

# Investing in Chicago Communities

A Jobs Fund for a Future That Works



# Executive Summary

This report outlines the Chicago Community Jobs Plan to create 40,000 jobs for unemployed Chicagoans. Specifically, the report includes:

- A quantitative study of the skills, experience and training of Chicago's unemployed
- A qualitative analysis, based on neighborhood canvass data, of the social and physical infrastructure needs of Chicago's hardest-hit neighborhoods
- A targeted jobs proposal that matches community investment projects with the existing skills and experience of the unemployed
- A \$.25 speculation fee, to be paid by both buyer and seller of derivatives contracts, which will generate nearly \$1.4 billion per year in direct funding for jobs

Families across the U.S. are currently experiencing a jobs crisis of record proportions. Chicago has been particularly hard hit, with an unemployment rate which has nearly doubled over the last five years.<sup>1</sup> Chicago is rapidly losing its job base—and with it, the stability of its families, neighborhoods and communities.<sup>2</sup>

The Chicago Community Jobs Plan addresses Chicago families' urgent need for good jobs now. Developed in collaboration with the Chicago Political Economy Group (CPEG), this report outlines our proposal to address Chicago's jobs crisis by creating 40,000 new jobs for the city's unemployed. Beginning with an analysis of how excessive risk-taking in the financial sector led to the economic collapse, we document how Chicago families and neighborhoods have been affected by unemployment, and identify the most important physical and social infrastructure problems facing our communities. Pairing this information with an analysis of the skills and training of Chicago's unemployed, this report proposes a jobs program that matches individual skills with community needs through the following targeted jobs corps:

- **Community Schools Corps**

Includes the rehiring of recently laid off Chicago Public School teachers, janitors and traffic aides; creates teacher aide positions; and hires workers to refurbish neighborhood schools, including energy efficiency upgrades, improving Internet connectivity, and other repairs

- **Community Health Corps**

Includes the hiring of health care workers to provide services in underserved communities, including certified nursing assistants, lay health educators, and home health aides

- **Child Care Corps**

Creates jobs in early childhood care and education, and youth summer programs

- **Youth Corps**

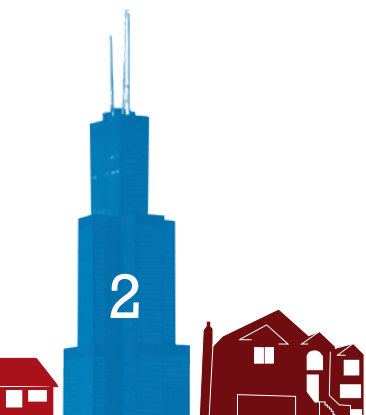
Creates jobs for youth ages 16-25 in parks and public lands improvement, landscaping, community garden and community recycling projects

- **Neighborhood Improvement Corps**

Includes the hiring of workers to clean up and maintain vacant properties, perform energy retrofits on residential housing units, repair streets and sidewalks, and install street lights

To pay for this job creation, our jobs plan proposes a \$.25 speculation fee, paid by both buyer and seller of derivatives contracts traded on the Chicago Mercantile Exchange (CME) and the Chicago Board of Options Exchange (CBOE), generating nearly \$1.4 billion per year to fund these jobs directly.

Stand Up! Chicago recognizes that our city is facing a massive jobs crisis, one that requires direct and targeted job creation for those groups and communities hit hardest by unemployment. Our jobs plan will not only provide 40,000 Chicagoans with living wage, full-time jobs that match their existing skills and experience, but will serve as an investment in our communities, making them safer, stronger and more vibrant.



# Introduction

The U.S. is currently experiencing a jobs crisis of record proportions. In the two years following the onset of the financial meltdown, Americans lost 8 million jobs,<sup>3</sup> taking the seasonally adjusted unemployment rate into the double digits for the first time in over a generation.<sup>4</sup> Although many politicians and economists declared that the Great Recession had officially “ended” by the summer of 2009,<sup>5</sup> for the 14 million unemployed Americans<sup>6</sup> struggling to find work so they can provide for their families, there is no end in sight.

Chicago families have been hit particularly hard by the jobs crisis, with the city's unemployment rate nearly doubling over the last five years.<sup>7</sup> Now, more than one in ten Chicagoans is unemployed, and the city has one of the highest metropolitan unemployment rates in the country.<sup>8</sup> Once a hub of manufacturing and a beacon for jobseekers, Chicago is rapidly losing its job base, and with it—the stability of its families, neighborhoods and communities.

