



A Path to Good-paying Careers for all Michiganders:

Sharing prosperity with those not participating in the high-wage knowledge-based economy

September 2017



MICHIGAN FUTURE INC.
A Catalyst for Prosperity



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About this report

This report offers detailed ideas on how state policymakers can implement the shared prosperity recommendations in our state policy report: A Path to Good-paying Careers for all Michiganders. As with that report, our goal is to offer ideas that will engage readers in a conversation about how Michigan can meet the economic challenges of the future.

Our commitment is to finding common ground: using our diverse experiences, beliefs and insights as assets in developing practical and effective recommendations. We don't all agree on every policy included in the menu of ideas we recommend for consideration in this report. But what unites us far exceeds what divides us.

We are committed to the goal of recreating a high-prosperity Michigan. We believe the goal of state economic policy should be rising household income for all Michiganders. High prosperity is different from the most often-used measure for economic success, low unemployment. It is being a place with a broad middle class where wages and benefits allows one to pay the bills, save for retirement and the kids' education and pass on a better opportunity to the next generation. To us, states and regions are not successful unless they are a place with a broad middle class.

In the eighth year of a national economic expansion — and an even stronger rebound from the near bankruptcy of the domestic auto industry — too many Michigan households are struggling. Michigan's substantial economic challenges are clearly structural.

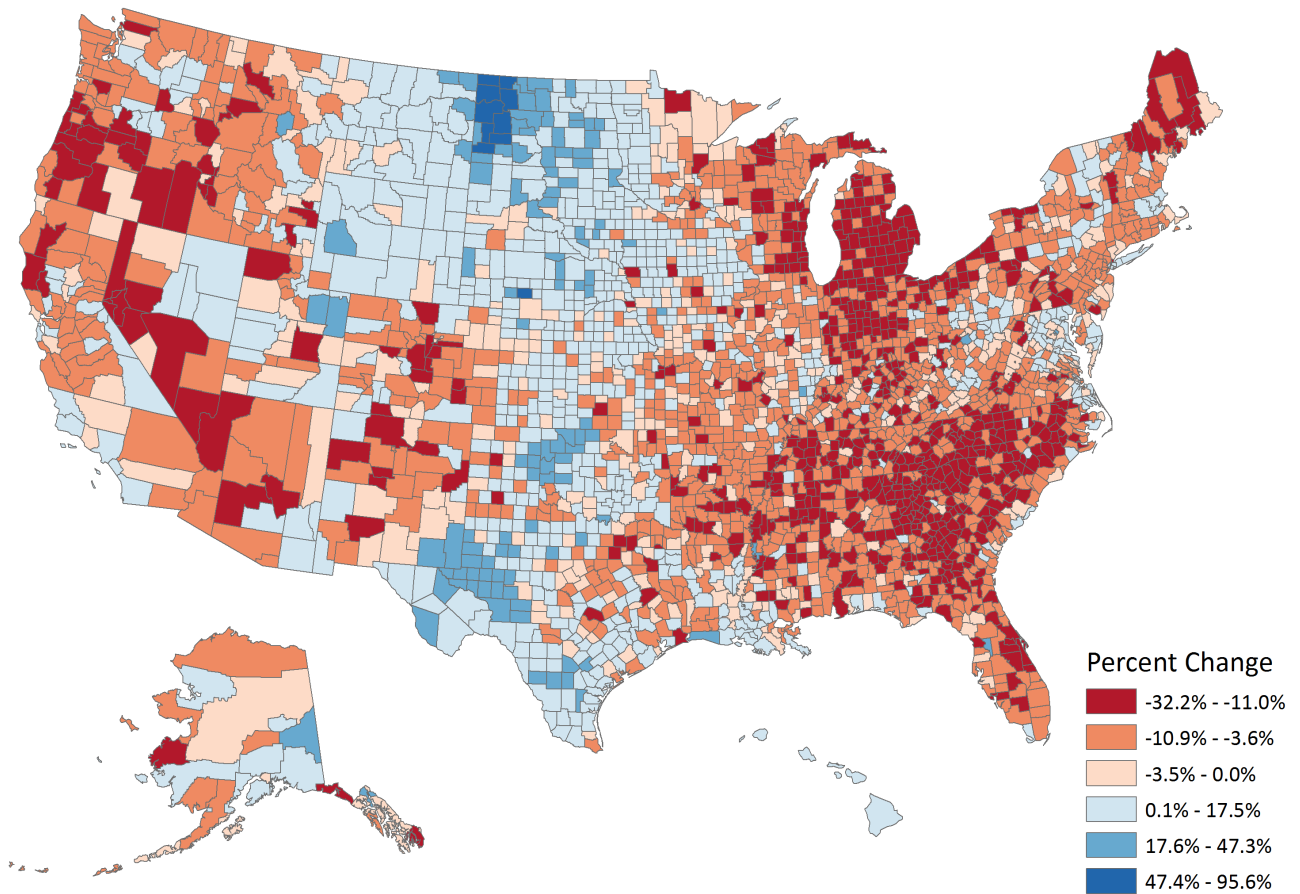
In good times and bad, far too many Michigan households are experiencing declining or stagnant incomes. Over more than a decade and a half — no matter who was in control in Lansing and Washington — Michigan has moved from being a high-prosperity to a low-prosperity state.

As the map from the Harvard Business School shows, on Page 5 of this report, every county in Michigan has suffered a major decline in median household income over the past 15 years. In terms of per capita income — the best measure of economic well-being — Michigan has gone from being 2 percent below the national average in 2000 (the last time the domestic auto industry was booming) to 11 percent below in 2015.

Most concerning, the Michigan Association of United Ways found that 40 percent of Michigan households do not have sufficient income to pay for the necessities: primarily housing, childcare, food, health care and transportation. Their report makes clear that this is an all-Michigan problem, in every county, among all races and all ages.

FROM COMPETITIVENESS TO SHARED PROSPERITY

Change in real median household income by county, 1999-2014



Source: U.S. Census Bureau, calculations by Harvard Business School

Map courtesy of Harvard Business School

Why?

- **Not enough of us work:** Michigan is 40th in the proportion of adults who work. Today, 300,000 fewer Michiganders work than in 2000.
- **Not enough of us work in good-paying jobs:** Michigan is 16 percent below the national average in wages and benefits per capita. In 2000, Michigan was 1 percent below.
- **Too low education attainment:** Michigan is 32nd nationally in the proportion of adults with a four-year degree or more. It's even lower in rankings of K-12 student outcomes

We believe reversing these trends requires the transformation of state economic policy, starting with a new mission. It should now be clear that having a growing economy, or a low unemployment rate, or being business friendly — all of which have been the goals of state policymakers now and in the past — does not lead to an economy that benefits all.

Michigan's dominant economic challenge is similar to what Robert Putnam documented in his book, "Our Kids," in which he found that the top quarter of American households are doing well and the other three quarters are struggling to keep up, with many falling farther and farther behind. On measure after measure of economic and social well-being of households and their children, Putnam presents charts that look like open scissors, with those in the top quartile advancing and those in the bottom three quarters declining.

This pattern is true irrespective of race. Racial discrimination is an ongoing reality in employment, education, housing and the criminal justice system; but class is now the main dividing line in the American economy. Increasingly, class is defined by college attainment.

The preeminent challenge of our times is figuring out how to reverse what is being called the Great Decoupling, where even when the economy is growing — as it has been doing in Michigan since the end of the Great Recession — only those at the top are benefiting from that growth.

The first essential step on the path to recreating an economy where all benefit from economic growth is explicitly establishing as the mission of state economic policy a rising household income for all.

Second is understanding that the key to having an economy with rising household incomes for all is good-paying jobs and careers. Where careers consist of 40 years of reward and upward progress rather than a series of low-paying jobs. The prime focus of economic policy must be to help people have a career of good-paying work.

We agree with President Reagan, who said a job is the best social program. To us, a good-paying job is the best social program. Except for those retired or unable to work at a good-paying job due to physical or mental disability, the best path to a middle-class 40-year career is good-paying jobs.

