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Housing and the American Dream: Unions Have a Role; So Does Government

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Housing and the American Dream: Unions Have a Role; So Does Government

Abstract
[Excerpt] The American Dream of home ownership is slipping from the grasp of working people. Decent and affordable apartments in locations near to work and the amenities of life are also harder to find. The 1980's and 1990's have seen the rise of homeless populations. Housing prices have skyrocketed, propelled by rising land prices and soaring mortgage interest rates. The pay of working people hasn't kept up. Working people have seen well-paying manufacturing jobs shipped overseas. They have seen jobs destroyed by corporate downsizing. Good jobs have been lost due to defense cutbacks. Many jobs have become part-time or contingent without pensions and health insurance. Many jobs have been replaced by low-paying service jobs. These developments have made it hard to maintain a decent standard of living, including shelter.

Keywords
key workplace documents, ILR, AFL-CIO, housing, unions, government, affordable, work, ownership

Comments

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AFL-CIO

Report No. 85
October 1995

Reviews the Issues

Housing and the American Dream
Unions Have a Role; So Does Government

The American Dream of home ownership is slipping from the grasp of working people. Decent and affordable apartments in locations near to work and the amenities of life are also harder to find. The 1980's and 1990's have seen the rise of homeless populations.

Housing prices have skyrocketed, propelled by rising land prices and soaring mortgage interest rates. The pay of working people hasn't kept up.

Average weekly earnings of private nonagricultural workers **fell** by 12.2 percent between 1979 and 1994, in dollars adjusted for inflation.

Roughly 30 years ago in 1967, average weekly earnings of $104 for a worker about matched the $146 average monthly payment required to buy a typical new home. By 1995, the required monthly house payment ballooned to $969, while average weekly earnings were only $398.

Working people have seen well-paying manufacturing jobs shipped overseas. They have seen jobs destroyed by corporate downsizing. Good jobs have been lost due to defense cutbacks. Many jobs have become part-time or contingent without pensions and health insurance. Many jobs have been replaced by low-paying service jobs.

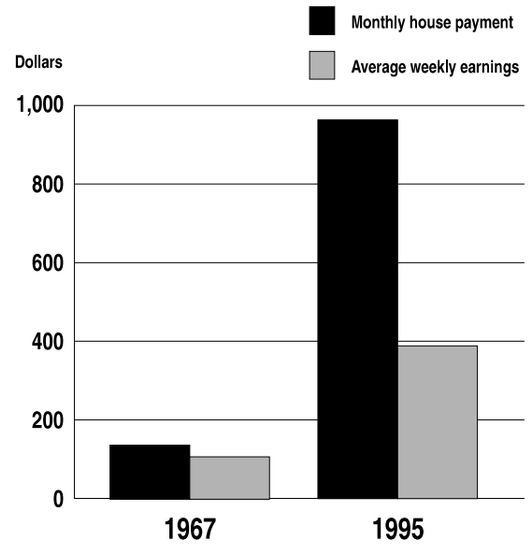
These developments have made it hard to maintain a decent standard of living, including shelter.

Running To Catch Up

Home buyers aren't the only ones to suffer. In the early 1970s, a family needed about a fourth of income for gross rent, including fuel, utilities, property taxes and insurance.

Housing costs outstrip paychecks

Average monthly house payment vs average weeekly earnings



Source: Average new home payments computed from Federal Housing Finance Board statistics. Weekly earnings from Bureau of Labor Statistics. 1995 figures are for July.

It now takes over 30 percent of income, on average, to find an apartment.

Stagnating incomes and high prices were reflected in constant rates of home ownership during the 1980s—around 65 percent of all households owning homes. Older workers with well-established careers have often been able to buy homes earlier in life. Younger workers, however, caught in the squeeze of falling living standards, haven't been so lucky. Households whose heads were in their early 30's—when most families buy or have bought—for example, saw their ownership rate fall from 57 percent in 1982 to about 51 percent in 1994.

