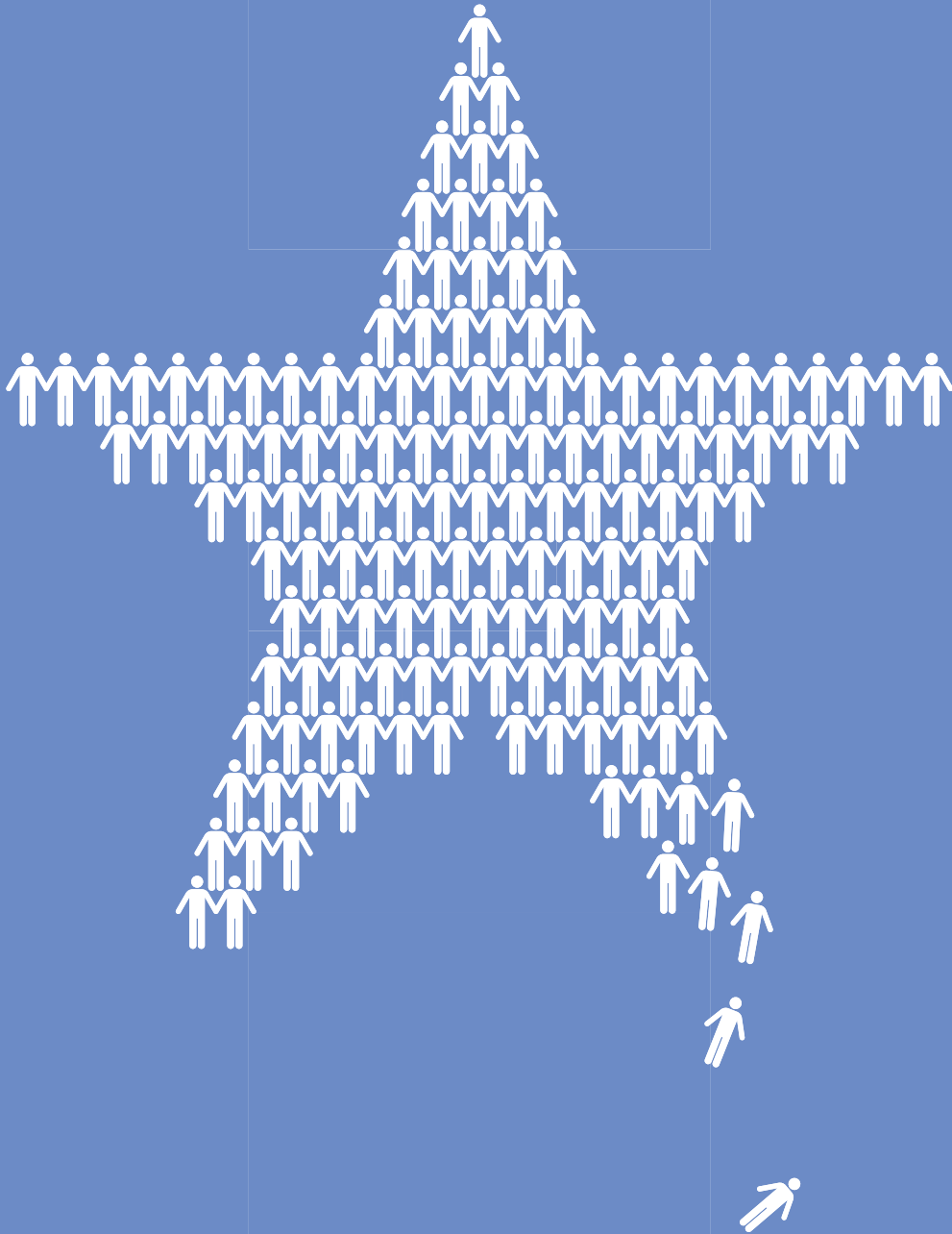


Grow Faster Together. Or Grow Slowly Apart.

How Will America Work in the 21st Century?





In 1998, The Aspen Institute, generously supported by private foundations, convened the Domestic Strategy Group to study work, the economy and the future of America. Members included both Democrats and Republicans, business and labor leaders, and prominent representatives from academia, think tanks, community organizations, and the press. The Domestic Strategy Group and the Aspen Institute are enormously grateful to the Ford Foundation, the Ewing Marion Kauffman Foundation, the W.K. Kellogg Foundation, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, the John D. Rockefeller Foundation, and the Russell Sage Foundation for their support.



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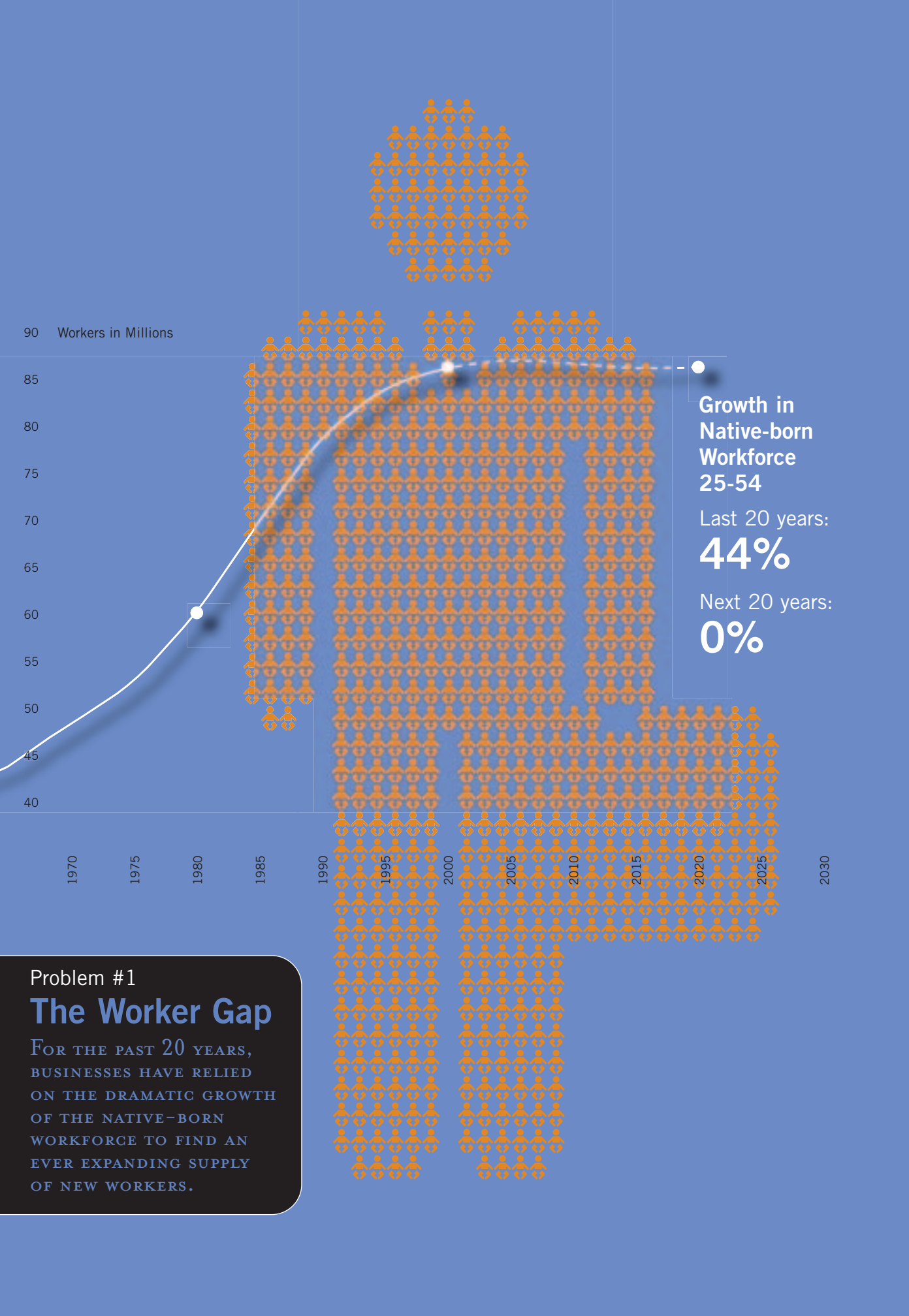
Another Crisis We Did Not Expect

September 11 was a wake-up call to everyone in America. It alerted us to a terrorist danger that had been building for years without our paying attention. We now know that we're in for a long struggle.

With this report, the Domestic Strategy Group of The Aspen Institute is issuing a wake-up call to another crisis that has been building beyond our notice. A work crisis. But there won't be a September 11 to alert us. This crisis is hidden. And building. But its impact will be just as sharp and long-lasting.

We have mobilized for one challenge.

We must now mobilize for the other.



Problem #1

The Worker Gap

FOR THE PAST 20 YEARS, BUSINESSES HAVE RELIED ON THE DRAMATIC GROWTH OF THE NATIVE-BORN WORKFORCE TO FIND AN EVER EXPANDING SUPPLY OF NEW WORKERS.

Problems

The economic challenge is actually worse than it appears. It is a far more serious problem than the dot-com collapse and deceptive financial reporting. That's why we can't simply do a few near-term fixes and get ourselves back to 1999. In fact, we can't ever get back to 1999.

Problem #1.

The Worker Gap. For the past 20 years, businesses have relied on the dramatic growth of the native-born workforce to find an ever expanding supply of new workers. That growth is now over.

Problem #2.

The Skills Gap. For 20 years, our productivity has been boosted by technology and a better educated workforce to take advantage of it. But just as our needs for an educated workforce accelerate, the gains in education are slowing down.

Problem #3.

The Wage Gap. The gap in earnings between workers at the bottom and those at the top has widened and looks to expand even further. For women, wages at the bottom have been essentially stagnant over the past twenty years while pay for those at the top has risen sharply. Meanwhile, men at the lower end are being actually paid significantly less than two decades ago, though they still earn more than lower end women, while men at the top earn much more than before. Sizable racial gaps persist as well.

Ignored, these three problems will threaten our productivity and growth, our international competitiveness, and, potentially, even our very cohesiveness as a nation. And they tend to reinforce each other. Labor and skill shortages both hurt industry and increase the gap between the haves and have-nots. An inadequate, ill-equipped workforce could lead wages to stagnate and make businesses less competitive. If immigrants increasingly occupy the lowest tier of service work, they will become an increasingly isolated segment of society. And firms will increasingly locate abroad to find skilled and unskilled workers they need to compete effectively on the world stage. That's why ignoring these problems could put us in a situation of economic stagnation with our nation growing slowly apart.

Problem #2

The Skills Gap

PRODUCTIVITY FOR 20 YEARS WAS BOOSTED BY TECHNOLOGY AND BETTER EDUCATED WORKERS. GAINS IN EDUCATION ARE NOW SLOWING.

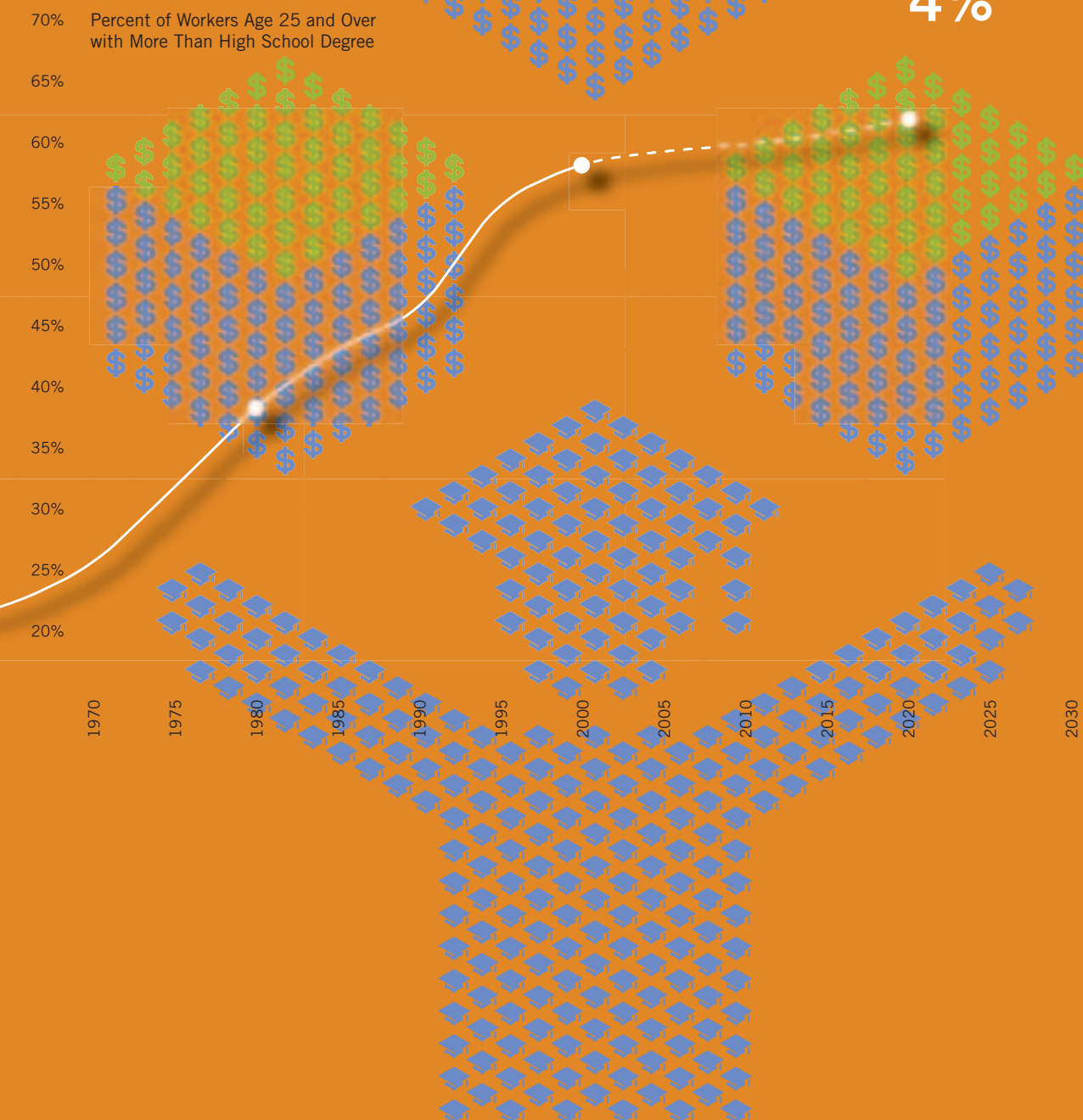
Increase in the Share of Workers with Post-High School Education

Last 20 years:

19%

Next 20 years:

4%



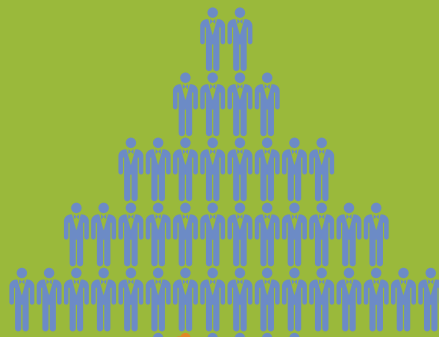
Principles: The Aspen Covenant

The future of our economy is directly linked to the future of work and workers. Therefore, we cannot talk about the kind of economy we want without understanding the kind of society we want. Our economic strength flows from our workers, their skills, their motivation, and their treatment.

In the rapidly changing and increasingly complex business environment, all workers will be needed. But they must be ready, willing, and able to meet the new economic challenges, and that requires that they get the support and economic security they require. In this new relationship between business and labor, what will be economically advantageous is what is morally right.