The jobs crisis is impossible to ignore, and yet it seems that many of our leaders are determined to do just that. Members of Congress are trying desperately to convince Americans that we are facing a “debt crisis” and states continue to focus on spending cuts as a way to deal with the broken economy. Here in Chicago, newspapers report on the jobs crisis and its impact on our families and neighborhoods on a daily basis, and families and communities are calling out for new jobs. In response, wealthy banks and corporations have promised job creation, but have repeatedly failed to deliver. As a result, there is no relief on the horizon for the city's 272,436<sup>9</sup> unemployed.<sup>10</sup>

Stand Up! Chicago believes that all Chicagoans deserve good jobs. We understand the extent to which the jobs crisis has decimated our communities, and know that appeals to private industry to provide jobs fall on deaf ears. Chicago families need good jobs now. For this reason, we are proposing a large-scale, targeted jobs bill that will directly employ thousands of unemployed Chicagoans in projects that will rebuild and improve our communities.

This report outlines our proposal to address Chicago's jobs crisis. To develop our jobs plan, we collaborated with the Chicago Political Economy Group (CPEG), a Chicago-based group of academics, economists and political scientists who specialize in issues of political economy. Beginning with an analysis of how greed, poor regulation and risk-taking in the financial sector led to the economic collapse, this report documents how Chicago families and neighborhoods have been affected by unemployment. Drawing upon a summer 2011 neighborhood canvass in which Stand Up! Chicago interviewed thousands of families in six of the Chicagoland area's hardest-hit communities, we have identified the most important physical and social infrastructure problems in our communities, from crumbling streets and sidewalks and lack of youth programs to abandoned homes and buildings. Pairing this information with an analysis of the skills and experience of Chicago's unemployed, we designed a jobs program which matches individual skills with community needs.

To fund our jobs creation plan, we propose to create a Chicago Community Jobs Fund, to be used to employ jobless Chicagoans directly. The fund would draw upon a negligible speculation fee of \$.25 per contract, to be collected from traders involved in the riskiest of trading activity—speculative, derivatives transactions that serve no productive function. Collecting a mere quarter per trade from both the buyer and seller of derivatives contracts traded on the Chicago Mercantile Exchange (CME) and the Chicago Board of Options Exchange (CBOE) will generate \$1.4 billion per year in direct funding for jobs.

Our city is facing a massive jobs crisis, one that requires direct and targeted job creation for those groups and communities hit hardest by unemployment. Our jobs plan will not only provide 40,000 Chicagoans with living wage, full-time jobs matching their existing skills and experience, but will also serve as an investment in our communities, making them safer, stronger and more vibrant.



# How did we get here?

Since the beginning of the Great Recession in 2007, companies have shed millions of jobs across the country. Now, just a few years later, nearly 1 in 10 Americans are officially unemployed. Including the underemployed and those unemployed for so long that they have stopped actively seeking work, nearly 1 in 5 Americans are in need of full time work.<sup>11</sup>

What caused this jobs crisis? By now, it is no secret that the Great Recession was brought on by the risk and greed that has come to dominate the finance industry. Over the last decade, big banks and investors began inventing new financial instruments, designed to facilitate increasingly higher returns on investments. These “innovative” financial instruments, such as mortgage-backed securities and credit default swaps, have complicated sounding titles but are essentially gambling bets. This type of investment banking does not produce a product or employ workers—it exists simply to allow rich individuals and companies to gamble on the rise and fall of the value of an investment, in the hopes of “winning big.” The use of exotic financial products led to excessive leverage in the financial sector, exposing these investments to even greater risk.<sup>12</sup> Aided by similarly “innovative” accounting procedures, investment bankers were able to conduct these trades out of the reach of regulators, so that, when the credit bubble burst in 2008, it was impossible to determine which institutions were holding these bad investments, inciting a panic that ultimately caused the economy to crash.<sup>13</sup>

One thing is certain: our current jobs crisis is not the fault of working families. In fact, over the last several decades, the average worker achieved record levels of productivity, while wages remained stagnant.<sup>14</sup> Despite having played no role in causing the economic collapse, working families have been left to deal with its consequences. The same entities that caused the economic crisis were handed a bailout of \$700 billion in taxpayer money.<sup>15</sup> Meanwhile, families facing unemployment and underwater mortgages have received very little help. Even more unsettling is the fact that the financial institutions that ruined our economy are now doing better than ever. It took many of these banks only a year after the recession began to recover; now most big banks are posting record profits.<sup>16</sup> Currently, millions of American families are now facing a “jobless recovery,” a scenario in which the economy recovers from the recession without creating new jobs.<sup>17</sup>

Change in corporate profits from pre-recession levels <sup>18</sup>

**+22%**

Change in average CEO compensation over the last year <sup>20</sup>

**+23%**

Change in number of U.S. jobs from pre-recession levels <sup>19</sup>

**-5%**

Change in average hourly wage over the last year <sup>21</sup>

**-1.9%**



# Who are Chicago's unemployed?

## A Dead-End Degree?

Rebecca Brown, Wicker Park



When Rebecca chose to pursue a communications degree, she didn't think she was limiting her future career options. But now, a few years out of college, she's beginning to doubt

the value of her education.

