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Strategies for Improving Economic Mobility of Workers

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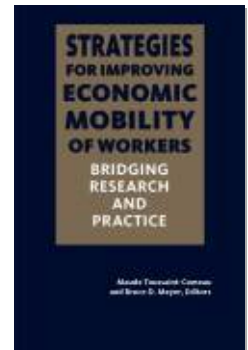
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Bringing Together Policymakers, Researchers, and Practitioners to Discuss Strategies for Improving Economic Mobility

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Three principles seem to be broadly accepted in our society: that economic opportunity should be as widely distributed and as equal as possible; that economic outcomes need not be equal but should be linked to the contributions each person makes to the economy; and that people should receive some insurance against the most adverse economic outcomes, especially those arising from events largely outside the person's control.

—Ben S. Bernanke (2007)

To be sure, Americans have not been obsessed with the distribution of income but have instead placed much greater emphasis on the need to provide equality of opportunity. But equal opportunity requires equal access to knowledge. We cannot expect everyone to be equally skilled. But we need to pursue equality of opportunity to ensure that our economic system works at maximum efficiency and is perceived as just in its distribution of rewards.

—Alan Greenspan (2004)

The issue of economic opportunity for the disadvantaged has grown in importance. It is well known that inequality in economic outcomes has increased. Those at the lowest end of the wage spectrum, with less education and fewer skills, have limited opportunities for economic mobility. These people may be working, but nonetheless they remain poor.

The adverse consequences of substandard wages and poverty on individuals, families, communities, and even the economy are numerous and interconnected. From a macroeconomic perspective, if increased inequality is accompanied by considerable decreases in consumption and in lifetime income for a growing segment of the population, this could lead to marginalization and welfare losses (Heathcote, Storesletten, and Violante 2004; Krugman 1994). Growing income inequality reinforces social ills, including class tensions and residential segregation along racial and income lines (Freeman 1998; Jencks 2002).

Poorer families generally have little in savings to deal with unanticipated events. That is, they have less of a cushion to absorb exogenous shocks and deal with adverse circumstances, such as a serious health problem. As noted in Bernanke (2006), based on the Survey of Consumer Finances, the median net worth for households in the lowest income quintile—the bottom fifth of the population—was only \$7,500 in 2004 versus \$93,000 for all families. These households are significantly less likely to maintain a checking or savings account: almost 25 percent of those families were “unbanked,” compared with less than 10 percent of families in the other income quintiles. Low-income individuals without a relationship with the mainstream financial markets may be at a disadvantage, as it may prove more difficult for them to establish credit, obtain financing, and build equity.

Living in a poor family increases the chances of living in a poor neighborhood. For the year 2000, nationwide about 1 in 10 individuals below the poverty line lived in communities classified as “concentrated poverty,” where at least 40 percent of the population is poor (Berube 2006). Forty-six of the nation’s 50 largest cities contained at least one neighborhood that met the 40 percent concentrated poverty threshold. According to the same author there is a trend toward increased concentrated poverty. Although poverty became less concentrated in certain neighborhoods within cities during the 1990s, this progress appears to be threatened by recent dynamics (Berube 2007b).

Ethnic minorities are disproportionately affected by concentrated poverty in urban areas. While only 13 percent of the U.S. population is black, just over 65 percent of the population of the urban census tracts with the worst employment rates is black, and another 18 percent are members of other minority groups (Dickens 1999). Neighborhoods with concentrated poverty tend to lack adequate housing, jobs, business

and financial services, and transportation infrastructure, and as a result residents tend to face higher local prices for goods and services. Also, living in distressed neighborhoods increases one's exposure to health hazards and violence (Berube 2006). Residents in areas that are characterized by concentrated poverty tend to experience higher unemployment. Some may not have the social networks necessary to find good jobs, a critical asset since informal referrals tend to be one of the most popular and potentially most effective ways to connect job seekers and employers in low-wage markets (Henly 1999). Being socially isolated, these residents may be more unfamiliar with the demands of employers. For example, they may not understand the importance of what William Julius Wilson, in his famous book *When Work Disappears: The World of the New Urban Poor*, refers to as soft skills (such as proper work attire) and a proper work ethic (such as arriving to work on time or notifying employers of absences), both of which could prevent low-skilled workers in areas of concentrated poverty from finding or keeping a job (Wilson 1996).

Alex Kotlowitz, the award-winning author and journalist who chronicled the lives of inner-city youth on Chicago's South Side, refers to the "unraveling" of these communities. He writes, "The number one reason for this unraveling of community has to do with the absence of work, because . . . work is the very thread that holds [the] social fabric together. And what we see in these communities where work has disappeared, are communities in which the very institutions that we take for granted are absent. Often there are no banks, there are no movie theaters, no libraries, no skating rinks or bowling alleys for the kids, there are few grocery stores . . . there are few restaurants. Again, these neighborhoods are devoid of the very private and public institutions which help create communities" (Kotlowitz 2008).¹ In his keynote address to the conference Kotlowitz shared the ways in which youth in these communities experience particular challenges as they confront violence, a lack of role models, low school quality, and lack of employment.

While the employment rates of poor single mothers improved quite dramatically in the 1990s, the labor force activity of less-educated black men has been declining for the past several decades (Holzer 2009). According to research, this lack of access can be attributed to lack of information, lack of informal contacts, transportation challenges, employer discrimination, and a variety of additional reasons. Consis-

tent with Kotlowitz, Holzer notes that the research suggests these young men, growing up in poor and fatherless families and in highly segregated schools and neighborhoods, become disconnected from school at very early ages. Once this disconnection occurs, they often fail to obtain formal work experience. Furthermore, they also become more likely to engage in other detrimental behaviors, such as illegal activity and fathering children out of wedlock. Many among these young men will become incarcerated and also receive child support orders. Upon release from prison, their ex-offender status will further inhibit their labor market prospects, as employers are reluctant to hire them. These individuals are classified as the hard-to-employ.

From a labor market perspective, understanding what happens to the hard-to-employ is important (Tyler and Berk 2009). As of June 2007, roughly 1.5 million people are in the nation's federal and state prisons, and an additional 2.2 million in jail. Ninety-five percent of these people will be released from prison, the bulk of them into already distressed communities. About 650,000 people a year are released from incarceration into our communities and neighborhoods, and they tend to have low levels of education: 60 percent of the prisoners in state and federal prisons lack a high school diploma. The outcome of this situation is that very low-educated, very low-skilled individuals are being released into a high-skill economy.

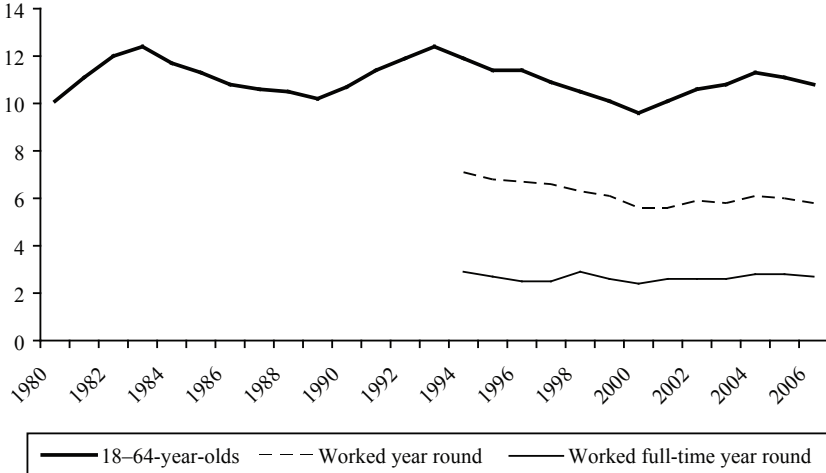
How can we address the specific needs of low-wage workers and households in poor communities and help open the door to greater economic opportunity? This question was explored at the conference mentioned in the introduction, "Strategies for Improving Economic Mobility of Workers."² This chapter provides an overview of the research discussion at the conference and addresses the specific contributions of the papers included in this volume.³ I conclude with an outline of the recurring themes of the chapters, drawing from some of the lessons learned from the diverse perspectives and identifying key challenges and opportunities.

