
CityVitals

Series: **The Relentless Recession**

Making Low-wage Jobs Work for
Employers, Workers and Communities

CEOs for Cities

By Dr. Susan Lloyd

Introduction

There has long been an implied social contract in the United States promising that if people work hard they will be able to earn enough to support their families.

Increasingly, that contract is broken. As the number of low-wage jobs continues to grow, urban leaders must confront the social cost of large numbers of citizens who fall into the category of the “working poor.”

Citing U.S. Bureau of Labor Statistics projections that by 2014 nearly half of all job openings will be filled by individuals with a high school education or less, social research expert Gordon Berlin concludes that “low-wage work and the relentless recession it signifies are here to stay.”¹

This paper addresses the composition of the low-wage workforce, factors that have contributed to the growth of low-wage work, government supports available to the working poor, and promising strategies to connect such workers to opportunities in the labor market. It concludes with a series of steps urban leaders can take to strengthen their communities by assisting low-wage workers.

Low-wage jobs

No hard and fast definition exists for “low-wage workers,” and consequently it is difficult to pin down the precise number of such workers in the United States. There is widespread agreement, however, that the number of working poor is large and growing.

Scholars often define a low-wage job as one in which a full-time, year-round worker earns less than the poverty threshold for a family of four (two adults and two children). While the validity of the poverty line itself is the subject of debate, it provides an estimate of the number of workers who cannot adequately provide for their families. In 2006, the poverty line was \$20,444, or \$9.83 an hour. Based on this definition, about one-quarter of U.S. workers—almost 35 million—held jobs in 2006 that paid poverty-level

wages.² (See Appendix A for a demographic breakdown.)

The Center for Economic Policy and Research, in a March 2007 report, defines a low-wage job as paying less than two-thirds of the median wage for men, or \$11.11 per hour. Using this definition, some 44 million workers—about one out of every three—held low-wage jobs in 2006.³

Some argue that low-wage jobs can be stepping stones to better jobs, not the beginning of dead-end careers. However, job mobility for low-wage workers has decreased over the last decade. According to Pablo A. Mitnik and Matthew Zeidenberg of the Center on Wisconsin Strategy, the evidence shows a substantial number of people “are being condemned not just to poverty- and low-wage jobs for a limited time, but to poverty- and low-wage careers and to long-term poverty traps.”⁴

Workers with the least human capital*, including those with limited literacy and/or limited English, long-term welfare recipients, public housing residents, substance abusers, and ex-convicts, are the least likely to find jobs that lift them above the poverty level.

Factors contributing to low-wage work

Multiple factors have resulted in the increase in low-wage jobs. Frequently cited are rapid technological advances; changing workforce demographics, including large numbers of immigrants; the decline of unionization; and the loss of industrial jobs.

In the 2003 book, *Low-Wage America: How Employers Are Reshaping Opportunity in the Workplace*, the authors state that structural changes in the U.S. economy have increased cost pressures on employers, “and their responses have worsened labor market outcomes for low-wage workers.” Among the factors contributing to pressures

* Human capital is defined as the skills that an employee acquires on the job and through education or training, which increase the individual’s value in the marketplace.

on employers is the globalization of markets, which makes companies anywhere in the world competitors for American businesses. Similarly, technological changes have made it easier for U.S. companies to outsource work overseas. Deregulation has increased price competition in industries such as telecommunications, financial services, airlines and trucking. Increasing shareholder emphasis on quarterly financial results makes it difficult for companies to make long-term investments, including investments in the skills of their workers.⁵

While globalization often is mentioned as a factor contributing to the proliferation of low wage jobs, Beth Shulman, author of *Betrayal of Work: How Low-Wage Jobs Fail 30 Million Americans*, counters that “globalization has been used as an excuse for not raising wages and benefits,” but most low-wage jobs are not in globally competitive industries.⁶

Public policies, from the federal to the local level, also have exacerbated the problem.⁷ For example, for about a decade, the federal minimum wage sat at \$5.15. During that 10-year period, the value of the minimum wage reached its lowest level in more than 50 years. In 2007, Congress approved an increase to \$7.25 an hour over a two-year period. At \$7.25 per hour, a full-time worker trying to support a family of four still will fall below the poverty line.

At the local level, municipal governments are cutting costs by privatizing services, contracting with companies that pay lower wages and offer fewer benefits than public employers. Tax breaks or tax incentives too often go to businesses without regard to the quality of jobs they provide.⁸

Broader economic trends also play a part in the increasing number of the working poor. While historically, higher productivity led to rising wages, today wages are growing substantially less than productivity or inflation. Between the end of World War II and 1973, the economy grew robustly, as did wages and income. “Unexpectedly, the up-

escalator economy ground to a halt after 1973. Output per worker slowed to less than 1 percent annually, and wages and earnings actually fell. In the face of these declining economic prospects, two-parent families maintained their standards of living by having fewer children and sending both parents into the workforce,” according to Gordon Berlin, president of MDRC.⁹

When the economy recovered in the mid-80s, job growth resumed, but wages for those at the bottom stagnated. In the 90s, wages at the bottom increased, but those gains were lost in the 2001 recession. According to the latest Bureau of Labor Statistics projections, total employment will increase by 18.9 million jobs (13 percent) during the 2004–2014 period, reaching 164.5 million. Of the 54.7 million total job openings, 46 percent are expected to be filled by those with a high school education or less.