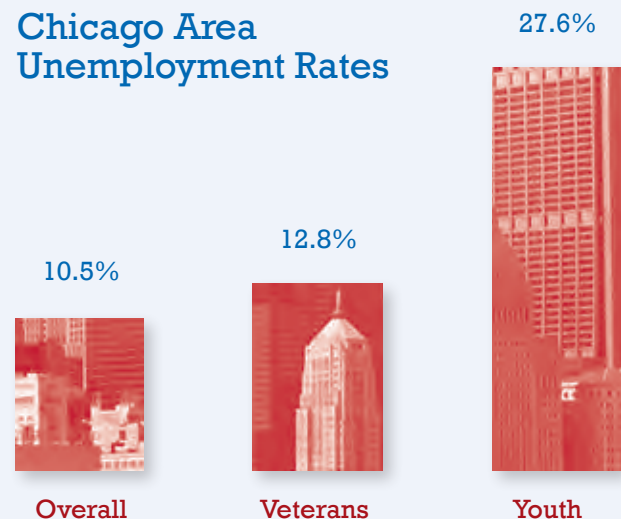
"I've realized how pointless going to college and working so hard to get good grades was," said Rebecca, who wants to pursue a career in social work. "It's been hard for me to get my foot in the door and have new experiences in the field."

When Rebecca was in college, it was relatively easy to get an entry level social work position with a communications degree. But then the recession came along, and changed her future prospects. There are fewer jobs, and a lot of competition for the positions that do open up.

"(Employers) are mainly looking for employees who already have experience so they don't have to do intensive training," she said.

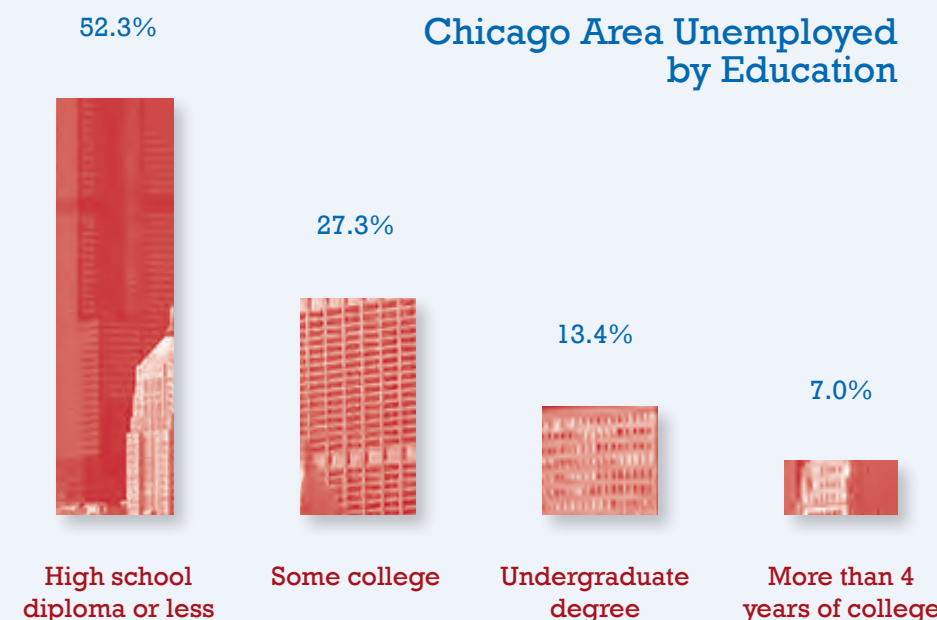
In Chicago, there are currently 272,436 unemployed individuals, accounting for 10.5% of the total workforce.<sup>22</sup> The jobs crisis has impacted workers of all ages, races, and income levels, yet certain groups are represented disproportionately among the jobless. Youth unemployment is at a national record high,<sup>23</sup> and levels are similar in Chicago: in 2010, nearly one third of all youth ages 16-24 were unemployed.<sup>24</sup> For Gulf War II veterans in Chicago, the unemployment rate is 22% higher than average, and for veterans aged 16-24, one in five is unemployed.<sup>25</sup> With an overall jobless rate in the double digits, it is clear that our youth and veterans are experiencing even higher rates of joblessness.

