

THE BROOKINGS INSTITUTION

WAGING A LIVING:  
THE STRUGGLES OF AMERICA'S LOW-WAGE WORKERS

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## PROCEEDINGS

MR. HASKINS: I would like to welcome you here this morning for this interesting program.

Roughly speaking, American policy for poor and low income families is divided into two parts. There are welfare programs, again roughly speaking, for people who don't work, and there are what we now call work support programs, and these are programs that are usually explicitly designed to help low income families who actually work, including some poor families who work usually less than full time. To those of you who may be familiar with this, it is quite surprising that in about the last 20 years or so, social policy has shifted a great deal, so that we spend a lot more money now on programs for low income working families. In the old days, if you were on welfare and left welfare for work, and most people who leave welfare leave for low wage work, you basically lost all your welfare benefits, and that has changed greatly.

This is a very important development, I believe, in American social policy, but as we now know, especially after the 1996 welfare reforms that put a lot of new people into this category of low income working families, including some that were poor, it is still a real problem for a mom and two kids, usually single parent families, to raise children on \$15,000 a year. The nation has a problem that ironically welfare reform actually increased somewhat in that we did get a lot of people out of poverty and the poverty rate declined quite dramatically especially as compared with the previous decade or so, but those families are still low wage

families. So we have a problem. It is hard to raise a family on that amount of money.

That is what we are here today to discuss — how low income families can do better in America. To further the goal of doing better, the Annie E. Casey Foundation and the Ford Foundation have sponsored the preparation of a documentary on three low wage workers — actually, the one you will see today has three and the national version has four low wage workers — and their struggles to do better. This documentary will be shown nationally on public television on August 29th.

We are going to begin today's discussion with kind of a smaller version of the documentary that was prepared and is narrated by Jim Vance of local TV fame. Then following the documentary, we will have a very spectacular panel led by Jason DeParle of the *New York Times* who will offer comments on the film and on the problem of low income working Americans. Then at the end, we will leave time for audience comments.

Before viewing the film, it is my pleasure to introduce Mr. Simon Kilmurry who is the Executive Director of American Documentary, Inc., the company that made this important film.

MR. KILMURRAY: Good morning, I would thank the Brookings Institution and the Hatcher Group for hosting and organizing this morning's panel.

For the past 19 years, American Documentary has produced P.O.V., PBS'

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award-winning series of independently produced documentary films. P.O.V. films address the most pressing social issues of the day and often express opinions and perspectives rarely featured in mainstream media outlets.

We are extremely proud to present “Waging a Living” by Roger Weisberg. “Waging a Living” is an alarming, heart-wrenching, and intimate portrait of four hardworking Americans struggling to life their families out of poverty. We will be presenting a 90-minute version locally on WETA on August 31 and on Maryland Public Television on September 28. In addition, we will producing a web site which will feature lesson plans, discussion guides, podcasts, interviews with the filmmaker, and an interview Barbara Ehrenreich, the author of *Nickel and Dimed*, and we are also planning a campaign of screenings and events around the country around the film. More details can be seen on our web site at [POV.org](http://POV.org).

So, again, I want to thank you for coming and please enjoy the film.

MR. HASKINS: So, “Waging a Living.” Thank you.

[Broadcast of “Waging a Living.”]

MR. HASKINS: Interesting film with a fairly broad view.

Now we would like to put some meat on the bones and talk about the policies that we actually at the state and local level and broader concerns about financing and so forth. In order to do that, we have invited a wonderful panel with politically diverse views and different perspectives on these issues.

The panel will be moderated by Jason DeParle of the *New York Times*.

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Jason is the author of *American Dream: Three Women, Ten Kids, and a Nation's Drive to end Welfare*. As a guy who spends a lot of time reading poverty books, I would say this is one of the two or three best books on poverty ever written. So I highly commend it to your use.

We also have a distinguished panel. We specialize here at Brookings in short introduction, so you can get to the substance. So I would like to just mention the names and positions of the panelists. First is Jared Bernstein who is a senior economist at the Economic Policy Institute, and Jared also is the author of a new book called *All Together Now: Common Sense for a Fair Economy*, directly related to the topic of this discussion; Harry Holzer who is a professor of public policy at Georgetown University and also a senior researcher at the Urban Institute and an economist; Larry Temple who is the Executive Director of the Texas Workforce Commission and a troublemaker; Lashawn Richburg-Hayes who is a senior associate for the Young Adults and Postsecondary Education Policy Area at MDRC, a well known research firm in New York City; and then Kate Jesberg who is the Interim Director of the D.C. Department of Human Services in Washington, D.C. I would like to thank all the panelists for coming.

Jason, it is all yours.

MR. DEPARLE: Kate, do you want to start with your reactions to the film? Why don't you just stay here? You are tethered. You can't leave.

MS. JESBERG: I really enjoyed the film.

For those of you are actually from the District of Columbia, you should be

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very proud as I am because a number of the suggestions that they made that states adopt to mitigate the effects of a low wage workforce, the social supports, the District has, in fact, excelled in. So, for example, we have the largest state EITC in the United States, 35 percent of the Federal. We have a very expansive Medicaid program, and we also cover adults. Very few states cover adults as the film mentioned. We go up to 200 percent of poverty for everyone in the city. The other part is locally supported. Medicaid supports parents of low income children, and in the fall, we will be increasing our benefit to 300 percent for minor children, and that is very significant.

I know a few states who do, frankly, as good a job at trying to do this as we do. We are very high in our food stamp participation and try to support working families, and we also do some notable things with respect to the minimum wage and the living wage. So, in the city, we have a living wage contract, and we also have a minimum wage now of \$7.00 an hour.

We do this, of course, because we have a substantial problem with low wage earning. We have been very successful. As you know, frequently, we get people off welfare, but we don't get them out of poverty. So we have been very successful in moving people off welfare. We are the most awarded jurisdiction in the United States, based on the prior bonus structure.

Am I approaching six minutes yet? I have more to say. All right, okay, good.

So we have been successful in moving people off welfare.

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I would say, though, that many of the policies, particularly those recently enacted in the Deficit Reduction Act, are really at cross purposes to our efforts to move people off welfare and then really sustain them in lower wage jobs. I am speaking in particular of the requirement about Medicaid birth certificates. It is going to make it much more difficult for us to enroll people in Medicaid and is contrary to what we have moved forward in the past 10 years.

Secondly, much of the focus of the new TANF reauthorization will have the effect of pushing a lot of people who are trying to move people from welfare to work into process measures, looking really at bean counting — I can respond to questions more in depth on that — and less at outcomes and positive outcomes. So there is a real tension, and I wish we had better Federal policies that allowed us to do our jobs.

MR. DEPARLE: Let me move ideologically and geographically from the generous District of Columbia to the cheapskate troublemaker from the State of Texas, Larry Temple.

MR. TEMPLE: Now you know why I was invited.

A couple of things, one of the reasons, other than being a troublemaker, is because our agency, the Texas Workforce Commission, we have the Welfare to Work Program, but we also have all of the Department of labor funded training programs as well as many state initiatives. We also have childcare within our agency with the idea that childcare is, in fact, an economic development tool to help people working.



