

Pathways

a magazine on poverty, inequality, and social policy

Fall 2009

Are Green Jobs a Silver Bullet?

**The Future
of Poverty
in a Green
Economy**

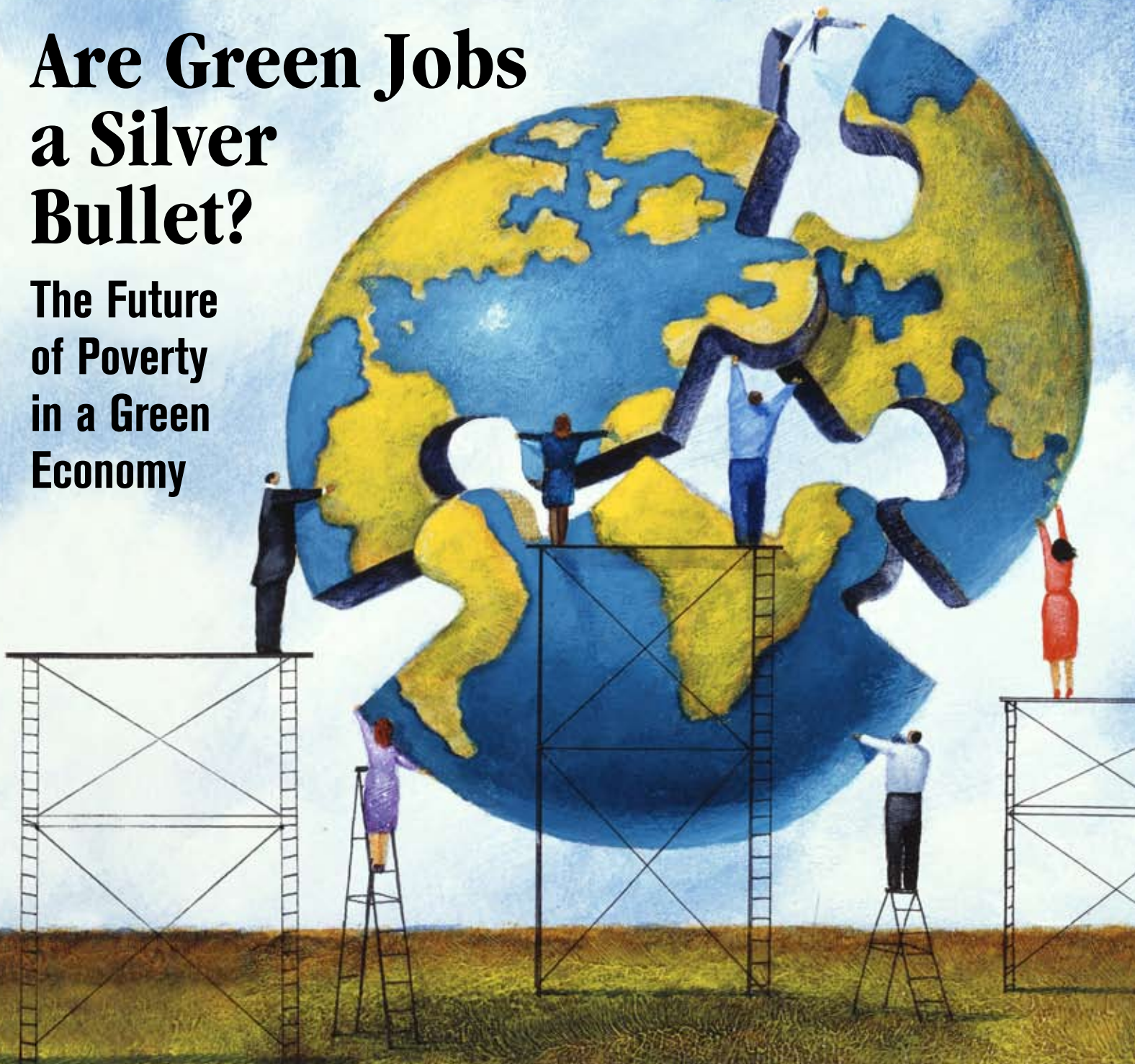


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Fall 2009

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Editors' Note

Green jobs. This new phrase, now so popular, artfully joins an adjective advertising concern for climate change and the environment with a noun signaling a concern for economic growth. The genius of the “green jobs” formulation is that it subverts the old opposition between those who favor economic development and those who favor defending the environment.

The rapid diffusion of this term itself suggests the genius behind it. A few short years ago, the detractors of the green movement pushed an image of privileged, chardonnay-sipping, tree-hugging environmentalists all too ready to sacrifice the jobs of loggers, miners, or factory workers, all too quick to bury an economic development project promising thousands of jobs just to defend the nesting grounds of the blue-billed spikfisher. The conception of “green jobs,” by contrast, brings together environmentalism and economic development in one glorious package, with the suggestion that we can have our cake and eat it too, that we can have a booming economy that, rather than destroying the environment, in fact saves it.

The “green jobs” formulation doesn't, however, entirely shed the elitist tag affixed to the environmentalism of the past. It also comes with the presumption, lurking only slightly beneath the surface, that the green jobs being created are, in the end, jobs for the privileged class, jobs for the friends and children of those old, chardonnay-sipping, tree-hugging environmentalists. If now they suddenly care about jobs, maybe it is just because it provides jobs for themselves and their ilk, for the legion of freshly-minted Silicon Valley green engineers, venture capitalists, and lawyers.

The crucial empirical question, then, is whether a green economy can indeed provide not only jobs but jobs for *all*. Is there any evidence in favor of the radical view, which surely has its adherents, that an investment in green jobs is a “silver bullet” that operates at once as an environment-saver and poverty-killer? Or must we instead own up to the inconvenient truth that green jobs are typically high-skill and will at best generate larger paychecks for the already privileged few? If so, this doesn't necessarily imply that our commitment to a green economy should be abandoned. It just means that we should shed the fairy tale and be realistic about the poverty-fighting effects of a green economy.

This is where the Fall issue of *Pathways* comes in. We have asked top scholars and policy makers to honestly assess whether a green investment will likely yield a good return in terms of (a) the number of jobs created and (b) the distribution of those jobs across income levels. We lead off with former White House “Green Jobs Czar” Van Jones laying out the argument that a green investment does indeed deliver on both counts. The follow-up article, featuring John Podesta (former White House Chief of Staff and the current President of the Center for American Progress) and Sarah Miller (Center for American Progress policy advisor), examines how current and future legislation might reduce the rate of climate change and create new economic opportunities. Next, Manhattan Institute Senior Fellow Max Schulz weighs in with a more skeptical analysis, one suggesting that, while a green investment may be justifiable for environmental and climate change reasons, it is not a good investment on purely economic grounds. In the closing essay, Kil Huh and Lori Granger of the Pew Charitable Trusts present an innovative survey of all green jobs currently in the economy, a survey that reveals that not all green jobs are for the privileged.

We leave it to our readers to sort out the bottom line. If there is room for disagreement, it is partly because there are now two green economies standing side-by-side, one comprising higher-income jobs (e.g., green engineer) and another comprising lower-income ones (e.g., insulation installer). The Pathways mantra is that the future of these two sub-economies will, like all economic institutions, be governed as much by the visible hand of policy as by the invisible hand of market forces.

—David Grusky & Christopher Wimer, Senior Editors

The Squeeze Before the Storm

BY EDWARD N. WOLFF

Sparked and fueled by the subprime mortgage crisis, falling home prices, and havoc in the stock market, the current Great Recession is likely to be remembered as a period of enormous wealth destruction. Though comprehensive wealth data for the Great Recession period are not yet available, housing and stock prices both show a marked deterioration in the current recession. Housing prices have fallen by 23.5 percent in real terms since July 2007, and the Standard & Poor (S&P) 500 index was down by 40.9 percent in real terms over the same period. According to my estimates, while mean wealth (in 2007 dollars) fell by 17.3 percent between 2007 and 2009 (to \$443,600), median wealth plunged by an astounding 36.1 percent (to \$65,400, about the same level as in 1992!).

The purpose of this article is to put such recent and spectacular wealth destruction in context by examining longer-term trends in wealth and its distribution. Conventional wisdom has it that this precursor period was simply one of great wealth creation; in truth, it was one of both wealth *and* debt creation, at least for the middle class. I begin by laying out a stylized economic history of the last two decades, and I then more formally trace trends in wealth inequality during this period. The objective throughout is to show how trends in wealth and debt creation set the stage for the Great Recession.

A Stylized Economic History

The booming stock market of the 1990s is perhaps the most relevant feature of the pre-crash landscape. According to the S&P 500 index, stock prices surged 171 percent between 1989 and 2001. Stock ownership spread, and by 2001, over half of U.S. households owned stock either directly or indirectly. Real wages, after stagnating for many years, finally grew in the late 1990s. According to U.S. Bureau of Labor and Statistics (BLS) figures, real mean hourly earnings surged 8.3 percent between 1995 and 2001. The current period of wealth destruction must of course be partially understood in the context of this enormous wealth creation and democratization that occurred in the 1990s.

Although the last decade of the 20th century was one of remarkable growth, the story was somewhat different between 2000 and 2007. In 2001, the U.S. saw a recession, albeit a short one. The stock market peaked in 2000 and then dropped steeply from 2000 to 2003 before recovering somewhat in 2004. Between 2001 and 2004, the S&P 500 was down by only 5.3 percent in nominal terms and 12.0 percent in real terms—a very real decline, but one that pales in comparison to the enormous growth that occurred over the 1990s. Likewise, real wages rose very slowly from 2001 to 2004 (only 1.5 percent according to the BLS), and median household income dropped in real terms by 1.5 percent. Despite this relative stagnation, housing prices rose

sharply. The median sales price of existing one-family homes rose by 16.9 percent in real terms nationwide.