So before we look at solutions, we need to agree on the principles behind them. These were articulated by the Domestic Strategy Group in The Aspen Covenant. It describes four essential characteristics for a superior workforce, paired with four commitments to workers to help make it happen:

- Hard Work and Personal Responsibility Must Remain the Foundation of our Economy *and*
- People Who Work Should Not Be Poor
- Workers Need to Be Well-educated and Willingly Learn New Skills *and*
- Workers Should Share in the Rewards of Economic Growth and Prosperity
- Workers Should be Flexible and Expect to Shift Jobs and Careers *and*
- A Flexible Economy Should Enhance, not Reduce, Worker Security
- Workers Should be Responsive to the Needs of Employers, Co-workers and Customers *and*
- Work Should Enhance, not Detract from, the Lives of Families in General and Children in Particular



Percent Growth
in Earnings of
Full-time
Male Workers

Top 10%

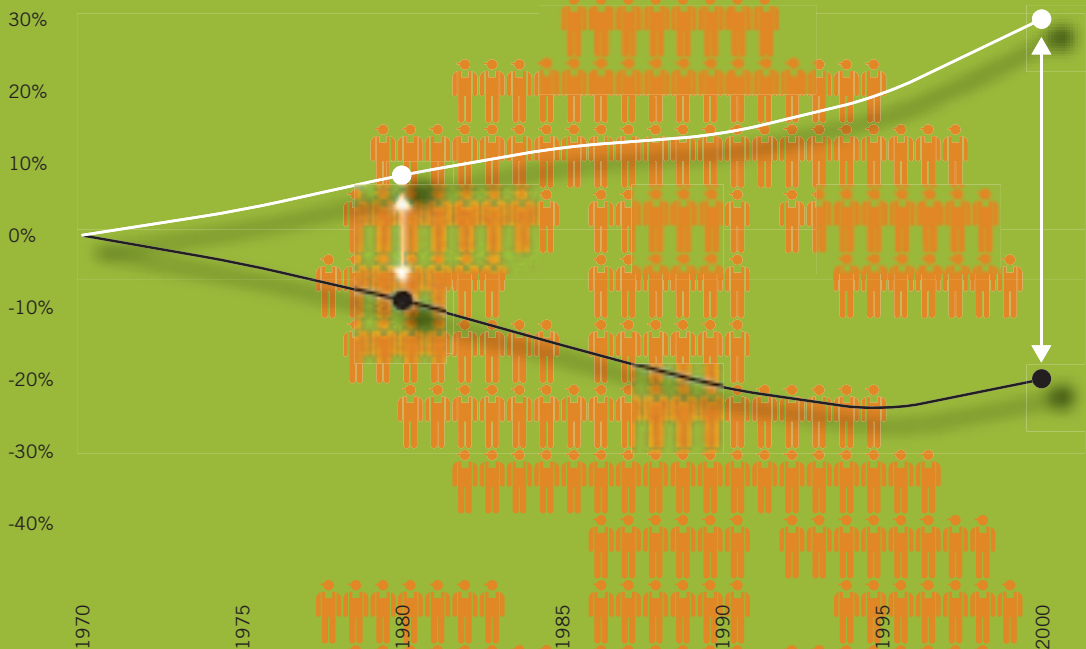
30%

Bottom 10%

-20%

50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%

Percentage Change in Real Wage
and Salary Earnings of
Full-time Full-year Male Workers
Age 18-64 Since 1970



Problem #3

The Wage Gap

THE GAP BETWEEN
WORKERS AT THE BOTTOM
AND THE TOP HAS
EXPANDED, THREATENING
OUR ECONOMY AND
COHESION AS A SOCIETY.

Solutions

These problems are related, and so will be their solutions.

The demographic problem is about skills as much as numbers – we don't just need more workers. We also need smarter, better trained and more skilled workers to boost productivity. This growth in productivity will then increase average wages – which will, in turn, begin to close the income gap and expand the middle class. More money will flow through the economy, fueling new economic growth and helping close the wage gap.

The workforce crisis has been a generation in the making and will take another generation to solve. That is why it is critical we start now.

1. Let's make work pay.

Income supports can help fulfill the promise that anyone who works will be able to escape poverty. We propose maintaining and increasing the Earned Income Tax Credit; expanding government-supported health care programs for lower income families; and tax reform that targets marriage penalties and high marginal tax rate for the near poor.

2. Let's build a more skilled workforce and foster upward mobility.

Here we need everything from customized in-house programs to cross-industry, multi-firm training and career ladder strategies, to training connected to the creation of new enterprises. Programs have to be more flexible in how they're delivered and intimately knowledgeable about their industries.

3. Let's restore worker security while enhancing workforce flexibility.

People now frequently change jobs for new opportunities, use temporary work to fit available time, or try new endeavors. To allow job flexibility and restore worker security, we need to: increase pension and health benefit portability; discourage pre-retirement withdrawals; reform individual insurance markets; make Unemployment Insurance work for lower paid and non-traditional jobs; and establish clear definitions of permanent and temporary employment.

4. Let's provide a more supportive workplace for working families.

A surprising number of businesses need help in this area. We need to create clearinghouses for best practices to deal with problems arising from rotating shifts and episodic employment; expand incentives for employers to aid families through enhanced caregiving benefits; make the child care tax credit refundable; do more to integrate early childhood education into child care programs; create “wrap-around” child care programs than meet both parent and child needs; and encourage employers to have more family friendly work schedules.

5. Let's rethink immigration policy.

Let's approach employment-based immigration separately from family-related immigration, considering our labor force needs and their impact on domestic workers; increase the proportion of permanent to temporary immigrants, looking at economic and social needs; expand efforts on a national level to help immigrants, adults and children alike, integrate more quickly and more effectively.

Our goal is to stimulate informed and enlightened dialogue among business executives, scholars, and policy makers to develop the enlightened, values-inspired, morally responsible leadership that will help our economy operate in the public interest, as well as in the interests of shareholders.

The Aspen Institute
Domestic Strategy Group

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I. A Time for Action



Preamble: September 11

The horrific events of this date have shaken our sense of personal and economic security. We now know that fanatics are capable of launching lethal attacks within our borders. We also see our economy, seemingly invincible for nearly a decade, at least temporarily stalled, and perhaps faltering, in the aftermath of this tragedy, combined with accounting scandals and other concerns.

On the positive side, we are now united as a nation in a way we haven't been for generations. The call has come for strength, stability, and resolve, and it may yet come for financial sacrifice. But now we understand our security is ultimately founded not just on our economic strength, but also on our sense of shared purpose and destiny.

We hope the threat from terrorists is being brought under control, and that they will eventually be defeated. But success will not automatically put us back on Easy Street. The economic problems we had on September 10 will still be with us. And we will still need to deal with the challenges to our long-term economic growth. Three stand out:

1. For 25 years, our growing economy has depended heavily on the dramatic growth of our native-born workforce – and that growth is now over.
2. Our productivity has also been substantially boosted by sharp gains in education – but these gains have now slowed.
3. The gap in income between workers at the bottom of the scale and those at the top has grown – and it looks to expand even further.

A failure to meet these challenges could do far more than terrorists to weaken our spirit. We must, therefore, address them decisively.

Enter The Aspen Institute's Domestic Strategy Group

In 1998, The Aspen Institute convened a group of prominent Americans to study work, the economy, and the future of America. Generously supported by private foundations, this “Domestic Strategy Group” included both Democrats and Republicans, business and labor leaders, and prominent representatives of academia and the press.

The goal was to understand the challenges to our economy from a workforce perspective, then find areas of consensus and ways to take these ideas and turn them into concrete actions that will help create a better America.

The group examined a wide range of issues, from the needs of employees in today's performance-focused workplaces, to new approaches to training a technologically sophisticated workforce.

Members debated public policy and corporate practices in great detail.

Some issues raised sharp disagreements, but there were also many issues on which all could agree.

On one fundamental point, there was absolutely no discord:

We must act now.

All group members, no matter what their political leanings, felt we cannot rely solely on the market to solve the problems that lie ahead. Nor can we look to government for all the answers. In fact, no one sector or group can meet all the challenges. Instead, every sector must re-examine its role and adapt it to changing conditions.

The Domestic Strategy Group met before terrorism had reached our shores and before the economic success of the '90s – the unimaginable combination of economic growth, rising productivity, low unemployment, and stable prices – began to falter. But September 11 and the faltering economy

only lend new urgency to the group's work.

This report summarizes the challenges the Domestic Strategy Group believes America's leaders must meet. We must develop a comprehensive, credible strategy for the future, and we must start immediately.

In seeking answers, we can glean wisdom from our most recent insights into our unity of purpose. We can commit to bringing all Americans together for economic progress; we can commit to being one economic nation; and we can ask ourselves:

What does it mean to come together as economic patriots?

How do we stay together for the economic good of all?

We have an incredible opportunity to strengthen our union and preserve America's role as a beacon of hope in a troubled world. And the time is now.

II. The Changes We Face



In recent months, policy makers have been preoccupied with addressing near-term needs. This is completely understandable.

But we must not overlook long-term challenges. Even if we do an exceptional job weathering current economic difficulties, our ability to sustain prosperity and national unity will still be sorely tested over time.

We need to expand our workforce; we need to get more productive through better worker education; and we need to lessen the disparity between the

most successful and least successful sectors of our workforce.

But our ability to do these things is being challenged by some fundamental changes in our society.

Tomorrow's New Workers: Seniors and Immigrants

Much of the economic expansion of the past two decades was fueled by the growth in prime-age native-born workers, as members of the baby boom generation entered their peak work years and women participated in the workforce in ever growing numbers. That growth is now over.

From 1980 to 2000, 26.7 million new native-born workers age 25-54 provided the workforce needed for our dynamically growing economy. From now until 2021, there will be no additional native-born workers in this prime age group. None.

Therefore, any growth in the labor force will simply have to come from older workers and immigrants.

Productivity and Real Growth at Risk

Education has traditionally been key to improving productivity and our standard of living. In the future, it will contribute relatively less to these productivity improvements.

That is because for the past 20 years, workers entering the labor force were far more educated than those they replaced. In the next 20 years, this will be much less the case.

Also, in the past 20 years, the number of college-educated workers more than doubled. In the future, this increase will be much smaller, even under the most optimistic scenarios. And the more pessimistic estimates keep the percentage of the labor force that are college graduates virtually unchanged for the next two decades.

In the past, that influx of better educated workers allowed employers to exploit new technologies and create flexible, adaptable workplaces that could respond better to the more dynamic business environment. Now, however, employers will be operating in an increasingly complex economy with workers who are not much better educated than

today, and with the new source of labor primarily made up of immigrants often uncomfortable with English and workers nearing retirement.

Families and children are under increasing stress as well, with the rising number of families where both parents work and the growth in working single parent households.

Unless we act on these workforce challenges, the nation will find it difficult to increase productivity in the years ahead.

Without substantial productivity gains, non-inflationary growth will be virtually impossible.

The Wage Gap Widens

There is a growing gap in skill levels between the highest and lowest skilled workers. And there are changes in the basic nature of our economy that are putting an even bigger premium on highly developed skills. These factors threaten to widen the already worrisome gap between the wages of high- and low-skilled workers.

The simple fact is, even with all the economic successes of the last 20 years, our nation still has not fulfilled its promise that hard work will lead to prosperity shared by all. Some groups have gained, but many lower-income workers have actually lost ground. That trend was halted, though not reversed, in the 1990s. But now, shortages of workers with needed skills, increased immigration, and economic sluggishness could again lead to increasing wage gaps.

This situation breaks the promise to our people that hard work will be rewarded.

And it jeopardizes our spirit of national unity just when that spirit is needed most.

Time to Act

If we do not act now, these three trends will challenge our national resolve. But effective action will require a change in course.

Lincoln said it best: "The dogmas of the quiet past are inadequate to the stormy present."

Demographics, Good and Bad

Without a dramatic change in the way we train and support workers, we will fall short of finding the highly-skilled, adaptable, and technologically sophisticated labor force we need to compete in the future global economy.

We must make sure the economic success of the past two decades does not blind us to the need for substantial change. Indeed, from 1980 to 2000, our GDP per capita grew after inflation more than 50% – from \$23,126 to \$35,409. And yes, we've benefited immensely from free-market policies, flexible capital and labor markets, advances in technology, and plain old-fashioned ingenuity.

But we've also been lucky. A growing supply of native-born workers in their most productive years, plus strong gains in educational levels, created the pool of highly skilled, adaptable, and technologically sophisticated workers our increasingly sophisticated economy depends upon.

Demographic trends suggest that in the next 20 years, such workers will be harder to find.

Worker Training No One Wants to Fund

Ironically, some of the very conditions that made the new economy successful now complicate our efforts to assemble the workforce needed for the future.

For example, the new economy weakened links between employers and employees, lessening corporate incentives to invest in worker training. That economy featured rapid turnaround and high stakes. This forced employers to respond quickly to changing needs by hiring new employees and letting others go as they adjusted their business plans to the latest competitive realities.

But this had an unfortunate side effect. While many employers still spent heavily to train employees, many others did not make such investments. They saw the money as either wasted or, worse, free help for the competition, when employees moved on.

For less-skilled workers, there are even more training barriers:

- Employers who traditionally rely on unskilled labor often find it easier to compete by minimizing the investment in workers, rather than by improving worker skills, increasing productivity, or upgrading services.

- With little hope of advancement, unskilled workers have little incentive to show motivation, maturity, or loyalty. So they're more likely to change jobs frequently, never establishing resumes that build their value as employees.

- Finally, the wages and benefits of many unskilled workers are so low that they simply cannot afford the time and money for training that would give them valuable skills.

The combination of these factors could result in a raft of unfortunate consequences:

- Without a change in course, the gap between the highest- and lowest-paid workers, which grew substantially in the '80s and early '90s, before leveling off in the last few years, could become wider still.

- With large numbers of workers underutilized and discouraged, wages and productivity could stagnate, or even decline, slowing economic growth.

- Increased immigration, prompted by the need for unskilled workers, could heighten social and racial tensions.

All this, in an economy that in the wake of two decades of phenomenal success, still leaves a third of all full-time workers without health insurance, more than half without employer-provided pension coverage, and one in five families unable to earn enough to escape poverty without social assistance.

Every Worker Needed

These figures describe a reality that offends our sense of what America stands for. It is a reality that we simply cannot afford to allow.

With the labor force leveling off for the next 20 years, every worker will be needed. Some employers who traditionally have relied on the lowest paid and least skilled workers will be among those most in need of new workers – for example, home health providers and nursing

home operators serving an aging population.

It's hard to see how such companies will meet the demand for their services unless they reach out to every possible worker while also finding ways to boost the productivity of their workforce.

In Unity There Is Prosperity

The good news is, disappointing productivity, widening wage gaps, discouraged workers, and a stagnant economy need not be our nation's future.

As the next two sections show, business, labor and government can come together and solve these problems.

We can, in fact, produce a labor force with the skills to meet the demands of our sophisticated economy and changing society.

With a more productive workforce, employers could afford to invest more in training.

New opportunities for advancement would then encourage people to work harder and be willing to invest in developing their own skills, increasing productivity even more.

If workers can be helped to gain the skills needed to move up the economic ladder; if economic flexibility can be maintained without worker insecurity; the end result will be quite different.

The economy will accelerate, wages will rise for all workers, and everyone will share in the prosperity.

The choices are clear.

Grow faster together. Or grow slowly apart.

III. A Framework of Principles

The Aspen Covenant



How do we achieve the goals of stronger economic growth and broader prosperity?

There is no magic wand.

Government can help, but it certainly can't meet the economic and social challenges alone. Nor can business or labor.

Building a stronger economy while ensuring that all Americans share in our prosperity will require significant changes in government policy, in business practices, in the labor movement, in individual responsibility, in our communities, and in many institutions.

We must start with some basic precepts – a new social covenant that spells out what society can reasonably expect of the workforce, and what those who work have a right to expect in return for their labors.

The Aspen Covenant

- *Hard Work and Personal Responsibility Must Remain the Foundation of our Economy*

In recent years, our society has deepened its commitment to the value of work and responsibility. Americans believe work is the foundation of economic and social well-being and an important source of self-worth and personal dignity. Work can connect individuals to their communities. Work can strengthen families. Increasingly, social

assistance is tied to employment. and...

