

Connecting the Urban Poor To Work: A Framework and Strategy for Action

A report from:
Michigan Future, Inc.

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I. Introduction

This report is about poor people who live in Michigan's central cities. Its purpose is to recommend policies that will connect the urban poor to work—and ultimately onto a career ladder leading to economic self-sufficiency.

In his award-winning book, There Are No Children Here, Alex Kotlowitz describes the lives of two young brothers and their family in one of Chicago's housing projects.¹ What is so striking is how disconnected their lives are from the daily routines of the typical American household. In particular, hardly anyone in the neighborhood works—or even is looking for work. Hardly anyone in the lives of the boys has a high school degree; few of the children are on a path to get one.

Kotlowitz describes a trip the family takes to downtown Chicago to see the Christmas decorations. It is a short bus ride from their home to downtown. But, for the family, it is like going to a different country. Clearly the family members don't see themselves as part of the activities—and the jobs—of the Chicago economy. Nor do the children see themselves participating in this economy when they grow up.

The fact that downtown Chicago offers many jobs, at all levels, and is only a short bus ride away on a very good public transportation system is not sufficient to connect the family to these opportunities. It is as though an invisible wall divides the neighborhood where the family lives from the world occupied by most Americans.

This isolation from the routines, language and culture of the mainstream economy is the focus of this report. Far too many of Michigan's urban poor live in neighborhoods of concentrated poverty like those described by Kotlowitz. This concentrated poverty is a substantial barrier to gaining the skills needed to connect to the economy and take advantage of its opportunities to earn a living and provide for one's family.

II. About This Report

This report is a Michigan Future, Inc. publication. MFI is a non-partisan, non-profit organization. Its work is focused on providing Michiganians with a vision and strategy for successfully making the transition from the Industrial Age to the New Economy.

Since its inception, MFI has been concerned with ensuring that low-income Michiganians take part in the opportunities for employment and rising incomes offered by the New Economy. Thanks to a generous grant from the Charles Stewart Mott Foundation, MFI has been able to turn its attention to designing a strategy that will meet this goal of including the urban poor in the transition to the New Economy.

To produce this report MFI assembled a team with broad experience in the field of urban poverty:

- George Galster, Clarence Hilberry Professor of Urban Affairs, College of Urban, Labor and Metropolitan Affairs, Wayne State University
- Lou Glazer, Executive Director, Michigan Future, Inc.
- Ric Lawson, Research Associate, Public Policy Associates
- Jeff Padden, President, Public Policy Associates
- Hal Wolman, Director and Professor, Policy Sciences Graduate Program, University of Maryland, Baltimore County

These five are the authors of this report. But there are many others who substantially contributed to the project.

Data research was done by:

- Don Grimes, Senior Research Associate, Institute of Labor and Industrial Relations, University of Michigan
- Kurt Metzger, Program Director, Michigan Metropolitan Information Center, Wayne State University

Guidance was provided by a Practitioners Panel of people doing leading edge work with the poor in Michigan's cities:

- Jonathan Bradford, Executive Director, Inner City Christian Federation (Grand Rapids)
- Kenneth Cockrel, Jr., Council Member, Detroit City Council
- Charlene Turner Johnson, Executive Director, Michigan Neighborhood Partnership (Detroit), and Board Member, Michigan Future, Inc.
- Kristen Skivington, Director, Center for University Outreach, University of Michigan-Flint
- Dennis Sykes, Director, Department of Planning and Neighborhood Development, City of Lansing
- Willie Walker, Director, Employment and Training, City of Detroit

Thanks also to Al Raine, Raine Associates, Inc., for helping the authors think through the relevance of physical development to our goal of connecting the urban poor to work.

This report also benefited greatly from the support and guidance of Jack Litzenberg, Poverty Team Coordinator, and John Austin, Consultant, of the Charles Stewart Mott Foundation.

Finally, it is important to note that the opinions, recommendations and conclusions presented in this report are those of the authors and do necessarily reflect the views of the Charles Stewart Mott Foundation.

III. Overview

Michigan's economy is booming. Record low unemployment. Rising income, after inflation, for the typical Michigan household for the first time in two decades.

Today's reality is that—in every major metropolitan area—there are more jobs than there are people with the skills to do those jobs. Employers cannot find qualified workers for available jobs in every industry and at all levels—routine, technical and professional.

But another reality continues to exist in Michigan—even in these boom times: persistent poverty for far too many residents of our central cities. Despite plentiful jobs, in urban Michigan unemployment remains high and labor force participation—those just looking for work—is far lower than in the rest of the state. Most depressing, far too many urban youths growing up in low-income households are on a path that will leave them without the skills required to participate in the mainstream economy.

Some—from both the political left and right—see in this continued poverty, in the midst of plenty, evidence of its intractability. They believe there is little that public policy can accomplish to substantially increase the connections of the urban poor and their children to employment.

We reject this pessimistic view. We believe that the booming economy presents us with a unique opportunity to substantially reduce urban poverty—not only now, but in the future when the economy as a whole may not be as prosperous. The labor shortage means that there is far greater economic opportunity for the urban poor and their children than there has been in Michigan for, at least, three decades.

There are jobs for urban residents in every Michigan metropolitan area. Now is the time to put in place policies that will connect residents of our central cities who are without jobs to employment.

We believe that public policies can and do make a difference. We start with a strong belief that Michigan's ability to take advantage of this unique opportunity depends, in large part, on the policies we design and how well they are implemented.

This report is designed to develop workable policies that lead to economic self-sufficiency for the urban poor. Specifically we seek strategies to:

Move non-employed urban adults into long-term employment;

- Place urban poor adults on a path that will result in lifetime earnings sufficient to support a decent standard of living;
- Improve the prospects of children growing up in low-income urban households to gain good-paying employment when they reach adulthood.

The primary means to achieve these results is to enhance the development of human capital: the bundle of skills (intellectual, interpersonal, communication, and physical), experiences, attitudes, motivations and

aspirations that individuals possess. The amount of human capital one acquires is affected by a wide variety of factors present in the environment in which the person develops, beginning at conception. Our challenge is to ascertain where and how public policy might intervene most effectively in this environment.

While public intervention is clearly called for, it is also important to acknowledge that previous mechanisms for public intervention have too often proven ineffective. The focus has been too much on resource allocation considerations, agency entitlements and procedural methods rather than on performance. In addition, programs have focused on many separate parts of the problem rather than on the individual as a whole. A long history of reform efforts to achieve coordination across programs has almost always proven frustrating. A new thinking and strategic approach focusing on outcomes is required.

We believe the foundation for designing new policies is developing a framework—a set of principles—around which specific policies can be built. So the primary emphasis of this report is on a framework for thinking about the issues of economic self-sufficiency for urban residents. We believe this is the most important product of this report.

The framework is so important because it is the key to designing effective policies. How one thinks about an issue—the assumptions about the nature of the problem and its underlying causes—drives the policy options, which are pursued. This project is built on a belief that many policies designed to reduce urban poverty are not working because of how the public and policymakers approach the issue.

Much of this report will therefore detail a framework for thinking about how to achieve the goal of gaining economic self-sufficiency for the urban poor. **Our core belief is that the fundamental barrier to economic self-sufficiency for poor urban residents is their isolation from regional labor markets.**

The components of our framework are:

1. A growing economy increases employment and employment opportunities for the urban poor—but is not sufficient to connect many urban poor to work.
2. The path to economic self-sufficiency is through employment in the regional labor market.

