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ANTIPOVERTY POLICIES:

INCENTIVES AND WORK MANDATES FOR YOUNG MEN

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PARTICIPANTS:

PANEL ONE:

NEW IDEAS FOR ANTIPOVERTY POLICY

Moderator:

RON HASKINS

Senior Fellow, Economic Studies,

Co-Director, Center on Children and Families

The Brookings Institution

Panelists:

GORDON BERLIN

President, MDRC

DAVID BLANKENHORN

Founder and President, Institute for American Values

LARRY MEAD

Professor of Politics, New York University

HUGH B. PRICE

Senior Fellow, Economic Studies and Governance Studies

The Brookings Institution

PANEL TWO:

IMPLEMENTING ANTIPOVERTY POLICIES

Moderator:

ISABEL V. SAWHILL
Senior Fellow, Economic Studies; Co-Director, Center on Children and Families
The Brookings Institution

Panelists:

RICHARD CLAYTOR
Director of Fatherhood Initiatives
Massachusetts Department of Revenue, Child Support Division

ROBERT DOAR
Commissioner, New York City Human Resources Administration

HARRY HOLZER
Professor of Public Policy
Georgetown University Public Policy Institute

MINDY TARLOW
Executive Director and C.E.O.
Center for Employment Opportunities

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P R O C E E D I N G S

MR. HASKINS: Welcome to the Brookings forum on Poverty this morning. My name is Ron Haskins. I'm a Senior Fellow at Brookings and a consultant at the Annie Casey Foundation. And now that we have our obligatory A-B problem out of the way, I'd like to welcome you to this event.

This is actually a culmination of more than two years of work that we've been doing at Brookings, especially authors, conferences, and drafts of the papers and so forth. So I'm very pleased to release this volume this morning. We're also pleased that the Joyce Foundation provided support for this volume, and Jennifer Phillips from Joyce is here somewhere in the audience.

Thank you, oh, there she is over there on my right where it's good.

And I'd also like to thank all of the authors of the volume, as we always do when we release these volumes. We select a single issue so we don't try to give any huge overview of the volume. I'll give you a brief overview in just a minute. So I want to give my thanks to all the authors of the volume. You have the material in your folder; you can see who they are.

The reason that we're focusing on poverty -- there are several reasons, but here is a very good one, namely, that poverty has been very stubborn. We essentially have not reduced poverty since the early 1970s. Now, there're some exceptions. We've reduced poverty for the elderly quite a bit, and it's a very straightforward explanation: We gave them money. That's one way to reduce poverty. And we did it through Social Security. Biggest advance in Social

Security benefits so poverty among the elderly declined, and whereas throughout human history poverty among the elderly has been the highest poverty rate today in the United States, it's much lower than that for children, for example.

And the second example of where we've had some success was among single female-headed families, because so many mothers went to work during the 1990s, the second part of the 1990s when we had quite a substantial decline in poverty among female-headed families.

But still our poverty rate, as you can see, has not really gone down much, and so we really need to focus on poverty, and that's what we're doing with this volume. And, in fact, the charge we gave all the authors was to propose a single way to reduce poverty, to defend it, and to tell us how much it would cost.

And that's what every chapter in this volume does with one exception -- that's Becky Blank's -- because we realize, now clearly, that there are lots of low-income mothers who don't have income from employment or from government benefits because they've been cut off welfare or they didn't for some reason didn't want to go on welfare. And that group has approximately doubled over the last decade. So they need special attention, and Becky Blank's chapter does that.

But other than that, all the chapters in the volume have specific recommendations for reducing poverty and tell us how much it would cost.

Now, when Belle and I focus on poverty -- and this volume is not the only work; we devote a lot of attention to poverty and opportunity in America where, especially focused on opportunity, is kind of the next step beyond just

focusing on poverty. We want to make sure people have opportunity. And when we think about poverty, we go back to a study that Belle did with Adam Thomas, who I believe is here.

Adam Thomas finished a Ph.D. at Harvard and is not back at Brookings. And they did a very clever study. I'm not going to go into details, but the general idea of the study was simply if you look at the population of the United States, use a representative sample from the current population survey, and you vary one thing at a time, what impact would that have on poverty? So, roughly speaking, they way if we increased work, so if everybody worked full time at whatever wage they actually earned the previous year, or at a wage that people with their education earned, what would be the impact on poverty if they worked full time?

And then they also -- what if we had a higher marriage rate? Namely, the marriage rate we had in the United States in 1970, so it's not some pie-in-the-sky thing, this is an actual marriage rate; if everyone had at least a high school education; if no family had no more than two children -- I mentioned this two children in a speech in Salt Lake City a couple weeks ago, and a paper wrote an article about, you know, trying to control the size of families. They didn't like that at all. I noticed there was dead silence in the audience. I couldn't figure it out, though. I read that newspaper article and then I realized.

And double-cash welfare. And, roughly speaking, what each of these bar graphs shows you is how much you could reduce poverty if you just changed those things one at a time. So obviously, if you did a lot of these things,

you could reduce poverty even more.

But think of this: work reduces poverty 40 percent; increase marriage rates of the rate we had in 1970, even with the exact characteristics that the males and females who got married actually had in that year, would reduce poverty by almost 30 percent and so forth.

So Belle and I have been really guided by this almost as a model that we want to focus on work, we want to do everything possible to increase work. We want to focus on marriage and family formation and nonmarital births which are closely related to marriage and so forth.

So, as you can see from this next slide, our volume reflects this, and you have a handout of this. I'm not going to go through it right now, but you can see that that is really the focus of the task: work, marriage, and education are really the focus of the volume with a couple of exceptions.

So we're really pleased to have the volume done. We hope you enjoy reading the volume and learn a lot from it, and today we're going to focus just on poverty. And the reason we made that decision -- there are really two reasons: One is that young males have a lot of problems in American society today. The problems have gotten worse, crime rates are very high, school dropout, school failure, lack of college attendance, and if they go to college high drop-out rates and so forth. So young males are really one of the nation's leading problems.

So we asked two of the nation's leading scholars to address themselves to the issue of young males, and what we should do to help young

males. So Gordon Berlin is going to talk in a minute about his earned income tax credit expansion, and for those of you who regularly attend their bench, you know that the Mayor of New York came up here and stole Gordon's thunder.

Actually, I think the Mayor of New York had been talking with Gordon and might have gotten some ideas from Gordon, but that's a very good thing here in Washington for people to steal your ideas, especially when they're the mayor of a major City in United States. And there seems to be some interest on the Ways and Means Committee, so this is a live proposal, very important.

And then, secondly, we asked Larry Mead to come up. We're really concerned because it seems to be difficult to get young males into the labor force. So we asked Larry to focus on how you could increase the labor force, particularly in relation to males, and he will tell you how he proposes to do that.

So let me again thank all of the authors in the volume. Let me thank my editor, coeditor, Belle Sawhill, and let me give you Gordon Berlin, the President of MDRC.

(Applause)

MR. BERLIN: So most of you have the handout. Why don't I begin -- but this won't count against my 10 minutes. We need an extra three minutes.

So if you could do one thing to reduce poverty in the United States, what would you do? As Ron said, that was the challenge that Ron and Belle really put before the authors. In my remarks today and in the article, I want to start by defining the problem. We're all focused primarily on declining real

wages. Then I want to talk about the evidence, about the strategies that have increased employment and earnings and income. And then I want to walk through the specific proposal that's in the paper, and then I want to speculate a little bit about the potential payoff for a policy like that.

So let's begin with the problem. Between 1947 and 1973, average earnings for production workers actually rose by about 60 percent. It was if the entire nation was on an up escalator, one year to the next that each earnings improving. And then, suddenly in 1973, average earnings began to decline, actually, and by today they're down about 20 percent, depending on which measure of inflation you're using. Most of that decline was really concentrated among men.

Now, let's look at what happened to poverty over this same time period. From 1959 when we first started measuring poverty to 1973, the poverty rate actually fell by half from 22 percent of the population to about 11 percent of the population.

And then look what happened after 1973. The poverty rate really remained pretty stable. Now, as Ron said, the decline of poverty among the elderly accounts for some of this, but it's also true that earnings played an important role.

Now, a lot of people think it was the economy, stupid, as someone once said. But if you -- this figure here is the gross domestic product. We've created an index and made 1947 equal to a hundred, and as you can see, earnings continued -- I mean the economy continued to grow throughout this period with a

few blips. But what was happening in the pre-1973 period is that average -- much of that growth was accruing to low-wage workers, and that's you get this really big earnings pop. But after 1973, all of those gains from the economy really began to accrue to those near the top of the income distribution.

Now, what were the consequences of some of these changes? Well, in 1973 the average high school dropout could support a family of three or four about at or above the poverty line. That's not the case today, and, in fact, high school graduates are also really hurting.

How did families cope with this change in fortune in terms of earnings? Well, they employed three strategies: They postponed marriage; they had fewer children; and they sent both parents to work. And those three strategies together account for why such a large share of the nation's children are now growing up in single-parent families.

From a policy perspective, it's critically important to understand that the entire war on poverty was predicated on the assumption that the 1960s earnings growth was going to continue. Affirmative action, community action, human capital investments were all based on the idea that we were going to equip people to take advantage of that growing economy, but that foundation got pulled out from everybody from those programs and policies after 1973.