### Chicago Area Unemployment Rates



Furthermore, more than half of all the unemployed in Cook County have a high school diploma or less, and only one in five have a four-year college degree or more.<sup>26</sup>

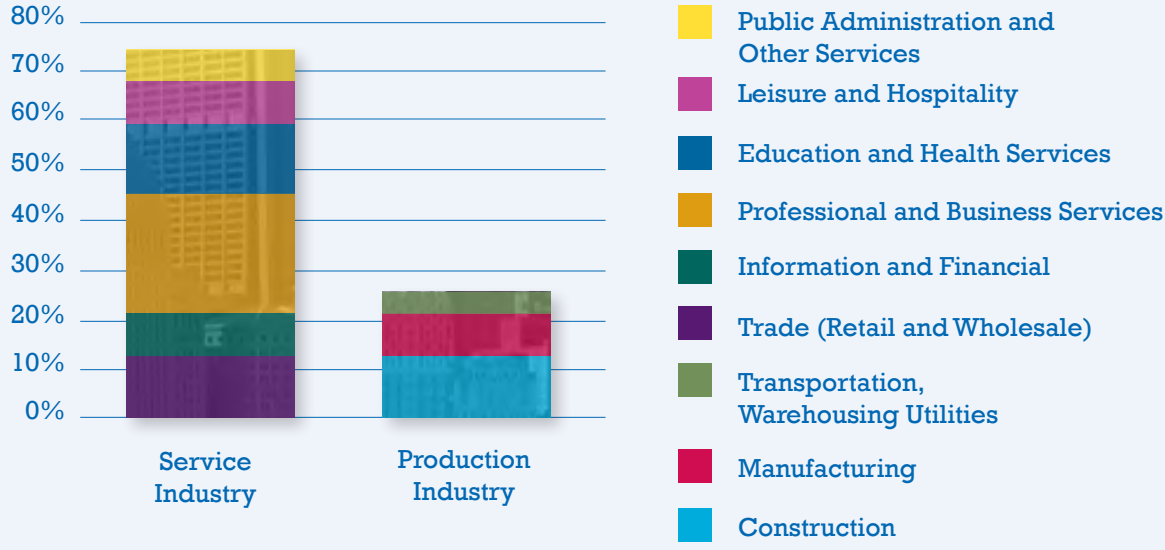
### Chicago Area Unemployed by Education



In addition to analyzing demographic trends among Chicago's jobless, Stand Up! Chicago also conducted an analysis of the skills and training of the city's unemployed. Using Bureau of Labor Statistics data, we grouped the unemployed in Chicago into two main categories: those who have service industry skills, and those who have production industry skills. For example, we classified the unemployed who worked previously in the health care, education, and professional and business services industries as possessing service industry skills and training. Similarly, we classified the unemployed who worked previously in the construction and manufacturing industries as possessing production industry skills and training.



# Chicago's Unemployed by Industry



The distinction between service industry skills and production industry skills is an important one to make. Often, when policy makers are putting together a jobs proposal, they place a disproportionate emphasis on physical infrastructure needs, such as repairing streets and bridges, creating jobs that can most readily be filled by those coming out of production industries. However, as the graph to the left illustrates, there are three times as many unemployed Chicagoans with service industry training, and this type of training is more suited to meeting our social infrastructure needs, such as health care, child care and education. Our jobs plan proposes the creation of both physical and social infrastructure jobs, in order to better match the skills and training of the city's jobless.

Unemployed Chicagoans need jobs that require minimal training—jobs that match the skills and training they already have. Chicago's unemployed already possess valuable skills and training and our jobs plan builds on these qualifications by matching the unemployed with jobs that they are prepared to do, and that fill desperate community needs.



# How has unemployment affected Chicago's neighborhoods?

## Working Hard Isn't Enough

Penny Peoples, Berwyn



Penny believes in working hard—and in working smart. That's why she traded in her low-income dead-end job as a grocery store cashier for a better paying future in the growing field of healthcare.

At first, her decision to get the necessary training to become a certified nursing assistant paid off. But then the recession hit, and hit hard, and Penny found herself unemployed in a changed job market.

The job openings that used to be plentiful started going to overqualified workers willing to take a pay cut.

Despite having made all the right choices—getting professional training and working hard—Penny is jobless and doesn't have enough money to meet her basic needs.

"It's not a choice of what bill to pay. I can't pay any of them," she explained. "I want to tell the CEOs of these big banks and corporations that caused this recession, 'Change places with me for a week.' I guarantee I could last a week in their shoes. They wouldn't last a day in mine."