At

- its core, urban poverty is a result of the inability of people to compete successfully for employment. The competition for employment occurs in a regional—not local—context.
3. Gaining employment in the regional labor market is primarily a function of a person's skills—broadly defined—in competition with those of other job-seekers.
 4. The urban poor face a unique barrier to the acquisition of skills: the effects of concentrated poverty. Economic segregation in housing and schooling is the primary cause of the isolation of the urban poor from the regional labor market.

This framework leads us to recommend policy interventions to connect low-income urban households to work that are designed to:

- Build skills in the urban poor by substantially improving the performance of the human investment system.
- Deconcentrate poverty by substantially reducing economic segregation in both housing and schooling.

It is our belief that these are, by far, the most powerful levers available to policymakers to achieve the goal of substantially increasing the number of urban poor and their children who find jobs and get on a path to economic self-sufficiency.

These two levers offer the best chance to put in place policies that work at the right scale. The goal of public policy should be to assist hundreds of thousands of the urban poor in Michigan—not hundreds, as is typical of most of today's success stories.

The process of developing the framework has led us to conclude that—no matter how politically difficult—these are the levers that must be utilized for Michigan to succeed in substantially reducing urban poverty. There are, of course, other issues and policies, but they are at best complements—not substitutes—for taking action to deconcentrate poverty and substantially improve the results of our human investments.

It is for these reasons that our policy recommendations focus almost exclusively on these two issues.

We must acknowledge one further reality. Even with effective public intervention, there is very likely to remain some portion of the currently non-employed who, for whatever reasons, will not be expected to gain employment or to do so at a living wage. Maintenance of a social safety net, carefully constructed so that it does not provide perverse incentives to those who are employable, will be necessary.

IV. Urban Poverty in Michigan²

To provide a better understanding of the nature and extent of urban poverty in Michigan, we collected information on Michigan's four major cities—Detroit, Flint, Grand Rapids and Lansing—and their suburbs. Nearly all the data come from the 1990 Census which, unfortunately, is the most recent reliable data. (Historical data for comparisons come from the 1970 Census.)

Of course, Michigan's economy today is far stronger than in 1990. So we have tried to determine how much a strong economy has improved the economic outcomes for central city residents. (See display VIII.)

All the census data we collected are presented in Appendix A. On the following pages we present six displays that highlight our findings.

The bottom line is that substantial urban poverty is a reality in Michigan today. Data from the 1990 Census show that in each of Michigan's four major central cities, more than 25% of households had incomes of less than \$15,000.

Although the number of low-income households is greater in the suburbs, poverty is concentrated in our central cities. And although the absolute number of white households with incomes under \$15,000 is greater than that of minority households, the proportion of minority households below this income level is substantially higher. Indeed, in each of the four major cities about 40% of the minority households had incomes of under \$15,000. (Displays I-III.)

The per capita income gap between core city residents and residents of the suburbs widened substantially between 1970 and 1990. Most alarming, corrected for inflation, per capita income fell between 1970 and 1990 for residents of Detroit and Flint. (Display IV.)

Employment and education data in 1990 show similar trends. The proportion of residents working is far higher in the suburbs than in the core city. (Display V.) Most depressing is the fact that teenage dropout rates are far higher in central cities—and these dropouts have a startlingly low employment rate. (Display VI.)

Display I

**Percentage of Household Income Under \$15,000
(1989)**

	<i>City</i>	<i>Suburbs</i>
Detroit	43.2%	16.1%
Flint	41.2%	19.2%
Grand Rapids	27.2%	18.3%
Lansing	28.4%	17.9%

Display II

**Households with Income Under \$15,000
(1989-By Race)**

	<i>Whites</i>		<i>Non-Whites</i>	
	<i>Total</i>	<i>% of white households</i>	<i>Total</i>	<i>% of non-white households</i>
Metropolitan	209,222	17.1%	153,232	40.2%
Detroit				
Metropolitan	28,787	22.2%	14,783	43.4%
Flint				

Metropolitan Grand Rapids	56,343	18.3%	12,969	37.8%
Metropolitan Lansing	27,435	19.5%	7,313	35.5%

Display III

**Minority Households Under \$15,000
(1989-City Only)**

	<i>Black</i>	<i>Hispanic</i>	<i>Other</i>	<i>Total</i>
Detroit	45.0%	45.6%	45.8%	41.5%
Flint	49.0%	39.6%	42.0%	48.3%
Grand Rapids	45.2%	38.8%	38.8%	43.5%
Lansing	39.8%	34.3%	37.5%	38.3%

Display IV

**Per Capita Income 1969-1989
(\$1989)**

	<i>Metro 1969</i>	<i>Metro 1989</i>	<i>City only 1969</i>	<i>City only 1989</i>
Detroit	\$14,709	\$19,801	\$12,850	\$11,948
Flint	\$13,248	\$17,187	\$12,858	\$13,178
Grand Rapids	\$12,316	\$17,305	\$12,631	\$15,272

Lansing	\$13,423	\$17,790	\$13,399	\$15,477
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Display V

Employment For Persons 16-64 Years of Age 1990

	<i>City</i>	<i>Suburbs</i>
Detroit	51.2%	72.2%
Flint	52.8%	67.6%
Grand Rapids	71.5%	75.2%
Lansing	70.7%	72.8%

Display VI

Employment Status of 16-19 Year Old High School Dropouts - 1990

	<i>% Dropouts</i>	<i>% of Dropouts Employed</i>
Detroit	19.2%	21.1%
Remainder of Metro Detroit	8.8%	43.3 %
Flint	16.0%	20.5%
Remainder of Metro Flint	8.6%	25.8 %
Grand Rapids	14.9%	39.1%

Remainder of Metro Grand Rapids	8.1%	46.3%
Lansing	13.9%	40.4%
Remainder of Metro Lansing	3.6%	42.8%

V. Framework for Policies

Framework Principle 1

A growing economy increases employment and employment opportunities for the urban poor—but is not sufficient to connect many of the urban poor to work.

The performance of the regional economy plays a critical role in the economic well-being of the urban poor. A substantial body of research indicates that a strong economy results in employment and higher incomes for many poor central city residents who, in a weak economy, would be unemployed or in lower-paying jobs.

But economic growth in and of itself is not sufficient to connect many of the central city poor to employment. Even in today's high-performing economy, there are many who don't gain stable employment—particularly at a livable wage.

Nationally, the poverty rate for central city residents actually rose to 19.6% in 1996—despite the expansion—from 19.0% in 1990.³

In Michigan, the economy—in every region—clearly is in far better shape than in 1990. But Detroit is the only core city for which there is current reliable data that allows us to gauge how much the urban poor have shared in the expansion.⁴

In Detroit there has been clear progress from 1992-1997: unemployment cut by better than half; adult labor force participation up by an impressive 6.6 percentage points; and nearly 10 percentage points fewer households with income—corrected for inflation—below \$15,000. But in each case (as shown in Displays VII and VIII), these gains still leave Detroit residents far behind the balance of Michigan.

(The complete data we collected for Detroit are presented in Appendix B. It should be noted that these data are based on an annual national household survey, so there is a small sample of Detroit residents.

This means that these data are less reliable than data from the 1990 Census.)

