7-1-2001

Employment Research, Vol. 8, No. 3, July 2001

Follow this and additional works at: https://research.upjohn.org/empl_research

Citation

W.E. Upjohn Institute. 2001. Employment Research 8(3). [https://doi.org/10.17848/1075-8445.8\(3\)](https://doi.org/10.17848/1075-8445.8(3))

This title is brought to you by the Upjohn Institute. For more information, please contact repository@upjohn.org.

UPJOHN INSTITUTE

Employment Research

JULY 2001

Discrimination and Segregation
in Housing

Fighting Poverty with Labor
Demand Policies

2001 Grant Awards

Recent Books

Vol. 8, No. 3

Employment Research is published quarterly by the W.E. Upjohn Institute for Employment Research. Issues appear in January, April, July, and October.

The Institute is a nonprofit research organization devoted to finding and promoting solutions to employment-related problems at the national, state, and local level. The Institute is an activity of the W.E. Upjohn Unemployment Trustee Corporation, which was established in 1932 to administer a fund set aside by the late Dr. W.E. Upjohn, founder of the Upjohn Company, to conduct research on the causes and effects of unemployment and seek measures for the alleviation of the hardships suffered by the unemployed.

W.E. Upjohn Institute
300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686
(616) 343-5541
www.upjohninst.org

Randall W. Eberts
Executive Director

Kelly DeRango

Discrimination and Segregation in Housing

[Editor's note: This article is the last in a series on "Research Questions for the New Millennium." The series aims to identify research needed to inform employment policy in the near future.]

Here's a quick quiz: is housing today more or less racially segregated than in 1860, the first year of the Civil War? You might be tempted to answer "less segregated" based on the 30 years of racial progress that has followed the passage of major civil rights legislation in the 1960s. Besides, you answer, surely we live in a more racially integrated society today than the one in which slavery was still legal. Nevertheless, if you answered "less segregated," you would be wrong.

To understand this surprising result you need a brief review of the dissimilarity index, the standard measure of segregation in housing. A score of 0 corresponds to perfect integration and a score of 100 indicates absolute segregation. The index itself is typically interpreted as the percentage of the minority population that would have to move in order to achieve full integration. The average dissimilarity index calculated for free blacks and whites for residents in major northern cities in 1860 showed that about 45 percent of all blacks would have to move in order to fully integrate the

typical city. In the South that number was closer to 30 percent. The latest figures from census 2000 show that in the 50 cities with the largest black populations, the median dissimilarity index is 65. The most segregated city in the United States, Detroit, has a dissimilarity score of 85 (Lewis Mumford Center 2001).

Table 1 makes it clear that the intense social isolation of racially homogeneous ghettos is a construction of the early industrial era. Each row shows the dissimilarity index for selected northern cities from 1860 to 2000. A confluence of formal legal barriers and informal social hostilities—see Massey and Denton (1993, Chapter 2) for a fuller discussion of these factors—caused the average segregation level to double from 46.6 to 89.2 in the period from 1860 to 1940. Since 1940, segregation has decreased but at a relatively slow rate. Consider for a moment that the average dissimilarity index for cities in Table 1 has declined 17 points in 40 years, or about 4 points per decennial census. At this rate of decline, these particular cities would not reach segregation levels lower than those in 1860 until the year 2060.

A growing number of studies suggest that racial segregation in housing may have a profound effect on our society. For instance, Cutler and Glaeser (1997) estimate that a one-standard-deviation

decline in black/white segregation would narrow the black/white gap in schooling (high school and college graduation rates), employment (labor force participation rates and earnings), and single parenthood by about one-third. Recent reviews (Kain 1992; Holzer 1991) of the spatial mismatch literature indicate that the employment prospects of central city residents, especially young and unskilled laborers, have been adversely affected by a geographic shift in the location of entry-level jobs away from traditionally black and Hispanic central cities and toward typically white suburban areas. Thus, by isolating minorities to low-job-growth areas, racial segregation increases spatial mismatch and contributes to poor labor market outcomes. Other studies have linked high levels of racial segregation to poor educational attainment (Orfield 1997), increased infant and adult mortality rates (La Viest 1993; Collins and Williams 1999), increased homicide rates (Peterson and Krivo 1999), and even decreases in voter turnout (Cohen 1983).