- *People Who Work Should Not Be Poor.*

A nation that honors work must ensure that people who work hard, even in the most menial jobs, obtain enough income from private and public sources to keep their families out of poverty. Similarly, working adults and children ought to have medical protection, and there ought to be affordable ways to assure that children are nurtured and protected while their parents are at work.

- *Workers Need to Be Well-educated and Willingly Learn New Skills*

The new economy requires an ever more educated workforce. Workers must be able to acquire new abilities and perform different tasks continuously throughout their working lives. and...

- *Workers Should Share in the Rewards of Economic Growth and Prosperity*

A thriving economy cannot ensure that every worker benefits equally from growth and change. But every worker deserves the opportunity to prosper. The nation must offer the education and training necessary to equip an increasingly diverse workforce with the skills they need. Even the least skilled workers deserve opportunities to enhance their skills and improve their lives through hard work and a willingness to learn. Workers who share in the successes of their companies can be more motivated, more loyal, and more productive.

- *Workers Should be Flexible and Expect to Shift Jobs and Careers.*

Businesses must be able to adjust quickly to new market opportunities, and this often requires re-deploying workers, or changing the skills mix of their workforces. Flexibility helps workers, too, by making it easier for them to adapt to change and find the jobs where they can be most productive. The Department of Labor estimates that a typical worker will change jobs 10 times in the course of his or her life. Three of these changes will involve major career shifts. and...

- *A Flexible Economy Should Enhance, not Reduce, Worker Security.*

Mobility should increase, not erode, workers' long-term economic security. Workers who move between jobs, either because their employer's needs or their own needs change, must have ways of maintaining health and pension benefits. Part-time and temporary employees must be able to protect themselves and their families.

- *Workers Should be Responsive to the Needs of Employers, Coworkers and Customers*

Increasing emphasis on teamwork and cooperation requires today's workers to have strong personal and communication skills. This is a particularly important challenge as the workforce becomes more diverse. and...

- *Work Should Enhance, not Detract from, the Lives of Families in General and Children in Particular.*

Strong parents and responsible parenting are indispensable to reducing poverty, enhancing opportunities and imparting values to the next generation. But our workplaces can force employees to make dispiriting choices between the commitments to their employers and the needs of their children, parents, and other loved ones. Work arrangements must not impair the ability of employees to nurture the young, the old or the infirm.

The Domestic Strategy Group firmly believes this is a covenant upon which we can build a stronger economy whose prosperity all can share.

IV. Strategies for the Future: First Steps



It's one thing to adopt a set of principles, quite another to agree on how to achieve them. Members of the Domestic Strategy Group disagreed sharply on certain policies, such as those that would unilaterally strengthen either employers or unions, those that would impose new requirements on business, and those that would increase services directly delivered by government. We did, however, agree on a broad range of policies.

We agreed that tax credits and other economic incentives are preferable to policies that directly interfere in markets.

We agreed that government is most effective when it seeks to support workers and employers – to reinforce their strengths.

And we agreed that policies are needed to correct market imperfections and boost the productivity of both the individual worker and the entire economy.

The ideas that follow are not detailed legislative proposals. Rather, they represent a beginning – suggestions of the kinds of steps that could make The Aspen Covenant principles a reality.

“...all citizens of a democracy have to consider the impact of their work on the larger world...”

–Alan Brinkley
Department of History, Columbia University

1. Make Work Pay

Government should bolster incomes of low-wage workers, especially those supporting families. Work-based income and benefit supports not only encourage work, they also help fulfill the promise that anyone who works should be able to escape poverty.

Although members of the Domestic Strategy Group disagreed on many tactical questions, such as increasing the minimum wage, they unanimously agreed that the Earned Income Tax Credit (EITC) has been highly effective in helping the lowest-paid workers avoid poverty. Former President Ronald Reagan once called the EITC the “best anti-poverty, the best pro-family, the best job creation measure to come out of the Congress.”

“The Earned Income Tax Credit is an essential tool for helping hard-working people escape poverty.”

—Mitchell Pearlstein
Center of the American Experiment

Currently, the EITC provides credit of as much as 40% per dollar earned, up to a maximum credit of about \$4,000. That's like a 40% pay raise. Combined with food stamps, the EITC can enable a family of four with a full-time, minimum-wage earner to stay out of poverty. Recent studies show that by dramatically increasing work incentives, the recent expansion in the EITC played a major role in encouraging more single mothers to get and keep paying jobs.

In spite of these clear signs of success, there have been efforts in recent years to cut back on the EITC. We think such proposals should be resisted. Fortunately, the 2001 tax cut included some increase in supports for families with incomes under \$10,000.

“Do we really believe that the persistent failure to improve the lives of the working poor and near-poor is consistent with the long-term health of our society?”

—William A. Galston
School of Public Affairs, University of Maryland

Other steps to bolster income for working families include:

- Simplify eligibility and expand access to government supported medical programs for low-income working families. In recent years, there has been a bipartisan effort – notably through Medicaid and the Children's Health Insurance Program – to ensure that low-income working families have access to medical care. But in many states, these programs remain complicated and bureaucratically challenging – remnants of the era when such aid was offered through welfare. As a result, medical coverage has been diminishing even as many people are moving from welfare to work. Working poor families should have ready access to these programs, with a minimum of indignity and confusion.

- Reduce marriage penalties and high marginal tax rates. As currently configured, benefits for the working poor often come with significant marriage penalties and inadvertently penalize recipients in the upper range of eligible income with high marginal tax rates. As a result, these benefits may help people rise just above poverty, but prevent them from going much further. President Bush, for instance, labeled these penalties “toll gates to the middle class.” The 2001 tax law reduces them, but the DSG believes the nation should further reduce these disincentives to marriage and work among the near poor.

“The challenge of our era is to ensure that these hard-working Americans have a share in this prosperity.”

—Beth Shulman
United Food and Commercial Workers Union
former Vice-President

2. Build a More Skilled Workforce and Foster Upward Mobility

Clearly, worker training must be at the center of a broad effort to create a workforce that can drive economic growth and achieve a measure of prosperity for itself. A call for more training is nothing new. But it has not happened.

Training is a perfect illustration of why we believe strategies that involve different sectors are needed to meet the challenges that lie ahead. Market forces alone have not created the kind of skilled labor force we need and government-based training programs have failed as well.

“...60% of our corporations are prevented from upgrading technologically by the low...educational and technical skill levels of our workers.”

—Hedrick Smith
Hedrick Smith Productions

For example, employers know best what skills they need, yet they provide very little training for their low- and moderate-skilled workers. Less than 20 percent of dropouts and roughly one third of high-school graduates receive any on-the-job training. By contrast, well over half of college graduates receive it.

Some suggest government could fill the gap, but government programs have generally failed to do the job – largely, we believe, because they are too far removed from the immediate needs of employers and the market. Recent evaluations have found participation in government-sponsored training results in wage gains averaging just \$30 per month. Training seemed to have an impact primarily in increasing the number of hours worked, not by raising productivity and pay.

Today’s most successful training programs are intimately connected to local markets and specific employers. Often developed with little or no government support, they provide employers with training carefully geared to their specific needs.

And some help to show industries how they can increase profits by upgrading jobs.

These programs can take many forms:

There are in-house training programs – custom training programs that are typically partnerships between specific employers and community colleges, local training programs, or community organizations.

Industry/occupation specific training initiatives serve multiple employers, often through consortia of employers with relatively similar skill and training needs.

Training linked to the creation of new companies/cooperatives provides training, then helps workers become part of a new enterprise, often a cooperative, to provide services such as home health care or child care.

Finally, job ladder initiatives seek to build more structured career ladder opportunities across firms and sectors, so good performance in one job is rewarded with a better job elsewhere as a replacement for the internal job ladders that are in decline with the new economy.

The key strengths of these programs are their flexibility and their intimate knowledge of the industries they serve. Because of their expertise, people who run these programs often go beyond providing training grounds to become active advocates and supporters of the industries they serve. And they seek out ways to improve the productivity and position of the industry while better meeting the potential of the low-skill workers they seek to train.

“... employers must strive to provide a meaningful work environment...that offers opportunities for workers to develop their skills and enables them to advance in their careers.”

—Jim Oesterreicher
J.C. Penney Company, Inc.
(Retired Chairman)

Governments at all levels, businesses, unions, and community groups should do far more to emphasize these market-linked strategies that seem so much more likely to succeed. Therefore, we encourage policy makers and businesses to:

- Develop training programs that are closely tied to specific industries and put far less emphasis on traditional classroom or disembodied learning programs.
- Give employers more tax support for training provided in-house or in partnership with other organizations – particularly training aimed at low-skill workers.
- Link welfare reform to employer-based training. Federal and state governments should allow some welfare recipients to participate in training programs that are directly linked to employers and specific jobs, rather than having to go immediately to work in all cases.
- Use government leverage to encourage new training efforts and the creation of career ladders in industries heavily dependent on public financing. Government should help foster change in industries like the home health and long-term care industries, both of which currently rely on very low-paid workers. As a major buyer of such services, government could encourage providers to take steps to increase the productivity and pay of workers in these industries by upgrading their skills and jobs.
- Offer far greater public support to nonprofit organizations and other intermediaries who are working to create industry and occupation specific, multi-firm training and job ladder strategies. These organizations include employer consortia, community organizations and labor groups.
- Conduct intensive evaluations of a wide range of approaches to training, especially those that seek to base training efforts on the needs of specific industries and specific employers.

3. Restore Worker Security

One of America's strengths in the newly competitive, technologically advanced economy has been the flexibility of our workforce. Whether the labor market tightens or weakens, it is more important than ever that workers feel free to change jobs to find the most productive use of their efforts.

But the risk of losing health and pension benefits can discourage mobility. Those who change jobs anyway can find themselves feeling less secure even though their movements are strengthening the economy.

“... a lack of training completely negates the purpose of helping create a family unit that is more secure economically.”

—Ann W. Richards
Public Strategies, Inc., former Governor, Texas

Loss of benefits also shouldn't discourage people from pursuing temporary work arrangements. Temporary jobs help employers adjust to changing circumstances and give people the opportunity to work irregular hours and sample new opportunities. Firms should not use temporary jobs to avoid providing benefits.

To allow for the benefits of mobility while maintaining security, the DSG recommends that we as a nation:

- Work to further increase pension portability. In recent years, firms have rapidly moved away from defined benefit plans, which provide a guaranteed retirement benefit level but effectively penalize workers who leave their jobs before they reach retirement. More and more employers now use defined contribution plans, whereby the individual and the firm contribute to an individual account that is, in principle, portable. This can be a constructive innovation. But many of the new pension plans are too slow to vest, and participants can still be either locked in or fail to qualify for benefits.

- Do far more to discourage pre-retirement withdrawal. Increased portability can have an unintended consequence: Despite sizable tax penalties, a disheartening 74 percent of workers who change jobs withdraw their pension savings rather than roll them over. In the long run, this will leave workers less secure in retirement. Moreover, because withdrawals generally are possible only when a worker changes jobs, desire to consume pension wealth early may actually encourage unnecessary job changes. While the DSG was reluctant to call for a prohibition on withdrawals, we did agree that conditions for withdrawal should be greatly tightened. In the meantime, workers should be better educated about the risks and costs of early withdrawal, and the process of rolling over pension money should be simplified.

- Significantly enhance health benefit portability. Because most people receive health benefits through employers and unions, employees who change jobs risk losing coverage. If forced to buy insurance as individuals, they risk being denied coverage because of preexisting conditions or they're deemed too great a risk. Even if they can obtain individual coverage, its costs are likely to be considerably higher than the cost of group coverage. Meanwhile, workers who change jobs and obtain new coverage often have to abandon their current health care providers and lose continuity in their care. The DSG debated three approaches to improving the continuity of coverage: new mandatory portability rules, the use of tax credits or employer contributions to help individuals buy health insurance as individuals, or some form of universal coverage. While members couldn't agree entirely on any single approach, they did agree that we should continue to make portability easier, and most were drawn to the idea of using tax credits to reduce insurance costs and encourage the creation of more defined-contribution health plans.

- Create a bipartisan commission to develop reforms for the individual insurance market. At present, this market works poorly. Prices are dramatically higher than for employer plans, and in many states, the number of individual insurers is shrinking. Some states have made progress in strengthening this market, but big challenges remain. Many DSG members were skeptical about

developing health insurance tax credits or defined-contribution approaches until a more affordable and smoothly functioning market for individual health insurance is developed.

- Create clearer definitions of permanent and temporary employees and clearer standards of employer responsibility. Lacking a clear governmental direction, courts have begun to determine when temporary workers should be treated as permanent workers for purposes of determining benefit eligibility, including health, pension and workers' compensation benefits. The current lack of clear standards creates unnecessary uncertainty and high litigation costs for both employers and workers.

“Businesses and government may... have to work together to provide a safety net of benefits without diminishing the need to minimize the overall expense.”

—Jim Oesterreicher
J.C. Penney Company, Inc.
(Retired Chairman)

- Reform the Unemployment Insurance (UI) system to make it more effective for lower paid and non-traditional workers. In recent years, a loose consensus has emerged among business, labor, and policy makers about how to strengthen the UI system. Proposed reforms include improved coverage for part-time workers, allowance of an alternative base period for determining eligibility, and changes in the triggering system for extended benefits that now disadvantage workers in low coverage states.

4. Provide A More Family Friendly Work Environment and Greater Support for Working Families

Many businesses have worked to make their workplaces more supportive of families, with flexible work schedules, sick leave when children are ill, special benefits for parents, even on-site child care. Most report they believe such supports pay off by creating a more stable and loyal workforce, though a number report problems as well. Still many businesses – especially smaller ones and those most likely to rely on low-skilled workers – are less supportive of families. Government action may be required to meet the needs of parents on a more equitable basis.

Among the actions the DSG suggests are:

- Expand employer efforts to create family supportive workplaces and create clearinghouses for information on such efforts. Employers can do more to support families, and it is often in their interest to do so. Private groups and the government should continue to create clearinghouses of information on best practices and their impact on productivity. More employers should be sensitive to the problems created by rotating shifts, odd hours, and episodic employment.
- Expand tax credits and other incentives for private industry to aid families. Further incentives may be needed to enable private employers, either individually or collaboratively, to create child care facilities, odd hour and sick child facilities, family counseling, and other services.
- Support low-income families by making the child care tax credit refundable. Child care is important both as a facilitator of work and as a way to improve the well-being of children. One of the major child care benefits in the current tax code, the child care tax credit, is non-refundable. As a result, a family of four with two children doesn't qualify for any credit until its income exceeds \$35,000. That leaves out many families most in need of support.
- Increase efforts to integrate early childhood education and child care programs. There is increasing evidence that participation in high quality early childhood education programs improves subsequent school performance. Yet such programs are

often divorced from child care, which is often seen merely as a way to protect children while parents work. Far more can be done to integrate programs such as Head Start with child care efforts, and to expand the number of children served.

- Create programs that can meet non-traditional care needs. Many parents must struggle with shifts at odd hours, child care coverage when children are ill, and other occasional crises. So-called “wrap-around” programs designed to meet these parental needs should be encouraged.
- Work toward creating school and supplementary programs that are more compatible with parental work. School schedules rarely seem to take account of parental work patterns. Far more can be done with after-school and summer programs to help parents' and children's schedules mesh.

“We...need to understand that economic performance for the nation as a whole and for large and important components of our workforce depend on such issues as child care, health care, and family friendly personnel policies that have traditionally been relegated to the realm of social policy.”

—Hedrick Smith
Hedrick Smith Productions

Many DSG members believe the nation needs to go still further and find ways to reduce teen pregnancy, nonmarital childbearing, and sources of family breakdown, not just as a social issue, but as a central workforce issue. Some members felt that the growing wage and skills gaps were helping to fuel family changes as well. The group as a whole did not seek to develop additional strategies for dealing with these issues.

5. Rethink Immigration Policy

Overall, a change in our approach to immigration is crucial to the effort to expand the workforce to fuel future economic growth.