The other big story was that household debt, particularly that of the middle class, skyrocketed during these years, as I discuss below. Thus, while wealth and income creation largely stalled, family liabilities exploded, creating substantial declines in overall net worth. If the 1990s created a mountain of new wealth, the first years of the new millennium witnessed its erosion.

From 2004 to 2007, the stock market rebounded. The S&P 500 rose 31 percent in nominal terms and 19 percent in real terms. Real wages remained stagnant, with the BLS real mean hourly earnings rising by only 1.0 percent. Median household income continued to grow in real terms over this period, rising by 3.2 percent. From 2004 to 2007, housing prices slowed, with the median sales price of existing one-family houses nationwide advancing only 1.7 percent in real terms over these years. So from 2004 to 2007, the net worth of Americans was improving somewhat. Although the longer period from 2001 to 2007 was one in which many middle-class Americans likely became accustomed to newfound wealth, the rapidly increasing debt squeeze would portend bad things to come.

Trends in wealth inequality are reflective of trends in the unequal chances of Americans to get by and get ahead in American society.

The Primacy of Wealth

It may be useful to step back at this point and ask whether such evidence on wealth matters all that much. It is of course more typical to examine the distribution of well-being or its change over time in terms of income. Family wealth, however, is also an important indicator of well-being, independent of the direct financial income it provides. This is true for at least four reasons. First, owner-occupied housing provides services directly to the owner (shelter, security). Second, wealth is a source of con-

sumption, independent of the direct money income it provides, because assets can be converted directly into cash and thus provide for immediate consumption needs. Third, the availability of financial assets can provide liquidity to a family in times of economic stress, such as those occasioned by unemployment, sickness, or family breakup. Fourth, in a representative democracy, the distribution of power is often related to the distribution of wealth.

For all of these reasons, trends in wealth inequality are reflective of trends in the unequal chances of Americans to get by and get ahead in American society. Some of my prior work on wealth presented evidence of sharply increasing household wealth inequality between 1983 and 1989, followed by a more modest rise between 1989 and 1998. Both mean and median wealth holdings climbed briskly over the 1983–1989 period. From 1989 to 1998, mean wealth continued to surge while median net worth rose at an anemic pace. Indeed, the only segment of the population to experience large gains in wealth after 1983 was the richest 20 percent of households. Moreover, despite the buoyant economy of the 1990s, overall indebtedness continued to rise among American families. Stocks and pension accounts also rose as a share of total household wealth, with offsetting declines in bank deposits, investment real estate, and financial securities. Thus, over this time period, it was primarily the case that only the most affluent benefited from the massive wealth accumulation underway, and much of this wealth accumulation occurred in the types of wealth that are typically more volatile and insecure.

In the remainder of this article, I update my prior analyses on the ownership of household wealth up to 2007. I find here that the early and mid-2000s (2001–2007) witnessed both exploding debt and a middle-class squeeze. Median wealth grew briskly in the late 1990s and even faster in the 2000s. Inequality in net worth was also up slightly after 2000. Indebtedness, which fell substantially during the late 1990s, skyrocketed in the early and mid-2000s. Among the middle class, the debt-to-income ratio would reach its highest level in 24 years. Thus, in the years leading up to the current crisis, the fruits of wealth accumulation continued to accrue mainly to the most affluent, while the typical American family found itself living increasingly in the red.

Trends in Household Wealth

To examine trends in household wealth, I use the Survey of Consumer Finances (SCF), which is conducted by the Federal Reserve Board every three years, with 2007 the latest year available. Each survey consists of a core representative sample combined with a high-income supplement, making it ideal to study wealth (given such high levels of wealth concentration among the rich).

The wealth concept I use here is marketable wealth (or net worth), defined as the current value of all marketable or fungible assets less the current value of debts. Total assets are defined as the sum of: (1) owner-occupied housing; (2) other real estate;

(3) cash and demand deposits, time and savings deposits, certificates of deposit, and money market accounts; (4) bonds and other financial securities; (5) life insurance; (6) pension plans, including IRAs, Keogh, and 401(k) plans; (7) corporate stock and mutual funds; (8) unincorporated businesses; and (9) trust funds. Total liabilities are the sum of: (1) mortgage debt; (2) consumer debt, including auto loans; and (3) other debt.

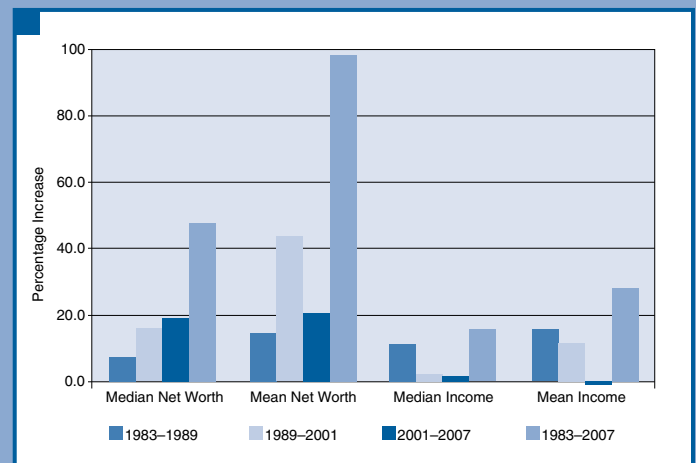
A. Median wealth rose briskly during the 2000s

Figure 1 documents a robust growth in wealth during the 1990s. After rising by 7 percent between 1983 and 1989, median wealth (the wealth of the household in the middle of the distribution) was 16 percent greater in 2001 than in 1989. As a result, median wealth grew slightly faster between 1989 and 2001 (1.32 percent per year) than between 1983 and 1989 (1.13 percent per year). However, between 2001 and 2007, median wealth grew by a sizeable 20 percent, even faster than during the 1990s and 1980s. Note that this growth in the 2000s was entirely concentrated in the latter years of the period, 2004–2007. From 2001 to 2004, median wealth actually fell.

On the surface, it seems surprising that median wealth fell from 2001 to 2004 when housing prices rose so rapidly and increased so quickly during that period. As shown in Section C (see below), houses comprise the majority of the wealth of middle-class families (almost exactly two-thirds of the gross assets of the middle three wealth quintiles). From the increase in housing prices alone, median net worth should have risen by about 12 percent between 2001 and 2004. (The decline in stock prices would have lowered median net worth by 0.9 percent, for a net gain of almost 11 percent over this period.) Median net worth failed to increase because of the enormous increase in middle-class household debt over these three years (see Section C below). The surge in median wealth from 2004 to 2007 is a bit of a mystery. The spike in stock prices accounts for only a small part of the increase (about 1.4 percentage points). There was also a slight decline in the debt-to-asset ratio in the middle three wealth quintiles (see below), which accounts for some, but not all, of the increase. One remaining possibility is that middle class savings expanded over these years.

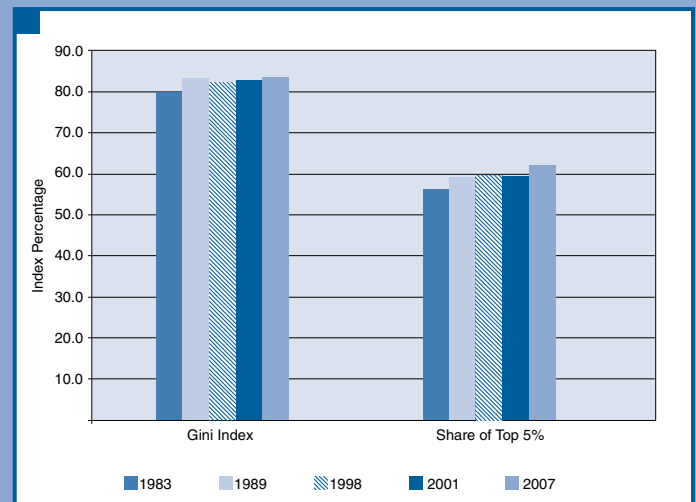
Mean wealth grew faster between 1989 and 2001, at 3.0 percent per year, than from 1983 to 1989, when it grew at 2.3 percent per year. There was then a slight acceleration in wealth growth from 2001 to 2007, to 3.1 percent per year. This acceleration arose because the reduced growth in stock prices between 2001 and 2007 (in comparison with the 1989 to 2001 period) was counterbalanced by the rapid increase in housing prices (19 percent in real terms after 2001). Given that housing comprised 28.2 percent and (total) stocks made up 24.5 percent of total assets in 2001, this counterbalancing resulted in a net acceleration of wealth growth after 2001. Note here that mean wealth grew more than twice as fast as median wealth between 1983 and 2007, indicating a widening inequality of wealth over these years. Overall, mean wealth in 2007 was almost double mean

FIGURE 1. Percentage Growth, Median and Mean Wealth and Income



Source: Survey of Consumer Finances

FIGURE 2. Wealth Inequality



Source: Survey of Consumer Finances

wealth in 1983 and about three quarters larger than mean wealth in 1989.