Racial segregation in housing is caused by three principal factors: voluntary sorting, interracial differences in socioeconomic status, and discriminatory practices perpetuated by rental agents and realtors. The first factor, the preferences that people have over the racial composition of their neighborhood, is not directly controllable through legislation (although its impact on segregation is undeniable). Segregation in housing would be of considerably less interest to social scientists if voluntary sorting were its only cause. When studying segregation in housing, social scientists typically ignore the effect of voluntary sorting and search for empirical strategies that allow them to quantify the impact of either differences in socioeconomic status or involuntary sorting caused by discriminatory practices. Almost no research exists to date that decomposes black/white segregation into these three components.

There is little evidence that the second factor, differences in income, wealth, and educational attainments, has a large effect

on segregation levels. Studies that calculate segregation indices for blacks and whites in different income groups report very little variation in segregation levels as incomes rise and fall. For instance, using data from the 1980 census, sociologists Douglas Massey and Nancy Denton (1993) calculated the dissimilarity index for blacks and whites with incomes below \$2,500, between \$25,000–27,500, and above \$50,000 for 30 major metropolitan areas. The average indices by income group for the northern cities examined were 85.8, 80.7, and 83.2, respectively. A similar pattern held for cities in the South. There is little evidence that racial segregation in housing is in fact a by-product of economic stratification.

Given the deleterious effects of segregation, public policy should be directed at educational efforts and enforcement measures of fair housing laws.

The third factor, discrimination in housing markets, is perhaps the most important factor because it not only substantially increases segregation but is also amenable to policy measures. Despite the passage of civil rights legislation in the 1960s that granted minorities the legal right to equal access in housing, there is evidence that discrimination persists. National audit studies conducted by the Department of Housing and Urban Development that send pairs of black and white testers to visit realtors and rental properties revealed that blacks are likely to be given less information on housing availability than are their white counterparts in approximately one out of every five visits. The most egregious form of discrimination in housing availability—telling minorities that a property is not for rent or for sale when the white tester is told the opposite—occurs about 7 percent of the time in the sales market and about 10 percent of the time in the rental market (Yinger 1992).

This high incidence of discrimination in housing markets affects segregation through two mechanisms, one direct, the other indirect. The direct mechanism is the most obvious: blacks who seek apartments or homes in white neighborhoods often find those efforts stymied. Minorities are more likely to find housing in areas predominantly populated by minorities because information about such properties is more readily available.

The second mechanism involves the effect of discrimination on the search behavior of blacks looking for homes and apartments. Research has shown that blacks utilize the services of realtors in much lower numbers than whites and that a large part of this differential is due to the fear of experiencing discrimination (Farley et al. 1979). Realtors are losing business because minorities dread the humiliation associated with discrimination. To avoid discrimination, minorities appear to minimize their exposure to situations that could potentially end in disparate treatment. While there are few empirical studies of housing search behavior, it is not hard to imagine that this fear of discrimination affects other aspects of minority search patterns that exacerbate racial segregation. A logical extension of Farley's findings is the possibility that minorities are less likely to search for housing in predominately white areas, not because they find those areas unappealing per se, but because they fear the increased likelihood of experiencing discrimination.

Given the deleterious effects of segregation mentioned above, public policy should be directed at educational efforts and enforcement measures of fair housing laws that might decrease the incidence of discrimination, lower involuntary segregation, and lead to a more integrated society. Fortunately, there are some simple measures that may reduce both racial discrimination and segregation in housing.

The first measure is the implementation of community education programs focusing on fair housing laws and compliance. The second involves using housing audits to investigate fair

Table 1 Segregation (Dissimilarity Index) in Selected Northern Cities, 1860–2000

City	1860	1910	1940	1970	2000
Boston	61.3	64.1	86.3	79.9	65.7
Chicago	50.0	66.8	95.0	88.8	80.8
Cincinnati	47.9	47.3	90.6	83.1	74.8
Cleveland	49.0	69.0	92.0	89.0	77.3
Indianapolis	57.2	NA ^a	90.4	88.3	70.7
Milwaukee	59.6	66.7	92.9	83.7	82.2
New York	40.6	NA	86.8	73.0	81.8
Philadelphia	47.1	46.0	88.8	83.2	72.3
St. Louis	39.1	54.3	92.6	89.3	74.3
San Francisco	34.6	NA	82.9	55.5	60.9
Wilmington	26.1	NA	83.0	NA	53.5
Average	46.6	59.2	89.2	81.4	72.2

SOURCE: For 1860, 1910, and 1940, Massey and Denton (1993, Table 2.1, p. 21); for 1970, Massey and Denton (1993, Table 2.3, p. 47); for 2000, Lewis Mumford Center press release (2001).