For years, U.S. immigration policy has basically represented an agglomeration of short-term reactions to the political or economic pressures of the moment and historical artifacts. But with the slowdown in workforce growth and the attendant skill shortages, immigration is destined to become a vastly more important issue in the future. And since September 11, immigration reform, including mechanisms to more reliably identify legal immigrants, has moved to center stage.

“Limited human resources are a reality and employers are challenged to deal with it.”

—Jim Oesterreicher
J.C. Penney Company, Inc.
(Retired Chairman)

Three aspects of immigration policy merit very serious reconsideration given the looming workforce challenge. Americans should:

- Reexamine the quotas and administrative requirements for employment-based permanent immigration. Current levels of employment-based immigration were set in 1990, when the nation's workforce needs looked very different than they do today. What's more, actual legal immigration has consistently fallen short of what's allowed because of the complexity of obtaining permanent resident status, along with bureaucratic requirements. There are legitimate concerns about the potential impact of legal immigrants on the existing citizenry, and examinations of employment-related immigration often get tied up with issues of family-related immigration, making the problem politically challenging. We believe employment-based immigration should be examined separately from family-related immigration, with careful consideration given to the nation's long-run labor force needs and the potential influences on domestic workers.

- Carefully re-examine the mix of temporary as opposed to permanent immigrants. Temporary immigrants now dominate work-related entry into the U.S. Just last year, the quota for one type of temporary visa, H1B specialty occupations, was raised more than 50%. While temporary workers often meet critical economic needs, there is some question as to whether this should be the primary mechanism for admitting foreign workers. Many temporary workers – 40 percent, by one estimate – eventually “adjust” their status and become permanent residents. Even those who eventually leave often stay for many years. Some observers worry that such workers are less likely to assimilate, can more easily be exploited, and may eventually continue to work for U.S. employers even after they return to their home country. We suspect that the complexity of permanent immigration has led to the expansion of temporary workers. Encouraging widespread use of temporary instead of permanent immigration may or may not be a security risk. But it is certainly a social and economic risk. A more reasoned look at the number and mix of permanent and temporary workers is critical given the workforce needs ahead.

- Dramatically expand efforts to hasten and improve the integration and assimilation of new immigrants. If immigrants are going to be successful workers and, eventually, effective citizens, they will need to learn English, become comfortable navigating our institutions, and understand cultural attitudes and expectations. Yet governments and local institutions generally offer only haphazard help, at best, in helping immigrants integrate. And there is increasing evidence of serious problems in this area. Contrary to what might be expected, a National Academy of Sciences report suggests there is a negative relationship between the length of time immigrant children are in the U.S. and how well they fare. This worsening of outcomes seems particularly acute for low education families and for people of color. We need to dramatically expand efforts at integration for adults and children alike.

Building a Future Together

The worker gap, the education gap, and the wage gap have the potential to frustrate our ambitions as people and as a nation. They can weaken us both economically and socially at a time when we can least afford it.

We believe there is an alternative.

All of us – manager and laborer, policy-maker and voter, scholar and journalist – can work hard within our communities, government bodies, public and private corporations, unions, nonprofit organizations, and foundations, to build a future that is true to our common national values.

This would be a future that both strengthens our powerful economy and fulfills the shared promise of the American dream.

The nation can indeed grow rapidly together.
Or we shall grow slowly apart.



A collection of orange human icons scattered across a light gray background, representing a diverse group of people. The icons are stylized, with a circular head and a rectangular body with two legs. They are distributed throughout the frame, with some appearing in small groups and others in isolation, suggesting a sense of community or a large, varied population.

How We Got Here

By David Ellwood, Harvard University
Director, Domestic Strategy Group

The Domestic Strategy Group developed its recommendations against a backdrop of sweeping economic change. To understand our recommendations, one must understand these changes.

First, three powerful and now quite familiar trends emerged over the past 30 years that would buffet, but ultimately strengthen the American economy: expanding international trade, reshaped financial markets, and technological change.

- **Expanding International Trade** – In the decade between 1970 and 1980, total trade (exports plus imports) rose from 10.8% of gross domestic product to 20.5%. Today the figure exceeds 25%. Imports alone grew from 5% in 1970 to 15% today. Moreover, domestic companies rapidly moved production abroad. Particularly where low skill labor could be used, firms moved their production south or to Asia where workers can be employed at far lower wages. Trade barriers were lowered, offering still greater opportunities for trade, but subjecting domestic competitors to still stiffer foreign competition. And foreign competitors were often technologically advanced and increasingly savvy about markets at home and abroad.

- **Reshaped Capital Markets** – Capital markets became more global over this period, in much the same way as trade in goods and services. But many believe they changed not only in scope, but in character. Institutional investors, many managing vast pension and mutual fund portfolios, emerged as a much more serious influence on financial markets. New demands emerged for accountability to shareholders. Mergers and acquisitions boomed. Many were “voluntary”, but corporate raiders took over many under-performing companies and often forced massive reorganization and downsizing to enhance profitability. CEO compensation became more closely tied to stock performance. By nearly all accounts, markets generally demanded a higher level of immediate financial performance, at least among “old economy” companies.

- **Technological change** – The growth of computers, particularly personal computers and the astonishing growth of the Internet, has sometimes been labeled the third industrial revolution. This technology has reshaped markets and turned information into an increasingly valuable asset. It has dramatically increased the availability of information and it has undoubtedly played a critical role in trade and financial markets. Technology itself has emerged as a dominant market and has radically altered business perspectives.

Together, these trends created a sharply more competitive environment and skewed demands for labor in the U.S. toward more skilled workers. Successful U.S. firms often chose to compete with high-quality products, shortened product life cycles, and customized products and services. Technology facilitated radical shifts in market structure. Some 40 to 50% of Fortune 500 companies of 1980 no longer exist as separate entities today. Big companies hold a smaller share of total employment. Technologically sophisticated, highly adaptable organizations naturally tend to prefer better educated workers. Companies using large numbers of lower skilled workers could often produce goods more cheaply abroad. Manufacturing declined. Services rose.

These shifts are emphasized in hundreds of business, popular, and scholarly publications. The pundits often point out that the U.S., with its relatively flexible labor market, open market structures, and robust capital markets, was relatively well positioned for these new competitive challenges. Often ignored is another advantage the nation enjoyed: a rapidly growing and increasingly educated labor force.

A Growing and More Educated U.S. Labor Force

The baby boom generation was not only larger than the one that preceded it, it became far more educated. More than a third of those born in 1930 never even graduated from high school. Two-thirds went no higher than high school. Less than 15 percent got four-year college degrees. By contrast, among those born just 25 years later, all but 15 percent completed high school, almost half got schooling beyond high school, and a quar-

ter were college graduates. These baby boomers were just reaching their prime working years during the late 1970s. Replacing their less numerous, more poorly educated grandparents and parents, they swelled the labor market. Simultaneously, cultural shifts led

to a dramatic increase in work by women, particularly more educated women, adding still further fuel to the labor market. The table below shows the changes in the labor market between 1980 and 2000.

Table 1
Characteristics of the Labor Force Aged 25 and Over
and Components of Change 1980, 2000

Labor force in Millions

	Labor Force in 1980	Growth 1980-2000	Labor Force in 2000
Age			
25-54	65.0	35.1	100.1
55-64	11.8	2.2	14.0
65+	3.0	1.4	4.4
Total	79.8	38.7	118.5
Sex			
Male	46.6	16.5	63.1
Female	33.2	22.2	55.4
Total	79.8	38.7	118.5
Race/Ethnicity/Nativity			
White Non-Hispanic – Native	63.0	21.5	84.5
Black Non-Hispanic – Native	7.6	4.6	12.2
Hispanic – Native	2.5	2.3	4.8
Other Non-Hispanic – Native	0.8	1.0	1.8
Hispanic – Foreign-born	1.8	4.5	6.3
Non-Hispanic – Foreign-born	4.1	4.8	8.9
Total	79.8	38.7	118.5
Education			
Less Than High School	17.3	-5.3	12.0
High School Only	31.5	6.3	37.8
Some Schooling Beyond High School	13.8	19.1	32.9
College Degree or More	17.3	18.5	35.8
Total	79.8	38.7	118.5
% With More than High School	37.7%		58.0%
% With College Degree	21.6%		30.2%

The table illustrates the favorable conditions of the labor market between 1980 and 2000.

- The labor force grew by a remarkable 50% in just 20 years. Virtually all of the new workers were in the so called “prime-age” category of 25-54.

Women were a disproportionate share. And very importantly, the number of college graduates in the workforce more than doubled over this period, rising from 17 million in 1980 to 35 million two decades later.

A growing labor force created challenges to be sure, but it also offered flexibility. New firms could more easily find the labor they needed. For good or for ill, such labor force expansion probably reduces pressures for wage increases. Even more importantly, the fact that more educated workers replaced less educated ones gave employers far more opportunity to exploit the new technologies and to create the kinds of flexible, readily adaptable companies that seemed most successful in the new economy. Skill shortages emerged, but the labor force was still becoming rapidly more skilled as baby boomers replaced their grandparents and parents.

The New Economy – The U.S. Miracle, Shared Prosperity Challenge, and Rising Wage Gaps

By nearly all accounts, the U.S. emerged from the new economic pressures with a stronger and more robust economy than before.

- Adjusted for inflation, the Gross Domestic Product (GDP) per capita – the total income generated in the economy divided by the number of residents – grew from \$23,126 in 1980 to \$35,409 in 2000, a jump of more than 50%. The stock market skyrocketed. The Dow Jones Industrial Index rose from roughly 1000 in 1980 to roughly 11000. Inflation came almost to a standstill. The last five years have been particularly remarkable. Unemployment which hovered between 5 and 7% in the 1980s (and reached over 10% in 1982) fell below 4% in the late 1990s.
- For much of the period, the dark cloud in the otherwise rosy aggregate economic picture was productivity. Multifactor productivity, which grew at a rate of 2.1 percent per year in the period between 1948 and 1973, slowed to just 0.6 percent in the period between 1973 and 1995. But in the last half of the 1990s, even productivity moved upward, rising by 1.3 percent per year.

A new and powerful economy had emerged, but the labor market had been changed as well. Two features seem to particularly define the new market: first, the wages of higher and lower skilled men and women diverged, and second, the nature

of the employment contract seem to change. Especially for lower skill workers, the old pattern of long-term job security began to diminish.

Unlike the period of dramatic growth after World War II, prosperity was not evenly shared. Instead, workers have faced growing wage gaps. For many decades, the fortunes of all workers seemed to roughly rise and fall together, but between 1979 and 1995, the pattern changed. Figure 1 focuses on male workers who work full-time all year – the ones with the closest labor force attachment. It traces the percentage change since 1961 in the earnings of workers at different points in the earnings distribution.

- If the nation experienced shared prosperity, with a rising tide lifting all boats, all the lines would rise together as workers at all levels saw equivalent percentage growth in pay. So it was in the 1960s. But starting in the 1970s and accelerating into the 1980s and early 1990s, the fortunes of those at the top and bottom have been very different. By 1994, full time male workers in the bottom 10% were earning no more than their brethren had nearly 35 years earlier. Even the median male worker was earning less than in 1973. Meanwhile, workers in the top 10% were doing far better than in decades past.¹
- The extraordinary economy of the late '90s led to a modest rebound in the wages of workers at the bottom. Wage inequality did not narrow from its high levels of 1995, but for the first time since the mid 1970s, real wages for workers at the bottom have began rising again along with wages for those at the top. But in 2000, perhaps as a result of the recession, wages at the bottom seemed to fall off again, while wages at the top continued their upward trajectory.

¹The sharp growth in GDP per capita seems in stark contrast with the relatively modest growth in pay for many workers. But the puzzle is relatively easily resolved. The economy as a whole (as measured by GDP) can grow either because of increases in productivity or increases in the number of workers. In this case, much of the added income being generated went to pay newly entering women and most of the rest went to higher pay for those in the upper wage categories. For more detail see Ellwood, David T. "Winners and Losers in America: Taking the Measure of the New Economic Realities" in *A Working Nation. Workers, Work and Government in the New Economy*, by David T. Ellwood, Rebecca Blank, Joseph Blasi, Douglas Kruse, William Niskanen, and Karen Lynn Dyson. New York: Russell Sage, 2000.

Figure 1
Distribution of Real Wage and Salary Earnings for Full-year Full-time Male Workers Aged 18-64 As Compared to 1961

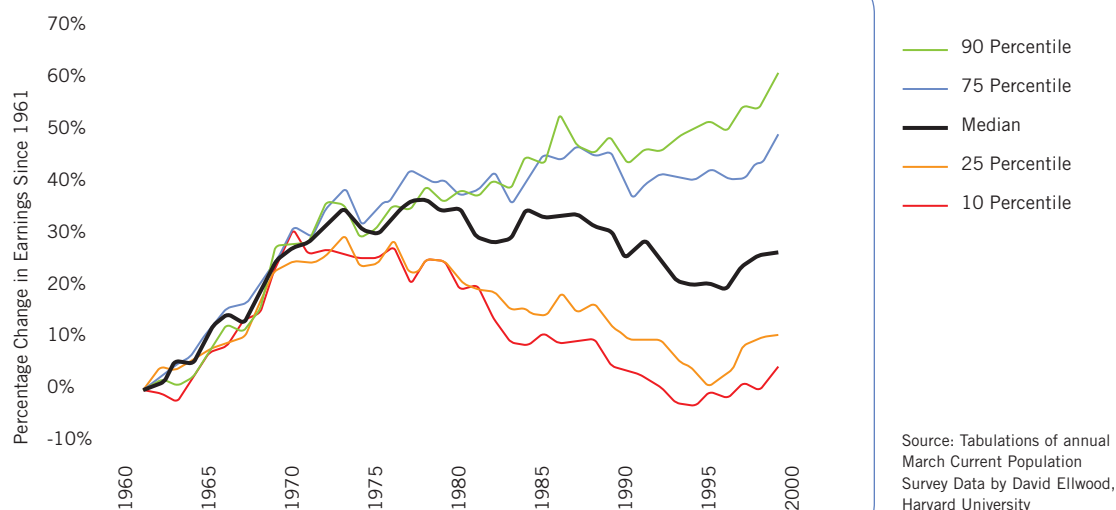
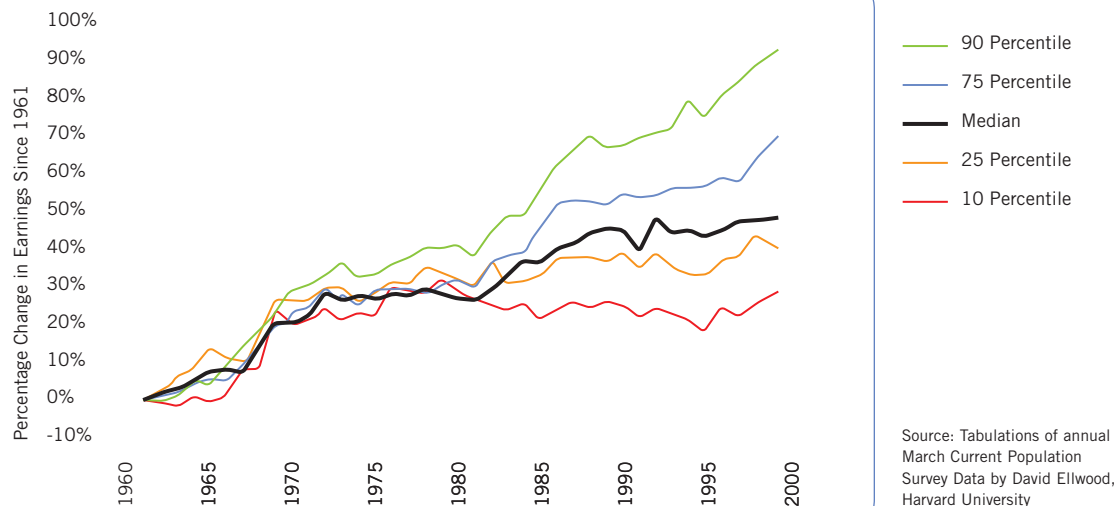


Figure 2 offers a comparable chart for women.