All of these developments contrast starkly with analogous trends in household income. Median household income (based on Current Population Survey data), after gaining 11 percent between 1983 and 1989, grew by only 2.3 percent from 1989 to 2001 and another 1.6 percent from 2001 to 2007, for a net change of 16 percent from 1983 to 2007. In contrast, mean income rose by 16 percent from 1983 to 1989, by another 12 per-

cent from 1989 to 2001, and then fell by 0.8 percent from 2001 to 2007, for a total change of 28 percent from 1983 to 2007. Between 1983 and 2007, mean income grew less than mean net worth, and median income grew at a much slower pace than median wealth.

In sum, while household income virtually stagnated for the average American household over the 1990s and 2000s, median net worth grew strongly over these years. In the 2000s, in particular, mean and median income changed very little, while mean and median net worth were up sharply. But who reaped the fruits of this expansion?

B. Wealth inequality shows a modest increase over the 2000s

Figure 2 shows that wealth inequality, after rising steeply between 1983 and 1989, remained virtually unchanged from 1989 to 2007. The share of wealth held by the top 1 percent rose by 3.6 percentage points from 1983 to 1989, and the Gini coefficient—an index that goes from zero (no inequality) to one (complete inequality)—increased from 0.80 to 0.83. Between 1989 and 2007, the share of the top percentile actually declined sharply, from 37.4 to 34.6 percent, though this was more than compensated for by an increase in the share of the next four percentiles. As a result, the share of the top five percent increased from 58.9 percent in 1989 to 61.8 percent in 2007, and the share of the top quintile rose from 83.5 to 85.0 percent. Overall, the Gini coefficient was virtually unchanged—0.832 in 1989 and 0.834 in 2007.

Despite the relative stability in overall wealth inequality dur-

ing the 1990s, there was a near explosion in the number of very rich households. The number of millionaires almost doubled between 1989 and 2001, the number of “penta-millionaires” (\$5,000,000 or more) increased three-and-a-half times, and the number of “deca-millionaires” (\$10,000,000 or more) grew more than fivefold. Much of the growth occurred between 1995 and 2001 and was directly related to the surge in stock prices. The number of the very rich continued to increase between 2001 and 2007 at about the same pace, with the number of millionaires growing by 23 percent, the number of penta-millionaires by 37 percent, and the number of deca-millionaires by 37 percent as well.

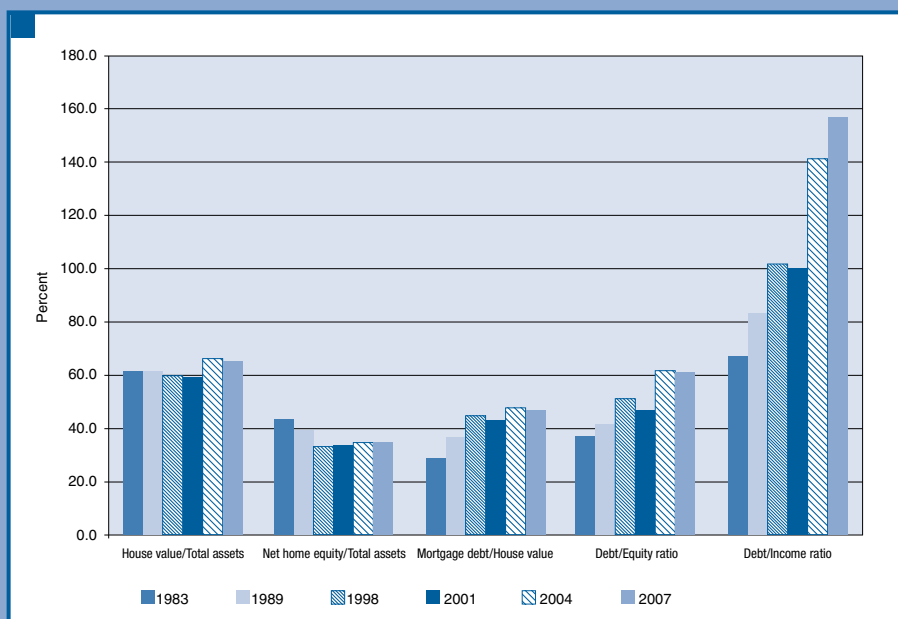
C. Debt surges in the 2000s

The portfolio composition of household wealth shows the ways in which households save. Here I concentrate on the “middle class,” defined as the middle three wealth quintiles (60 percent) of households. In 2007, owner-occupied housing was this group’s most important household asset, accounting for 65 percent of total assets (see Figure 3). However, net home equity (the difference between the market value and outstanding mortgages on the property) amounted to only 35 percent of total assets, a reflection of their correspondingly large mortgage debt. Liquid assets (demand deposits, time deposits, money market funds, CDs, and life insurance) made up 8 percent and pension accounts another 13 percent. All together, housing, liquid assets, and pensions accounted for 86 percent of the middle class’s total assets. The remainder was about evenly split between non-home

real estate, business equity, various financial securities, and corporate stock. Stocks directly or indirectly owned amounted to only 7 percent of the middle class’s total assets. The middle class’s ratio of debt to net worth (“equity”) was 61 percent, substantially higher than for the richest 20 percent. Its ratio of debt to income was 157 percent, also much higher than for the top quintile. Finally, the middle class’s mortgage debt amounted to almost half the value of their principal residences.

There have been some notable changes in the composition of household wealth within the middle class over the period between 1983 and 2007. The first is the rise in the share of gross housing wealth among total assets. After remaining at about 60 percent from 1983 to 2001, the

FIGURE 3. Wealth Composition of Middle Three Wealth Quintiles



Source: Survey of Consumer Finances

ratio jumped to 65 percent in 2007. There are two factors behind this. The first is the rise in the homeownership rate from 72 percent in 1983 to 77 percent in 2007. The second is the sharp increase in housing prices from 2001 to 2004, as noted above.

A second, related trend is that net equity in owner-occupied housing fell almost continuously from 44 percent of total assets in 1983 to 35 percent in 2007. The difference between the two series' (gross versus net housing values as a share of total assets) is attributable to the changing magnitude of mortgage debt on homeowners' properties, which increased from 29 percent in 1983 to 47 percent in 2007.

Third, overall indebtedness increased substantially, despite a dip around the turn of the century. The debt-equity ratio leaped from 37 percent in 1983 to 51 percent in 1998 before falling to 46 percent in 2001. It then jumped, however, to 61 percent in 2007, its highest level over these 24 years. Likewise, the ratio of debt to total income surged from

67 percent in 1983 to 100 percent in 2001 and then skyrocketed to 157 percent in 2007, also its high for this period. If mortgage debt on principal residence is excluded, then the ratio of other debt to total assets actually fell from 9.5 percent in 1983 to 7.6 percent in 2007. One implication is that over time families used tax-sheltered mortgages and home equity loans, rather than consumer loans and other forms of consumer debt, to finance their normal consumption.

A fourth change is that pension accounts rose from 1.2 to 12.9 percent of total assets from 1983 to 2007. This increase largely offset the decline in total liquid assets, from 21.4 to 7.8 percent, such that a reasonable conclusion is that households have largely substituted tax-deferred pension accounts for taxable savings deposits.

Fifth, if we include the value of stocks indirectly owned through mutual funds, trusts, IRAs, 401(k) plans, and other retirement accounts, then the value of total stocks owned as a share of total assets increased more than fivefold from 2.4 percent in 1983 to 12.6 percent in 2001, but then tumbled to 7.0 percent in 2007. The rise during the 1990s reflected the bull market in corporate equities as well as increased stock ownership,

while the decline in the 2000s was a result of the small rise in the stock market over this period (particularly relative to housing prices), as well as a drop in stock ownership. The change in stock prices by itself would have caused the share of total stocks in assets to fall by 2.9 percentage points between 2001 and 2007, compared to the actual decline of 5.6 percentage points. Most of the decline in the share of stocks in total assets was due to sales of stocks and withdrawals from stock funds.

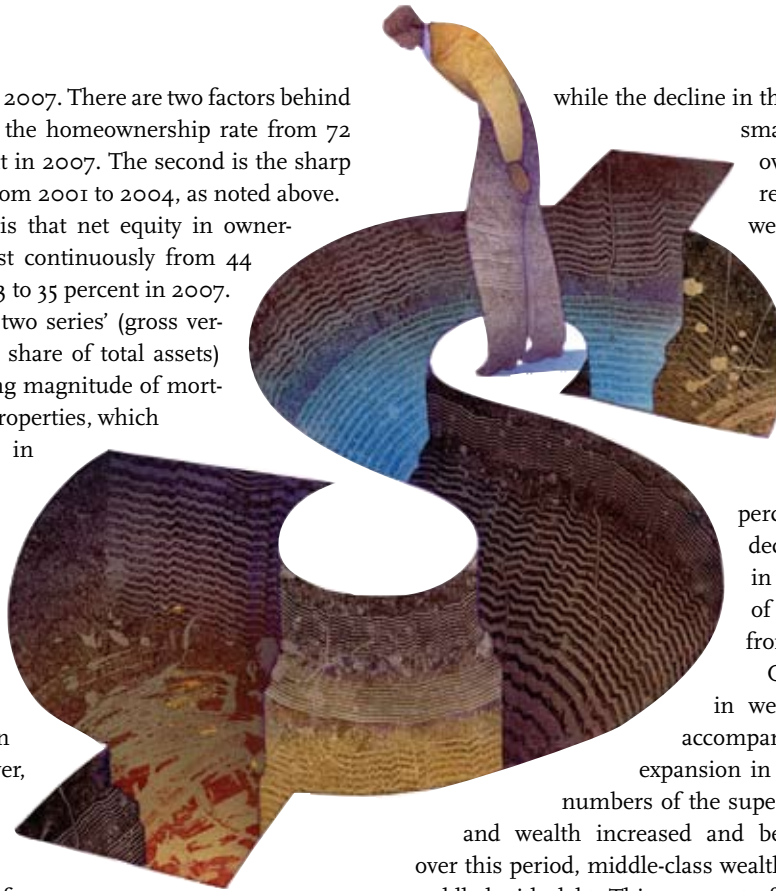
Overall, then, the growth in wealth over this period was accompanied by just as significant an expansion in household debt. While the numbers of the super rich continued to expand, and wealth increased and became more democratized over this period, middle-class wealth holders found themselves saddled with debt. This segment of the population accordingly became vulnerable to the current economic crisis.