The two occupational groups expected to increase the fastest and add the most jobs during that 10-year period—professional and related occupations and service occupations—are on opposite ends of the educational attainment and earnings spectrum. These groups were the two largest in 2004, and are expected to provide about 60 percent of the total job growth from 2004 to 2014.

Seven of the 10 occupations projected to have the largest job growth during that period pay median annual wages ranked in the low or very low quartiles (retail sales people; customer service representatives; janitors and cleaners; waiters and waitresses; food preparation and serving workers; home health aides; and nursing aides, orderlies, and attendants). Six of the seven occupations tend to require no post-secondary education beyond on-the-job training.¹⁰

Who are low wage-workers?

There are many misconceptions about low-wage workers, including that the bulk of them work at McDonald’s or Burger King. Shulman points out that fast-food jobs constitute less than 5 percent of all low-wage jobs. “Low-wage jobs are nurse’s aides

and home health aides, security guards, child care workers and educational assistants maids and porters, 1-800 call-center workers, bank tellers, data-entry keyers, cooks, food-preparation workers, waiters and waitresses, cashiers and pharmacy assistants, poultry, fish and meat processors, laundry and dry cleaning operators and agricultural workers. They are jobs in the mainstream of our economy and our lives,” she said.¹¹

Another stereotype is that many low-wage and low-income workers are single parents. In fact, only 14 percent of all low-wage and low-income employees are in this category. Forty-two percent are married or living in committed, long-term relationships, even though more than half are under 30 years old.¹²

More than three-quarters of the working poor have at least a high school diploma, and 40 percent have at least some college. Nearly 60 percent are women, and these female workers occupy the lower rungs within the low-wage sector. Fifty-seven percent are white and 15 percent are black. Hispanics are over-represented, accounting for 14 percent of the total workforce, but 22 percent of the low-wage workforce. Low-wage workers tend to be concentrated in industries characterized by high rates of turnover and very modest wage growth. Slightly more than half work in the services industry. (See Appendix B, “Characteristics of Low-Wage Workforce Compared to Total Workforce.”)¹³

Men—especially men of color—have been particularly hard hit by the decline in higher-paying blue collar jobs. Employment rates dropped more than 20 percentage points between 1970 and 2000 for men with a high school education or less and roughly 7 percentage points for those with some college.¹⁴

The reasons for the problems faced by young black men in the labor market are complex, and include racial discrimination and poor basic skills and education. Some young men have been lured by the rewards of illegal drug activity. Strict drug laws have led to higher incarceration rates, increasing the numbers of job seekers with criminal

records. As many as 30 percent of all young black men are involved with the criminal justice system at some point. “Incarceration appears to have its own independent effect—the label of ex-offender further worsens and taints the future employment prospects for all former prisoners re-entering society,” said Berlin in testimony to Congress in April 2007.¹⁵ At the same time, the inability of men without a college education to support a family has led to a decline in their attractiveness as potential husbands, experts say.

Immigrants also are disproportionately represented in the low-wage workforce. The most recent data on foreign-born workers from the Bureau of Labor Statistics shows that their share in the U.S. workforce is continuing to grow. Foreign-born workers, which include both legal and undocumented immigrants, rose from 14.8 percent in 2005 to 15.3 percent of the total labor force in 2006. Immigrants make up approximately 12.4 percent of U.S. residents and about 26 percent of low-wage workers (earning under \$15,000 per year).¹⁶

The 2006 unemployment rate for foreign-born workers, at 4 percent, was lower than the rate for native workers (4.7 percent) for just the second time since the data was first collected in 1996. However, the median weekly earnings for immigrant workers was significantly lower, at \$532, than for native workers, at \$698.¹⁷

Immigrant workers are much more likely than natives to drop out of high school (30 versus 8 percent), and are far more likely to have less than a ninth-grade education (18 versus 1 percent).¹⁸ From now until 2015, half the growth in the U.S. working-age population will come from immigrants. And from 2016–2035, all of that growth will be from immigration.¹⁹

Some experts warn that native-born low-wage workers are hurt the most by the influx of immigrants. “While the impact [of immigrants] on the economy or the youthfulness of the country as a whole may be tiny, the effect on some Americans, particularly

workers at the bottom of the labor market, may be quite large. These workers are especially vulnerable to immigrant competition because wages for these jobs are already low and immigrants are heavily concentrated in less-skilled and lower-paying jobs,” according to Congressional testimony by Steven A. Camarota, research director for the Center for Immigration Studies.²⁰