So what's the story that emerges from these facts? Well, as earnings fell, employment rates declined, crime rose, marriage declined, and poverty rates arose. Now, I'm not saying that earnings were the primary driver of all of these things, but it was one important factor, and there's a long and very

specific literature that backs up each of those issues.

So I conclude from all of this that to reduce poverty one must do something about low earnings, and then the question is, what evidence do we have that government can do something effectively about low earnings? And there are three key pieces of evidence: The first there is the Make Work Pay experiments, the Milwaukee New Hope Program; the Canadian Self-Sufficiency Project; and the Minnesota Family Investment Program. All three of these programs paid monthly cash supplements to low-wage workers; the amount was tied to earnings. Two of the programs, the Canadian program and the New Hope program, actually required people to work at least 30 hours as week on average to get those benefits in an effort to keep people that were already full time from cutting back on their work effort.

And the primary -- well, the primary -- what was the results from these experiments? All three experienced increased employment, they increased earnings, they increased income, they reduced poverty and the poverty gap, depending on what you count when you're measuring poverty.

Now, the programs, predominantly, focused on women, but there was one of the programs, New Hope, that is the heads of families, frequently single parents. One of the programs, New Hope, included a small sample of single men. And when you look at the cumulative effects over eight years for that group of single men, you find that -- and that there was a positive effect on unemployment rates. That is the effects for men paralleled somewhat the effects for women.

Now, the second key piece of evidence is the earned income tax credit. I'm sure everybody in the room understands this is one of the largest social programs in the United States currently. A family with two children gets about $4,500 at the maximum; a family with one child gets about $1,400, and there the nonexperimental evidence is pretty clear that it increases employment, earnings, and income, and reduces poverty, but its principal beneficiaries are families with children.

So what we now know is that earning supplement strategies can make a difference for women. The question on the table in addition to the New Hope finding is, what difference could it make for men? And that brings me to the third piece of evidence, and here I ask the simple question: After the 1990-91 recession was over and the recovery began, after eight strong years of economic growth, did men's employment rates rise? And the answer is yes for virtually every category of men, including African American males. In this chart I'm looking African American males between 16 and 24, even those with a high school diploma. And by 2000 all of their employment rates were up, and we can come back and talk about that in a minute.

So what's the proposal? I've made the case so far that the long-term secular decline in wages and earnings have hurt individuals and increased poverty. I've made the case that earning supplement strategies can be effective, but they've been predominantly focused on families with children. So I attempt to fill some of these holes by putting together a proposal that would enhance the existing child-based EITC. It keeps the existing system in place, but it adds a

new program for singles and second earners, and for married couple families that don't have children.

It would target full-time workers, people who work 30 hours a week or more between ages 21 and 54. The amount of the subsidy should be somewhere between 50 percent and 100 percent of the current single-child EITC. I pick an amount that's about 75 percent of that amount, which is essentially a 25 percent subsidy rate. For every dollar you earn, you get an extra 25 percent up to a maximum of $1,950. It would turn a $6.55 an hour job into an $8 an hour job.

The second key component is what I call a radical twice in tax policy. Eligibility and payment amounts would be based on an individual's income not joint income, and the effect of this, essentially, is that an existing two-parent family collecting the current EITC, each of them making about $14,000, the head of that family would continue to get the existing EITC for a family, which would be, essentially, $4,500 while the other earner could now qualify for this new tax credit for the second earner individual. If they weren't married, again the same thing would happen. What this effectively does is it helps singles and it helps couples, and it eliminates the marriage penalties in these programs.

I also propose indexing the minimum wage to inflation in order to counter what I think is one of the great risks of unintended consequences here, and that is that employers would fail to give people wages they would have -- increases in wages they would have otherwise given them. And I estimate the cost would be about $30-to-$33 billion. That's almost certainly too high, but I'll come back to it in just a second.

I want to quickly talk about what the effects would be. The program would have an immediate certain and large effect on the poverty of existing full-time workers, and I just want to be really clear about that. There's no question there, it's 34 million people who work full time 26 weeks a year or more who would benefit immediately from this policy. Seventeen million are in married couple families, 17 million are singles, 10 million of those single people are men, and 1.5 million of those single men are African American males.

The second key thing that would likely happen is that employment rates would increase among the individuals who are working part time and among individuals who are not working at all currently. There are about 10 million who are working part time.

Econometric work suggests that any 10 percent increase in wages is associated with a 2-to-10 percentage point -- 2-to-10 percent increase in employment rates. The subsidy amount that I'm proposing is about 20 percent, so you get a 4-to-20 percent increase. The proposal could have other positive effects. They're much more speculative around marriage child support paid and some other effects. But the size of these effects are essentially unknown.

Now, let me just close by saying a word about the cost. The cost depends on where you set the subsidy rate, how you handle marriage penalties, who you target in the accounting period. One set's for the 30-hour work requirement. Mayor Bloomberg, Wendell Primus, Harry Holzer and his coauthors all of proposed proposals somewhat similar to this that would accomplish similar objectives, and all their budget estimates are under $10 billion

a year.

But let's just assume for one moment that I'm right and it is $30 billion. That's the equivalent of four percent of the $750 billion in extra income accruing for the top 10 percent of earners as a result of changes that have occurred in the income distribution since 1975. Or put it another way, it's one-third of the annual tax reduction received by the top one percent of earners as a result of the Jobs and Growth Tax Relief Act of 2003. There's a lot of interest in making those tax cuts permanent. You could take a third of that and direct it here.

So to end an expenditure of this size would significantly reduce poverty in America. It would certainly make a different for low-income men who are not working and who are working part time, but the size of these effects and some of the other effects are unknown. And you could answer those by employment strategies, testing this at scale using a rigorous research design. But we need to do that fully aware of and cognizant of the fact that are 34 million low-wage full-time workers who would benefit from this (inaudible) who will have to wait till we find out what these other effects are.

(Applause)

MR. HASKINS: Thank you. Next, Professor Lawrence Mead, Professor of Political Science at New York University. Larry?

MR. MEAD: Thanks very much, Ron. It's an honor to be here. My question today is how can we finally win the war on poverty? Welfare reform is a big success, but it had major limitations, and one of them was that men were largely left out of it. Welfare reform succeeded through a combination of what I

call help and hassle, new benefits plus definite work requirements.

Ron and Belle used the term "carrots and sticks," same idea. In my paper I ask: How can we extend the same approach to nonworking men?

Not just poor women but poor men had serious work problems. Among all men age 16 to 50, 62 percent worked full time a full year in 2005, I think it is -- yeah -- and 16 percent didn't work at all. But among men who were poor in these ages, only 19 percent worked full time for a year and 51 percent did not work at all, almost the reverse, in other words. Work bubbles are particularly low among blacks, and especially younger blacks.

Next question, of course, the great question, what causes male nonwork? There are essentially two approaches to this question, one of which Gordon has, I think, articulated. The economics approach stresses disincentives to work, and especially low pay. If work doesn't pay, why should I work? Low-skill wages have fallen in recent decades, and low-skilled men are working less. So it's easy to infer that the one causes the other: They are not working because work doesn't pay.

In the '90s, my reading of the evidence, and I think Harry Holzer's also, is that actually low-skilled men continued to work less even though wages were rising. This was inconsistent with the economics approach. So my view is that economics has something to do with this -- it's certainly a good idea to raise wages -- but it's not the whole story.

We can't assume that what's going on here is economic behavior. Nor can we say that jobs are simply unavailable to low-skilled men or we

wouldn't see the immigration that we do. The fact that we have large-scale immigration from the developing world and especially from Mexico I think casts doubt upon any idea that the work problem for native-born men is due to economics. Why are unskilled Mexicans working in our cities instead of low-skilled Americans?

So I think we need as well a cultural approach. We need to ask why it is that people may be failing to work or working less for reasons other than economics. I think it's plausible to say that work discipline has also declined. Poor men have become less reliable employees, and that is causing both to be paid less and to work less. So the correlation between those two things is actually a spurious one: they're both driven by decline of work discipline.

That's also what ethnographic accounts of poor men suggest. They don't say, "We're not work because it isn't worthwhile." In fact they say, "We should work, and we want to work," but they don't organize their lives to do that. They don't actually do it for reasons that remain mysterious.

One reading of this is that an oppositional culture has arisen which deters work, even when it's economically sensible. In the paper I set out a possible interpretation of that culture in terms of male psychology. I see poor men as driving -- as striving for respect through employment like other men, but in its current form the oppositional culture causes men to decline to work and even to leave work because it seems to be contrary to self-respect, and one cannot accept jobs that appear to be abusive.

I find, on balance, that the cultural theories, the more persuasive it

does seem to be more true to life, but it's not mutually exclusive with the economic account; it's possible that the two factors interact. And I set out ways in which they do perhaps interact, and I don't think we have to choose between them, strictly speaking.

What are the solutions? The policy history says to me that merely to raise wages or to raise benefits in other ways will probably not solve the problem. There's a parallel here to welfare reform where, indeed, we found that mere benefits did not cause welfare mothers to work. The same thing here: We have to combine the help with the hassle. So I think raising wages and wage subsidies, as Gordon suggests, is a good idea. I'm in favor of that, we do want to make these men better off, but we can't count on that to raise work levels by itself.

Voluntary education training programs have not shown large effects on these men. It doesn't appear to be that they address the main question, which is regularity of work discipline. It suggested to me that the most effective programs had been the most directive, the ones that said most clearly that work was an obligation and not a choice, who were trying to change life and not simply increase human capital. Programs like the Job Corps, Center for Employment Training, this confirms the idea to me that we, in fact, have to enforce work; we have to expect it and not simply provide incentives.