Squeezed Out

Trends in wealth since 2001 document an explosion of household debt and the rise of the middle-class squeeze. There was a middle-class squeeze in the sense that, for the middle three wealth quintiles, there was a substantial increase in the debt-to-income ratio and in the debt-equity ratio.

As a postscript, we can see how the rising debt of the middle class made them vulnerable to income shocks and set the stage for the mortgage crises of 2008 and 2009 and the resulting financial meltdown. The rapid decline in housing prices over these two years (on the order of 20 percent) has left many middle-class families "underwater" (i.e., with greater mortgage debt than the value of their homes) and, coupled with a spike in unemployment, unable (or unwilling) to repay their mortgage loans. Recent years, then, can best be seen as the "squeeze before the storm."

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Moms and Mobility

The implicit pact that the United States makes with its workers is that, while inequality may be extreme, everyone will have a fair and equal shot at becoming well off. And indeed, most Americans are quite willing to tolerate sizeable inequality as long as they can be assured that everyone has an equal opportunity to get ahead.

This commitment has precipitated a long tradition of scholarship focusing on whether opportunities to get ahead are truly available to all. By convention, the scholars working within this tradition have asked whether children with privileged fathers (e.g., professionals, managers) do much better than children with less privileged fathers (e.g., factory workers, service workers).

Where are the mothers in such conventional analyses? Altogether ignored. That is, even though mothers are now much more likely to work and hence affect the opportunities of their children, mobility scholars have continued to simply compare the occupations of fathers with those of their children.

Has this father-focused approach biased our conclusions about how equal opportunities are? Using the General Social Survey, Emily Beller examines both paternal and maternal occupations, with the stunning finding that opportunities have become much more unequal for recent cohorts of U.S. men. This result, which conventional father-only research has obscured, suggests that the American pact may be breaking down as mobility becomes less common and opportunities become more unequally distributed.

Emily Beller. 2009. "Bringing Intergenerational Social Mobility Research into the Twenty-First Century: Why Mothers Matter." *American Sociological Review*, 74(4), 507-528.

Do the Poor Really Pay More?

It is often argued that the poor pay more than their affluent counterparts for the same goods. Because low-income neighborhoods are thought to lack grocery stores and low-cost food retailers, it is argued that the poor are forced to shop at small shops and convenience stores where prices are much higher. Is this conventional wisdom on the mark? Do the poor really pay more?

In fact, the obverse conclusion is supported in new research by economists Christian Broda, Ephraim Leibtag, and David E. Weinstein. The poor, on average, pay less for the same food than do richer households. How can this be? Using scanner data, Broda and his colleagues find that the differences result from two sources. First, the poor are more likely to purchase food in supercenters (e.g., Walmart), where prices for identical goods are much lower. Second, even when the poor and rich are shopping in the same stores, the poor tend to pay less for identical items because they are more likely to buy goods on sale. Rather than being helpless consumers of higher-priced goods, the poor instead come out as savvy and resourceful, at least more so than their higher-income, overspending counterparts.



Christian Broda, Ephraim Leibtag, and David E. Weinstein. 2009. "The Role of Prices in Measuring the Poor's Living Standards." *Journal of Economic Perspectives*, 23(2), 77-97.

It Pays to Break the Law (for Employers)

We typically understand low earnings and poverty to be the consequence of workers dropping out or otherwise failing to invest adequately in "human capital." But do low earnings also arise because the employers of low-wage workers violate employment and labor laws in ways that result in underpayment?

According to a new report released by the National Employment Law Project, the answer is a resounding "yes." Using a 2008 sample of low-wage workers in three cities, the study's authors found that employers routinely and consistently violated national employment and labor laws, with the result that two-thirds of workers experience at least one pay-related violation in the previous workweek. These violations cost the affected workers over \$2,500 annually (on average). The main

violations were (a) being paid less than the minimum wage, (b) not being paid for overtime, (c) illegal deductions, and (d) tip stealing.

This result underlines the importance of looking to employers as well as employees in addressing poverty. Although it is of course important to raise earnings by increasing the education and skills of workers, it is no less important to ensure that workers are duly paid what they in fact earn.

Annette Bernhardt, Ruth Milkman, Nik Theodore, Douglas Heckathorn, Mirabai Auer, James DeFilippis, Ana Luz Gonzalez, Victor Narro, Jason Perelshteyn, Diana Polson, and Michael Spiller. 2009. "Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities." New York, NY: National Employment Law Project.

Mixed Reactions to Mixing Incomes

In the world of housing policy, it has become fashionable to attempt to create more mixed-income communities, the most prominent example of such policies being the federal HOPE VI program. The idea behind these policies is that by blending low-income and higher-income residents together, the low-income residents will become less isolated, will have better chances for economic mobility, and will live in neighborhoods in which parents are actively engaged in and committed to the community and community affairs.

The key question that such policies raise, and one that Laura M. Tach has now taken on, is whether these good things in-

deed come to pass in mixed-income communities. Are these communities truly as rich in cross-income social ties and networks as advertised? The evidence suggests that, just as one would want, the new low-income residents of these communities do create many social ties and are committed to their communities and community affairs. This commitment arises because, for residents coming from low-income communities, the new neighborhood is understood as an opportunity that should be cultivated and exploited.

The flip side, however, of this initiative is that high-income neighbors actively resist the creation of social ties with the low-income newcomers and appear

to withdraw their commitment to the neighborhood. These residents come to understand the neighborhood as a source of risk and threat and thus actively attempt to minimize contact with their new low-income neighbors.

The benefits of mixed-income housing are thus more mixed than one might ideally want. Understanding how these processes unfold over time will shed light on exactly how mixed-income communities work — and how they don't.

Laura M. Tach. "More Than Bricks and Mortar: Neighborhood Frames, Social Processes, and the Mixed-Income Redevelopment of a Public Housing Project." *City & Community*, 8(3), 269-299.

Children of the Prison Boom

There has been a substantial increase over the last 30 years in the proportion of the U.S. population that has been in prison. Although this prison boom is well documented, we know less about how it has affected childhood in America, especially among vulnerable population groups. The children of black or less-educated parents are, for example, surely more likely to grow up with a parent in prison (simply because prison experiences are more common among blacks and the less educated), but we do not know the extent to which these children are at risk of having an imprisoned parent.

At least, not until now. According to new demographic analysis by Christopher Wildeman, the differential risks of parental imprisonment are astoundingly large. Whereas only one in 25 white children born in 1990 had a parent imprisoned, a full one in four black children born in 1990 had a parent imprisoned. If we further restrict attention to children of black parents who were high school dropouts, we find that 50.5 percent of those children experience childhood with an imprisoned father.

These results reveal that our decision to build a prison society not only profoundly affects the experience of adulthood but also the experience of childhood. For many children in poverty, the experience of parental imprisonment has sadly become the norm.

Christopher Wildeman. 2009. "Parental Imprisonment, the Prison Boom, and the Concentration of Childhood Disadvantage." *Demography*, 46(2), 265-280.



Unenrolled and in the Shadows

When researchers calculate education statistics, they often use data collected from students who are attending school. But for some groups of youth, particularly foreign-born immigrant youth, it is not uncommon to remain outside the school system altogether and thus never appear in such data. The school-based samples on which we base so much of our understanding of intergroup differences in educational outcomes may therefore be biased.

What happens, then, when we include immigrants who never enroll in school in our analyses? According to census data marshaled by R.S. Oropesa and Nancy S. Lansdale, enrollment rates are much altered. Indeed, when immigrant youth who have never enrolled in school are included, the percentage of Mexican-born youths aged 16–17 in school drops from 86 to 70. And, conversely, the percentage of such youths who are idle (neither working nor in school) jumps from 8 to 14 percent. The unfortunate implication: The extent of disadvantage experienced by Mexican youth is more extreme than scholars have long thought.

R.S. Oropesa and Nancy S. Lansdale. 2009. "Why Do Immigrant Youths Who Never Enroll in U.S. Schools Matter? School Enrollment among Mexicans and Non-Hispanic Whites." *Sociology of Education*, 82(3), 240-266.