Display VII

Income (\$1996)

	<i>Detroit</i>		<i>Balance of Michigan</i>	
	1992	1996	1992	1996
Median household income	\$16,705	\$21,348	\$37,827	\$40,752
% of households with income of \$15,000 or less	46.3%	36.8%	17.8%	16.4%

Display VIII

Employment Status

	<i>Detroit</i>		<i>Balance of Michigan</i>	
	1992	1997	1992	1997
Unemployment	17.0%	7.8%	8.1%	3.8%
Labor force participation (ages 25-64)	61.4%	68.0%	79.4%	81.2%

Economic growth policies are beyond the scope of this study. In addition, macro-economic policy is almost exclusively a national—not state or local—function. But it is clear that these policies are of great importance to the economic success of the urban poor. Without a growing economy, doors leading to self-sufficiency for many central city residents close.

Yet, even with a growing economy, for many central city residents these employment opportunities will not be realized without additional public intervention. It is the combination of a growing economy and productive human investments that can substantially reduce persistent urban poverty. Not making policy interventions means accepting a substantial number of urban residents who are unable to support themselves and their families—and who are not contributing to the Michigan economy at a time when everyone's skills are needed.

Framework Principle 2

A central premise of this report is that labor markets are regional—not local. Low-income residents—if they are to find work of any kind—but particularly good-paying work—must be able to compete with workers who live throughout the metropolitan area and look for work throughout the metropolitan area.

Two facts are clear: jobs are now increasingly located in the suburbs and people find work without regard to political boundaries. As is clear from Display IX, in Michigan’s four major regions, there are substantial numbers of city residents who work in the suburbs.⁵ But even when jobs are located in the central city, they do not always go to city residents. Suburbanites commute to jobs in the central city, just as city residents do to jobs in the suburbs.

Display IX	<i>City residents working outside city</i>	<i>Suburban residents working in central city</i>
Detroit	142,000 (43.9%)	173,000 (11.2%)
Flint	14,000 (31.8%)	57,000 (44.3%)
Grand Rapids	33,000 (39.0%)	97,000 (27.1%)
Lansing	21,000 (36.3%)	51,000 (33.3%)

Principle 2 has profound policy implications. If policymakers believe—as many do—that labor markets are predominantly local, then policy focuses on creating jobs in central cities. The assumption is that the availability of more jobs in the core city should lead to more employment of low-income core city residents.

But the evidence is that job creation in central cities has little effect on employment of low-income city residents. In a study of the effect of central city revitalization between 1980-1990—one of this report’s authors, Hal Wolman, found that, with a few exceptions, city residents did no better economically in those cities that had won national reputations for their economic comeback than in those cities that had not been revitalized.⁶

Employers—unless they are required by law to give hiring preferences—look for the best available employees no matter where they live. Also, employers—no matter where they are located—will not hire people locally if they don’t have the necessary skills to do a good job. This is true of public sector and non-profit employers, as well as private businesses.

In addition, a misplaced emphasis on local employment opportunities forecloses too many options. Most job growth is occurring in the suburbs and this is particularly true for better-paying jobs. To gain self-sufficiency and rising lifetime earnings, central city residents need to compete for these jobs—no matter where they are located.

By focusing—as we believe policymakers should—on regional labor markets, one finds substantial employment opportunities. In every major metropolitan area in Michigan there are more jobs than people with the skills to hold those jobs. Today—without question—there are jobs for the urban poor.

But there are no guarantees for the future save one: that the boom will end and, at some point, there will be a downturn, followed by an upswing.

There is some evidence that the current labor shortage may continue for some time. The cause for optimism is as much demographic as economic. As the baby boomers age and ultimately leave the labor force, they are being replaced in the labor market by a smaller generation. The growth in the labor force in the 1990s is half what it was in the 1970s. The projections are that Michigan labor force growth through the first decade of the 21st Century will be no greater than 1% annually. This will mean that unless there is an explosive growth in productivity or slow economic growth for a decade, jobs should be available at all levels and in all industries.

Framework Principle 3

Gaining employment in the regional labor market is primarily a function of a person's skills—broadly defined—in competition with those of other job-seekers.

The economy provides jobs that can roughly be divided into three categories—routine, technical and professional/managerial. (For this report we will ignore entrepreneurial opportunities—which are often a good path to self-sufficiency—but beyond the scope of this study.)

The National Center on Education and the Economy, in its report "America's Choice: High Skills or Low Wages!"⁷ summarized the job structure as follows:

"Category 1: Out of 117 million employed workers in 1989, 40 million, or 34 percent, were employed in jobs that required less than a high-school education. These are the people who work behind counters, clean offices, make hotel beds, drive buses, take care of the sick and elderly, grow, prepare and serve food, wash dishes and work in factories. Most of these jobs require only eighth grade level math and communication skills. A pleasant personality behind the service counter, physical stamina on the construction site or a steady hand on the wheel tend to be the important requirements."

"Category 2: Forty-two million people are employed in jobs in America that require a significant amount of training beyond a basic education, but not a four-year college degree. In this group fall the traditional skilled workers—apprenticed trades, auto mechanics, secretaries and data workers,

firefighters, electricians, plumbers and technicians. It was in these jobs that we found occupation-specific skill shortages most often mentioned."

"Category 3: The last group of 35 million people are in jobs that are likely to require a four-year college degree. Workers in this category include managers, financial analysts, accountants, salespeople, doctors, lawyers, teachers and engineers. These people have gained the most income as the real wages of workers in the other two categories have declined."

The "America's Choice" report is based on 1989 data. But our assessment is that it still is a valid description of the job market—and will likely be for the foreseeable future. There are, of course, far more jobs in 1998 than 1989—but with about the same proportion between the three categories.

In a recent study on good-paying occupations, Michigan Future found that in 1996 in the Great Lakes states, of 183 occupations studied, 89 had median annual employment earnings of \$30,000 or more for full-time workers.⁸ Of the 89, 41 required a college degree; 48 did not—but did require skills beyond a high school degree. These data are consistent, with some small exceptions, with the "America's Choice" findings.

In large part, individuals compete for these jobs based on their skills, broadly defined. The bundle of employability skills goes far beyond academic credentials. It includes intellectual, physical, communication and interpersonal skills as well as flexibility, motivation, responsibility, the ability to learn, attitudes and behaviors regarding work and experiences in the labor market.

The Category 1 or routine jobs—which are lower paying—require mostly attitude, behavior and motivation attributes. In Category 2 or technical occupations, one needs the Category 1 attributes plus intellectual, communications and problem-solving skills and a technical specialization roughly equivalent to a community college degree. The Category 3 or professional/managerial occupations require all the above plus the equivalent of at least a four-year degree.

Some observers view this job structure as providing little opportunity to the urban poor. Some argue that there are not enough low skill (Category 1), entry-level jobs available to provide employment for all current welfare recipients—let alone other non-working urban poor. Others believe there is no opportunity to move up to jobs that pay a "liveable wage," either because Category 1 jobs are "dead end" without a ladder of advancement, or because Category 2 jobs are disappearing as we move from the Industrial Age to the Information Age.

We don't share this pessimism. Clearly today there are plenty of available jobs that employers can't fill—at all levels. If the urban poor gain employability skills they will find work today. What is missing is a reliable system for developing those skills.

Secondly, we see a dynamic economy—offering people at all levels a chance to move up within and across the three occupation categories. All jobs have ladders—sometimes with other companies or even other industries. As people build a resume they can take their skills and experiences to the marketplace and find better paying jobs within Category 1. As people gain additional skills they can move into more technical jobs. These jobs that offer good pay are where the greatest labor shortages are occurring.

Evidence that the amount of human capital one possesses is the key to employment and earnings comes from data on the relationship between income and education attainment. Display X presents data for full-

time, year-round workers in the Great Lakes states in 1996.⁹ The importance of education in achieving employment and self-sufficient earnings is clear.