We also need to understand that good-paying work today and tomorrow looks much different than good-paying work in the past. Trying to turn the clock back to recreate the economy of the past has not worked. Both parties in Michigan have been promising they can do that for decades without success.

Trying to turn the clock back won't succeed in the future, either. The changes in the nature of work are driven by powerful forces, primarily smarter and smarter machines increasingly able to do more and more of the work that humans have traditionally done. There's also globalization, changing consumer preferences, and changes in how employers contract for work. This requires state policies that are aligned with — rather than resisting — the new realities of work.

Another reality is that there is a lot of work that is not good-paying. Maybe as much as half the jobs in the Michigan economy today don't pay enough in wages and benefits to cover family necessities as defined by the Michigan Association of United Ways (MAUW). There is no evidence that the proportion of low-paid work, most of which doesn't include benefits, is going to decline going forward.

Most jobs now and in the future will not be high skill, and therefore will not be highly paid. That is the fundamental shift that has occurred in our economy over the past several decades. The high-paid, low-education-attainment jobs that were the backbone of Michigan's mass 20th Century middle class are gone forever.

In their book, "The Second Machine Age," Erik Brynjolfsson and Andrew McAfee project that, in an age of brilliant technologies, economic growth will accelerate substantially, but the distribution of economic gains will concentrate even more than today at the top. So there is little reason to believe going forward that there will be a higher proportion of good-paying jobs.

MAUW's ALICE data showing the sheer scale of those in economic stress should make clear to all that the prime cause for so many households struggling to make end meet is not people unwilling to do what is necessary to obtain available family-supporting work, but rather that the economy is not producing enough family-supporting jobs.

Nor is it that we have a too-generous safety net that discourages people from working. As we documented in our State Policies Matters report, Minnesota has a far more generous safety net than Michigan, yet it is third in the proportion of those 16 and older working, while Michigan is 40th. If the same proportion of Michiganders age 16 and above worked as Minnesotans, there would be 830,000 more Michiganders working today.

Are there some who don't work because of the availability of safety net benefits? Of course. But the evidence is that they are a small proportion of the millions of Michigan households who cannot pay for basic necessities, a majority of whom are households with a working adult.

Michigan cannot substantially reduce the proportion of households that cannot pay for basic necessities unless it

finds ways to increase the amount of work and the pay and benefits of that work for those with low education attainment. That means a public policy that makes a priority of tackling the multiple barriers to work that households face: housing, childcare, transportation, substance abuse, physical and mental health, in addition to job training. We need a public policy designed to raise the returns from work through some combination of employer mandates and/or a strengthened safety net. To achieve the goal of getting all Michiganders on the path to good-paying careers, income and benefits from work will need to be augmented for many.

How do we help those not capturing the benefits of globalization and technological change — in Michigan's case, the majority of workers — earn enough to pay the bills, save for retirement and their kids' education, and pass on a better opportunity to the next generation? The answers largely need to come through public policy. Market forces alone, almost certainly, will not turn low-skill, low-wage jobs into family-supporting work. The only way we can do that is through a commitment to shared prosperity.

In 2016, a working group put together by the Brookings Institution and the American Enterprise Institute released a report on poverty and opportunity in America that focused on three broadly shared American values: opportunity, responsibility, and security.

How do we apply these in Michigan? First, given the high returns on investing in postsecondary education, we need to provide all Michigan students with the opportunity to attain a postsecondary credential, particularly a four-year degree, and provide all Michiganders affordable routes back to school to gain new skills. (Our recommendations for building an education system can be found in our *Improving Student Outcomes From Education*, report.)

Along with access to education, opportunity also means supporting all Michiganders in navigating the barriers that stand between them and a full-time, family-supporting job. A range of roadblocks ranging from limited knowledge of job openings, to lack of housing, transportation and childcare, to lack of work-ready or job-specific skills, to physical or mental health issues, to a history of addiction or incarceration, often block the path of those seeking work. Further, people facing barriers almost always struggle with more than one. What's needed is a comprehensive

approach to mitigating these obstacles, such that we can get more Michiganders into full-time work.

Below we recommend a comprehensive case-management system based on a proposal in 2014 by then House Budget Committee Chair Paul Ryan in the Expanding Opportunity in America, A Discussion Draft report. Those eligible for public assistance would receive benefits and services needed to get on the path to self-sufficiency, all coordinated by a case manager, with supports and services customized to remove barriers — not just in basic job search or job training activities — to securing a well-paying job.

Finally, opportunity means that available jobs need to offer sufficient hours and wages to, at minimum, keep workers out of poverty, and ideally offer a spot in a broad middle-class. Many jobs available to Michigan workers fail to provide income security. Over 40 percent of jobs in Michigan pay less than \$15 per hour. In addition to getting individuals into work, we need to ensure that work offers financial security.

Opportunity must be paired with responsibility. The opportunity afforded to everyone must be paired in equal parts with individual responsibility to show up at appointments, seek counseling, enroll in school, go to work. The dual pillars of opportunity and responsibility are the foundation of the idea that if you work hard and play by the rules, you should be, in the words of President Clinton, “rewarded with a good life for yourself and a better chance for your children.”

The final pillar, security, recognizes that despite our best efforts, everyone requires some form of insurance. Everyone needs protection against health problems or economic downturns that prevent them from working. And children require security and stability, even in cases when their parents don’t play by the rules.

Therefore, in these increasingly unstable economic times, opportunity and responsibility are not enough. A strong safety net is necessary to ensure families can maintain adequate living standards in a time of misfortune. In an era when work increasingly can be automated away or made contingent, employment gaps in which workers must look for a new job or gain more education and training will become all the more common. Our safety net needs to ensure families can weather these economic hardships, both

by providing temporary assistance and helping workers get back on the path to a good job.

In the sections that follow, we detail our agenda for getting more Michiganders working and to make work pay more for those in low-wage jobs. It has four core pillars:

- Helping Michiganders get family-supporting employment through a combination of income supports and comprehensive and customized case management. Services could include housing, childcare, transportation, substance abuse support, mental health services, job training, financial education, etc. These services continue beyond a first job.
- Using TANF (Temporary Assistance to Needy Families) funding to help those out of work or underemployed get family supporting jobs. This means providing low-income families with a safety net that acts as a trampoline rather than a snare (as described by former Massachusetts Governor William Weld). Michigan instead has been a leader in getting out of the business of providing cash grants or services designed to help people get to self-sufficiency.
- Augmenting wages and benefits through some combination of employer mandates and/or a strengthened safety net. The employer mandate recommendation is the area where we have the most disagreement amongst the Michigan Future Board and staff. But we all recognize that to achieve the goal of getting all Michiganders on the path to good-paying careers that income from work will need to be augmented for many.
- Reforming the criminal justice system: We want to have fewer people imprisoned, have them spend a shorter time in prison and not face barriers to work once they’re released.



A safety net that promotes opportunity

Michigan is a national laggard in the proportion of adults who work. In 2000 we were 28th in the proportion of adults who had a job; in 2015 we were 40th. So getting more Michiganders into the labor market is essential to our goal of a good-paying career for all Michiganders.

That is what welfare reform was designed to do. The promise of the 1996 welfare reforms, which ended the entitlement to cash assistance, was that low-income families could receive temporary cash assistance as well as nutrition (primarily SNAP) and health care (primarily Medicaid) benefits and help in finding and training for sustainable employment that would keep them at the very least out of poverty.

Michigan, in particular, has fallen far short of that promise. One can make a strong case that the state hasn't even tried. Rather than using its federal TANF funding to help the poor obtain stable employment, the state has used the funds largely to balance its budget.

Michigan has done this more than most. Average monthly TANF caseloads in Michigan dropped from 184,000 in 1996 to 39,000 in 2014, despite the fact that the poverty rate increased over that time period. Only 18 percent of poor Michigan families received cash assistance in 2014, with only 12 percent of Michigan's total \$1.3 billion in TANF spending going towards cash assistance, 10th lowest in the nation.

In addition to the loss of basic assistance, families cut from welfare rolls also lose the potential supports that could help them get well-paid, full-time work. If eligible families don't receive benefits, we lose the ability to engage them in work activities. Just 5 percent of Michigan's total TANF funds go toward spending on work-related activities and supports (40th in the nation), and just 2 percent go toward subsidizing childcare for parents either engaged in work activities or who find work (45th in the nation).