As Hugh Price has suggested, our best model may well be the military. Those programs suggest a structured environment where people function better because expectations are clear. Today, however, the volunteer military isn't available -- rather, the military is not routinely available because it

become voluntary, and we have to look to other authority structures that might do the job for us.

One of these is a child support system. Right now, we have increasing success in attaching child support orders to absent fathers but less success in getting them to pay up. The basic idea here is that disadvantaged men who got into arrears on this child support payments would be required to work on pain of going to jail. We already have tested one program like this in a parent's fair share which showed some encouraging results but did not definitely require work in the way that appears to be necessary.

Some more recent programs -- fragile programs, fatherhood programs -- it's hard to assess because they weren't experimentally evaluated but they were service-oriented, benefit-oriented, and they probably did not address the work question very effectively. To improve these programs what we seem to need is a definite requirement to work. We need to say to these men, we will help you in various ways, but you must also work, and you must pay your judgment. We also need a way to reduce arrearages in return for steadier employment.

The other major structure is the Criminal Justice System due to rising incarceration, over 600,000 men leaving the prisons every year. To avoid recidivism it crucial that these men work. The parole system has not in general been able to reduce recidivism, but one reason is that it doesn't really focus on employment. One thing you could do is have a more definite work requirement for parolees who are having problems with employment. They, too, could be remanded to a work program where they had (inaudible) on pain of going back to

prison.

There are several promising programs of this type that being evaluated now. The two I center on in the paper are America Works and The Center for Employment Opportunities. The CEO program is being evaluated now by MDRC, and the preliminary results are quite encouraging. They show a sizable effect on employment, although these effects are transient, and they show significant reductions in recidivism. Positive criminal justice impacts something that's never been found in this field. So these are, I think, quite encouraging results.

The cost of these programs appears to be manageable. I reckon they would apply to about one-and-a-half million men from both child support and criminal justice. The cost would be about $2.4 billion for American Works, about twice that using CEO program, but as Mindy Tarlow has pointed out to me, I'd somewhat overstated the difference because the America Works estimate is based on clients, and the CEO estimate is based on slots. And there are several clients per slot. So the gap isn't as great as suggested by these figures. The exact comparison is unclear, but the larger point which we should focus on is simply these programs appear affordable, and I think they would have good effects. They could, in fact, be largely funded out of the savings from incarceration which is extremely expensive.

I also argue in the paper that the political and employment problem -- rather implementation problems of these programs are manageable. They are, I think, something that could succeed and could generate the same kind of support

as we've seen in welfare reform.

My recommendations are that these programs, though promising, are not ready for prime time. They should be developed further. We should wait for the results of the current evaluations, although they do appear encouraging right now. And if they're promising, then we should seek federal funding for a larger demonstration of competing models as we had in the welfare context with the national evaluation of welfare/work strategies. So we need to have something comparable in the fathers' area, the men's area, and then I think these programs will be ready for prime time, and we can talk that in national structure.

So I think we're on the edge here of an important development in programs for men comparable to welfare reform, and I think we should see ourselves as combining new benefits like the proposal that Gordon has made with more definite work requirements. That's what's called for, and if we do that, I think we can expect some effects on this important problem.

Thank you.

(Applause)

MR. HASKINS: Thank you, Larry. And now to warm up the audience two brief sets of comments, first from David Blankenhorn, from the Institute for fame and values in New York.

MR. BLANKENHORN: Thank you. I'm going to address my comments to Gordon Berlin's paper. I want to thank him for it. It's an important paper, and what I like most about Berlin's proposal is its boldness, its simplicity, and its early universal reach.

Basically, Berlin is proposing to use the model of the earned income tax credit to significantly subsidize the income of low-wage workers, nearly all low-wage workers, for most of their working life, and this, to me, is a good idea for a number of reasons. As he points out, it would almost certainly reduce poverty; it would almost certainly reduce economic inequality in the country; it would probably generally improve the life prospects of poorly educated African American males which is a good idea.

And it's not simply a handout; it's a reward for work, and so therefore in keeping with our basic cultural values surrounding helping people who need help. So for these basic general reasons I think it's an exciting idea, and I congratulate him for putting it so forcefully on the table in this paper.

Now, would this proposal -- how would it affect the issue of family formation, which, to me, this is the crucial issue? So family formation, how would it affect it? Well, I don't know, and I'm not sure anyone really knows how it would affect the issue of family formation and marriage. In his paper, he's optimistic, and he speculates or suggests that it could have a positive impact. He may be right. It would be good if that were true. He puts it most boldly, I think, in a sentence in his article where he says, he suggests that, quote: "Survey data and ethnographic evidence are right in suggesting that the poor share mainstream values about parenting and marriage, but that the economics simply do now work for them."

I think there are three reasons to be a little skeptical of that assertion. One is that our current data on divorce and unwed childbearing and

nonmarital cohabitation suggests that a lot of the people in the mainstream don't have these mainstream values. And you don't have to be poor to be contributing to the crisis of family fragmentation in the country. If you did have to be, it would be a much more manageable problem.

Secondly, I've read some of the ethnographic evidence, not as a fellow expert but as a lay person I've read some of the ethnographic evidence, and it is not my conclusion that the ethnographic evidence suggests that the poor share mainstream values, but it's just that the economics don't work out.

And finally, I think in general it's a tendency for people in the policy world to take a kind of an economic approach to this thing to suggest that these behaviors are derivative of economic trends, and this is a long debate whether you believe or don't believe that. I tend not to believe it, so I'm a little skeptical, although it would be good if this proposal, bold, important proposal, did have a good impact on family formation.

The biggest disagreement or question I have about this proposal is the idea of moving toward taxing everyone, treating everyone from the point of view of the tax code as an individual rather than as a member part of a family unit. Berlin points out in his paper that a lot of the European countries are doing exactly this. He seems to think it's a good idea; I think there's considerable evidence that this has been a harmful trend in the European countries. The main idea for me is, we ought to treat married people like they're married. We ought not pretend that they're not married on April 15th or in any other day.

When you get -- this is not a bean-counting issue, this is a

fundamental policy question on how -- what we think marriage is. When two people get married, they share their lives, including their income, they create a family fund, they specialize in what they do, they make a lot of decisions, and they lead their lives according to this joint idea. Pretending that they're not when it comes to taxing them, which is what his proposal would do for married people, I think is a bad idea. Again, this is a too big a debate to do justice to it right now, but I really think -- I just urge reconsideration of this idea of moving toward treating everybody as an individual, not a member of a family.

Why does he want to do this? Well, I think the main reason is that he points out that there are these marriage penalties in the existing earned income tax credit and in the benefit system generally. He widely says this is bad, this is harmful, and he wants to get rid of the marriage penalty, and his proposal would get rid of the marriage penalty. All that's true, but it would do it in the wrong way. It would do it in a way that undermines marriage by treating married people as if they're not married. It would take us into a make-believe world in that respect.

There's an alternative way to do this. If you allow married people to split their income for purposes of taxation, you also get rid of the marriage penalty without the antimarriage effects that I'm suggesting exist in this proposal.

Secondly, -- and I have a paper that I'd be happy to share with you on this -- you can for low-income families -- you can specifically make them whole on the marriage penalty in -- I think we should do this, and there are proposals to do this. So there are ways to approach the problem of marriage

penalties in our existing benefit system without going to this -- without undermining the marriage idea by treating married people as if they're not married. That's my basic criticism.

But having said that and with the acknowledgement that I'm really an appreciative lay reader rather than a fellow authority, I want to thank him again, and I want to underscore what I think is the general power and importance of this idea.

Thank you.

MR. HASKINS: Thank you, David.

Among many other things Hugh Price is a Senior Fellow at the Brookings Institution, and I have learned since you arrived that's a very good idea to give him the last word. So for a last word from this panel, Hugh Price.

MR. PRICE: Thank you, Ron. Let me start by thanking Ron, and Belle, and all of the authors for producing a really thought-provoking and provocative volume. This is very, very interesting reading.

I would like to issue a disclaimer if my remarks seem to ramble a little bit, it's probably attributable to the fact that I stayed at RFK stadium past my bedtime last night and ate too much ball park food. It kept my stomach awake much of the night, and it was not supplied by Whole Foods, I'm sure.

My reaction to Gordon's proposal is very simple: I find it very exciting. I am sure many of us have always believed in the proposition that people who work full time should not be poor, and extending this principle to male is a very positive direction -- step in that direction -- and I think it is

definitely worth doing to see whether it helps to induce more males into the above-the-ground economy.

And I think we've all been heartened by the impact of EITC on single mothers who were formerly on welfare, and I will confess that I was very wrong in my prognostications about the impact of Tough Love on reducing welfare rolls. The toughness was the time limits; the love was an absorptive labor market supplemented by the EITC and child care. And I think it's worth trying. And for the same reasons, I think that Larry's ideas are worth trying to see whether they will impact the labor market participation of males.

I would add an idea that Larry's quite familiar with, and that is, I think for those who are incarcerated, it's worth looking at whether some notion of transitional jobs in exchange for early release makes sense in order to accelerate getting those men into the labor market.

What we don't know and need to find out is how employable these folks will be even if they want to work, and which employers in which sectors will be willing to hire what kinds of males. If you're a male who's a dropout but never had any problem with the law, that's one proposition; if you're a convicted felon on parole, that's a very different proposition for many employers. But let's find out.