Display X

Employment Earnings By Education Attainment 25-64 Year Olds Full-Time Workers, Great Lakes States--1996

<i>Education</i>	<i>Median Earnings Full-Time Workers</i>	<i>% Who Are Full-Time Workers</i>
No High School Degree	\$21,000	37.0%
High School Graduate	\$26,000	58.7%
Some College, No Degree	\$30,000	64.1%
Associates Degree, Academic	\$31,000	66.4%
Associates Degree, Occupational	\$35,000	69.7%
Bachelors Degree	\$40,000	70.6%
Masters Degree, or More	\$53,000	71.7%
All Levels	\$31,500	61.2%

Finally, some believe that other factors beyond human capital prevent the urban poor from finding employment. Those most frequently mentioned are discrimination and the absence of transportation and child care. These are real barriers which need to be addressed. But they largely become barriers once a person has marketable skills. **The heart of the challenge to connect the urban poor to work is human capital development.**

Framework Principle 4

The urban poor face a unique barrier to the acquisition of adequate skills: the effects of concentrated poverty. Economic segregation in housing and schooling isolates the urban poor from the regional labor market. Reducing the effects of this isolation is critical to a successful human investment strategy.

We all understand that it is tough growing up in a low-income, predominantly minority, inner city neighborhood in Michigan. What we probably don't appreciate is how profoundly these neighborhoods limit the opportunities residents have to get connected to the mainstream economy.

As a result of the research done for this report, we have come to believe that the place where individuals reside is a major determinant of their skills acquisition and employment prospects. This is so because the opportunity structure an individual faces varies substantially by place.

Residents of inner-city neighborhoods, particularly neighborhoods of concentrated poverty, have less opportunity. They face a lower probability of gaining the broad array of skills that lead to employment and income than do people of similar endowments who live in other areas. **A poor person growing up in a middle class suburb is likely to be more successful than a poor person growing up in an area of concentrated poverty in a city, all else equal.** Thus, spatial dimensions—where one lives—are critical to understanding the employment and earnings problems of low-income city residents and to devising policies to address the problem effectively.

Inner-city poverty areas are characterized by a limited "opportunity structure:" weak informal networks and relationships with working adults which provide most Americans with advice and connections to employment and advancement; weak public schools and inferior public services such as health care and police protection; inaccessibility to jobs and information about jobs; dysfunctional role-models; counter-cultural norms and social networks; and active (and dangerous) underground economies that provide attractive alternatives to mainstream work. In such places of limited opportunity, children and adults are too often tempted to undertake behaviors (like dropping out of school and committing criminal acts) that render them less productive and more threatening to society.

Clearly, a substantial part of these behaviors can be traced to differences in personal and family backgrounds. But a sizable fraction is due to differences in neighborhood environments in which individuals develop and from which they assess their opportunities.

In these neighborhoods, where few adults work, individuals are provided with:

- Woefully incomplete or inaccurate information about effective paths to obtaining employment, particularly good-paying careers, as well as what skills and personal sacrifices are required to achieve economic success;
- Low-quality institutions for human capital enhancement;
- Expectations that improvements in human capital will pay off little in the labor market due to lack of information about and physical access to jobs;
- Expectations that they will face discrimination in the labor market;
- Peer pressures against academic achievement and pursuit of careers in the labor market, and inadequate support for such from others in their social networks.

Numerous studies have found that, independent of family background, the socioeconomic status of youths' neighbors, school mates and peers influences their behavior:

- Haveman and Wolfe found for a national sample that if those who grew up in a "bad" neighborhood instead grew up in a "good" neighborhood, their probability of dropping out of school would fall by 52% and their probability of having a child out-of-wedlock as a teenager would fall by 18%.¹⁰ (A "bad" neighborhood is defined as a census tract with at least a 40%

- dropout rate and female headship rate, and less than 10% of employees in professional or managerial jobs)
- Case and Katz's Boston study concluded that, by moving a youth into a different neighborhood where the youth crime rate were twice as high, that person's probability of committing a crime within a year would rise by 12%. Similarly, if a youth were exposed to a neighborhood where the youth rate of drug use, non-participation in the labor force, and alcohol use was twice as high, the probability of the youth engaging in those behaviors would increase by 38%, 26%, and 20%, respectively.¹¹
 - Studies of low-income, black Chicago families who moved (with the help of housing subsidies provided by the Gautreaux program) from public housing into apartments in low-poverty, suburban neighborhoods showed that adults were 25% more likely to hold a job than comparable families who moved within the city of Chicago. Even more impressive, after spending several years in the suburbs, the children of these newly suburban families showed a 75% lower dropout rate, a 257% higher college attendance rate, a 183% higher rate of full-time employment if not attending college, and a 420% higher rate of being paid over \$6.50 per hour when employed, than their city-dwelling counterparts.¹²
 - The highly influential Coleman Report found in 1966 that education attainment is also heavily influenced by the mix of students in the classroom.¹³ As Coleman observed, "a pupil's achievement is strongly related to the educational backgrounds and aspirations of other students in the school...children from a given family background when put in schools of different social compositions, will achieve at quite different levels." In particular, low-income children perform better when placed in a classroom with children from middle class or above backgrounds. (Although it is more than 30 years old, the Coleman Report remains important because its findings have been consistently confirmed by subsequent research.)

Unfortunately, poverty is becoming increasingly concentrated. Nationally, the number of high-poverty census tracts—where 40% or more of the population lives in households below the poverty line—more than doubled between 1970 and 1990. The number of people living in these neighborhoods rose by 92% over that time period. In 1990, 17.9% of all poor people in metropolitan areas lived in high poverty areas, but the figure was 33.5% for blacks and 22.1% for Hispanics.¹⁴

The trend is the same in Michigan—more concentrated poverty in 1990 than in 1970. We examined neighborhood level data on economic segregation of the poor in Michigan's major metropolitan areas.¹⁵ Display XI depicts dissimilarity index data which allows us to compare economic segregation in metropolitan areas. The higher the number, the greater the segregation between census tracts in a metropolitan area. In each of Michigan's four metropolitan areas, the concentration of poverty grew between 1970 and 1990, and at a rate faster than the national mean for metropolitan areas. Most discouraging is the fact that metropolitan Detroit has one of the worst ratings in the nation.

Concentration of Poverty			
	Dissimilarity Index of Poor		Change
Metro Area	1970	1990	1970-90

Detroit	39.4	50.1	10.8
Flint	31.9	40.1	8.2
Grand Rapids	31.3	37.5	6.2
Lansing	25.7	35.0	9.3
National Mean	32.9	36.4	3.5

For policymakers an important question is whether there is a threshold beyond which the concentration of low-income households triggers such a noticeable deterioration in the local opportunity structure that rapid rise in neighborhood social pathologies results. A similar question is important for the economic mix of students in school buildings. Unfortunately these questions have not been investigated in detail.

Researchers tend to classify neighborhoods as being "poverty tracts" when 20% of the population is in poverty and "extreme poverty tracts" at 40%. Our analysis of the admittedly limited research is that the poverty threshold where adverse consequences result is far closer to 20% than 40%. We believe public policy should be to minimize the number of neighborhoods and schools that exceed the 20% threshold.

The harmful effects of concentrated poverty are so central to our framework and strategy that we have included in Appendix C the complete background paper by two of this report's authors, George Galster and Hal Wolman. This paper lays out in detail the case that concentrated poverty substantially reduces employment and income opportunities for the urban poor.