Altogether, Michigan spends just 19 percent of its TANF funds on the "core" welfare services of basic assistance, work supports, and childcare — one of only eight states

in the country spending under 25 percent of their funds on core services. In 1996, at the time of welfare reform, and when the poverty rate in Michigan was 5 percentage points lower, the state spent nearly 80 percent of funds on core welfare services.

In the meantime, Michigan has been spending a substantial chunk of its annual \$1.2 billion on college scholarships for middle-class students and school-readiness programs, classifying these programs under the spending category of "pregnancy prevention and two-parent family formation." And even Michigan's paltry investment in the state's low-income families is artificially inflated, with the state counting expenditures by non-governmental service providers (e.g., the United Way) toward their maintenance of effort requirement.

Crucial to the idea of using the safety net as a trampoline, rather than a snare, is cash assistance is built around work. If you lose your job through no fault of your own, you can claim unemployment insurance while you get back on your feet. If you're poor, you're eligible for cash assistance through the TANF program, with the understanding that you'll be engaged in activities designed to get you on the path to work. And if your job doesn't pay you enough, the government subsidizes your wages through the Earned Income Tax Credit.

The premise of all of these programs is that while no one has an entitlement to cash assistance, everyone is entitled to the opportunity to attain well-paying work. It's this part of the safety net that has failed in Michigan. Through policy changes and underinvestment in the state's TANF system and unemployment insurance system, out-of-work Michiganders increasingly receive little to no cash assistance, nor do they receive the supports needed to obtain family-supporting work.

It's far past time for Michigan to fulfill the original promise of TANF both to provide cash assistance and benefits and to help individuals find family-supporting work. The good news is the state has \$1.2 billion to spend annually on core

welfare services, and it has considerable flexibility in how to spend it. If we want to spend the money on cash supplements, meaningful work activities, and childcare subsidies, we can do that. And we can also build an unemployment insurance system that both offers Michigan workers the temporary cash assistance they need, and high-quality services to help them find or work toward a new and better job.

Here's what such a system could look like:

Pillar 1: Make it easy for people to get the benefits they need

For the safety net to function properly, we first need to make it easy for Michiganders to access the benefits they're eligible for. Rather than trying to cut families from the welfare rolls and make it more difficult to access unemployment benefits, we should want Michiganders to be able to access benefits, both to provide children with the additional stability they so desperately need, and to connect parents to valuable work-supports.

As previously mentioned, Michigan has a terrible track record of reducing public benefits. In 1996, 88 percent of poor Michigan families received cash benefits through TANF, and the maximum monthly benefit was roughly \$700 (adjusted for inflation), 40 percent of the poverty line. In 2014, just 18 percent of poor Michigan families received cash assistance, and the monthly maximum of under \$500 is just 30 percent of the poverty line.

Aside from an initial drop in the rolls aided by a booming economy in the late '90s, the drop in low-income families receiving cash assistance has been almost completely policy-driven. Decreasing the income eligibility threshold, imposing arbitrary and retroactive lifetime limits, and requiring waiting periods prior to the receipt of benefits have been the likely cause of the massive drop in monthly caseloads since 2000.

Likewise, the drop in access to unemployment benefits for Michiganders has also been policy-driven, with fewer unemployed Michiganders now receiving benefits than at any point in the past twenty years.

The state also has made it harder to qualify for SNAP. But has expanded Medicaid. The SNAP restrictions should be rolled back, and Medicaid expansion preserved and protected.

To re-engage people in the system, and ensure they can access their benefits, we can start by reversing the policies that have erected barriers to access.

For unemployment insurance, this means changing the eligibility period back to 26 weeks instead of 20, and repealing many of the rules that make it burdensome for individuals to access the benefits they're eligible for.

Minnesota — which is third nationally in the proportion of adults who work — is far more generous than Michigan in state unemployment benefits paid to laid-off workers. Minnesota workers in 2014 could receive as much as \$610 a week in benefits for 26 weeks. Michigan's 2014 maximum weekly benefit was \$362, 58 percent less than Minnesota's maximum.

We should also revamp the benefits application. In 2016, Civilla engaged the Michigan Department of Human Services in a project to better design the process by which low-income Michiganders apply for benefits. Many Michiganders don't receive benefits because of complex forms, missed appointments, and a lack of quality service from overburdened case workers. Civilla and MDHS created a pilot that cut the benefits application from 64 pages to 6, while still obtaining all necessary information.

We can also do away with waiting periods prior to the receipt of benefits. Placing hurdles in the way of individuals applying for benefits, particularly when needs are urgent, should not be a hallmark of our safety net.

Finally, we should remove arbitrary lifetime limits on the receipt of benefits. Many states impose no time limits on cash assistance, supported by research demonstrating that most welfare recipients use cash assistance on a temporary basis to get back on their feet, while those who run up against lifetime limits are those that face the most significant barriers to employment.

If we want to place any limits on the receipt of benefits, for either program, they should instead be based on a client's repeated failure to follow through on broadly defined work activities, which are defined in the next section.

Pillar 2: Caseworker support to overcome barriers to work and provide retraining opportunities

The second pillar of our social safety net needs to be comprehensive supports to help individuals both overcome barriers they face on the path to sustainable employment, and gain access to the training they need to access good jobs in today's labor market. Individuals need different services in order to obtain sustainable employment. Low-income, TANF-receiving individuals may face multiple barriers to

employment, from inadequate childcare to lack of transportation to insufficient work history to mental health or addiction issues. These individuals likely require a range of wrap-around social supports and training in a set of non-occupation-specific job-ready soft skills. Other individuals requiring services may have worked for years earning a good wage before losing their job. These individuals may require more advanced job-search assistance to recognize opportunities in the labor market, and access to educational opportunities.

In other words, there are what Ryan labels in his *Expanding Opportunity in America* report both those in situational and generational poverty — and everything in between — who all require support, and these supports vary considerably. What we imagine, and describe below, is that all supports would revolve around a central caseworker who would be able to refer clients to a range of service providers, help them navigate a thicket of services and benefits, and recommend potential educational and job-placement pathways. The description below is broken into two, one describing the services likely to be accessed by those in generational poverty and the other describing services likely to be accessed by those in situational poverty. Regardless of these divisions, however, a central part of our social safety net needs to be access to a comprehensive and customizable set of services that help individuals gain access to family-supporting work.

The original promise of TANF was that, in addition to receiving cash assistance, welfare recipients would receive support in overcoming the barriers to finding and keeping a job. Many in generational poverty face significant barriers to employment, ranging from the minor to the seemingly insurmountable. Potential barriers include everything from being unable to find job openings, to lack of housing, transportation and childcare, to lack of work-ready skills, to physical or mental health issues, to a history of addiction or incarceration. Furthermore, evidence suggests that few unemployed workers face just one single barrier; rather, they are dealing with a range of interrelated issues. A survey of 1,000 job seekers in Baltimore in 2013 found that “the majority (82 percent) of job seekers face at least three barriers to employment and more than half of job seekers (55 percent) report facing six or more barriers.” Approaches that address a single barrier are unlikely to make a lasting difference on an individual’s ability to consistently gain and hold employment.

With the variety of barriers individuals face, what’s needed is a comprehensive case management approach, in which everyone seeking assistance receives the one-on-one support that will allow them to overcome immediate barriers while making a long-term plan toward earning a family-supporting wage.

This type of comprehensive approach was modeled in a 2014 proposal by Paul Ryan titled *Expanding Opportunity in America*. In Ryan’s model, a highly qualified caseworker would help individuals in poverty find childcare, transitional housing, mental health counseling, and an entry-level job in the short-term, followed by expanded training and educational opportunities in the long-term, focused not just on a job but on a family-supporting career. In a hypothetical case Ryan presents, a case manager guides a client from an entry-level retail job all the way through to college graduation and a full-time teaching position. Safety net benefits continue until the recipient is in stable, good-paying employment.

