

THE HAMILTON PROJECT

FACILITATING AND REWARDING WORK

PANEL ONE: MAKING WORK PAY

MODERATOR:

**JASON FURMAN, DIRECTOR,
THE HAMILTON PROJECT**

PANELISTS:

GREG J. DUNCAN, NORTHWESTERN UNIVERSITY

HARRY J. HOLZER, GEORGETOWN UNIVERSITY

JOHN KARL SCHOLZ, UNIVERSITY OF WISCONSIN

BRUCE WESTERN, HARVARD UNIVERSITY

DISCUSSANT: NADA EISSA, GEORGETOWN UNIVERSITY

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JASON FURMAN: If the last few of you could take your seats, we'll get started here. I am Jason Furman and I'm the director of the Hamilton Project and want to welcome you all to our ninth and final public event of 2007. Poverty and rewarding work is a fitting topic to end the year on because it ties together so much of the work that we've done over the past year on issues ranging from preschool to college financing to healthcare to progressive tax reform.

Today, the Hamilton Project is releasing a new strategy paper, "A Hand Up: A Strategy to Reward Work, Expand Opportunity, and Reduce Poverty" that was co-authored by Jason Bordoff, Paige Shevlin, and myself. The strategy paper makes clear that today's discussion about facilitating and rewarding work is just one important part of an overall strategy to expand opportunity and reduce poverty.

We say it's an important part because the old adage is not less true for being oft repeated that the best anti-poverty program is a job. The tremendous success story of the 1990s was the large increase in female participation in the workforce and the large growth of income for families with children, especially single parents with children. But jobs don't automatically pay well, and the two panels we have today will explore the right balance of different approaches to help make sure that they do. One is what we're calling rewarding work through policies like the earned income tax credit, and a second is – which Karl Scholz will be talking about – and a second is policies that facilitate work, that help train people for jobs, connect them with good jobs, and ease their entry into the labor force. And we'll be hearing different approaches from our other office that I'll introduce in a moment to that question. And one topic we'll talk about is how to strike the right balance between rewarding work and facilitating work.

But I said that this discussion that we're having today is only one important part of an overall strategy. And in our strategy paper, we have two other elements that we think are just as important as what we're talking about today. The first of those is to prepare people to succeed, and the principal policy here would be education. And throughout the two years of the Hamilton Project's existence, we've talked about ideas like success for all, from Belle Sawhill and Jens Ludwig, about how to have universal – how to have high quality preschool for families in poverty. We've talked about college affordability and how to improve K-12 education with a focus on schools in low-income areas.

The third and final part of the strategy that we suggest is a more robust safety net instead of social insurance policies to help people rebound if they do experience hardships, and to mitigate the likelihood that they'll fall below a certain economic level at any point. The most important part of this last part, a robust safety net and social insurance, is surely universal healthcare. And earlier in the year, we released four different approaches to get to, or towards, universal healthcare.

But there are many other elements, like retirement security, programs like food stamps and housing vouchers, and ways of reaching families that have more barriers to work than the types of people that benefit from the policies we're talking about today, and I'd particularly commend to you a paper by Becky Blank, who will be on our second panel, that I think was on your table today that addresses some of those issues.

So, you don't want to center everything around just rewarding and facilitating work. It's a very important part; it's what we're talking about today, but you want to fit it into a broader context, one where you're preparing people to succeed, but also have a more robust safety net for people who are going to still fall through the cracks of that rewarding and facilitating work.

So, with that, let me introduce the four people who will be presenting their papers, and then the discussant for those papers. And we'll be going in alphabetical order on the presentations.

The first is Greg Duncan, he is the Edwina S. Tarry professor at Northwestern University and the co-author of a book "Higher Ground" that is the basis of his presentation today.

Second is Harry Holzer who is a professor of public policy at Georgetown University, a senior fellow at the Urban Institute, and he was chief economist at the U.S. Department of Labor in the Clinton administration.

Third is Karl Scholz, he's a professor of economics at the University of Wisconsin, a visiting fellow down the hall from me at Brookings, and a former deputy assistant secretary for tax analysis, the U.S. Treasury in the Clinton administration.

Then finally, presenting a forthcoming paper that currently exists in the form of a PowerPoint that you'll be seeing today, is Bruce Western, a professor of sociology at Harvard University and the writer of "Between Class and Market," which won the 2007 Albert J. Weiss Award.

After that nod, we're very lucky to have Nada Eissa commenting on these papers. She's an associate professor of public policy at the Georgetown Public Policy Institute, and was – very recently stepped down as deputy assistant secretary of the Treasury for microeconomic policy.

So, we will start with your presentation, Greg.

GREG DUNCAN: Thank you very much. It's a pleasure to be here.

I'd like to talk to you about the New Hope Program, which was an experimental program run in Milwaukee in the mid 1990s. The motivation for New Hope comes about because, despite the fact over the last 10 years, we've made remarkable strides towards supporting work through expansion of the earned income tax credit, welfare reforms of

various sorts, S-chip health insurance coverage, but despite that, there are millions of households who work full time and are still poor. Even when you count in the EITC benefits, millions of children are without health insurance and millions of children who are underachieving in our nation's schools. Moreover, despite these incentives, there are millions of able-bodied women and men who are not working.

So, the idea behind New Hope is that this collection of programs is too fragmented, that it's not well matched to the real needs of working poor families, and that they don't really collectively eliminate the barriers to getting into the labor market to secure full time work. So, here's what New Hope is all about. The New Hope benefits are conditioned on proof of 30 hours per week, which is the definition of full time work for New Hope, so a participant has to come in and actually show with pay stubs that they, in fact, in the last month or the last set of months, averaged at least 30 hours a week. Providing that proof entitled them to a suite of benefits, including an earnings supplement that brought family income above the poverty line, a childcare subsidy on a sliding scale that enabled them to get decent quality childcare. If they needed health insurance, there was subsidized health insurance available. If they weren't working full time and needed help because of a poor work experience record or some other reason, there were community service jobs, temporary community service jobs that were available on a six-month basis. And finally, the New Hope Program was administered by a respectful and very helpful, well trained staff.

These benefits were extended to all low-income men and women, regardless of family circumstances. So, the idea was that any low-income working adult in America ought to be entitled to these kinds of benefits if they work full time. In terms of values, New Hope really hits the trifecta. It effectively makes work pay long hope for American social policy, and this makes it a reality. The full time focus, the requirement of full time work resonates with the business community. In Milwaukee, the business elite lent its heavy-duty support, political support to New Hope, and it resonates with the broader public and participants themselves. And finally, its social contract nature is both respectful of participants but also demanding of them in the form of this full time work requirement.

New Hope is actually evaluated so we know what its impacts are. It was evaluated in a very rigorous kind of way. It ran for three years in Milwaukee and two of Milwaukee's poorest neighborhoods in the mid-1990s. About half of New Hope participants were African American, about a quarter Hispanic. And the evaluation used random assignment, a lottery, the kind of method that medical trials use to establish impacts and was conducted by NBRC. Hans Bos, who led the NBRC evaluation effort, is in the audience.