VI. Strategy For Action

The value of our framework is in its ability to guide policy. It helps us determine which actions are likely to be powerful enough to make a difference—at the right scale—and which aren't.

- *Framework Principle 1*—a strong economy creates economic opportunity for the urban poor, but is not sufficient to connect many to work—leads to the conclusion that public actions are needed to meet our goals. The marketplace will not, in and of itself, connect many of the urban poor and their children to work and decent lifetime earnings.
- *Framework Principles 2 and 3*—labor markets are regional and people compete in those markets for employment largely on the basis of skills—drive us to focus our strategy heavily on human investment initiatives for both children and adults and on finding ways of employing urban residents throughout the metropolitan area.
- *Framework Principle 4*—concentrated poverty is a substantial barrier to gaining employability skills—underpins our emphasis on deconcentrating poverty.

In this section we explore how we can translate our framework into successful action. In the following pages we lay out a strategy for action. It is guided by both the framework and careful review of the research on what works and what doesn't.

We recommend four strategies for action:

- * Enhancing early childhood development so that every child enters school ready to learn.
- * Transforming urban K-12 education so that students leave high school on a path to employment and/or higher education.
- * Investing in training leading to employment and advancement for the chronically unemployed.
- * Reducing economic segregation in housing and schooling.

Each of the strategies is designed to build the bundle of skills the urban poor and their children need to compete in the regional labor market. Human investments are the

cornerstone for meeting our goal of connecting the urban poor to work and decent lifetime earnings.

It is important to note that we see deconcentrating poverty as part of a human investment strategy. Skill-building—both formal and informal—will work far better if it occurs in the context of economic integration.

In recommending expanded human investments, we are not simply advocating more money for existing programs. Instead we believe funding should reward performance, not program offerings. Too much funding comes to agencies as an entitlement. Merely offering a particular type of education or training service secures funding—no matter the results. We believe that all human investments should be tied closely to performance. One of our specific recommendations develops this principle for at-risk funding available to K-12 districts. But the principle needs to be developed across the board.

We understand that some of our recommendations are likely to be politically difficult. But we are convinced that simply doing more of what we are currently doing is not a path to successfully meeting our goals. We need a new agenda if we are to make substantial progress in connecting the urban poor to work. Our hope is that our recommended strategy for action will provide new ideas for policymakers, challenge current practices and stimulate debate.

Strategy for Action 1

Every child entering kindergarten ready to learn:

- **Home visitation for low-income parents**
- **Child care focused on cognitive development**

President Bush and the nation's governors established at their National Education Summit the goal that all children would enter school ready to learn. The wisdom of that priority becomes clearer every day as we learn from brain research how important the first few years of life are to cognitive development.

Research demonstrates that "development during the early childhood years has important implications for children's later success in school. Young children whose needs for affection, basic health care, adequate

nutrition, safe environments and intellectual and social stimulation are met during this period are more likely to develop the skills, habits and attitudes necessary to succeed in school."¹⁶

To develop these essential attributes we recommend two early childhood development initiatives.

Home Visitations

One approach that has shown long-term success is home visitation, in which nurses or other child care professionals visit the homes of mothers—both prior to and after birth—in an effort to provide parents with health care, childhood development, and general parenting advice. Visiting nurses have a long and successful history in the public health systems of many European nations. Here in America, studies¹⁷ in New York and Tennessee found that families that received home visits had fewer reported incidents of child abuse and neglect, fewer subsequent child births, less time on AFDC assistance, fewer drug and alcohol-related problems, and had fewer arrests than comparable families that did not receive visits. These effects were manifested up to 15 years after visitation.

Home visitation should be available for all urban poor households starting before the birth of the child. We believe this is quite likely the most powerful and effective intervention leading to children entering school ready to learn.

Child Care Focused on Cognitive Development

As part of Michigan's welfare-to-work efforts, child care is being made available for many urban poor mothers. But in too many cases, the care is largely custodial.

Expanding these services to include cognitive development could lead to far more children of the urban poor entering school ready to learn.

Children completing early childhood programs have generally shown higher scores on IQ and achievement tests, higher rates of grade retention and high school graduation, and fewer incidences of delinquency and criminal activity. The short-term effects have been shown to be stronger than the long-term effects. Regardless, there have been solid, though small, long-term effects from early childhood programs.

In her study of commonalities among the most successful early childhood programs, Ellen Frede¹⁸ found that successful programs have the following in common:

- Small class sizes with low ratios of children to teachers;
- Teachers who received support to reflect on and improve their teaching practices;
- A concentrated or long-lasting intervention;
- Ongoing, child-focused communication between home and school;
- Use of some curriculum content and classroom processes that are similar to what children encounter in traditional schooling.

We recommend that Michigan expand its early childhood programs—initially for welfare-to-work participants—so that available child care would be built around the success characteristics identified by Frede. Making an investment in cognitive development—rather than just custodial care—has the potential for big payoffs. It also would offer another powerful incentive for people to succeed in the transition from welfare-to-work.

As part of this effort, Michigan should provide low-income parents with information on the importance of early cognitive development. The C. S. Mott Foundation, in its early childhood work, has found that many low-income parents do not place a high priority on cognitive development in choosing a child care provider.

Strategy For Action 2

Drive change in urban K-12 education through innovation and performance-based funding so that students graduate on a path to employment and/or higher education:

- **Experimentation and innovation**
- **Education achievement grants**
- **Expanded duration of instruction**
- **Expanded and rigorous career-focused learning**

There is a broadbased consensus that K-12 education is the key to connecting the children of the urban poor to economic opportunity. There also is widespread agreement that urban education needs to be substantially improved.

There is abundant data to suggest that children who attend public schools in central cities receive a lower quality of education. As demonstrated in Display VI, dropout rates for 16-19 year olds are far higher in Michigan's central cities than in the rest of the metropolitan area.

The performance gap between students who attend public schools in the central city and non-central city school children is also wide. Education Week recently published data comparing the performance of children attending central city schools to that of other children.¹⁹ Only 43% of fourth graders attending central city schools scored at a basic or higher level on the 1994 National Assessment of Educational Progress (NAEP) reading test compared to 63% of children attending public schools outside of the central city. The difference was essentially the same (42% vs. 66%) for eighth graders on the NAEP math test, and was even greater (38% vs. 65%) for eighth graders on the NAEP science test.

What accounts for these differences in educational performance? Virtually all research since the Coleman Report has found, according to Chubb and Moe, that "family background is a major influence, perhaps even a decisive one."²⁰ As we have emphasized, Coleman and many succeeding researchers have also found that educational achievement is affected by the mix of other students in the classroom.

But what about the contribution of schools themselves? Most researchers agree that schools matter—they have an important impact on student performance. But disagreement rages over *why and in what ways* schools matter.

Eric Hanushek has reviewed nearly 400 studies on the impact of school inputs on school achievement.²¹ He finds no evidence that teacher-pupil ratios, teacher education, teacher experience, teacher pay or spending per pupil have a significant effect on improving pupil achievement. Despite the findings on the lack of effect of input factors on pupil achievement, Hanushek concludes, "teachers and schools differ dramatically in their effectiveness."

Other evidence that schools matter comes from studies comparing student performance in public schools with performance in private schools.²² Virtually all studies show that, even after controlling for factors such as family socio-economic background, students have higher graduation rates and test scores at Catholic schools than at public schools. However, it is difficult to determine whether the better performance results from something the Catholic schools are doing, or simply from a self-selection process whereby parents who are more highly motivated and concerned with their children's schooling choose to enroll their children in these schools.