TRENDS IN WORK, WAGES, AND POVERTY

Data suggest that a substantial percentage of American citizens are poor; and that the percentage has remained fairly constant over time. As shown in Figure 2.1, the percentage of individuals who are poor has seldom risen above 12 percent or dipped below 10 percent for the past 30 years. The figure also shows that from 1994 onward, more than half of the poor work during the whole year, and nearly one-quarter work full-time the whole year.⁴ They are the working poor.

What are the demographic characteristics of the working poor? Gleicher and Stevans (2005) find that blacks and Hispanics are twice as likely as whites to be among the working poor. Less-educated individuals also tend to be more likely to be among the working poor: of those in the labor force with a college degree, only 1.7 percent are members of the working poor, compared to 15.2 percent of those without

Figure 2.1 Percent of Population under the Poverty Level



NOTE: Information on how the U.S. Census Bureau defines the poverty level can be found at <http://www.census.gov/hhes/www/poverty/definitions.html> (accessed April 24, 2009).

SOURCE: Haver Analytics and U.S. Census Bureau Annual Social and Economic Supplement Tables POV22.

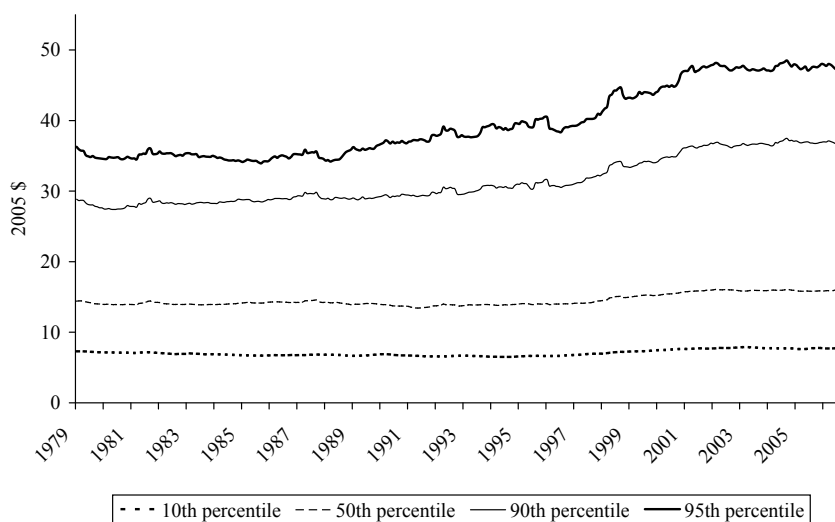
a high school diploma. The working poor tend to have weaker labor market attachment (i.e., tend to work part-time) and are in occupations or industries where the average pay is lower—namely, services, sales and office work, and production. Most of the former welfare recipients who entered the labor market as a result of changes in welfare policy in the late 1990s also entered low-wage occupations or industries and added to the pool of the working poor.

Arguably, the typical poor family appears to have fallen further behind the average family. Figure 2.2 shows the average real hourly wages for workers at different quartiles of the wage distribution over time. On average, workers at the bottom of the income distribution have not seen their wages grow as fast as those at the top. In fact, the average wage for those at the bottom is stagnating, indicating increased income inequality.

David Autor confirms that economic inequality has increased. In his chapter, “Past Trends and Projections in Wages, Work, and Occupations in the United States,” he calculates that for 2005 the median real hourly wage rates for workers in service jobs working full-time was approximately \$20,000. He notes that while such an income level would exceed the poverty threshold of \$19,350 for a family of two adults and two dependent children, this wage is probably insufficient for families to make optimal investments in child-rearing and education. This suggests that mobility over the lifetime of family members and across generations could be more limited for such families.

The extent to which families experience economic mobility remains somewhat unclear. Figure 2.2, since it is based on cross-sectional data, provides only a snapshot of all workers at different points in time. It does not convey the extent to which workers are actually experiencing mobility, that is, are moving up (or down) the income ladder over the course of their lifetimes or across generations. This is important to know in order to assess the extent to which there is actual improvement in the economic well-being of people. Such a question is best answered with time-series and panel data that can trace the same individuals over an extended period of time. These data are more limited, which make the mobility question harder for researchers to address.

In general, families in the United States experience upward mobility over the life cycle and across generations (Bernanke 2005). However, Gottschalk and Danziger (1998) and Gottschalk (1997) examined the

Figure 2.2 Average Real Hourly Wages, 1979–2006 (2005 \$)

NOTE: The Current Population Survey (CPS) Outgoing Rotation Group Files represent the six-month moving average for the tenth, fiftieth, ninetieth, and ninety-fifth percentile hourly wages from 1979 through 2006 for workers more than 24 years old.

SOURCE: Author's construction using Current Population Survey Outgoing Rotations.

extent to which people change positions within the income distribution and found that mobility patterns have not changed in a way that would offset rising inequality. Other researchers found, not surprisingly, that mobility largely depends on the income and education level of the family to start with. Over the previous 25 years, a child born into a low-income family had a 20 to 25 percent chance of earning above median income as an adult and less than a 5 percent chance of moving into the highest fifth of the income distribution (Hertz 2007; Lee and Solon 2006). It has also been found that *within* generations, among families who started in the bottom fifth of the income distribution in 1988, more than half remained there in 1998, and fewer than one-quarter managed to achieve at least middle-income status by the end of the decade (Bradbury and Katz 2002).⁵ Aaronson and Mazumder (2008) estimate trends in intergenerational economic mobility and find that mobility increased from 1950 to 1980 but has declined sharply since 1980. Their results suggest

that earnings are regressing to the mean more slowly now than at any time since World War II, causing economic differences between families to become more persistent. These studies together provide evidence that some families in the population have relatively more limited prospects for upward economic mobility.

Individual wage data may not give us the full picture of the true economic conditions of low-wage workers since families share income and may receive income assistance and in-kind benefits, such as food stamps and Medicaid. Bruce D. Meyer makes the point in his chapter, "Reflections on Economic Mobility and Policy," that we must also think of the trends in terms of the overall material circumstances of workers. That is, we should have in mind not only wages, but also food consumption, housing quality, purchases of other goods, and access to health care. An important finding from his research is that if we look at consumption poverty numbers, there are causes to be somewhat more optimistic about the true material circumstances of people. As explained in Meyer's chapter, from 1988 to 2005 the percentage of people who are poor, as measured by "consumption poverty," actually has fallen consistently. Meyer notes that, similarly, the living standards of people in the United States over time have improved more than official measures suggest, once one accounts properly for inflation. For example, by 2004, while the official income poverty rate was close to 14 percent, if measured by consumption with an improved measure of price changes the rate was only 5 percent.

A similar message to Meyer's comes from Dahl (2007), who shows that income for low-income families (income including earnings and assistance such as the Earned Income Tax Credit [EITC], Social Security, child support, and public and subsidized housing) increased on average from \$12,400 in 1991 to \$16,800 by 2005. Following the same female-headed households as well as other types of families over a period of time (from 2001 to 2003), she finds that overall average income for the low-income families (those in the bottom twentieth percentile) increased. Averages of course mask differences in the actual experience of different families. Most of these households did experience improvement in their income: 60 percent of the low-income households with children experienced income growth from 2001 to 2003. However, 25 percent saw large declines, and 15 percent experienced no changes.

More research is needed to ascertain whether these income changes were sufficient to allow these low-income families to make optimal financial decisions and adequate investment in their children's future. We should also consider the extent to which families are able to leverage their resources and, if they are not able to, whether they accumulate more debt than they can afford. Evidence suggests that this can be the case. According to analysis of data from the 2004 Survey of Consumer Finances, lower-income households are less able than others to manage their debts. A greater fraction of these households had debt-to-income ratios of 40 percent or more or had a payment at least sixty days past due (Bernanke 2007).

Dahl's research shows that 25 percent of families over a two-year period experienced declines in earnings. We do not know the sources of these income variations and losses nor do we know the duration. Some journalistic reports suggest that families have been experiencing greater income risks and uncertainty.⁶ For example, Gosselin and Zimmerman (2007) find a substantial increase in the transitory variance of family income over time. Admittedly, as Meyer noted in his chapter, it is unclear how to interpret trends in "volatility." There are many factors that can contribute to temporary variation in income that do not necessarily convey negative experiences, such as going back to school or taking time out to raise children. However, concerns arise in instances where volatility is due to circumstances that negatively affect workers, such as loss of jobs or job displacement. This could have some implications for the prospect of economic mobility. Displaced workers are more likely, in their new positions, to be downgraded relative to previous earning levels and job quality. They are more likely to suffer longtime earnings losses and standard of living declines. For society the loss of the productive capacity of these workers can be costly (Butcher and Hallock 2004, 2005).

