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Strategies for Improving Economic Mobility of Workers

The issue of economic opportunity for the disadvantaged has grown in importance as more and more statistical evidence shows 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. Some people are working but they remain poor, nonetheless. 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?

There are no simple solutions, but research should help to design more effective policies for helping low-income

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workers and the poor. In November 2007, the Chicago Federal Reserve Bank and the W.E. Upjohn Institute cosponsored a conference to generate dialogue on how to promote economic opportunities for disadvantaged workers. The goal was to present and synthesize fresh research on policies and initiatives affecting low-wage workers and other vulnerable or disadvantaged populations, to identify best practices in workforce development initiatives, and to extract lessons for devising effective policies. The conference provided a forum for researchers, public officials, and community development practitioners to discuss meaningful ways to implement some of these ideas.

The forthcoming book *Strategies for Improving Economic Mobility of*

Workers, which will be published by the Upjohn Institute in 2009, is an outgrowth of the conference. It presents a compilation of papers from leading experts commissioned to write about ongoing and emerging issues facing policies affecting the poor. The chapters that will appear in the book address the following specific questions:

- What are the trends in wages, work, occupations, and economic resources—the “material circumstances” of low-income workers—and what are their implications for economic mobility?
- How well do education retention programs work in meeting the needs of low-income adults?
- What are the shortcomings of financial aid policies in serving nontraditional students, and how can policies be altered to better serve them?
- How effective are residential mobility programs?
- How effective are the Earned Income Tax Credit (EITC) and welfare reform in improving the lives of single women with children?
- How effective are various workforce investment programs in linking workers to jobs and to greater economic opportunities?
- How well do correctional programs work in helping ex-offenders reenter the labor market?
- In evaluating community-based programs and services, what should practitioners know about the limits of such evaluation and what should they do?

Chapter Content

The first chapter of the book includes an overview of the research

and discussion from the conference. It summarizes the specific contributions of the speakers and topics included in the volume and concludes with an outline of the recurring themes of the conference, drawing from some of the lessons learned from the diverse perspectives, and identifying key challenges and opportunities.

The remaining chapters each tackle aspects of the questions outlined above, identify major trends and problems, assess what new research informs us regarding the effectiveness of the policies in redressing the challenges,

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and offer alternative policies where needed. Collectively, the chapters offer a provocative look at the effectiveness of many major policies and programs.

Trends in Wages, Employment, and Poverty—Low-Income Assistance Policy

The first three chapters of the volume provide analyses and research surrounding the “material circumstances” (wage, income, employment, and poverty trends) of low-wage workers in the United States. These trends provide important background for any policy considerations targeted on the mobility of workers today.

David Autor sets out the main facts about recent trends in wage and occupations for low-income workers. In his chapter, “Past Trends and Projections in Wages, Work, and Occupations in the United States,” he confirms that increased economic inequality is evident. The income level for families at the lower rungs of the income distribution is probably insufficient for them to make optimal investments in child-rearing and education. This suggests that mobility over the lifetime and across generations could be more limited for such families.

This chapter is compelling in its demonstration of what is referred to as “a process of employment ‘polarization’—in which job growth is concentrated among both highly education-intensive ‘abstract’ jobs and comparatively low-education ‘manual’ jobs.” Such polarization presents both challenges and opportunities. As Autor writes, the rising productivity of highly educated workers is encouraging, but the growing importance of manual and service tasks presents a challenge. “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 would not be enough to ensure mobility for these workers.”

Wage data may not give us the full picture of the true economic conditions of low-wage workers, since these workers may receive assistance such as Food Stamps and Medicaid. Bruce 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 Meyer’s research shows that if we look at consumption poverty numbers, there are causes to be somewhat more optimistic about the true “material” circumstances of people. From 1988 to 2005, the percentage of people who were poor, as measured by consumption poverty, fell.¹ For example, by 2004, while the official income poverty rate was close to 14 percent, the rate was only 5 percent if measured by consumption income adjusted for inflation. Meyer also notes that, similarly, the living standards of people in the United States have improved more than official measures suggest, once one accounts properly for inflation. Although this research is encouraging, it does not eliminate the need for policy. On the contrary, as Meyer proposes, some of the policies and initiatives (such as the EITC, welfare

reform, and economic growth) have worked and should be maintained and extended.