There is widespread agreement that schools matter and that factors associated with schools have an important effect on student performance. Unfortunately, while theories abound, there is little agreement on what the important factors are. When specific factors are identified, it is usually difficult to specify them in a way that would allow them to be effectively addressed by public policy (e.g., good teachers, strong leaders, and effective principals). Schools remain, in effect, a black box.

Faced with a situation where desired outcomes are known and producible by at least some schools, but the mechanisms by which they are produced are unclear, it makes good sense to encourage experimentation and to provide schools with appropriate incentives to produce the desired outcomes.

Experimentation and Innovation

The need to experiment in urban education is recognized by nearly everyone. All sorts of initiatives and proposals have been advanced to open up the system to encourage greater innovation. Within the public school context, proposals include across-district choice, site-based management, theme schools and schools-within-schools. Some advocate making it easier for students from low-income households to attend schools outside the traditional public school system—charter schools and vouchers are the predominant proposals.

At the moment there is little evidence to demonstrate which, if any, of these reforms can dramatically improve the education achievement of low-income urban students. What is clear is that the current system is not working. Therefore, extensive experimentation with new models, particularly in the public sector—where most low-income children will be educated for the foreseeable future—is warranted.

Education Achievement Grants

The most direct approach to encourage student achievement at all schools is for the state to reward it directly. We recommend a state education achievement grant be provided to each individual school on the basis of the educational progress of individual low-income students.

Schools would receive the grant for each low-income student who advanced relative to the norm for the student's grade level with respect to performance in reading and math (and any other subjects deemed appropriate). As an example, the grant would be awarded for each student who was reading two grades below grade level in the fourth grade, but was reading only one grade below grade level (or higher) in the fifth grade. Similarly, a school would receive the grant if a low-income student improved from reading at grade level to reading at one or more grades above grade level. If the student were at or above grade level in any base year, the school would receive a partial grant if the student retained his relative standing during the next year (e.g. if the student were reading at grade level in the fifth grade and continued to read at grade level in sixth grade). The school could use the grant, once received, for any legal purpose.

The education achievement grants would be confined to low-income children in order to not provide incentives for schools to seek additional funds by focusing their education efforts on those students who are easiest to teach and are most likely to advance with respect to grade level. Confining the grant to low-income children would also provide an incentive for schools to enroll such children and focus attention on them, since progress in the educational performance of these children would provide rewards for the school.

Funding should be arranged by redirecting federal and state funds that are currently focused on low-income students but are not now awarded on the basis of achievement.

Expand Duration of Instruction

One input has been identified as consistently related to performance: the amount of instruction/time spent in school. Walberg²³ reviewed 376 studies and found that "88 percent were positive—one of the most consistent findings in educational research. The sizes of the effects are moderate over a week or a semester; so, time is hardly a short-term panacea. Over many years, however, student engagement in study and practice time yields huge benefits." Studies also suggest that the amount of homework is also correlated with student performance, particularly if the homework is accompanied by grades and teachers' comments.

Therefore, we recommend that the amount of educational instruction that low-income students receive during a year be increased through some combination of longer school days and more school days during a year.

One promising initiative to extend the school day is through after-school programs that focus on academic achievement. The C. S. Mott Foundation has joined in a partnership with the U.S. Department of Education to substantially expand after-school programs to low-income students through the 21st Century Community Learning Centers program. It is a model Michigan should consider in designing expanded instruction.

Expand Career Focused Learning

The emerging School-to-Work movement offers a framework for providing the quality education that can enable central city students to prepare for the good-paying jobs available in today's and tomorrow's economies. Across the nation, rigorous School-to-Work programs are improving academic achievement by core city high school students by connecting learning to economic opportunity.²⁴

Unfortunately, School-to-Work has come to mean just about any initiative by schools to connect students to the world of work (from one-time activities like field trips or guest speakers to technical high schools). For the purpose of this proposal, School-to-Work is defined as rigorous education programs that engage high school students for at least two years in concentrated learning and work organized around a particular occupation or industry. It is these comprehensive programs that are beginning to show promising results in connecting core city youths to regional labor markets.

A successful School-to-Work system would provide:

- Career awareness and exploratory activities in elementary and middle school.

- An opportunity for every student to choose a curriculum organized around an occupation or industry of the student’s choice. The curriculum would integrate rigorous academic courses with technical training. The curriculum would be developed jointly by educators and employers.
- An opportunity to work part-time—for pay—while in high school, in jobs related to the student’s career major.
- An opportunity to have an adult mentor from community-based organizations like Big Brother/Big Sister or from an employer in the student’s career major.
- A job coach to help with career planning, access to higher education or finding a full-time job at graduation.

Leadership—not more money—is what is required to make this happen. This system can be operated within the framework of the basic student grants available to every high school.

To get to the needed scale—where every high school student has the option of choosing a curriculum organized around the industry or occupation of his or her choice—we need to both build demand for this type of career-focused learning and increase the supply and quality of career-focused learning options.

On the demand side, students, parents, and educators need far better information on good-paying occupations and careers—beyond doctor, lawyer, and engineer. They need to know about current openings, trends for the future, pay, career ladders, and skill requirements. All of this information is available. We have to make communicating it a priority.

On the supply side, the key is winning the commitment of educators and employers to create a comprehensive system of career-focused learning. Both need to be actively engaged in the construction and delivery of the learning. At the moment, both—with a few exceptions—are resistant to delivering this kind of learning. The priority for most educators is upgrading the current curriculum to meet academic standards, measured by standardized tests. Most employers feel that education is the school’s responsibility, not theirs. But if the research is right, change by both is required to provide an education that will work for many core city high school students.

An added bonus is that this new career-focused learning can be structured in a way that deconcentrates poverty. These programs do not have to be delivered by K-12 districts. They can be organized on a county or regional basis—by ISDs, community colleges or charter schools. Where this has already occurred, the schools attract a diverse group of students. Parents are sending their children to technical schools or, better yet, work-based learning with students from different class and racial groups.

Strategy For Action 3

Invest in adult transition to work and advancement:

- **Take Project Zero to scale**
- **Provide post-placement support**
- **Enact a Michigan earned income tax credit**
- **Provide career advancement services**
- **Create a rainy day fund for public sector jobs**

Far too many adults in our central cities have left school without the skills needed to find employment. As we saw in Display VIII, in the boom economy of 1996 about one-third of Detroit residents age 25-64 are out of work and not even looking for work.

So if we are to substantially reduce urban poverty, we need to focus attention on connecting many urban residents to work and to a ladder that leads to decent lifetime earnings. For many of the persistently poor, the biggest challenge is to get on the job ladder. The first step is the steepest—the most difficult.

But once in a job, human investments should not end. The first job is a beginning—not the goal—of a human investment system designed to connect the urban poor to employment and self-sufficiency.

Expand Project Zero²⁵

The most intensive investments in Michigan to connect the poor to work are being made in Project Zero—a welfare-to-work demonstration program. Quite encouragingly, Project Zero is getting positive results.

Project Zero is built around four activities—each of which contributes substantially to its success.

*** *Deferrals***

There is a determination upfront of which individuals can reasonably be required to work. For those who can't, benefits continue. There is clearly a need to continue a safety net for some welfare recipients.