Although Meyer's research and others', such as Dahl's, that has looked at overall economic resources of low-income households and has shown improvement over time is encouraging, it does not mean that there is no need for policy. On the contrary, as Meyer proposes, some of the policies and initiatives such as the EITC and welfare reform (along with past economic growth) have worked to some extent and should be maintained and extended.

LOW-INCOME ASSISTANCE POLICY

There have been tremendous changes in policy on income assistance for the poor in recent years, notably welfare reform and the expansion of the EITC. A good deal of research is being done to evaluate the impact of these programs for families, in particular for single women with children and for former welfare recipients. Sessions of the conference discussed these issues. To give a brief background, Aid to Families with Dependent Children (AFDC), part of the Social Security Act of 1935, provided cash assistance to low-income single mothers; this program was phased out in the 1990s. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) was enacted in 1996. Effective July 1, 1997, Temporary Assistance for Needy Families (TANF) replaced AFDC (as well as the Job Opportunities and Basic Skills (JOBS) training program of 1988). Welfare reform added a requirement for individuals to work as soon as they are job-ready or no later than two years after coming on assistance. It also imposed a lifetime limit of five years on benefits received from the federal government. The program is funded through block grants to states, so the states have some latitude in designing their own systems (e.g., Wisconsin Works, WorkFirst), although they have to meet some federal requirements.

EITC began in 1975 as a program designed to offset payroll taxes for low-income families with children. It is a refundable federal tax credit so that if the EITC exceeds the amount of taxes owed, it results in a tax refund to those who claim and are qualified for the credit. To become eligible one must have income below a specified amount. The program was expanded in the Tax Reform Act of 1986 (TRA86) and again through the Omnibus Reconciliation Acts of 1990 and 1993 (OBRA90, OBRA93).

Hilary Williamson Hoynes gives a brief history of the EITC and welfare reform and analyzes what they entail for trends in employment. In her chapter, "The Earned Income Tax Credit, Welfare Reform, and the Employment of Low-Skilled Single Mothers," she shows that employment (defined as any work over the prior calendar year) increased by 16 percentage points from 1992 to 1999 for single mothers and by 20 percentage points for single mothers with low education—who tend

to be more affected by EITC and welfare reform. No such improvement occurred for any other groups. Hoynes argues that it is difficult to disentangle the effects of EITC, welfare reform, and an expanding economy, all three of which were happening over the period covered by her analysis, during which she observed increased employment and earnings. Empirical research by Meyer and Rosenbaum (2001) suggests that between 1992 and 1996, a period in which employment of single mothers increased by 8 percentage points, about one-third of those gains can be attributed directly to the EITC and another one-fifth to welfare reform. Over the longer period from 1984 to 1996, the EITC might have been responsible for about 60 percent of the increase in employment.

The implication of these studies is that the EITC has several positive effects. In fact, in his chapter, Bruce D. Meyer proposes expanding it. Currently the benefit structure is the same for those with three or more children as for those with two, he notes. He proposes that there should be a more generous schedule for those families with three or more children.

An important question concerns the types of employment former welfare recipients end up taking: are they the types of jobs that truly help them achieve economic mobility? Research suggests that many former welfare recipients end up in low-wage service jobs and part-time or temporary jobs. As Autor and Houseman (2007) report, in the Detroit WorkFirst program in Michigan, a disproportionate number of workers were placed in the temporary help sector (the authors note that this is also the case nationwide). While some may view the temporary help sector as providing a stepping stone toward more permanent and stable jobs, Houseman and Autor find that temporary placements do not help workers transition to direct-hire and more stable or regular jobs and, as such, may not improve long-term labor market outcomes for these workers.

To assess the effectiveness of work incentive programs, we should not only focus on impacts on employment and family income, we should extend our view to look at impacts on child outcomes and what is happening to parenting and child care arrangements. A number of income supplement programs and nonearning supplement employment programs have been evaluated for their effects on children, according to Greg Duncan.⁷ The income supplement programs include, among others, the MDRC Welfare-to-Work policy evaluations, which drew data

from information on about 30,000 children in various programs and was evaluated with random assignment; Minnesota's welfare reform program, called the Minnesota Family Investment Program (MFIP), which was also evaluated with random assignment; the Connecticut Jobs First program, a generous program but with a time limit; and the New Hope program, a Milwaukee program that had both income supplement and employment features. The employment programs include a Florida program mandating work and Los Angeles County's GAIN (Greater Avenues for Independence) program.

Duncan noted that programs that supplemented income were found to have impacts on mothers' earnings (of about \$1,000) and on family income (of \$2,000). The nonearnings supplement employment programs had a big impact on employment and, as expected, a smaller effect on earnings (about \$720 in this case) and an insignificantly small effect on family income. The nonearnings supplement programs generally had an insignificant impact on young children. Both the earnings and the nonearnings supplement sets of programs had negative impacts on adolescents. The lesson to draw: it is not universally true that these programs were beneficial for kids.

According to Duncan, the more comprehensive approach of the New Hope program made it work better, particularly for children. New Hope was created and backed by a coalition of community activists, business leaders, and academics in Milwaukee. By the time it was launched in 1994, 1,400 low-income families had volunteered for a chance to participate. New Hope participants had to show they had worked 30 hours a week or more; then, they were entitled to a suite of benefits: an earnings supplement that raised income above the poverty line, a child care subsidy, and a health insurance subsidy. If they could not find work in the private sector to get up to the 30 hours a week, a temporary community services job that paid the minimum wage was available. The program was delivered by the New Hope staff in a very respectful and competent way. Furthermore, it was available to all adult men and women, not just mothers with kids; the idea was that anyone who was working full time and had a low income ought to be eligible for these kinds of support.

The earnings impact of New Hope was mixed, but it seems to have benefited single men and children in particular. For certain demographics the impact persisted beyond the three-year demonstration period.⁸

An important feature of the New Hope model was that it allowed people to select the benefits that would work best for their family. People were very strategic about taking up benefits. Most people didn't take up all the benefits all the time, but they picked and chose from the potential benefits that were available and put together a package that made the most sense for them; sometimes it involved working more, and sometimes it involved working less.

EDUCATION—LOW-INCOME ADULT STUDENT RETENTION PROGRAMS AND FINANCIAL AID

There is general agreement that investment in early childhood education is the most promising venue to enhance human capital. It has been found to yield very large personal, economic, and societal benefits (Carneiro and Heckman 2002; Karoly, Kilburn, and Cannon 2005; Sachs and Shatz 1996). Education is one of the cornerstones of American public policy. Among the education initiatives, the Head Start program, Project Upward Bound, and, more recently, the No Child Left Behind Act of 2001, are examples of federal programs that aim at redressing educational inequality. At the level of higher education, the Education Amendments of 1972 created the Basic Educational Opportunity Grants, renamed Pell Grants in 1980, which provide federal financial aid to undergraduates from low-income families.

Edward Lazear, chairman of the President's Council of Economic Advisers, in a keynote presentation, "Mobility of Factors of Production and Economic Growth," touched on the Bush II administration's education policy. He argued that the No Child Left Behind Act has been one of the greatest achievements of the administration, adding, "it made clear that it is unacceptable for schools to fail to provide the necessary skills to allow their graduates to compete in a modern society." Still, Lazear pointed out that a number of academic studies have found that the students are inadequately prepared from kindergarten through twelfth grade and that the system is still in need of major improvement (Lazear 2008).

Although education is unanimously viewed as important, access to education by low-income students requires the availability of adequate

financial aid. A report by the Commission on National Investment in Higher Education found that funding for educational programs has diminished sharply in recent years. For example, in 1975 Pell Grants covered about 80 percent of tuition costs. By 1999, that share had fallen to 40 percent (King 2000). At the same time, it is well known that the cost of a college education has risen significantly. Such trends would suggest a compounded problem of access and affordability for poorer students and those from moderate-income households at a time when the value of education in the job market is enhanced.

