

FACT SHEET: The Impact of Outsourcing on the Middle Class and Communities of Color

Recent research shows that outsourcing public services to private companies and Wall Street banks increases income inequality and adversely impacts communities of color:

Outsourcing degrades the middle class and creates poverty level jobs.

- Eighty percent of federal contract workers whose public service jobs were outsourced to private companies earned below the living wage for their city or region, according to a 2008 study by the Center for American Progress.¹
- For-profit corporations are three times more likely than the public sector to employ workers at poverty-threshold wages.²
- Economists have found that when public services are outsourced, workers often lose retirement benefits and/or get pushed to part-time work, thereby losing their health insurance and other benefits.³
- Two million private sector employees working on behalf of America earn less than \$12/hour – too little to support a family. That’s more low wage workers than are employed by McDonalds and WalMart combined.⁴
- Outsourcing often forces workers onto public assistance, ultimately producing higher costs for taxpayers.⁵

Long a pathway for African-Americans to join the middle class, outsourcing public service work disproportionately affects the African-American community.

- Approximately one in five employed African-Americans is a public service worker, and African-Americans are 30 percent more likely than other workers to be employed in the public sector.⁶
- African-American public service workers earn 25 percent more than their counterparts in the private sector, and black-white wage disparity is less in the public sector compared to the entire workforce.⁷
- There is less compression of African-American workers into the lowest paying jobs of the public sector compared with other industries.⁸

¹ "Making Contracting Work for the United States: Government Spending Must Lead to Good Jobs" Center for American Progress Action Fund American Worker Project, December 2008.

² "Six Reasons Why Government Contracting Can Negatively Impact Quality Jobs and Why it Matters for Everyone" In the Public Interest, October 2012

³ Jeannette Wicks-Lim, "Pushing Working Families Into Poverty", March 2011

⁴ "Undermining Bad Jobs: How Our Tax Dollars are Funding Low-Wage Jobs and Fueling Inequality" Demos, May 2013

⁵ "Six Reasons" ITPI

⁶ Steven Pitts, "Black Workers and the Public Sector" April 2011

⁷ Ibid.

⁸ Ibid.