Eileen Appelbaum, professor and director of the Center for Women and Work at Rutgers University, agrees that immigrants have replaced native workers in a variety of entry-level jobs, especially in labor-intensive industries. The supply of immigrant workers “has clearly facilitated the drive by employers to reduce costs, cut benefits, increase workloads, and shift jobs to subcontractors,” wrote Appelbaum and her co-authors.²¹

However, Alan Krueger, Bendheim professor of Economics and Public Policy at Princeton University, disagrees with the contention that increased immigration has harmed native low-wage workers. “The best available evidence does not support the view that large waves of immigrants in the past have had a detrimental effect on the labor market opportunities of natives, including the less skilled and minorities,” he wrote.²²

Increasing economic security through work supports

As long as the U.S. economy continues to depend on a large number of jobs that provide low wages and poor benefits, policies to assist low-income working families will continue to be needed. Such policies benefit not only working parents but their children. Growing up in poverty can limit children’s cognitive and physical development. In addition, assisting working-poor families can help slow the long-term increase in income inequality.²³

A variety of federal, state, and local work support programs, as well as efforts by employers and non-profit organizations, help workers make ends meet. Although there is no standard definition for the term “work supports,” descriptions typically mention

the minimum wage, Earned Income Tax Credit, child care assistance, the Food Stamp program, and the public health insurance programs Medicaid and SCHIP. Other programs include unemployment insurance, transportation assistance, housing assistance, TANF cash assistance, welfare earnings supplements, and the Child Tax Credit. No single government agency or public system is responsible for all work support programs.²⁴ (See Appendix C, “Key Public Work Support Programs.”)

Many states also have instituted policies to support low-wage workers, including enacting versions of the federal EITC. Local governments have passed living wage laws, most of which cover employees working for companies with municipal contracts.²⁵ A review of studies by the Economic Policy Institute about these laws showed that they have mostly positive outcomes. According to the studies, living wage laws benefit working families with few or no negative effects. They also have raised productivity and decreased turnover among affected firms, and have had a relatively small impact on municipal budgets.

In general, research shows that work support programs can benefit both employees and employers by increasing employment, earnings, and retention; improving educational outcomes for younger children; and providing health insurance to those who would be uncovered otherwise. Unfortunately, however, the percentage of eligible low-wage workers who receive any of the available work supports is often below 50 percent. One recent study estimates that the take-up rate for the full package of available work supports is as low as 5 percent.²⁶ Child care subsidies, for example, serve only a small percentage of those eligible for such assistance.²⁷

While employers are in a good position to help raise awareness of existing work supports among low-income workers, to date initiatives to involve them in assisting employees have been limited. Some employers, however, are helping connect low wage workers to work support programs. Others invest their own resources to provide work supports for their employees, participate in system-building efforts, or engage in public

policy activities related to work supports.²⁸

Employers that help workers access earnings supplements in effect provide a pay increase without raising their costs. These companies may also see decreased turnover and absenteeism; improved recruitment and retention; higher productivity; and greater company loyalty.²⁹

There are other steps employers can take to improve the lives of low-wage workers while simultaneously increasing productivity. Low-wage workers arguably need more flexibility than those who can afford to pay for services such as baby-sitting while they are at work. Higher incidence of children with chronic medical conditions or learning issues and heavier reliance on informal child care among low-wage workers and low-income families add to the need for flexibility.³⁰

Nevertheless, low-wage workers generally have less access to flexibility than employees who earn more. When lower-wage jobs offer “flexible hours,” the schedule is often at the employers’ discretion, not the employees’. For example, rotating shifts are a common business practice that is detrimental to low-income working parents. While employers may have the best intentions in employing this practice, “it’s a disaster if you have child care,” according to Harvard University economist David Ellwood.³¹

Ironically, when flexibility is available to low-wage workers, it can have equal or even better outcomes than for higher-paid workers.³² A recent report by Corporate Voices for Working Families, summarizing internal business data from 28 major U.S. companies, found that flexibility programs benefit both lower-wage hourly workers and higher-wage salaried workers. The report documented that these programs increase employee commitment and retention—which in turn improve productivity—and have a direct impact on financial performance.³³

According to the Families and Work Institute (FWI), job autonomy and workplace

flexibility are more critical for low-wage workers than for high-income workers. Similarly, more learning opportunities on the job, more fringe benefits, and supervisors who are supportive when work/life balance issues arise make a bigger difference in job satisfaction for low-wage workers than they do for higher-wage employees.

Nevertheless, in most cases, low-wage employees are not given the same support, according to three 2006 studies by FWI. For example, 39 percent of low-wage and low-income employees are allowed some amount of paid time off for personal illness, compared with 79 percent of their higher-income counterparts.³⁴ When it comes to caring for sick children, 24 percent of low-income employed parents are allowed a few days off to care for a sick child without losing pay or vacation days, if they have them, compared to 54 percent of higher-income parents. Overall, more flexible workplaces had the same positive effects for employees of different wage and income statuses on job commitment and engagement, retention, and life satisfaction.³⁵

History of work supports

Public efforts to support low-wage workers began with the passage of a national minimum wage of 25 cents in 1938. Supporters believe that minimum wage legislation plays an important role in raising income and reducing poverty. Detractors contend that the minimum wage actually harms the poorest workers by reducing the number of available jobs.