While young people are not able to buy a home, they are also being squeezed out of rental apartments. There was a rough correspondence between low rent units and low income renters in the early 1970s, about 7 million each. By 1993, however, the number of low rent units fell to 6.5 million and the number of low income renters jumped to 11.2 million, leaving an enormous gap of 4.7 million.

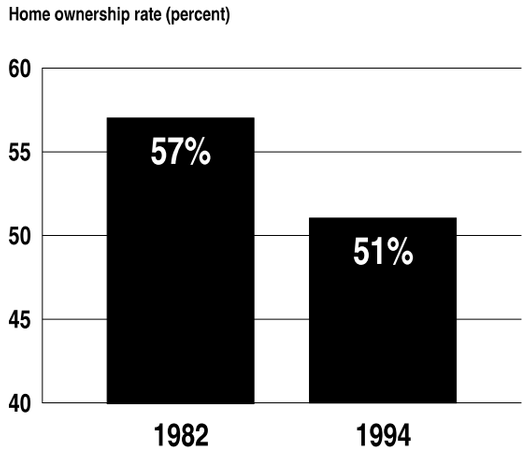
The Federal government has played an important role in housing, beginning with public housing and encouraging home ownership through the Federal Housing Administration in the 1930s and Veterans housing in the postwar era. The government has, in recent years, however, stepped back from its commitment to augment the supply of affordable housing at the low end of the income scale. Budget authority for the U.S. Department of Housing and Urban Development, for example, fell by about two-thirds in dollars adjusted for inflation, from about $70 billion in 1977 to less than $20 billion in 1994, according to the Congressional Budget Office.

New commitments for renters and for new construction rental units fell accordingly. In 1977, the Federal government helped supply about 250,000 new units of affordable rental units. That number fell to under 50,000 per year by the early 1980s and has stayed there ever since, despite the growing need for affordable housing.

The annual budget process has put a squeeze on housing assistance and things have been especially tough since the advent of the Republican congress

Falling rate of home ownership for young households

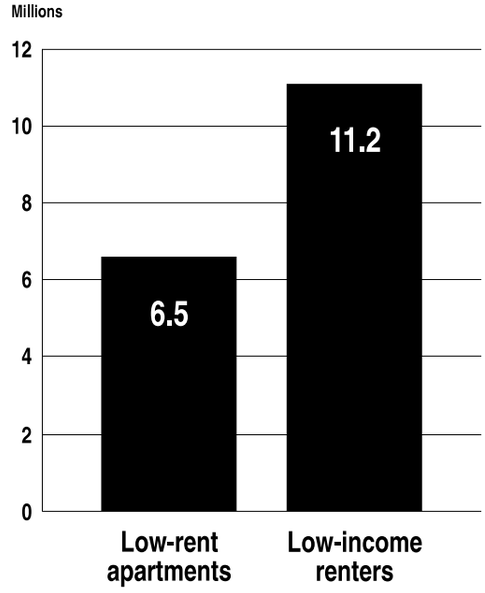
Home ownership rate for households (30-34 years old)