And what New Hope – the evaluation did was to compare what happened under New Hope versus what happened under the conditions that were prevailing in Milwaukee and the state of Wisconsin in the mid-1990s, which were collectively the kind of welfare reforms that Tommy Thompson was putting in place in Wisconsin. Labor market conditions were very favorable in Milwaukee at this time, but the comparison is going to

be between New Hope and this collection of programs that the state of Wisconsin had put together.

About 750 won the lottery and had a chance to sign up for New Hope. Almost all of them, over their three year period, used at least some of the New Hope benefits some of the time, but few of them used all the benefits all the time, and an important thing to understand about any program, a program like New Hope or any collection of programs for low-income families, is how fluid family situations are and how difficult it is sometimes to match the needs from a program to the needs of the families themselves.

So, not all participants were able to sustain the 30 hours necessary to qualify for benefits. Some benefits fit at some points and not others; perhaps people had a childcare arrangement with a relative that worked just fine for younger children, and they needed New Hope benefits later when their kids became older. The community service jobs fit some people, but some people didn't really have any need for them because they were already working full time. So, what was nice about New Hope, and I think key to New Hope's success, which I'll show you in a second, is that it provided a kind of cafeteria approach that matched program benefits to the fluidity of needs and low income families.

New Hope's impacts, these are comparing the New Hope group to this comparison group. Overall, the New Hope group out-earned the comparison group by about \$500 per year over the three years of New Hope, but that's an average, which mixes together some negative earnings impacts with some positive earnings impacts. A third of the people in New Hope were already working full time; they just wanted to take advantage of New Hope benefits. They cut back on their work, not dropping out of the labor force altogether, there was no drop there, but they dropped back from a second job or a third job back to a single job, from an over time where you work 50 hours a week down to 40 hours a week. So, their earnings were negative relative to the control group, but as I say, their employment didn't decline.

People who weren't working at the beginning of the program had a \$1,000 increase. People who were just one barrier away from being able to make it in full time work had the biggest gains. And then – not to – I want to mention single men, not typically a part of these programs, also had a positive impact on earnings. Poverty impacts mirror the earnings impacts; they declined eight points overall, less for families already working, more for families with kids and these one-barrier families had an actually 25 percentage point drop in poverty as a result of the program.

What's really remarkable about New Hope is the impact on kids. Teachers were asked to rate how kids were doing in their schools, and the difference was about a quarter of a standard deviation, this is about 25 points on an SAT-type test. There were big behavior improvements for boys but not girls, and quite impressive earnings impacts relative to other programs. The paper goes through the cost and benefit calculation, about \$3,300 per year, half of which was program administration, half of which was participant benefits. We estimate a national cost, depending on take-up, between about \$14 and \$22 billion. The benefits, we go through and account for those, depend on how you value the

child achievement and behavior impacts, you can easily come up with benefits that exceed these costs. And our proposal is for a five state five year test of New Hope to develop state models for surface delivery at about a \$250 million total cost for the test over a five year period.

Many resources to explain New Hope: the newhope.com website links to the New Hope program as well as all the evaluation evidence, there's the book "Higher Ground," not to be confused with "New Hope for Higher Ground" by Mike Huckabee, which was published in the same week as this book. If you're looking for the New Hope book and Mike Huckabee is on the cover, you've got the wrong book – (laughter). Thank you very much – (applause).

MR. FURMAN: Harry Holzer will be next.

HARRY HOLZER: Well, my proposal is focused more broadly on the low-wage labor market, and both youth and adults in the low-wage labor market, and it proposes a new program which some of the staff of Brookings creatively titled WAGES, Worker Advancement Grants for Employment and States. I think I got that right. So, it's a very clever acronym even though I will tell you that it's not mine.

You know, the dimensions of the low-wage labor market problem, I think, are pretty well known. We have growing numbers over time of working poor in our labor markets, partly because of things like welfare reform and immigration that swell the supply of low-wage workers, and also probably because of changes on the demand side of the labor market and lower wages for less skilled work. The wages of these workers have certainly declined relative to those of more educated workers over a long period, roughly a 30 year period, over some periods and by some measures, depending on exactly how you control for inflation. They – even the real wages of those workers have been declining. And their advancement prospects are very limited; this is not a temporary problem that most people eventually grow out of. It is a persistent problem for millions of workers in this situation.

There are a chunk of people who don't even usually make it to the ranks of the working poor. What you see for some populations, especially low-income African-American men, among others, is declining employment at all in the regular labor market, and dramatic declines in the labor force activity over time. And I know Karl Scholz and Bruce Western are going to talk about some dimensions of that problem.

So, when you put all this together, what I think is needed is a package of policies that really do three things: number one, that improve the skills of the workers, and we all know that skills play a bigger role in labor markets than they ever did before. But secondly, also improve the access of workers to good jobs, well paying jobs, and there's a lot of evidence that suggest that it's not just about the skills workers have. Workers of different skills have access often to very different kinds of jobs, some of which pay more than others. It's important that they have access to the better paying jobs for skill set.

And thirdly, they also need a package of supports and incentives, especially for those that will still have low wages to both encourage them and to help them and these are the kinds of supports that Greg Duncan just talked about. Finally, another piece of the problem is that the current workforce system simply doesn't match up to these needs. The current workforce system is woefully under-funded, and I remember, we have a nearly \$14 trillion economy and the few billion dollars that we put into workforce development at the federal level really come nowhere near the need we have. But the system is not only under-funded, it's also fragmented. There aren't a lot of mechanisms or pathways, certainly at the local level, to connect workers with skill development and the employers and the work supports. To an extent, you have public activity in these areas; they're often in very different agencies and very little bringing together of the package. So, that's what I'm hoping to propose doing more of.

There are, however, some very promising approaches at the state level and even at the local level that you see out there and I just want to briefly list. My proposal really deals with three different populations: the working poor, at-risk youth, and adult whom we now already consider hard to employ, people with very limited labor force activity already. In the area of the working poor, there's a whole new body, a whole new generation of programs that really try to link them more effectively to parts of the private sector where we know that there are strong demand for workers and continual employment growth and there are good jobs available for people without college diplomas. And I've listed some of the approaches here; they often heavily target the health care sector, the construction sector, at least until recently, financial services and some other sectors where there's both strong growth and good jobs.

For youth, we're talking about the newest generations of career and technical education, not old-fashioned vocab, but again, stronger programs that provide strong academics, good occupational training, and also links to jobs. And finally, for the hard to employ, packages that involve either transitional employment, transitional paid employment, plus a whole other range of supports and services that connect people to the labor market.