About 48 percent of minimum-wage workers, or 3.5 million people, are working-age adults between 25 and 64 years old. On average, they contribute more than half of the income in their households.³⁶

In 2007, Congress increased the federal minimum wage for the first time in nearly 10 years, from \$5.15 to \$7.25 an hour over a two-year period. An increase to \$5.85 per hour went into effect on July 24, 2007, and it will increase to \$6.55 in July 2008 and \$7.25 in 2009. Supporters of the increase contend that it will improve the incomes of about 13

million workers, including 5.6 million who earn less than \$7.25 per hour, and 7.4 million who earn slightly more but are likely to receive a wage increase.

Thirty states and the District of Columbia have set minimum wages higher than the federal minimum wage. By September 2009, the number of states with minimum wages above the federal level will be down to 12, with several states tied with the federal rate of \$7.25.³⁷

The Earned Income Tax Credit is the most significant program supporting low-wage workers and their families. The nation's largest antipoverty program, the EITC began in 1975 and was significantly expanded in the 1990s. It is available to all low-income workers who file tax returns, and its benefits are paid out even when the tax filer does not owe any income taxes. If the credit exceeds the amount of taxes owed, taxpayers receive a lump-sum payment.

By design, the overwhelming majority of beneficiaries are single parents supporting children. The amount of the credit varies by both family type and earnings. In tax year 2006, the maximum credit was \$4,536 for a family with two or more children; \$2,747 for a family with one child; and \$412 if there are no children. More than 22 million returns were credited with more than \$41 billion in payments through the EITC in 2005.³⁸

Spending for the EITC continues to increase. In 1990 it amounted to \$8.7 billion.³⁹ By 2004, more than one in six taxpayers nationwide received the EITC. Cities in the South, such as Jackson, Miss., with 41 percent participation, had among the highest rates of EITC receipt in the country. The number of EITC recipients in the suburbs of large metropolitan areas increased almost three times faster between 2000 and 2004 than the number of city recipients.⁴⁰

While the exact EITC eligibility rate is unknowable, the best available IRS data suggests that nationwide, between 20 and 25 percent of eligible taxpayers fail to claim the credit.

In comparison, only about half of all households eligible for food stamps receive those benefits. In tax year 2004, the most recent data available, unclaimed credits amounted to \$8 billion.⁴¹ More than 70 percent of all EITC returns are done by paid tax preparers.

A recent study by H&R Block found that the most common reasons why taxpayers fail to claim the credit are the complexity of filing for it and lack of awareness of the program.⁴² According to the IRS, other reasons include language or cultural barriers, the perception that childless workers are ineligible, and the fact that people with incomes below a certain threshold are not required to file a tax return.

In 2003, the IRS embarked on a comprehensive initiative to boost EITC participation. Outreach efforts include direct mailings to potentially eligible taxpayers, as well as partnerships with more than 300 community-based coalitions. Many non-profit organizations around the United States, some in partnership with the government, also have begun programs to raise awareness of the credit and assist workers in filing the relevant tax forms.

According to the IRS, one of the most successful partnerships is with the United Way of America, which spearheads the 2-1-1 program, a telephone number that connects people to community services. Local 2-1-1 affiliates are educating the public about the availability of the EITC and referring eligible taxpayers to nearby sites for free tax return preparation services.

In addition to helping eligible workers access current programs, changes in government policies could boost earnings and alleviate poverty, experts say. According to MDRC president Gordon Berlin, enhancing the EITC and indexing the minimum wage to the inflation rate are important next steps. "While this won't bring the minimum wage back up to its original value of about half the median hourly wage, it would forestall a quick return to the erosion in value it has seen in the last decade," Berlin testified at a Congressional hearing.⁴³

The Center for American Progress recommends indexing the minimum wage to half the average hourly wage, tripling the EITC for childless workers, and expanding help to larger working families.⁴⁴ Currently the credit does little to help childless workers, nor does it help meet the costs of raising additional children after a family's second child.

Most of those who believe that America should do better for its low-wage workers advocate increases in the Earned Income Tax Credit and other methods to directly support workers. However, Edmund Phelps, professor of Political Economy at Columbia University and winner of the 2006 Nobel Prize in Economics, argues that the best remedy for the social ills that result from a large class of low-end workers is to provide a subsidy for low-wage employment that would be paid to employers for every full-time worker they hire. The higher the wage, the lower the subsidy. "With such wage subsidies, competitive forces would cause employers to hire more workers.... People could benefit from the subsidy only by engaging in productive work—that is, a job that employers deem worth paying something for," he wrote.⁴⁵

Increasing economic mobility

In today's economy, it is difficult to find entry-level jobs that offer an opportunity for the career advancement that manufacturing jobs offered in the past. At the same time, the "second chance" systems for adults with limited skills, such as adult literacy and job training programs, are generally not very effective in connecting participants to post-secondary education and careers.⁴⁶