The question remains of how to promote education among adult low-wage workers whose skills may not be readily transferable or adaptable to the changing labor marketplace. What type of education is best for these workers, and how should it be provided? How do we design financial assistance that will help meet the needs of nontraditional students?

To address these questions, it is instructive to first understand some of the causes behind the trends in wages and income for low-skilled workers mentioned and their particular implications. David Autor discusses in his chapter the many factors behind the trends. One factor that merits attention is the skill-biased technological changes in today's marketplace.⁹ Autor points to the fact that hourly wage growth from 1973 through 1989 did indeed fall at the bottom and grow modestly at the top. However, what is less well known, he observes, is that from 1989 through 2005 wage growth was in fact polarized, with high growth at the bottom and the top, and little growth between the thirtieth and the seventieth percentiles. Autor suggests that this trend can be explained by the growing use of computer technology, which tends to substitute for workers in accomplishing routine tasks (in the middle), and to complement workers in performing nonroutine, education-intensive, conceptual tasks (at the top).¹⁰ Those two mechanisms of substitution and complementarity explain a preference in the job market for levels of education (and related job skills) beyond high school. At the same time, manual jobs are arguably not easily performed by computers; hence the growth in demand for manual, low-skilled jobs as well.

How should education policy respond to this challenge, Autor asks? He suggests that we should not necessarily pursue a bimodal human capital investment strategy of training for bottom jobs and providing high-level education for an elite group for top jobs. This is because

although earnings *growth* in low-education jobs exceeds that in middle-education jobs, earnings levels are still considerably higher in middle-level education jobs than in low-level education jobs. Therefore, in his opinion, universal, high-quality education remains the best public investment that we can make to foster opportunity, raise earnings, and increase well-being.

The challenge is to equip workers with the training that will allow them to adapt to a changing global economy, according to Alan Blinder, in a keynote lecture delivered at the conference.¹¹ Blinder argued that with advances in information and communication technologies, the array of services that can be performed outside the United States continues to expand. Unfortunately, as he noted, we still do not have reliable data on what jobs and services will be offshored or which ones will remain. As a result, it remains a challenge to know what specific training should be provided. In the meantime, it is imperative that we have some kind of safety net for those workers who get displaced as a result of outsourcing.¹²

Community colleges can potentially help redress mismatch of skills with jobs. In “Low-Wage Workers and Postsecondary Education Persistence: A Review of Several Community College Strategies,” Lashawn Richburg-Hayes argues that, indeed, community colleges play a critical role in American higher education, and most importantly for low-wage workers, who might need to upgrade their skills. But in reality many students, especially low-wage workers, who begin attending community colleges end up leaving prematurely. Family obligations, academic underpreparedness, and financial constraints may make this group particularly vulnerable to retention problems. Hayes describes various strategies, in particular the Opening Doors Demonstration by the MDRC, which are in place to improve persistence and retention of low-wage workers in community colleges.

An important policy topic is the access and affordability of education and training for low-income adult students. Bridget Terry Long makes the case in her chapter, “Financial Aid and Older Workers: Supporting the Nontraditional Student,” that given the importance of education, particularly postsecondary education, larger percentages of older workers are returning to higher education than ever before. However, these nontraditional students confront a major hurdle with finances. Simply put, Long’s research finds that the financial aid system is designed with

the traditional-age college student in mind and fails to address the needs of older, nontraditional students. Nontraditional students are often displaced or unemployed workers, or welfare recipients, and often have dependent children. Financial aid is therefore particularly relevant for these groups. Yet, Long explains, the different ways in which the design elements of the current system work, such as how needs analysis is applied to the nontraditional students and the number of hours needed to meet enrollment requirements, do not cater to the circumstances of these students. Long suggests several creative ways to reform the financial aid system and support low-income workers. For example, states could expand their use of TANF dollars, which currently support only short-term training, to fund training longer than 12 months. Also, community colleges could create employment-linked programs that could be supported by the Workforce Investment Act (WIA), as opposed to the typically brief training programs generally supported by the WIA.

SPATIAL MISMATCH—MOVING TO OPPORTUNITY

Spatial mismatch between poor inner-city areas (where poor residents are concentrated) and other areas (where there is job growth) has been heavily documented. As a Brookings Institute report states, job growth in suburbs “in sectors most vital to low-skilled inner-city residents” increased at a much faster rate than central city job growth (Katz and Allen 1999). Transportation remains a problem for many low-income workers. According to a report by the Century Foundation, citing research from the Community Transit Association of America, 40 percent of the 10 million daily public transit riders are low-income. Low-skilled workers who rely on public transportation and who work evenings or night shifts may in particular confront limitations, as many of the public transportation systems do not have services during these odd hours. Those who have to drop off children in day care on their way to work and pick them up on their way from work may also find it particularly difficult to rely on public transportation (Rhodes and Malpani 2000). Housing and transportation mismatch remains an issue worth considering as part of a comprehensive strategy to address economic mobility.

Spatial economic disparities and concentrated poverty and their implications for poor residents in distressed communities threaded through the discussion at the conference. The concept of spatial mismatch can be traced back to a seminal paper by Kain (1968) that suggests that residential segregation (among blacks) in inner-city neighborhoods, combined with dispersal of low-skilled jobs from central cities to suburbs, could be responsible for higher rates of unemployment and low earnings of workers in inner cities. This so-called spatial mismatch between residents in poor inner-city communities and areas with job growth has captured the attention of researchers and policymakers alike.¹³ As Kain (1992) explains, the genesis of the policy interest in the spatial mismatch problem began in response to sporadic violence in poverty-stricken neighborhoods throughout the United States that erupted in the 1960s. As a result, a number of studies were commissioned. The McCone Commission, which studied the causes of the Watts (Los Angeles) riots in 1965, as well as other studies, such as the National Advisory Commission on Civil Disorders (the Kerner Commission) in 1968, identified unemployment and lack of access to jobs as major problems for “isolated” inner-city residents. These kinds of mismatches were compounded by the fact that poor inner-city residents relied more on public transportation, and such transportation between the inner cities and the areas with job growth was often inadequate. These commission findings prompted a variety of policy suggestions among researchers and programs to address inner-city poverty and unemployment arising from spatial mismatch.¹⁴

Housing allowances help potential workers move outside areas of poverty concentration. These residential mobility programs, by moving individuals to better environments, create the potential for very quick changes in their lives, especially with regard to safety. James E. Rosenbaum addresses the subject in his chapter, “Can Residential Mobility Programs Improve Human Capital? Comparing Social Mechanisms in Two Different Programs,” in which he analyzes the effects of two programs, the Gautreaux Assisted Housing Program and the Moving to Opportunity (MTO) program. The Gautreaux program was a court-ordered demonstration project in Chicago that moved low-income black families from housing projects to two different kinds of locations—white, middle-income suburbs or black, low-income urban neighborhoods. Rosenbaum reports that, compared to city moves, the

suburban moves led children to have better educational outcomes, mothers to have better employment rates, and both to feel much safer.

The MTO program—a U.S. Department of Housing and Urban Development program that offers housing vouchers to families in public housing—is a random-assignment experiment that includes a control group that didn't move through MTO. So the MTO program is a more rigorously designed program than Gautreaux, according to Rosenbaum. Recent MTO studies have found that residential moves have a small impact on wages and employment, but have a significant impact on safety (Liebman, Katz, and Kling 2001). Rosenbaum argues that the differences in the economic outcomes of the two programs could be due to the differences in the programs themselves. For example, the Gautreaux program had real estate staff to help people identify units that are not in low-income enclaves and that are located some 25 miles away from participants' old addresses. In addition, participants received counseling advice on locations with better schools and better job opportunities. As a result, people's moves changed their social experiences—they were placed in different schools, different labor markets, and engaged in more positive social interactions with new neighbors. Rosenbaum draws the following conclusion: building best practices into the program delivery is as important as evaluating the outcome.

Daniel McMillen discussed the papers that were presented on spatial mismatch. Going back to the fundamentals of the premises of spatial mismatch and putting aside for a moment the problem of transportation, he asked, "Why aren't people simply moving to suburbs where the jobs are?" His answer: lack of affordable housing in suburbs. Then he raised the question of why developers weren't building more low-income housing in the suburbs. His answer: zoning regulations make it difficult to build multiple family housing in suburban areas.