^aNA = data not available.

housing complaints. Depending on the severity of the infractions and the strength of the evidence, the most appropriate result of an enforcement audit may be either education or legal actions.

The third measure is performing audits that measure the overall incidence of housing discrimination in the community and publishing the results in a widely read forum, such as the local newspaper. The purpose of this last measure is twofold. First, it monitors the effectiveness of the first two measures. If education and enforcement activities produce the desired results, then the overall incidence of housing discrimination should decline with time. Second, credible evidence that racial discrimination in housing is declining may induce minorities to increase their search efforts for housing in predominantly white areas.

Unfortunately, the effectiveness of these measures on either search behavior or the discrimination rate is simply unknown. Research to date on segregation in housing has focused on questions such as "Does discrimination still exist in housing markets?" and "Can housing segregation simply be a result of

economic status?" and has left the question of how discrimination causes segregation largely unexplored. The answers to basic questions, such as what the response of segregation is with respect to the discrimination rate, how the discrimination rate varies under different enforcement regimes, and whether discrimination in housing is pro- or countercyclical, are unknown at this time. Given the sizable effect of segregation on economic and social outcomes, it is reasonable to believe that new empirical research clarifying the relationship between search, discrimination, and segregation may be welcomed not only by other social scientists, but by policymakers as well.

Suggested readings

Collins, Chiquita, and David R. Williams. 1999. "Segregation and Mortality: The Deadly Effects of Racism." *Sociological Forum* 74(3): 495–523.

Cutler, David M., and Edward L. Glaeser. 1997. "Are Ghettos Good or Bad?" *Quarterly Journal of Economics* 112(3): 827–872.

Cohen, C.J., and M.C. Dawson. 1983. "Neighborhood Poverty and African America Politics." *American Political Science Review* 88: 286–302.

Farley, R., S. Bianchi, and D. Colasanto. 1979. "Barriers to the Racial Integration of Neighborhoods: The Detroit Case." *Annals of the American Academy of Political and Social Science* 441: 97–113.

Holzer, H. 1991. "The Spatial Mismatch Hypothesis: What Has the Evidence Shown?" *Urban Studies* 28: 105–122.

Kain, John F. 1992. "The Spatial Mismatch Hypothesis: Three Decades Later." *Housing Policy Debate* 3: 371–460.

LaViest, Thomas A. 1993. "Segregation, Poverty and Empowerment: Health Consequences for African-Americans." *Milbank Quarterly* 71(1): 42–64.

Lewis Mumford Center. 2001. "Metropolitan Racial and Ethnic Change – Census 2000." Press release, <http://www.albany.edu/mumford/census/>.

Massey, D., and N. Denton. 1993. *American Apartheid*. Cambridge, Massachusetts: Harvard University Press.

Orfield, Gary. 1997. "Does Segregation Help Close the Gap?" *Journal of Negro Education* 66: 241–254.

Peterson, Ruth, and Lauren Krivo. 1999. "Racial Segregation, the Concentration of Disadvantage and Black and White Homicide Victimization." *Sociological Forum* 14(3): 465–493.

Yinger, J. 1992. "The 1989 Housing Discrimination Study: Results and Implications." In *Clear and Convincing Evidence*, Michael Fix and Raymond Struyk, eds. Washington, D.C.: The Urban Institute Press.

Kelly DeRango is a research fellow at the W.E. Upjohn Institute for Employment Research.