- Wages for women in most segments were at least flat and often rose somewhat. But women's wages also show diverging fortunes with those at the top gaining far more. The wages of full-time

women at the lowest strata still remain roughly unchanged in the past 20 years, while women at the top have seen major growth in pay.

Figure 2
Distribution of Real Wage and Salary Earnings for Full-year Full-time Female Workers Aged 18-64 As Compared to 1961



The improving economic prospects of women relative to men undoubtedly reflect both the fact that women were working more and accumulating the experience needed for higher pay, and the growing needs of the new economy for workers in services and information, markets that traditionally hire large shares of women. Note that pay for women still remains below that of men. And just as for men, there were growing differences in pay among female workers at various levels. Similarly, wages for people of color also spread apart and gaps between the races remained.

Perhaps these changing patterns of pay should come as no surprise. In a more competitive economy that had greater need for skilled workers, one would anticipate rising pay for those at the top. On the other hand, the labor force was becoming rapidly more educated and more populated by women. The growing wages for more skilled workers and the somewhat better performance for women relative to men, therefore, must indicate that the skill demands of the new economy were growing even more rapidly. It may also suggest that competitive pressures were stronger in industries that had traditionally used lower skilled workers.

In addition to changing pay scales, there appears to have been a shift in the nature of the employment contract. Some authors have talked about a complete shift in paradigms. In the old days, workers entered into an essentially permanent contract with employers, whereby ongoing hard work would lead to steady advancement. In the new economy, according to this view, relationships between worker and employer are more tenuous, and workers must expect to be mobile, ready to move from job to job both as work with one firm ends and as new opportunities emerge.

The evidence seems to suggest that this view can be overstated. Long-term contracts were never as common as is popularly imagined, and the new relationships are not quite so different. Nonetheless, there is clear evidence that long-term jobs are on the decline, especially among less educated workers.

For survey years when a question on job tenure was asked, Table 2 shows how the number of long-term jobs has changed, by level of education of the worker:

- There has been a sizable decline in the share of male workers who have been with the same employer for more than 10 years. The fraction of workers aged 35 to 44 who had already been with their employer for a decade fell from 40% to 32%. For a slightly older age group, the figures fell from 58% to 46% in spite of the very strong economy.

- The decline in long-term employment is particularly pronounced among the least skilled male workers. Whereas 56% of dropouts in 1983 had been with the same employer 10 years or more, the figure had fallen to just 36% by 2000. But it extends even to college educated men, where long tenure fell from 53% down to 46%.

And in specific sectors, such as high tech or large manufacturing establishments, the changes may have been even more sizable. A similar table for women shows relatively little change, presumably reflecting the increase in their work attachment that would tend to increase tenure while other forces were reducing it.

Table 2
Long-term Employment

Fraction of Men Who Have Been With the Same Employer for 10 Years or More By Age and Level of Education

Men Aged 35-44	Less than High School	High School Graduate	Some Schooling Beyond High School	College Graduate	ALL EDUCATION LEVELS
1983	35%	48%	41%	33%	40%
1991	34%	41%	39%	35%	38%
2000	21%	36%	34%	29%	32%
Men Aged 45-54					
1983	56%	61%	58%	53%	58%
1991	44%	59%	51%	53%	53%
2000	36%	49%	47%	46%	46%

Another indication of changing employment patterns is the rise of temporary or contingent employment. By February 2001, the Bureau of Labor Statistics estimated that as many as 4% of employed persons were contingent workers. Some 3% were in alternative work arrangements (such as working for temporary help agencies) and another 6.4% were working as independent contractors.

The spread in wages and the decrease in long-term employment led to some predictable changes in other domains. According to the Economic Policy Institute, the fraction of male workers with hourly wages too low to keep a family of four out of poverty using their own earnings alone – even if they worked full time all year rose from 13% in the mid-1970s, to 25% in the mid-1990s, and has since fallen back to 20%. For women, there was slow and steady improvement over this time, but 31% of employed women still earn poverty wages by this definition.

In the U.S., health and pension benefits are usually tied to employment. Moreover, the cost of health benefits has risen much more rapidly than inflation over most of the past 20 years. Competitive pressures to reduce labor costs and the tendency to shorten job tenures would seem to put benefits at risk. Indeed, the fraction of full-year full-time male workers with health coverage fell from 75% in 1980 to 66% today. The situation is worst for high school dropouts. Whereas

68% of full-time workers had coverage in 1980, only 44% have it today. Less than 20% of contingent workers have health coverage, and it is equally spotty for part-time workers.² One finds similar patterns in pension coverage.

The new economy and the new workforce have implications for families in another way. In 1970, only half of all mothers with children under 18 worked outside the home during the year, and just 16% worked full-time all year; by 1999, three-quarters of mothers worked and 40% worked full-time all year. This meant new strains for parents and children alike. Parents now needed to balance work and family in an increasingly competitive economic environment.

In sum, the miracle U.S. economy has had some phenomenal successes with some rather visible struggles. We have achieved low inflation, low unemployment, high to moderate growth, and a robust stock market. But it has also generated serious and growing wage gaps among workers. Wages pulled apart, benefits fell, long-term employment was replaced by shorter job episodes, especially for less educated workers. These patterns in wages, benefits, and job security pose important questions about our nation's sense of fairness and opportunity.

²<http://stats.bls.gov/news.release/conemp.t09.htm>

Happily, in the late 1990s, while the economy was unusually strong, many of the worrisome trends, were reversed or slowed. Productivity finally began to grow more rapidly. Wages of most workers began to rise along with productivity, and benefits stabilized. New jobs seemed relatively plentiful. Even a large share of former welfare recipients were able to leave welfare and find work. One interpretation was that the nation was emerging from a third industrial revolution driven by globalization and technology, and that after a usual period of adjustment, shared prosperity was returning.

But we are skeptical that the nation is moving back toward shared prosperity, for demographic and educational clouds have already begun appearing. Moreover, the numbers for 2000 are much more discouraging. Wage inequality may be growing again. Health costs have resumed their double digit rates of increase. For far more serious labor market challenges are looming.

The Workforce Challenges of the 21st Century: the Worker and Skills Gaps

Our economy has been so dynamic and the pace of technological change so rapid that no one can paint a detailed picture of work and wages in the future. Still, some things are fairly predictable.

It seems certain the current climate of competition and growing demands for more skilled labor will continue. The trends in trade, capital markets, and technology are all continuing. The recent collapse of the dot-com bubble may herald some slow-down in technology, but the pervasive role of the Internet and computers generally seems certain to continue into the foreseeable future. What is less clear, however, is whether the recent surge in productivity is temporary or permanent. As noted above, multifactor productivity, which slowed dramatically between 1973 and 1995, surged again between 1995 and 1998. But in 1999 and 2000, it slowed again, not quite as low as the levels of the '70s and '80s, but far below the pre-1973 era. This may, in part, reflect effects of the emerging recession. Productivity always slows and often turns negative as the economy moves toward recession. But the figures for

1999 cover a time well before most economists saw any hints of recession. Thus, one cannot be sure whether or not long-term productivity growth has been restored. It matters a great deal, for if productivity growth continues, average wages can continue to rise; if productivity falters, so will pay.

One can say much more about future demographic change, and the news is troubling. The baby boomers are being replaced by a slightly smaller cohort. Women's labor force participation is leveling off, so there will be no new burst of workers there. And most worrisome of all, unlike the boomers who got vastly more education than their parents and grandparents, subsequent generations have gotten about as much education as their parents did. So as they replace their parents in the workforce there will be far less growth in education levels.

The big unknown is immigration. So we begin by simply accepting the immigration projections made by the Census in 1999, based on current law.

Table 3 provides an estimate of what the future labor force will look like. The nation clearly will face both a worker gap and a skills gap in comparison to the past.

The Worker Gap

- The labor force will grow far less in the next 20 years than it did in the past 20. In contrast to the 50% rise in the labor force from 1980 to 2000, it will rise by just 16% in the next 20 years.
- None of the growth will be among "prime age" (age 25-54), native-born workers. Whereas this segment of the labor force grew by nearly 27 million workers over the past two decades, we project there will be no growth in this group whatsoever. Indeed the native-born white population in this age group will actually shrink by 8 million workers or by more than 10% (not shown on Table 3).
- There will be vastly less growth in the number of women in the workforce.

Table 3
Characteristics of the Labor Force Aged 25 and Over
and Components of Change 1980, 2000, 2020

	Labor Force in 1980	Growth 1980-2000	Labor Force in 2000	Growth 2000-2020	Labor Force in 2020
Age					
25-54	65.0	35.1	100.1	3.0	103.1
55-64	11.8	2.2	14.0	12.5	26.5
65+	3.0	1.4	4.4	4.0	8.4
Total	79.8	38.7	118.5	19.4	137.9
Sex					
Male	46.6	16.5	63.1	9.8	72.9
Female	33.2	22.2	55.4	9.6	65.0
Total	79.8	38.7	118.5	19.4	137.9
Race/Ethnicity/Nativity					
White Non-Hispanic – Native	63.0	21.5	84.5	2.6	87.1
Black Non-Hispanic – Native	7.6	4.6	12.2	2.8	15.0
Hispanic – Native	2.5	2.3	4.8	6.8	11.6
Other Non-Hispanic – Native	0.8	1.0	1.8	1.2	3.0
Hispanic – Foreign-born	1.8	4.5	6.3	2.8	9.1
Non-Hispanic – Foreign-born	4.1	4.8	8.9	3.3	12.2
Total	79.8	38.7	118.5	19.4	137.9
Education					
Less Than High School	17.3	-5.3	12.0	-0.1	11.9
High School Only	31.5	6.3	37.8	2.6	40.4
Some Beyond High School	13.8	19.1	32.9	6.3	39.2
College Degree or More	17.3	18.5	35.8	10.6	46.4
Total	79.8	38.7	118.5	19.4	137.9
% With More than High School	38.9%		58.0%		62.1%
% With College Degree	21.6%		30.2%		33.6%
Nativity and Age					
Natives, Aged 25-54, All races	60.1	26.7	86.8	0.0	86.8
Natives Aged 55+, All races	13.8	2.7	16.5	13.3	29.8
Immigrants	5.9	9.3	15.2	6.0	21.3
Total	79.8	38.7	118.5	19.4	137.9

Thus, the nation faces a completely different labor market situation than in the past. Firms will no longer be able to count on a steady stream of native-born workers.

Of course these are just projections, and things could change. Immigration figures are the most difficult to predict and in creating this table we

simply used the Census projections based on current law. Faced with potential labor shortages, the pressure to expand immigration is likely to intensify. Both higher-skill workers from Europe and Asia and lower-skilled workers from the Americas could enter in large numbers. But immigration on this scale could create problems.

Social tensions may rise. Union-business tensions could rise. History suggests that such a policy might be a political non-starter. The events of September 11th have put immigration under sharp scrutiny. We may well become far more restrictive in both legal and illegal immigration. If so, the labor force growth may be even slower.

The Skills Gap

Even more worrisome than the worker gap is the skills gap. The rapid growth in the educational attainment of the workforce will slow dramatically.

- The fraction of the labor force with a college degree will rise much less in the coming decades than in the past. Some 21.6% of the labor force had a college degree in 1980, by 2000 the figure had risen to more than 30.2%. By 2020, we see it rising only to 33.6%.
- In the past 20 years, the fraction of workers with some education beyond high school rose by nearly 20 percentage points, from 38.9% to 58.0%. But over the next two decades, we project growth of just 4 percentage points, rising just to 62.1% of the workforce.

The rapid growth in the educational attainment of the workforce will slow dramatically. And the combination of slowing labor force growth and slowing skills growth looks particularly ominous. The number of workers with more than a high school degree more than doubled, rising by 37.1 million workers, a growth of 121% from 1980. In the next two decades the rise will be less than 20 million workers, a rise of only 25%

A surge in enrollment in higher-education by today's young people might also occur. But most of the workforce of 2020 has already finished their education. Even the most optimistic of assumptions for generations entering the workforce sees no more than 35% having a college degree. And under even more realistic assumptions, it might rise to less than 32%, largely because native-born whites are being replaced by populations that traditionally have lower educations.³

The aging of the workforce has commanded a great deal of attention in the press and in scholarly work, particularly in debates over the funding of Social Security. And much has been made of the changing racial composition of the U.S. population. Far less attention has been paid to the sheer slowdown in the absolute number of workers and the nearly complete leveling off of prime age workers. And even less attention has been paid to the sharp slowdowns in education.

The Workforce Challenge

There is an obvious question about whether any of these changes matter. It is possible that firms were able to make necessary adjustments to new technology and other economic demands more quickly in a context where labor supplies are growing. Firms seeking additional workers did not need to bid them away from existing jobs. Now labor shortages would seem to strengthen workers' hands. This might lead to new benefits and increased security.

But labor force shortages may also lead to new demands that might reduce the flexibility of the market. A slowdown in labor force growth also implies rather profound changes in the age distribution of the population and the workforce that do create real problems. The best known is the problem that fewer workers will be available to pay into the pay-as-you-go Social Security costs and for Medicare. But the aging of the population also implies a sharp rise in the need for certain types of services. For example, home care and elder services have traditionally been provided by women under 55. In the 1980s and 1990s, the population of persons over 65 grew by 9 million (or 38%) while the number of women aged 25 to 54 in the labor force grew by almost 20 million people (or 71%). In the next two decades, the number of elderly persons will rise by 22 million people (or 66%) and the number of prime age female workers will rise by less than 2 million (or 3%). The percentage growth in the over-80 or over-100-year-olds will be even larger.

Even more worrisome is the slowdown in education, for human capital fuels productivity growth. Moreover, the slowdown in educational growth would seem to imply a return to sharply rising

³Much more detail on the projections and their sensitivity to different assumptions regarding educational growth can be found in Ellwood, David T. "The Sputtering Labor Force of the 21st Century. Can Social Policy Help?," A. Krueger and R. Solow, editors, *The Roaring Nineties: Can Full Employment Be Sustained?* New York: Russell Sage, 2001,

inequality. The standard economic explanation for the rise in inequality rests heavily on the idea that educational gains failed to keep up with the rising demands for skill in the labor force. But future educational gains look small even under highly optimistic assumptions. The rise in inequality over the '80s and '90s produced when education grew by twice as much, is projected to increase even under the high growth assumption. And even if new cohorts do gain additional education, it will take a long time for them to represent a large share of the overall workforce.