A couple of things I would like to address, one is just exactly what our philosophy is on our workforce system. About 10 years ago — actually, we are celebrating our 10th Anniversary this year — the legislature and then Governor Bush blew up about 3 or 4 agencies, combined about 28 programs from 10 other agencies and formed the Workforce Commission with the idea of trying to take an entirely different approach to workforce development. One basic tenet was that it was to be locally controlled. So there were workforce boards formed. This was well before WIA came in, and the Workforce Investment Act was passed. The second was to be employer-driven, that it be market-driven with employers as a primary customer. We had tried the jobs program. We had tried the JTPA program and, quite frankly, the common missing element in both of those was a contact with employers. So we wanted to do that.

We wanted to train for the sake of training. Kate talked about the new TANF rules. One of the things we are really encouraged about, and we have tried to do this in our program for the last 10 years, is we don't train for the sake of training. When we put someone into training or we do a training contract, there has to be a job associated with that training. So it is a different approach, but the return is much greater.

As far as the dead-end jobs, there are some young folks in here. They may be. Who in here is in their first job? Anybody? They are young.

How many people are glad you are not in your first job?

How many people remember your first job?

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Do you remember who helped you get your first job? We all do, don't we? A coach, a teacher, a parent, an uncle, probation officer, whatever. Well, that is what we want to be. We want to be the person that helps a lot of people get their first job and then let them work.

A dead-end job, I don't believe there is such a thing as a dead-end job unless you want to make it a dead-end job. If you say this is what I am going to do for the rest of my life and I am going to do nothing to help myself advance, then you are going to be stuck there, but that is a decision that you may very well be making yourself.

I have a friend that owns quite a few fast foods and to advance to be an assistant manager which has a pretty good wage and benefits, his criteria for selection, he hires from within, is that an individual show up everyday for work for six months because the number one job of assistant manager is to open the store everyday. He says it is amazing how hard it is for him to get someone who qualifies to meet that job description.

In the Workforce Commission, we have gotten some pretty good success. One of the things we have done is — I have some handouts where I have a pie chart that I would like for you to see — basically, we have about a \$1.1 billion operating budget of which we block grant down to the boards almost \$900 million. We have gone after every waiver we could possibly get, whether it be from the food stamp people, the Department of Labor people, the Administration for Children and Families, and our results have done pretty well. For people

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coming into the WIA program, 75 percent of the roughly three billion people that have come to see in the last two years have found employment; 82 percent are employed a year later; and their average earnings are around \$23,500.

Another chart that I handed out, that I hope you will get, is a chart that shows the various benefits. I see my friend, Debbie Chasman, who helped me about 15 years ago develop this chart, and it shows a support structure. Someone making, let's say, \$8 an hour with the earned income tax credit, the childcare, the Medicaid, the transitional Medicaid, if there are TANF dollars they are able to receive, has almost a \$35,000 package for at least a two-year period in most states with the transitional benefit. A lot of that is tax free. The food stamps are tax free. The childcare is tax free. The EITC certainly is your taxes back when you didn't pay taxes.

Integration of the services within the agency is important and certainly looking out and seeing what else is out there. In the EITC, we have launched an initiative in Texas and identified those areas of the state that have the lowest EITC utilization, and I am happy to say that we have advanced that reciprocity rate very, very strongly.

Workforce can work. I think it is important to have that employer connection and help people. One thing we do have is people who can help people make good career choices, who can show them what is coming as far as demand jobs and jobs that have career opportunities for them.

Again, I am glad I am not in my first job, and I certainly remember who put

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me in it, and if I could ever find him again, he is going to pay dearly. Thank you.

MR. DEPARLE: Jared, few people have thought more about low wage workers than you. What was your reaction to the film?

MR. BERNSTEIN: Well, I thought the film was very moving.

I was asked to speak about wage mandates — minimum wages, living wages. That is what Ron asked me to hold forth on, and I will, although I will talk about some other stuff also because I think wage mandates are part of the answer, and by wage mandates, I am talking about rules, laws that mandate a wage payment above what the market would set. So the minimum wage is an obvious example, but also living wages as you heard discussed so far.

They are part of the solution, and I don't want to spend my whole time just talking about them because they are only part. In fact, I noticed it in the film. Nobody was making the minimum wage. In fact, it sounded like people were making a couple of bucks above it and clearly still had a whole set of problems we associate with low wage work.

The package, I would just kind of sum it up in a way that I think many of us think about has been articulated by the two previous speakers to some extent and certainly discussed in the film. Obviously, there is the job and the wage, and I will talk more about that. Then there is the work supports. These are the set of programs, and Larry spoke about them in some detail, including health care, EITC. I call them gap closures because they are there to close the gap between what someone earns and what they need. As you see in the movie, there are some

problems there.

By the way, one of the striking things about this movie — this is the second time I have seen it and it hit me just as hard the second time — is what we call the cliff effects, the idea that as you earn more, your benefits begin to fade. What that woman, Barbara, was going through, I remember just being tremendously moved by the difficulty that you face with these cliff effects. Of course, the solution to these effects, and we can talk about that more, is more universal programs or at least raising the cliff much higher up the income scale. I was very impressed by some of the numbers you were talking about. Having a 300 percent of poverty for kids before you hit the cliff is a tremendous advance and should be very much supported.

So work support and skill enhancement, which my colleague, Harry, will talk more about, but one thing you don't see in this movie and doesn't get enough discussion in our circles is the importance of full employment job markets. By that, I mean, I am talking about a role for the macroeconomy and for macroeconomic policymakers in addressing low income poverty. It is probably more for Q and A that it is right now, but let me point out that when this economy hit full employment for the first time in 30 years or something awfully close to it in the latter 1990s, the wages of low wage workers rose in lockstep with productivity growth about 2 percent real year over year for the first time since the data go back to the early 1970s. A truly tight labor market is something we simply don't have enough of in this country. We don't have it right now even

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with measured unemployment at 4.6 percent. It is one of the best anti-poverty programs there is and gets far too little attention. Jason, you could also hold forth on some of that, given the stuff you wrote about in your book.

Now let me talk about what I am supposed to talk about, now that I have a minute or two left. The wage mandates, they are important in the following sense. First of all, they put fora on the job market, and I probably don't have to convince too many people that low wage workers suffer from low wages, and if you can raise those wages, sometimes if you leave it to the market, wages will be driven down far below even a privation level wage. So we have these rules. I think they are an important complement to what has been discussed. They have no direct budget costs, and in that sense, they are complementary to the redistributive programs through the tax code. The EITC, for example, is a critically important anti-working poverty program, but the burden of working poverty cannot be solely turned over to the taxpayer. It has got to be shared with others as well.

