment (including any dependent allowance).³³ If the state chooses to make a program under this law, the statute provides for grants for implementation, administration, promotion of the program, and enrollment³⁴ and the federal government will provide technical assistance and a draft model statute.³⁵ Under a state-federal program, the employer has to pay the state half the short-time compensation paid, and that doesn't count towards the employer's contribution rate.³⁶ The federal government will pay the other half plus administration.³⁷
5. **Pathways Back to Work Fund.** This fund will provide workforce development funds, often delivered through the Workforce Investment Act (WIA) infrastructure, but with different outcome measures.³⁸ The changed measures will hopefully address the tendency of the current WIA outcome measures to discourage service of those individuals who face the greatest barriers to work or school, while still providing accountability and transparency.
 - a. \$2,000,000,000 to “subsidized employment to unemployed, low-income adults.”³⁹ The funds must be used for subsidized employment, and may be used for supportive services for participants, such as transportation and childcare.⁴⁰ The states' allocation of the subsidized jobs money would be the same as WIA adult and youth funds (one-third

based on each of: “relative number of unemployed individuals in areas of substantial unemployment in each State;” “relative excess number of unemployed individuals in each State;” and “relative number of disadvantaged adults and youth] [sic] in each State.”⁴¹ States may administer the program through the state agencies for WIA or TANF.⁴² States may allocate funds to the local workforce investment areas (LWIAs) by the same allocation as to states, above, or the state may allocate the funds to entities responsible for the administration of TANF, “in such manner as the State may determine appropriate.”⁴³ States determine the amount of the subsidy the state pays, and duration of the employment, and may consider size of employer and types of employment in those determinations.⁴⁴

- b. \$1,500,000,000 to provide summer and year-round employment opportunities to low-income youth.⁴⁵ The allocation formula to states is the same as that in the subsidized employment provisions, and within the states, the same formula will control the allocations to the LWIAs.⁴⁶ The funding must be used for “summer employment opportunities for low-income youth, ages 16 through 24, with direct linkages to academic and occupational learning, and may include the provision of supportive services, such as transportation or child care, necessary to enable such youth to participate”⁴⁷ and “year round employment opportunities,” for out of school youth.⁴⁸ The priorities for funding are employment opportunities in either emerging or in-demand occupations in the public or nonprofit sector,⁴⁹ and “linking year-round program participants to training and educational activities that will provide such participants an industry-recognized certificate or credential.”⁵⁰
 - c. \$1,500,000,000 of “competitive grants . . . to local entities to carry out work-based training and other work-related and educational strategies and activities of demonstrated effectiveness to unemployed, low-income adults and low-income youth to provide the skills and assistance needed to obtain employment.”⁵¹ Some examples from statute are: on-the-job training; apprenticeships; other activities combining work and skills training; sector-based training; subsidized employment; and integrated basic education and training.⁵² The applications need to be submitted by the chief elected official in combination with the LWIA, and can include industry groups, CBOs, post-secondary education providers, or others.⁵³ The priority for the funding will go to proposals in areas of high poverty and high unemployment.⁵⁴
6. **Fair Employment Opportunity Act of 2011.** Would prohibit discrimination against the unemployed in advertizing, considering candidates, and hiring.⁵⁵
 7. **Transportation Job Training.** \$50,000,000 in competitive grants for transportation jobs training.⁵⁶ Of the total, \$10,000,000⁵⁷ would go to assist minority businesses in competing, on an equal basis, for contracts and subcontracts,⁵⁸ and should be allocated to businesses that have proven success in adding staff while effectively completing projects.⁵⁹

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- ¹ §101(a)(2).
 - ² §101(a)(4).
 - ³ §102(a)(1)-(2).
 - ⁴ §351.
 - ⁵ §201(a)-(b).
 - ⁶ §313(b)(1)(C).
 - ⁷ §313(a)(1)(h)(1).
 - ⁸ §313(a)(1)(h)(2).
 - ⁹ §313(a)(1)(h)(3).
 - ¹⁰ §314(i)(2).
 - ¹¹ §314(i)(1)(A).
 - ¹² §322.
 - ¹³ §326.
 - ¹⁴ §328.
 - ¹⁵ §325.
 - ¹⁶ §327.
 - ¹⁷ §324.
 - ¹⁸ §325(c).
 - ¹⁹ §324(c)(1).
 - ²⁰ §324(c)(4).
 - ²¹ §324(b)(1-3).
 - ²² §324(f).
 - ²³ §324(d)(2).
 - ²⁴ §324(d)(2).
 - ²⁵ §324(j)
 - ²⁶ §341.
 - ²⁷ §341(a)(3).
 - ²⁸ §341(a)(1)(v)(3).
 - ²⁹ §341(a)(1)(v)(1).
 - ³⁰ §341(a)(1)(v)(4).
 - ³¹ §342(b)(2).
 - ³² §342(a)(1).
 - ³³ §342(a)(1)(3)(A).
 - ³⁴ §344(a)(1)-(2).
 - ³⁵ §345.
 - ³⁶ §343(b)(3).
 - ³⁷ §343(c).
 - ³⁸ The outcome measures are at §367(b)(5). Where the statute references §367(a)(5), that is an error.
 - ³⁹ §363(a)(1).
 - ⁴⁰ §346(e)(1).
 - ⁴¹ §364(b)(2)(A)-(C), as defined in §364(b)(3)(A)-(C).
 - ⁴² §364(d)(1)(A)-(C).
 - ⁴³ §346(d)(2)(A)(ii).
 - ⁴⁴ §346(e)(2).
 - ⁴⁵ §363(a)(2).
 - ⁴⁶ §365(c)(2).
 - ⁴⁷ §365(f)(1)(A).
 - ⁴⁸ §365(f)(1)(B).
 - ⁴⁹ §365(f)(2).
 - ⁵⁰ §365(f)(2).
 - ⁵¹ §363(a)(1)(3).
 - ⁵² §366(b).
 - ⁵³ §366(c).
 - ⁵⁴ §366(e).
 - ⁵⁵ §371.
 - ⁵⁶ §241(c)(11).

⁵⁷ §241(c)(12).

⁵⁸ 23 U.S.C. 140(c).

⁵⁹ §241(c)(12).

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