2001 Grant Awards

The W.E. Upjohn Institute has made its Grant Program awards for 2001 and extends its congratulations to the recipients. Six grants were awarded this year. The recipients and their projects are as follows:

- Marcy Whitebook, University of California, Berkeley: "Then and Now: Changes in Child Care Staffing, 1994–2000"
- Wayne Vroman, The Urban Institute: "Unemployment and Employment Protection: An International Analysis"
- Brian Klaas and Hoyt Wheeler, University of South Carolina: "Workplace Justice without Unions"
- John Formby, University of Alabama: "The Minimum Wage, Earned Income Tax Credit, Payroll Taxes, and Poverty"
- Gregory Acs and Pamela Loprest, The Urban Institute: "Leaving Welfare: Employment and Well-Being of Families that Left Welfare in the Post-Entitlement Era"
- Western Michigan University: Department of Economics Guest Lecture Series 2001–2002.

Also awarded this year were 10 mini-grants. The recipients and their projects are the following:

- Catalina Amuedo-Dorantes, San Diego State University: "Wage Dynamics for Temps and Perms: The Role of Geographic Mobility"
- Eric Bettinger and Robert Slonim, Case Western Reserve University: "The Effect of Educational Vouchers on Academic and Non-Academic Outcomes: Experimental Evidence from a Natural Experiment"
- Alan Durell, Dartmouth College: "Fairness as a Constraint on Wage Setting"

- Kay Glasgow, California Polytechnic State University: "NUEWO: New Understanding of Employment and Work Organization"
- David Greenberg and Mark Shroder, University of Maryland, Baltimore County: "Proposal for a Supplement to *The Digest of the Social Experiments*"
- Brent Kreider and John Pepper, University of Virginia: "The Effects of Health Status and Disability Insurance Policy on Labor Force Participation: Reevaluating the Existing Evidence in Light of Reporting Errors"
- Kevin Lang, Massachusetts Institute of Technology: "Voluntary Desegregation and Human Capital Acquisition in Recipient School Districts"
- Robert Oxoby, University of Calgary: "Motivating Work Teams: A Behavioral Economic Analysis"
- Kimberlee Shauman, University of California, Davis: "Family Migration: Causes and Consequences for Men and Women in Dual-Career Couples"
- Kosali Simon and Daniel Rosenbaum, Cornell University: "Health Benefits in the Low-Wage Sector: The Effect of Medicaid Expansions, Labor Market Conditions and Rising Health Insurance Costs."

Earle to Join Institute

John S. Earle will join the staff of the W.E. Upjohn Institute as a senior economist late in 2001. Prof. Earle earned his Ph.D. from Stanford University in 1988 and was a Fulbright Scholar in Vienna in 1988 to 1990. He currently holds positions at the Stockholm School of Economics and the Central European University, and he has been the director of the Central European University Labor Project since 1994. Some of his other professional work has been for the World Bank, the Institute for the Study of Labor at the University of Bonn, the Russian-European Centre for Economic Policy, and the William Davidson Institute at the University of Michigan.

Earle has written widely on European economics and is a frequent speaker at economics conferences. He has coauthored several books on the economics of privatization in Central and Eastern Europe, including *Small Privatization* (London: CEI Press, 1994) and *Privatization in the Transition to a Market Economy* (London: Pinter and New York: St. Martin's, 1993). Three of his books have been translated and published in several Eastern European languages. Earle is currently working on two new books on economics in Russia and Eastern Europe.

Prof. Earle also has notable talents outside the realm of economics, perhaps foremost of which is being a concert pianist. He received a bachelor's of music degree in piano performance from Oberlin College and Conservatory as part of a double degree program in music and economics. He has performed in Europe and competed in the prestigious Tchaikovsky Piano Competition in Moscow. The Institute looks forward to having Prof. Earle on its senior staff.

Timothy J. Bartik

Fighting Poverty with Labor Demand Policies

In my new book, *Jobs for the Poor: Can Labor Demand Policies Help?*, I argue that U.S. antipoverty policy would be more effective with a more balanced use of labor demand and supply policies. Current U.S. policy overemphasizes labor supply policies. The book suggests new labor demand policies to increase both overall labor demand and labor demand for the poor.

Labor supply policies directly interact with the poor to increase their labor supply, job skills, or wages. Examples of labor supply policies include welfare reform, job training, and the Earned Income Tax Credit (EITC). *Labor demand* policies directly interact with employers to affect the number of poor persons hired. Examples of labor demand policies include public works programs of the 1930s, public service jobs funded by the Comprehensive Employment and Training Act during the 1970s, and tax credits for employers hiring the disadvantaged (1970s to the present).