I would urge us to unpack something that's going on right in Washington, D.C. I read the other say in the Washington paper that out of the new stadium where there's a set-aside for Washington, D.C. construction workers that's a proxy for, in some respects, African American workers. There are very

few folks showing up to work and staying on the job. It's worth finding out what is that all about. These are really good-paying jobs in a sort of protected sector. Is that a pipeline issue? Is it a training issue? Is it an oppositional culture issue? What's going on there? Those folks are past Gordon's cutoff for his economic -- or his income proposal. There ought to be some serious study.

The volume set me to thinking about what else we need to do, and this here's where I may wander off the reservation and why Ron probably put me last. I, as many folks know, tend to live on the developmental side of the street in these discussions, and I got to thinking about what kind of robust educational and developmental experience we can provide when young males are growing up that will enable them to circumnavigate the oppositional culture and get a good shot at entering the mainstream instead of living on the periphery of poverty, so that they never need the wage supplements that Gordon is proposing, and so they're never subjected to the work requirements that Larry proposes. We need to have that conversation as well.

Despite the eternal debate about the quality of evidence, it would appear that developmentally-sound preschool education is very helpful. Schools as we know them are another story altogether. Our schools, as a general proposition, are not reaching chronic low-achievers, disengaged students, and dropouts. And those are the guys we're talking about here today.

Debating whose fault that is -- is it the kid's fault, the parents, the educators? -- is really beside the point because the chronic ineffectiveness of the schools with regard to these populations is a fact of life. So I think we need a

new paradigm, we need a game changer in the way we approach the education and development of these young people. And that is what led me to my keen interest in what the military and quasi-military programs have to offer, because they have transformed young people coming out of the so-called oppositional culture into effective soldiers and future citizens.

Undoubtedly, there are other equally potent developmental experiences that need to be investigated. In the private sector, customers don't buy a product or a service. If cars don't sell, serve, appeal, or meet customers' needs, along comes a competitor called the Japanese to create a new car that better meets the needs of customers. Wireless has changed the game in telecommunications, the internet has changed the game with the fax, the phone, and letters, and newspapers.

We need a new paradigm equally powerful in the education and development of these fellows and of young women so that they will not be subjected to the kinds of proposals after the fact that we are discussing today. And those developmental paradigms need to cultivate the academic, emotional, and navigational skills that young people need in order to become successful adults capable of reaching and remaining in the economic and social mainstream. That is the conversation that needs to continue and that I hope the Center will address.

Thank you.

MR. HASKINS: Thank you, Hugh. I think Hugh probably is cuing me to point out that he has recently published a terrific paper on this very

topic of using the military-like approaches or approaches based on discipline of young males, often in residential settings, and that we will soon, certainly before Christmas, have an event that focuses on this approach to encourage young males to enter the labor force.

Let me raise an issue that's very popular in Washington these days, and that's immigration. It was mentioned in both of the papers. Let me put it this way: We admit 1.5 million immigrants coming to the United States each year. We admit a million and a half million come, even though they're not admitted, and they are competitors for jobs at the bottom. This is a very bi-molded distribution. There are lots of highly-skilled doctors, especially engineers and so forth, but there's a huge hoop at the bottom. And they probably provide competition.

Now, this is a huge debate in the academic world, Ralph Lee Card from Berkeley says, "Well, no, it's not really a big problem."

And Borhaus at Harvard says they're a huge problem. Borhaus has recently published a paper in which he looked specifically at labor markets. They have lots of immigrants, and he shows that wages for young black males to climb in those markets and incarcerations increased in those markets, which is bound to be an explosive issue in this debate.

So what's the role of immigration here, and if we limited low-skill immigrants, would that help solve the wage problem for young American males? Gordon?

MR. BERLIN: Thank you, Ron. Well, I think it's -- it's a big, a

huge debate. You know, my reading of it is it's certainly having an effect. There's both globalization and immigration are having an effect at the low end.

But, you know, they've had an effect at the low end forever, probably, at least the immigration side of it. And, you know, I don't think you can pretend that somehow that issue, if you just tackle the immigration issue, that that's going to take this other set of issues away. Probably it exacerbates it some. Most of the million of them are legally here. We owe them the same support as we owe everybody else, and, you know, I guess the only other thing I would say is the BOS projects that 46 percent of all jobs in 2014 are going to be low-wage jobs. My sense of this is that there's a lot of low-wage work to around, but there's enough competition to keep the wages from rising, and that's why we have to think about what we're going to do at the low end.

MR. HASKINS: Hugh?

MR. PRICE: I'm not a student of this issue. My impression is that there is competition at the low end, but I don't think it's confined to the low end. If you look at the competition for jobs in the construction industry, that, historically, that was not a low-end sector of the labor market. It is becoming lower because, if Americans aren't getting those jobs and protected by Davis Bacon, then there are other ways in which that kind of work is being done. And that's one of the issues at Estabian right now.

There are some surveys to suggest in New York in the construction industry that there's been an impact and a displacement, that this issue needs to be examined with care. And I think it may vary by reason, and it may vary as well

by a segment of the economy.

MR. HASKINS: Larry?

MR. MEAD: I think the immigration situation does cast doubt on a strictly economic interpretation of what's going on. The immigrants show it's possible to come here and to construct a rational life and get above poverty with the wages we have, with the labor market we have. It's not as if the current labor market is prohibitively low-paying. That simple isn't true.

So we should doubt on those grounds a strictly economic view. In fact, employers sometimes say -- I don't know of any rigorous evidence on this -- but there's certain anecdotes that say that employers would prefer to hire immigrants because they find them more tractable than American workers of low skills, particularly men. So this is, I think, evidence for the cultural view of this problem.

On the wage effects, it does appear that they are real but also limited, and we shouldn't be preoccupied with that. I would rather say that there's a problem here for the wage subsidy. Even if we want the wage subsidy -- and I favor it for its effects on income -- even if it, I don't believe will raise work levels. If we raise wages, in effect through the subsidy and also through the minimum wage, we also increase the pull for immigration from Mexico. And therefore, if we want that wage effect to be real and to have the impact we hope, we also have to restrict immigration. So it is indeed part of the picture.

It's not the only part. I do think that immigration is important, independently, aside from this, but it would be really helpful, both from a cultural

and an economic viewpoint to tighten the labor market at the bottom. And one way to do that, certainly, is to restrict immigration, particularly unskilled immigration. If that happens, then the wages will be less subject to competitive pressures and, in addition, employers will have more incentive to come to terms with workers that are sometime difficult.

MR. HASKINS: So let me now raise another issue that came up in both papers, and I think is right at the heart of this problem, and that is what Larry describes between an issue of the economic view of the problem and cultural view of the problem.

One of the panelists on the second panel, Harry Holzer, recently published a book about fathers, and it was immediately challenged on the editorial page of *The New York Times* by Orlando Patterson of Harvard, a black sociologist, who said the problem is not economic, it's primarily cultural. I believe he called young black male culture "the cool boys' culture," that work was not highly valued, that the oppositional culture is the term that Larry uses in his paper.

But I'd like to hear the opinions of the panelists about if culture is a problem here, if there is resistance to work and to conforming to values that are valued in the workplace, and if there is a problem, especially with young black males, what should we do about it?

MR. PRICE: I think there is no question that culture is in play, the so-called oppositional culture is in play. John Augroove, the late scholar, has done a lot of work in this area. I don't think it's universal. If you go to Home

Depot, you don't see the oppositional culture at work among the fellows how are working on the floor there.

If you go to many parts of the economy and see African American males working, if you look at the guys who are working for Amtrak or Metro North, you don't see the oppositional culture at work there, but it is at work with some young people, and it's got to be dealt with in the schools, who wrestle with that as well. And I think communities have to wrestle with that.

If you look for leading indicators of hopeful change, though, I read in *The Washington Post* yesterday that sales of rap records have fallen more precipitously than sales of any other kinds of music. So maybe that's one of those illusive leading indicators of social change and the way -- the decline, at least among the kids who are interviewed, is that they are pulling away from the messages in that music.

MR. HASKINS: This is the Bill Cosby effect?

MR. PRICE: No. I think it's people making their own decisions about what's appealing and what isn't.

MR. HASKINS: Other panelists?

MR. MEAD: Let me just comment on what I think is the leading evidence for the economic theory. I go into this briefly in the paper. The leading evidence is actually from the EITC. There are a number of studies that show, or they contend, that the growing subsidy for wages in the '90s, particularly after the expansion of the EITC in 1993, is we were made to reason why we saw work increase particularly among women in the later '90s.

There are two problems with those studies. One of them is that it's hard to disentangle that effect from other pro-work effects that were operating in the same time, namely, a very favorable economy and also welfare reform where the work requirements were pushing women in the same direction. The various studies tried to disentangle that effect, but it's doubtful because they're statistical.

The other reason to question it is that on the ground there's very little evidence that EITC actually caused people to work. If you ask people involved in welfare reform, as I did in Wisconsin and also in New York, they don't say that EITC caused women to leave welfare and go to work. In fact, they're frustrated that it did not appear to have this effect. Even in Wisconsin where they had a state EITC, nobody that I spoke to there -- and I spoke to 60 people -- not a single person mentioned EITC as a reason why people were going to work.