Source: U.S. Deptartment of Commerce

The affordable rental housing shortage

Shortage of 4.7 million affordable units in 1993



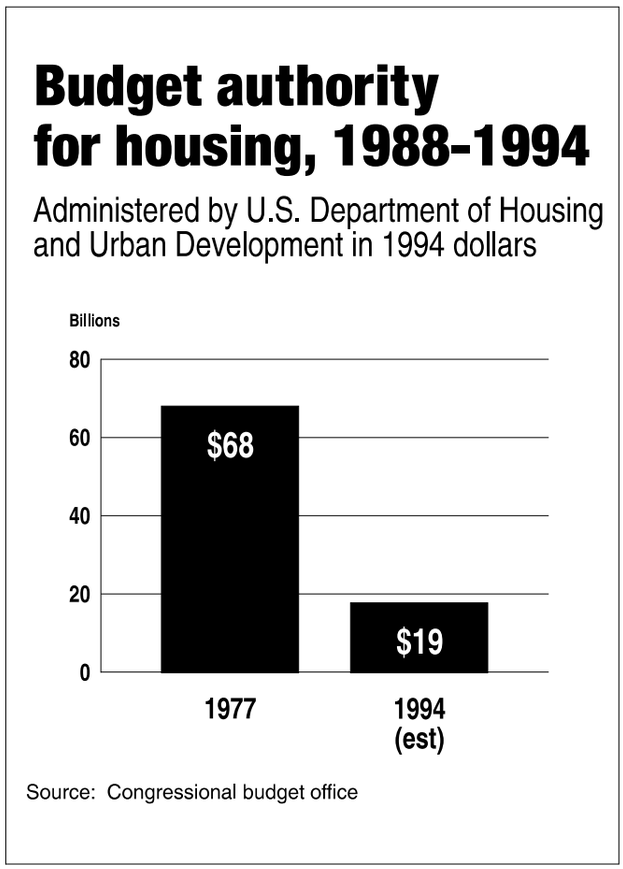
Source: Center on Budget and Policy Priorities, July 1995
Low-rent units (less than $300/mo. in 1993 $); low-income renters (less than $12,000/yr. in 1993 $)

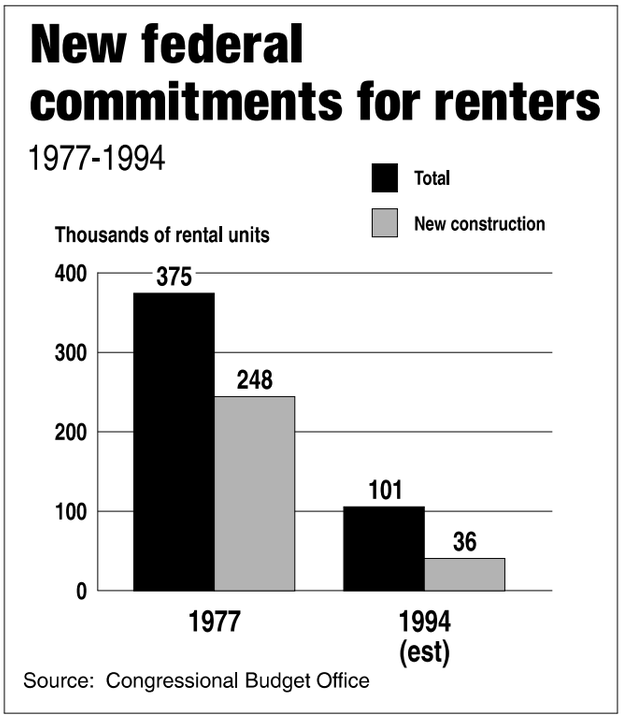
in 1994. The House appropriations bill has slashed HUD's budget by 25 percent for fiscal 1996. The Administration, meanwhile, has advocated a reorganization of HUD which will consolidate numerous programs and cut HUD staffing by 4,400 by the year 2000. HUD's staff will have been cut by 56 percent between 1980 and 2000 under this plan.

The Role Of Unions In Housing

Labor unions have over the years striven to provide decent and affordable housing to members and retirees. Those working under union contracts are more able to earn the income needed to provide decent housing for their families. Unions have also supported government programs improving housing for the community, including poor people in public housing, the elderly and disabled, lower income renters and those aspiring to home ownership. In addition, unions have formed non-profits to develop affordable housing.