Now, all these things are already out there, but there's a couple problems. Number one, they exist usually at the very small scale, much too small to really have any kind of aggregate measurable impact on the problem. Secondly, most of these things have not yet been rigorously evaluated, a few of them have, and we have some evidence, but in most cases we don't have strong, really clear evaluation evidence on exactly what works and what doesn't work and where and for whom? So, what you really want, I think, is a program that provides more resources to the states and local areas; encourages them to ramp up, to invest some of their own resources to really generate some scale, but also to use the most cost-effective methods and to gain more knowledge over time and to incorporate that knowledge, sort of a flexible system as well as a system that's big enough to have some impact.

So, this is my proposal to accomplish that. The proposal is basically we give out competitive grants to the states on a rolling basis. The expectation would be that most

states would eventually get grants, but not automatically, they would have to jump through some hoops initially. They would be building advancement systems at the state and local levels that basically involve partnerships between community colleges for the training, industry associations and employers, and the local workforce boards and the intermediaries. And the intermediaries would be critical to pull the different pieces together and make sure that workers have access to the things they need.

The grants would provide matching funds for new expenditures, not existing expenditures, but for new expenditures, new investments, either by the state, the localities, or by the private sector in both training and the range of supports the workers need like childcare, transportation, et cetera. Federal oversight and technical assistance would be an important part of this discussion; the states would need help and time to build up the institutional capacity. This would be a process of years for this to gear up, and performance measures and bonuses would be very important, not just the performance measures for program participants, because we know that states have ways of manipulating those to make them look better than they often are, but performance measures for the broader populations to try to generate some broader measures of advancement and strong bonuses for good performance. And rigorous evaluation would also be a very necessary part of this thing.

And finally, the – most of the grants would be renewable and expandable over time. There's an expectation that most grants would be renewed and expanded, but again, not automatically. The renewal would be conditional on good performance measures and incorporating new knowledge that's generated through the evaluation process. So, again, you're creating a system that I think provides new resources, mobilizes resources that are out there, can build to scale, but again strong incentives through the performance measures and bonuses, to the evaluation piece, and through the renewal process, strong incentives for good cost effective performance and flexibility over time.

I'm going to skip through the last thing I want to say. There's a few other, I think, complimentary policies that are not directly part of my proposal, but I think they're also important to make all this work. We simply need more funding for things like Pell grants or other programs that channel more resources to low-income workers and other proposals in Hamilton have addressed those and I'm supportive, but I think they really need more funding to make this work. We also need more high-wage jobs on the demand side of the labor market, and again, I've listed three things: higher minimum wages and easier – making it easier for workers to choose collective bargaining, which I think, each of those has their downside, but the downsides are manageable if they're done in a sensible and moderate way; and thirdly, a place where we know a lot less about exactly where it works, but exploring economic development options at the local level that tie local assistance – development assistance that generate high-wage jobs and the training and education necessary for those.

That's it, thank you – (applause).

JOHN KARL SCHOLZ: It's a great honor to be here, so thank you very much.

I want to start out by – with a couple pictures that reinforce much of what Greg and Harry said. In these – oh my gosh, those are small – so, I'm going to describe with these pictures and you can believe me. The top one has a line going down; that's a worrisome trend of labor force participation rates for men 25 or older with a high school degree or less. It just tracks men from 1992 to – through 2007, and it shows labor force participation rates fell from 79 to 73 percent. This is during a period when the economy has done very well.

The middle graph, you can see an upward sloping line. That's – those are incarceration rates going from 1980 to today, incarceration rates in the population have more than tripled. The bottom line, another downward sloping thing is showing the fraction of kids living in households with two adults. That goes from 1970 to today, and the number of kids living in two-adult families has fallen from 86 percent to 69 percent.

These trends are very worrisome for low-income communities. I would say, in certain low-income communities, they're devastating. And so, that motivates my proposals as well as, I think, part of what Harry and Greg are talking about. Now, many factors presumably account for these trends, but I'd argue declining formal labor market opportunity is the most important given that belief that I have, my two-part proposal would increase the return to work in the formal labor market. I get no creativity points for the first plank of this two-part proposal, and that is to expand the EITC for childless taxpayers; Bob Greenstein, Harry, Jason Furman, among others have proposed that. Congressman Rangel includes that as part of his big tax reform package. My variant has a couple twists, but it is what it is.

The second part is – would expand earnings by half the difference between market wages and a target wage, which in my proposal would be \$11.30 an hour. Therefore, if a worker's market wage was \$8 an hour, the worker would receive a subsidy of \$1.65 an hour on their wages. Now, these aren't silver bullets; there's other problems in low-income communities, but I think this would take a step toward addressing some of the problems. Let me describe these in a bit more detail.

All right, my proposal to increase the EITC to childless taxpayers, I hope everyone in the room – everyone in the room turning out for an event like this has to understand what the EITC is, but very briefly, to wage subsidy increases with hours of work up to a certain level, and then with greater earnings, the thing phases out. We have an EITC right now for childless workers: in 2007, the maximum credit is \$428. I would propose increasing that, so for a childless single taxpayer, the maximum credit would be roughly twice as much, \$864; for a married, childless couple, the credit would be \$1,728. So, I'm proposing quite a substantial increase in the credit and being very sensitive to incentive to marriage. I don't want to create so-called marriage penalties with this.

Second, I would also include an early career employment incentive. An awful lot of ideas that people get on the right track early in their lives and so the credit would

actually have a – would be slightly more generous for childless workers under the age of 30. The second part then is to implement these targeted wage subsidies to workers in these federally designated empowerment communities, enterprise zones, and renewal communities. As I said earlier, the policy would pay workers directly the difference between their market wage and \$11.30 an hour. There's a 40 or more year history of academic support for this idea. Among other promising features, it has very strong incentives to increase the number of hours of work. If you look at the data on these low-wage labor markets, average hours of work in a year are about 800 hours, okay?

With this wage subsidy, you increase hours of work; the wage subsidy keeps on augmenting income, it doesn't phase out. So, it has very good employment or hours incentives. Now, targeting in the way that I propose to these EZs, ECs, and RCs – that does not roll off my tongue – would limit the cost and allow careful evaluation and focus scarce resources on economically distressed areas. There's some concerns – administrative concerns with a proposal like this, and so I propose to start in a demonstration context.

So, what is the premise of these two ideas? The premise is the increasing the return to work for childless, low-skilled workers, lower unemployment rates, and achieve the dual social benefits of reducing incarceration rates and increasing marriage rates, thus reducing the number of children being raised in single-parent households. All right, the two pieces of the proposals could be implemented together or separately, I think, for maximum effect I would love to see them implemented together.

So, what would the consequences of adopting policies like this be? What would the costs and what would the benefits be? I estimate the expansion of the childless EITC in the way I propose – or suggesting would cost about \$7.3 billion, and it would deliver an average increase and earn income tax credit benefits to childless workers of around \$800 a tax-filer. I think based on credible estimates and conservative estimates from the social science literature, it would increase employment by about 700,000 individuals, reduce crime by 900,000 incidents, increase marriage and deliver substantial resources to low-skilled individuals doing the right thing, that is working in the formal labor market. The social benefit of crime reduction alone could range from \$722 million to more than paying for the cost of the proposal.