They mentioned everything else. They mentioned work requirements and child care, and the good economy, and child support enforcement and so on and so on. Nobody mentioned the EITC. I think what's very likely happening is -- and there's some journalistic evidence for this -- is actually an inverse causation where people go to work and then they get EITC, because it's a windfall. They find out about it and apply for it and get it. So it's higher work levels driving the EITC up rather than the other way around.

I think that's a more plausible reading of what's going on. It's not controlled for EITC studies. So the EITC is a great thing, I'm not against it, but again we can't count on that by itself to raise work levels.

MR. HASKINS: David, I heard you clear your throat. I think maybe you're planning on running for the Senate, so go ahead.

MR. BLANKENHORN: Just thinking of the general social problem, the most important measurement for me is not how many people are poor and not how many people are working, but the conditions under which children are being raised and, particularly, the proportion of U.S. children being born into and raised by their own two married parents. That's the measurement that's going to have the most powerful, positive impact on society.

And if that's the measurement we're looking at, I think, you know, it's just clear to me that it's not something that we isolate out and say, oh, this is what -- this is the problem that poor people are having. Or this is the problem that unemployed people are having, or this is a problem that people in the inner city are having. This is the societal shift in our understanding of what marriage is and our understanding -- this is a broad issue. If economics implicated in it, yes. Yes, but it can't be reduced to a poor person's issue or an economic issue. It's a generalized crisis of family formation in the society that is having a devastating impact on the life prospects of our children.

And to me, I'm not trying -- I guess I am trying to change the topic a little bit, because I know we're here to talk about poverty, and I know the two are related. But if I had to pick one thing I wanted to do, it wouldn't be to reduce poverty, although that's good. And it wouldn't be to make people more working which that would also be good. It would be to change this family formation statistic, which I think would have the most powerful, positive effect on these and

other indicators.

MR. HASKINS: I'll bet you'd agree that this is an opportune time to mention that you just wrote a book making this argument in great detail. If you Google Blankenhorn, you can buy a copy of this book.

Gordon.

MR. BERLIN: I just want to make two quick points. The Make Work Pay experiments clearly show that earning supplements lead to increases in employment. I don't think there's any question about that. These are randomized control trials. There's just no question that making work pay actually leads to increases in employment.

Secondly, it's obviously both economics and culture. There's no question about that either, but culture is really hard to change from a public policy perspective. It's probably a lot easier to do something about economics, but let's just pretend that we could, in fact, change culture from a public policy perspective. Once you'd accomplish that, you still have the reality that people are working at extraordinarily low wages. It's been a 30-year secular decline in wages, and we've pretty much ignored it.

MR. HASKINS: Questions from the audience? Let me make a few cautions first. Most people here came to hear from the panelists and not from the audience, so please keep your questions crisp and short.

Secondly, wait till the microphone gets there, and, third, tell us your name and position.

Right up here in front.

MS. PICKETT: Carrie Pickett, the Men's Health Network. I was wondering if you could address, perhaps, the issue of the system of alimony and how that affects young men and puts many men into poverty, and after being separated from their own children as well as attorney fraud.

We see on many -- we see how that particularly affects the African American community as well as Hispanics and that particularly puts them into poverty as well.

MR. MEAD: I guess I surely have to speak to that. I think the short answer is we're not addressing that directly. In fact, I think it's fair, in response to David's comments, to say that we're really not addressing family questions directly, at least I'm not in my paper.

I do that partly because we don't as clearly know how to affect that as we do how to enforce work. And, secondly, because the politics are less supportive. The family questions that David has alluded to are actually very divisive, and they're difficult to get consensus about, whereas about employment we do have consensus that that's a good idea and we're prepared to promote it in various ways.

My position in this paper is that -- and there's good reason to think this -- that if low-skilled men worked more regularly by whatever means, that will actually tend to deal with the family questions. And so the issues you raise are important, but they're really not something we're addressing directly here.

MR. HASKINS: This young man in the second row here, would you like to --

MR. JONES: Joe Jones with the Center for Fathers, Families, and Work Force Development in Baltimore. It felt like a two-part of one comment. First, I'm glad that Brookings has taken this one; however, I think this really needs to be a coordinated strategy in terms of debate between the White House, the Congress, and the community.

And the discussion here is huge and it's very, very important, but it has to be much more intentional to reach the young men who we're talking about in the community. And how do we coordinate a conversation like this with some of the work that Charles Schumer is doing, that some of the work that Charlie Rangel is doing, some of the stuff that's in the Evan Bayh and Barack Obama responsible fatherhood legislation that builds on the work that came out of the Deficit Reduction Act last year? And so how do we coordinate that is one.

And then, secondly, relative to the cultural versus economic, I actually think that it's a combination of both. I run a fatherhood program but also a work force development program, and if we help a young man who happens to be a father to get a job, and he does a great job at becoming a valuable employee, and he increases his wages, but he is not responsible for his child, then we are simply a work force development program and not helping him achieve his parental responsibility.

And in Baltimore, for example, in 2004, 76 percent of the African American boys who went into high school dropped out. So we actually have a feeder system into a lot of the issues that we're talking about, so how do we pull back to ensure that men who happen to be fathers are the gatekeepers to the

values and beliefs -- belief development of their children, right?

And so that's the question, and then also how do we coordinate more of this activity?

MR. HASKINS: Let me make a brief comment about your first question, because we have excessive modesty on the panel here.

I think that the people on this panel, especially Gordon, recently have actually had the kind of influence that you're referring to. They not only testified, which is fairly traditional, but a lot goes on behind the scenes and both in the case of the Ways and Means Committee where Gordon testified and Belle and I also testified, but also in New York City where the mayor has recently put a very spectacular EITC proposal similar to Gordon's on the table. I think there have been influences that are not likely to be viewed by the public, so there are some of these lines that have been established.

And if you don't mind too much subtlety, I would expect him to increase after 2008.

Other panelists?

MR. MEAD: Let me just make some reference to how we reach the young men here. Let's remember that welfare reform had its largest effects not through putting welfare recipients to work. That's was our policy to put them to work, but the effect of that was to produce large diversion effects which caused many women to leave welfare before they were told to work, and even larger numbers never to go on welfare but to go to work directly.

In other words, there was a change in the culture and a change that

status hasn't actually -- that the work issue was now going to be expected, and that this expectation was something broader than welfare reform. Those large diversion effects is our ultimate goal here. How that happened is a great mystery. I wish I could say more about it.

But what we hope for in the men's case is to do something like that, to have a combination of help and hassle where we set up a policy to subsidize men and also to enforce work, I hope, and then by making that clear that we are serious about this, and there's a social will behind it and political will behind it, that the culture will change, and we will begin to correct the oppositional culture. And a whole lot of low-skilled men would go to work directly like the mothers did because now it's expected.

And that, effectively, would dwarf any actual putting people to work that we do within child support or criminal justice.

MR. HASKINS: Okay, we've only had three questions posed, and then we're going to let the panel answer whichever one of those they want to. And we'll start over here on the right.

MS. PHILLIPS: Hi, I'm Jennifer Phillips from the Joyce Foundation in Chicago. Gordon, this is a question for you, or maybe some of the other panelists.

Are there other cities or mayors that are looking at proposals similar to Mayor Bloomberg's right now?

MR. HASKINS: Great question. Howard?

SPEAKER: (Inaudible)... in Brookings. Gordon, you summarize

the experimental research is supporting the idea that (inaudible) will increase in employment and earnings. I think that's for a segment of the population that's true, but then the result you focused on was primarily for women -- as you said they're weaker for men -- they're even weaker in terms of two-parent families where there's even significant suggestion that it may reduce work effort. And so, could you address that?

MR. HASKINS: And one more. Since we've allowed Howard to ask a question, how about as a replacement, Naomi? Right there. Take the mike right there on your right.

SPEAKER: I could never replace Howard. I'm just following him.

Just to build on this question about incentives, economic incentives versus culture and psychology, we know that incentives do affect behavior; they don't affect behavior to the extent we would predict if everybody were a rational actor. And I wonder if our policies might be more effective if we incorporated more of what's known from the literature on behavior change that could inform how incentives are structured and delivered.

People, you know, respond better to more immediate incentives. There's evidence that irregular incentives or incentives that taper off are actually more effective than regular incentives. There's a whole body of literature out there that I don't think we've applied in the economic sphere, and I'd ask the panelists to comment.

MR. HASKINS: Okay, let's, panelists, answer very briefly. Let

me set the example: I know for a fact in the answer to Jennifer's question that at least the Mayor of Los Angeles is quite interested in EITC and has been looking into it. I don't know if he's -- I don't think he's proposed anything publicly, but they're interested.

Gordon?

MR. BERLIN: Just briefly, I want to be careful not to say that Mayor -- my proposals, Mayor Bloomberg's, or vice versa, he had a Poverty Commission that had proposed something along these lines. Robert Doar, who you're going to hear from later, had already done something with Governor Pataki for males in New York. And, yes, there's been several meetings where other mayors have heard about this, but very few mayors have the same stake in the sense that New York City pays for 50 percent of all of its welfare costs. And no other mayor has that kind of fiscal stake in the game.

Howard's point -- and that's way I proposed the 30-hour work requirement, because that is the risk. If you move farther up the income distribution for unintended consequences, that is, you'll get some cutback in work effort among people who are already working quite a bit. The 30-hour rule is very effective in New Hope and in SFT in limiting those kinds of cutbacks.

And I think Naomi's correct that there's a lot more we can do to try to understand from a psychology point of view, behavior and how it affects people. I mean, one of the key lessons that came out of the Make Work Pay experiment is easy to say but harder to implement. People can't respond to incentives unless they really understand them, and we're notoriously bad at

explaining these things in ways that people understand.