We have different flavors of wage mandates. We have a national minimum wage which is set at \$5.15 at the national level. It has been there since September, 1997. We are just about to tie the longest period on record for Congress ignoring the minimum wage, and it stands at a 50 year low in terms of its buying power. However, 21 states have raised their own minimum wages above the Federal level, and at this point, half the workforce lives in states with higher minimum wages. A number of those states have their wage indexed to the

CPI. There are actually four cities, including his one, with a minimum wage that is higher than the Federal level as well — Albuquerque, Santa Fe, D.C., and San Francisco.

Then there are 140 living wages in play. I actually don't have time to talk about them right now, but if people want to hear more about that during the Q and A, I will say more. I will say this: Living wages which were mentioned in the movie, they are a useful tool, but they cover a very small number of people, and in that sense, their breath is quite diminutive.

What is the down side of these wage mandates? Well, of course, those who typically oppose them argue that if you raise wages, you are going to actually hurt the very people you are trying to help. Interestingly, the political process tends to end up delivering increases in these wage mandates that are small enough that these effects tend not to show up in the data.

There is a wealth of research on this, and I would be happy to talk to you about it. I have done some myself. I would summarize it by saying the following: The job loss effects, the distortionary effects on the economy tend to hover at about zero. It does seem to be the case that as long as these increases are moderate, we don't invoke these negative effects that the opposition seems to stress.

I will stop there, and I will pick some of this stuff up later.

MR. DEPARLE: Lashawn, you have the mic.

MS. RICHBURG-HAYES: I think the documentary did an excellent job in

showing that education pays by putting a face on the statistic. BLS statistics show that college graduates earn about 55 percent more than high school dropouts, and those graduates with Associate's degrees earn about 40 percent more than high school graduates. That clearly, in my opinion, shows that community colleges which are the number one grantor in the United States of Associates and higher degrees among low income adults, that there is a role for community college institutions in rectifying this problem. But, there is a dilemma. Education pays, but it is hard to attain.

In our work at MDRC in community colleges, we have talked to low income adults who succeeded, failed, or are in the process of attaining a post-secondary credential. What we learned from them is that the barriers they faced to doing this are typically the ones mentioned in the film — their poor academic preparation; a conflict between work, family, and other responsibilities they have to take on in their lives; and then finally, just finances. It is difficult to manage their households without managing the extra cost of going to school.

MDRC's response to this was to start work on intervention in community colleges that could help both low income adults as well as disadvantaged youth. In one of those interventions we are studying is a performance-based scholarship in Louisiana. This scholarship is different from merit scholarships in that the scholarship is based on performance benchmarks. To give you a little bit more of an idea about this particular scholarship in Louisiana, it was very generous. It offered \$1,000 for two semesters in each of those two semesters for \$2,000 total

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for students to use in any way that would help them pursue their goal in academics. The scholarship was based on the students attaining a 2.0 GPA. This differs dramatically from most merit scholarships where in order to be eligible, you must have at least a 3.0 GPA to qualify and then many of those scholarships have other restrictions. The scholarship in Louisiana was open to people who met 200 percent of the poverty level, and our particular demonstration was limited to parents, not necessarily on welfare but parents who had 200 percent of the poverty level in Louisiana.

Now this scholarship program, although it only operates in Louisiana, is very promising, and the early results are compelling. What we have seen so far is that offering this scholarship in addition to enhanced counseling as resulted in the students attaining almost a half semester more college credits than students in similar situation. The scholarship itself could pay for tuition twofold. So the students do not have the added stress of what do I do with my child while I am in school. Can I pay for childcare? The scholarship could be used for that. Do I have to go to the library to look at the books because I can't afford to buy textbooks? The scholarship could pay for that.

In wrapping up, as I mentioned, Louisiana is one state. However, what can we do? We believe at MDRC that this performance-based scholarship could be expanded to other states. There are a few state legislatures that are in the process of or thinking about creating more merit programs. These programs tend to be limited to low income or highly achieving students coming out of high school,

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going into college. That is a group that needs to be helped, but we would like state legislatures to consider helping another population of low income people, not necessarily youth but adults as well, who may not have exhibited prior academic achievement but are capable of achieving. That achievement may not be a 3.0 GPA; it may be a 2.0 GPA. From there, as we have seen, education pays. Success in getting that first credential could lead to greater success down the line.

MR. DEPARLE: Harry Holzer?

MR. HOLZER: Thank you. I thought the movie was very good and highlighted an important set of issues. I think the movie was correct, and all the speakers already have highlighted the same three sets of issues on the policy side, all of which need to be addressed to actually to do something about this problem. Number one, it is the skills and education of the workers; number two, the quality of jobs and the advancement opportunities they face; and number three, the public supports in filling in the gaps, as Jared said. I think along all three dimensions, we could do a better job, both in state policy and certainly at the Federal level.

In terms of skills and preparation, the piece that I want to talk about is before people become the working poor as adults, we can do more as youth. Of course, you could start this conversation at many different places. You could talk about pre-K skills and No Child Left Behind and K through 8 reforms. I want to talk about high school because I think the high school years are a very important point at which people could get a better set of skills to prepare them for the labor market or for post-secondary advancement.

We talk almost exclusively about test scores and academic preparation. Those things are important. They are not the only things that matter. I would like to see a strong emphasis on multiple pathways to success for people while they are in high school, especially for those who won't be going to post-secondary. I think high quality career and technical education is a possibility and can be done a lot more. I am not talking about old fashioned voc-ed, which in many cases really was and in some cases remains a backwater. I am talking about newer approaches that combine good academics, occupational training, and early labor market experience for young people.

The best example I know of are the career academies which have rigorously evaluated by MDRC. The career academics raise the earnings of disadvantaged young men by almost 20 percent a year for as much as four years at a school, and that is almost unprecedented by any of these second change programs that we hear about. It indicates that there really is potential. There are other approaches too, like apprenticeships. In a world where so many Baby Boomers will soon be retiring and employers will be looking for workers who have the right skills to replace them, it is possible to create, to set up high quality career-oriented programs for high school students, so that they could do a lot better.

The fear we have of tracking — are we tracking our lower income people — I think is not very well established because if you look at the MDRC evaluations, the kids who went to the career academies went on to post-secondary at the same rates as the kids who didn't go to the career academies. It is just that

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for those who didn't go on, the labor market options were better. So it is consistent with this idea of multiple pathways for young people before they become the working poor.

Now what about other skill-raising programs? I don't have a whole lot to add. Like Larry, I like these programs. I think the most promising thing we see out there is this whole range of programs that I call employer-focused, that really use a third party intermediary to bring together the worker, the employer, and the training provider, usually a community college, and try together to raise the appropriate level of skills for the jobs that are in demand in the economy. I think those are promising, but of course there are many potential pitfalls that have already been talked about — whether people have enough basic skills to make it in the training programs, whether they have the ability to juggle work, family, and studying, and whether the employer is going to be interested to fund the high quality at the end of the day. I think these approaches are very promising.

Lots of states are doing interesting things, and even cities, to try to develop these approaches, to try to scale them up. We need more evaluation evidence to really find out what works and what doesn't. We need new approaches to try to scale these things up when we figure out what works, but it is a promising area that I think we could do more with.