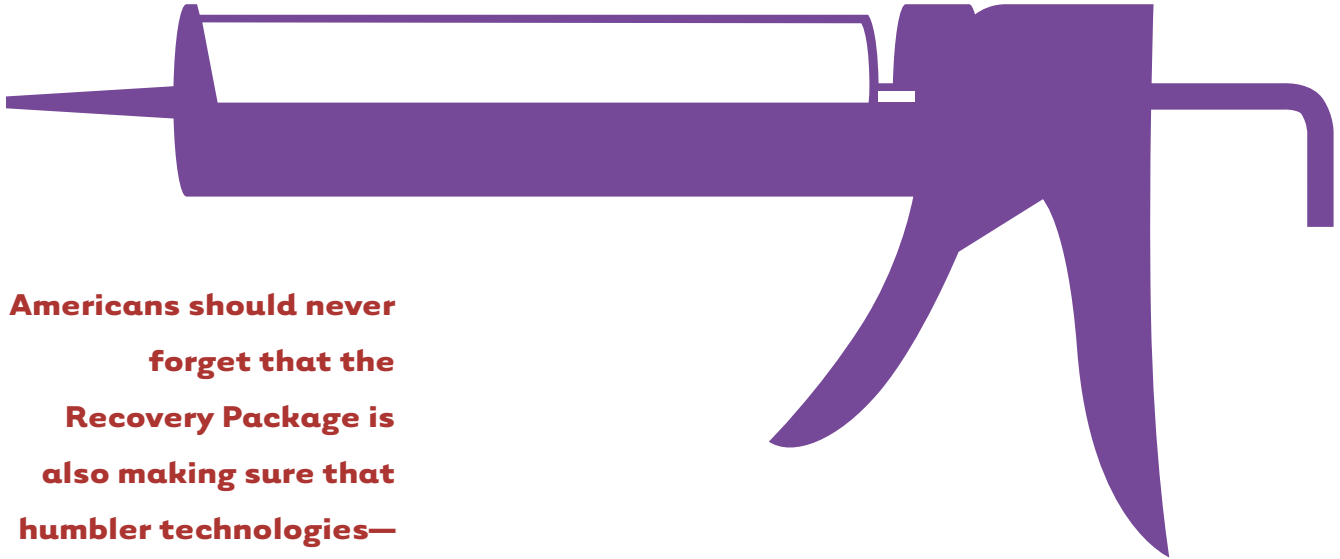
Greening the Pockets of the Poor

BY VAN JONES

The best antipoverty program in the world is a job. Low-income people want and need to be able to earn their way out of poverty. The question is, in the new century, where are jobless people going to be able to find work?

One important place where they'll find work is in new industries that aim to repower and retrofit America to use energy in a dramatically cleaner and more efficient manner. According to climate scientists, the hard work of moving America onto a low-carbon trajectory is the key to our planetary survival. At the same time, we have millions of Americans who need work, especially given our recession-plagued economy. A smart antipoverty program would deliberately connect the people who most need work to the work that most needs to be done. Such an approach would fight pollution and poverty at the same time.

Fortunately, by means of the Recovery Package (i.e., the "stimulus bill"), the Obama administration has made an \$80 billion investment in America's green and clean energy future. These dollars will help grow the green areas of the U.S. economy. And this green growth can and must lead to expanded opportunities for those who need them most. It can be very hard for newcomers to break into mature or declining economic sectors, but emerging sectors need new workers and new entrepreneurs. These sectors open doors to newcomers in the job market, getting them in on the ground floor so that they can grow with their new firms as they rise. These sectors also provide opportunities for new entrepreneurs to become established by offering new products, services, inventions, and innovations.



Americans should never forget that the Recovery Package is also making sure that humbler technologies—such as caulking guns, insulation, high-performance boilers, and high-performance windows—are being deployed across America

It is important to note that clean-energy jobs can be created here and now—and for people with only modest skills. Sometimes, enthusiasm for tomorrow's technologies leads us to overlook practical solutions being deployed today. Too often, talk of a new, clean-energy economy conjures images of high-end solar or other renewable energy technology—the products of the future. Of course, the Obama administration is investing in those kinds of clean-energy breakthroughs and will continue to help them flourish. But Americans should never forget that the Recovery Package is also making sure that humbler technologies—such as caulking guns, insulation, high-performance boilers, and high-performance windows—are being deployed across America.

In fact, the Obama administration is using ecologically smart solutions to put money back in people's pockets. Out of the \$80 billion investment in clean and green sectors, \$5 billion is on the table for energy efficiency and weatherization, so people can spend less money on their energy bills every month. These humble, hardworking energy efficiency dollars are fiscally conservative outlays of government money.

Energy efficiency dollars work double time, triple time, and overtime—cutting unemployment, cutting energy bills, cutting pollution, increasing air quality, and adding value to people's homes. Here's how it works: Imagine someone who is not working right now—maybe a home builder, a construction worker, someone in the trades. Because of the current global economic state, he or she may not be able to build a home for another 12 months or longer. However, that worker *can* help rebuild homes and make them more energy efficient right now.

The recovery dollar that goes to employ that worker produces multiple benefits. A firm gives that dollar to a worker and sends him or her across the street to weatherize someone's home. That one dollar just cut unemployment. Now the worker is blowing in clean, nontoxic insulation, replacing ill-fitting windows and doors, attacking the cracks with a caulking gun, and replacing the old, inefficient boiler or furnace with one that is new and more efficient. Now that same dollar has just cut the energy bill of an American home. That's a double benefit. Additionally, retrofitting American homes enhances their comfort and value; energy-efficient homes should be more valuable than drafty ones. So that same dollar just increased property values and increased that homeowner's asset wealth. That's a triple benefit.

Down the street, there's a coal-fired power plant producing the energy for that house, keeping it warm in the winter and cool in the summer. But it is also belching pollution, including greenhouse gas pollution. If you reduce the energy use of that home by 30 percent, you can cut the home's energy bill by 30 percent. And you also can cut the pol-

lution and global warming emissions that would have been a by-product of that home's energy use by that same 30 percent. Call that a quadruple benefit.

And there's more. When you reduce air pollution, you increase air quality and cut the number of those affected by asthma. So that same dollar has now helped to disrupt a vicious cycle in low-income neighborhoods; in the past, low property values attracted industries and utilities with high emissions, which led to poor air quality and high rates of asthma. Cutting energy demand cuts pollution, which should also cut the rate of respiratory diseases. The money saved on future health care costs constitutes a quintuple benefit.

In just a few years, the money spent weatherizing that home will have already paid for itself in energy cost savings, meaning that those dollars can now be used elsewhere. In this way, investments in green jobs multiply benefits throughout the economy.

Energy efficiency represents an ecological solution that is not about spending more money, but about helping Americans earn and save more money. Investing in energy efficiency demonstrates concretely how meeting the highest environmental standards can lead to greater economic performance. And much of this increased economic performance is being met by getting Americans, particularly low-income Americans, back to work.

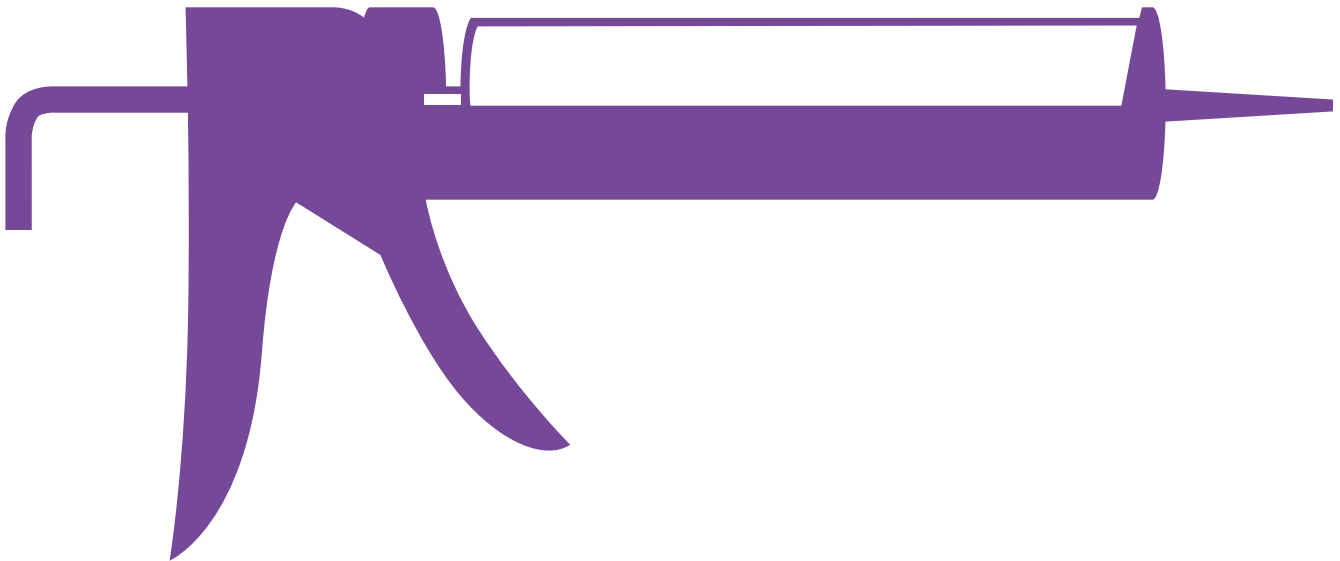
The modern environmental agenda is not just about recycling cans; it's about recycling dollars. In the past, we've too often thought of environmental issues in terms of purchasing eco-chic products—items unaffordable to someone who is fighting simply to keep food on the table. But now we have an “everybody environmental” agenda: an agenda in which everybody can participate and from which everybody can benefit.

The Recovery Act designates \$500 million for projects that prepare workers for careers in the energy efficiency and renewable energy industries and that teach workers the necessary and required skills for those industries. These are green solutions that will help fight poverty right here and right now.