MR. HASKINS: Hugh?

MR. PRICE: I don't have anything.

MR. HASKINS: David?

MR. BLANKLENHORN: One very important way to reduce poverty and to do many other good things as well is to address the issue of marriage and family formation. Saying that it's hard to do or that we don't have consensus around it is a reason for doing it, not a reason for not doing it.

MR. HASKINS: Larry Mead.

MR. MEAD: Indeed, the 30-hour requirement was critical to the success of some of the welfare work incentives, but when you say that, you are adding to the treatment, something beyond incentives. You were adding a staff structure which enforces the 30 hours. And in the Nuho case actually went out and promoted work to realize the 30 hours by -- to the clients.

So part of this treatment is actually what I would term a paternalistic structure involving supervision and oversight. And I think if we're going to make all this whole structure work, it will involve that. There's going to be administration involved here as well as incentives.

MR. HASKINS: Please join me in thanking the members of the panel.

(Applause)

And I turn the program over without a break to my colleague Belle, and her panel.

(Recess)

MS. SAWHILL: --
understand that they have, in some cases, large debt that's larger than what the return is going to give them and being able to really prioritize how you manage that return, because -- and just anecdotally because, you know, we've had mothers who've come in and get very excited and get the return and say now I can take my kids to Disney. We've had other mothers -- and, again, you know, it's not good, better, or indifferent. It's the just the reality. We've had other folks who have come in and have asked for, you know, how do I get to the banking institution? What institutions are you working with where I can open a savings account for my children today as I'm applying for this EITC? As the return comes in, I can fill out the application. I can get the information back. How do you get people to really understand asset building from an informational standpoint while you have them there and completing the paperwork that in essence will turn into something that they can use for the investment? And so the timing of it becomes really crucial.

MS. SAWHILL: Thank you very much, Richard. Going to now turn to Robert Doar, who is the Commissioner of the Human Resources Administration in New York City, and we're particularly pleased that he could be here today. He has important responsibilities in New York, and I think he can further comment on some of the ideas that you heard about on the first panel.

MR. DOAR: Thank you, Belle. I do. I work for Mayor

Bloomberg, and I think he would say that it's no accident that both Larry and Gordon are New Yorkers and have got good ideas that are presenting to the country.

The mayor was here a couple weeks ago, and he firmly endorsed a large expansion of the Childless Earned Income Tax Credit. He endorsed the effects of welfare reform and the positive impact that it had on public policy and on families in America, but he also said it wasn't enough, that what we really have to focus on is the other parent in the household in order to raise incomes and to raise outcomes for children.

He strongly -- so, in proposing an increased Earned Income Tax Credit -- and what needs to be understood is there already is a Childless EITC in the Federal Tax Code now. It maxes out at $400. So, what Gordon is proposing and what the mayor is proposing and what others are proposing is an expansion of something that already costs the federal government a certain amount of money, and one question we should be asking is does that current investment, at the size it is, and without the hooks or provisions that I'm going to talk about -- does it have any positive benefit at all? And I think one needs to be clear that we're talking about the positive benefit of the Earned Income Tax Credit broadly. It's been mostly on the -- with the one that's much larger and more generous for the custodial parent or that person -- the parent in the household that has the children. I don't know that it's had any effect for the other parent at the size it's at now and without the requirements.

So, what the mayor is proposing is let's expand it, yes; let's take it from a maximum credit of about $400 to something closer to $1200; let's increase the income that people can be eligible to receive it, but let's also put some requirements on it. The first is that there's no reason why -- not that married families should be better off but they shouldn't be worse off in any kind of public policy production. So, he wants to very firmly fix the marriage penalty so that similarly situated low-income individuals, married or not, with children in the household will have the same credit -- or couples. So, you have two households, one married and one not. We want them to have the same benefits so that there isn't a kind of discouragement of marriage in the Federal Tax Code. That's number one.

Number two, he wants and agrees with Gordon that there needs to be a minimum work requirement. That would be new to the Childless Earned Income Tax Credit now. He says you ought to work at least some in order to qualify, so that the way he projected was at least half -- 30 hours for half a year. You could have a minimum income level where if you report earnings at a certain amount you qualify and then you can get the benefit. That does not now exist in the Childless Earned Income Tax Credit. So, with those two major requirements he would propose a large expansion.

I -- you know, I do not disagree at all with Gordon's papers or with Larry's assertions that we need to do something here, and we need to get the effect of stagnating wages and lower work participation among what I sometimes refer

to as the other parent or young men. We need to address that, and the combination of a more generous Earned Income Tax Credit and hooks -- work requirement and fixing the marriage penalty -- I think would send both economic messages, leading to greater work, and a cultural message, leading to, I think, better outcomes for families.

So, we're -- I think, to get to Joe's question, I believe that this -- that what Ron said is absolutely right. There are conversations about this all over the place right now.

People are focused largely in part due to your work. I first met you I think eight years ago, Joe.

And so we're on the right track, and people I think in Congress really have a chance of doing something this year, but we have to be careful because we may get -- and I think we have to -- we may get a small increase with no requirements that will have no impact. So, instead I think if we could somehow have a tradeoff where we get a larger increase in the Earned Income Tax Credit but with the requirements that there be a minimum level of work and that there be equity between married low-income households and nonmarried low-income households, I think we could make real progress, and that's what Mayor Bloomberg is working on and is pursuing on and is looking for allies and friends on.

MS. SAWHILL: Thank you very much. Harry Holzer is a professor of Public Policy at Georgetown University. He has been a participant in

events here at Brookings many times. He's even a nonresident Fellow with the Brookings Institution now, and he has written some of the very best work that I know of on this topic.

So, Harry, we're very pleased to have you.

MR. HOLZER: Thank you, Belle. I'm going to make a few comments on both Gordon's proposal and Larry's proposal and then a few broader issues.

I certainly have some sympathy for both of the proposals that were put on the table on the first panel, and I'm supportive of trying some version of both of them. I also have some questions and concerns about each of them

First on Gordon's proposal. Obviously, I'm very sympathetic about the idea of some of EITC extension to childless adults and especially these men, and the question is exactly how to do it and how to implement that, as Gordon said. But I have my own proposal here in my book with Eddleman and Offner -- and there are others on the table, and there are others currently being drafted in Congress in both the House and the Senate.

Gordon's proposal is different. It's a larger departure from the current ETIC than most of the other proposals floating around -- and, by the way, there's a paper -- Steve Refiolo at Berkeley has a paper comparing my proposal to Gordon's proposal in terms of costs and whom are targets and so one might look at that, but, you know, Gordon's proposal is a more major departure, as he indicated, at least along two dimensions -- number one, the 30 hours rule and,

number two, not making payments for these new earners dependent on family income. Although again he creates this funny hybrid of the existing system, which wouldn't have those, and then this new system, which has -- and I'm not completely sure how that hybrid would work and what kinds of funny incentives that might create.

The 30 hours rule -- I would strongly oppose a 30 hours rule if it was going to be applied to the existing population of single moms and their kids. I think there might be lots of good reasons -- child care reasons, health reasons -- why people may not be able to consistently work 30 hours, are much more open to it, to applying it to childless adults.

There are lots of administrative questions, however, that we didn't touch on. Most states right now don't collect these hours data that they need to. A few states do. But even if the states collected the right data, the computations would be a little on the complicated side. People are going to work over 30 hours some weeks, not other weeks. This is not going to be the kind of more transparent system that we have right now. It's not -- I'm sure it's not impossible to do. I know these experiments have done it. I just think it's a lot more complicated when you think about what that means.

And eliminating the family income requirement, to me, creates a loss of what you might call target efficiency. The benefit of the family income ties that -- you know, you're targeting it to low-income people. You eliminate that, I start to worry how many billions of dollars are we going to spend on

second earners in relatively affluent families, and that might be a big unnecessary cost. Now, you know, Gordon's benefit is better on the marriage penalty, that there is no marriage penalty when you do it that way. I think -- but I think there are other ways of dealing with marriage penalties within the context of the existing EITC. You know, as we propose our thing, you know, you deal with the second earners' earnings in some discounted fashion and then you can dramatically reduce the marriage penalty.

And there's also a big question of the young people in arrears, and I think the arrears are an enormous important story here. I'll come back to that in a few minutes. But if the state is going to garnish or withhold all the tax credits while these men have these enormous arrearages, then all the benefits we might expect the Gordon outline might not hold. So, you have to think about how you're going to handle the interaction between the EITC and arrears.

Now, turning to Larry's proposal, you know, I would certainly try some version of Larry's proposal, and Larry's Help with HASL, otherwise known to many of us as opportunity and responsibility, you know, certainly makes sense. But Larry didn't talk a lot about the sanctions that are going to occur for people who don't oblige by the rules.

Now, think about who these men are. Look at the profiles of these young men that people like Jeremy Travis and others put together -- very high rates of functional illiteracy in this population. High rates of substance abuse. High rates of mental health issues. High rates of physical issues. This is the

population that in the welfare world we call the hard to employ or the hard to serve, and we know from the welfare world that a lot of these people don't necessarily live up to their obligations, and when they were on TANIF they had to be sanctioned and sometimes kicked off the roles. My concern in this case is, number one, the people not meeting their obligations might be a much larger pool, because the characteristics of the pool are worse, and, number two, the sanction is not just taking away their TANIF benefits, just (inaudible) back in prison, and we want to think about how sensible that is for some of these folks whether we want to have exemptions, that we have -- the way we have exemptions in TANIF, and the states often go way beyond those exemptions. Also how practical it would be to monitor their search effort and things like that. So, lots of important questions about how we'd implement that.