*** *Sanctions***

Participants who do not meet the requirements of Project Zero are sanctioned through reduction and loss of benefits. Initial non-cooperation results in a 25% reduction of cash benefits for up to four months. If a recipient has not come into compliance during that period, the case is terminated. This policy was strengthened after experience with a one year partial sanction proved to be ineffective.

*** *Incentives***

Welfare recipients are able to keep more of their benefits (so-called "earning disregards") as they take employment as well as retaining their Medicaid eligibility.

*** *Supports***

Project Zero provides help with transportation and child care. As much as possible these services are tailored to meet the needs of the participants, rather than taking a one size fits all approach. Help with fixing a car is as appropriate as a bus token.

Possibly the most important support is helping participants identify and overcome barriers. It is also quite different from the role that welfare workers have traditionally played. In Project Zero, a Family Independence Specialist (FIS) is the single point of contact for the recipient. The FIS uses structured interviewing techniques to help recipients gain the skills and confidence necessary to take responsibility for their own situations. The workers essentially tell the clients that for every problem there is a solution. They then work with the clients to help them find those solutions, with the worker acting as resource broker and the client learning problem-solving skills.

Today welfare recipients are the prime target for investments leading to employment. Ultimately, we need to broaden these investments to all of the persistently poor in our central cities.

Most welfare recipients are women. So an unintended consequence of welfare-to-work is that women are being trained for work, but not men. This is a recipe for troubled communities and families.

The Project Zero approach should be made available to all long-term unemployed in Michigan's core cities. First expanded to all welfare recipients—then everyone.

Provide Post-Employment Support

Many welfare-to-work programs fail after a participant finds employment. Yet there is some evidence that, with continued supports, attrition can be substantially reduced. These supports could be provided by either public programs or employers.

Some attrition is employer-generated. In fact, employers note that the lower their standard for hiring, the higher the attrition rate. In part, this is due to employers using the first few months of employment as an on-the-job screening period.

But much attrition is worker-generated. Virtually all employers who hire entry-level workers report that some simply disappear after some time—a day, a week, a month on the job. While they often do not know why, there is some evidence that personal problems and lifestyle issues are important causes. Also, the fundamental need to get up and go to work can, for those who have never done it, be a difficult transition, regardless of skills.

Project Zero should be expanded to include post-employment services. These services should help newly hired workers deal with all the issues that crop up that, in too many cases, lead to quitting or getting fired. Most effective would be a service to train employers—including staffing services companies—on strategies for reducing attrition among these former welfare recipients and other entry level workers. There is some evidence that employers who make services available substantially reduce their attrition.

Enact a Michigan Earned Income Tax Credit

Strengthening incentives to work has proved to be effective in connecting the urban poor to work. In addition, we need to build a work-based income support system that allows people to earn enough to raise a family.

The federal Earned Income Tax Credit has proved to be a simple and effective policy tool to provide both incentives and income. The federal credit provides extra income for low-income working families through federal income tax returns and refunds.

Some states have enacted similar tax credits. According to a 1997 analysis by a California legislative agency, the EITC is, by and large, successful in creating work incentives.²⁶ Michigan should enact a state-level EITC to reward work and to make entry-level jobs more economically feasible to recipients.

Provide Career Advancement Services

Welfare-to-work should start—not end—with Work First. The ultimate goal of a human investment system should be to empower people to get on a career ladder leading to lifetime earnings sufficient to support a reasonable standard of living.

Advancement is an important aspect of the welfare-to-work transition. Many initial jobs do not pay enough for economic self-sufficiency, but do allow workers to build a track record of dependability and good performance. This, in turn, can position them to compete more successfully for a next, higher-paying job.

We recommend advancement supports that include helping workers to understand the value of new skills, effectively position the initial job in an advancement context, and develop strategies for identifying opportunities. These opportunities may be with the current employer or elsewhere.

These services should be accompanied by access to skills-building programs. The ability to move up the ladder is highly dependent on skills. So access to on-the-job training, technical training at a community college or both (or equivalent programs) is critical to advancement.

The C. S. Mott Foundation is a national leader in implementing skills-building initiatives for the urban poor. Policymakers can draw on the lessons being learned by the Mott Foundation on how to link employers, community-based organizations and community colleges into effective career advancement systems.

Public policy will be a success when the urban poor and their children routinely get connected to both employment and post secondary skills-building services.

Create a Rainy Day Fund for Public Sector Jobs

Someday the economy will slow. There will not be enough unsubsidized jobs available for welfare recipients who have gained employability skills. At that point Michigan will be put to the test: do we really support a work-based income support system?

We hope the answer is yes. Work is the right way to support the poor. So we recommend in these good times that a rainy day fund be established and funded with welfare savings. This fund would be used in a downturn to provide subsidized jobs.

In the 1980's, Michigan provided these types of jobs to young General Assistance recipients through both the Michigan Neighborhood Corps and Michigan Conservation Corps. Both demonstrated that programs can be structured to perform useful work and provide a path for participants to unsubsidized employment. These should be the goals of any subsidized work program.

Strategy For Action 4

Provide incentives to reduce economic segregation in housing and schooling:

- **Incentive grants to local government**
- **Incentive grants to school districts**

- **Housing vouchers for welfare-to-work participants**

We understand the political difficulty of tackling the issue of deconcentrating poverty—both for policymakers representing predominantly middle class constituents, and for policymakers from inner city areas. But we believe the effects of concentrated poverty are so corrosive that the issue must be dealt with directly. We do not believe that our human investment recommendations are powerful enough by themselves to effectively connect the urban poor to work at the right scale.

It is the combination of more productive human investments plus policies which deconcentrate poverty that are required to make substantial progress.

We support traditional proposals to limit exclusionary zoning, enforce fair housing law and locate affordable housing near jobs. We also support efforts to provide incentives for middle class households to purchase homes in low-income neighborhoods, like those implemented in Grand Rapids and proposed at the state and federal level for police officers. These initiatives, however, have failed so far to reduce the concentration of poverty.

In this section, we offer three new ideas which we think could move us forward:

Incentive Grants for Local Government and Schools

Our strategy is designed primarily to provide attractive economic incentives to both public school districts and municipal governments to create and/or preserve economically diverse school buildings and neighborhoods. Based on our analysis of the research, the goal should be to achieve a threshold of 20% of the student body in a school building or households in a neighborhood in poverty.

Our first two recommendations would provide incentives in the form of annual grants from the State of Michigan to school districts and general-purpose local jurisdictions that voluntarily participate in the program. No entity would be penalized if it chose not to participate. The grants would be designed, however, to be sufficiently generous to convince many that it is in their fiscal self-interest to promote more diversity of low-income and higher-income populations.

It is important to emphasize that economic diversity is measured at the school building and neighborhood levels. It is not helpful to meeting our goals for a school district or municipality to have a diverse aggregate profile, but to have all low-income students or households concentrated in one school or neighborhood.

It also should be recognized that our proposed incentives are designed to encourage the movement of different economic groups both within and among school districts and jurisdictions, and to offer symmetric incentives to entities that have "too many" and "too few" low-income people within them.

For local governments, the incentives would be administered through the revenue sharing program. For each neighborhood (census tract) having less than 20% low-income households in the previous census,

incentives would be provided for increasing the percentage; for each neighborhood having more than 20% low-income households in the previous census, incentives would be provided for decreasing that percentage until it does not exceed 20%.

Similarly, for school districts the incentives would be administered through school aid. For each school building having less than 20% low-income students the previous school year, incentives would be provided for increasing the percentage; for each school building having more than 20% low-income students, incentives would be provided for decreasing that percentage until it does not exceed 20%.