What are the arguments for greater use of labor demand policies? The first is that despite the economic boom of the 1990s, more jobs are still needed by America's poor. For example, in order for each poor, non-elderly U.S. household to have one full-time, full-year worker, we would need 9 million more full-time, full-year jobs. Employment rates for low-education groups are still low compared to past norms. For example, suppose our goal was to increase the employment rates of all working-age heads of households without a college degree to the employment rate that similar white males experienced in 1979. Achieving this goal would require 5 million more jobs.

A second argument for labor demand policies is that labor supply policies by

themselves have significant limitations. One limitation is that it is difficult or costly (either financially or socially) for labor supply policies to cause large increases in the employment of the poor. Welfare reform has pushed over a million persons into the labor force, but 40 percent of these new labor force entrants are not employed, which is a significant social cost. Job training programs have benefits that exceed their modest costs, but their benefits are also modest (an increase in earnings of perhaps \$1000 annually per trainee). Wage supplements to the poor such as the EITC help many working Americans out of poverty but usually only have modest effects in increasing employment; for example, the EITC has increased employment by at most one-half million persons.

A further limitation of labor supply policies is that they cause displacement effects. When labor supply increases, labor demand does not instantly go up by the same amount. As a result, some jobs obtained by the new labor force participants result in fewer job openings for others. For example, estimates suggest that for every 10 jobs obtained by former welfare recipients, 3 to 7 jobs are lost by other less-educated workers.

A third argument for labor demand policies is that aggregate demand policies are necessary but insufficient to solve poverty. Estimates suggest that a 1 percent lower unemployment rate will lower the poverty rate by 0.3 percent to 0.9 percent, which would bring 0.9 million to 2.6 million people out of poverty; yet unemployment rates cannot be lowered sufficiently to solve poverty. In 1999, the U.S. unemployment rate was 4.2 percent and poverty was 11.8 percent. Even lowering unemployment to zero,

which is impossible, would not eliminate poverty.

A fourth argument is that targeted demand programs can be effective. Over the years, the United States has experimented with a number of programs that hire targeted low-employment groups for public service jobs or subsidized jobs with private employers. During the subsidy period, these programs typically result in huge increases in employment rates. It is common for the earnings or employment of the target group to increase by 60 percent or more of the earnings and employment subsidized by the program (Table 1). This means that these programs are effective in identifying individuals who otherwise would have been jobless. These targeted demand programs also usually yield jobs that are productive; employers often are surprised at the high productivity of these subsidized hires.

Targeted demand programs can cause significant earnings increases that persist long after the subsidy period. For example, the Supported Work program of the late 1970s yielded increases in earnings for former welfare recipients of about 25 percent of in-program earnings that persisted largely unchanged for at

Table 1 In-Program Impacts of Subsidized Jobs Programs

Program	Ratio ^a
Supported Work (1970s)	0.79
Youth Incentive Entitlement Pilot Projects (1970s)	0.61
Youth Corps (1990s)	0.57
New Hope (1990s)	0.68
Summer Youth Jobs	0.67

^aThis ratio shows the estimated net impact of the program on the employment and earnings of program participants during the period in which subsidized employment was provided divided by the employment or earnings directly provided by the program.

SOURCE: Bartik, Timothy J. 2001. *Jobs for the Poor: Can Labor Demand Policies Help?* Table 7.1, p. 182.

least eight years after the program. Why does short-run subsidized employment have long-run earnings effects? A plausible explanation is that a well-run subsidized jobs program increases workers' "soft" job skills. Soft skills include, for example, showing up at work consistently and getting along with supervisors, co-workers, and customers. Studies suggest that problems with soft skills explain why many disadvantaged workers lose their jobs. Soft skills are difficult to teach in a classroom; they are better learned through a supportive job experience.

What specific labor demand policies do I recommend? First, I recommend that the United States permanently enact a revised version of the New Jobs Tax Credit that was in place in 1977 and 1978. This revised tax credit would provide subsidies to all employers that expanded overall employment (not just jobs for the poor) above some baseline level if they are located in high-unemployment local labor markets. This subsidy would be credited against payroll taxes (the Social Security and Medicare trust funds would be reimbursed from general revenues), so the subsidy would encourage employment expansion by all employers: for-profit, nonprofit, and public. In periods of low national unemployment such as we have recently experienced, this tax credit would only apply to the few high-unemployment areas. Research shows that geographically targeting labor demand increases on high-unemployment local labor markets reduces inflationary pressures; but, if the U.S. economy went into a prolonged recession, the revised New Jobs Tax Credit would apply nationwide. Studies suggest that such a credit might offset about one-fourth of the normal job loss caused by a recession.

