

Middle Class Bill of Rights

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PRESERVATION

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President Clinton, Address to the Nation, December 15, 1994

THE MIDDLE CLASS BILL OF RIGHTS

The Challenge. Working Americans are riding a roller-coaster of economic change. New technologies, global competition, and an increasingly integrated world economy have been reshaping the industrial landscape. While some workers are prospering in the new economy, the living standards of most American families have been stagnating for almost a full generation now. By 1992 most of us worked longer hours for lower pay compared to twenty years earlier, and much of our middle class understandably now feels disinherited from the American Dream. No challenge is more urgent than restoring to all of us the American birthright of hope for earning a better future.

The Beginnings of Change. In 1993, President Clinton pointed the way toward a new economic direction for America that confronts the changes that continue to sweep the globe. Two years later, for the first time in a generation, the United States:

- o is leading a global economic recovery that has pulled the world out of stubborn recession;
- o has reversed the flow of federal red ink by reducing the annual budget deficit for three years in a row, to the lowest rate of all but one of our major trading partners and competitors;
- o signed new trade agreements to level the commercial playing field for American producers, to reduce the tariff taxes paid by American consumers at home and American producers abroad, and to tear down barriers to American-made goods and services all around the world;
- o is leading the world in the productivity and competitiveness of its firms and workers;
- o created 5.6 million new jobs, 92% in the private sector, with more good jobs for good wages than in the previous five years combined, and with the first 12-month increase in manufacturing jobs since 1978;and
- o reduced the national unemployment rate from 7% to 5.4% with the lowest rate of inflation in twenty-five years, so that the "Misery Index" -- the combined measure of unemployment and inflation -- is at its lowest level since 1972.

Overall, America is better equipped today to prosper in the fast-paced, increasingly integrated world economy than it has been for a generation.

The Opportunity. The strong evidence that links education and training with higher earnings and better jobs points the way to build a better future for all Americans. As the President noted in his Address, "Education...has a bigger impact on earnings and job security than ever before....Every American needs the skills necessary to prosper in the new economy." A sturdy bipartisan consensus in the last Congress has already powered significant steps toward

building the skills and future earning power of the children and students of working Americans, including major new investments in education.

The next step is the Middle Class Bill of Rights -- to empower all American workers to learn and to apply new skills for better jobs in order to earn higher wages and living standards for themselves and their families. As the President noted in his Address, "Fifty years ago, an American president proposed the B.I. Bill of Rights, to help returning veterans from World War II go to college, buy a home and raise their children. That built this country." The G.I. Bill led to a generation of prosperity by putting learning resources directly in the hands of ordinary Americans. The returning veterans and their families turned their new skills into the higher productivity, greater creativity, rising wages and soaring living standards that opened the way into the middle class for a majority of our Nation's people from 1947 through 1972.

The President's Middle Class Bill of Rights will provide today's aspiring workers and job seekers the same kind of opportunity. It also puts resources directly in the hands of every American so that each will have a fair chance to learn the skills needed to build a better future and a strong American economy, now and for generations to come:

1. **Education and training tax deductions** will help working Americans pay for building new skills that lead most directly to better jobs and wages. Deductions of up to \$10,000 per year for families making up to \$120,000 per year will be phased in for tuition and costs for college, community college, graduate schools, technical schools, and worker retraining.
2. **Tax credits for families with children** of \$500 per child under 13 will be phased in. This will expand the budgets of middle class families to invest as they see fit.
3. **Expanded IRAs** will enable working families making up to \$100,000 per year to save \$2,000 per year from current earnings, tax-free, and to invest these funds -- without penalty -- when they want in building new skills or buying a first home, as well as providing for retirement or paying medical expenses.
4. [The **Learning and Earning Initiative**] will comprehensively reform of the job placement and skill development systems, will help unemployed workers and low-income adults and youth -- many of whom will not be able to benefit from the tax incentives -- find new and better jobs, learn necessary skills, and obtain **Skill Scholarships** with which to make their own decisions about post-secondary training and education. Student loans through **Individual Education Accounts** will further ensure that all Americans have the opportunity to finance learning new skills where and when they choose and to repay these direct loans at the pace their future income allows.