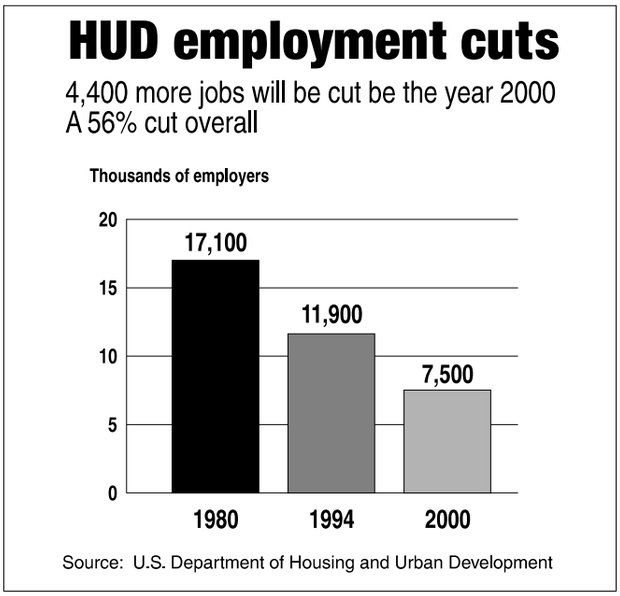
Union community services have improved the housing of those displaced by natural disasters and by unemployment. The AFL-CIO Department of Community Services in conjunction with Habitat for Humanity International has worked in several cities, using volunteer union labor to improve low income housing. Union members have contributed their skills as volunteers to build homeless shelters.





The AFL-CIO pension investment program directs union pension funds into union-built homes, apartments and nursing facilities. The AFL-CIO Housing and Building Investment Trusts funded over $500 million in housing and commercial development in 1994, with total assets reaching $1.3 billion. The Trusts increased housing, stimulated commercial development and generated employment that improved the quality of life for union workers and their neighbors. The AFL-CIO Union Privilege Benefit Program sponsors a home purchase program as a membership benefit for members of affiliated unions. Union members get home loans through the program. Negotiated Housing Trusts that make it possible for members to become home owners are matters of collective bargaining pursuant to a change in the Taft-Hartley Law.

Unions are attempting to play a role working with the U.S. Department of Housing and Urban Development, in providing affordable housing in federal Empowerment Zones to promote home ownership for working people and to help renew these transitional areas of cities.



Government Has A Part To Play

These efforts need to continue and be expanded. However, they are not enough. Government has a vital part to play. The efforts of unions to provide housing can be overwhelmed either by monetary policy that hikes interest rates and ups mortgage payments beyond the reach of home buyers or by the proposed draconian cuts in housing assistance.

The AFL-CIO has urged that the federal role in housing not be lost or diminished in plans for the reorganization of federal housing programs and in the congressional budget. Monetary policy must also balance the need for jobs and affordable housing against containing inflation.

There is a continuing need for federal aid for housing in view of homelessness and the plight of the cities. Federal programs should not be slashed and eliminated as proposed in budget resolutions and other congressional measures. The FHA and Veterans programs need to continue to help meet housing needs as they have in the past.

Need For A Revitalized Housing Program

One way to revitalize housing programs is to pay for it in part by earmarking part of the tax receipts that could be obtained by reducing the mortgage amount on which interest is deductible to $300,000 from $1 million. A cap at the $300,000 level would generate $35 billion over five years.

In recent years there has been a steady shift in Federal assistance away from new construction in favor of using existing housing. In many places, however, there isn't enough existing low income housing. Federal, state, and local assistance should be increased for new construction of public housing and basic housing aid for the elderly and disabled.

Project-based assistance should not be entirely replaced by tenant vouchers or certificates, since project aid enhances the financial basis for assisted apartment projects. Further, the tenant based assistance for public housing projects threaten the financial basis of public housing authorities, to the extent that units are left vacant.

Plans to consolidate federal programs and to devolve them to states and localities should not mean the loss of a Federal role or national standards, such as civil rights, the environment, targeting to lower income people and prevailing wage requirements. The Davis-Bacon Act is an important labor protection that should be preserved.

While block grants for housing and for community development provide greater flexibility, there is the danger that particular targeted needs and programs are lost and funds are harmfully cut below levels prevailing before the consolidations took place. Local union oversight and greater citizen participations are needed to see that government funds are spent wisely.

HUD program consolidations should take into due regard the interests of employees. For example, if the Federal Housing Administration is made into a government corporation, there should be provision to protect the interests of present employees.

Housing A Basic Need

Housing is an important element of the economy. It provides, first and foremost, shelter. Everyone needs shelter, a place of protection and nurture. Increasingly, many are finding it difficult to achieve the American dream of decent housing. The nation needs a rededication of the national commitment to good and affordable housing.

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