The old debate between high environmental performance and high economic performance is outdated. Since the first industrial revolution, conventional wisdom has equated progress with pollution. But we do not have to choose between giving our children a livable planet or a viable economy; they can now have both. We stand at the beginning of a new clean-energy revolution—a revolution that can and will benefit all, not just the rich, not just the middle class, but truly everyone.

Van Jones is the author of the New York Times best seller The Green Collar Economy: How One Solution Can Fix Our Two Biggest Problems.

We do not have to choose between giving our children a livable planet or a viable economy; they can now have both. We stand at the beginning of a new clean-energy revolution—a revolution that can and will benefit all



The background features a large, bright yellow sun in the upper right quadrant. The rest of the background is filled with various sizes of gears in shades of yellow, orange, and blue. The gears are arranged in a way that suggests a complex mechanical or industrial theme. The overall color palette is warm and energetic, with a gradient from light yellow at the top to a darker green at the bottom.

Seizing the Energy Opportunity

BY JOHN D. PODESTA
AND SARAH MILLER

DURING THE FINAL EIGHT YEARS OF THE LAST CENTURY, nearly eight million Americans escaped poverty and moved toward the middle class, driving U.S. poverty rates down by nearly a third. Today, those gains assuredly have been lost. Between the start of the new century and 2007, nearly six million Americans fell back into poverty.

Even more troubling, these statistics have yet to account for the full impact of the economic downturn. Research by the Center for American Progress finds that if the unemployment rate reaches 11 percent—it currently stands at 10.2 percent—over 12 million additional Americans will fall into poverty, with children comprising nearly a third of this group.

Over the coming years, America's poorest families will face an additional burden—they will bear the brunt of hardship caused by climate change in the United States. If policymakers fail to take adequate action, this "climate gap," as researchers have referred to it, will further erode the well-being of the worst off. Poor, often minority, families will suffer from increased health problems and even death from pollution-related illness, extreme heat, and severe weather phenomena. They are also likely to face additional financial difficulty from estimated increases in the prices of food, water, and electricity under a business-as-usual climate scenario.

Poverty's dramatic resurgence in America demands Washington's attention, as does the disproportionate burden that climate change will impose on the poor if urgent policy action is not undertaken. There is certainly no silver bullet to reverse the disturbing rise in poverty rates, nor a single quick fix to solve the climate crisis. The most immediate need is to steer the economy out of recession. But policymakers must continue to craft their broader agenda in ways that will draw low-income Americans back toward the middle class and begin the transition to a low-carbon, clean-energy future. In this article, we argue that energy reform can play a starring role in putting America's economy back on track. Moreover, these reforms have the power to rebuild the road to the middle class for millions of low-income Americans.

Energy Reform: Key to Economic Recovery and Long-Term Growth

Comprehensive energy reform promises to expedite economic recovery and put the United States on a sustainable long-term growth trajectory. As the U.S. economy deteriorated in the fall of 2008, then-candidate Obama rightly argued that rather than being at odds, economic growth and environmental sustainability were interdependent. His promise to make the transition to a clean, low-carbon economy as a means to unleashing a wave of new job creation resonated with an American public eager to realize the promise of an innovation-based economy.

The Administration and Congressional Democrats have already acted on a range of new energy initiatives that, along with health care, education, and tax reform, comprised the heart of President Obama's campaign agenda. February's \$787 billion stimulus package, known as the American Recovery and Reinvestment Act, was in many ways an energy bill in its own right. It invested over \$71 billion dollars in clean-energy funding, with an additional \$20 billion for loan guarantees and tax incentives to support clean-energy projects—a huge up-front investment, equal to about \$800 per American household. It also included robust provisions to expand weatherization assistance, which improves energy efficiency and lowers energy costs for low-income households.

Progressives' crowning achievement thus far is the House of Representatives' newly passed American Clean Energy and Security Act (ACES), which not only places a hard cap on carbon emissions for the first time in U.S. history but also drives a larger investment agenda by setting a national renewable electricity standard and mandating efficiency improvements for power plants, residential and commercial buildings, and appliances. This comprehensive strategy for clean-energy economic transformation advances the dual goals of reducing emissions while boosting job growth, capitalizing on America's unique capacity for innovation to support both objectives.

Opponents of clean-energy legislation have placed low-income Americans squarely in the center of the debate. They claim that ACES would pose an undue financial burden on families already struggling to make ends meet. But protections included in the legislation mean that households in the lowest income quintile would actually see an average financial benefit of at least \$40 a year if ACES becomes law. Overall, credible sources have converged around extremely affordable estimates of the bill's annual cost per household. The Congressional Budget Office, the Environmental Protection Agency, and the Energy Information Administration have all estimated that ACES will cost the average household somewhere in the range of \$80 to \$175 annually—at most, the equivalent of a postage stamp a day.

Reducing America's greenhouse gas emissions at an affordable cost is an enormous achievement in itself, but when viewed as an investment strategy, ACES has demonstrated that energy reform can be designed to do much more. The bill will be a catalyst for widespread clean-energy innovation and drive both direct and indirect job creation throughout the U.S. economy. Nobel Prize-winning economist Paul Krugman called emissions limits "just what the doctor ordered" to reverse the plunging business investment at the heart of the downturn and to restart the American economy. The first step is to set a price on carbon pollution, which ACES does by implementing an economy-wide cap-and-trade system. The bill's other initiatives—a national renewable electricity standard and tightened efficiency requirements—will serve as additional drivers of innovation throughout the American economy.


ACES also creates a mechanism for

ensuring that clean-energy entrepreneurs and investors have access to the financial tools necessary to take full advantage of the business opportunities the bill will create. This program, called the Clean Energy Deployment Administration (or a "Green Bank"), would provide clean-energy projects with steady, low-cost credit to accelerate the development and commercialization of new technologies. It would counter the inconsistency and uncertainty surrounding clean-energy project finance, one of the longest-standing obstacles to the development of a thriving clean-energy sector in the United States. A "Green Bank" also helps inoculate the clean-energy sector against the challenging climate of current credit markets, which will likely continue to struggle as the broader economy recovers. Moreover, a stable and thriving expansion of the clean-energy sector will likely have the additional benefit of directly improving the fortunes of low-income Americans, to which we now turn.

Clean Energy: A New Engine for Increasing (and Improving) Low-Wage Employment

Transitioning to a low-carbon economy goes hand in hand with job creation. A comprehensive approach to solving global warming will create millions of decent jobs at all skill levels in communities across the country, from installing solar panels and manufacturing wind turbines, to rebuilding factories and retrofitting homes to conserve energy. Meeting the challenge ahead requires a nationwide effort. Many of these jobs, like those in construction, manufacturing, or shipping, are geared toward Americans with a high school degree or less.

A recent report by the Center for American Progress and the Political Economy Research Center at the University of Massachusetts-Amherst found the clean-energy provisions in the Recovery Act, combined with the ACES Act recently passed by the House of Representatives, would together result in an annual combined public and private investment of \$150 billion in the clean-energy sector. This investment, equivalent to about 1 percent of GDP, would yield a net increase of 1.7 million new jobs—over three times the number of jobs that an equivalent investment in conventional fossil fuels could create.

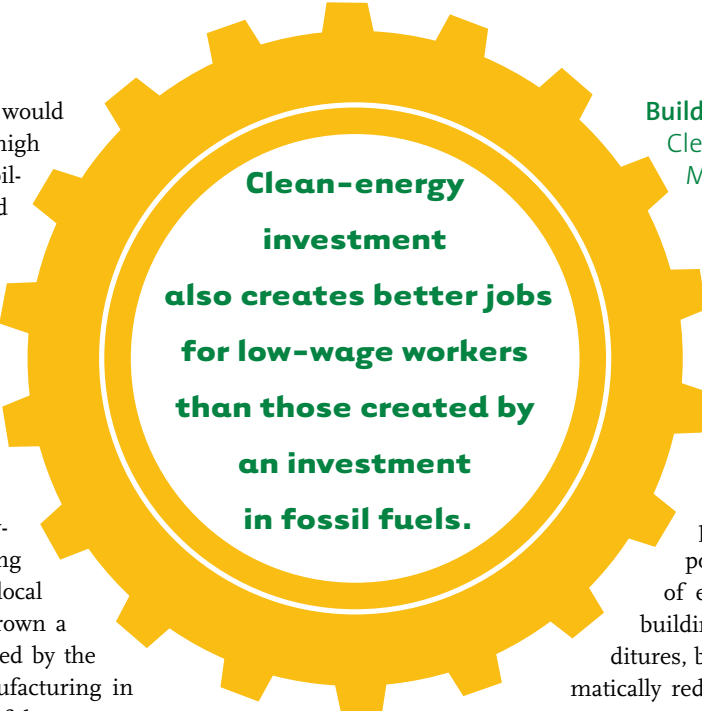


**Over the coming years,
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Over half of these new jobs would be accessible to those with a high school degree or less. A \$150 billion annual investment would create 870,000 new employment opportunities for low-credentialed workers, nearly four times more than an equivalent investment in fossil fuels. Clean-energy initiatives in the Recovery Act are already foreshadowing the impact of an investment of this scale. Out-of-work auto employees are back on the job building wind turbines in Michigan; local Ohio businesses have been thrown a lifeline by the demand generated by the expansion of solar panel manufacturing in their towns; and people in one of the poorest areas in Missouri are working to weatherize their community block by block. Comprehensive energy legislation will multiply these success stories and put America's economy on a smart, clean, and competitive path forward.

