Model Job Creation and Job Quality Standards Act

Ensuring that Taxpayer Dollars Are Used to Create Good Jobs

Model legislation from
Good Jobs First
www.goodjobsfirst.org

Background

Increasingly, states and cities have moved away from the idea that "any job is a good job"—particularly when taxpayer-funded subsidies are involved—and are working to structure subsidies to create family-sustaining jobs for local residents. *Job quality standards* are requirements that subsidized companies create jobs that meet certain criteria, including wage levels, availability of health insurance, and full-time hours.

Job creation and job quality standards are critical because without them, taxpayers have no guarantee that they are getting any "bang for their buck." That is, without specific rules governing how many jobs must be created, at what cost, and at what wage and benefit levels, past experience has shown that many subsidized companies will actually lay workers off or pay poverty wages. It is also important to prevent companies from getting subsidies when they merely relocate existing jobs from another location, either within the state or from another state.

When subsidized companies fail to create jobs or create fewer jobs than expected, taxpayers can incur enormous costs per job, raising issues of waste and fairness to competing businesses. When companies pay poverty wages or fail to provide health insurance, taxpayers are likely to incur hidden costs in the form of social safety-net spending such as Medicaid, State Children's Health Insurance, food stamps, the Earned Income Tax Credit, and housing and heating assistance.

Standards can be used in all types of subsidy programs: training grants, tax abatements, industrial revenue bonds, enterprise zones, tax increment financing (TIF) and tax-free loans. Most of the standards are statutory, the result of initiatives of community activists, elected officials, or both. Some are agency policies, while others are a combination of statute and policy, with standards defined by development agencies in accordance with guidelines set out by legislation.

Summary

The Model "**Job Creation and Job Quality Standards Act**" requires companies that receive state economic development subsidies and tax breaks to create new full-time jobs that provide decent wages and benefits.

Companion Legislation

The model "**Clawbacks and Rescissions Act**," which provides taxpayers with a "money-back guarantee" if a company that receives taxpayer-subsidies or tax breaks fails to create new jobs or maintain its current employment level. Corporations that do not fulfill the promises made to receive the subsidy are required to pay back the state.

Section 1. Job Creation Standards

A. The recipient corporation shall create at least one new full-time job in the state for each $35,000 of assistance it receives for a project, cumulatively from [**LIST COVERED PROGRAMS].**

B. The recipient corporation's obligation to maintain such newly created jobs in the state shall remain in effect for the duration of the subsidy, or for five years, whichever is longest.

C. The job creation requirements herein shall be used to determine whether a company is liable for subsidy recapture or rescission.

D. The recipient corporation may not count a job as new if the same job previously existed in another facility controlled by the recipient corporation in the United States.

Section 2. Job Quality Standards

1. In order for a job to count as a new, full-time job under Section 1 (A), it shall have the following features:

a. Wages for project sites located in a Metropolitan Statistical Area, as defined by the federal Office of Management and Budget: the average hourly wage paid to non-managerial workers at the project site must be no lower than

100 percent of the state rate for the industry, as most recently established by the United States Bureau of Labor Statistics.

b. Wages for project sites located outside of Metropolitan Statistical Areas: the average weekly wage paid to non-managerial employees must be no lower than 100 percent of the rate in the county for the industry at the project site, as most recently established by the United States Department of Commerce.

c. Health Insurance. The recipient corporation must offer health insurance coverage and at least half of the cost of the insurance premium must be paid by the recipient corporation.

d. Hours. The job must provide at least 1,820 hours of work per year.

e. Paid Leave. The job must provide a total of at least 12 days per year of paid leave for vacation, family care, or other personal time off.