"Now that cars are so readily available, why is it so difficult to get people to commute to work in the suburbs?" McMillen continued. He argued that either people have social networks in place and are reluctant to leave their neighborhoods, or they do not have the types of networks that would provide them with information about where job growth is taking place. In any case, McMillen said, the kind of (low-skilled) jobs that are often available may not be worth the fairly expensive and long commute. So the issue may have less to do with location than with the mismatch between jobs that pay well and the skills that people have.

Commuting costs certainly make it harder to take a job in another location, McMillen said, but if the gains (in terms of the pay and the quality of the job) were big enough, people would move, as migration history has proven.

From a policy point of view, a clear implication is that one ought to have an encompassing approach, beyond transportation, to address the consequences of spatial mismatch, given the multifaceted aspects of the problem. McMillen proposes allowing more multiunit housing to be built in suburban locations (in the context of the Chicago housing market). As mentioned earlier, a goal of the conference was to align research with practice. Frank Beal, executive director of Chicago Metropolis 20/20, and Robin Snyderman, housing director for the Chicago Metropolitan Planning Council (CMPC), were asked to share their experiences in addressing spatial mismatch issues.

Beal explained that a few years ago his organization engaged in efforts that led to the drafting of legislation to mandate that Illinois develop a state housing plan. Now the state has a plan. “It isn’t action,” he said, “but at least we have policymakers sensitive to the issue and the Illinois House and Senate now have committees on housing, and they didn’t ten years ago.” The state housing policy, Snyderman explained further, is a comprehensive plan that puts state resources to work on housing from different perspectives to advance five underserved populations—people who can’t afford to live near their jobs, seniors, people with disabilities, people struggling with homelessness, and people living in housing that’s at risk of becoming unaffordable to its current residents. Beal noted that there is also draft legislation to create a new regional planning agency with accountability for land use that, among other goals, would take into account the job/housing mismatch. Finally, working with the State Department of Commerce and Economic Opportunity, the Illinois legislature has passed a law that gives incentives to businesses that locate in job-poor neighborhoods. These organizations are also working to get more funding for public transit.

Snyderman gave some examples of action plans her organization is engaged in to respond to the challenge of spatial mismatch.¹⁵ First, CMPC engaged business leaders as active participants and talked to them about the menu of options and ways they can get involved, either to help make accessible to people affordable housing that is out there already, or, more and more, to look at addressing supply-side issues.

Snyderman said that as a result there were 66 or so other employers contracting with non-for-profit organizations that assist their employees with affordable housing, and about 1,300 employees had purchased homes with those employers' support. Now, Snyderman said, the organization has a tax-credit incentive for other employers who do this and matching funds for the employees themselves. Finally, Snyderman noted that the bills passed aren't all about workforce housing. The rental housing support bill that passed the Illinois state legislature in 2005 provides rent subsidies for people earning less than 30 percent of the median income for the area.

WORKFORCE DEVELOPMENT POLICY AND EVALUATION

Policies and programs that provide a job-centered approach to combating poverty and address specific needs of targeted disadvantaged individuals generally fall under the umbrella of workforce development. Some of the major programs started in the 1960s with the Manpower Development and Training Act (MDTA, 1962–72), the Comprehensive Employment and Training Act (CETA, 1973–82), and the Job Training Partnership Act (JTPA, 1982–98). The JTPA was replaced in 2000 by the current Workforce Investment Act (WIA).

The current WIA operates like the JTPA, which it replaced, as a joint public/private federal/state/local program.¹⁶ The federal government provides most of the money (\$3 billion a year). The money is given in block grants to the states, which set up oversight and coordinating councils of various kinds. Local boards of private and public officials supervise the activities carried on by the public and private training and educational institutions that run the programs. One-third of the money is for adult training for the more disadvantaged. For example, in 2000, just under \$1 billion was spent on 380,000 adults for training, support, and job placement.

The act provides for work experience and subsidized on-the-job training (OJT) arrangements. The act also provides for training to workers who were displaced by plant closings or outsourcing by assisting them with job search and relocation (in the year 2000, about \$1.6 billion went to helping 840,000 displaced workers).

Critics of the WIA argue that the funding level is not enough and therefore the program does not cover many who are eligible. Moreover, the elimination of stipends to program participants, starting in 1982, caused serious retention problems for program trainees. Some say the training periods of these programs may be too short to make them effective (training usually lasts on average less than 20 weeks). Furthermore, some employers may be reluctant to train “less than desirable” workers for only small and temporary subsidies.

Three chapters in this volume focus on the state of research on employment and related workforce program evaluations, including major federal programs like the current WIA and ex-offender reentry programs such as the Center for Employment Opportunity.

Harry J. Holzer, in “What Might Improve the Employment and Advancement Prospects of the Poor?” proposes various potential alternatives and discusses the effectiveness of existing programs that have been targeted to three different groups: 1) the working poor, 2) disadvantaged youth, and 3) “hard to employ” ex-offenders. He suggests that the prospects of the more disadvantaged would be better served by a combination of further job training, job placement assistance, and other supports and services that would promote access to better jobs. One way this objective is being achieved is with labor market intermediaries (i.e., nonprofit community organizations, or educational institutions such as some community colleges) that help link workers to existing jobs and employers. These strategies may include sectoral training programs (in which training is targeted towards key high-demand sectors in the economy).

Holzer supports prisoner reentry programs, such as the Center for Employment Opportunity, which provides a paid but temporary transitional job for each participant. He also advocates legislative efforts to reduce the many legal barriers at the state level that limit employment options for ex-offenders. For disadvantaged youth, Holzer proposes strategies to improve early outcomes and prevent disconnection, such as youth development efforts aimed at adolescents (for example, Big Brothers/Big Sisters or the Harlem Children’s Zone); creating “multiple pathways to success” in high schools, including high-quality Career and Technical Education (CTE) options (such as the Career Academies) and apprenticeships as well as those stressing direct access to higher education; “second chance” programs (like YouthBuild and

the Youth Service and Conservation Corps) and dropout prevention or recovery efforts; and the resurrection of community-based models like the Youth Opportunity Program, which created employment centers in low-income neighborhoods that tracked at-risk youth and referred them to available services.

Burt S. Barnow and Jeffrey A. Smith focus on the bottom-line question: whether or not the programs have measurable and economically relevant impacts on labor market outcomes. In their chapter, “What We Know about the Impacts of Workforce Investment Programs,” they discuss the state of knowledge based on more robust research evaluations of the effectiveness of various programs, including the WIA, Job Corps, and Worker Profiling and Reemployment Services (WPRS). Barnow and Smith also discuss employer-focused programs, which provide on-the-job training, customized training, and sectoral training.

The WIA currently has no published econometric evaluation, but in November 2007, the U.S. Department of Labor announced a random assignment evaluation of the WIA. As for what we know from various evaluations about the effectiveness of the programs that preceded the WIA—CETA and JTPA—these programs typically had either no effect or a very small positive effect. Generally, these employment and training programs work best for adult women and least well for males and youth.

Job Corps provides vocational and academic activities as well as support services to disadvantaged youth, ages 16–24. The first key finding is that removing disadvantaged young men from their local neighborhood dramatically reduces their criminal behavior in the short run. Second, there is a notable effect on educational attainment in the short run, as measured in terms of hours, literacy and numeracy, and General Educational Development (GED) and vocational certificate receipt. Third, the Job Corps program generates substantial sustained earnings impacts for 20–24 year old recipients, but not for younger recipients. Barnow and Smith argue that this program is fairly costly and may not pass cost/benefit tests, though it may be worth continuing on equity grounds.

The WPRS system assigns mandatory reemployment services to new Unemployment Insurance (UI) claimants predicted to have long spells of benefit receipt or high probabilities of benefit exhaustion. The research suggests that the WPRS system reduces UI usage without

imposing a large cost on referred claimants through lower quality job matches. The program also has a substantial effect relative to its (very small) cost, with that effect consisting largely of a deterrent effect—some claimants immediately find employment upon receiving notice of the requirement that they receive services.