More education by itself does not ensure that people will escape poverty, since the supply of well-paying jobs is just as critical as the supply of educated workers. However, data compiled by the Bureau of Labor Statistics suggests that achieving higher levels of education dramatically reduces the likelihood of people joining the ranks of the working poor. Individuals with higher levels of education have greater

access to higher-paying jobs than those with less education. For example, in 2007, full-time workers age 25 and over without a high school diploma had median weekly earnings of \$428, compared with \$604 for high school graduates (no college), \$987 for those holding bachelor's degree and \$1,236 for those with advanced degrees.⁴⁷

According to Women Employed, a woman with a two-year associate's degree earns 28 percent more than a woman with only a high school education. A woman with a bachelor's degree earns 75 percent more.

Data collected through the Panel Study of Income Dynamics (PSID), a University of Michigan longitudinal study of 8,000 U.S. families since 1968, shows that low-income people who work full time, stay healthy, and are better educated demonstrate upward earnings mobility. Those who do not work or who start out at the lowest end of the income scale have the opposite experience.⁴⁸

Research conducted by Robert Lerman, professor of Economics at American University, has found that one way out of poverty, particularly for women, is marriage. A 2004 study that examined the relationship among job stability, wage rates, and marital instability concluded that "marriage raises wages and job stability."⁴⁹

Local non-profit organizations have had considerable success working with employers to improve workers' skills and help them advance up the career ladder:

- Opportunity Chicago is a workforce development initiative launched in 2006 in conjunction with the Chicago Housing Authority's Plan for Transformation to train and provide job access to public-housing residents. *(See Opportunity Chicago, page 22)*
- The Wisconsin Regional Training Partnership (WRTP) is a non-profit membership organization of unions, contractors and public agencies that trains workers and places them in jobs with good wages. *(See Wisconsin Regional*

Training Partnership, page 25)

- Taller San Jose is an educational and job-training center that targets high-risk, primarily Latino young adults in Orange County, Calif. By training and placing them in living-wage jobs, Taller San Jose helps undereducated and unskilled youth move out of poverty and avoid criminal recidivism. *(See Taller San Jose, page 23)*

Unions have played an important role in improving wages for workers, despite the marked decline in union representation during the past three decades. According to the AFL-CIO, union members in low-wage occupations on average earn a great deal more than nonunion workers in the same occupations, often lifting their earnings above the official poverty level. For example, union cashiers in 2006 earned an average of \$11.87 per hour—46 percent more than nonunion workers in the same occupation. The union cashier's earnings, on average, brought the worker \$4,075 above the poverty line for a family of four.⁵⁰

Bureau of Labor Statistics data show that the median weekly earnings of union workers in the construction and extraction industry were 63.5 percent higher than non-union workers (\$976 vs. \$597).⁵¹

In San Francisco, the Service Employee International Union organized home health care workers, resulting in an increase in wages from \$4.25 an hour with few or no benefits, to \$10 an hour with employer-provided medical, dental, and vision coverage and paid time off through a vacation fund. UNITEHERE, the union representing hotel workers, has had similar results in the hotel industry.

Research by Rutgers professor Eileen Appelbaum and her coauthors confirms that collective bargaining has been important in maintaining real-wage levels and benefits and in preventing increases in workloads, particularly in service sector industries such as hospitality, health care, and telecommunications. The authors note that the impact of

union representation is greatest where unions are strong in a specific region and industry, which creates a situation in which all employers are competing on a level playing field. “To varying degrees, unions have been able to prevent the squeezing of labor costs that is the first competitive option chosen by many employers,” they wrote.⁵²

Workforce intermediaries also show promise as a means to connect low-income workers to opportunities in the labor market. Workforce intermediaries are local partnerships that bring together employers and workers, and private and public funding sources to create pathways to career advancement for low-skilled workers. While they encompass a broad range of institutions, in general they provide training to workers and jobseekers, while helping employers improve career ladders, job quality, and competitiveness.⁵³

In his book, *Workforce Intermediaries for the Twenty-first Century*, Robert Giloth states, “They come in all shapes and sizes ... but have together demonstrated their ability to navigate public and private systems to attain important and distinctive results for employers and workers.”⁵⁴

A study of employers’ attitudes about workforce intermediaries found that employers valued the intermediaries for their role in reducing the perceived risks of hiring low-income workers. The research involved employers who participated in the Annie E. Casey Foundation’s Jobs Initiative, a long-term, six-city project that was designed to help young, low-income workers find good jobs and to find ways to improve employment and training programs. Some of those interviewed said that the most important thing the workforce development intermediary did was to improve participants’ soft skills, which they believe are key for applicants to get a good job and keep it. At the same time, employers said that technical skills are essential for job advancement.⁵⁵

Research conducted by Harry Holzer, a professor at the Georgetown Public Policy

Institute, found that low earners' advancement prospects are closely tied to the characteristics of their employers. Holzer analyzed earnings and growth rates of workers in several states over a nine-year period. The study was based on Longitudinal Employer-Household Dynamics (LEHD) data, a compilation of unemployment insurance records dating to the early 1990s and household and employer surveys administered by the U.S. Census Bureau.⁵⁶