While joblessness has a direct impact on families, these negative consequences also ripple through communities. As unemployed families lose their homes to foreclosure, vacant and blighted properties become magnets for crime and bring down property values. An eroding property tax base brings cuts to essential services, such as education and police, and desperately needed infrastructure improvements go unfunded. The impact of unemployment reaches far beyond the home and into our communities.

From May to September, 2011, Stand Up! Chicago conducted a series of canvasses of six Chicagoland area neighborhoods that have been hit particularly hard by the jobs crisis. Over the course of interviewing over 14,000 residents, our organizers documented the impact unemployment has had on our communities. Based on the data collected during the canvass, we selected five representative neighborhoods—Berwyn, Cicero, and the 21<sup>st</sup>, 34<sup>th</sup> and 37<sup>th</sup> wards—as a sample for identifying the most significant problems facing Chicago's neighborhoods.

According to neighborhood residents we interviewed, the number one issue is jobs. Repeatedly, respondents identified lack of jobs to be at the heart of other neighborhood problems, such as crime and vacant housing. Additionally, residents identified youth unemployment as particularly problematic—with nearly 20% of respondents telling interviewers that there are not enough jobs and other programs for youth.

In addition to jobs, residents also expressed concern about infrastructure and basic services. For example, nearly one in five respondents indicated a need for services such as street and sidewalk repair, tree trimming, debris collection and street light repair and installation. Nearly as many respondents identified vacant and blighted housing to be a major problem due both to the fact that housing blight attracts crime and that it brings down the property values of other homes in the neighborhood.

Finally, our interview data suggests a strong need for improvement to education services. Many respondents indicated that neighborhood schools are either closed, understaffed, or in disrepair, raising concerns not only about students' ability to receive a good education, but also about their health and safety. Other respondents pointed to a lack of child care for young children and after-school and summer programs for youth of all ages as urgent yet unmet needs in their communities.

It is important to note that the main concerns within the communities we sampled are connected to both physical and social infrastructure. For example, the problems of disintegrating streets, schools and vacant buildings have solutions that are rooted in improving the physical infrastructure of a neighborhood. On the other hand, the distinct lack of youth programs can be addressed by focusing on social infrastructure. Our jobs proposal takes care to account for both the physical and social infrastructure needs in our neighborhoods, proposing job creation both in the production and service industries to more adequately meet community needs.

## From Two Incomes to None

Alfonso Pulido, Brighton Park



When Alfonso was employed as a machine operator, he and his wife managed to save some money from their modest paychecks by living frugally. But when the recession hit—and both Alfonso and his wife were laid off—

they began going through their savings at an alarming rate.

Alfonso knows the money won't last, and wonders how his family is going to get by. And he's not alone. "When I go to the store, more people in line at the grocery are using the Link card than I have ever seen," he said. "But the Link card doesn't pay for everything. It doesn't pay for diapers."

In addition to worrying about his family's needs now, Alfonso is concerned about what lies ahead. "I worry for the future education of my children," he said. "The schools in our neighborhood are suffering and we don't make enough money to pay for college."

Alfonso has worked hard for everything he's gotten in his life, and now he wants a chance to keep working hard. "We just want a fair share so that we can provide for our families and educate our children."

# Our Solution

## Chicago Community Jobs Plan

American families recognize that we are facing a jobs emergency, consistently ranking the economy and unemployment as their top concern.<sup>27</sup> Polls reveal that twice as many Americans believe that the government's top priority should be job creation than believe cutting the deficit should be the top priority.<sup>28</sup> The U.S. national debt is clearly a distant concern for the vast majority of Americans, who understand that the only way our communities and country can climb out of the recession is by putting people to work.

Corporations are paying less in taxes than they have in over sixty years<sup>29</sup> and are posting record profits,<sup>30</sup> and yet hiring has remained flat. Congress provided \$700 billion in bailout money to investment banks—the same banks that caused the financial crisis—but refuses to spend a fraction of that amount on everyday Americans who lost their jobs because of the big banks' risky investment practices.

Stand Up! Chicago believes that an effective jobs proposal funds job creation directly. Big business has already shown that, despite the large tax breaks and other incentives provided by the public, they are unwilling to hire more workers. Illinois Representative Jan Schakowsky expressed this succinctly: "If we want to create jobs, then create jobs. I'm not talking about 'incentivizing' companies in the hopes they'll hire someone, or cutting taxes for the so-called job creators who have done nothing of the sort."<sup>31</sup> Our jobs proposal heeds this call by creating the Chicago Community Jobs Fund. The fund will be used to directly hire unemployed Chicagoans to improve the physical and social infrastructure of our city's hardest-hit neighborhoods.