On-the-job training (OJT) can be attractive to employers because it reduces their costs; they usually pay only about half the wages and they incur less risk: because the trainees are not real employees until after the OJT period is up, employers can dismiss them if they choose. Customized training programs are ones where the employer has a lot of input into the training. The employer approves and actually develops the curriculum for the training. The employer has the authority to establish the eligibility criteria in terms of who can go into the program, and there's generally a commitment by the employer to hire successful program completers. Case studies have indicated that the placement rates are 80 to 90 percent, as Barnow noted during his presentation. Similarly, sectoral training programs also involve customized training but aim at a whole industry, such as construction.

Barnow and Smith note that most evaluations suggest positive impacts of OJT on participant employment and earnings. But three qualifications should be noted: first, none of the OJT evaluations have used random assignment; second, it is expensive to set up these on-the-job training slots; and, third, on-the-job training can be abused—it can basically pay employers for what they would have done anyway. Barnow illustrated this in his presentation with a quick example: while visiting an OJT site, “an employer . . . pointed out that his program used to have a six-month dishwasher on-the-job training program,” and clearly, he said, it does not take six months to learn to wash dishes. Barnow concludes, “We need to monitor [OJT programs] to make sure that [OJT] is not just welfare for the corporations.”

Continuing with the theme of work training program evaluation but targeted to hard-to-employ and ex-offender populations, John H. Tyler and Jillian Berk discuss the research results on programs designed to help ex-offenders reintegrate into mainstream society. The programs include the Center for Employment Opportunities (CEO) program and the Serious and Violent Offender Reentry Initiative (SVORI). Their chapter, “Correctional Programs in the Age of Mass Incarceration: What

Do We Know about What Works?” also discusses research findings on the effect of education and vocational programs on ex-offenders’ earnings, based on administrative data from the state of Florida.

Berk and Tyler report the results of the first year after random assignment for the CEO evaluation. They qualify the results on employment as being “not impressive.” The treatment group does not seem to do well past the transitional jobs in terms of enhanced probability of being employed. However, the CEO program seems to be more effective for offenders who come to the program and get employment assistance soon after release. Furthermore, early results of the CEO evaluation show that program participation reduces recidivism but has no employment effects. As for the SVORI program, it has smaller impacts. Tyler and Berk contend that the important lesson to be learned is that in reality there is a “paucity of programs in prison” (the prisoners do not really participate in the programs) and that this is not surprising, given that the institutional realities of prisons and prison life make it difficult to deliver rehabilitative programs as originally designed. The SVORI program has a small impact because the program is small. The actual services are far below what is needed: prerelease, only 39 percent of the treatment group and 24 percent of the comparison group had received any employment, education, or skill-building services. Postrelease, only 15 percent of the treatment group and 24 percent of the comparison group received any services.

Reinforcing Tyler and Berk’s arguments, Kristin F. Butcher, who served as discussant for the session on research evaluation, said that we must ask whether in some cases there is in fact a program at all. Butcher explained that when she worked for the MacArthur Foundation and was looking into prison program funding, she visited a number of prisons in Illinois. In one prison she saw a huge machine for doing computer-aided design. “It looked hard to operate, and it looked really like something that took training to use,” she said, “and that if you knew how to use that, you could get a real job, and that would be good.” Butcher asked someone, “How do you select who gets trained on that machine?” The response was, “We train the lifers.” “Why do you train the lifers?” she asked. “Because it takes a long time to train the people on the machine, and we don’t want to train somebody and have them leave,” the person said. Tyler and Berk note that when one looks at people who go into prison industries and compares them with those who do not, one

may not see very big effects. Butcher said this could be explained by the fact that for most of the people who are getting out, even if they've participated in prison industries, there is no incentive for those prison industries to train them in the more skilled jobs.

On a broader sense, Butcher agrees that we must have more realistic goals concerning programs, especially since very often the expenditures (per participant) of typical programs are quite small. To illustrate, a Job Search Assistance program, the Louisville Work Incentive (WIN) laboratory experiment, which was rigorously evaluated, was found to have effects that exceeded its costs, but the costs of this program were pretty small—net cost was \$223 per participant in 2007 dollars. The National Supported Work Demonstration was found to have a fairly big impact in terms of income, which exceeded its costs, but its net cost per participant was also much higher at \$11,000 (LaLonde 1995). The implication is that with a federal poverty threshold of \$20,516 for a family of four (in year 2006), the chances that a program like the Job Search Assistance program, with an expenditure of \$223 per participant, would get somebody out of poverty are very low.

COMMUNITY-BASED PROGRAM SERVICES AND EVALUATION

Robert J. LaLonde provides a nuanced view of program evaluation. In “Comparing Apples to Oranges when Evaluating Community-Based Programs and Services,” he discusses the inherent problems and challenges associated with evaluating the impact of programs from small, community-based organizations.

As he illustrated in his presentation at the conference, a government employment training program raises annual income by about \$1,000 per year (according to research, for women that's a pretty fair assessment of what programs provide). These programs typically combine general skills, vocational skills, and also job-search assistance. Let's suppose that the cost of producing these programs is \$5,000 per year (to give a high estimate of how much these programs really cost). Ignoring other indirect costs and what economists call opportunity costs, the question is, is this \$1,000 impact per year permanent? Will earnings increase by

\$1,000 per year every year for the rest of the person's career? (Research has found that these programs typically have an impact for women who are about 30 years old, and this is the only group that, according to research, will work consistently for another 30 years.) One must think of this initial cost of providing the service to that woman as an investment, a stock, LaLonde says: if you go through the calculation, you will find that the real rate of that return is 25 percent, which is huge. It's far better than a year of schooling. So a \$1,000 impact is quite a large impact, if it can persist.

But the problem, LaLonde points out, lies in trying to reach the point of being able to say that the program impact is going to be \$1,000 a year and the program is therefore a good and effective program. Doing so is hard because of several analytical problems. First, there is the problem of missing data. One might ask, "Why is the program operating in community A—is it due to strong community leaders compared to community B, which does not have the program?" In such a case, one could expect their outcomes to differ even if the program had no impact on community A. The challenge then comes from the fact that the evaluation is unable to account for these decisions. Second, there is a selection problem among evaluators, which arises from the following two possibilities: 1) participants choose to participate in programs based on their own assessments of whether they will benefit from them, or 2) program operators select applicants that they believe will benefit from the program. In other words, as Butcher, the session discussant, noted, in evaluations we want to ask these questions: How do we know a program works? What is the counterfactual? Wouldn't the participant have made progress anyway? These are very difficult questions; nevertheless, they are important to address given that the programs entail spending public monies.

LaLonde's chapter recommends that small organizations should not focus on impact evaluation or cost-effectiveness, but simply on measuring and collecting data on program services. He argues this can provide valuable information about how the program operates or how services are delivered and the challenges that need to be overcome in order to affect recipients' outcomes. At the very least this information can improve program management. This information also is essential for considering whether it is appropriate and a good use of resources to initiate an impact evaluation of these programs and services.

As mentioned above, one goal of the conference was to align the interests of researchers and practitioners. We asked Edwin Meléndez, who has also been in positions where he spearheaded specific work development programs, to discuss program service delivery from a research and practice perspective. Meléndez noted that these programs vary tremendously not only in the resources they use but also in the practices they implement and how they actually think about the factors that affect outcomes. An example is labor market intermediaries. Intermediaries are in essence “firms” that mediate the collective actions of employers in the provision of general training. Some of them are very effective in bringing employers together to structure a training program. In terms of the practices they implement, some are too specific to be replicable in other industries. Many intermediaries are very context-dependent, and practices in one industry are likely to be ineffective in others. We have a highly disconnected system, Meléndez said: “Intermediaries have scrap money from all kinds of places.”

The problem of coordination raised by Meléndez corroborates comments made by Bob Giloth, who talked about the problem of “multiple silos” in the workforce development field. Giloth illustrates the scope of the problem: “A few years ago, GAO counted a hundred different federal workforce programs. Pennsylvania alone had 49. In neighborhoods, you often see seven or eight public investors spending \$8 million to \$10 million with different, unrelated objectives, and different perceptions of the problem.” He adds: “It is important to make these pieces work together, because it’s not simply an inefficient use of money, it means that the transitions for a lot of the folks we work with are not well crafted.”