The wage subsidy would cost about \$3.1 billion; it would deliver a very large average benefit per recipient of around \$2,700. I would expect that to increase employment by about 150,000 jobs, reduce crimes by anywhere from 150,000 to 440,000 incidents, again increase marriage and deliver substantial resources to low-skilled individuals doing the right thing. The problem here, or a problem here, is that it's very difficult to design policies that redistribute a substantial amount of resources, yet at the same time do not have important undesirable behavioral consequences. I think the policies I'm suggesting are a sensible part of a package to address these, what I think, are extremely important problems to the nation. Thank you – (applause).

BRUCE WESTERN: Okay, I'm going to take up one piece of the array of social problems that Karl was describing and I'm going to describe the policy proposal designed to improve the employment of those coming out of prison. Just to provide some context for this policy proposal, we can look at the scale of the American penal system over the 20th century from 1925 to 1972. The size of the penal system was roughly constant, about 100 per 100,000 in the United States were in state or federal prison. And then in the mid-'70s, the incarceration rate began to grow, and of course it grew continuously in every year after that and it's still growing.

That's not the whole of the population in custody, of course, there's another third in the local jail, so we now have about actually today 2.2 million people under lock and key, another 760,000 under the supervision of a parole officer in the community and another 4.1 million people on probation. All together then, we have a correctional population of 7 million and this is completely historically unprecedented.

Of course, the risks of incarceration are not distributed evenly over the population if we consider African American men born since the late 1960s who have not been to college, I estimate that about one third of those will go to state or federal prison at some point in their lives, and that's now 36 months of incarceration at the average for a felony conviction, so this is really a significant period of institutionalization, again, entirely historically novel. We only need go back 20 years to find a time when this was not the case.

If we consider the economic status of those coming out of prison, these are predominantly men, about 93 percent men, very low levels of school, about 11 years of schooling on the average, very low levels of employment after release from prison, about 25 weeks in the year, very low earnings. This is a very difficult to employ population, and I'm going to propose three related measures that can improve employment in this group. The core of this proposal is a transitional employment program immediately after prison for up to a year, full time work in a minimum wage job, and the idea of this proposal is to build regular work routines. This is a group of people who have participated in the labor market very, very low rate and have not developed the routines of steady work.

And this core proposal for transitional employment for up to a year follows the practices adopted by a range of prisoner re-entry programs that have been very positively evaluated. Another acute need in this population is transitional housing, and again, the important point here is this transitional housing must come immediately after release because it's this period immediately after release when the risk of recidivism is highest. Of course, you can't be developing these routines of steady work unless you are sober, and so the third part of this proposal of transitional support is drug treatment, again, which begins immediately after release from prison. So, what we want is a housing context which is safe and secure, in which people can be sober, and this can promote the routines of steady work.

Now, all of these things that I've proposed take elements from successfully evaluated prisoner reentry programs around the country. And these tend to be small programs that have developed long-standing relationships with employers and rely on very intensive individualized case management. What I'm proposing is, how do we – what I'm proposing is that we try and achieve the gains of these small programs on a national scale. So, how do we scale up? And to scale up and adopt this broadly, I think we need to do two more things.

First, we need to eliminate collateral consequences. What are collateral consequences? Well, under federal law, people with felony convictions and other classes of drug convictions are denied benefits for housing, education, and welfare, and this creates an enormous barrier to reintegration. Now, there's very little evidence that these collateral consequences, that these denial of benefit serve public safety and I think there's good reason to think that collateral consequences ultimately impede the promotion of public safety by preventing reintegration. Housing benefits, in particular, are key here; if you don't have access to public housing because of a felony conviction, then the risk that you pose to the community, I think, is even greater.

The third part of this story, we need to provide incentives to employers. Part of the reason why this is such a difficult to employ population is because employers have extreme reluctance to take on people with criminal records. Well, what can we do? We already have measures: the work opportunity tax credit provides a tax credit to employers, up to \$2,400 now, for taking on new hires, ex-felons, and other categories of hard to employ people. So, what we should do in our transitional employment and housing, is to certify people for the work opportunity tax credit to make this an automatic process.

The other thing we can do to provide incentives to employers is to automatically certify parolees for the federal bonding program. The federal bonding program provides insurance – free insurance to employers against theft or embezzlement by the workers with criminal records. So, this is the three-part proposal: transitional services involve up to a year of work, housing, and drug treatment, the elimination of collateral consequences, and improved incentives for employers through the work opportunity tax credit and federal bonding.

Now, how do we pay for this? It's expensive and it's more expensive than what we're currently doing in the form of prisoner reentry services. The general idea is to move costs from custody, prisons and jails, which is very expensive, to intensive community supervision and program, which is relatively cheap. I estimate that this will cost about \$7 and half billion at a national level; we pay for this by substantially parole reputation rates, which have escalated dramatically over the last decade. It's difficult to justify these programs on a purely cost-benefit basis, but we should not be comparing these programs so much to the cost, but to the real policy alternative, which is incarceration, which is an extremely expensive program and delivers little in public safety, particularly as we think about the life chances of people coming out of prisons and

the kinds of lives and families – the lives they lead, the families they raise after release – (applause).

MR. FURMAN: So, now we'll have Nada commenting on the papers. We'll open it up to a discussion of the panel after that, and then go to your questions.

NADA EISSA: Thank you, Jason. So, it's a pleasure to be here to comment on these papers. They offer very different public approaches to rewarding work. Karl focuses on the tax system, Harry on training, and then also employment benefits and public works that would operate parallel to this social safety net. These are very creative proposals which would address, I would argue, somewhat modestly, the concerns about worker opportunities at the low end of the skill distribution. And it's obviously a broad set of tools that are being proposed here, so I'm going to focus my comments at a very general level. I'll have a few specific things; unfortunately, I didn't see the last paper before today, but I'll have something to say about that and in fact, it fits into some of the comments that I'm going to make.

So, my main comment is that I'm actually somewhat skeptical that we can do much using the current tax transfer system to encourage more work. So, the success of the EITC has always been a model for this. The success of EITC in welfare reform, that encouraging single mothers to enter the labor market doesn't necessarily translate to other populations or even those to – or even to those eligible parents who are not working today. And I'll motivate that argument – and actually, maybe I'll just do it here, since there's not much time.

But the basic idea here is that when the EITC was expanded, about 50 percent, over 50 percent of eligible single mothers were out of the labor force, so in other words, the pool of non-workers from which we could draw in to the labor force was fairly large. And what the success of the EITC has done, basically, is separate the population of single mothers into those for whom financial incentives matter and they could work, and the rest who face significant barriers to work. And so the question here is, among those who are not working today, what are the constraints? And are the barriers likely to be overcome by modest financial transfers?