In order to determine the kinds of jobs the fund should create, we turned to the results of our analysis of the unemployed and community needs. We targeted our program towards groups that are overrepresented among the unemployed—for example, youth, veterans, and those with a high school diploma or less—creating jobs that match the existing skills of the unemployed to allow the city's jobless to begin working right away.

Our jobs proposal creates a set of "jobs corps," which focus on the existing physical and social infrastructure needs of our communities. Although "job creators" have thrown up their hands and claimed that they have no work to give the unemployed, our community needs survey identified specific problems plaguing our neighborhoods, as reported by the residents who live there. Our jobs corps addresses these issues.

The result of our careful analysis of Chicago's unemployed and of neighborhoods reeling from the effects of unemployment is a jobs program that not only employs the jobless, but also invests in our communities.

## Jobs Corps

We propose that the Chicago Community Jobs Fund be distributed among the following six jobs corps, each addressing a social or physical infrastructure need in our communities:

- **Community Schools Corps**  
Includes the rehiring of recently laid off Chicago Public School teachers, janitors and traffic aides; creates teacher aide positions; and hires workers to refurbish neighborhood schools, including energy efficiency upgrades, improving Internet connectivity, and other repairs
- **Community Health Corps**  
Includes the hiring of health care workers to provide services in underserved communities, including certified nursing assistants, lay health educators, and home health aides
- **Child Care Corps**  
Creates jobs in early childhood care and education, and youth summer programs
- **Youth Corps**  
Creates jobs for youth ages 16-25 in parks and public lands improvement, landscaping, community garden and community recycling projects
- **Neighborhood Improvement Corps**  
Includes the hiring of workers to clean up and maintain vacant properties, perform energy retrofits on residential housing units, repair streets and sidewalks, and install street lights

Hiring for these jobs corps will be targeted to the unemployed exclusively. Furthermore, our jobs plan gives hiring priority to the long-term unemployed (i.e., those who have exhausted their unemployment benefits), veterans, and residents of wards with the highest percentages of unemployment. This plan also gives priority to projects located in wards with the highest rates of joblessness.

As our demographic analysis of Chicago's unemployed demonstrates, over 20% of the city's unemployed come out of construction, production and other skilled trade industries. These workers are well suited to work in jobs addressing community physical infrastructure needs, such as weatherization and retrofitting of schools and residences, streetlight installation, and street and sidewalk repair. Likewise, the 60% of the city's unemployed who come out of social service industries possess the skills and training necessary to address community social infrastructure needs, such as child care, health care, and education.

# Funding the Chicago Community Jobs Fund

## What is CME Group?

CME Group is the Chicago-based holding company for the Chicago Mercantile Exchange (referred to locally as “The Merc”) and the Chicago Board of Trade. CME is the largest futures and options exchange in the world, with a net income of over \$1.3 billion in 2010, and an astounding profit margin of 31.7%.<sup>43</sup> In 2010 alone, CEO Craig S. Donohue received nearly \$7 million in total compensation.<sup>44</sup>

Despite being one of the wealthiest and most profitable firms in Chicago, CME Group receives a tremendous amount of corporate welfare. In 2007, CME Group was approved to receive \$15,000,000 in Tax Increment Financing (TIF) in order to renovate its downtown headquarters.<sup>45</sup> More recently, the CME threatened to relocate out of Illinois due to the temporary increase in the state corporate tax rate<sup>46</sup>—even though the company would still be making over \$250 million in profits if it paid the higher tax rate.<sup>47</sup>

## Speculation Fee

Our jobs program is funded by a very small speculation fee to be levied upon speculative financial activity. Specifically, we project that a \$.25 per transaction fee, to be paid by both buyer and seller of a futures or options contract purchased or sold on the Chicago Mercantile Exchange (CME) or the Chicago Board Options Exchange (CBOE), would raise sufficient revenue to fund our Chicago Community Jobs Fund each year.

We have already described the role of the finance industry in creating the economic collapse and resulting jobs crisis. Although it is clear that risky investment activity is responsible for our current economic conditions, financial institutions have not made any effort to make up for the hardship they have caused millions of Americans. In fact, they have been rewarded for their destructive activity, in the form of billions of dollars in federal bailout funds.<sup>33</sup> Now, the finance industry has recovered fully from the recession and is posting record profits,<sup>34</sup> leaving families and communities to cope with the consequences of their risky activities. As leading economist Joseph Stiglitz describes it, the finance industry has managed to socialize costs and privatize gains.<sup>35</sup> In other words, when they make money, they keep it to themselves, but when they lose money, they turn to the American public for a bailout.