This is obviously easier said than done, and would require a completely different approach to case management. Traditionally, welfare-to-work programs have focused on job-seeking skills (e.g. interview and resume prep), and are likely ill-equipped to provide a range of services to clients facing multiple barriers. In addition, the history of government-funded job training programs have, at best, produced decidedly mixed results. There are examples across the country, however, of non-profit organizations that have taken this more comprehensive approach with clients, and had notable success.

Ryan’s proposal was based on the work of Catholic Social Services across the country that have long utilized a comprehensive case management approach to help clients create long-term plans to treat root causes of a family’s poverty. In Ryan’s formulation, states would approve a list of providers who would be held accountable for getting individuals into full-time work and out of poverty. An alternative approach is the government providing these services directly through DHS offices, in coordination with the distribution of benefits.

The closest parallel to Ryan’s plan that’s been tried in the U.S. was Nebraska’s “Building Nebraska Families” program, which targeted high-risk, rural, TANF-receiving families between 2002 and 2005. The program assigned Masters-level social workers to very small caseloads (12 to 15 families) to deliver intensive services to help clients navigate benefits

and get them back on the path to work through life-skills coaching. The program achieved notable results, getting half of the clients back into the workforce, and increasing earnings for the very hard to employ. The program was also expensive, costing \$8,300 for the hardest to employ clients.

Providing the level of services prescribed in Ryan's plan would require highly-qualified, well-paid caseworkers, able to help clients navigate not just a web of government benefits, but also identify and mitigate a range of barriers they face in the short-term, while identifying and pursuing long-term goals.

At minimum, this means Michigan would need to dedicate far more TANF/maintenance of effort funding toward broadly defined work activities. Michigan is 40th in the country in this area, devoting just 5 percent of funds to work-related activities.

In addition to more resources, this would also require a shift in how we define work activities, and how we measure success. For years Michigan's welfare-to-work programs have swung back and forth between a focus on education and job training to a focus on moving individuals quickly into jobs. The proposed comprehensive case management approach wouldn't favor one tactic over another, but would instead try and do both: help individuals find a first job while building the skills needed for a long-term career. This means that the client would not exit services after gaining initial employment. And perhaps more importantly, for many clients the goal might first be to address mental health or substance abuse barriers through counseling, rather than trying to immediately move them toward work. Addressing these barriers also should count as work-related activities.

Included in the comprehensive case management approach should be a different definition of success for our safety net programs. Whether or not Michigan's welfare program is a success should be based on the decline of the poverty rate — or, even better, a decline in the ALICE rate — and success in securing stable employment, not on the extent to which welfare rolls are cut. States across the country have declared welfare reform a success because their welfare rolls have plummeted. But as previously discussed, rolls have plummeted not because thousands of Michiganders have found work and escaped poverty, but because the state has made policy changes that cut people from the rolls. It's easy

to make welfare look like a success by cutting the rolls. The hard part is reducing the number of Michiganders who can't afford to pay for basic necessities.

The comprehensive case management approach also provides a rationale for when and why an individual's benefits might be reduced. Under Michigan's current system, benefits are cut off based on arbitrary lifetime limits. Under a case management approach, any benefit cuts could be based on failure to comply with a case management plan, allowing for flexibility in providing some very hard-to-employ populations with support. There's nothing that says work supports need to be paired with draconian penalties and benefit cuts, following the faulty logic that the only way we'll get people to work is by leaving them with no safety net. In the U.K., where they nearly halved the child poverty rate over 10 years, the government increased support for work activities and incentivized work, while simultaneously increasing cash supports. Indeed, cash supports may even help to mitigate some obstacles to work, if a cash supplement helps pay for childcare or transportation, for instance.

The comprehensive case-management services outlined in Paul Ryan's plan should not be limited to families in poverty. Workers across the economic spectrum, particularly those with less education, face unstable employment in today's economy. Technology and globalization have automated or shipped overseas millions of low-skill jobs, and placed downward pressure on the wages of the low-skill jobs that remain. Everyone going through a period of unemployment, or simply seeking to increase their skills in pursuit of higher wages, should be eligible for comprehensive case management services that can plug them into quality job search and broadly-focused job training programs. In contrast to populations facing multiple barriers to employment, those in situational poverty may have significant work history and a range of both general and occupation-specific skills that can be carried over to other employment opportunities. This population may need fewer wraparound supports, but may be prime targets for retraining in a new field.

However, this largely does not happen in the United States. In one authoritative study, MIT's David Autor found that in local U.S. labor markets most affected by trade with China, almost 10 percent of those who lost their jobs successfully filed for Social Security disability payments, rather than train for a new job. Similarly, a study analyzing the impact that Japanese imports had on affected industries in the 1980s found a full third of the 11 million workers who lost

their jobs were still unemployed five years later, while the rest took a significant pay cut.

Retraining in Michigan is built around the Michigan Works! system, a network of regional offices providing workforce development services to Michiganders who are receiving benefits, are unemployed, or looking to improve their job skills.

As we wrote in our education recommendations report: “One can make a strong case that we have a human development system that tolerates high levels of student failure.” If anything, the performance of the adult training system — including apprenticeship programs and community college certificate programs — is even worse than pre K-16. The system is plagued with very low completion rates and many who do complete not finding good-paying work.

We need to set high standards for job training providers and hold management accountable for meeting those standards. Ideally the goal of the job training system should be stable, long-term employment in jobs that lift a household above the ALICE threshold. (Case manager providers should also be held accountable for these higher standards.)

Such a goal almost certainly would require a redesign of how we deliver workforce preparedness training. Many training programs likely offer too narrow a focus, training workers for a single occupation rather than a range of skills and capacities, leaving workers vulnerable to the next wave of automation and outsourcing. These narrow pathways may get workers back to work quickly, but may not offer them the surest path to a long-term career.

University of Wisconsin professor Matthew T. Hora, author of the book, “Beyond the Skills Gap,” found that the right set of technical skills aren’t enough, but that an individual also must be able to communicate well both verbally and in writing, be able to work well in a team, learn new skills, and be a creative problem solver. There are a number of programs across the country that are working to build critical thinking, creative problem-solving, and collaboration skills into their training programs, in addition to technical skills.

By and large we don’t have good data on outcomes for individuals that go through training programs. This means

we lack data on the effectiveness of the agencies themselves in placing individuals in training programs or in jobs, and on the effectiveness of various training programs. This data is critical so we know both which training programs are effective and so that Michigan Works! agencies can provide better information and better counseling to their clients.

An essential reform to our workforce development system is collecting and publishing employment and employment earnings (wages and benefits) data for several years after program completion so we know what pathways are viable for Michigan workers in need of retraining as well as how well programs are helping Michiganders enjoy secure stable, good-paying work.

Supporting Marriage

We all know that married households do better on a wide range of economic and social well-being measures. As then British Prime Minister David Cameron said as part of his Life Chances speech: “Families are the best anti-poverty measure ever invented. They are a welfare, education and counseling system all wrapped up into one. Children in families that break apart are more than twice as likely to experience poverty as those whose families stay together. That’s why strengthening families is at the heart of our agenda.”

The challenge for policymakers is that many programs designed to encourage marriage have not proven to be effective. Policy can reduce economic stress on families. And that almost certainly is a major impediment to couples marrying and staying married.

Cameron continued: “We’ve significantly increased the help we offer on childcare, introduced shared parental leave so families can be there for one another at the most stressful time — the birth of a child. We’ve backed marriage in the tax system and 160,000 couples have taken up the preventative relationship support that we have funded over the last 5 years.”

All are policy changes Michigan should consider. We also should support a recently enacted Minnesota law that does not count the assets of one spouse in determining safety net program eligibility for 18 months after marriage.



Increasing wages and supports for low-wage work

In the last section, we described a benefits and services system built around comprehensive case management. The idea behind the comprehensive caseworker approach is that unemployed workers often face a variety of barriers between them and a good job. These recommendations are designed to substantially increase the proportion of Michiganders who have a job.

But one of the most significant barriers for many workers is something a caseworker can do little about: the pay and structure of low-wage work. Many available jobs offer such low pay and such unstable schedules that they fail to cover living expenses or present unresolvable conflicts between work and family commitments.

