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FOR IMMEDIATE RELEASE

New Policy Proposals to Make Work Pay Released, Discussed at Hamilton Project Forum

Washington, DC – December 12, 2007 – A new strategy paper on wide-ranging policy options for reducing poverty was released today by The Hamilton Project at Brookings. Three new discussion papers that offer complementary approaches to creating incentives and opportunities for low-income earners were also presented during the forum, “Facilitating and Rewarding Work.”

The promise of the American Dream is that all citizens get an opportunity to succeed based on hard work and merit, and that each generation can do better than the one before. That promise is fading for many Americans not adequately sharing in our nation’s growing prosperity. In fact, the poverty rate is on the rise, with the 2006 U.S. Census estimating that a total of 36 million Americans – or 12.3 percent of the population – earned incomes that fell below the poverty line. The bulk of these Americans were working, but in jobs that paid too little to lift them out of poverty.

Hamilton Project Director Jason Furman opened the forum with an overview of the new strategy paper. The three-part paper strongly emphasizes policies to promote and reward work while also addressing the need for longer-term investments to help prepare people for the workforce, and to reinforce and expand our social safety net to help support those citizens most in need.

“The most effective anti-poverty policy is to help people find a job that pays enough to support a family with dignity,” said Furman. “Our two-fold challenge is to find new ways to reward and facilitate work, and to change public policies that actively discourage work.”

During the first panel, the authors outlined their policy proposals for facilitating work among the unemployed, and rewarding work for low-income earners already in the workforce. Greg Duncan of Northwestern University described what a national program based on the successful New Hope pilot in Milwaukee might look like. Also building on successful initiatives, Harry J. Holzer of Georgetown University and the Urban Institute proposed up to \$5 billion annually in federal matching funds to identify, expand and replicate proven state and local worker-advancement models. John Karl Scholz of the University of Wisconsin-Madison and Brookings explained why expanding the federal Earned Income Tax Credit (EITC) for childless workers and establishing wage subsidies would make work pay for more people.

Bruce Western of Harvard University outlined his forthcoming Hamilton Project paper on promoting

work among ex-offenders and eliminating restrictions to employment and educational resources for these individuals. Furman moderated a roundtable discussion among the authors with input from Nada Eissa of Georgetown University. An overview of The Hamilton Project policy papers is included in the attachment.

A second panel explored more broadly ways to reduce poverty, make work pay, and promote job development and placement within some of the most at-risk communities. Former U.S. Congressman Harold Ford, Jr., a member of The Hamilton Project's Advisory Council, moderated a high-level discussion that included Brookings's Rebecca Blank, Center for Budget & Policy Priorities Director Robert Greenstein, STRIVE founder and President Robert Carmona, and former U.S. HUD Secretary and Vice Presidential Nominee Jack Kemp, who currently serves as Chairman of Kemp Partners. The roundtable covered a range of issues, including the balance between reforming the welfare system and making new investments; lessons learned from on-the-ground experience; and the need for additional programs to keep at-risk men in the workforce.

"It shouldn't be a political statement to say that every American who works full-time should live above the poverty line," said Ford. Commenting on the Scholz proposal he added, "We have a powerful tool to help make our economic imperative a reality – the Earned Income Tax Credit – and we can help many people who are working but unable to make ends meet by filling some of the gaps in the EITC."

In closing Kemp noted, "To wage a real war on poverty, we need a plan to reform education; create job opportunities; and provide access to capital, credit and ownership opportunities for low-income Americans."

About The Hamilton Project (www.hamiltonproject.org)

The Hamilton Project, named after the nation's first Treasury Secretary, Alexander Hamilton, seeks to advance America's promise of opportunity, prosperity, and growth. The project's economic strategy reflects a judgment that long-term prosperity is best achieved by making economic growth broad-based, by enhancing individual economic security, and by embracing a role for effective government in making needed public investments. Our strategy —strikingly different from the theories driving economic policy in recent years— calls for fiscal discipline and for increased public investment in key growth-enhancing areas. The project will put forward innovative policy ideas from leading economic thinkers throughout the United States—ideas based on experience and evidence, not ideology and doctrine—to introduce new, sometimes controversial, policy options into the national debate with the goal of improving our country's economic policy.

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The Brookings Institution is a private nonprofit organization devoted to independent research and innovative policy solutions. For more than 90 years, Brookings has analyzed current and emerging issues and produced new ideas that matter — for the nation and the world.