Clean-energy investment also creates *better* jobs for low-wage workers than those created by an investment in fossil fuels. The CAP-PERI report divides low-credentialed jobs into two categories: one that assumes workers earn \$12 per hour, and one that assumes they earn at least \$15 per hour, widely considered a decent wage that supports upward mobility. Over half of all low-credentialed, clean-energy jobs pay a decent wage, compared to less than a third of low-credentialed jobs from fossil fuel investment. The disparity in the amount and quality of job creation between clean energy and fossil fuel investment means the former will create fully seven times the number of jobs that put workers on the path to the middle class.

Investments in clean energy through the Recovery Act and ACES offer an additional benefit to low-income families: they will contribute to rising wages for those at the low end of the labor market. An increase of 1.7 million jobs would lower the unemployment rate by roughly 1 percent, resulting in a rise in wages across the board, but especially for low-income workers (who rely, more so than other workers, on declines in unemployment to improve their bargaining power). This rise in wages would be enhanced by improvements in consumer energy efficiency that would reduce energy bills and increase purchasing power. Substantial investments in workforce training will also strengthen workers' earning power in a low-carbon economy.



Clean-energy investment also creates better jobs for low-wage workers than those created by an investment in fossil fuels.

Building Retrofits: Clearing a New Path to the Middle Class

Retrofitting America's building stock for energy efficiency offers an enormous opportunity to achieve critical reductions in greenhouse gas emissions while creating jobs and delivering consumer relief. Today, buildings consume 70 percent of all U.S. electricity and are responsible for 40 percent of U.S. global-warming pollution. Capturing the benefits of energy efficiency from existing buildings would slash energy expenditures, boost real estate values, and dramatically reduce emissions. The Center for

American Progress has laid out a plan for retrofitting 40 percent of residential and small commercial buildings by 2020—an admittedly ambitious undertaking, but one that could create and sustain 625,000 jobs for a decade while reducing the nation's energy bill by hundreds of billions of dollars a year.

Using off-the-shelf technologies, retrofits could cut energy use in homes and commercial buildings by as much as 40 percent. Investments would generally pay for themselves over a three to five year period by saving households \$300 to \$1,200 annually on energy costs. Since American families in the bottom income quintile spend roughly twice as much on electricity relative to their income compared to those in the highest quintile, energy efficiency is also a tool to reduce income inequality by moderating energy bills and providing cost savings to working families. Low-income households would see a disproportionate benefit from efficiency savings since they spend larger percentages of their income on electricity than do higher-income households.

A national retrofitting initiative has the added benefit of supporting job creation in a sector that has been hit extremely hard by the economic downturn: construction. As housing prices plummeted over the past year, so did employment in the construction industry, which shed over a million and a half jobs since peaking in early 2007. The creation of a new retrofit market would find a ready pool of workers to carry out the hands-on projects that such a labor-intensive initiative requires. Construction jobs with low barriers to entry in an expanded retrofit industry would offer significant new opportunities to build careers that lead to the middle class.

National guidelines and support for worker retraining programs are critical to ensuring that workers can be properly paired

with the opportunities the retrofit and clean-energy markets present. Congress and relevant federal agencies should work together to identify successful training models and connect federal support to their adoption. Retraining programs should emphasize public-private training partnerships in cooperation with community organizations, as well as “pathways out of poverty” for disadvantaged workers, including assistance with formal placement in registered apprenticeships. If demand for workers surpasses training capacity, programs should also facilitate high quality on-the-job training. In addition to support for worker retraining, the federal government should set labor standards, wage classifications, and performance standards to ensure that the retrofit market functions properly and fairly. With such checks in place, the retrofit industry could provide hundreds of thousands of low-wage workers with specialized skills and career opportunities that would open the door to the middle class.

A large-scale retrofitting initiative would also address one of the most unique and damaging elements of the current recession—its broad geographic impact. The housing crisis and economic downturn have affected almost every corner of the country, but a national retrofit initiative could have an equally broad reach. Retrofitting America’s built environment for energy efficiency and clean energy will touch urban and rural communities alike, creating jobs and cutting consumer costs in every region of the country.

Climate Change and the Global Poor

The recession’s international reach has dramatically reversed the steady trade-driven reductions in global poverty that were achieved over the last 20 years. The United Nations estimates that the sharp drop in global trade, markedly reduced growth rates, and falling aid commitments will push an additional 55 to 90 million people into extreme poverty in 2009. But climate-driven changes to the environment, agricultural productivity, and water availability threaten the livelihoods of millions more over the coming years. The Intergovernmental Panel on Climate Change (IPCC) reports that in many parts of Africa, climate change could reduce food production by half within ten years, resulting in massive unemployment, resource conflict, large-scale migration, and pervasive malnutrition. Vulnerable countries that rely on oil, like many of the debt-burdened countries in Africa, are already hit hardest by fluctuating commodity prices;

these countries will also be among the hardest hit by the effects of climate change.

Although meeting the challenges presented by climate change in the developing world will require concerted action on the part of the international community, the American Clean Energy and Security Act takes a promising first step. It includes strong international provisions that will both contribute to emissions reductions abroad and help developing countries adapt to environmental changes that are already occurring. Over the life of the legislation, over \$100 billion will be

directed to the prevention of tropical deforestation, which accounts for fully one-fifth of global annual emissions. The bill allows private firms to purchase international offsets, which could direct up to an additional \$15 billion annually to reducing deforestation and other international projects. ACES also sets aside steady funding (reaching \$9 billion annually) through 2050 for adaptation and technology transfer for developing countries.


Realizing America’s Potential

Two of America’s key historical strengths have been its dedication to innovation and its dissatisfaction with the status quo. Perhaps at no other point in our history has the need to return to these basic qualities been more acute. Carrying on business as usual means catastrophic climate change, losing the clean-energy competition to countries like China and Germany, and failing to build the foundation for sustained, broad-based economic growth. We can’t afford to neglect the opportunity at hand.

Comprehensive energy reform offers much more than a chance to avert a worst-case climate scenario. It holds the promise of a new era for the American worker. At a moment when millions are seeking economic opportunity, there is a staggering amount of work waiting to be done. Now, as we emerge from the worst economic crisis since the Great Depression, we should roll up our sleeves and begin this transformation. The only true recovery is one in which a clear path to the middle class is rebuilt while those who travel it work to rebuild America.

John Podesta is the President of the Center for American Progress and former Chief of Staff to President Bill Clinton.

Sarah Miller is Policy Advisor to the President at the Center for American Progress.



Comprehensive energy reform offers much more than a chance to avert a worst-case climate scenario. It holds the promise of a new era for the American worker.



BY MAX SCHULZ

A HAZY SHADE OF GREEN

Debunking the Myths of the Green Jobs Movement

Barack Obama assumed office in January with an agenda that must be described as exceedingly ambitious. This is true even by the standards of incoming presidents, who all tend to show up for work on the first day with grand plans for accomplishment. Obama's election, according to the conventional wisdom, heralded a new and transformational era in our nation's politics. The proposals that formed the cornerstone of his campaign, and on which his new administration is building, reflect a determination to fundamentally change many of our core assumptions about society and the economy.

Two of the most critical and ambitious elements of President Obama's program focus on addressing questions of poverty (particularly in America's cities) and changing the way Americans produce and consume energy. On the urban front, Obama has promised to cut poverty in half in ten years, with a renewed emphasis on America's cities. At the same time, he has called for the transformation of our energy economy away from the fossil fuels that provide the lion's share of Americans' vast energy consumption. Obama has proposed that our economy become powered by clean, renewable sources that produce no greenhouse gas emissions. This would result in the birth of entirely new industries and the creation of millions of new green jobs.

These are not small proposals. In an interesting twist, the Obama administration is embarking on an attempt to marry the two seemingly disparate ideas. Our 44th president has indicated that he believes the move to a green economy can be a catalyst for urban revitalization.

These efforts elicit great enthusiasm from the president's supporters. Sadly, as I argue below, there is little real hope that they can succeed.

Though massive in scope, the renewed emphasis on urban poverty is the less remarkable of these two grand plans. In February, Obama signed an executive order establishing the new White House Office of Urban Affairs, designed to craft an approach to cities similar to that of the World Bank to developing nations. The idea is to advance a unified federal strategy for revitalizing metropolitan America. And, of course, the president has proposed vast new federal spending in America's cities, particularly increased funding for the Community Development Block Grant program.

We have been here before. The president is effectively calling for the resurrection and supersizing of the War on Poverty. Launched by President Johnson in the 1960s and carried on by successive Democratic and Republican administrations, that failed experiment saw Washington throw trillions of dollars at America's cities, all while those cities' inhabitants sank deeper and deeper into despair and dependency.

The War on Poverty greatly expanded the reach of the federal government into Americans' lives and entrenched a slew of costly state-run programs and bureaucracies that continue to drain taxpayer dollars. Instead of alleviating poverty, the War on Poverty caused welfare rolls to swell. Instead of lifting the poor from their poverty and providing a measure of economic independence, this effort helped create a permanent underclass in America's urban areas. It didn't empower residents as much as it enslaved them. In his groundbreaking 1984 examination of antipoverty programs, *Losing Ground*, Charles Murray noted that in 1968, at the early stages of the War on Poverty, 13 percent of Americans were poor. "Over the next 12 years, our expenditures on social welfare quadrupled. And in 1980, the percentage of poor Americans was—13 percent."