Where I really want to bounce off of Larry's comments and really disagree with is this notion that anybody can advance if they just want to. I really don't think that is true. Larry talked about the problems of people not showing up for

work, and yes, there are portions of the working poor that have job readiness issues, especially if you go down through the people with disabilities, with criminal records, and things of that nature. That is a whole other conversation that we could have.

If you look at studies of worker absenteeism, a lot of it is based on things like health problems or childcare problems or transportation. A car breaking down or a kid getting sick often accounts for a decent part of the absenteeism that you see. So this notion that it is all the worker doesn't want it, I don't think is consistent with the evidence.

But, more importantly, the quality of the job matters a lot, and there are important studies. I wrote a book on this with data showing that even when you control for the skills of the worker, there is a range of job options out there, some much better than others. Unfortunately, in the kind of economy that we now have, the range of jobs that provide advancement opportunities for less educated workers are simply diminishing over time. We can talk about the pressures, the technology issues, the globalization, all the factors leading that way. Nevertheless, it is a fact that fewer and fewer firms and jobs offer these advancement prospects for workers that have fairly limited skills. So I think that is why we need this multipronged approach, working on the skills of young people and adults as well as the quality of jobs.

How do we improve the quality of jobs independently of worker skills? Jared mentioned some things. Moderate increases in the minimum wage, I think,

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are appropriate as long as they are moderate. Making it easier for workers to organize collectively, I think, would help. There is a range of other approaches — subsidy programs for firms and technical assistance for firms that actually try to provide better career ladders and better training opportunities. There is a range of examples at the state level. Some have been rigorously evaluated that look to be successful. So we could do a range of things to encourage and incentivize more firms to offer a better range of job possibilities in addition to focusing on worker skills.

Finally, in my last minute or two, let me talk about the issue of funding. We pay an enormous amount of lip service in this country to skills and the importance of skills and education. Are we matching the lip service with funding for the programs that serve the adult population and the low income population? I say the answer is no. Now again, funding is not sufficient in and of itself. You don't want to be funding bad programs, but funding is necessary, especially when you identify programs that seem to work.

The two primary pots of money that we use to fund adult low income education are the WIA funds that Larry talked about and the Pell Grants. Now the WIA funds have been on a downward trajectory in real terms for several years now. Every year, the real inflation adjustment falls and to get it relative to the size of the workforce, it falls by even more. To me, it is a little disgraceful that we talk about this and yet we cut WIA funds every year, especially when there is clear evaluation evidence that WIA, at least for adults, has been successful. If

you go back to the JTPA evaluations in the 1990s, random assignment, the impacts were not enormous for low income people but per dollar spent, the rates of return were really pretty good. They certainly met standard cost-effectiveness criteria, and yet we cut those programs every year.

Of course, Pell Grants, these days in terms of dollars, are much more important and several times larger than the WIA budget. Again, Pell dollars have increased but not as much as tuition has gone up in many states, and there are other issues of who is eligible and how you enable people to package Pell with other kinds of supports. We can talk about that as well, but that is where I will stop.

MR. DEPARLE: Thank you all very much. I have a slight concern, however, that these comments are excessively polite. One of the more interesting comments that I have gotten, that I have heard today came during the movie, muttered under the breath of someone in the audience who said: As a woman with five kids, she shouldn't have had five kids.

I think the question this film poses quite explicitly is: Is the American Dream dead? It seems to conclude that the answer is yes. Is there a counter case to be made, Larry, that the American Dream isn't dead and the people in this film for whatever reason may not have set themselves up to participate in its full benefits?

MR. TEMPLE: Well, I think the American Dream is alive and doing well. I just think there are different approaches to get there, that people have to make

adjustments. Our economy makes adjustments. Our education makes adjustments. People are going to have to make adjustments.

I think the thing that struck me the most in the movie was that there was this perception that all of these supports had to be forever, had to be life-long. I think we took the word, temporary, in the temporary assistance for needy families seriously. It was not meant to be a lifestyle. There seems to be this thought that just because you work hard, then the government is going to come in and make up the gap forever. These programs that we are looking at and the weaning off as the case manager was talking about, and she threw in that it was an unfair system, it is not meant to be permanent. It is to help you. It is a grope stake, if you will, to help you get there, and the dead end job and the things we are looking at.

Harry, thank you for disagreeing with me. I was afraid. I was getting nervous. Too many people were agreeing with me up here. It was not career enhancing for me.

We had a situation in the Rio Grande Valley, particularly around McAllen and Brownsville, where the banks were just sprouting up everywhere. They were needing tellers, and they were hiring all of the cashiers from the fast foods. Just as fast as they could get trained as a cashier, the banks were hiring them. The fast foods folks and the restaurant association and all these people were really having a dilemma; they couldn't keep people. So we made a deal. The pay and the benefits were better. The career ladder was better at the bank, arguably, but the fast foods became kind of a farm league, if you will, for the banks, and they



worked a deal. They had people within the fast foods that could progress up to be cashiers, or in the restaurants and work up to be cashiers.

That employer doesn't have to offer the career path to the American Dream within his or her business, but they can be the stepping stone to another place. The fact that every employer must have a career path so that everyone can get that house with a swimming pool in the back, I don't think so.

MR. DEPARLE: Does anyone else on the panel find the film overly alarmist or attacking or somehow against the American Dream.

MS. RICHBURG-HAYES: I thought the film was very realistic about the problems in attaining the American Dream. I think we have to be clear that even though people go to work, they are not going to be able to support themselves necessarily.

I have done work on welfare reform for the last five years, and although welfare has moved people off the rolls at tremendous rates, what we found is that if it didn't any difference in terms of income. People were not getting better jobs, and they weren't getting jobs that offered them health care or were able to improve their standard of living at all. So from my perspective, you have to wonder what is happening to these people. Where are they going? They are not in the welfare program, but they seem falling through the crack somehow.

I think that I am caught between the fact that workers should help themselves, but government definitely has a role, and I think this idea of temporary is not realistic for the economy that we live in today.

MR. HOLZER: Jason, you asked about the issue that the film didn't talk about, about single parents. The two parents that were highlighted were single parents and the number of kids they had. I think that is a reasonable thing for us to talk about. Marriage promotion, teen pregnancy prevention, that whole range of issues ought to be on the table as well in a comprehensive anti-poverty strategy. I know it is here at Brookings. I think that makes sense. Quite frankly, how much do we know about public policies to encourage marriage to affect family formation? There, I think we know a lot less. As with many things, we need to continue trying.

It also raises another issue. If you put family formation on the table, the ability of men and also the incentives of less educated men and young men to be on the right path, to stay out of trouble with the law, to not father kids out of wedlock, their ability and their incentives to do that have also diminished drastically in this economy. That has got to be part of this if we are going to have discussions that do involve and should involve responsibility and making responsible choices.

MR. DEPARLE: Who can help raise their ability to stay out of trouble with the law?