In addition to moving jobless individuals to secure employment, we need to ensure the jobs they get will be family-supporting. The Michigan Association of United Ways found that 950,000 (25 percent of) Michigan households with a working adult could not pay for basic necessities.

To make low-wage work more attractive to those not in the labor market, to help ensure a full-time job can keep a family out of poverty, and to give the bottom half of the income distribution a much-needed raise, we must improve the pay and conditions of low-wage work.

The centerpiece of our agenda is helping Michiganders develop the education and skills needed to thrive in a 21st Century economy that places a high priority on knowledge and advanced skills. However, both today and for the foreseeable future, a large portion of the population will lack the necessary skills to command a high wage from the market. Since the early '80s, median family income has been either constant or declining for all those short of a bachelor's degree, which in Michigan constitutes roughly 70 percent of the population. Those at the bottom of the income distribution have suffered the worst, with market wages declining and the federal minimum wage failing to keep up with inflation, now 25 percent below the wage floor in 1968.

Below is a set of potential levers to increase wages for the bottom of the income distribution. Once again, the recommendations that place additional burdens on employers — as most of them do — are an area where we have the greatest lack of consensus on the Michigan Board. But what we all agree on is that, to meet the goal of rising household income for all, public policy needs to augment employment earnings for many.

The Earned Income Tax Credit and the availability of affordable and quality health care through Medicaid and the Children's Health Insurance program (CHIP) are impactful levers to raise living standards of low-wage workers without placing new burdens on employers.

The state Earned Income Tax Credit

The Earned Income Tax Credit is one of the most effective anti-poverty tools available for working families, both raising wages and providing an incentive to work. A bipartisan working group put together by Brookings and the American Enterprise Institute recommended an expansion of the EITC, particularly for childless adults who receive a very small federal credit, both as a way to make work pay, incentivize work participation, and promote marriage by increasing the wages of potential partners.

Twenty-six states and Washington, D.C., have a state earned income tax credit to supplement the federal credit, with the state credit pegged to a percentage of the federal credit. In 2012, the state EITC in Michigan was reduced from 20 percent of the federal credit to just 6 percent. A single mother with two kids in Michigan working a full-time, minimum wage job, earning roughly \$18,500 annually, would be eligible for a maximum credit of roughly \$5,500 from the federal government. With a 20 percent state EITC, the woman also would be eligible for a \$1,100 credit from the state, though with a 6 percent credit, she'd receive only \$330 from the state.

Twenty states offer a refundable EITC higher than Michigan's, and 10 states offer a refundable credit over 20 percent of the federal EITC. Wisconsin offers a 34 percent credit for families with three children; Minnesota, which awards the state EITC as a percentage of income, rather than as a percentage of the federal EITC, awards a credit averaging 34 percent of the federal credit.

California and Washington, D.C., offer a more targeted and intensive approach. California offers an 85 percent credit for only the lowest income working families. Washington, D.C., offers a credit worth 40 percent of the federal EITC, with the rate increasing to 45 percent for workers with three or more dependent children, and a 100 percent credit to adults without dependent children earning up to twice the poverty line, aligning with the Brookings-AEI report recommendations to increase earnings for non-custodial males. Recent research from the Upjohn Institute found that D.C.'s model led to significant anti-poverty effects.

One additional advantage of the comprehensive case management approach described in the safety net section is that case managers can help clients claim the EITC. Evidence suggests that millions of dollars go unclaimed every year.

Preserve Medicaid expansion

Access to quality and affordable health care is a critical component for households to be able to pay for basic necessities. Michigan has taken a major step in the right direction with its expansion of Medicaid eligibility. That progress should be maintained.

The remainder of the options would place additional burdens on employers. Most are in place in some states, many of which are high-prosperity states. Clearly what is ideal is for the economy to once again produce rising employment earnings, both wages and benefits, for all workers. But that has not happened for decades and there is little evidence that policymakers have levers available to change that. So many believe that the only choice to not accepting a market outcome with something like one quarter of households with a working adult who cannot pay for basic necessities is to in some way place burdens on employers.

State and/or local minimum wage

The current federal minimum wage is historically low, at \$7.25 per hour, well below the 1968 peak of \$9.54 (in 2014 dollars). This means that the minimum wage has failed to keep up with both the cost of living, productivity gains, and with the median wage of the United States worker, both making it harder for low-wage workers to get by, and exacerbating inequality.

Michigan's minimum wage is currently above the federal floor, at an hourly rate of \$8.90, and scheduled to hit \$9.25 effective January 1, 2018, with annual indexing beginning on April 1, 2019.

A potential model for minimum wage policy is to peg the minimum wage to half of a state or locality's median wage. The ratio is thought to be a fair approximation of what the market can bear; achieves a general sense of fairness; accounts for regional variety in cost of living; and has the benefit of historical and international precedent. The 1968 high-water mark was 55 percent of the median, and in 2012 OECD countries averaged a minimum that was 49 percent of their median.

If Michigan were to peg the minimum wage at half of the median wage in the state, the minimum wage would be \$9.96, close to an even \$10, and in the Detroit metro area it would be roughly \$0.50 higher, at \$10.42.

Another potential target for the minimum wage is poverty level, such that a single mother of two, for example, would escape poverty with a full-time minimum wage job. Michigan's current minimum wage would fall short of that goal, offering an annual salary of about \$18,500 for full-time work, against the federal poverty level of \$20,420 for a family of three. A \$10 minimum would get this family just above the poverty line; \$11.50 is roughly the hourly wage needed to keep a family of four with a single full-time worker out of poverty.

There's often a debate about the best course of action to raise the wages of low-wage workers: do we increase the minimum wage or increase the EITC? In reality, both are needed. Too low a floor on the minimum wage means more workers eligible for the EITC, with taxpayers subsidizing wages for private employers. In addition, if minimum wage workers are among the 6 million workers

nationwide who would like full-time work but can only get part-time work, a generous minimum wage and EITC will be necessary to provide stability.

Minnesota is the only Midwestern state with a minimum wage higher than Michigan's scheduled increase, and may be a model worth looking to. While Michigan's minimum is scheduled to increase to \$9.25 by 2018, Minnesota's is already set at \$9.50, with annual indexing starting in 2018. California and New York set the pace for the nation, with both states scheduled to hit \$15.00 in the early 20s.

While economic theory tells us a higher minimum wage would lead to job losses, either through company relocation or hiring cuts, a large research base finds employer response to reasonable minimum wage increases to be muted. Card and Krueger's 1994 landmark study analyzed the effects of wage changes in bordering states (New Jersey and Pennsylvania) and found few if any discernible effects on employment or employer behavior. Variations on this type of "natural experiment" study, in which employer behavior is analyzed along border lines between states or counties with differing minimums, have been replicated in dozens of other studies, finding similar results.

Improve collective bargaining rights

In 2015, former U.S. Treasury Secretary Lawrence Summers co-chaired the Inclusive Prosperity Commission for the Center for American Progress. They wrote:

"Today, the ability of free-market democracies to deliver widely shared increases in prosperity is in question as never before. The primary challenge democracies face is neither military nor philosophical. Rather, for the first time since the Great Depression, many industrial democracies are failing to raise living standards and provide opportunities for social mobility to a large share of their people.

... As productivity growth and median wages have diverged, an increasing share of the net income of the corporate sector has gone to management pay and to shareholders. When workers have less voice to demand higher wages, prosperity is not widely shared, a problem that is acute in the United States, where collective bargaining coverage is much lower than in most other advanced economies."

The decline in collective bargaining, both in the US and particularly in Michigan, has likely contributed to rising inequality and declining wages for the median earner. The percentage of workers covered by collective bargaining agreements in the United States dropped from 23 percent in 1983 to 13 percent in 2011, while in Michigan the percent covered dropped from 33 percent to 18 percent. Over that same time, median income has been either stagnant or declining, while productivity gains have largely accrued to the top 5 percent of earners.

The direction of Michigan policy for years has been to restrict collective bargaining rights. The evidence is that, to achieve the goal of rising household income — particularly of non-college educated workers — changing direction and expanding collective bargaining rights is a state policy lever that matters.