Now, an alternative approach would take that separation seriously, and Harry actually followed this line, although he classifies three populations, but just generally, one could think about the hard to employ and everyone else and design appropriate policy proposals for each. For everyone else, the proposals, the way that I would approach this is to really focus on human capital formation and expanded career opportunities.

So, a lot of what we're talking about here are transfers that increase the wage in the labor market at any point in time, rather than focus on the trajectory of wages. And so, if we think about human capital formation, then we can help people get into those job for which there are – there's growth opportunities and higher wages over time. And with the exception of the last part, this is a generality, the proposals we have seen today really do cover everyone else, although I might take a slightly different approach here.

Let me come back to the specifics on the papers. There are also some unintended consequences of policies, and they can be important. And clearly, Karl focused on the family formation issue and designed his policies appropriate so that they don't discourage family formation as much. One interesting issue with the EITC that we're just beginning to understand now is that the better these policies work and the more they succeed at encouraging work, the more pressure they put on the going market wage, so that some of the benefits actually go to employers. That's just a cost of these programs that has to be built in, but what we know now suggests that about 30 cents of each EITC dollar actually goes to employers, with the remaining 70 cents going to workers.

So, as I said, the focus should be, for everyone else, for the non hard to employ, the focus should be on human capital formation. One can think about restructuring training dollars that we use today to pay for community college tuition, so current training funding, and Harry will – I'm sure, will come back and say this is trivial, but it what it is. The current training budget of about \$15 billion, half of that amount, if you use that to cover the average tuition for two years at a community college, it's about \$4,500, would cover about \$1.5 million a year. You could also think about alternative ways, such as providing tax credits for training or education, redesigning the current tax credits that we have now, so that they operate more on the margin and actually incentivize people to go and get more education.

Now, when I focus on the hard to employ, for one the tax cost of supporting people who would work otherwise is high, if the goal is just redistributing, and that's a valuable goal obviously, then we just need to think about the tradeoff between equity and efficiency and that's just social choice. So, a lot of what I'm talking about here is really on the efficiency side.

The second point is that the social benefits of assisting the hard to employ are likely very high, and this is as far as I'm going to take it because what we do with the hard to employ is a big question mark and I think some of the ideas here are extremely important, the idea that you need integrated services, you need intensive services to really get those people who face significant constraints, whether they are physical constraints. And for the most part, people who are hard to employ have severe deficiencies in human capital, we're talking about just basic job skills. And so – in some sense – that's sort of the way we've got to think about this is really to think about people who are out of the labor force and worry how to get them in through these expanded programs and that's going to be expensive to do, I recognize.

So, let me go back and just say a couple of specific things – actually, a couple of specific issues on each of the papers that may be useful for discussion as we go on. I think, to start with Harry's paper, which is – which motivates states to come up with new ideas on these integrative programs, it's likely to work that states will come up with more innovative ideas, more than now, I'm not sure, but the question will always be the scalability of these programs that come up, so states cannot – can design their own programs, I think, and we can evaluate them but this is a problem we face with all

randomized experiments that are more localized. How do we know that they will scale up in some reasonable way? And the extent of the services that we seek need to be provided; it's hard to imagine that they would operate on any large scale.

The second paper that's based on the New Hope experiment, I think the other – that's also an issue that comes up there. Programs that work in small scale may not work in the aggregate, but also there's the general equilibrium effects on labor markets that we need to worry about. When you're offering services to 700 or 1,000 people, you get very different dynamics than if you're offering it to 16 million people. And again, the issue with the EITC, I think, is interesting where we're just beginning to see some of these general equilibrium effects on the labor markets.

And the question – one question that I had for Karl is, what's the tax cost of new workers that are incentivized, that the way that I calculated – back of the envelope – would be something like 10,000, which is reasonable. It's actually lower than we had with the EITC expansion in 1986. But I – but again, I'm a little bit skeptical that the EI – that the financial – that the incentive that's created by the EITC for childless adults really is going to have much of a labor supply effect. It could actually do a lot to support work in the sense that it transfers and increases the wage. I would argue that we need to worry a little bit more about the long-term wage trajectory rather than transferring money to people who are in low-wage jobs. So, that's all that I have. (Applause).

MR. FURMAN: So, thank you, Nada, and I think you gave us a good place to start the discussion. If you look at the academic literature on the EITC, two of the three most important papers that document and basically establish the large incentives it had for participation work by single mothers, one was co-written by Nada; one was co-written by Karl. So, we're very lucky to have two-thirds of that literature represented here.

So Karl, I wanted to start with you and ask, on the one hand, there's this point that there's – we had this low hanging fruit before and the population for trying to get to now are harder, which was Nada's point. On the other hand, we're doing so little for that hard-to-reach population now, that maybe at the margin doing more could have higher returns that we would have thought and also, in the context of that addressing the comments about the incidents of the ITC.

MR. SCHOLZ: Yes, so that's certainly where I started, as I thought about this project, that the array of programs we currently have, as part of the social safety net in many ways, I think, very appropriately focus on families with children. We devote very few federal and state and local dollars to low-skilled workers without children. And I've long thought that if you care about family formation, that you want to strengthen incentives for both parents to live with their children and like you care about incarceration and these issues, I think it makes sense, to me, to focus on childless workers. That is, you know, one of the things that you hear very vividly in ethnographic work on low-wage labor markets, is what are the important determinants of mothers marrying the fathers of their kids. And very often they'll say, we're anxious for

the guy to have a job. A good job. I don't need another person to care for around the house. And so, getting people into the labor market and productive jobs, I think, is very important. And so, given that, it seems to make sense or it made sense to me when thinking about these proposals to try to expand the childless (?) earned income tax credit and then think very carefully about these wage subsidies that I've suggested.

So, Nada was correct, I think, in characterizing the work, looking at the effects of earned income tax credit on what we call incidents. Who benefits from the earned income tax credit? The work on this topic is very, very preliminary. I don't think the evidence – well, my reading of the evidence, let's try to put it that way. I'll personalize it. My reading of the evidence is that the earned income tax credit goes overwhelming to the recipient and so, both based on Jesse Rothstein's evidence and some other work that I've seen, I think most of the dollars of the earned income tax credit are indeed augmenting the income so the recipients – it comes down a little bit how competitive you think low-wage markets and I think low-wage markets are very, very competitive, which is consistent with this idea that most of the benefits of these credits go to workers.

But, you know, Nada says 30 cents; I say closer to zero. But, certainly, my confidence – (inaudible) – would encompass easily her estimate. I think it is unquestionable, though, that policies along the lines that I talked about would increase the incomes of these workers and make the return to engaging in the formal labor market higher, which would increase employment.

MR. FURMAN: I mean, one other point on the incidents is I would think that employers would benefit if and only if it had a significant effect on increasing employment and you can think about that in two ways. One is employers are essentially getting a subsidy for employing low-income people, which may not be the worst thing or thought of the other way, that the policy increases labor supply, which would drive down the wage. So, I guess I don't have as confidence of reading maybe closer to zero than 30 cents. But if it were 30 cents, it wouldn't necessarily be bad news because that might be the flip side of a policy that was very successful, increasing employment beyond where it would have been otherwise.