MR. HOLZER: Well, their incentives because the jobs available to less educated men have taken a worse beating in our economy than jobs for any other group, so the incentives that a lot of these young men have or that they perceive down the road. Again, you are talking about very young men. You are talking

about kids in lots of cases — 10, 12, 14 year olds looking down the road, seeing a very bleak future, and disconnecting early. To me, that is part of this whole process of the creation of single parent families and men disappearing from many of these families. I just think all of those issues including the prospects of low income men have to be on the table and part of this more comprehensive plan.

MR. DEPARLE: Do you take issue with a comment of Larry's or your perception that Larry said anybody can advance no matter their skills? Do you think they can advance more than they can if they can't advance to your vision of the American Dream?

MR. HOLZER: It depends on who you are talking about and when they are making critical choices. So, for instance, I think if many young people in high school had made a different set of choices and had faced a different set of opportunities to link to the labor market and develop skills, then their outcomes could be more positive than what we see in the film.

MR. DEPARLE: You are almost saying that the film is looking at low wage work too late in the process.

MR. HOLZER: That is part of the issue. I think you need to start early and link people to the labor market and build skills, but there are going to be people in the situation like that the film. People are going to make mistakes in life. They are going to miss opportunities. Some people aren't going to have opportunities. I think the film correctly captures their plight and the fact that there is probably more we can do for them as well.

MR. DEPARLE: You spoke about the generous system of work supports in Washington. What would you say to conservative members of Congress who would view the poverty situation in Washington as an argument to why you shouldn't have generous work support as an example of failure?

MS. JESBERG: Well, of course, it is not an example of failure. In fact, the Federal Government itself recognized our successive work place, if you will, against quite a challenging educational backdrop, meaning that we have about 55 percent of our children living in families where there is 200 percent of poverty income, and about three-quarters of those families, 72 percent, are working. Obviously, what we all know is it is very high.

MR. DEPARLE: How as that changed over the past decade? Has it risen considerably?

MS. JESBERG: Our case loads, particularly for an all urban area, have dropped quite a bit.

MR. DEPARLE: The percentage of low income families who are working, has that risen?

MS. JESBERG: Yes, yes, in tandem with other things that we have seen throughout the country.

MR. DEPARLE: Do you think that is a direct result of the work support system?

MS. JESBERG: Yes, I do, and we actively market the fact that TANF should be temporary and work is always better than welfare, and then we try to

make good on that promise and provide a whole array of work supports.

What I was struck by in the film and it was kind of a backdrop is, as we all know, there is a high cost of being poor. Remember, she went to the payday lender, the check cashing place. She undoubtedly paid for that. East of the river in this city, we have three times the number of fringe financial institutions than we have of banks. We should be so lucky to have all these banks that want cashiers. It would be Al's Check Cashing and various other enterprises. So I think that there is a whole range of thing that really needs to be done about predatory lending and things like that, often not talk about, but it clearly is something when people start moving up and getting the EITC check. Remember, the fellow talked about only have \$10: I gotta keep my bank account open with just \$10. That is a whole other area that I think we really do need to look at, the area of work supports to, frankly, support working.

I also think there is a lot of promise in what is called contextual or bridge programs, and those are more for adult learners. The problem that we have with WIA is a very large number of our recipients and of the population in general are reading fourth to sixth grade, and most entry level for WIA is eighth grade. You go into the employment service agency, hit it, you are not going to get in there. So it is a structure that doesn't serve our very lowest skilled people. What I think holds promise for them — I would appreciate your insight on that — are these so-called contextual or bridge programs where they teach the essential skills of the job in a context where they also teach learning.

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MR. DEPARLE: Let me go to Jared with a question and come back to Lashawn on these issues.

MS. JESBERG: Yes.

MR. DEPARLE: You were complaining about the cliff effect or concerned about the cliff effect, that people get benefits and then lose when they go to work. Larry, on the other hand, was stressing the need for these benefits to be temporary. It seems like there is an inevitable conflict. Is not the cliff effect simply the flipside of the generosity that Kate was talking about.

MR. BERNSTEIN: It is.

MR. DEPARLE: You give something to someone. As their income moves up, eventually you take it away.

MR. BERNSTEIN: Right, the programs that do away with the cliff effect are universal programs like Social Security and they are a lot more expensive than programs that have cliffs and it cost a lot more than providing Medicaid to children up to 200 percent of poverty if you move it up to 300 percent of poverty. So the only solution for cliff effects is to increase the financing of the programs.

Let me address a thematic that has come up in this discussion. I don't know how people in the audience feel about this, or on the panel, but I kind of feel like the argument about whether it is people's fault or whether it is the economy's fault is an old argument that doesn't really have any currency anymore. It is not an argument really worth having. I don't think it is interesting, and I don't think it moves anything forward very much. I think one of the key lessons we learned

from welfare reform, which was by no means a perfect program, was it had punitive aspects that I think were misguided and hurtful but also provided us with an invaluable lesson that should bring the two sides of that argument together and take that silly argument off the table which is that if you have a booming labor market and if you have a generous set of work supports that helps smooth and facilitate the path from poverty into work, and if you raise that path with the kind of skill enhancements we are talking about, most people will respond and most people's living standards will rise. It is not rocket science.

It worked well. Poverty slid significantly in those years. Wages went up as much as a third — you heard some of those results so far — but that could mean an increase from \$6 an hour to \$8 an hour. We know what it takes to live in an American city, and you can't do it on \$8 an hour, whether you have five kids or whether you have two kids. That is just really not much of a critique either way.

The answer to the problem, the idea that you could sort of temporarily support folks who are stuck with that gap that needs to be filled, just doesn't really make much sense. Think about the EITC. Can anyone imagine a temporary EITC that somehow is time-limited? Of course, you couldn't because the EITC is a wage subsidy for low wage workers. If they make low wages and you have a program that is trying to fill that gap, then as long as there is a gap, there has to be that program.

MR. DEPARLE: Lashawn, on the issue of higher education, can you talk some about whether the issue is really the lack of affordability, as the scholarship

program would imply, or a lack of perceived usefulness for the people who are getting it?

MS. RICHBURG-HAYES: We have done a lot of work with focus groups, as I mentioned, of students who failed and those who succeeded. What we have learned is that there is a universal type of knowledge of the benefit of education. It is not that there is a misconception that one should do this. In fact, we have done focus groups with teenagers in high school, and there is a perception that education is worthwhile, but there are barriers. Some of these barriers are finances, but in addition to finances, it is the conflict between work, family, and study. You have all of these barriers, and you don't have support around it.

I think Barbara is an excellent example. She realized that getting her education was important. But, where were her children? That is what I was wondering. She had five children. Who were taking care of her children while she was at night school?

Where was she getting that extra money to pay the tuition? Was there any financial aid that she was eligible for? Perhaps, but that wouldn't address the childcare. She had to pay for medication for her son, and there was this tension between going to school or getting the medication. If you are constantly faced with these tossups, the education fails.

What we have seen is although many people pursue Associate's degrees, actually after six years, less than 50 percent have actually attained a degree because of these barriers.



MR. DEPARLE: Do you share Lashawn's confidence in the payoff on higher ed programs for low wage workers?