Holzer found that employment in certain high-wage sectors, especially at companies that offer career ladders and pay wage premiums, is strongly correlated with earnings gains over time for initially low earners. Advancement rates are considerably higher for workers in high-wage sectors such as construction, manufacturing, transportation, utilities, and wholesale trade than for those in retail trade or the services sector. Workers at larger firms and/or at those with lower turnover rates also experience greater earnings gains over time, according to the study. Workers who change jobs, on average, enjoy higher earnings growth than those who stay with the same employer over time. The gains occur not simply because workers change jobs, but because their earnings continue to improve with better employers.

Laura Dresser, a labor economist and associate director at the Center on Wisconsin Strategy, argues that economic mobility for low-wage workers requires building stronger training systems and simultaneously enforcing stronger wage and benefit floors. She notes that while increasing access for specific populations—such as racial or ethnic groups—to entry-level jobs in specific industries will benefit those groups, it is not likely to improve general labor market outcomes. Similarly, targeting shortages in skilled positions can benefit both employees and employers, but such shortages tend to be short-lived. According to Dresser, the best approach is to focus on improving job quality while building worker skills through on-the-job training.⁵⁷

A demonstration project now underway is evaluating such an approach. MDRC has set up four Work Advancement and Support Center (WASC) demonstration sites, in Dayton,

San Diego, Bridgeport, Conn., and Ft. Worth, to help low-wage workers climb the economic ladder, and simultaneously provide more skilled workers for employers. The centers also are helping workers access programs that provide financial support, such as Medicaid, child care subsidies, and EITC.

Three of the WASC sites are housed in One-Stop Centers created by the federal Workforce Investment Act, primarily to help unemployed people find jobs. The demonstration sites also are reaching out to employers to deliver career advancement services directly at work sites. An evaluation of early experiences in Dayton and San Diego found that employers responded positively to the sites' efforts to identify advancement opportunities in high-demand occupations, ways to involve participants in these activities, and strategies for recruiting eligible members of their workforce to WASC.

Another promising strategy is the creation of workforce development programs geared toward specific industries. In these programs, local community organizations provide training in technical and employment-preparation training to low-income individuals. Extensive research by the Aspen Institute of these programs found that they have been successful in helping workers advance in the labor market. For example, median personal earnings of program participants rose from \$8,580 to \$14,040 in the year following training, and to \$17,732 in the second year after training. The increase was due to an average 31 percent increase in wage rates as well as increases in hours worked.⁵⁸ The study also found that employers valued the programs, particularly their success in finding new sources of talent for hard-to-fill positions.

The concept of "career pathways," promulgated by Davis Jenkins, senior consultant at the Workforce Strategy Center, also attempts to meet the needs of local labor markets through publicly supported systems and programs.

"A career pathway is a series of connected education and training programs and

support services that enable individuals to secure employment within a specific industry or occupational sector, and to advance over time to successively higher levels of education and employment in that sector. Each step on a career pathway is designed explicitly to prepare the participant for the next level of employment and education,” Jenkins wrote.⁵⁹

Career pathways target jobs in industries that are critical to a particular local economy. They create ways for current workers to advance in their careers, and at the same time increase the supply of qualified workers in targeted industries. The specifics of a career pathway initiative depend on the industries targeted and the education and workforce development programs already in place. The best career pathways efforts focus on industries that offer decent pay and job advancement opportunities to individuals who lack extensive education.

Community colleges play an important role in career pathways by offering curricula that allow students to earn certification or meet licensing requirements. Programs can be offered at times and places convenient for working adults. Community colleges typically work in partnership with other educational institutes and with workforce and economic development agencies, employers, labor groups, and social service providers.

Studies show that the education and training provided by community colleges can have a positive effect on future employment. A study of employment and earnings in Washington state in the late 1990s found that community college occupational degree training has a positive effect on employment, wages, hours worked, and earnings, and that such training substantially increases the lifetime earnings of participants.⁶⁰

Recommendations

Experience and empirical evidence suggest that there are many steps urban leaders can take to improve the circumstances of low-wage workers and strengthen their communities. Topping the list are three common sense strategies:

1. Improve public education
2. Make work pay
3. Promote mobility

Recognizing that education is the single most important predictor of lifetime earnings, that school quality drives the decisions of employers and homeowners, and that the percentage of a region's population with post-secondary degrees determines its economic competitiveness, urban leaders across the country are testing new and innovative approaches to early childhood and elementary education, promoting high school attendance and completion, increasing the flexibility and relevance of community colleges, and opening new pathways to post-secondary education.

Harlem's Children's Zone enrolls hundreds of parents of children 0 – 3 years old in its Baby College, and its Harlem Gems pre-K programs developed by Dr. Berry Brazelton help to ensure school readiness. Cities like Milwaukee, Tulsa, and Omaha – home to comprehensive EduCare Centers, are similarly focused on early development and school preparedness.