MR. SCHOLZ: Yes.

MS. EISSA: I don't disagree with that. I just think it's one of the labor market – its one of the effects that we need to keep in mind. It is precisely because of the success of the program.

MR. FURMAN: Right.

MS. EISSA: So in a sense, it's just a flip side of it but we're not – so that raises the question, is there an alternative way to transfer money so that it goes to the worker and remains with the worker? Not clear you can do that through the tax system. There's always going to be some incidents but I would argue that in the long run, that what you want to do is get people into those jobs that pay high wages. I think that's the idea. And

the ITC does that in part, if it encourages work through on the job training but that, we know, is not enough for people at the bottom of the education – so many of the bad outcomes that we see, whether it's incarceration or just about anything you look at. It's correlated very strongly with education. So, the question is can you think of ways to get people into the right education or skill set so that you avoid some of these consequences.

MR. FURMAN: I wanted to bring Harry in and one question we try to struggle with is priorities. So if we had enough money, I think we'd – I bet everyone on the stage would agree to do what everyone else on the stage has proposed. (Chuckles.) If we only had, you know, \$5 or \$10 billion a year extra, and in the current climate, that's a lot of money if you look at something like the SCHIP expansion or even just funding existing SCHIP. You're talking about, you know, sums of money that aren't much higher than that. Harry, would you do your proposal or Karl's and can you explain why? (Laughter.)

MR. HOLZER: Mine and in an instance. No, I – (chuckles) – you know, I think when you look at these populations, I think you quickly learn is these populations have a lot of difficulties and a lot of barriers and a lot of constraints. There are limited skills, limited family pressures, limited time to invest in this training. Of course, once you're incarcerated and then the child support issues, the barriers are enormous. So what that also means is that no single proposal is going to be a magic bullet for any of these things. And therefore, I would be very reluctant to say any one of these three approaches is the right one and deserves all those resources.

I think that when you have multi-dimensional problems, you need multi-dimensional solutions, which look at skills on the supply side and look at jobs and look at the incentives and supports that Karl and Greg both talk about. So I'm arguing that if you only have that small amount of money to spend, sort of \$5 to \$10 billion, which in some lenses looked big. In a \$14 trillion economy, it's very, very, very small and I understand the constraints. I understand political and fiscal constraints. I would still argue for even limited amounts of money to be spent in more comprehensive ways and with a gradual scaling up.

So I think, you know, Nada's point about scalability is very, very important. I think it – we know that things like the EITC, pure financial things, can be scaled up. You know, there are the incidents effects and all that, but we know – because there you're just writing checks, essentially, and relying on incentives. So the kinds of things that Greg and I are talking about, I think, scale does really matter. So you want to do it gradually and build evaluation into it while you're doing it and try to figure out what works relatively better and works and then maybe change course a little bit as you gain that information. So, I think that there's a way to spend the money wisely that enables you to learn along the way with a long-run goal of really spending those dollars most effectively.

MR. FURMAN: And Greg, I was wondering, when you were listening to any of it, if you were at all sympathetic to the argument that these new populations would be harder to reach than some of the ones that we've reached in the past and maybe if that

was part of why you thought of this approach, where you bundled together a bunch of services because it helps? And then the question of it seemed to work best with these one barrier families and do you have any idea at all, from your research, about what you can do to push further to the sort of workers that have more barriers to work that even in your more comprehensive approach, which is much more comprehensive than Karl's, which is just money, still does not seem sufficient for those sorts of workers?

MR. DUNCAN: New Hope is not, first and foremost, directed at the multiple barrier families or individuals. It had some success with the people who had some barriers but not a large number of barriers. But much more success – well, the greatest success were the one barrier people, the people that couldn't get the childcare arranged, maybe they had a prison record and need the experience from the community service job. Maybe they had a history of welfare receipt and just need some experience to make it into the private labor market. Those are the people who seemed to be helped the most.

But I guess I would take issue with Nada on the importance for the nonmultiple barrier people of increasing wages; the supreme importance of that. When you talked to New Hope participants, what attracted them to the program and what they defined as their needs weren't so much, you know, trying to get that \$10 an hour job versus a \$9 an hour job or a \$12 instead of a \$10.

It was all about trying to make full-time work work for themselves and their families. It was all about sustaining their family routine so they could accomplish the kind of goals that they were defining for their families. It was getting the total amount of time that they were spending in work and commuting down to a reasonable level so they had some time with their families. It was getting the childcare arrangement setup so that they felt comfortable going to work. It was setting up that health insurance so when their job wasn't providing it, they would have health insurance for their kids.

So it was really focused on this idea of sustaining full-time work. And, you know, if I were to say what kind of outcome is most important from these programs, I would look toward the second generation outcomes as much as the first generation outcomes. It's not so much did it increase work or not. It's what is it doing to the families? What is doing to the kids? And one of the things that didn't really have time to detail was the nature of the benefits for the children, where the teachers are reporting substantially higher achievement among the whole families compared to the teachers who are rating the control kids. That behavior difference for the boys was an even bigger kind of effect.

So, you know, we don't know if those kinds of effects would persist but if you carry those effects to scale, I mean, if you could scale up this program and get that kind of effect, there would be the kind of benefits and general equilibrium benefits that would be a multiple of the individual benefits. So I want to focus the attention as much on kind of family process and child well-being as worker earnings and worker employment.

MR. FURMAN: Yes?

MS. EISSA: So I would say that I think that's important – I do agree that the set of benefits that you provide are very important and that's an essential way in which we can support work. And I think your paper speaks to that, that at the end of the day we've got to talk about the broad social safety net and health insurance is a big part of that. But I do think that we should – so, as you were saying, they're not looking to get the next higher-wage job.

Well, they should and encouraging that is an important part of what we should be doing because having a \$15 an hour job can make for a very different life than having a \$7 an hour job and can alleviate some of the stresses with childcare or some of the other concerns that they face. So, I would say it is important – what you're proposing is important but I think at the end of the day, ensuring that people are on trajectories where they can earn the jobs that provide support is just as important.

MR. FURMAN: Okay. I had one question for Bruce and the we'll open it up to your questions, which how much would you describe your proposal as leveling the playing field between ex-offenders and everyone else who is trying to navigate the job market and navigate the social safety net versus offering special incentives and new things that you would be eligible for as an ex-offender that you wouldn't be eligible for without that? And to the degree it's the latter, how do you build support for that in a political system that might be skeptical of something that was described as you get an extra bonus if you're an ex-offender?

MR. WESTERN: Yes, I mean, this is the key question politically, I think. I mean, from my point of view, I think we can think of this as leveling the playing field, where, you know – but we're thinking about the playing field in quite a broad sense. We're compensating for severe deficits in human capital. We're trying to overcome discrimination against people with criminal record, which in many states is not legal.