Now, a couple of other broader points. The range of barriers and disincentives that these men face when they have criminal records when they're not custodial fathers is very wide and very large, very daunting, and these proposals only address a few of them, and I'll just address one or two others that we want to think about from a policy point of view.

Employers in the private sector are very, very reluctant to hire these ex-offenders, especially if they're also black men, and there's lots of reasons for that, and they have lots of fears of violence and fear of legal liabilities. It's also that a lot of these states pass laws that forbid employers from hiring these folks in certain key sectors, like child care and elder care, if they have even one

non-violent felony conviction. Then one asks: does that make sense from a public policy -- from a public safety point of view. It may make public safety worse, because you're cutting off employment options from people that are not a risk and therefore increasing recidivism by doing that. So, we might want to think about incentivizing or requiring the states to get -- to at least rethink some of those barriers.

And on the child support again, and my colleagues to my left here know much more about these issues than I do, but the way default orders are set on a lot of these men, the way the arrears pile up, the way the clock keeps ticking, especially when they're incarcerated, you know, the states need to rethink how they do all those things and what maybe the federal role ought to be in encouraging or incentivizing those states to rethink some of those things.

Last thing, and I think perhaps most important. I think the single most important issue about all this is the one Hugh Price raised. How do we prevent these young men from disconnecting in the first place, because once they've done that, once they've dropped out of school and dropped out of the labor force and become noncustodial and become offenders, it's much, much tougher to make any progress -- not impossible, but much tougher. So, the key ought to be on prevention. The question is how we do that.

Now, let's think about the reality that these young men are growing up in. And, yes, declining wages are a very important part of this story and, yes, Larry Mead is right -- oppositional culture is part of the story, too. Think of how

these young men are growing up -- in poor fatherless families, highly segregated schools, dysfunctional schools, highly segregated low-income neighborhoods. When they get to working age, the jobs have largely disappeared from those neighborhoods. The networks have largely disappeared from those neighborhoods, and they face very serious discrimination. There's very strong evidence on every one of those points. Well, these young people look around. They don't see a lot of opportunity there. They don't see a lot of pathways to success. Should we be that surprised that they disconnect and fall prey to what Larry calls the oppositional culture.

My reading of this is that culture matters, but I don't think it's exogenous. I think it often responds to the labor market realities and lack of opportunity that people see. So, we've got to recreate some of those opportunities, and they have to be clearly seen by these young people before they follow this path.

Now, in the rest of the future of children volume, there are some good papers I think that address these points. There's a nice paper on pre-K by Greg Duncan and some colleagues. There's a nice paper on No Child Left Behind by Dick Mernain. I endorse those proposals, but they're not enough. We also need -- and Hugh's idea about the military. Yes, we tried, but we also need youth development efforts for adolescents on a much broader scale. We know some of them work. Young people in the critical high school years need to see multiple pathways to success that they don't see right now, some of them through post-

secondary education, some of them into the labor market through high-quality career and technical education. We know some of that works. We know the career academies work. There are other efforts. We should be doing much more of that.

I'd like to see us be as enthusiastic about preventing this disconnection and opening up opportunity as we are about threatening people with prison time if they don't take low-wage jobs.

Thank you.

MS. SAWHILL: Thank you, Harry, and -- yes, Harry has a little bit of passion about this.

Our final speaker is Mindy Tarlow, and Mindy is the Director -- Executive Director of the Center for Employment Opportunities in New York, and this is a nonprofit organization that works with the ex-offenders that you've just been hearing about, so we'll be very interested to hear from the front lines on how that's going.

MS. TARLOW: Okay, thanks very much.

Yes, I am the CEO of CEO, and our sole mission is to provide jobs for people coming home from prison and jail. That's all we do. We serve two or three thousand people a year. They're almost all men, they're almost all fathers, and in the last ten years alone we've gotten formerly incarcerated job -- excuse me, formerly incarcerated people jobs ten thousand times in the last ten years.

I've been asked to come here today to specifically talk about

Professor Mead's paper, and I really do want to compliment Harry on his remarks and pick up where he left off, because I think, you know -- I mean, yes, certainly, in essence I agree with the notion of Help with HASL. I think in the most generally spirited interpretation of that term -- you know, tough love and imposing rules, you know, for your own good, that sort of thing -- I actually think it works, and our own experience at CEO has shown many times that the combination of rewarding positive behavior with meaningful consequences for negative behavior is an effective strategy, and it works for engaging men in a post-prison work program.

But, picking up on a crucial point that Harry raised, which I actually hadn't heard much about up until now, is that Professor Mead argues that the sanction for not complying with work should be prison. I strongly believe that prison should be the sanction of last resort, particularly for non-criminal behavior, and I do have an alternative proposal that I think Professor Mead does raise in his paper, which is that Parole, with the appropriate focus of its resources, is actually the perfect help with HASL agency. Professor Mead says in his paper that Parole would be more effective if it focused on immediate work, and I think that's absolutely true. And, in fact, Parole has many immediate/intermediate sanctions at its disposal that it can impose on parolees that are not complying with the conditions of their release, including not having a job. Parole officers can impose curfews; they can increase reporting requirements; they can drug test; they can restrict travel -- to name a few. In fact, just to tell you a quick story, we

had a parolee that was referred to CEO by his parole officer. He stopped showing up. We sent a no-show report to Parole, as we're required to do, and what the parole officer did after we suspended the person from the program is he took away the parolee's travel privileges to see his daughter who lived in another county and said get your act together, start working, show me that you can demonstrate that you're committed to work, and I'll lift the travel restriction. That's what happened. He now has a full-time job. Just celebrated his daughter's tenth birthday, right? Help with HASL directly by Parole not requiring a return to prison, and it worked.

Another thing that I think is important is the timing of when this work requirement is imposed. Professor Mead suggested that several months should elapse while the person actually tries to find a job on their own before a work requirement is imposed, which makes sense. You don't want to provide mandates for people who don't need them. On the other hand, the fact of the matter is that most people who are going to re-offend after leaving prison re-offend early, and if they're working they're much less likely to re-offend, right? So, I mean, obviously the relationship between work and crime is very complicated, but it's safe to say that people with jobs commit fewer crimes than people without jobs, and getting people connected to work when they come home from prison as quickly as possible is all for the better.

So, the question is how could we figure out who needs the program before all that time elapses, and I think the answer is really about some very

sophisticated and very validated risk and need instruments that exist in the criminal justice system that can be used to assess an individual's work commitment or lack of work commitment when they come home. So, in an ideal system, that risk and need assessment would be done pre-sentence, and it would be updated based on the individual's experience in prison when the person was about to leave prison so that Parole could make some immediate decisions about where to focus their targeted supervision. That way, I think you avoid unnecessary delay and unnecessary recidivism or public safety risk -- right? -- while still being able to target resources in the right place.

Finally, I appreciate the fact that Larry mentioned the cost issue in his opening remarks, but I do feel compelled to repeat it, which is that the $4.8 billion cost that Professor Mead associates with scaling the CEO program is actually based on the cost per work slot, not based on the cost per person. What I mean by that is that estimate assumes that every one of those 1.5 million people occupies a work slot for a full year, right? In the CEO model, each person only occupies a work slot for about eight weeks, as Larry acknowledges in his paper, which in effect means that every slot is used six times, not once. Therefore, it cuts the cost by six times from 4.8 billion to less than 1 billion. Now, certainly you can change your notion of what that supervision program should look like, right? Eight weeks might not be long enough; one year might be too long. Things may vary from state to state. But the fact of the matter is that if you're going to do that, you should be specific that that's what you're doing, because then

it might get confusing that the $4.8 billion is the only cost and that, in fact, it's associated with the CEO model, which it isn't.

I think it's a very provocative proposal. I agree that work requirements are really important for some people.

And finally, just to reiterate, I think that the sanction for not complying with work should not be prison; it should be more targeted, more sanctioned parole. And, as I said Parole has many sanctions at their disposal if they're used effectively and they're used immediately and they're used around work. Our own experience is that they can be very effective in keeping these young men focused on work, focused on being fathers, focused on providing the kind of role model, emotional and financial support for their families, and avoid the very costly, in the personal and financial sense, of returns to prison.

Thanks.

MS. SAWHILL: Thanks, Mindy. I have been listening to both panels, and although there are obviously major differences of emphasis across speakers, I'm actually detecting a certain amount of consensus around some themes here, and let me try to briefly articulate them, and then anyone who wants to strongly disagree with them can of course do so, but I hope we can then turn to the audience for questions, because there are a lot of you that have been very patient who are here.

The first theme has been this debate about is it culture or is it economics, and what I hear almost everyone saying it's a mixture of both. It

varies depending upon what individuals you're talking about. We can't generalize, but we shouldn't assume that there is a magic bullet coming from either one, and most likely they interact with each other in nuanced ways.

The second theme I've heard is what Ron and I call sticks and carrots, but which some of you call Help with HASL. Hugh Price called tough love, and Robert Doar emphasized in his aspirations hat the Bloomberg/Berlin/Pulzer/dot-dot-dot proposal would be a more generous EITC for singles combined with some expectations of work or work requirements. So, that was the second theme.