Paid family and medical leave

To make work pay, we also need to ensure individuals don't lose their jobs in the case of a family medical emergency, or birth of a child. States have a role to play here, largely to make up for federal inaction. For a low-income worker in a low-wage job facing a family medical emergency or the birth of a child, the federal policy of 12 weeks of unpaid leave may not do a whole lot of good if the family can't go without the wages, or if she works for a firm with under 50 employees, which aren't subject to the regulations.

Several states have family and medical leave laws to make up for federal shortcomings. Some, like Minnesota and Maine, bring the employee threshold over which you must provide leave down to 15 or 20 employees; California, New Jersey, and Rhode Island offer between four and six weeks of paid family leave, paid for through a state payroll tax, and administered through the state disability programs; and Connecticut, Massachusetts, Oregon, and California all require employers to provide paid sick leave.

Closing pay gaps by race and gender

Making work pay means making sure work pays the same for everyone, regardless of gender or race. A stubborn pay gap continues to exist for women and minorities. While some research suggests that a portion of the gender gap may be driven by occupational and childcare choices, studies also show that as much as 40 percent of the gap is explained by discrimination.

Michigan has a law against discrimination in wages by gender, though not by race. Six states and Washington, D.C., have passed laws, applying to public employees, that place the burden of proof on employers to demonstrate that different job titles with different pay engage in substantially different work that commands higher pay. To hold public employers accountable, Minnesota has appointed a pay equity coordinator, who can challenge local units of government on pay discrepancies.

Other states have passed laws pushing for transparency. Both Massachusetts and California have passed strong equal pay laws that bar employers from banning conversations amongst employees about pay; a further step would be requiring employers to publish pay data to employees.

Create stability for hourly workers

Another obstacle in the path of low-wage workers, damaging not only their quality of life but also their odds of holding a job, is irregular work schedules. Service-industry employers, aided by technologically advanced scheduling tools and seeking to minimize labor costs, increasingly utilize “just-in-time” scheduling practices to match supply of workers as closely as possible to

demand from customers. This type of scheduling prevents workers from the dependable income stream that comes from a consistent schedule and creates unavoidable family-work conflicts.

San Francisco is leading the way in minimizing these obstacles. The San Francisco Board of Supervisors adopted recommendations from the Retail Workers Bill of Rights requiring employers to provide more advance notice for changing work schedules, offer priority access to additional work hours to employees that request them, and pay workers who did not receive sufficient notice of reduced hours, are sent home early, or are forced to wait “on-call.”



Criminal justice reform

Mass incarceration in America is another major obstacle in the way of achieving inclusive growth. Roughly 2 million US citizens are behind bars, or 700 per 100,000, a rate unheard of anywhere else in the developed world. The numbers are even more disturbing for black males: in 2000, 10 percent of black males between the ages of 20 and 40 were incarcerated (10 times the rate of white men of the same age), and in 2010, a third of all black high school dropouts in that same age group were imprisoned, compared to just 13 percent of their white peers. As Ta-Nehisi Coates writes in *The Black Family in the Age of Mass Incarceration*, “By the close of the 20th century, prison was a more common experience for young black men than college graduation or military service.”

We’re devoting a separate section to how we deal with criminal justice not only because of the evidence of bias in its application, but also because the experience of being in prison erects a huge obstacle in the path to employment. The American ideal of serving your time and then returning to productive community membership is, for most, a myth. A summary of literature on barriers faced by ex-offenders found that both employment and earnings rates were significantly lower than those for the general population. The inherent challenges are many:

- Limited education and cognitive skills, limited work experience, and substance abuse or other mental and physical health issues are prevalent among this population.
- Incarceration can actually erode job skills, habits, and references.
- Ex-offenders return to communities where there are few low-skilled job opportunities and few contacts with access to legitimate work.
- Finally, the kind of work available may be unattractive (difficult work and low pay) to the point that ex-offenders choose less formal options, or criminal activity.

- Compounding these impacts are racial biases on the part of employers, and their aversion to hiring ex-offenders. (Notably, in a 2002 study of employer hiring practices, otherwise identical candidates who were white non-offenders, white offenders, black non-offenders, and black offenders were offered call-backs at rates of 34, 17, 14, and five percent, respectively. In other words, black non-offenders were offered jobs at a lower rate than white offenders—suggesting that racial bias of employers is a greater problem than ex-offender status.)

For African-Americans, the extent of mass imprisonment diminishes the stability of and security of entire communities. The effects are not limited to those who actually commit crimes. Coates’s piece mentioned above details some of the impacts that ripple throughout the African-American communities touched by over-incarceration. For instance, by 2000, over 1 million black children had a father who was behind bars, and around half of those fathers lived in the same household as their children before going to jail or prison.

Further, the growth of our prison system is a huge drain on state budgets. Michigan’s incarceration rate of 770 per 100,000 residents is somewhere in the middle of the pack in the U.S. — about half the rate of the states with the highest incarceration rates, but still almost twice the rate of our neighbors in Minnesota (390 per 100,000). According to 2014 reporting by Michigan Public Radio, Michigan has higher than average costs per prisoner and higher than average sentences. The state’s corrections budget is up from 3 percent of the general fund in 1980, to an astounding 20 percent of the state’s general fund, today.

Fortunately, there is a growing bipartisan consensus that reducing the number of people incarcerated is a worthy goal, and that we should concern ourselves with how easily the formerly incarcerated can participate in the job market and support their families. According to the National Conference of State Legislators, at least 25 states have

passed “justice reinvestment” reforms since 2007, and half of them have seen prison population reductions since 2009. Notably, Republican- and Democrat-controlled state legislatures have both been willing to pass criminal justice reforms, with advocacy and policy ideas coming from organizations like Right on Crime. (Right on Crime is a national conservative campaign to generate criminal justice reforms, “to ensure public safety, shrink government, and save taxpayers money.”) “Most recently, five states—Alabama, Idaho, Mississippi, Nebraska and Utah—adopted reforms in 2014 and 2015 that collectively have projected savings or avoided costs of more than \$1.7 billion over the next two decades.” Pew Charitable Trusts reports that several additional states are currently considering ways to reduce prison populations—reducing mandatory minimums, reclassifying nonviolent crimes and drug offenses, increasing the flexibility of judges in imposing sentences, easing the transition to parole, and reducing barriers ex-offenders face once they have served their time.

The evidence of spiraling negative impacts of prison on a person—which include high levels of exclusion from family-supporting and legitimate jobs—make the goals in this area clear. The state must balance the mandates of our criminal justice system against the harm it does to people who interact with it, and to their communities.

- (1) To help individuals and their communities participate in the economy, we should send fewer people to prison when alternatives are available, especially when those alternatives may address the underlying causes of the criminal behavior.
- (2) For those who are appropriately sent to prison, we should seek to reduce artificial or procedural causes of increasing prison time.
- (3) And finally, when people leave prison, we must help ease their return to the community, reducing the probability of recidivism and helping them contribute.

Michigan passed its own package of reform bills, which was signed into law in March 2017. This package includes bills that offer a “swift and sure” approach to probation violations, reduces incarceration time for some violations, and includes some reentry supports. They also are focused almost exclusively on the second goal—reducing recidivism—rather than on helping people avoid prison in the first place, or helping them to reenter society more successfully. As such, they are insufficient to truly help remove the barriers to employment faced by those who have interacted with the criminal justice system.

Provide alternatives to arrest and prison sentences

Many states are looking at reducing prison populations by eliminating or reducing mandatory minimums, reclassifying crimes from felonies to misdemeanors, and giving judges greater sentencing flexibility (for instance, the ability to require drug or mental health treatment as alternative to incarceration), especially for nonviolent and drug-related crimes. Even before sentencing reform, some cities are experimenting with innovative programs that help people avoid arrest altogether, the first point of intercept with the criminal justice system.