But I understand that many others would view this, not as leveling the playing field, but providing additional benefits, you know, guaranteed employment and housing and so on for those who may be least deserving because they've bargained with the social compact. To that view, I would say, we all share a collective interest in the reintegration and the full membership of in society, these people coming out of prison. And partly, we share that interest in a very concrete sense because we share an interest in public safety and public safety will be served to the extent that these people are able to return to society.

They're coming back. I mean, people coming out of prison – people going into prison will come back to society and the question is do we want to reintegrate them and make communities safer and so on or continue their marginalization, their separation, from society, where the risk that they posed to public safety will be perpetuated. So, that would be the kind of political argument that I would make.

MR. FURMAN: Okay. So I'd love to open it up to questions now. What we'd like to do is collect three questions at once and then – well, don't ask them simultaneously – (laughter) – but we'll answer them simultaneously. And if you could give your name and your affiliation. There should be eight people with microphones wandering around and when we have three questions, we'll then open it up to the panel to ask. And with one of our next panelists but –

Q: Rob Carmona from STRIVE.

MR. FURMAN: Why don't you – you should set a good example with the microphone. Okay.

Q: I'm sorry. Rob Carmona from STRIVE. One of the things that struck me about your presentation is that I thought I heard you say that it'd hard to justify these kinds of investments, if I heard you correctly. And I'm wondering why you said that because I don't necessarily agree with that.

MR. WESTERN: Yes, no, I shouldn't –

MR. FURMAN: Oh, why don't you answer that because that's a pretty direct question and then we'll collect more.

MR. WESTERN: Okay, yes – no, I want to be very clear. So, the program would be hard to justify in a pure cost benefit sense. So the benefits that would be produced in terms of increased earnings in employment are reduced for a set of these and would not cover the cost of the program. But that's not the calculation we have to make politically. The calculation we have to make is against the alternative of incarceration, which I think is impossible to justify economically. So, this is my proposal, I think for me, is much more preferable to what's happening currently.

MR. FURMAN: So, okay. Do we have other questions so we round up microphones? Do you have a question? Oh, Gene has a question. Over there. Oh, we can start with you then work our way back.

Q: Bruce McClurry (sp) formerly Brookings and my question is we try to impose upon Congress the PAYGO principle when we talk about budgeting. We've here proposed a lot of good ideas this morning. What if we tried to impose a PAYGO limit on social incentives such as you're proposing? You not only have to propose something, for which we thank you, that sounds very good but you also have to tell us or you get somebody else to tell us what we should transfer resources from, where we are wasting money on programs that are designed to do the same thing?

MR. FURMAN: I'm going to violate our three-question rule again. (Laughter.) So maybe we'll ditch it entirely and if you wouldn't mind, I'll take the first stab at answering that. I think PAYGO is very near and dear to the hear of the Hamilton Project

and when we've done papers in the past, we've always put a lot of pressure on our authors to try to come up with a way to pay for their proposal within their proposal itself.

And sometimes it can be quite controversial. We had two proposals on reforming unemployment insurance and adding wage insurance and those were both fully paid for. One of them, for example, made the argument that short-term unemployment insurance is something that people can self-insure against, so we need to do less there and more for long-term on insurance. When we looked at K-12 education, we said we're spending \$500 billion a year right now. We could certainly spend a bit more but the gains of spending that money better, relative to the gains of any conceivable increase in that \$500 billion a year, we're just so much larger, so we really focused on using that money better.

When we looked at this particular area, and it might have been different if you were looking at it 10 or 15 years ago, there just didn't seem like a lot in anti-poverty programs, where the money was being spent in obviously, wasteful, inefficient manner. That you could just take the existing pool of money going to the EITC or going to food stamps or going to training and just use that money better. Now surely there are things that we can do better and some of the evaluation Harry Holzer is training. Seems less that the big thing that you needed to do was to spend more money in these areas and to spend it wisely.

Now, obviously, if you were introducing a budget, it would be in the context of PAYGO and, you know, we would, you know, reinstate the estate tax and pay for all these proposals with – (inaudible) – something we just paid for by eight different sets of proposals around Washington in probably the last week. So if we were doing a budget, we'd certainly pay for this but it didn't seem like an area where we saw a lot of waste and ways to pay for it. Within this area, it seemed like new money was really needed. I don't know if others have anything to add to that or –

MR. HOLZER: I'd like to say a couple of things. You know, we assume these very stiff budget constraints and I think PAYGO clearly makes sense. But just to put these things in context, two numbers I'll throw out relative to the magnets that you talked about. Greg and I, with a few others, wrote a paper for the Center of American Progress that looked at what costs, aggregate costs, are imposed on the nation – economic costs because so many kids grow up in poverty without these getting addressed. It was a paper that laid out some back of the envelope calculations. We came up with the number \$500 billion of lost or wasted output every year because we don't make the kinds of – so that was one number to keep in mind.

The second is if you look at overall, what's happened to the U.S. economy in this massive transfer about – in pretax dollars, up to 10 percent of GDP being transferred up to the top 1 percent for a group whose tax rates have gone, you know, that there are some resources – (chuckles) – that I think that can be taxed to a problem, which unaddressed, is adding yet more costs in the U.S. society. So I don't use that to argue against PAYGO, I

just think there are places where resources can be generated and it can be wisely spent from an economic point of view.

MR. SCHOLZ: I'm a tax guy so we're good at rooting out aspects of the tax code and saying that's a tax expenditure that we're going to use to pay for things. But one of the ironies in thinking about these low-wage labor market issues is the earned income tax credit, I think it's fair to say, is the most intensively scrutinized corner of the tax code. And there's about on the order of \$8 billion of payments going to EITC recipients that Congress didn't intend to receive the benefit.

On the other hand, the tax gap is estimated upwards or over, say, \$400 billion a year. So it seems – it's odd, I guess I'll try to say it in an understated way. It's odd that the EITC is the most intensively scrutinized part of the tax code when the tax gap is \$400 billion and EITC noncompliance accounts for maybe \$8 billion of that.

MR. FURMAN: So, continuing to violate our policy, Gene Steuerle will –

Q: I'd like to compliment on this excellent panel. I mean, outside of getting resources, including preventative types of resources to young children, I can't think of any topic that's higher on the social welfare agenda than what you're talking about today. So, I want to congratulate you there. I'm also reminded, like many of you in this room and go to other conferences on things like health care, we're going to spend something like \$200 billion more in real dollars in the next four years just on existing programs.

Then we come to a conference like this and we talk about whether we can afford \$5 or \$10 billion, I always find that type of calculation fascinating, which is one comment to you, Bruce, is – (inaudible) – as well. But my question to the panel has to do with would I consider the tension that Nada opposed, with respect to what I'm thinking of its target efficiency versus the equal justice issues that started rising when you try and start targeting.