Hilary Hoynes gives a brief history of the EITC and welfare reform and analyzes what they entail for trends in employment. In her chapter, “The EITC, 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 less education, the latter of whom tend to be more affected by EITC and welfare reform. No such improvement occurred for any other population groups. Hoynes argues that it is difficult to untangle the effects of EITC, welfare reform, and an

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expanding economy, all three of which were happening over the period covered by her analysis.

Education Retention Programs and Financial Aid

One recurring policy topic throughout the conference was access to education. The question remains how to promote education among adult low-wage workers whose skills may not be readily transferable or adaptive to the changing labor market. 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? Investment in education is vital to ensure that all workers have the skills necessary to adapt to a changing labor market. In addition, in the more immediate future, job and vocational education opportunities, such as community college education for adult workers and nontraditional students, must be part of a comprehensive strategy to address mismatches between job

requirements and worker skills. Retention in educational programs, accessibility, and affordability remain challenges for many workers who could benefit most by enhancing their skills. These are the themes of two chapters included in the forthcoming volume.

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

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 (8 out of 10 new jobs created over the next two decades will require some 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 to meet the needs of traditional-age college students and fails to address the needs of older, nontraditional students. Nontraditional students tend to be displaced and unemployed workers, welfare recipients, and have dependent children, among other characteristics. Financial aid is therefore particularly relevant for these groups. Yet the different ways in which the design elements of the current system (such as how needs analysis is applied to nontraditional students) and the number

of hours needed to meet enrollment requirements do not cater to the circumstances of these students. Long's chapter suggests several creative ways to reform the financial aid system and support low-income workers.

Spatial Mismatch

Spatial mismatch between residents in inner cities and areas with job growth remains a problem in moving certain segments of workers in the labor market. Housing allowances help these potential workers move outside areas of minority and poverty concentration. 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 Rosenbaum addresses the subject in his chapter, "Can Residential Mobility Programs Improve Human Capital? Comparing Two Different Programs." He analyzes the effects of two programs, the Gautreaux program in the Chicago area and the Moving to Opportunity for Fair Housing (MTO) program in five cities, and demonstrates that attention must be given to how the housing voucher programs are crafted procedurally in order to ensure improvement in labor market outcomes. Rosenbaum points out that building best practices into the program deliveries is as important as seeking to evaluate the outcomes. One best practice noted in a housing voucher program is the necessity to incorporate counseling in service delivery.

Workforce Development Policy and Program Evaluation

Four chapters focus on policies and programs that provide employment training and assistance, which generally fall under the umbrella of "workforce development" as ways to address specific needs of targeted disadvantaged individuals who have particular problems assessing the job market.

Harry 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, 3) and hard-to-employ ex-offenders.

Burt Barnow and Jeffrey 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 Workforce Investment Act, the Job Corps, and Worker Profiling and Reemployment Services. Barnow and Smith also discuss employer-focused programs, which provide on-the-job training, customized training, and sectoral training.

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Continuing with the theme of work training program evaluation but targeted to hard-to-employ/ex-offender populations, John Tyler and Jill Berk discuss the research results to programs designed to help ex-offenders reintegrate into mainstream society. The programs include the Center for Employment Opportunities program and the Serious and Violent Offender Reentry Initiative. Their chapter, "Correctional Programs in the Age of Mass Incarceration: What Do We Know About What Works?" also includes research findings on the effects of education and vocational programs on ex-offenders' earnings, based on administrative data from the state of Florida.

Robert LaLonde provides a provocative view of program evaluation.

In "Comparing Apples to Oranges when Evaluating Community-Based Programs and Services," he discusses the inherent (analytical and methodological) problems and challenges associated with evaluating the impact of programs from small community-based organizations. He suggests that, in many instances, organizations may be better off not diverting valuable resources on impact evaluation or cost-effectiveness. Instead, they may be better off simply measuring and collecting data on program services. LaLonde argues that 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.

Conclusion

Developments in the labor market, such as stagnating or declining real wages for low-skilled workers, compel us to pay attention to the particular economic circumstances of low-wage workers and reinforce the need for a better understanding of the policy dimensions affecting the poor. The chapters to appear in this book offer a provocative and nuanced assessment of the state and effectiveness of labor policy and practices geared to redress a number of issues affecting low-wage workers, hard-to-employ individuals, and other targeted populations.

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Note

1. Consumption poverty is a measure of income based on what a family actually consumes rather than its monetary income.