(Details on what these incentive grants could look like are presented in Appendix D.)

Housing Vouchers Tied to Welfare-To-Work

We recommend granting housing vouchers to welfare-to-work participants. The voucher would enable and encourage low-income households who are making the difficult transition from welfare-to-work to move into neighborhoods where poverty is less concentrated. This should aid the adults' ability to find work and help their children avoid poverty in the longer term. Thus, it would be an important complement aiding the welfare recipient's progress towards economic self-sufficiency.

Welfare-to-work participants would receive a voucher that would permit the household to rent an apartment outside of concentrated poverty neighborhoods, *and would be valid only in such neighborhoods*. No clients would be required to participate.

Like the HUD Section 8 voucher, this State voucher's value would be calculated as the difference between 30% of client income and metro area Fair Market Rent, adjusted for family size. Unlike the Section 8 program, the value of the voucher would be fixed even if household income should rise, but would persist only for five years. A voucher would be paid to a landlord only after certification that the census tract in which the apartment was located had a poverty rate of less than 20%.

Evidence from many Section 8 studies suggests that the State would need to contract with housing information and counseling providers to help participating low-income households find appropriate apartments and make the difficult transition to living in low-poverty areas.

VII. Employer Initiatives

Our four Strategies for Action are designed to improve the opportunity structure available to connect low-income urban households to work and decent lifetime income. We have focused on these public policies because of the central role government plays in creating opportunity structures.

But clearly, employers also play an important role. There are sets of actions that employers can take—and leading-edge employers are taking—which can reduce the isolation of the urban poor from the regional labor market. Public policies should be designed to encourage employers to take these actions.

1. Eliminate Discrimination

Recent studies by the Urban Institute²⁷ and Michigan State University's Harry Holzer²⁸ provide compelling evidence that racial discrimination is a reality in today's labor markets. These practices need to end.

2. Provide Labor Market Information

A major consequence of the isolation of the urban poor is terrible information on how the labor market operates. The urban poor don't have good information on current job openings, occupation and career options, pay, career ladders, skill requirements or where to gain the needed skills.

This is information employers could provide. Companies are increasingly focusing on marketing their products in the inner city. This same focus and creativity could be used to market occupation and career opportunities.

3. Provide Support Services

All the support services recommended in Strategy for Action 3 can be offered by employers as well as—possibly better—than by government. These services are child care, transportation and support for retention and advancement. In fact, leading edge companies are already providing these supports for low-income workers.

4. Take The Lead in Career Focused Learning

The research suggests that work-based learning is an effective way of connecting the urban poor to work. Employers could take the lead in making career-focused learning a reality in every industry and at the right scale. By making places of work also places of learning, employers can make a substantial contribution to both of our policy strategies—deconcentrating poverty and improving the performance of human investments.

VIII. Research Recommendations

As we worked on this project, one clear fact emerged: we couldn't find answers in the research literature to many of the most important questions we asked. We simply don't know enough about how and why some poor people get on a path to employment and self-sufficiency while many others don't. Public policies could be much more effective if we found the answers to these questions.

So we would recommend that both public and non-government funders make research a higher priority. It is a good investment. Finding out what works and what doesn't should lead to far more effective policies.

- Given our emphasis on concentrated poverty, we recommend research that will identify how and why people who grow up in neighborhoods of concentrated poverty make it out of poverty and into the middle class. Much work has been done on those who don't make it—little on those who do. But identifying the factors that lead some to escape the trap of areas of concentrated poverty should be quite valuable in designing more effective policy.

Some of the questions we need answers to are:

- What proportion of children growing up in extreme poverty (and what proportion of those growing up in high poverty neighborhoods) are successful as adults in terms of active participation in the labor market at jobs that yield a livable income?
 - What accounts for why some children who grow up in neighborhoods of concentrated poverty "make it" out of poverty into the middle class, while others do not?
 - How much geographic mobility is there from areas of concentrated poverty? What types of households move into and out of poverty areas and why? Do the same people live in such areas over time or is there "churning" with people constantly moving into, out of and within these areas? To what extent are areas of concentrated poverty "staging areas" for households moving to better areas and circumstances and to what extent are they permanent ghettos for those who live there?
- Another research priority related to concentrated poverty is to investigate the threshold level that we have proposed in designing the diversity incentive grants. Additional work is needed to determine whether there is a threshold level of concentrated poverty—in both housing and schooling—at which adverse effects begin to occur. If so, what is the threshold?
- A second priority research area should be on issues of metropolitan organization. Policy advocates in Michigan and elsewhere frequently propose growth boundaries (and other land use controls) and consolidation of local governance as solutions to many urban problems. In considering these ideas for this project, we found little research in whether these policies help connect the urban poor to work. It is a question worth researching.

Some of the specifics we need answers to are:

- How much economic segregation is there within American communities? Is economic segregation inevitable? Do cities and communities in other countries experience the same level of economic (and racial) segregation as the U.S? If they do not, why?
 - To what extent do exclusionary zoning practices result in economic and racial segregation in U.S. metropolitan areas? Is it possible to compare economic and racial segregation in areas with varying degrees of exclusionary zoning practices?
 - What are the effects of sprawl on poor households in metropolitan areas and particularly on poor households in central cities in these areas? Are poor households better off in metropolitan areas where there is less sprawl and higher densities than in those experiencing greater sprawl? Are their creative transportation options that have (or can) reduce the adverse effects of sprawl?
 - What has been the labor force and income effect on poor households of explicit efforts to control sprawl such as Portland, Oregon's Urban Growth Boundaries?
 - To what extent does government fragmentation (multiple jurisdictions) affect labor market and income outcomes for poor households? Are such households better off in less fragmented metropolitan areas?
 - Are there successful "best practices" for creating and sustaining economically diverse communities?
- Another research priority should be to rigorously evaluate the success or failure of all human investments. Michigan spends a lot on programs to help the urban poor and their children gain economic self-sufficiency. We spend little on identifying which investments make a difference and why. Yet this information is essential in improving performance of our human investment system.

VIII. Conclusion

This report was written with the hope of stimulating action. We want to put the issue of urban poverty back on Michigan's policy agenda.

We hope we have demonstrated that the current economic boom provides a unique opportunity to address this issue. There are jobs that the urban poor could fill available today in every Michigan region.

We hope we have also demonstrated that there is a set of actions that government and employers can take that will put far more of the urban poor and their children on a path to building the skills necessary to take advantage of today's employment opportunities.

Most of all, we urge you—whether you like or dislike this report—not to ignore it. Please feel free to question it, disagree with it, and make suggestions to modify it. And feel free to challenge us.

If you disagree with our framework and/or recommendations, we'd like to know about it. What would you change and why?

By the same token if you like our work, please share it with others.

Most importantly, we would like you to work with us to get the issue of urban poverty on Michigan's agenda. Together we can develop an agenda that will make a difference in the lives of the urban poor. The strong economy has given us an opportunity that we cannot afford—morally or economically—to let slip by.

* * *

Notes

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Appendices

- A. Population, Economic and Education Data for the Detroit, Flint, Grand Rapids and Lansing Metropolitan Areas, 1970-1990
- B. Effects of the Economic Expansion on Residents of the City of Detroit, 1991-1997
- C. The Importance of Concentrated Poverty In Understanding Investment In Human Capital In Cities
- D. Proposals to Provide Diversity Incentive Grants for School Districts and Local Governments

For a copy of Appendix A & B, please send an e-mail to Louis Glazer

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Partner
Plante & Moran

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