ATTACHMENT: NEWLY RELEASED HAMILTON PROJECT POLICY PAPERS

A Hand Up: A Strategy to Reward Work, Expand Opportunity, and Reduce Poverty

A Hamilton Project Strategy Paper

Poverty remains a pressing problem in the United States. Many of the 36 million Americans in poverty are working, but full-time work at the minimum wage does not provide enough income to escape poverty. The Hamilton Project offers a three-part strategy to reduce poverty and strengthen growth across the income spectrum.

- The most effective anti-poverty policy is to help people find a job that pays enough to support a family. The paper's principal focus is on programs to reward and facilitate work.
- A broader set of policies is necessary to prepare people to succeed, by investing in human capital and other critical needs.
- Public policies should provide a more robust safety net and a set of social insurance policies to help people rebound if they do experience economic hardship, and reduce the likelihood of their falling below a certain economic level at any point.

Together, these policies can raise the living standards of struggling families and allow everyone to share in our nation's prosperity.

NEW HOPE: FULFILLING AMERICA'S PROMISE TO "MAKE WORK PAY"

A HAMILTON PROJECT DISCUSSION PAPER

New Hope was an experimental demonstration in the 1990s that—in return for full-time work—offered a bundle of services to low-income families in Milwaukee, including: earnings supplements, health coverage, child care and community service jobs. New Hope demonstrated success through a variety of measures even after the program had ended:

- The employment rate increased by 5 percentage points
- Earnings rose by 5 percentage points
- Poverty declined by 8 percentage points
- Children, especially sons, of New Hope participants were rated higher by teachers on classroom achievement and positive social behavior

Greg Duncan of Northwestern University and his co-authors propose expanding New Hope on a national level, starting with a relatively small pilot involving five states. The states would compete for funding and the five selected for the pilot would be required to commit to random assignment. The program in each state would run for five years at a cost of \$10 million per state per year. After evaluation of the five-state program had been completed, New Hope would be scaled up nationally, reaching 4.2 million households.

BETTER WORKERS FOR BETTER JOBS: IMPROVING WORKER ADVANCEMENT IN THE LOW WAGE LABOR MARKET

A HAMILTON PROJECT DISCUSSION PAPER

There is growing evidence of a need for new workforce training programs. Since the 1970s, real wages have stagnated for the 20 million low-wage workers in the United States. Half of low-wage workers, or 11 percent of all workers, live in families with a household income below twice the poverty line. A recent study showed that only one-quarter of the lowest-income earners were able to achieve even modest increases in income over an extended period. Furthermore, many state and local initiatives, though promising, lack the funding and scale to have a significant effect on poverty or employment rates.

Harry J. Holzer of Georgetown University and the Urban Institute proposes the Worker Advancement Grants for Employment in States (WAGES) program to identify, expand, and replicate the most successful worker advancement initiatives:

- **The WAGES program would offer up to \$5 billion annually in federal grants** for state, local, and private worker advancement initiatives, which include training programs, job placement assistance, and financial supports such as wage supplements.
- **Grants would be competitive**, encouraging states to develop innovative and comprehensive worker advancement plans targeting the working poor, at risk youth, and the hard-to-employ.
- **The new funding stream would create a “learning system”** by requiring rigorous evaluation of worker advancement initiatives, disseminating high-quality data on program design, and rewarding states that use proven-effective models.

EMPLOYMENT-BASED TAX CREDITS FOR LOW SKILLED WORKERS

A HAMILTON PROJECT DISCUSSION PAPER

John Karl Scholz of the University of Wisconsin-Madison and Brookings proposes a two-part proposal to expand the childless Earned Income Tax Credit (EITC) and create wage subsidies.

1. **Expanding the Childless EITC:** The proposal increases the maximum credit from \$428 to \$864 for single childless taxpayers, and to \$1,728 for married childless taxpayers, ends the exclusion of eighteen- to twenty-four-year-olds, and provides an extra credit for childless adults under thirty.
2. **Creating Wage Subsidies:** The plan would increase the wages of 1.1 million workers in poor urban areas. The subsidy would be half of the difference between the actual wage and a target wage of \$11.30 an hour.

There are numerous expected benefits of this plan:

- **Employment:** The wage supplements provided by the subsidy and the expanded EITC would attract about 855,000 more individuals into the labor market.
- **Crime:** The proposal would decrease crime by over one million incidents, saving at least \$850 million.
- **Marriage:** Studies show that higher earnings and employment improve marriage rates and decrease the likelihood of divorce.