And then the third theme I think is this theme of how much emphasis to place on prevention and youth development, as Harry and Hugh in particular emphasized and how much on services for those who are already hard to employ because they didn't get the right kind of education and development earlier in their lives. And again I think most people would say we need some of both. We can't abandon those who are already in their young adult years and lacking work and with prison records and all the rest. On the other hand, I think all of us would like to find a way to shrink that population through much better programs both in school and out of school. And so that's my attempt to summarize some of the themes that I've been hearing.

Now, if anybody on the panel wants to comment on that, I'll let you, but I'd also like to turn to the audience.

Okay, I think we're ready to open it up, so please use the mike,

please introduce yourself, and since there may be quite a lot of people wanting to get in, try to be brief.

Yes, in the back here.

MR. BEARD: My name is Chris Beard from National Fatherhood Initiative. I've attended many of this type of discussion before, and I always feel like there's two different discussions going one -- one, the policy level that's talking to policymakers and such like that but then you also have what needs to also be said to the individual. I ran Fatherhood programs for many years, and when you talk to individuals about some of these high concepts about economy and the prison industrial complex thing, it's -- they can't wrap their hands around it, and what I just would like to maybe hear from you guys is some very specific things that you could say to individuals about how to improve, you know, their situation as they move on in terms of either education, being -- helping -- when you talked about prevention, for example, one of the big things there we're trying to get the adult, particularly black males, to come back and help their children because so much research has talked about the positive effects of that. So, we talk about policy, but we also need to talk about what individuals on a personal level can do as well.

MS. SAWHILL: Let's hold that. Let's collect a few questions and then we'll take them at the end.

Okay, over here.

MS. TALLEY: Thank you. I'm Jane Talley. I work with a

program called Boys in Blue in Richmond, Virginia. I want to ask a question. When we did welfare reform, it was primarily focused on women, so I was glad to hear that there's a possibility of having welfare reform include men, and hopefully that those policies will include the opportunity for the same kind of training and incentives and work opportunity, trial work, employment, trials as we did with the women. And I think that when we talk about reform and anti-poverty, we ought to talk about funding that aspect of it as well.

MS. SAWHILL: Okay, thanks.

Andrea.

MS. KANE: Andrea Kane with the National Campaign, formerly National Campaign Preventing Pregnancy, and also Brookings. We've talked a little bit about this, but I want to just ask the question more specifically. Where does early unwed child bearing and prevention of that sort of fall into all of that? I mean, that seems to be partly what bringing men into the situation of child support, multiple partner, fertility, child support arrears, difficulty in maintaining some jobs, and I just want to -- I would love to hear from the panel what role they think that plays and what we might do to address that issue at the front end.

MS. SAWHILL: So, that -- a prevention question.

SPEAKER: Yeah.

MS. SAWHILL: Yes.

MR. HESS: Hi. Ryan Hess with the Employment and Training Reporter. I was wondering if anyone on the panel thinks that some of the positive

results that CEO has seen with its rapid rewards program, which is essentially a retention benefit for the people placed in jobs, speaks to the need for EITC expansion.

MS. SAWHILL: Okay, I will turn to the panel now. You can answer all the questions or you can focus on just one.

And why don't we go down starting with you, Mindy, down the table.

MS. TARLOW: Sure. First of all, I'm amazed that anyone in the audience read the Rapid Rewards Paper for CEO, so thanks for that shout-out.

Yeah, it's -- Naomi raised the point before about incentives and about how it impacts behavior. It's -- we did a very sort of provocative piece of work around this, and I think that in general, supporting Gordon's proposal, pay matters, you know? It really does. It's the question about incentives. I mean, I think it's kind of three-fold. I think, one, yes, the actual financial incentive matters. It puts -- it makes work pay; it makes work more valuable; it has an impact. Second, I think just behaviorally people like to be rewarded for doing a good thing, right? I do. So, does everybody else. So, I think just the reward itself and the behavior that it inspires matters. I also think that the rewards structure that we set up is something that requires contact between the parolee who is now working and their case worker who placed them in that job, and that contact can often lead to problem solving, addressing issues before they get out of hand, etc. You can't solve a problem if you don't know it's there. So, I think all

three of those things are actually at work. We're excited about it. We're doing more work on it. I think it can really add to the dialog around this very important issue.

SPEAKER: I'll just make a very brief comment on Andrea Kane's question, and I, you know, almost -- the few things that I know and the few things that I've read about what works in terms of preventing teen pregnancy I have learned from your organization. So, I don't have a lot to add to that except that I think that once again the need to reach young people early -- you know, certainly in the adolescent years and to change their broad outlook, and as I -- you know, strategies to prevent teen pregnancy have to go hand in hand with the strategists and give people opportunities if they don't go that path, you know, and reinforcing the story about -- it is a story about rewards, but it's long-term rewards, you know, that there are alternative pathways available, and if you do not do these things, there are pathways you can take where your life will be much better over the long run, and I think -- I think those stories together might be a lot more powerful than each one separately.

SPEAKER: I'm going to take a try at all four quickly.

One is on the CEO issues. I think we need to understand that in this dialog on reentry that we have social services entities that want to be helpful, but we don't necessarily have criminal justice players that are ready to play the role that Mindy talked about. So, what she talked about using parole in that way was very, very important and needs to be done more of.

On the second one with regard to program versus this big EITC supplement, I have to say that where we've gone is this is going to have much bigger impact, and there isn't a social services structure built that is ready to accept in the same way that the welfare programs deal with single moms. That would be quite a large thing to build over night. So, we need to be clear about what we're trying to do. We're trying to get at it through a make work pay, very, very big use of the tax program to reward work as opposed to through a whole array of programs, and I need to be honest about that.

On non-marital births, I believe with a lot of people that non-marital births are one of the problems. There's no question about that. But I have to say I'm also realistic, and I've heard conversations about marriage and promoting marriage for a long time, but the fact is a lot of these families aren't getting married. And so what I think what we're really talking about with the EITC proposal and others is there is a chance, a good chance I think, that fathers can be good parents and good providers for their children and not necessarily be married, and that's really what we're trying to do here -- is we're trying -- we recognize marriage as a goal or a great thing, but we have to deal with reality.

And that leads me to the last question of what do you say to the guy? It seems to me that what you -- what we want to have in America is a situation where you're saying to young men if you work, you will be rewarded in a way that is commiserate with your effort, and if you work -- and you must play a positive role in your children's lives. You must play a positive role in your

children's lives. And that's what we need. So, that's what I would say about those four (inaudible)

SPEAKER: Thank you.

SPEAKER: And I think that there's a -- to the lady's question here, when we begin to tie all of the systems together in the same way that we tie the systems together to really impact the Welfare Reform Act of 1996, I think we had multiple federal agencies working to help people get jobs -- Department of Labor. We had the Child Support Agency really enhance some of the ways that it was able to get child support to parents and child support from parents to the folks that needed it the most, that that really is -- it goes back to even Mindy's point. When you can get the Probation Department and (inaudible) Department, and the Sheriff's Department all really in line with the concept that we're going to try to help ex-offenders really do a re-entry program and when does that sort of preparing for the re-entry happen. It needs to happen sort of six months before somebody gets out, so you prepare them for the attitude that has to come with getting out and getting prepared to go to work and then getting to work with the understanding that the sanctions happen to you if you don't fulfill the responsibilities, but the supports are in place for that. There's a place to go. It's not back to jail. There's some place else folks need to go when they're challenged, but various to getting employment, and that's two (inaudible) mistakes. There are a number of industries that folks with criminal backgrounds can't even get a job. You -- we've been doing education with employers around

just being able to read what the criminal record report is, because a lot of them see a case, see a charge, don't know that the person actually never was convicted of that charge but use that as the impetus for not hiring them and not bringing them in to do the follow-up around the employments. How do you begin to even work with private corporations and others so that as we begin to talk about mandating work, you've got a place to mandate work to. It's not just mandating somebody to go get a job but who are the employers that are going to be available to hire folks, at a decent wage, with opportunities for wage growth and clear opportunities to be able to support the families that they have over the long term.

Child support, you know, payments come in for 18 years frankly. So, getting a job -- today I said we've got a bunch of men who are able to go out and fill out applications and bring a resume and get a job. They don't have the skills to keep that job and maintain the behaviors that it takes to do the wage growth kinds of things that sort of come naturally for other folks. And so that's where the real work is. It's the keeping the job that's the work, not the getting the job. Again, in the robust economy of the '90s, you could go down the street and every store had a sign that said "HELP WANTED." Those days, in some cases, are gone. And so how do you -- how do you fulfill that from the systemic level so that you're feeding all of the supports around mandating somebody to work, and I think in the end, you know, I have another opinion about the ETIC, because I think there is a disincentive for folks who have arrears in our child support system.

There really is an opportunity -- I've had young men who don't file taxes -- haven't filed taxes, most notably because that tax refund goes to pay their child support with. And so how do you negotiate again to make sure that if I'm going to go in there, I'm going to get a job, I'm going to may my taxes, I'm going to get the benefits of your job and all of the other benefits that are associated with that.

MS. SAWHILL: Okay. Well, thank you to all of the panelists and to all of you for being here, and I especially want to thank Ron Haskins, who did most of the work of organizing this with the very important help of Julie Clover, who is standing by the door back there.

Julie, raise your hand.

Because a lot of work went into this. And thank you, and we hope to see you at another event some day.

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