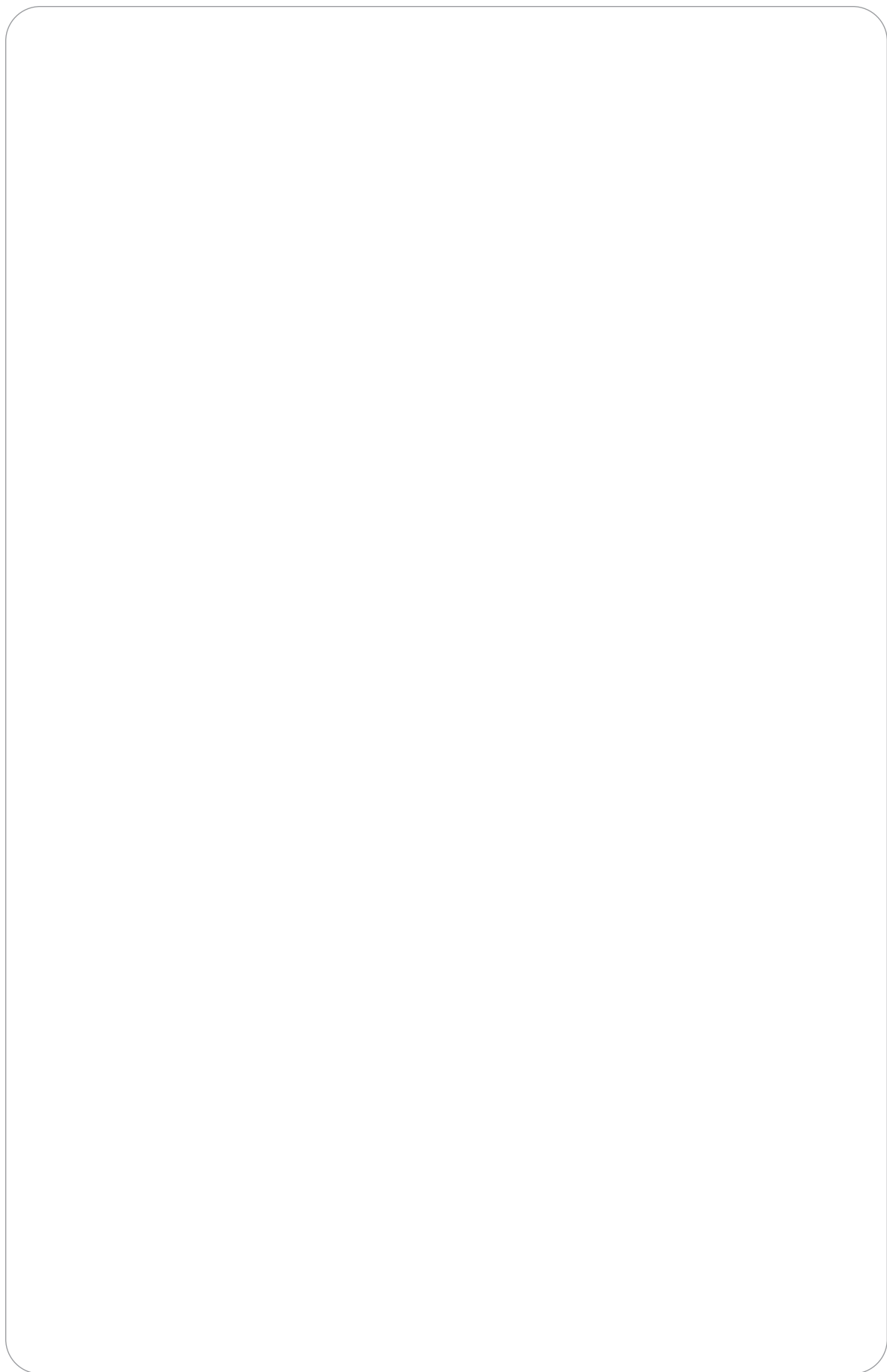
No one can know for sure what these labor market changes might imply. But it is easy to conjure up a very troubling scenario: Skill shortages push up wages at the top. Employers do a bit more training of existing workers, but in the new economy, employees stay less time with their employers, so they find they are training workers for their competitors. With the economy increasingly desperate for skilled workers, Congress grants vastly more temporary work permits for high-skill workers who work for a few years then return to their home nations. Many employers choose to relocate work overseas, often to areas such as India, where even high-skill workers are plentiful. Any upward pressure on wages at the bottom generates a surge of immigration, both legal and illegal, from the Americas, holding down wages at the bottom. Thus wages continue to diverge. And if productivity growth slows as a result of all these forces, wages could not rise for everyone without stimulating inflation. Wages at the top would continue to rise, but wages at the bottom would remain stable or fall. In this scenario, the worker gap, coupled with that skills gap, leads to a slowing of the economy, a further widening in the gap between the haves and the have-nots, and potentially more tensions around immigration, ethnicity, and race. Shared prosperity would continue to elude the nation as the wage gaps widen.

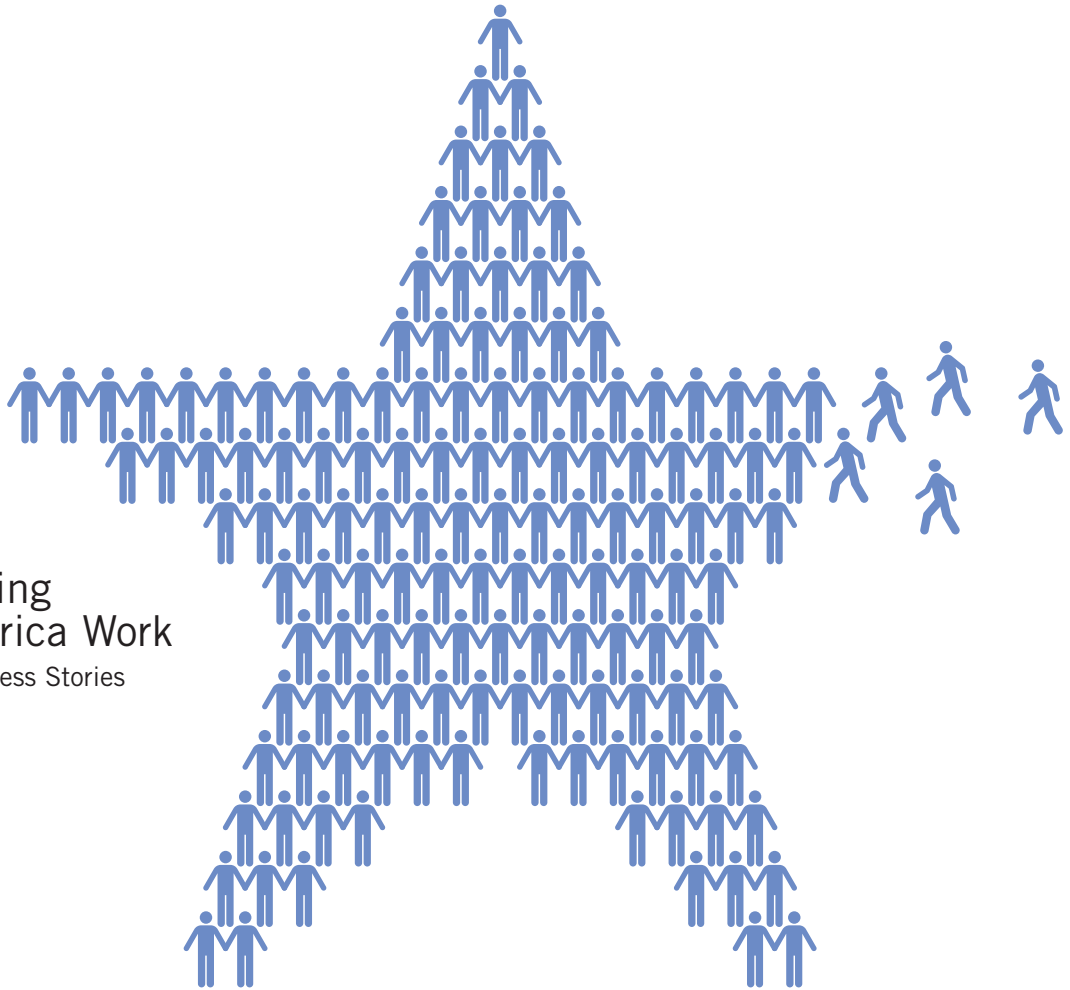
One of the strange ironies of the new economy is that it may enhance the likelihood of this pessimistic scenario. The quick turnaround, high stakes, economic climate where employers have immediate but rapidly changing manpower needs creates weaker links between employee and employer and diminishes incentives to invest in workers. The better, more flexible and creative

workers use mobility to move from job to job and increase their pay and prospects. But somewhat less skilled workers, who know less about how to use the new flexibility, may not be able to parlay short-term success with one employer into an effective career. In the moves between jobs, information on the workers' motivation and maturity and skills is often lost, so the incentives for hard work and investment in skills may also be diminished. Thus, the market alone may do a poor job of dealing with the worker, skill, and wage gaps.

Still, while the gaps pose serious dangers, they may offer even greater opportunities. In the face of impending labor shortages, particularly of skilled workers, businesses and the nation might work together to train and upgrade the skills of existing workers. Immigration could be used thoughtfully and selectively to meet areas of particular shortage. There could be greater opportunities for workers to move ahead, both within firms who want to retain them, and in other businesses. That increased potential for mobility would encourage hard work and a willingness to invest in new opportunities. Because workers are training and working harder, productivity grows even faster. Even workers with fewer skills benefit, because as some workers move up and out, the numbers of less skilled workers decline, and their pay rises. With rising productivity, pay can rise without inflationary pressures. Thus, the nation might return to an era of shared prosperity.

But such an outcome is unlikely to be achieved through market forces alone. Getting there will require a concerted effort by businesses, governments, workers, and communities to take advantage of the opportunities created by the workforce challenges posed by worker, skills, and wage gaps.





Making America Work

4 Success Stories

Making America Work

4 Success Stories

1

The EITC – A Help Upward for the Working Poor

Saturdia Turman is determined to work her way into the American mainstream, but her life is a constant struggle. Saturdia is a 28-year-old mother of four. She works the night shift from 10 PM until 6:30 AM processing checks at BankOne. With her four children to care for during the daytime, she doesn't sleep much. In spite of her burdens, Saturdia is surprisingly upbeat. "Most people look at me and say 'How do you do it?'" she says, "but everything I need is around me."

From March through November of last year, Saturdia moved from place to place without a stable living situation for herself, her boyfriend, and her kids. Through it all, with her boyfriend watching her children at night, Saturdia worked her night job at BankOne and somehow managed to stay in cosmetology school, where she's learning skills she sees as a stepping stone to owning her own small business. Finally, through a Section 8 housing voucher from the federal government, Saturdia secured a new home – two-floors of a pale gray A-frame house on Saginaw Lane on the South side of Chicago.

Now, Saturdia sits on a comfortable black couch in her living room. The room has a new, yet homey feel, and is decorated with studio photographs of Saturdia and her children. She is focused on preserving her family's well-being and moving forward together. So far, they are making it. Her three school-age children have perfect school attendance and are all on the honor roll, and Saturdia is making plans to open a salon of her own soon.

But she makes no secret that one key to her staying afloat financially and keeping her family together is a government program little known to the general public, called the Earned Income Tax Credit (EITC). Despite her full-time job, Saturdia lives under constant, grueling financial pressure to support her family, and the EITC bridges the gap between falling deep into debt and barely making ends meet.

In 2001, Saturdia earned \$22,380 at her BankOne job. After filing her tax return, she qualified for a \$2,053 rebate from the Federal EITC program plus \$103 from the state EITC, for a total of \$2,156. "Since I get it in the beginning of the year, it helps me to start my year off right," she explains. "This year, the money I got back helped me pay what I owed the IRS from the year before, and it helped me pay bills that I had gotten in debt for while I was off last year for my pregnancy."

Saturdia's story is fairly typical of EITC recipients. The program helps many working families like hers by refunding part or all of their tax payments and sometimes a bit more, depending on how far a family's income falls below the established Federal poverty standards. The EITC is a special tax credit that was launched in 1975 to help the working poor. Since then, it has been greatly expanded, so today, the EITC is paying funds to more than 18.7 million working families and individuals. In 2001, the Federal government spent \$31 billion on this program.

The tax credit is backed by an unusual bipartisan coalition of liberals and conservatives in Congress – and a similarly diverse coalition among the Aspen Institute's Domestic Strategy Group – who believe people who work should not be condemned to hopeless poverty. Policy makers created the EITC to make work more attractive than welfare and "to make work pay" for poor people who took jobs. After a quarter of a century of experience, experts of differing political viewpoints agree that the EITC has worked well in encouraging poor people to work and in making their work more economically self-sustaining. Isabelle Sawhill, a well-known labor economist at the Brookings Institution in Washington, calls the EITC "the largest and most effective anti-poverty

program for working age parents and their children in the United States.”

The EITC works like a pay raise for the working poor. For every dollar a family with children earns up to roughly \$10,000, they get an additional tax credit of 40%. Thus a family with \$10,000 would qualify for \$4,000 additional dollars. This comes like a regular tax deduction when the family files a return. The credit is gradually phased out above roughly \$12,000 so that families with incomes much over \$30,000 no longer qualify for the credit. Low earning families with only one child get a 34% credit. Low earning single adults sometimes get a small EITC.

Many EITC claimants invest their refunds in ways that enhance their economic security and promote economic opportunity, such as paying off debt, investing in education, and securing decent housing.

Robert Greenstein, Executive Director of the Center on Budget and Policy Priorities, lauds the EITC's impact on the lives of poor children. “The EITC now lifts more children out of poverty than any other program in the government,” Greenstein says. “In 1999, 43% of the children lifted out of poverty by government programs were lifted by the EITC.”

The EITC can be particularly critical to former welfare recipients. In August 1996, President Clinton signed the Welfare Reform Act into law, and by June 2001, the number of people on welfare had been cut in half. Many former welfare recipients ended up in minimum-wage jobs. But government economists reckon that the current minimum wage of \$5.15 per hour is not enough to support a full-time worker with a family of three. Not even \$6.00 per hour is enough to lift a family of three above the Federal poverty line; so the EITC steps in to lift the working poor above that level.

Take Martin Perez, a cook at Denny's on Chicago's South side who is the sole supporter of a wife and three small children. Perez's full-time salary is \$18,000 a year. This year, he'll receive an EITC refund of nearly \$3,000, a major financial shot in the arm. “It's good help for my family,” Perez says, “It helps us to support our children.” This year's refund, he says, will go toward buying a car big enough to install a car seat for

the safety of their infant son. Their current car is too small to fit a car seat and still leave room for the other two children.

The EITC has been so effective that even during the bitterly partisan years of the Clinton Administration, the predominantly Republican Congress increased the program and its benefits. For example, in 1993, a working single parent with two children earning the minimum wage and claiming EITC, lived well below the poverty line. By 1998, with an increase in the EITC and the minimum wage, that family's income had risen by 27%, putting it above the poverty line.

In 16 states, the Federal EITC is supplemented by a state EITC, which is based on the Federal eligibility rules and provides a financial supplement that is a percentage of the Federal tax credit. In Illinois, for instance, the state EITC is equal to five percent of the Federal EITC.

In Illinois, 744,000 families claimed the Federal EITC in 2000, receiving \$1.215 billion in Federal tax rebates and \$41 million in state funds. “The EITC has been important to us in Illinois because, since 1997, 180,000 people have come off the welfare rolls,” explains Alan Kamhi, of the Illinois Department of Human Services. “We want to say ‘You've done your part, now we want to make sure that you get this tax credit.’ ”

To be effective, the EITC program requires not simply making funds available, but also making sure people know about the program and have access to services that can help them correctly file their tax returns. The Illinois Department of Human Services (DHS) funds 36 sites to assist the working poor with their tax returns to ensure that they get all the credits they are due. One such service, the Tax Counseling Project run by the Center for Law and Human Services, helped more than 10,000 people complete their tax returns last year; these people had a median annual income of \$8,500. In a recent survey, the Center found that 55% of their clients use the EITC refund for paying bills, and 30% for child-related expenses.

Christina Su is one of the Center's clients who rely on the EITC to help pay her bills. Twenty years of age, she is raising a 4-year-old daughter, working

full-time and going to school to prepare for a nursing degree. She works at a downtown department store selling Jones New York fashions to wealthy patrons. Christina gets home after 8:30 every night but always brings her daughter, Elisa, a little gift. "The EITC is a great help," she says; "and it came at a great time." This year, her EITC check was for \$2,428 and, she says with a laugh, it is "already gone!" She has enrolled Elisa in a parochial school and will use the EITC to help pay school fees and to buy Elisa's school clothes.

For people who spend a sizeable chunk of their income on transportation to work, the EITC brings welcome relief. Gloria Dixon lives in housing projects on Chicago's South Side, on what's known as the State Street Corridor. Here, government subsidized housing projects line the street from 22nd to 54th streets. The city is in the process of knocking down 55 of these buildings. Gloria lives in one of the remaining buildings in Stateway Gardens, just down the street from the near-legendary Robert Taylor Homes.

In a bright room overlooking a gaping space where a housing project once stood, Gloria talks about her life. She recalls that she has always worked at some job. She is unmarried, and has two grown children: Elizabeth, 25, and Jonathan, 27. Years ago, Gloria earned her Associate Degree in Secretarial Science from Harold Washington College, but was unable to find a secretarial job. Now she works in an animal shelter three days per week, and for a circulation company about six hours per week. At 48, with hourly wages ranging from \$7 to \$7.40 per hour, she makes about \$7,000 a year.