Stand Up! Chicago believes that those whose greed caused the jobs crisis have an obligation to help create jobs for the millions of unemployed who are in desperate need of work. We are not alone in this thinking—taxing the financial sector in order to fund public investment is a concept with substantial support amongst our elected leaders, prominent businesspersons, and leading economists. From Warren Buffett, Paul Krugman and Joseph Stiglitz to Lawrence Summers and various IMF and World Bank leaders, a wide spectrum of economic experts, representing both the public and private sector, recognizes the benefits of a speculation fee.<sup>36</sup>

## Speculation Fee Q&A

### Q: What is a speculation fee?

**A:** A speculation fee is a very small fee placed on the purchase and sale of options and futures. The fee raises revenues to support social and infrastructure programs for our communities.

### Q: Will a speculation fee harm the middle class?

**A:** No. Working families who invest in the stock market to save for retirement, college education, or other long term purposes will not be impacted by the fee. Only those who engage in the riskiest trading activities—day traders and investors who trade large volumes of stock regularly—would pay the fee.<sup>48</sup>

### Q: Will it cause the CME to leave Chicago?

**A:** No. A fee of \$.25 per transaction is infinitesimal compared to \$233,000, the average value of a contract traded on the CME.<sup>49</sup> Although the CME and other wealthy speculators might try to argue that the speculation fee could cause them to relocate to another city, in fact it only represents .0001% of the value of a typical transaction. Furthermore, revenues generated will be invested in our schools, neighborhoods and public spaces, making Chicago an even more attractive city for the CME to call home.

## What are futures and options?

A futures contract is an agreement to buy or sell in the future a specific quantity of a commodity at a specific price. An option on a commodity futures contract gives the buyer of the option the right to convert the option into a futures contract. Futures and options must be executed on the floor of a commodity exchange such as CME.<sup>50</sup>

## What is speculation?

Speculation refers to the act of betting on the rise or fall of the price of a commodity. Speculators do not use or produce a commodity; rather, speculators simply gamble on the future price of a commodity in the hopes of profiting from price changes.<sup>51</sup>

## How would a speculation fee work in Chicago?

Chicago is home to CME, the world's largest futures and options marketplace,<sup>37</sup> and CBOE, the largest options exchange in the U.S.<sup>38</sup> Futures and options are both derivatives, financial instruments that carry much more leverage and thus much more risk than traditional investment instruments, such as stocks and bonds. By their very nature, derivatives exchanges hold the potential for much greater returns—and losses—on investments. As such, derivative marketplaces are much more volatile than other markets, and volatility, as we have seen, can lead to economic collapse.

Put in simpler terms, CME and CBOE represent giant casinos where investors go to place bets on the prices of commodities, such as oil and silver, and also more frivolous wagers such as how much snowfall the city of Chicago will see in a given period. CME and CBOE are not engaged in any productive activity. Rather, they facilitate gambling amongst those who can afford to make risky bets—the very wealthy, who trade derivatives simply to increase their existing wealth.

Last year, an average 12.2 million contracts were exchanged on CME each day.<sup>39</sup> A \$.25 per transaction fee is a negligible amount compared to the sums wagered, but based on the large volume of trades, a quarter-per-transaction fee has the potential to generate significant revenues. Specifically, our speculation fee would be levied on the following contracts:

- Index options and futures
- Short-term I-rate options and futures
- Long-term I-rate options and futures
- Currency options and futures
- Commodities options and futures

Based on 2010 trading volume in these categories, we estimate that a \$.25 speculation fee on both buyer and seller will generate \$1,396,899,306 in revenues per year,<sup>40</sup> which, according to our cost-per-job methodology (see Appendix), would fund over 26,079 jobs for Chicagoans.

Additionally, we expect the Chicago Community Jobs Fund to create over 13,000 jobs through indirect job creation. This figure is based on the calculation that each job created directly leads indirectly to .5 new jobs.<sup>41</sup> Indirect job creation is the result of increased spending of the newly employed, who tend to spend most if not all of their income on consumer products, usually at local businesses.<sup>42</sup> With direct and indirect job creation taken into account, our jobs program will create 40,000 jobs for Chicago's unemployed.



# Conclusion

Unemployment in the U.S. has hit record proportions, and Chicago has been impacted particularly hard by the jobs crisis. All across our city, families are struggling to find work, and neighborhoods and communities are suffering as a result. Stand Up! Chicago believes that Chicagoans need good jobs now. Our jobs plan collects a token fee from the speculators that caused the jobs crisis in order to fund jobs for the unemployed. By matching community investment projects to the skills and experience of the city's jobless, our jobs proposal not only creates good jobs for over 40,000 Chicagoans who desperately need them, but also makes our communities safer, stronger and more vibrant.