MR. HOLZER: Generally, although I think, as with everything, you would like to see more rigorous evaluation evidence. At least in some of the programs, the more remedial programs, you do these comparisons. People with Associate's degrees always do better than people without Associate's degrees. People with some community college certification do better than people without it. Of course, what you would like to see is for that particular population of low income people, what are their success rates when they start those programs? On average, my guess is that they will pay off.

My guess is that out of all the potential training programs that employers might, employers want a certification that they believe has some currency and something that is relevant to the needs of their workplaces. I think a lot of these newer programs where community colleges are working in tandem with employers, they meet those criteria. You would still like to see some more rigorous evaluation evidence, but my guess is that they would work. The barriers that you have emphasized, I think, are the right barriers, and part of them is financial but only part.

MS. RICHBURG-HAYES: That is a good point. In terms of evaluation, we have started a number of random assignment evaluations of community college intervention, and the scholarship program that I mentioned is a random assignment design. What we have seen is that students who at least matriculate,

after they receive that scholarship, they are 18 percent more likely to come back the next month to finish their studies. After three consecutive semesters, you see that they are more than 18 percent more likely to be there when compared to similar students who started out three semesters prior. So there is some evidence that offering these supports works. While 18 percent may seem low, when you can compare that to JTPA, they are huge, huge impacts.

MR. DEPARLE: Lashawn, your passion for this issue reverberates through the microphones.

We will go to the audience in just a second, but I want to end this part of the discussion with one question. I would like to hear from any panel member who has a concise single recommendation for what to do to help low wage workers.

I want you to imagine that you are serving in the Haskins Administration. The new book, *Work over Welfare: the Inside Story of the 1996 Welfare Reform Law*, creates a spontaneous wave of political energy in America that throws Ron into the house. As his poverty advisor, I want each of you to put forth one concise recommendation of what Ron should do to help these people.

MR. TEMPLE: I would say try to remove all of the siloed funding. Give states the flexibility to create programs that meet the demand and get rid of all the strings that are attached and give much more flexibility in the funding.

MR. DEPARLE: State flexibilities could work for a Republican Administration, yes.

MR. BERNSTEIN: Thank you for appointing me to your administration, Ron. It was a surprise.

We let the high end Bush tax cut sunset and with the hundreds of billions of dollars we get from that, we beef up the work supports, increase the earned income tax credit, and at the same time, we begin to universalize health care.

MR. DEPARLE: Can I judge here from the press gallery at your White House briefing? You said the most important thing was to create a full employment economy, so how can President Haskins do that?

MR. BERNSTEIN: I think what we need to do is we have to get with the Fed, make sure they are on the same page as us, and then we have to start talking about revitalizing the Humphrey Hawkins Act, so that we actually have poverty targets.

MR. DEPARLE: The Humphrey Hawkins Act, for those members of the audience still in their first job, can you explain?

MR. BERNSTEIN: Sorry. This is a rule that Congress wrote that dictates the dual responsibility of the Federal Reserve to maintain both stable prices and full employment, and I would argue that they have been weighing the stable price part of it far more heavily than the full employment part.

So we would beef up the Humphrey Hawkins Act and we actually have poverty targets in that act. If we are not achieving these low poverty targets, like they have in the U.K. by the way, then the Federal Reserve Chairwoman has to explain why that is not happening.

MR. DEPARLE: Lashawn?

MS. RICHBURG-HAYES: I would say we need to stop cutting state education budgets, have adequate funding for colleges, and for each of those dollars allocated, set aside a reasonable amount for evaluation, so we can find out exactly what works and for whom.

MR. HOLZER: I would have a new initiative for youth in high school to create a range of pathways, some to post-secondary, some to the labor market, with additional supports for career technical education, post-secondary education, community colleges, as well as apprenticeships and internship and things that directly lead to the labor market.

MS. JESBERG: Nothing happens without childcare for those with children. Everyone knows that. We would have universally available care, obviously subsidized, for those who are low income, so we can facilitate.

MR. DEPARLE: I thought you were going to say abstinence programs.

MS. JESBERG: We are always going to have kids.

MR. DEPARLE: Do we have mics for the audience? We do have mics. Please?

QUESTIONER: I am Greg Squires. I am Chair of the Sociology Department at George Washington University.

I am struck by the absence of any discussion of wealth or prerogatives of private capital in the way we subsidize wealth in this country.

MR. DEPARLE: Prerogatives of?

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QUESTIONER: (off mike) Private capital, the issue is one of wealth. We have not discussed private wealth in relation to the way we subsidize, in addition to the Bush tax cuts. I am thinking of things like the way we subsidize home ownership where over half of the subsidy for home ownership goes to households making 100,000 a year or more.

We have some tools that do get at this. The Community Reinvestment Act is one effort to try to shift some private capital into depressed communities, but I think there is a connection between the accumulation of wealth at one end and the administration of poverty at the other end, and I don't see where we are getting that connection. The fundamental questions here about power and ideology and equality, and I would like anybody on the panel to discuss how we might get at basically the prerogatives of private capital and how that can be channeled in ways that provide the money for childcare and schools.

MR. TEMPLE: Well, I think Warren Buffett is spent out.

MR. HOLZER: I think there are two things going on. I agree with you that there is a set of policies that subsidize the wealthy, and there is a big chunk of folks in Congress that want to expand those subsidies. The estate tax, it is not enough that there is such a tiny part of states that pay any tax. We need to be more generous. The Bush tax cuts and other things, obviously, I oppose those.

Some of the other things you talk about, some of the other regressive tax subsidies like home ownership, those are politically very, very popular and large chunks of middle class derive some benefit from that. I think, politically, those

are tough fights to take on. If you want to take that on, I would be supportive but I am not very hopeful.

MS. JESBERG: You are going to try to limit my mortgage?

MR. HOLZER: Exactly, I rest my case.

Let us be honest. We live in an economy where the mobility of capital is not just based on government policy. It is based on the way the economy works, the changing technologies and globalization, and that is part and parcel of a very high productivity economy and the high growth rates that we enjoy. Do we think that Western Europe is a model with all of its regulations and restrictions? I don't think so. So I think a lot of that inequality, at least some of it, we are just going to have to live with. The question is the parts that are really egregious and excessive and new, can we limit those and try to orient some of the government revenues towards some of these supports that we know in many cases are useful if they are funded at higher levels?

MR. BERNSTEIN: Let me just quickly disagree a little bit with what Harry said. I strongly support the notion you have introduced that the wedge of income or wealth inequality gets between growth and poverty reduction and has been one of the major factors. You can actually see the absence of that wedge to some extent in the latter nineties, where poverty reduction occurred as income inequality, at least between the middle —

MR. DEPARLE: What do you mean by wedge?

MR. BERNSTEIN: I mean that the economy is growing at a nice pace like

it is right now, but poverty has been increasing. It has been increasing every year over this recovery, economic recovery, unprecedented, three years of recovery and poverty up every year. We will know about 2005 in a couple of weeks.

If the economy is growing but inequality is playing a role that is channeling that growth upwards, so it is serving as a wedge between growth and a more broadly shared distribution, then you are not going to get any poverty reduction because the macroeconomic growth is all channeled upward through inequitable distribution.