So when you target to a prison population and give them a year's worth of housing, you know, how do people who don't go to prison respond to that? Or Karl, when you give money to single workers in the way I think you do it, although, you say you're very conscious of the marriage penalty, it does look to me that for an unmarried couple getting an EITC with children and a father who perhaps doesn't live them getting a single EITC, it's not clear to me you haven't bumped up the marriage penalty. And if we go to enterprise zones, where we don't even gather data or empowerment zones, and we say if you're on this side of the geographical barrier, you get the subsidy. But you're on that side, you don't.

Eventually we get to these issues of scalability because if you get scalability, it seems to be that equal justice issues start dominating. I think these even came up a little bit in New Hope as well. So I'm really wondering if people might address that tension between scalability really running headlong into the equal justice issues vises the target efficiency-types of issues that Nada so well expounded.

MR. FURMAN: So if you want to – I don't know who wants to take that first.

MR. DUNCAN: Well, New Hope, I think, is the least targeted in some sense, right? It's open to everyone; men and women with children, without children, with low wages for their full-time work. You can actually think of targeting if you really wanted to target New Hope on the group where the labor market impacts were greatest. You'd go after these one-barrier families. But what's interesting is if you look then at the second generation benefits, the child achievement improvements and behavioral improvements, and asked whether the kids who benefited the most matched up with the adults who benefited the most in terms of the greatest increase in employment and income.

That wasn't at all the case. So, the families that were cutting back on their work hours, not the employment, but the work hours, had kids who had just a big a boost in achievement and behavior as these one-barrier families who are getting much higher incomes. So I think if you target too narrowly on the first generation, you might miss opportunities in targeting benefits for the second generation if you think about the child benefits.

MR. SCHOLZ: So, Gene, your point is very well taken and it's an important one. On the EITC thing, I'll just say look at the paper. I've been pretty careful so surely there are cases where marriage penalties increased pretty overwhelmingly. Though, the policies that I'm suggested improves marriage penalties. But more importantly, why limit this wage-subsidy idea to the EZ, EC, RZ areas because it raises exactly the issues. Why if you're living on this side of the street, you're eligible for wage subsidy. If you're living on that side of the street, you aren't.

That's clearly an unappealing aspect of what I'm proposing. The problem is that this a pretty out of the box idea. It's been kind of in academic poverty writings for more than 40 years. It's never been tried and it's not a policy proposal that would be implemented through the tax code so there needs to be an administrative agency that's monitoring earnings and writing checks. And so that's a big administrative schlep, if you will. There's also some worries about whether it will inhibit wage progression, this issue that Nada's been focusing on. And so, we need to have a way to evaluate the thing without spending crazy amounts of money.

And so, these are very economically distressed areas. They are well-defined as part of legislative language and so as a demonstrative project, I think it makes sense to try to limit the scale to see whether, indeed, it has the beneficial effects that I and many other writers have speculated about but without breaking the bank. And so, at least initially, you have to tolerate that kind of potential inequity. Although, boy, you're focusing resources on some very, very disadvantage communities.

MR. FURMAN: Okay.

Q: Thanks. I have a question but I wanted to ask the indulgence for a comment first, if I may?

MR. FURMAN: If it's a very brief comment.

Q: Okay.

MR. FURMAN: And rarely does anyone ask the indulgence.

Q: Pardon me? (Laughter.)

MR. FURMAN: People usually just proceed with their comment. (Laughter.)
Add a question mark at the end.

Q: I'm Julie Kerksick and I'm with the New Hope Project in Milwaukee. And I'm grateful to all of you for putting yourselves out there and especially to the evaluators and authors of the New Hope work. I want to make a couple of clarifying comments. Number one, the one barrier really needs a lot more explication than you can do here. So please, as a community organizer and labor organizer, I urge you to not just take that at face value. That is a research shorthand and 40 percent of the families fit the one barrier definition in our sample. So it was actually a very large number of people that benefited.

Secondly, I am really wanting to this – New Hope essentially tested transitional jobs and the EIC for childless adults and we have some lessons that we'd like to share and I'd like to take that forward with Hamilton Project somehow because the third thing leads also to the question then, which is actually for Nada, because I share with you the concerns about suppressing wages, for example, when you supplement earnings. On the other hand, one of the things that we've discovered on the ground is that we've had a really hard time getting people to take advantage of higher skilled training because they're so far away from passing the qualifying exams. I don't mean exams, you know, the tests. The seventh grade math skills that they have to have.

So, obviously, let's keep kids in school and that's the best solution. But the people with whom I work didn't do that. So what my question is, have you seen human capital efforts that you think are really starting to address these adult, low skill and earners?

MS. EISSA: No, I have not but we've thought about it. In fact, when I was in charge, we thought about that very particular population that we called very low skilled but trainable in some sense and tried to think about ways that we could reach that population to really get them the basic skills, whether it's literacy, just post-literacy. Just help them to get the basic skills so that they can then take advantage of the opportunities, whether it's community colleges or vocational programs. However you want to think about it, but the answer is no and I think that's why I stopped my slides by saying there's some populations that are very hard to get because I do think that you need, for those populations, to do these intensive services and I recognize they're really expensive.

We don't, I think, know very much about how well they work. We're just starting, as Harry said, to do some of these evaluations. So we don't – I don't know that we have good ideas at this point. I do think it's worth exploring and I think that it is valuable to try to get more innovation there. But again, I think we have to be careful about what we can learn from that – at the end of the day we'll have as many questions or, you know, just different questions as where we start. It maybe just worth trying some large-scale programs to see how far we can go.

MR. HOLZER: Let me – if I could just jump in and I'll be just slightly more optimistic than Nada is. I think there are efforts and you see them mushrooming around the country at the local level and getting at least some scale, principally, the community college systems. The state of Kentucky has done the best work on this, really trying to build a state-wide system that really addresses working poor folks with quite poor skills early on. And there's a whole branch of programs that they call bridge programs, which are trying to give people the basic remediation they need before they even get the occupational training.

Now, again, whether how well it works, we don't know yet, but you see that effort starting to be developed in lots of places around the country. And a lot of these sectorial programs really target jobs, again, in healthcare, which are, you know, one or two notches up from nurses aid, where the amount of skills you need are really quite limited and with some focused training, can be provided or in construction. You know, trying to get some of these young men into an apprenticeship program. And I know Rob Carmona at STRIDE has a program, where they intensively focus on the guys just passing the test that they need to then get into the apprenticeship program to get the occupational training.

So I think there are promising models out there. Again, need more evaluation work and it needs to be scaled up but it's not like we're starting from ground zero or starting from scratch. There are things out there. States are learning from each other and you see a lot of activity already going on at the state and local level that I think we need to be built on and encouraged.

MR. FURMAN: Okay. And we are now have reached the end of this session. We want to leave time for the next session, where we're going to be talking to practitioners, academics, and people who can give us a bigger picture that puts a lot of these ideas and the great discussion we've just had in context. So, we will start again in about 10 minutes at 10:45. I wanted to thank all the presenters and commenters for a great session.

(Applause.)

(End of panel one.)