Her rent, subsidized by the city of Chicago, is around \$250 a month. There's no room in her budget for anything other than basic necessities, and barely enough for those.

"My main issue is transportation," says Gloria. "It's about \$20 a week just to go back and forth to work. Then there's extra fares – supposing I need to go to Wal-Mart, that's \$3.60 right there."

This year, Gloria Dixon got back several hundred dollars from the EITC, and that money went to pay for some outstanding bills and groceries. "It's a big help," she says, "you know, a really big help."

She remembers a time, in 1992, when EITC bailed her out even more. That was when her daughter was still a dependent. "I went and had my taxes done, and got a pretty good-sized check back – about \$1,200," she recalls. "I was glad to see that!" She immediately opened a bank account, which she still uses.

"The EITC is the quintessential work support program, since you can't get this money unless you're employed and have earnings," says Isabelle Sawhill of Brookings Institution. According to Sawhill, Americans are more comfortable paying taxes that support other workers, than paying for welfare for the unemployed. "The EITC is a much better solution than welfare to the problem of poverty," Sawhill observes, "because it's consistent with American values, which put a lot of emphasis on work."

"The EITC is probably the outstanding American innovation in poverty policy over the last quarter century," adds Robert Greenstein, Executive Director of the Center on Budget and Policy Priorities. "In fact, it's so highly regarded that the U.K. and France have created their own versions of it. It's the only time a poverty policy innovation pioneered in the USA has been picked up by Western European countries."

To Saturdia Turman, the EITC is a lifesaver, a step upward toward the mainstream middle class. "The extra money they give you back can do a lot," she says. "I think it's something that everybody needs."

To Gloria Dixon, the EITC is a helping hand that lets her preserve her sense of dignity and self-reliance. "I'm not asking for any handouts," she says, "just a hand up, that's all."

2

Making The Leap from Welfare to IT and Computers:

For five years, Kemba Weeks worked full-time as a Sales Agent for Royal Caribbean Cruise lines in Miami, supporting her two children on \$21,000 per year. But then the disaster of September 11 hit. The tourism industry plummeted, and for the first time in her adult life, the 25-year-old Kemba was out of a job.

Kemba was caught completely off-guard. She felt stranded and searched fruitlessly for work. Overwhelmed by concern for her two children – aged 5 and 7 – she collected welfare and food stamps and began sliding into a depression. It was then, just in time, that she discovered TechReach, a program sponsored by Manpower Inc., that turns welfare recipients into computer technicians in just 12 weeks.

Now, three months later, Kemba is ready to take her test for A+ certification so she can be fully qualified as a computer technician. In a temp job, she fixed a balky office computer in less than five minutes. In the TechReach course, she and other students learned both hardware and software skills, so they can both fix broken computers and work as help desk employees handling software problems.

Since technical work requires a certain level of assuredness, the pilot project not only teaches specific job skills, but builds motivation and confidence in the students in order to help them succeed. Kemba, for example, is now so well versed in computer hardware and software that she talks about megabytes and motherboards with ease. “I learned I could do anything I want to do with enough studying,” she said with new self-confidence. “It makes me feel proud.”

After a short time in her temp job, Kemba was offered a full-time position at The Answer Group

in Fort Lauderdale. For Kemba, TechReach really paid off.

TechReach is the brainchild of Mitchell Fromstein, the now-retired, long-time CEO of Manpower. He was inspired by discussions at the Aspen Institute’s Domestic Strategy Group. With the passage of the Welfare Reform Act in 1996 by Congress and the Clinton Administration, people have been pouring off the welfare rolls. Fromstein’s attention on the working people was focused by discussions at the Aspen Institute about how people coming off welfare usually found themselves in low-wage jobs, with little ability to move up the economic ladder. Some employers feared that former welfare recipients would be a drag on the workforce. Instead, Fromstein saw opportunity. “I began looking at people who were coming off welfare as potentials,” he said. “Why couldn’t Manpower work with former welfare recipients?”

But it took daring and imagination to make the leap from welfare to the world of information technology and computer technicians. Manpower Inc. had never worked before with the disadvantaged, Fromstein concedes. But with experience in filling the needs of employers nationwide, he thought he saw an opening that would provide brighter long-term futures for former welfare recipients than the typical low-wage jobs.

Fromstein knew there was a huge need nationwide for computer specialists, and he seized on that huge job opening to come up with an IT training program for former welfare recipients. “We saw that we could give ourselves something to use in the marketplace,” he said, “and at the same time take people off welfare into something other than low-paying jobs.” His successor as Manpower’s CEO, Jeffrey Joerres, equally champions the program.

Training was something Manpower was good at, having trained about 9 million people since its doors opened. “We train virtually everybody who goes through our door in some manner,” Fromstein says. The company is the country’s largest non-government employer, employing 2.7 million people in 61 countries in 2000. But training former welfare recipients was a new challenge, and it surprised Fromstein.

"I was surprised by the commitment of the trainees to the program and the zeal with which they approached this whole thing," says Fromstein. "I went to the graduation and talked to them, and it was clear that they had made up their minds that they wanted out of the welfare system. I was impressed by every one of them."

For its innovative TechReach training program, Manpower lined up various business and community partners and launched a workforce development effort at various sites around the country such as Philadelphia, Chicago, Minneapolis, San Francisco, Washington, Milwaukee and Miami. TechReach takes a collaborative approach, allowing each partner organization to use its core strength – be it funding, training, recruiting, or employment – to help move low-skilled, underserved populations to real financial and social independence.

For these former welfare recipients, Manpower offered one special advantage, as Fromstein observes. Unlike many nonprofit training organizations, Manpower specializes in job placement after training and has a network of 2,000 offices nationwide to seek out employers. "Most programs that do training are not in the placement business," Fromstein notes. "But placement is our business. We have standing with the business community; so our staff can be getting job commitments from employers while the training is going on. So once people graduate and get qualified, they can get hired quickly."

"We are working on putting the students on a career path, not just into a job," says Branka Minic, Director of Manpower's Workforce Development who now heads the TechReach group. "We see it as more of a welfare-to-career than a welfare-to-work program."

Branka Minic's story is as interesting as those of the students in her workforce development program. Minic hails from the former Yugoslavia. In the '80s, she came to the U.S. to study, as the political situation in her home country slid downhill. With the help of a professor, she enrolled in the University of Miami and obtained her masters degree in computer science. Many people helped her along the way, and ultimately, Minic became a U.S. citizen.

"That is one reason why I am so enthusiastic about this Manpower project," she says. "I know what it means when people open doors for you. And that's what we do, we open doors for people."

The Miami program is Florida's pilot project. It is a cooperative effort between Manpower and the Miami office of the Welfare-to-Work partnership, called BizLink. Other partners are Vision to Victory Human Services Corporation, and Global Workforce and Training Specialists. Nationally, the Ford Foundation supports TechReach by supplying 50% of the salaries of the regional program managers.

The Welfare-to-Work Partnership, a nonprofit organization that encourages American businesses to hire and retain former welfare recipients, sponsored the Florida pilot project at a cost of about \$5,000 per person trained. Manpower provided project design of Tech Reach and overall project management, which included donations of time and effort, such as interviews and assessments, connecting trainees with future employers, producing training materials, writing proposals, and educating employers about the advantages this type of program brings. Branka Minic estimates that Manpower's in-kind contributions are approximately 50% of the Miami project's overall budget.

Manpower has several plans in the works to ensure TechReach's sustainability and ultimate independence from private donors. One idea is to have TechReach become a knowledge center that can consult with other groups following this model, and thus generate revenue through consulting fees in addition to getting government support. Branka says, "we may be able to generate revenues by providing services to our clients and use those fees to pump money back into the project."

Manpower deliberately started TechReach on a small scale to develop this new venture carefully and to avoid massive mistakes. Kemba Week's class, the first in the Miami area, trained nine welfare mothers to be A+ certified computer technicians. "In the beginning, the students were pretty shy," says Bojan Cubela, Regional Program Manager of Tech-Reach. "Originally they were suspicious of everything, since there are lots of trainings that lead nowhere. As the course pro-

gressed, they started opening up a lot, and feeling good about themselves.”

The curriculum has three components – computer based IT skills training, financial literacy, and “soft-skills” training, which includes customer service training and interpersonal skills. The Fannie Mae Foundation provides the financial literacy component. The course runs for 12 weeks, but differs in significant ways from traditional school. The women continue receive their welfare benefits while they’re in training, and they receive \$30 per week to cover transportation expenses. Finally, the course supports its students by helping to manage myriad administrative hassles that would normally prevent them from making it to class, such as stepping in with social service agencies that provide child care credits, food stamps, or Medicaid.

“The students had appointments with social workers all the time, and if they missed them, they might lose their benefits,” Cubela explains. “We helped them to manage these kinds of barriers.”

Kemba agrees. “They did everything necessary to take care of us, so we would finish.” With the course now behind her, the future is already brighter. With new skills, a new full-time job, and her upcoming wedding in June, Kemba is content. “Maybe God answered my prayers,” she says, smiling.

But during the program, worries about finishing were common, since the nine women not only had to cope with monumental day-to-day personal challenges with their homes and children, but also had to master a course that was rigorous and intensive.

Alicia Levy, a 20-year-old single mother, pregnant with her second child, says that the TechReach course is not for everyone. “Some people want to be spoon-fed, but this is not that type of program,” says Levy. “In computers, there’s not always going to be someone to give you the answer, you have to sit there and figure it out.”

Levy, who has a high school diploma and lives with her grandmother, has had her share of dead-end jobs. She worked for a while as an office assistant, and then as a telemarketer. Far from

knocking her down, her experiences have sharpened her drive. She showed up for her IT classes 45 minutes early every day, and she passed a test for A+ certification. She talks enthusiastically about how this program had helped her and other students. Since it crams so much into just 12 weeks of study and also offers support services and job placement, she declares: “This program is worth its weight in gold.”

“This is a chance to provide a better future for me and my kids,” Alicia emphasizes. “In this way, I can advance. Even if it’s hard, I’ll fight for it. I will not give up.”

The program is not just about training and support, but also job creation and placement. Cubela explains that the staff works closely with employers to create jobs for the graduates, some of whom, having never worked before, do not have resumes. The personal efforts pay off for all parties – employers gain loyal skilled workers, the graduates gain good-paying jobs, and Manpower expands its own reach.

Today, six of Miami’s first nine graduates are working in IT jobs, five at The Answer Group (TAG) in Fort Lauderdale, with starting salaries of \$9.25 per hour for the first 90 days, and then \$11.25, well above the minimum wage. These employees can work overtime if they choose, earning time-and-a-half pay.

Atavia Jones is one of the graduates at TAG, a single mother who was on welfare from October of last year until February of this year. Previously a hairdresser, she supports two young children, Jeffrey, 8, and Clintavia, 3. She has a resigned, but determined air. “There are so many obstacles that’ll make you say, ‘Man, I give up,’” she says, listing child care and transportation as two of the biggest barriers to pursuing a career. BizLink paid her rent one month when she couldn’t make ends meet with her welfare check, and was facing eviction.

Atavia stuck it out. Now she carools to work with some of the other women from her class who also work at TAG, and spends her days troubleshooting and answering questions from people at home who are having computer problems. She answers 40 calls per day.

"The program really helped me do this job," she says of TechReach. "I can open my book and answer half the questions that I get." She's currently making between \$11 and \$13 per hour, including some overtime pay. She hasn't taken lunch since she's been in her new job, because she wants to earn the extra hour's wages. "I'm doing it to better myself and for the kids," she says. Her ambition is to become a team leader – a job that regularly pays \$13 per hour. And she's learning how to save and to manage her money. "We're not used to making a lot of money," she explains, "so the Fannie Mae Foundation training really helped."

Cubela cites many reasons for Manpower's involvement in TechReach, including corporate social responsibility, strengthening company morale, alleviating expected shortage of workers, and building loyalty to Manpower. When asked how he feels about the program, his answer is direct and proud. "It's incredible," he says. "They're now working and making wages way higher than they could have before. We're making a real difference for these people and we feel good about it. And they can get better jobs on their own now."

With several pilot training courses under its belt, TechReach is ready to ramp up to larger scale. Manpower has 35 TechReach initiatives in either implementation or in design all over the country. They propose scaling up the next Miami class to 200 students, and they recently received a large grant from the Department of Labor to train 600 people in Washington, thus widening the opportunity of career advancement to people who used to depend on government handouts.

3

Higher Quality Jobs for Health Aides Delivers Higher Quality Home Care

Twenty-three years ago, at age 18, Alba Rodriguez moved from her native Puerto Rico to America to find a better life. She came alone, knew no one in her new country, and was pregnant with her first child. At the time, she spoke very little English. Alba wondered what the future would bring in her new homeland.

Alba struggled to get by, learning English, taking a computer course, and studying merchandise management while living in New York City. In spite of her efforts, Alba was on and off public assistance for about 10 years. In 1998, a friend referred her to the Cooperative Home Care Associates, a Bronx-based organization which provides training in home health care to low-income people and which matches home health aides with sick or disabled clients. Alba has been there ever since.

"I wanted to do something with my life," she says, "and nursing is in my heart."

Through the Cooperative Home Care Associates, Alba Rodriguez has become a vital national resource, like hundreds of other CHCA members.

The reason is that a "care gap" is emerging between the growing millions of people who require long-term care assistance and the inadequate pool of workers available to provide that assistance.

Home care and nursing home care is a \$96 billion a year industry in America today, and the demand for that care is rising dramatically. The over-65 population will double between 2000 and 2030, and that means that the demand for direct-care workers is projected to increase at more than double the rate of growth of all other occupations, during the next decade alone. But the supply of

potential home health care workers is projected to grow by only 7%. Even before that leap in demand, 40 states already report critical shortages of direct staff.

In less than 10 years, by the year 2010, experts say 780,000 new health aides will be needed, an increase of 39% over the year 2000. During that decade, the entire contingent of working women between the ages of 25 and 44 – the traditional source of long-term care health workers – is projected to grow by just 1.25%, by only 400,000 workers, and many of them will take jobs in other careers.

The challenge for America – especially for the health industry and the federal government, which pays the majority of home care and nursing home bills through Medicare and Medicaid – is how to attract enough people and keep them working in the home health care field to meet the nation's needs in the decades ahead.

Home health care is a tough job. Clients are needy and often demanding. Many are unhappy with the quality of care, and many health aides are unhappy with the low pay. Nurses aides, for example, provide 80 to 90% of the direct care in most nursing homes and get paid an average of \$7.93 per hour, usually without benefits, for this very difficult work. What's more, for home health care workers, employment is intermittent as patients' needs come and go. The labor is menial and usually physically and emotionally draining. It is hardly surprising that turnover in home health care is 60% per year or higher.

Lila Sarante, a home health aide who came originally from the Dominican Republic, tells about the emotional toll of caring for the homebound. "Sometimes when we go to a patient's house, it's a very difficult situation," she explains.

"Sometimes you say 'Oh my god, I don't know what I'm going to do.' Sometimes I go into my house and I cry. Sometimes I'm going to a case and I say, 'I don't want to go back.' But the next day I say, 'No, the people need me.' I don't know if one day, I'll need it too."

With millions coming off welfare and the economy turning down, there is a potential pool of people who need jobs and could be trained in a short

period of time to be very effective home health aides. To attract enough of these people to the field of health care, and then train and retain them, some experts suggest, requires rethinking how the home health care field is organized.

Determined to meet that challenge, Rick Surpin and Peggy Powell formed the Cooperative Home Care Associates, or CHCA, in 1985. In the hopes of creating a truly democratic company, Surpin and Powell formed a cooperative that hired home health care aides and, in turn, was owned by its employees. Over the past 17 years, that concept has proved so inviting and successful that CHCA has mushroomed from its original staff of 12 home health aides to 650 today.