# Appendix: Methodology

## Chicago area unemployment data

To determine the demographics of the unemployed in Chicago, we used data obtained from the Bureau of Labor Statistics (BLS) website, "Local Area Unemployment Statistics." The website may be accessed here: <http://www.bls.gov/lau/>. For all data pertaining to Chicago, we utilized Cook County data.

BLS collects demographic data on the unemployed, including industry and occupation data, on a monthly basis, based on unemployment filings. For our study, we used monthly filings from the twelve month period July 2010 to June 2011, and calculated monthly averages for each category. We then used these averages to determine the percentage of unemployed in each category.

## Neighborhood canvass data

From May to September, 2011, Stand Up! Chicago conducted a series of canvasses of six Chicagoland area neighborhoods experiencing high rates of unemployment and/or poverty. Over the course of four months, sixty canvassers performed short, unstructured interviews of 14,577 respondents. The purpose of the canvass was to identify what residents perceive to be the most significant problems facing their communities. Based on the data collected during the canvass, we selected five representative neighborhoods—Berwyn, Cicero, and the 21<sup>st</sup>, 34<sup>th</sup> and 37<sup>th</sup> wards—as a sample for identifying the most significant problems facing Chicago's neighborhoods. All data contained in this report reflects the information provided by respondents who agreed to take part in the interview; respondents contacted who did not agree to be interviewed are not included in our sample totals.

## Speculation fee revenue

Our estimated speculation fee revenue figure is based on annual trading volume at CME and CBOE. This data is made available by the World Federation of Exchanges, an association of 52 regulated exchanges globally (<http://www.world-exchanges.org/>). For our calculations, we included the following products:

1. Index futures
2. Index options and options on index futures
3. Interest rate futures and futures options
4. Currency futures and futures options
5. Commodity futures and futures options

We excluded options on individual stocks (which are traded on the CBOE) and stocks themselves (which are traded on the Chicago Stock Exchange). The rationale for excluding these two products has to do with competition. There are other U.S. exchanges that trade these products, and a price increase due to a speculation fee could cause migration to another market. Market characteristics for the other products listed above are such that very little volume migration is expected to occur due to a speculation fee.<sup>52</sup>

To predict total annual revenue generated by the fee, we multiplied 2010 trade volume for the above types of contracts by \$.25, and then multiplied by 2 to account for fee payment by both buyer and seller, resulting in a total of \$1,643,410,948. We then reduced this amount by 15% to account for any decrease in volume due to the fee. The 15% figure represents a cautious estimate of loss of volume; given CME's dominance as an exchange and high levels of liquidity, it is possible that the speculation fee will lead to an even smaller reduction in trade volume.

The result of the above calculation is an estimated yearly revenue of \$1,396,899,306; this figure is subject to change based on annual trading volumes.



## Cost per job calculations

To calculate the number of jobs to be funded by the Chicago Community Jobs Fund, we began by separating Chicago's unemployed into three categories, based on educational attainment: high school diploma or less, some college, and four years of college or more. We then calculated the mean hourly wage for each of these categories. For high school diploma or less, we used \$12/hour, which represents a living wage. For the other two educational attainment categories, we used BLS data related to mean weekly wage by educational attainment for the 2<sup>nd</sup> quarter of 2011 (the most recent data available). This data is available here: <http://www.bls.gov/news.release/pdf/wkyeng.pdf>.

After calculating the mean hourly wage for each category of educational attainment, we then used a multiplier of 1.5 to account for the cost of providing benefits and payroll taxes. This multiplier is based on BLS Employer Costs for Employee Compensation, released June 2011 and available at: <http://www.bls.gov/news.release/ecec.nr0.htm>, and IRS Publication 15, available at: [http://www.irs.gov/publications/p15/ar02.html#en\\_US\\_2011\\_publink1000202402](http://www.irs.gov/publications/p15/ar02.html#en_US_2011_publink1000202402).

We then calculated the cost of providing 100 jobs, proportional to the educational makeup of Chicago's unemployed, and then calculated the number of total jobs based on a total Chicago Community Employment Fund of \$1,396,899,305. The following table illustrates these calculations:

Educational attainment category	Mean hourly wage	Annual cost per job (using 1.5 multiplier)	% of Chicago's unemployed
High school diploma or less	\$12.00	\$37,440	52.3%
Some college	\$18.60	\$58,032	27.3%
College degree (4 years of college or more)	\$28.50	\$88,920	20.4%
Cost of providing 100 jobs, proportional to educational attainment distribution: \$5,356,354			
Annual revenues of \$1,396,899,305 / \$5,356,354 per 100 jobs = 26,079 jobs.			

# Endnotes

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