MR. DEPARLE: So what do you do about it?

MR. BERNSTEIN: Well, what I was going to say is this is where I disagree with Harry a little bit. There is actually a snapshot up at our web site right now that folks might check out, which shows the difference between pre- and post-tax child poverty rates among all the advanced economies. In fact, if you look at the poverty rates before you have the redistribution, the stuff that Harry was talking about, the regulations and the programs kick in, our child poverty rates are actually fairly similar across us and Europe, but they lower those child poverty rates far more than we do. Now some of those countries, you can point to and say well, they are less productive or they have higher unemployment, but in many other ones, they don't. They are more productive than we are, and their unemployment rates are broadly commensurate with ours.

So I think this notion that there is a tradeoff between inequality and growth is wrong, and I would challenge that.

MR. DEPARLE: The answer to what you would do about is tax the rich to provide more income distribution to low income workers.

MR. BERNSTEIN: Well, I said in my answer when the Haskins Administration is up and running or, by the way, I would argue probably the Hilary Clinton Administration, what you will see is a rollback of precisely the tax cuts that Harry and others of us have talked about on the high end. Yesterday, she introduced something called the American Dream Initiative. Wasn't that part of this theme? Those dollars will be ploughed into the type of ideas we have been talking about.

QUESTIONER: My name is Huck Gutman. I am from the University of Vermont.

I would like to kind of follow up on the last question. There has been almost no mention of the private sector, and I would like you to address the private sector which supplies all these low wage jobs. In particular, I would like to give an example which you might address, which is Wal-Mart, solely as an example. It is the largest employer in the United States. Five of the ten richest people in the United States are owners of Wal-Mart, and it employs all these people at very low wages which seem to have no future. Where are they to go?

MR. TEMPLE: Let me just say, what does a number two combination at McDonald's cost? Anybody? \$4.50? \$4.59?

How much are you willing to pay for it? Ten bucks?

To answer the question, I don't know where the answer is, but the market



has to drive that. Wal-Mart is successful because people like to buy things at low prices. How many people here shop at Wal-Mart? Maybe some do; maybe some don't.

How many people go to CVS when they have a sale against Walgreens when they don't have one? The market has to drive it. There is a line somewhere. I don't know where that line is. We have some very learned economists here.

When we look at a living wage and we look at the Wal-Marts or the fast foods and things like this, there is a role that they play in the economy. There is a role they play in the employment. I think you have to think about those things.

MR. DEPARLE: One implicit question or direction from that question is raise the minimum raise, but you just said it doesn't really matter.

MR. BERNSTEIN: No, no, I definitely think it matters. I mean I am saying the folks in the film were earning enough above any minimum wage that we are probably talking about, that it wouldn't affect them.

MR. DEPARLE: Is that typical?

MR. BERNSTEIN: Well, it is definitely not unusual. Many low wage workers earn a buck or two above the minimum wage.

MR. DEPARLE: What would it do to all of those Wal-Mart workers if minimum wage was raised a dollar?

MR. BERNSTEIN: It would help some of them, but the average Wal-Mart wage, they say, and I actually think they are probably telling the truth, is around

nine bucks an hour, I think.

MR. DEPARLE: Would that effect of pushing up that \$9 to \$10 hour or not?

MR. BERNSTEIN: I don't think the spillover goes up that high, Harry. It doesn't go up that high. So if you went up to \$7.25 or so, which I think you should, you might get a bump for folks making up to \$8.25.

Let me say I disagree with the way you framed the question. First of all, it is not like if you raised labor costs that prices would immediately have to rise. We have a paper on our web site written about Wal-Mart, written by myself and some colleagues, where we talk about their profit margins which are well above the industry. Wal-Mart doesn't just squeeze workers, they squeeze suppliers. If they cut their profit margins back to the industry average, they can pay each of their workers \$2,000 more per year, which would help a lot. I also think that they are aggressively and bordering on illegally, at least allegedly, anti-union. So that is not right.

MR. DEPARLE: What is the role of public policy in telling Wal-Mart to reduce its private margin.

MR. BERNSTEIN: Well, there is no role. That wasn't the question. The question was: What can private sector employers do? None of us have talked about the private sector. We have all talked about government.

I think there is a role for private sector players to respect the rule of law and to pay people overtime when they do and to not practice gender discrimination

and to allow unions to organize.

MR. DEPARLE: Can you imagine a scene where the Wal-Mart CEO comes into the board meeting and says, let us cut our profit margins?

MR. BERNSTEIN: No, I can't.

MR. DEPARLE: So what can be done?

MR. BERNSTEIN: Well, that is public policy. Then you have everything we have been talking about — work supports, education.

MR. DEPARLE: What do you do to incentivize employers to behave?

MR. HOLZER: I think there has been widespread agreement that there is set of things that policy can do to change the behavior of employers. You can raise the minimum wage. It wouldn't affect Wal-Mart. It wouldn't affect the people in the film. You can make it somewhat easier for workers to collectively organize. You can have higher sanctions on firms like Wal-Mart that routinely break established labor law. You can do all those things, and you can incentivize employers to do these other things.

Nevertheless, having said all that, why don't we just come in and mandate \$10 an hour or mandate health insurance? There is a problem with that. I think the market, as Larry talked about, this is the part that I have at least some sympathy with. The market changes. New technologies and globalization have made it easier for employers to go elsewhere if you try to impose very high costs on them, not moderate costs. I support moderate increases of the minimum wage because I believe the evidence suggests that moderate increases will not lead to

big disemployment effects.

If you try to raise the minimum wage or mandate health benefits, I think there would be more of a reaction. Employers would go elsewhere in many cases. Or if you talking about mandating benefits or parental leave, the evidence shows it mostly comes out of worker wages. Unfortunately, market forces have tilted the playing field towards employers, and it is hard to shut that off on a wholesale level without really undercutting your productivity and some of the things that have made the American economy strong.

The question is: What is the right amount of moderate mandates, incentives, technical assistance, all of which can influence employers in various ways to try to improve the wages and benefits they offer somewhat on the margin, supplemented with these other things we have talked about like skill enhancement and work supports? That is the fundamental limit. There is this thing called a labor demand curve, and employers can move up that curve. They have other options, and they can do other things if we try to slam them too heavily with public policy.

MS. RICHBURG-HAYES: I think employers do have a role in terms of increasing employees fill out positions. In California, we are studying a number of programs in which employers in the aerospace industry are trying to fill their entry level jobs with local residents. The problem in California is that they have been migrating people in to fill these jobs, and there are numbers of residents in the same area who are underemployed and unemployed, who can fill those slots.

So they are working with the community college system to develop certificates that are directly relevant to the skills that these workers need for these entry level positions which could afford these workers minimum living wages of \$30,000 plus healthcare.

I think employers have to think out of the box a bit about how they can get the workforce that they need and can employ.