This vision for closing the home health care gap has also been championed by a group led by Steven Dawson, President of New York's nonprofit Paraprofessional Healthcare Institute, an affiliate of CHCA. Dawson's idea is to generate quality care for patients by improving the quality of the jobs of long-term care workers. Dawson's group believes that reliable, competent and responsive services to elderly and disabled clients require strong organizational support for home health care and nursing home workers. What CHCA is trying to do, according to Dawson, is "to take a job that is typically not high quality and to improve the quality of the job itself – and thereby improve the quality of care for consumers."

"Ultimately, we are fighting to redesign the system so it's built around the relationship between consumer and worker," says Dawson. "If you can improve the system, then you create a higher quality job for a whole group of people. This is the only way to ensure a stable workforce and a high quality of care. And people are beginning to pay attention."

So what is CHCA's strategy?

First of all, it's a worker-owned company, and its employee-owners all have a voice. "It's very rare that you find a company that cares what you think," says Zaida Alvarado, a home health aide and worker-owner at CHCA. "If the company does good, or bad, we always get to know what's going on." What's more, the worker-owners, who pay a nominal fee into the company each month, share

in the company profits. At the end of the year, all worker-owners receive dividend checks of several hundred dollars or more.

Training is another essential provided by CHCA. It runs courses for four-and-a-half weeks, two weeks longer than required by the Federal government. The training involves instruction about diseases, vital signs, nutrition, and patient care. It is intense and rigorous. "They teach you four or five new things per day, and then you have to turn around and teach it to someone else," says Alba Rodriguez. The aides learn not only technical skills but problem solving. "Sometimes they're faced with challenges, such as being trained to make a bed properly but getting to the client and seeing that there's only a couch," says Steve Dawson. "We train them in problem solving techniques." In addition, there is mandatory in-service training for all aides every three months.

Zaida Alvarado speaks of the motivation and encouragement she's been given by CHCA through its training and other support, and about her improved self-image. "I came in at first, and felt so negative, like I wasn't going to accomplish anything," she says. "But being here, I realized, there's more to me. This has all shown me a different side of myself that I didn't see before."

Also, unlike most employers in this field, CHCA provides health care benefits, including dental care, as well as a 401K-retirement plan to its workers. All of these incentives have helped CHCA retain its health care aides and beat the typical turnover rate of 60% by achieving just 20% turnover.

"My company's very good, I'm very proud of my company," explains the 42 year-old Alba Rodriguez. "I plan to retire with this company."

"It's an incredible idea of working with women who have primarily been on public assistance and turning them into entrepreneurs," echoes Michael Elsas, current president of CHCA. "It's the most incredible thing around. The worker ownership provides an incentive to stay in what is usually a transient industry. Then that longevity builds a solid, dependable workforce that provides quality care. If you provide a solid job, you provide quality care."

But Elsas voices frustration at how society under-values home health aides. "The AARP asked 10,000 seniors what's the most important service they could possibly get, and home health care was voted number one," Elsas says. "What's crazy is that this is the most valuable service, but it's the least valued in terms of the pay and everything else. It's clear that there's a lot of awareness we have to raise."

There's little awareness, for instance, of the close relationships forged between health care aides and the homebound patients they care for. The aides often become very personally attached. Once, Zaida Alvarado lost a patient to Lou Gehrig's disease, a man for whom she used to cook special chicken. "To this day, when I make chicken, I think of him," she says. "When he died, I cried."

One other distinction of Cooperative Home Care Associates, Steve Dawson explains, is that it offers the highest pay of all agencies in the New York area – an average of \$8.20 per hour, plus benefits and an end-of-year dividend. CHCA can achieve these levels by holding down other costs. Says Dawson: "We turn about 80 cents of every reimbursement dollar into wages and benefits."

But Dawson sees the need for change on a larger scale, both in the practice of other companies and in government policy. He formed the Paraprofessional Healthcare Institute as an outgrowth of CHCA when it became clear that improving conditions for home health aides would require policy changes, especially persuading the Federal government to raise its reimbursement rates for home health workers. PHI also gives technical assistance to other groups emulating Cooperative Home Care Associates, sharing information through its National Clearinghouse on Direct Care Workforce. Other groups, such as Philadelphia's Home Care Associates, are following CHCA's worker-owner model.

"It's exciting to see the unprecedented attention being paid to this workforce by policy makers and employers," says Dawson.

But there are obvious problems. Due to the vagaries of the business and the unpredictable illnesses of clients, home health care is typically "a

part-time job, usually about 25 hours per week,” Dawson explains. “Here, we work the system as hard as we can to get aides 35 hours per week of work.” In fact, those who have been with CHCA for three years or more can sign up for a guaranteed 30 hours of work every week, but they must agree not to turn down any assignment. They also have peer mentors with whom to share difficulties and from whom to get advice.

Few outsiders can fully enter into the intimate world that home health aides share with their patients. Take Alba Rodriguez. For six months or so, Alba has been taking care of 70-year-old Idderwatie Dhanraj in her Bronx apartment at \$7.25 per hour. Idderwatie, originally from Guyana, suffers from high cholesterol, diabetes, high blood pressure, and arthritis. Once a week, a nurse organizes Idderwatie’s dizzying array of pills into daily doses, and then Alba ensures that they are taken at the correct time. Alba works eight-hour days, 12 days on, two days off.

It is a full-time job and Alba has clearly become a valued member of the household. Her tasks are wide-ranging. By 10 A.M., she has already cleaned the house – including the commode – prepared breakfast, and done the laundry. She is learning to prepare Guyanese meals to satisfy her client’s taste for familiar food, cooking with spices such as sarso, matie, mangrile, and geera. “I cook low-sodium, and no oil,” she explains. “Because of the diabetes I have to moderate her meals. I can’t give her a lot, just small portions frequently.”

As Idderwatie’s grandchildren play in the living room, Alba describes her duties. She monitors Idderwatie’s vital signs daily, such as pulse and temperature. She does physical therapy, and bathes and dresses her client, rubbing vitamin E cream on Idderwatie’s scars from knee-replacement surgery. Alba fights with the landlord for heat in the winter and hot water when it’s running cold. She does the grocery shopping and administers the piles of paperwork related to Idderwatie’s government benefits through Medicare.

“She knows just what to do,” says Idderwatie, with obvious gratitude. “She’s here for a good amount of time, so I don’t have to tell her what to

do and what not to do. I’m happy with the arrangement.”

Some time ago, Alba was bathing her client when she noticed something wrong. There was blood running between her legs, and also blood in the commode. Alba took Idderwatie to the clinic, where she was diagnosed with uterine cancer. Idderwatie had a hysterectomy, and is now undergoing chemotherapy and radiation. Alba takes her to these treatments. In this case, Alba may well have saved Idderwatie’s life.

“I really love her,” says Alba. “It’s hard not to get attached. They say don’t get too close, but it’s hard to prevent that. I love her.”

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“Jewels in the Rough” – Project Quest

Thirty-four-year-old Sanders Noblitt hurries into the classroom at San Antonio College where seven Project QUEST nursing students and case worker Jan Hooper are just starting their weekly meeting. He folds his long legs under the table and flicks his sandy brown hair out of his eyes. A fellow student asks Sanders where he’s been the past few weeks. “In the VA hospital – I injured my shoulder trying to stop a moving car with my girlfriend’s kid in it,” he tells them. “The kid’s okay,” he adds.

Sanders is full of stories like this – some more frightening. “I’ve battled homelessness for three years and not because of drugs or alcohol,” he says. “I made some bad decisions, had bad luck.” Sanders’ mother died in July 1999 while he was in his third year of college. At the same time, appendicitis landed him in the hospital and cost him his job. That started his downward spiral into homelessness. He has no family to fall back on. His father is long gone and one sister is strung out on drugs.

But Sanders is different from others in his family. He’s taken a step upward. Ten months ago, he signed on with Project QUEST, designed to help troubled people like himself, and applied to nursing school. He knew that if he were accepted, Project QUEST would pay for tuition and books. He’s currently taking his science prerequisites and living at the American GI Forum, a homeless shelter where he rents a room for \$25 a month.

Project QUEST is a workforce development program, designed to upgrade the skills of the working poor and prepare them to meet the job needs of the San Antonio business community. More than half of the participants are on some form of public assistance. “There’s a stereotype that just because you’re on welfare, you can’t achieve certain things,” says Mary Peña, Executive Director

of Project QUEST. “An individual, given an opportunity, can achieve, especially if they are allowed to make decisions for themselves.”

QUEST participants are often referred to as “jewels in the rough.” They receive not only specialized training in such diverse and demanding courses as aircraft maintenance, computer programming, and nursing, but also coaching in life skills, such as money management and proper work behavior. “I tell them, ‘I can’t go to class for you,’” says Mary Peña. “‘You have to go to class. You have to study. You have to do that yourself. You’re not always going to like your boss or co-worker, but you always have to get along with them.’ We try to mirror the world of work for them.”

It works. The attrition rate is less than 5 percent. Many participants make the honor roll at local colleges. Instructors report that Project QUEST students are easily identified by their enthusiasm and active class participation.

Once a week, each cluster of participants meets with their caseworker. They are encouraged to share their experiences and provide emotional support for each other as they struggle to work their way out of welfare and aimless lives into good jobs and a middle class life.

On this day, caseworker Jan Hooper watches as the students encourage Sanders Noblitt not to drop out of the program. His time in the hospital has put him behind in his classes. “You took the step,” Philippine student Michael Kahn says. “You came to Project QUEST to do something else with your life.”

Bea Martinez, mother of three, two of whom are disabled, will graduate from San Antonio College with her Registered Nursing degree in May. “It’s a constant struggle,” she says. “You have to put that aside and stay focused. My husband wrecked the car. My youngest had three surgeries. What are you gonna do, quit?”

“I refuse to give up,” Sanders responds.

Several students back him up. “That’s good,” they say. “You have to keep that attitude.”

Jan Hooper is pleased. Her students are modeling the conversations she has had with them individu-

ally over the past year. Before the group disbands, Jan asks if everyone is okay, if anyone needs anything. QUEST aims to remove the financial barriers that often distract participants from their studies. One student complains about her high utility bills. Jan tells her about a city program that helps qualified residents pay for their utilities. Another thanks her for a new nursing uniform. She's happy not to wear hand-me-downs anymore.

Weekly meetings like this one take place in college classrooms all over San Antonio. The participants are future nurses, computer programmers, aerospace industry mechanics and more. Most Project QUEST programs demand a 2-year commitment. What participants want in return is a guarantee that their hard work will be rewarded with a job. That's where Project QUEST is strong. Its programs are expressly designed to prepare students for jobs in targeted, hard-to-fill occupations in San Antonio.

To insure that its training is targeted to market needs, QUEST actively engages the local business community in reviewing and designing its training programs. "We provide long term training, not a quick fix," says Mary Peña. "We talk to employers, occupational analysts and business leaders who help us determine which occupations are leaving San Antonio and which ones are coming. We keep our hand on the pulse of the industry."

The unique partnership of business and academia was the brainchild of two San Antonio community groups, Communities Organized for Public Service (COPS) and the Metro Alliance. "We had individual meetings with CEOs to find out the skills the industry needed," says Andy Sarabia, the first President of COPS and a current QUEST board member. "When the Chamber of Commerce said there were no jobs in San Antonio, private meetings said otherwise." Next, the organizers convinced local colleges to tailor their curriculums to match the needs of local industry. The community groups pushed their vision in City Hall and raised an initial \$2.5 million from then Governor Ann Richards and another \$2 million from the city of San Antonio.

Ninety percent of QUEST's \$3.5 million dollar operating budget comes directly from the city of

San Antonio, some of it from a federally funded community block grant. The remaining 10% of the funding comes from private sources.

Since its inception in 1993, QUEST has enrolled more than 1,800 participants in long-term training. More than half have completed their training and have found rewarding jobs. In 2001, 193 graduates started new careers, earning an average of \$11.37 per hour plus benefits – and not in dead-end jobs, but jobs with a future. All trainees commit to working in San Antonio in their field for at least two years after training. Early success has brought expansion – currently, QUEST has 503 participants.

Today, health care providers and aerospace industries work directly with the local colleges to develop curriculum targeted to actual jobs. St. Philip's College has developed programs with Lockheed Martin, Boeing, Standard Arrow, Fairchild, and Cessna. Standard Arrow's 6-month, 40-hour-a-week program prepares students to become aircraft engine mechanics. Students start at the college and then move to Standard Arrow's facility for one month, where they earn \$7 an hour. Qualified graduates have \$10-an-hour jobs waiting for them.

Linda Benms is in her final weeks of Standard Arrow's program. With her cherubic face, bright blue eyes, and dimples, you'd expect to see her working the cash register in a local video store or behind the counter at Subway, jobs she had before turning to aircraft mechanics. Along with the other students in her class, she recently disassembled the Allison 250 helicopter engine. This week, they are putting it back together. It's an imposing task. This 300-pound engine isn't the largest in the room, but when taken apart, its components cover three 10-foot-long tables. "If you get it all back together and there's a screw left on the table, you have to take it all apart again," says Linda. "That one screw could cost someone their life."

Linda, like many students in courses run by Project QUEST, has learned new self-confidence by coping with a demanding curriculum. She hated life in San Antonio until she found her new career. Project QUEST has turned her life around. Now she's made a commitment to the city and to the job that awaits her this summer at Standard

Arrow, where she will overhaul engines for the military. She plans to stay in San Antonio and continue her education. "After this, I'm starting a 30-month program to get my FAA Airframe and Power Plant license," she says. "Then I'll be able to work on any aircraft engine."

At the beginning of each semester, case workers see to it that tuition and textbook costs are paid, transportation costs are covered, and those who need child care for their kids get it. Tuition and book fees represent only slightly more than one quarter of QUEST's total costs. The largest single expense is child care. For many parents that has made the biggest difference between going to school and remaining stuck in low paying, dead-end jobs.

Although most Project QUEST participants work part time, their income is rarely enough to support themselves and their families. QUEST counselors guide trainees to services and income support for which they are eligible, including federal Pell grants, rental and utility assistance programs, food assistance, Medicaid, and Transitional Assistance to Needy Families (TANF).

Patricia Gilbert was chosen to give the address at this year's Project Quest graduation ceremony. She's a tiny woman – just over 5 feet tall with long brown hair and big brown eyes that easily fill with tears when she tells her story. At 33, she's been through the gauntlet: physically abused by her husband, disowned by her mother for leaving her marriage, and left alone with three young children. In the midst of the divorce, her middle child Matthew, then 3 years old, was diagnosed with cancer.

"When Matthew was diagnosed, I was forced to quit my low-paying job because Matthew couldn't go to day care because of the demanding chemotherapy treatments and his vulnerability to illness," Patricia explains. "My son's oncologist encouraged me to go to school so I could provide the best possible life for myself and my kids."

She proved to be an excellent candidate for Project QUEST. Once Matthew was well enough to return to day care, QUEST paid for her tuition at San Antonio Community College, where she enrolled in a 2-year computer programming course. The sup-

port of her church and Project QUEST keep her going. "The weekly VIP meetings help me know that there are other people out there like me," she says, especially praising her counselor. "Carol has been like a mother to me. When I got into trouble and couldn't pay my utilities, Carol helped find a program to pay them. When I got behind in my coursework because my son got sick and landed in the hospital, QUEST purchased a laptop for me to take to the hospital."

Today, Patricia's son is in the home stretch of his 130-week chemotherapy regimen. After graduation, Patricia will have an Associates Degree from San Antonio Community College and a full-time job in the College's district office, where she's currently working part-time. She'll be the first in her family to earn a college degree and, hopefully, a model to her children.

"These are not bad people," says QUEST Executive Director Mary Peña. "They're just people who've had bad things happen to them." People who graduate from the program earn at least \$10 an hour and can count on salary increases of \$3 to \$5 per hour. These are the people who will soon be able to buy a car, afford a home and pay taxes. They will no longer drain the city's social services.

"Twenty-three percent of San Antonio is in poverty – that's 250,000 people," Peña reports. "San Antonio is making an investment (in the program to train them). They want a return on their investment." The city's return is a higher tax base, parents who are good role models for their children, and children who are better prepared for school. "Our challenge is addressing the needs of the working poor," says Mary Peña. "We're doing it one individual at a time."



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