One final challenge Meléndez noted is that we need more effort to create ongoing evaluation mechanisms, with practitioners thinking about the logic of the service model that affects outcomes for participants. Learning about effective program design and practices works best when these are embedded within the program and function on day-to-day operations. Practitioners have to be trained to be critical thinkers who can incorporate analysis, systematize data collection, implement effective practices, and reflect on what they do. Success depends on empowering the staff on the front line to assess and change the program as they implement it and to effect change in the services that they deliver.

CONCLUSION

Opportunities and Challenges

In conclusion, I outline below challenges and opportunities we face as we move forward in addressing the economic mobility of workers. I draw from the research findings as well as the more compelling examples of best practices, program evaluations, and social and institutional challenges illustrated by researchers and practitioners.

Educating and training workers to redress mismatch of skills with jobs

The chapter by David Autor highlights that job growth will be concentrated among both highly education-intensive “abstract” jobs and comparatively low-education “manual” jobs. This bifurcation presents both challenges and opportunities. As Autor says, the rising productivity of highly educated workers is good news. But the growing importance of manual and service tasks presents a challenge. As he points out, “the positive news about rising demand for in-person service occupations is that it will tend to increase the earnings of less-educated workers. The less favorable news is that wages for those at the bottom will remain low and will not be enough to ensure mobility for these workers. This result suggests that it is still important to improve economic opportunities for these workers.

From an education policy perspective, although earnings growth in low-education jobs exceeds that in middle-education jobs, earnings levels are still considerably higher in middle- than in low-education jobs. Such investment in high-quality universal education remains vital to endow future workers with better earnings prospects when they later enter the workplace. On an immediate basis, the question remains how to promote education among adult low-wage workers whose skills may not be readily transferable or adaptable to the changing labor market.

Advances in information and communication technology are changing the labor market in an unpredictable fashion. For example, the range of services that can be outsourced and performed outside the United States continues to expand, as Alan Blinder discussed. Consequently, many workers will become displaced. The effects of this are uncertain.

To the extent that resources are reallocated to areas where we have comparative advantage, it is possible that the net effect on jobs in the future could still be positive. However, it is also possible that the loss of jobs, if not addressed, could lead to downward economic mobility of workers and large societal losses. It is challenging at best to predict what specific jobs in what industries and occupations will see rises or declines in the future, and when and how to equip workers with the training that will enable them to adapt to a changing economic landscape.

Vocational education opportunities, such as community college education and job training programs for adult workers and nontraditional students, must be part of a comprehensive strategy to address mismatches between job requirements and worker skills. The challenge remains to improve retention in educational programs and ensure accessibility and affordability for many low-wage working students and nontraditional students who could benefit most by enhancing their skills. Several creative suggestions, such as tying low-income assistance dollars (TANF and WIA) to longer community college training, have been offered.

Extending low-income assistance like the EITC and supporting work in a comprehensive manner

Programs such as the EITC that provide support and incentives for employment have been shown to increase earnings and employment. This result was particularly evident for former welfare recipients and single women with children when the economy was healthier. It remains a challenge for policymakers to structure income redistribution programs like the EITC in a way that retains incentives for productive work. Currently, researchers suggest the possibility that the EITC (which is available only to working taxpayers) could lead individuals who are in the phaseout region of the credit to reduce the number of hours worked. Even so, most experts agree that the EITC should be continued and even expanded. A number of groups, such as single men, single women, and some low-income married couples, do not benefit from the current EITC structure. Moreover, the current benefit structure is the same for a family with three or more children as it is for one with two children—although it has been found that the former have fewer resources to devote to food, housing, and other consumption items compared to single mothers with two or fewer children. The EITC should

be expanded for these larger families. Indeed, it will be important to consider amounts by which the EITC should be expanded.

Earnings supplement programs (which encourage work by either directly subsidizing earnings or easing the benefit reductions from the welfare system) do not only affect a family's income, they have been found to have generally positive developmental effects for young children. Early childhood seems to be a particularly sensitive period, when a higher income can allow families to avail themselves of higher-quality child care and provide more learning tools at home. As such, earnings and employment programs that approach mobility in a broader sense—those that target intervention to match the various needs of low-income families to balance their lives, such as programs with child care components—remain possibly one of the best ways for society to allocate its scarce resources.

There are many promising and innovative for-profit and non-profit efforts and programs, which generally come under the umbrella of workforce development, that help connect low-wage workers and more disadvantaged workers, including hard-to-employ ex-offenders, to greater economic opportunities. Most practitioners agree that workforce development programs work best when they are woven into an overall strategy to address the multipronged issues that prevent employment and result in economic distress. A combination of simultaneous efforts is likely to work best. These efforts would include addressing transportation, housing, and child care needs, as well as an emphasis on early prevention, job training, and placements into high-quality jobs.

Addressing the spatial mismatch between inner cities and areas with job growth

Spatial mismatch between residents in the inner city and areas with job growth remains a potential problem. Housing allowances help potential workers move outside areas of minority and poverty concentration. These residential mobility programs, by moving individuals to better environments, create the potential for quick changes in their lives, especially with regard to heightened safety.

Attention must be given to how the housing voucher programs are crafted procedurally in order to ensure changes in labor market outcomes. One best practice noted is the necessity to incorporate counseling in service delivery.

Consideration must also be given to the supply side aspect of the housing mismatch problem, i.e., where people can afford to move and can be accepted. Efforts are needed to ensure greater affordability of housing in suburban job centers. Other possible responses include giving incentives to businesses to locate in poorer communities, and working with businesses to ensure affordable housing for their workers.

Evaluate the effectiveness of workforce development program and service delivery

While a number of employment and related workforce development programs have been evaluated, the cost-effectiveness of many programs has still not been established. Some programs may have high costs but still be viable on grounds of equity. Other programs have expenditures (per participant) that are quite small. Thus, even if they are effective, given the small level of funding, they may not be sufficient to lift people out of poverty. Policymakers must grapple with difficult choices, inherent in income redistributive initiatives, to ensure that they strike the right balance between upholding the right economic incentives for productive behaviors while providing insurance against economic and financial risks (Bernanke 2007).

Often community-based organizations are required by foundations and other entities that fund them to demonstrate a measurable impact of their programs. For example, an organization that is providing training to former welfare recipients may be called on to demonstrate the effectiveness of its training programs. With scarce resources on the line, it is reasonable to ask whether programs have measurable and economically relevant impacts. While this is a legitimate question, inherent problems with evaluation make it in some cases impractical for small, community-based organizations to engage in rigorous evaluation. For small, community organizations running workforce development programs, even if rigorous impact evaluation may not be feasible, measuring and collecting data on program services is still worthwhile. Practitioners trained and equipped to gather information can improve program management and help determine whether further assessment is necessary.

FINAL THOUGHTS

The conference “Strategies for Improving Economic Mobility of Workers,” on which this book is based, was unique in that it brought together groups of researchers and practitioners, individuals who too often do not come together, yet have a lot in common. The mixing of perspectives can be extremely helpful and enlightening, yet few opportunities exist to capture these diverse points of view. In the short term, these exchanges may have generated more questions than answers. However, I hope that the information in this book will spur more research on this important topic, and, even more importantly, will encourage more mutually beneficial interactions among researchers, practitioners, and policymakers.