Second, I recommend we adopt a revised version of the MEED program used by the state of Minnesota in the 1980s. Local workforce boards would, on a discretionary basis, award wage subsidies to selected employers that hired selected individuals from disadvantaged groups. The subsidies could go to either public or private employers. To reduce displacement of current workers, the

subsidies could only go for newly created jobs. The subsidies would be targeted on individuals in poverty who are unlikely to find a steady job on their own, based on their own past history and the results of a trial job search. The subsidy period would be no more than six months, which is sufficient to provide training in soft skills. Preference in awarding subsidies would go to employers that can provide good on-the-job training in both soft and "hard" skills and that are willing to "roll over" subsidized hires into permanent jobs with some prospect for advancement.

Discretionary control of this program by local boards is a crucial distinction from our current tax subsidies to employers hiring the disadvantaged. Our current program is an entitlement that goes, for example, to many restaurants for hiring workers they would have hired anyway. Under a discretionary program, the wage subsidies can be more carefully targeted on both workers and employers. Wage subsidies should be limited to persons unlikely to find steady work in other ways and to employers that are willing to change hiring practices and provide career opportunities to those who are hard to employ.

Running these two demand programs at a level sufficient to make a large difference to poverty would require tens of billions of dollars per year in additional government spending or tax credits. However, no realistic antipoverty policy is cheap. The aggregate poverty gap in the United States—the difference between the incomes of the poor and the income needed to be out of poverty—is \$65 billion annually. Are we serious in promoting employment as a solution to poverty? If so, we must commit the resources needed to significantly increase the employment and earnings of the poor.

Timothy J. Bartik is a senior economist at the W.E. Upjohn Institute for Employment Research. Jobs for the Poor: Can Labor Demand Policies Help? is jointly published by the Russell Sage Foundation and the Upjohn Institute and is available for purchase at http://russellsage.org/publications/titles/jobs_poor.htm. The research for this book was supported by the Russell Sage and Rockefeller Foundations and the Upjohn Institute. This article and the book reflect the findings and views of the author and may not reflect the views of the sponsors of this research.

Seeking Manuscripts

The Institute publishes books on subjects of importance to policymakers, labor economists, and practitioners who study labor market problems and programs to address them.

The majority of the books we publish originate from our Grant Program or from the Institute's in-house staff of professional economists. However, we also invite submissions of publishable book-length manuscripts and proposals for books from outside scholars and policy analysts. These submissions will be reviewed promptly by Institute staff, and manuscripts that appear promising will receive external anonymous peer review.

Send your manuscript or proposal to

Dr. Kevin Hollenbeck
Director of Publications
W.E. Upjohn Institute
300 S. Westnedge Avenue
Kalamazoo, Michigan 49007

Recent Books on Health Care

The Political Economy of Health Care Reforms

Huizhong Zhou, editor

The calls for health care reform are as loud as they are persistent. A variety of stakeholders both inside and outside the health care industry regularly voice their concerns

about issues such as Medicare, managed care, health insurance and coverage for the uninsured, and the role of tax policy in health care. While

federal policymakers have so far failed to enact sweeping legislation addressing the nation's health care system, significant changes affecting health care financing, insurance, and service delivery have occurred.

The political implications and economic consequences of these reforms are the subject of this new book. The chapters, authored by a select group of leading health economists, provide insights valuable for evaluating further developments in what are sure to be ongoing and contentious health care reform efforts. Included are

- **The Not-So-Simple Economics (and Politics) of Medicare Reform,** Len M. Nichols
- **Managed Care and Social Welfare,** Laurence Baker
- **Covering the Uninsured,** Jonathan Gruber
- **Health Insurance and the Labor Market,** Brigitte Madrian
- **Health Care Consumer Choice,** Catherine G. McLaughlin
- **Positive Economics and Dismal Politics,** Robert B. Helms

180 pp. \$34 cloth ISBN 0-88099-224-7
\$15 paper ISBN 0-88099-223-9 / July 2001.