Empower police officers with alternatives to arrest

Pre-booking diversion programs provide incentives, training, and resources to police, usually in partnership with other community assistance programs, to give officers more options in how to respond to low-level criminal offenses. In Seattle, the Law Enforcement Assisted Diversion (LEAD) program gives police officers more options to address criminal activity. LEAD empowers police to send nonviolent, repeat offenders—especially those whose crimes are usually related to drug or alcohol addiction—to social services rather than jail. The social service worker, at the hub of a network of offerings, arranges drug treatment, housing, or other services. Ultimately the offenders should be less likely to commit future criminal activity if the underlying causes are addressed.

Indeed, a University of Washington study showed significantly lower rates of recidivism for LEAD participants than a control group: the LEAD participants were 58 percent less likely to be arrested again. The LEAD group was also much less likely to commit a felony crime. And the LEAD participants experienced significant improvements in other outcomes, including, for instance, being twice as likely to be sheltered during the study follow-up. Finally, the evaluation shows that the monthly costs to the county for the program are, in many cases, offset by the savings acquired through lower utilization of the courts, jail and prison time, and other elements of the criminal justice system.

Changes to sentencing and crime classification

In California, Proposition 47 of 2014 reduced nonviolent, non-serious crimes from felonies to misdemeanors except in cases where the defendant had certain prior convictions, and permitted re-sentencing for any inmate currently serving a sentence for one of the reclassified crimes. While it is too early to measure long-term changes such as reduction in recidivism, as of mid-August 2015, the California Department of Corrections reported that 4,347

inmates had been released under Prop 47, and that tens of thousands of ex-offenders had their records changed to reflect misdemeanor, rather than felony, convictions, opening up job and other opportunities. The state DOC further projected that 3,300 fewer people would be incarcerated each year.

Specialty courts

Redirecting drug-addicted criminals to drug courts, specialized court dockets where the court officials and social services work together to make intervening in drug dependency the goal, is another approach to avoiding incarceration, though research is ambiguous about their efficacy as currently implemented. Drug courts use a non-adversarial approach and have the latitude to integrate a variety of drug treatment options, usually coupled with frequent monitoring of participants. While several studies in the late 1990s and early 2000s found that drug courts reduced recidivism and increased the length of time that people participated in drug treatment, a meta-analysis of 154 drug court evaluations released in 2012 found that the methodologically strongest evaluations reported the weakest impacts in terms of recidivism. Further, it is not clear which features of drug courts lead to the greatest success. In other words, the evidence is mixed about how effective drug courts are.

Michigan has several drug courts in operation, though they are not available everywhere. Participants who complete the program are offered reductions in sentences or sometimes, dismissal of their charges. (Drug courts are just one type of specialty “problem-solving court” where the court staff members have special training in a particular issue, and where the goal is to hold people accountable while addressing their needs. Michigan also has some mental health courts, through legislation passed in 2013.) Given the ambiguity of evidence about drug court efficacy, Michigan may benefit from more rigorous evaluation of its own specialty court programs.

Special programs to address juveniles

Some states have undertaken juvenile justice reforms as a way of supporting youth, helping them circumvent the “pipeline” that often leads to prison once they are adults—and finding major cost savings. Out-of-home placements do not statistically improve outcomes for most young offenders. In some cases, they may actually increase the risk of incarceration. An evaluation of an Ohio program called Reasoned and Equitable Community Local Alternatives to the Incarceration of Minors (RECLAIM), which provides community based supervision rather than incarceration, found recidivism rates for low- and moderate-risk offenders in the program were half the rates of those in facilities.

The Pew Charitable Trusts reports that, in the last few years, a number of states have prohibited commitment to facilities for youth for a variety of offenses: Hawaii banned commitment for misdemeanors, Georgia for all “status offenses” (e.g., skipping school) and for misdemeanors except those with prior adjudications, and California for all low-level and nonviolent offenses. Other states have limited the amount of time a juvenile can be held in an out-of-home placement. Georgia, for instance, eliminated mandatory minimum sentences for certain felonies and reduced some maximum sentences from five years to 18 months.

In Georgia, a study in 2013 found that nearly two-thirds of the budget for the Department of Juvenile Justice went towards out-of-home facilities, which had a 65 percent recidivism rate—not a strong value proposition.

Some states have also made attempts to avoid arrest or adjudication for nonviolent young offenders. Florida implemented a statewide civil citation program (based on a program first implemented in 2007 in Miami-Dade county) that gives nonviolent, first-time misdemeanor juvenile offenders the opportunity to access intervention services—with the “carrot” that once the interventions are complete, the arrest is not filed at all, meaning the case is not adjudicated and a juvenile record is avoided. (If the youth fails to complete the civil citation process, the original arrest is filed.) The process includes two psychosocial assessments, which then lead to case management and a range of service referrals, family counseling and drug testing, and sanctions such as education and community service. According to Florida’s online Civil Citation Dashboard, between June 2015 and May 2016, 48 percent of eligible youth were issued civil citations rather than being arrested.

Wayne County offers a model for the rest of the state in one approach to supporting young people. The Juvenile Assessment Center, launched in 1999 to allow adjudicated and pre-adjudicated youth to stay in the community rather than being moved elsewhere in the state, allows Wayne County to take responsibility for every adjudicated young person. Their 2014 annual report explains:

“The JAC Diversion Services Program is a collaborative effort of the Wayne County Prosecutor’s Office, the Third Circuit Court and WC-CAFS to provide early assessment and access to community based services that prevent further penetration into Juvenile Justice adjudication. Juveniles with first-time or low-risk offenses, that are not Petitioned or Dismissed by the Jurist with agreement of the Prosecutor, are then assigned to their local Youth Assistance Programs (YAP) for services ...

The JAC Diversion Services Program assures that youth with significant mental health concerns, substance use, unsafe environments and special situations have access to more intensive services without being adjudicated.”

Through partnership with five case management partner organizations, every arrested youth in the county is assessed on a variety of domains and offered relevant services.

Incentivize local jail reforms to reduce the chances of incarceration

While prison reforms, as discussed above, have been increasingly popular on both sides of the political aisle, new work has focused on the role that jails play in making it more difficult for those leading marginalized lives to avoid incarceration. A comprehensive 2015 report by the Vera Institute for Justice (on which nearly this entire section is based) found that even a short period in jail pretrial (at which point, an inmate is supposed to be presumed innocent—six out of 10 people in jails are pretrial) correlates with negative outcomes for defendants, compared to those released within 24 hours. Seventy-five percent of both unconvicted and convicted jail inmates at any given point are in jail for nonviolent drug, traffic, property, or public order offenses. Even a brief stint in jail can cause housing, employment, and health issues, not just for the offender, but for his or her family and community. These issues are further exacerbated by the interrelated issues of drug abuse and mental health: 68 percent of people in jail have substance use disorders, and 60 percent reported symptoms of a mental health disorder in the 12 months prior to incarceration.

On top of this, many criminal justice agencies charge fees for services they provide (including supervision for parolees or other programs), placing a financial hardship on those arrested that increases the chance of them being incarcerated again. In some cases (if a judge considers the nonpayment willful), nonpayment of fees can be considered a probation violation. The total impact is that, despite the unconstitutionality of debtors’ prisons, people are returned to custody for being poor.

The upshot is that jail reforms that reduce detention, especially for low-risk defendants, can reduce incarceration significantly. These reforms can happen at a variety of decision points in the jail system, from arrest, to charge, to setting bail, to case processing, disposition, and sentencing, to probation and community supervision upon reentry. For example, the invention of bail was supposed to create an option for the presumed innocent to avoid jail unless a danger or flight risk. But for the poor, it creates a barrier. Risk assessment, early bail hearings, and pretrial supervision can provide alternatives.

To date, most of the work in jail reform in line with the above has been undertaken at the local level. But there are some models for the role a state can play. Creating and funding alternative courts, creating call-in supervision programs for low-risk offenders, mandating the use of validated risk assessment tools, creating rules governing timely trials, and expanding post-charge diversion programs are all tactics with a state role.