Appendix 2A

Conference Agenda

Welcoming remarks by:

Charles L. Evans, president and chief executive officer,
Federal Reserve Bank of Chicago
Randall W. Eberts, president, W.E. Upjohn Institute
for Employment Research

DAY 1

Session I: Setting the Stage—Trends in Work, Wages, and Poverty

Chair: Maude Toussaint-Comeau, Federal Reserve Bank of Chicago

Presentations by:

David Autor, Massachusetts Institute of Technology
Alan Berube, Brookings Institution
Peter Gosselin, Los Angeles Times

Session II: Spatial Mismatch—Moving to Work, Networks, Business Incentives

Chair: William Testa, Federal Reserve Bank of Chicago

Presentations by:

James E. Rosenbaum, Northwestern University
William Spriggs, Howard University
Frank Beal, Chicago Metropolitan 2020
Robin Snyderman, Metropolitan Planning Council

Discussant: Daniel McMillen, University of Illinois at Chicago

Session III: Income Support, EITC, Welfare-to-Work

Chair: Bhashkar Mazumber, Federal Reserve Bank of Chicago

Presentations by:

Molly Dahl, Congressional Budget Office
Hilary Williamson Hoynes, University of California, Davis
Susan Houseman, W.E. Upjohn Institute for Employment Research

Discussant: Thomas DeLeire, University of Wisconsin–Madison

Session IV: Workforce Development—The Power of Public/Private Partnerships

Chair: Maria Hibbs, The Partnership for New Communities

Panelists:

Evelyn Diaz, Mayor's Office, City of Chicago

Donald Sykes, Mayor's Office, City of Milwaukee

Robert Straits, W.E. Upjohn Institute for Employment Research

Brenda Palms-Barber, North Lawndale Employment Network

Bob Giloth, Annie E. Casey Foundation

Keynote address: Alex Kotlowitz

Keynote lecture: Alan S. Blinder, Princeton University

DAY 2

Welcoming Remarks: Daniel Sullivan, Senior Vice President and Director of Economic Research

Session 1: Evaluations of Training and Vocational Programs

Chair: Alicia Williams, Federal Reserve Bank of Chicago

Presentations by:

Robert J. LaLonde, University of Chicago

Burt S. Barnow, Johns Hopkins University

John H. Tyler, Brown University

Discussant: Kristin F. Butcher, Wellesley College

Session 2: Financial Aid, Education, Employment Prospects

Chair: Lisa Barrow, Federal Reserve Bank of Chicago

Presentations by:

Harry J. Holzer, Georgetown University

Bridget Terry Long, Harvard University

Lashawn Richburg-Hayes, MDRC

Session 3: Where to Go from Here—Policy Panel

Chair: Unmi Song, Lloyd A. Fry Foundation

Panelists:

Bruce D. Meyer, University of Chicago

Greg Duncan, Northwestern University

Edwin Meléndez, New School University

Keynote address: Edward Lazear, chairman, President's Council of Economic Advisers

Notes

The views expressed are the author's and do not necessarily reflect those of the Federal Reserve Bank of Chicago or the Board of Governors of the Federal Reserve System. I thank Ludovic Comeau Jr. for planting the seed of the idea of the conference in my mind and for valuable assistance. I thank Alicia Williams, Dan Aaronson, and Bruce D. Meyer for valuable comments and suggestions.

1. The full text of his essay is contained in the September 2008 issue of *Profitwise News and Views*, a newsletter published by the Federal Reserve Bank of Chicago's Consumer and Community Affairs Division. It can be found at http://www.chicagofed.org/community_development/files/PNV_Sep2008_ReEd_FINAL_WEB.pdf (accessed April 28, 2009).
2. For the conference agenda, see Appendix 2A.
3. This chapter makes specific mention of and reviews presentations that were given in a formal manner. Although not discussed in this chapter, a panel of practitioners at the conference talked about their programs in a less structured format. They include Evelyn Diaz, deputy chief of staff to Mayor Daley; Bob Giloth, director of Family Economic Success at the Annie E. Casey Foundation; Don Sykes, president and CEO of the Milwaukee Area Workforce Investment Board; Bob Straits, administrator of the W.E. Upjohn Institute and director of the Kalamazoo County and St. Joseph County Michigan Works Agency; Brenda Palms-Barber, CEO of the North Lawndale Employment Network in Chicago; and Maria Hibbs, executive director of the Partnership for New Communities, who served as moderator for the practitioner panel. See my article in the Federal Reserve Bank of Chicago's Consumer and Community Affairs publication *Profitwise News and Views*, September 2008, for a detailed description of their programs and related comments (Toussaint-Comeau 2008).
4. A low-wage worker, or a member of the working poor, is defined as one who works at least 37 weeks a year but whose total annual family income falls below the federal poverty level (an annual threshold based on census data). In 2005, this figure was \$15,735 for a family of three.
5. Cited in Berube (2007a).
6. See for example, Hacker (2006) and Gosselin (2005).
7. Greg Duncan made these comments at the "Strategies for Improving Economic Mobility of Workers" conference as one of the panelists (along with Bruce D. Meyer and Edwin Meléndez) in the last session, "Where to Go from Here—Policy Panel." This panel helped synthesize the messages from the papers and presentations.
8. Greg Duncan led the evaluation of the program. See Duncan, Huston, and Weisner (2007).
9. Debates about causes of the trends in wage inequality are plentiful. More recent trends in wage inequality have been linked to a number of factors. To mention a few, Pierce (2001) suggests that nonwage compensation patterns contribute to

increased inequality in total compensation. That is, nonwage income and benefits, which primarily go to high-wage workers, have increased with such significance in recent decades that they also are contributors to the spread between top and bottom wage levels. Other arguments point to institutional factors instead, such as decrease in unionization. For example, Card, Lemieux, and Riddell (2003) suggest that the deceleration of unionization rates in the 1970s and 1980s has negatively impacted earnings equality. Various aspects of globalization have also been reported to be linked to wage inequality (Sachs and Shatz 1996). Interestingly, the lack of uniformity in wage distributions has been traced as far back as the beginning of the twentieth century (Steelman and Weinberg 2005). In the 1900s wage inequality widened because of the introduction and increased use of electricity and new machineries, which decreased the demand for ordinary laborers. However, by the middle part of the century, demand- and supply-side factors (e.g., increases in the supply of college-educated workers and an upsurge in the demand for labor-intensive skills) depressed wages at the top and caused “compression” in the wage structure, thus reducing inequality. The trend towards wage dispersion resumed only around the 1970s, when information technology started spreading.

10. Some authors suggest that the increase in the wage gap in the 1980s may have been a temporary shock. They point to the fact that the 1990s experienced more modest growth in wage inequality despite the fact that there was strong technological progress (Card and DiNardo 2002; Lemieux 2006). Another argument that challenges the skill-biased technological growth idea is the occurrence of residual inequality, that is, inequality within groups with similar education or experience. For example, people with the same level of education may have differences in wages—although some might argue that these differences may be due to unobservable characteristics, such as school quality or motivation of workers.
11. The keynote presentation was based on two Princeton University Center for Economic Policy Studies working papers: “How Many U.S. Jobs Might Be Offshorable?” (Blinder 2007a) and “Offshoring: Big Deal or Business as Usual?” (Blinder 2007b).
12. Trade adjustment assistance and unemployment insurance are ways to address workers’ displacement. Title III of the Work Investment Act provides for the Dislocated Worker and Employment and Training activities, which allocate about \$1 billion a year to helping workers who are displaced by plant closings or outsourcing. It does this by providing them with job search and relocation allowances and trade adjustment allowances after their unemployment insurance has run out, so long as the individuals show proof of continuing certified training (Page and Simmons 2002).
13. A comprehensive summary of the academic literature on the spatial mismatch hypothesis is provided in Kain (1992).
14. For example, Hughes (1989) outlines the following mobility strategies to combat spatial mismatch: 1) provision of job training to the would-be workers for suburban labor market-specific jobs in retail, back office, etc.; 2) creation of a job information system to match the residents to suburban employers; 3) restructuring the transportation system; 4) provision of day care facilities and subsidies

- to parents of young children; 5) increasing the level of earned income tax credit for the low-income in entry-level jobs; and 6) modifying policing and correctional practices to protect residents in the ghetto from predatory criminals in their midst. Some of Hughes' policy prescriptions were also offered by Kain and Persky (1969) much earlier. In addition, Kain in various publications recommended some more entrenched measures. In the area of schooling, Kain proposed various strategies to ensure increased integration of schools, including busing and giving generous federal or state subsidies that pay participating suburban communities significantly more than the marginal costs of educating minority children from the central cities. In the area of housing he advocated the following: 1) aggressive enforcement of federal, state, and local fair-housing statutes and strong enforcement of HUD affirmative marketing plans for federally assisted rental housing; 2) continued efforts to provide scattered-site public housing and a prohibition on the construction of new subsidized units in minority neighborhoods; and 3) a housing allowance that would allow minorities to move outside of areas of minority concentration to reduce racial segregation.
15. The Metropolitan Planning Council is a regional policy-advocacy and technical-assistance organization that broadly focuses on the issues of sensible growth, economic competitiveness, and equity of opportunity. Created in 1934, it was originally called the Metropolitan Housing Council.
 16. The description of the WIA in this section is drawn from Page and Simmons (2002).

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