Read the first chapter on our Web site.

The Economics of Medicare Reform

Andrew J. Rettenmaier
and Thomas R. Saving

The authors propose a means for preserving Medicare as we know it. After detailing the reasons for Medicare's financial troubles, they

present a pre-paid, cohort-based financing plan that represents a fundamental departure from the generation-transfer method currently used. Their system requires each age

cohort to contribute to accounts that, by the time of their retirement, would contain a large enough sum to pay for their cohort's remaining lifetime health care expenditures.

This method, they say, eliminates the cohort size risk that faces us now due to the retirement of the baby boom generation.

"By moving to prepaid financing," say Rettenmaier and Saving, "we remove the disincentives to invest, and the nation will experience an increase in its capital stock and income. It is this increase in the capital stock and national income that provides the additional resources available to pay off most, but not all, of the current system's unfunded liability. There is no free lunch," they conclude, "but there is a considerably cheaper lunch that is of better quality than the one we are currently committed to buying."

190 pp. \$34 cloth ISBN 0-88099-212-3
\$17 paper ISBN 0-88099-211-5 / 2000.

Read the first chapter on our Web site.

Ensuring Health and Income Security for an Aging Workforce

Peter P. Budetti, Richard V. Burkhauser,
Janice M. Gregory, and H. Allan Hunt,
editors

During the next two decades, the number of older workers in the United

States will nearly double. This bulge, soon to be a conspicuous aspect of the aging baby boom generation, will require a transformation in the way public

and private programs are designed to support these individuals at work and in retirement. This volume presents a group of forward-looking papers that explore implications of an aging workforce for a number of social programs in the coming decades, while pointing to the critical policy issues we must face when growing numbers of older workers begin to strain the capacity of those programs.

"[The] contributors not only cover a wide range of issues but also analyze recent trends that will require new approaches which will challenge policy makers for years to come. Recommended for researchers, professionals, faculty, and undergraduate and graduate students engaged in policy studies, particularly concerning the aging workforce."

F.W. Musgrave, *Choice Magazine*

521 pp. \$45 cloth ISBN 0-88099-220-4
\$27 paper ISBN 0-88099-219-0 / 2001.

Read the first chapter on our Web site.

ORDER FORM

Book/Author	Qty Cloth	Qty Paper	Total Price
The Political Economy of Health Care Reforms Zhou	_____ @ \$34	_____ @ \$15	_____
The Economics of Medicare Reform Rettenmaier and Saving	_____ @ \$34	_____ @ \$17	_____
Ensuring Health and Income Security for an Aging Workforce Budetti, Burkhauser, Gregory, and Hunt	_____ @ \$45	_____ @ \$27	_____
Quantity Discount 5-9=10% 10-24=20% 25-99=30% 100 & up=35%			Minus discount _____
Shipping/Handling U.S.A. and Canada: \$3.50 first book, \$0.75 each additional book. Foreign: \$4 first book, \$1.50 each additional book.			Plus shipping _____
			TOTAL \$ _____

SHIP TO:

Name _____	Name _____
Organization _____	Organization _____
Address _____	Address _____
City _____ State _____ Zip _____	City _____ State _____ Zip _____

BILL TO: (must attach purchase order)

If an associate of yours would like to be on the mailing list for *Employment Research*, please check here ☐ and complete the "SHIP TO" information above.

To order a publication or request a catalog, mail, phone, fax, or e-mail:

W.E. UPJOHN INSTITUTE

300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686

Phone (616) 343-4330

Fax (616) 343-7310

E-mail publications@we.upjohninst.org

PAYMENT: All orders must include check, credit card information, or purchase order. Checks must be payable to the W.E. Upjohn Institute in U.S. funds drawn on a U.S. bank. All prices are subject to change without notice.

☐ check enclosed
☐ VISA
☐ MasterCard
☐ P.O. # _____

signature _____
 credit card # _____
 expiration date _____
 phone _____

July 2001

W.E. UPJOHN INSTITUTE
for Employment Research
300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686

Nonprofit Org. U.S. POSTAGE PAID Kalamazoo MI Permit No. 756
--