In Chicago, business and philanthropic leaders have stepped up with \$45 million to support Renaissance 2010; they have opened 55 new schools and significantly increased both attendance and achievement. And Portland and Denver, among others, have restructured their community college systems to better prepare people for available, well-paying jobs and to make it possible for workers to acquire new skills and new credentials while employed.

In addition, mayors and other elected officials are taking crucial steps to make work pay, primarily by helping low- and moderate-income workers supplement earnings. ACCESS NYC educates individuals about their eligibility for over 30 public and employer benefits, such as food stamps and tax credits, which reduce their cost of living and supplement their wages. Miami's Prosperity Campaign helps low-wage workers develop budgets, repair credit, get financial coaching, and homeownership assistance. And contrary to expectation, several cities have enacted living wage requirements with little or no negative impact. Some, like San Francisco, have adopted municipal minimum wages and earned income tax credits. Given that income generated locally tends to circulate locally, some urban leaders have become strong proponents of wage and tax policies that benefit cities and surrounding communities. One such proposal is the Employee Free Choice Act, likely to lead to increases in union representation and thus better jobs.⁶¹

For most low-wage workers, employer loyalty does not pay. Instead, earnings gains result from the acquisition of new skills and moves to new employers. Efforts that make it easier for workers to attend classes while employed, or to transfer credentials and benefits from one employer to another, improve the circumstances of the individual and enhance the local economy. Similarly, efforts that align employer and employee preferences, such as those supported by the National Fund for Workforce Solutions in cities such as Baltimore, Chicago, New York, Los Angeles, and San Diego, prepare workers for jobs with career paths and positions that pay family-supporting wages.

Urban leaders can, and are, shaping the public dialogue about policies that disproportionately disadvantage low- and moderate-income families. With bold leadership and data-driven local innovation, they are also forging more equitable and effective workforce development systems.

Opportunity Chicago

Chicago's sweeping plan to overhaul public housing is also transforming its workforce development system. Opportunity Chicago, a three-year initiative launched in 2006, is realigning workforce development services for Chicagoans facing formidable employment barriers.

In Year 1, more than 1,300 public-housing residents became employed, exceeding Opportunity Chicago's goal of 1,000 placements per year.

"Employment is a critical element of the Chicago Housing Authority's Plan for Transformation," said Maria Hibbs, executive director of The Partnership for New Communities, a collaborative of business, civic and philanthropic leaders supporting communities undergoing extensive change under the 15-year Plan.

The \$1.6 billion Plan involves the construction or rehabilitation of 25,000 units of subsidized housing, including replacement of high-rises, which concentrated and isolated the poor, with mixed-income developments. "It's the most ambitious initiative of its kind in the nation and an historic opportunity to improve the lives of thousands of Chicagoans," Hibbs said.

To live in most of the new developments, leaseholders must be working or in training at least 30 hours per week. "The work requirement aims to move families along a path to self-sufficiency," Hibbs said. "Employment also fosters a community's social cohesion and long-term sustainability."

However, public-housing residents face numerous employment barriers: little or no work history, low education and literacy levels, lack of child care, and a global economy in which entry-level jobs can require highly developed skill sets, she added. The CHA reports that 43% of residents are chronically unemployed; another 30% work

sporadically.

The Partnership, the CHA and the Mayor’s Office of Workforce Development joined forces with other stakeholders to develop the \$23 million Opportunity Chicago. The initiative incorporates best practices, utilizes workforce development expertise through a committee of expert advisers, pools funds through The Partnership, and develops resources that are more flexible than government sources.

The advisers selected the Chicago Jobs Council, which works to ensure access to employment and career advancement opportunities for people living in poverty, to manage Opportunity Chicago. “CJC brings extensive workforce and public benefits systems knowledge and collaboration experience to the initiative,” Hibbs said.

A “subcommittee” of the advisers—public agencies responsible for implementing the initiative’s strategic plan—works collaboratively to integrate their systems and leverage all available resources.

Opportunity Chicago is expanding training programs, including transitional jobs, bridge, customized skills training, contextualized literacy and others that combine work-related training with employment placement. It is also engaging employers in program development, with a particular focus on high-growth industry sectors.

Evaluators from the Center for Urban Economic Development at the University of Illinois at Chicago and Abt Associates are assessing Opportunity Chicago’s effectiveness to inform continuous improvement and determine applicability to other communities and populations.

For more information, visit www.thepartnershipfornewcommunities.org

Taller San Jose

In 1995, Sister Eileen McNerney founded Taller San Jose, a non-profit that provides education and job training for young adults in Santa Ana, California. The Spanish word “taller” means “workshop”—a place to get things fixed. San Jose—St. Joseph—is the patron saint of workers. “If your life got broken, you could come here to work on it,” McNerney explained.

“Our goal is to dominate the lives of young people while they’re with us,” she added. “Originally, we just wanted to get them off the street. But as we’ve evolved, we’ve increasingly focused on living-wage employment, which we judge to be no less than \$15 per hour in Orange County. That focus has bumped up our program in every way— both in terms of expenses and positive outcomes.”