Shorten sentences and reduce recidivism Presumptive parole

Following national trends to “get tough on crime,” Mississippi’s legislature adopted an “85 percent” rule in 1995, requiring prisoners to serve 85 percent of their time before being eligible for parole. (In Michigan, around the same time, a “Truth in Sentencing” law was passed that prohibits parole before the full minimum sentence has been served. The Michigan law is still in place.) In 2012, Mississippi had the second-highest imprisonment rate in the country, with 45 percent being nonviolent offenders. Through a reform bill passed in 2014, the 85 percent rule was amended “to make certain first-time, nonviolent offenders eligible for parole after serving 25 percent of their sentences.” In addition, the new rules mandated case planning at the time of admission for parole-eligible convicts so that needed treatment or services would be provided prior to parole review. The bill also diversified and strengthened specialty courts and expanded judicial discretion in assigning alternatives to incarceration.

Then, in 2015, Mississippi adopted a “presumptive parole” policy, which “created a presumption that a prisoner would not be a menace to society or public safety, and would have to be released upon serving his or her minimum sentence, if the prisoner scored a high probability of parole based on established parole guidelines.” A presumptive parole policy shifts the burden to the parole board to show why a prisoner should not be released, rather than on the prisoner to prove eligibility.

In a different approach, in Connecticut, according to the Criminal Justice Policy Foundation, any inmate may apply for commutation of her sentence after serving half of it, if the sentence is eight years or less. If the sentence is more than eight years, she may apply for parole after serving four years.

“Swift, certain, fair” probation

Another common approach to reducing recidivism is “swift, certain, fair” probation, characterized by a limited set of rules, clear warnings, close monitoring, and immediate but modest response to violations. This approach is based on the fact that too often, the repercussions of parole violations were either not commensurate to the violation, or were administered too long after the violation,

reducing their ability to drive behavior. These programs have been implemented in at least 28 states. In Utah, for example, research on recidivism rates showed that one-third of returned prisoners were there for new crimes, but two-thirds were there for parole violations.

With Hawaii Opportunity Probation with Enforcement (HOPE), Hawaii became one of the first states to implement a swift, certain, fair probation program in 2004. Aimed specifically at substance-abusing probationers who are at a high risk of violating parole, HOPE emphasizes clear behavior guidelines, immediate and defined sanctions following violations, and “elements of procedural justice that make it clear to probationers that courtroom members (probation officers and supervising judges) want them to succeed.” In an evaluation, compared to the control group, HOPE probationers were 61 percent less likely to skip meetings with probation officers, 72 percent less likely to have a positive urine test (indicating drug use), and 55 percent less likely to be arrested for a new crime. Michigan’s new swift and sure probation program is based on HOPE, and should be reviewed over time for how closely it hews to the HOPE model, and achieves similar outcomes.

Mitigate the negative impacts of incarceration once time has been served

Some initiatives try to limit the degree to which convictions serve as a barrier to the formerly incarcerated securing employment. Other programs attempt to address the ways in which prison time fails to prepare inmates for re-entry. Programs that provide incarcerated individuals with drug and mental health counseling, job training, education, cognitive skills, and even entrepreneur training help make transition to civilian life easier.

Fair chance hiring

“Ban the box” policies prohibit employers from asking about felony convictions on job applications, delaying questioning about convictions until later in the hiring process. It allows people to be considered based on qualifications before being automatically disqualified. While several Michigan communities have ban the box policies, there is not a statewide policy at this point. A few cities nationwide have passed more in-depth “fair chance” employment policies that delay arrest and conviction questions until after in-person interviews, and prohibit employers from excluding applicants based only a conviction, unless it is directly related to the performance of the job. For the most part, the more expansive programs have been implemented in just the past few years, making data on program efficacy scarce.

Finally, expungement (also known as record set-aside or sealing)

guidelines make criminal records on eligible convictions unavailable except to courts and certain agencies. This helps the formerly incarcerated in efforts to obtain housing and employment. Michigan passed legislation in 2015 that expanded the eligibility for records sealing, but didn’t go as far as a promising practice in Minnesota. A 2015 Minnesota bill, “extends expungement to a broader range of offenses, requires data-mining companies to honor expungements, addresses victimization and housing evictions, and protects landlords and employers.” According to University of Minnesota Law School’s Robina Institute of Criminal Law and Criminal Justice Fellow Emily Baxter, “While by no means a silver bullet, this new legislation will help a significant number of Minnesotans currently locked out of employment, housing, licensure, education, and countless other of life opportunities, by providing a true opportunity for a second chance.”

Remove barriers to the social safety net for the formerly incarcerated

Many states (including Michigan) have full or partial bans on welfare and food stamps for those with felony drug convictions. Considering that a felony record also makes finding legitimate work difficult, this makes returning to informal work or criminal activity all the more likely. In 2015, Utah, Texas, and Alabama became the latest states to eliminate blanket bans on food stamps and/or welfare. In Texas (where the ban was removed on food stamps but not cash assistance), the political focus of advocates was on helping formerly incarcerated people avoid becoming repeat offenders. According to the Texas Department of Criminal Justice, the lifting of the ban could help as many as 56,860 residents currently on Community Supervision for drug offenses, along with many others who already had completed parole.

Effective worker training for ex-offenders

Programs or agencies that support ex-offenders in finding work are most effective when they convince employers that use of such an intermediary is an effective recruitment strategy. Studies show that employers are most open to hiring ex-offenders if they learn that the offense was non-violent, and that the worker has been able to find some work since leaving prison. Programs that screen and train workers extensively, and partner with employers, like the Safer Foundation in Chicago, have seen positive results through these efforts. A 2010 study commissioned out of Loyola University of Chicago, in partnership with Safer, found that the recidivism rate of a cohort of almost 7,000 inmates released over a one-year period was 52 percent. For the population who received supportive services from Safer, the recidivism rate dropped to only 20 percent. For those who received services and achieved employment, the rate was 18 percent, and those who achieved 365 days of employment, the recidivism rate dropped to 16 percent.

Paying for our recommendations

As you have seen, many of our recommendations involve increasing public spending. So yes, to implement our recommendations will almost certainly require state taxes/revenue to be higher than it is today. But we think that what that revenue can purchase has the best chance of contributing to our goal of a higher standard of living for all Michiganders.

That said raising taxes is not our goal. It is a means to making the kind of public investments we think are essential to the goal of good-paying careers for all Michiganders. Getting to the goal is what is important. We are open to any and all ideas on how achieve the goal.

What about low taxes as a path to prosperity? We have long believed, and the data show, that the states and regions with the most prosperous economies—the broadest middle class—will be those who make public investments in the assets needed to prepare, retain and attract talent. That ultimately it is talent concentrations, not low taxes, that matter most to economic prosperity. And it is increasingly clear to us that public investments are part of what is needed to broadly share prosperity.

As we documented in our State Policies Matter report, Minnesota has the Great Lakes' best economic outcomes and the highest taxes in the Great Lakes. Minnesota ranks 46th in the latest Tax Foundation state business tax index; Michigan ranks 12th. High taxes have not prevented Minnesota from having the economic outcomes all Michiganders want: third in the proportion of adults who work, 14th in per capita income and eighth in employment earnings per capita. Michigan on those measures ranks 40th, 32nd and 36th. One can make a strong case that the increased public investments those higher taxes enabled is a major reason for Minnesota being the most prosperous Great Lakes state.

Michigan's experience over the last 20 years provides ample evidence that cutting taxes is not a way to increase state prosperity. In 1993 Michigan taxes (state and local combined) per capita were 3 percent above the national average and the state's per capita income was 3 percent below the national average. In 2004 the state's taxes per capita had fallen below the national average by 3 percent but we had fallen even farther behind the nation in per capita income, trailing the nation by 6 percent. And in 2013 (the last year for which tax data is available) the state was 12 percent below the national average in taxes per capita and 12 percent below the national average in per capita income. (The tax data comes from a 2013 Tax Revenue Comparisons: Michigan and the U.S. Average report by the Citizens Research Council.)

He places with the strongest economies are those that combine high quality education systems and high quality of place that retain and attract mobile talent. Both education and placemaking require public investments. These types of public investments, paid for by our taxes, are the state policy playbook most likely to return Michigan to high prosperity, creating an economy with lots of good-paying jobs. Add to that making shared prosperity a priority and it gives the state the best chance of getting Michigan on the path to good-paying careers for all.

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