MR. HOLZER: Let us be honest about employers again. Employers have to be convinced that these approaches are in their interest, that they can do better under a different set of human resource policies than they are doing right now. In some cases, you can make that case with the right kinds of supports and assistance. Where employers can find these low wage immigrants or where they can easily shift work overseas, it is going to be a tough sell to the employers. In some cases, you can convince them, but in many cases, not.

MS. RICHBURG-HAYES: That is why it works in California because even though these jobs are not necessarily high paying, the cost of living is so high in California and you can't just keep bringing people in to take these jobs. There is an incentive there for the employers to look around for people who are already situated, who are already living there, to pick up those positions.

MR. BERNSTEIN: I just want to make a tiny point. I just want to be clear, Jason and others. I wasn't saying that the Wal-Mart executives are going to the board room and say, hey, we can do something to help the working people. We just saw this great movie. We can lower our profit margin.

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I am saying that for us in our community who are arguing for these points, it is wrong to assume that if labor costs rise, prices have to rise commensurately. They have to rise in the absence of any other pressures on profits. So, for example, if there was more union pressure on Wal-Mart, if there was a tighter job market, then profit margins might come down and that is how you would pay for higher wages.

MR. DEPARLE: This gentleman with the green tie has been waiting.

QUESTIONER: I don't hear anybody mentioning immigration, especially low income workers. Doesn't this have an impact on who is covered by health insurance, the amount of wages, et cetera?

MR. DEPARLE: I would assume immigrants, to some extent, would be competition for all three of the people in the film.

MR. HOLZER: There has been a lot of statistical studies on this basic question: Can immigrants hurt less educated American workers? I know you will be shocked to realize that there are different answers in that literature. There is one body of literature by some very prominent economists that find virtually no negative effect. Another set of estimates said that there are somewhat larger negative effects, especially for high school dropouts,, not much for high school graduates and others.

My read of that literature is that the answer is probably somewhere in between. There are probably modest, relatively modest negative effects of immigrants on the wages of less educated workers, especially those without a

high school diploma and more in some places where immigrants are concentrated, like California, Texas, Florida, New York, et cetera, than elsewhere. On the other hand, low wage immigrants do provide some important benefits to the economy as well — lower consumer prices and other things. In certain industries like health care, on the high end, their contribution is pretty important. So it is like many things where there is a tradeoff. Given the modest negative effects but the benefits, I favor something like a Senate approach as opposed to a House approach that allows people to legalize those who are here but maybe does some things to try to limit.

MR. DEPARLE: I want to exercise the moderator's prerogative and ask one immigration question. Then we will go to one last question from the audience, and I think we will be out of time.

Your question about immigration raises another possible immigration question which is amid all this talk of the American Dream being dead, we are surrounded constantly by people coming here from all over the world, who are quite convinced that the American Dream is alive. How should one think about that counter example to the examples in this film?

MR. BERNSTEIN: I don't think the American Dream is dead. So I don't go from that premise. But I do think the American Dream is alive and well for many immigrants, as I think was implicit in your question, who clearly come here. Even undocumented workers, who can face terribly exploited conditions, find a clear leg up.

I will say two quick things, and then I would like to hear maybe Larry talk about some of his experiences. One is that we have done some work that shows by making an undocumented worker or actually a documented person who is a non-citizen, a citizen, just by granting citizenship status to someone, their economic conditions improve markedly. Even if you try to control for self-selection or when they got here, citizenship itself is a path out of poverty. So that should help inform this debate.

Secondly, I commend to you Dukakis' article yesterday in the *New York Times*, where he connected a higher minimum wage to immigration reform as a way to sort of offset some of these supply effects that dampen wage growth in the low wage sector.

MR. HOLZER: I will say one thing. People often raise this question: How can it be that the immigrants are willing to take all these low wage jobs and seem to be happy to take them, where as native born workers don't seem as willing to do that? The answer is pretty obvious. If you are coming from Guatemala or parts of Asia, very poor countries, even those \$5 and \$6 an hour jobs look pretty good compared to what you have had. So people enthusiastically embrace their jobs, and employers know that and that is why employers often reach out to the immigrant community and bypass native born workers who won't be as enthusiastic.

MR. DEPARLE: That is a question that sometimes gets asked, but there is another question that gets asked which is essentially immigrants take these low



wage jobs and dead-end jobs and seem happy to be stuck with that, but in the system of rising wages and wealth creation often —

MR. HOLZER: If you are talking about less educated immigrants without even a high school diploma, coming here and taking these very low wage jobs, I would argue that the upward mobility for them is really quite limited, but they really care a lot about their kids and where you really see that upward mobility is across generation. Their hope is if they work their tails off in these very low wage jobs, but if their kids have a chance to rise out of that, that is what motivates them, I think.

MR. DEPARLE: Last question back there?

QUESTIONER: I wanted to say that I very much agree with Professor Holzer's emphasis on reaching people in high schools and colleges because, first of all, the responsibility issue is an issue in attaining knowledge. I wanted to ask Dr. Holzer        My question to you: Is how do we get that into the schools? How do we get the schools talking to children about this in addition to reading, writing, and arithmetic?

MR. HOLZER: I don't know. I certainly agree with your sentiment, that there is a set of basic life skills, basic life circumstances. You are talking about very young people often making decisions to disconnect effectively or actually drop out of school without any real clear sense of what their life is going to be like 10 or 20 years down the road and giving them a clear sense of the requirements, the earnings requirements and at the same time, the opportunities.

If you are serious about an apprenticeship or a career-oriented, that could give you some access to meet those needs. That combination, I don't know how to do it from an administrative sense or an education sense, at what point it is appropriate, but it does seem to me to be part of an important message to send.

MR. TEMPLE: One of the things that we have seen and we are addressing is a message issue, and that is with particularly ninth grade males, when they hear post-secondary, they hear college and they have no idea and no concept and no reference point for a college life, and they don't understand that there are other post-secondary opportunities, that you have to stay in high school. So some of them aren't interested in going to college, but they are interested in doing other things, and they don't understand that too will take community college certificate programs or two-year Associate's degrees and that sort of thing. We are trying to message more to ninth graders particularly and particularly ninth grade males what post-secondary really means and trying to share with them information about the emerging jobs and what the requirements are and with a strong mentoring program. We have a statewide mentoring program that we are working with Workforce and the Department of Education.

MR. DEPARLE: Thank you all for being such an attentive audience.

I would like to remind everyone that August 27th is the 10 Year Anniversary of the Personal Responsibility and Work Opportunities Reconciliation Act written by Ron Haskins and an afterword called *Work over Welfare: the Inside Story of the 1996 Welfare Reform Law*. I assume there will

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be a Brookings event at some point.

MR. HASKINS: There will. There will, yes. I owe Jason a lot of money now for mentioning this book several times.

Please join me in thanking this panel for their great discussion and also Mr. Kilmurry for the film.

(Applause)

MR. HASKINS: Several times here, it was mentioned that on August 29th, the Census Bureau will publish the poverty and income numbers for 2005, and we will have an event here that afternoon beginning at 2:00 at Brookings with some interesting discussion, perhaps some of the same people here.

So, thank you very much for coming. Have a good day.

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