Santa Ana is a city of 340,000 residents, 80 percent of whom are Latino and half of whom were born outside the United States. Spanish is spoken as commonly as English. The poverty rate is high and many families live in overcrowded housing. Teen pregnancy and school drop-out rates are high as well. Young people are at severe risk for involvement with gangs, drugs, crime and incarceration.

Taller San Jose serves about 400 young people (age 18-28) a year. Two-thirds of those who enroll make it all the way through the program, a completion rate that is “better than the local high school,” McNerney noted. It costs roughly \$10,000 to graduate a student—expensive, but only about a quarter of what it costs to keep one person in prison for a year.

The organization has about 20 full-time staff and 60 volunteers, with a 2007-2008 operating budget of slightly more than \$3 million. About 40 percent of funding comes from foundation grants and another 40 percent from donors. About 12 percent comes from government sources, although McNerney would like to see that figure rise. Most of the remaining funding comes from McNerney’s religious congregation, the Sisters of St. Joseph of Orange.

Taller’s primary initiative is an intensive 16-week job-training program that focuses on three sectors where the demand for skilled workers is high in Orange County:

residential construction, health care and computer technology. Men and women between 18 and 28 who have right-to-work documentation and who pass a drug screening are eligible for enrollment.

Taller pays students \$8 an hour while they are in training. It provides support services, including legal counseling, drug and alcohol counseling, child-care vouchers and alumni support, and assists students who have not graduated from high school to complete their GED. Students leave not just with jobs skills, but with résumés and interview practice.

Taller San Jose also offers job placement services for graduates. “We network with employers,” McNerney said, offering them access to a pool of skilled, drug-free, bilingual candidates who are ready and willing to hold a job.

The strategy is working. Taller San Jose tracked 307 young men who graduated from Taller Tech, its construction training program, which is led by licensed general contractors and supported by a number of large, local builders and developers. Among the findings:

- 87 percent of graduates were employed within 30 days
- 93 percent of those who found employment were still working after a year
- their average hourly starting wage was \$11.24

“And after three or four years, they’re up around \$35 an hour in a job that has benefits,” McNerney said. “That gives new people coming into our programs something to aim for.”

For more information, see www.tallersanjose.org

Wisconsin Regional Training Partnership

In 2006, the Wisconsin Regional Training Partnership, a non-profit membership organization in the Milwaukee area, placed 473 community residents in jobs averaging \$14.82 per hour plus benefits. Three out of five of those placed were African Americans, and 13 percent were women.

WRTP's goal is to expand employment opportunities, upgrade employees' skills and develop a more diverse workforce. Its members include unions, contractors and public agencies, and it focuses on training workers and placing them in jobs that pay enough to sustain their families.

"Our funding is limited but we've figured out a model that works for us, giving us the capacity to leverage public, private and philanthropic sources," said Earl Buford, WRTP's executive director.

WRTP started in the early 1990s as an experimental project intended to help employers—mainly union manufacturers—to remain in greater Milwaukee. Grants from the Annie E. Casey Foundation and the U.S. Department of Labor enabled it to expand into other sectors such as health care, hospitality and, increasingly, construction. In time, WRTP joined forces with BIG STEP, a bridge program that connects minority and low-wage workers to jobs.

"BIG STEP's role involved recruiting, outreach and apprentice tutorial preparation. WRTP was doing well with its fast-track training program for the manufacturing industry. We thought, why don't we develop a similar program for construction workers," said Buford, who has been BIG STEP's executive director since 1999.

A 2003 pilot program involved IBEW Local 2150, the Wisconsin electrical workers union, which approached WRTP to help it increase participation among African Americans and Latinos. WRTP put together an initiative that trained workers in the specific skills they need to become outside (utility) electricians.

Since then, WRTP and BIG STEP together have added fast-track training for inside electricians, carpenters and bricklayers. They are developing programs for sheet-metal workers and plumbers in 2008.

The organization has been working with the Wisconsin Department of Transportation as well as the metropolitan sanitary district, putting together a fast-track sewer-and-water training program. “That requires specialized training that’s not commonly available, and the unions have been sending non-members to us to get qualified,” Buford added.

In 2005 WRTP and BIG STEP opened the Center of Excellence, a clearing house where low-wage workers can come for job preparation and industry-specific training, and employers can connect with skilled workers. According to Buford, skilled workers are in demand in Milwaukee. “Several factors account for that, including a general labor shortage, older workers aging out of the workforce, a series of mega-projects in the area—even the boom in residential housing until recently.”

In 2007, the building that houses the Center of Excellence needed renovation. WRTP/BIG STEP selected a general contractor not just on the basis of the bottom-line, but because the contractor took a socially responsible approach to recruiting sub-contractors and was willing to let Center trainees get on-the-job training at the site.

Noted Buford, “We’re trying to spread ideas like that throughout the industry.”

For more information, see www.wrtp.org.

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