THE LEARNING AND EARNING¹COMPONENT OF THE MIDDLE CLASS BILL OF RIGHTS

The President proposes in the fourth component of the Middle Class Bill of Rights to totally restructure existing federal approaches to employment and training. Six key principles can guide this essential transformation:

1. Individual Empowerment. Instead of going where some bureaucrat commands, individuals should be empowered with resources so they can choose for themselves what skills they need to boost their earning power. The Learning and Earning Initiative puts buying power directly into individuals' hands, so they can get skills at the time, at the place, and in the way that makes sense for them:

○ Unemployed and low-income workers, who often can't benefit from the tuition tax deductions and expanded IRA's for training President Clinton proposed as part of the Middle Class Bill of Rights, can get Skill Scholarships worth up to \$2,620 per year, for up to two years, that they can use as they choose for learning new skills.

○ Both tuition tax breaks and Skill Scholarships will be supplemented by Individual Education Accounts. These low-cost loans will be available to any person, with flexible repayment options including "pay as you can," to enable every American to invest in their skills and repay at the pace their future income allows.

2. Leaner Government. The Learning and Earning Initiative eliminates over 50 separate programs, replacing them with an integrated system that minimizes red tape and maximizes individual choice.

3. Good Data to Guide Choices. A skill-building system rooted in individual choice requires good data to inform decisions about what skills to get and where to learn them. Reforms woven throughout the initiative--and centered on the networks of One-Stop Career Centers already under construction by the States--will give workers and job seekers access to reliable information on jobs, careers, and the success records of training institutions, so that they can make good choices to improve their futures.

4. Accountability. Too often today, training providers aren't held accountable for results. The Learning and Earning Initiative will fix this by emphasizing individual choice and competition so that individuals can pick providers who deliver; by providing good performance data so people know what training pays off; and by setting quality standards for training providers to cut off the frauds and the incompetents.

¹Name still undecided. Other possibilities: Better Jobs and Skills Initiative; Skills Power Initiative; Earning Power Initiative; A New G.I. Bill for American Workers.

5. State Flexibility. Washington doesn't have all the answers. States should have the flexibility to reflect local conditions and respect local priorities. The Learning and Earning Initiative gives states the freedom to tailor training programs and delivery systems as they see fit, including to expand on-the-job training in cooperation with firms and workers. Most federal rules dictating administrative procedures will be wiped out, and States can get waivers from the few rules that remain as needed. States will be able to plow the savings back into additional training.

6. Private-Sector Partnership. At base, the Learning and Earning Initiative isn't about government. It's about jobs, and that means the private sector has a central role. Business and labor will be full partners in designing and running training, job-search, and information services. The most competitive and productive firms are also leaders in upgrading the skills of their workforce; new awards will recognize excellence in creating workplaces that expand opportunity by capitalizing on and rewarding worker skills.

7. Paths from School to Work. Preparing America's youth for the world of work and a career of learning and applying new skills to more rewarding jobs is a vital task. This initiative will fold federal employment and training programs, including vocational education, for young people into the school-to-work movement already underway in every state as designed and developed by the states, local communities and the private sector. As with the new private sector partnership, good information, accountability and state flexibility for adults, this new approach will provide clearer paths to new skills and better jobs for youth.

The President's Middle Class Bill of Rights can arm every American worker with the tools to learn new skills, find good jobs and earn higher wages at more rewarding work. Like the G.I. Bill, the President's proposal will put the opportunity to learn and apply new skill directly in the hands of the people. Now, as then, it will be up to individual Americans to make the most this opportunity to build a better life for themselves, their families, firms and communities. In the process Americans will take responsibility for restoring the tradition of middle class prosperity now and for passing it on to their children for generations to come.

"The Middle Class Bill of Rights will further our common mission as Americans -- to expand middle class incomes and opportunities, to promote the values of work and family, responsibility and community. And to help Americans compete and win in the new American economy."

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