Or, as Ronald Reagan said in his 1988 State of the Union address, "The Federal government declared war on poverty, and poverty won." Reagan went on to explain that the huge amounts of money spent on welfare and other so-called antipoverty ini-

tatives had only made poverty more difficult to escape. Meanwhile, the only truly successful, specifically antipoverty measure adopted by Washington since the War on Poverty began was the 1996 welfare reform bill signed by Bill Clinton. That reform, which helped remove millions from the dole and into the workforce, soundly rejected the premises and promises of the modern approach to fighting poverty.

President Obama appears not to have learned the lessons of the last 40 years. According to Robert Rector of the Heritage Foundation, regarded by many welfare reform proponents as the architect of the legislation Clinton signed in 1996, the stimulus bill Obama signed into law in February contained provisions designed to gut that historic achievement. Rector argues that the key to the 1996 reform was the elimination of the perverse incentive that increased states' federal welfare funding if they increased caseloads. He testified to Congress in 2006 that Clinton's welfare reform was to a large degree responsible for the plummeting poverty rate for children of single mothers between 1995 and 2004, adding, "The explosive growth of out-of-wedlock childbearing has come to a near standstill." No longer, perhaps. Noting that the American Recovery and Reinvestment Act would effectively restore the old funding system, Rector wrote, "For the first time since 1996, the federal government would begin paying states bonuses to increase their welfare caseloads. Indeed, the new welfare system created by the stimulus bills is actually worse than the old [Aid to Families with Dependent Children] program because it rewards the states more heavily to increase their caseloads."

While the President is choosing to re-blaze an old path when it comes to dealing with urban poverty, he is vowing to chart an entirely new course with regard to energy. Specifically, he calls for the fundamental transformation of how we power our lives, moving to an energy economy that is fired not by fossil fuels but by green technologies. Renewables like wind and solar, along with biomass and ethanol, would take the place of coal, oil, natural gas, and even uranium.

Obama aims not merely to increase our share of green energy, but to literally "transform our energy economy." This is the height of presidential audacity, in that it suggests the wholesale reworking, or overthrowing, of the massive infrastructure and production and supply mechanisms that have developed more or less organically over the course of a century. More than that, these industries have helped make possible and sustain the most dynamic and productive economy the world has ever known. To prevent the horrors of global warming, and to insulate ourselves from Middle Eastern oil despots, we must replace them with something cleaner, greener, and homegrown.

One way to attempt this is by implementing a national renewable portfolio standard, as Obama proposes. That would require 25 percent of the nation's electricity to come from sources that do not generate greenhouse gas emissions, which would boost demand for windmills, solar farms, and other clean but expensive technologies (though clean nuclear power, which gives off no GHG emissions but is reviled by environmental groups, would likely be excluded). Another way to implement this would

If new green employment makes sense for the economy, as advocates suggest, then why should there be a high public price tag on creating these jobs? And how much can anyone really trust these numbers?

be by instituting some sort of carbon-regulation regime, such as the cap-and-trade scheme passed by the House of Representatives in June.

Among the problems with these proposals is that they would raise energy prices. In an exceptionally candid interview with the *San Francisco Chronicle* editorial board last year, then-Senator Obama talked about bankrupting the coal industry and said, “Under my plan of a cap-and-trade system, electricity rates would necessarily skyrocket.” The plan would either raise the price of coal- and petroleum-based energy so that people use less, or it would force consumers to employ renewable energy technologies that cost vastly more than the ones we currently use. Either way, higher prices are inherent to cutting emissions.

It is politically untenable to highlight the high-cost features of the green economy. Instead, proponents try to sell the upside of economic growth and prosperity, particularly by featuring the promise of free markets. Consider the term “cap-and-trade.” It implies that market mechanisms, and not government’s heavy hand, will be brought to bear on the supposed problem. Don’t believe it. Cap-and-trade is the wolf in sheep’s clothing of economic regulation. It claims a mantle of market respectability to foist the worst elements of bureaucracy, government, and mandates on unsuspecting consumers. Want to limit carbon emissions? The only honest way would be to put a direct tax on them. Cap-and-trade is a tax hike tarted up to look like the market at work.

Then there’s the grand promise of new job creation in the green economy. “I’ll invest \$150 billion over the next decade in affordable, renewable sources of energy—wind power and solar power, and the next generation of biofuels,” Obama said as he accepted his party’s presidential nomination in 2008. He called this “an investment that will lead to new industries and five million new jobs that pay well and can’t ever be outsourced.” Later he would call this new energy economy an “engine of economic growth” to rival the computer and one, moreover, that we could build “easily.”

Spending taxpayer money to create jobs that otherwise wouldn’t exist is a funny way to go about encouraging economic growth. It’s worth crunching the numbers on the Obama promise to spend \$150 billion over the course of a decade to create five million new green jobs; that works out to \$30,000 per new job, which actually seems modest compared to what other advocates claim it will cost to “create” jobs. The Center for American Progress estimated last year that federal outlays of \$100 billion over a two-year period would create two million green jobs, or roughly one new position for every \$50,000 spent by taxpayers. The Apollo Alliance, an organization tied to recently resigned

White House green jobs coordinator and fellow *Pathways* contributor Van Jones, estimated it would take \$500 billion (roughly 20 times the annual budget of the entire U.S. Department of Energy) to create five million jobs. That works out to \$100,000 of taxpayer money per job.

If new green employment makes sense for the economy, as advocates suggest, then why should there be a high public price tag on creating these jobs? And how much can anyone really trust these numbers? An Apollo Alliance official all but admitted to the *Wall Street Journal* that its figures were plucked out of the air. Asked to explain the vast discrepancy between Obama’s expensive jobs figure with the Apollo Alliance’s three-times-more expensive figure, the official replied, “Honestly, it’s just to inspire people.”

Feeling inspired? Then consider the downside to the green jobs promise. Spain instituted an ambitious green jobs program a decade ago, and for some time, it was cited by President Obama as an example for the United States to follow. Earlier this year, however, researchers at King Juan Carlos University released a study that examined Spain’s decade-long experience with green job creation, and the results were not pretty. They found that for every green job manufactured through government mechanisms, more than two jobs were destroyed due to the higher costs imposed on the economy. Worse, they found that only one in ten of those green jobs will be permanent. The authors deemed Spain’s policies “terribly economically counterproductive.” Simply put, they wrote, “the Spanish/EU-style ‘green jobs’ agenda now being promoted in the U.S. in fact destroys jobs.”

The president doesn’t mention Spain any longer.

Optimistic economic projections of a transition to a post-carbon future fall short because they focus on the benefits but never factor in the costs. And there will certainly be costs imposed throughout the economy if we try to force a wholesale switch to renewable energy technologies and fuels. Renewables are considerably more expensive than the oil, natural gas, coal, and uranium we rely upon today to meet about 95 percent of our energy needs.

What sorts of costs? For starters, there are the many gainfully employed and productive Americans who work in the traditional energy industry. According to the American Petroleum Institute, the oil and gas industry employs 1.6 million Americans. Coal mining directly and indirectly supports hundreds of thousands of jobs, according to the National Mining Association and the U.S. Bureau of Labor Statistics. Presumably they would be in the unemployment line if we no longer used coal or petroleum.

There are other costs as well, for the simple reason that the replacement technologies and fuels the president plugs are

much more expensive (and less reliable) than oil, gas, coal, and nuclear power. Wind, solar, biomass, and other so-called green sources of energy operate on the fringes of our energy economy precisely because they are more expensive and less reliable. And this comes despite decades of generous subsidies from federal and state governments.

The U.S. Energy Information Administration calculated last year that taxpayers subsidize solar and wind energy at more than \$23 per megawatt hour (MWh) of electricity produced. Yet they are still too costly to be competitive; combined, they produce about 1 percent of the nation's power. Compare the green subsidies to the energy sources reviled by environmentalists, such as natural gas (25 cents per MWh in subsidies), coal (44 cents), hydroelectricity (67 cents), and nuclear power (\$1.59).

Even with massive new infusions of government cash, there's only so far that renewables can come down the cost curve. The energy sources they seek to harness are diffuse and diluted, requiring huge amounts of space to offer what coal or gasoline (or especially uranium) offer in relatively small packages. Forcing Americans to get their energy from more expensive sources will—no surprise—drive up costs across the board. And higher energy costs usually mean job losses, particularly in energy-intensive industries like heavy manufacturing. Sky-high energy costs in states like California and New York help explain why energy-intensive manufacturing industries have fled to other states. Raising them throughout the entire American economy will drive jobs and industries overseas and will make American consumers poorer.

The green jobs promise amounts to killing jobs in efficient industries to create jobs in inefficient ones—hardly a recipe for economic success. William Pizer, a researcher with Resources for the Future and a lead author of the most recent report from the United Nations' Intergovernmental Panel on Climate Change, reinforced the point at a symposium in 2008: "As an economist, I am skeptical that [dealing with climate change] is going to make money. You'll have new industries, but they'll be doing what old industries did but [at] a higher net cost...You'll be depleting other industries." Consumers will be hurt too, Pizer notes. Digging deeper each month to pay for expensive renewable energy, they will have less to save or spend in other areas of the economy.

Nevertheless, the green jobs push is described as the antidote to urban poverty. Interestingly, some of the biggest boosters of the new green movement are not traditionally regarded as environmentalists but come from community activist organizations that agitate for economic justice while airing ethnic, racial, and

other grievances. Groups like CODEPINK, ColorOfChange.org, MoveOn.org, and ACORN, along with labor organizations, are the faces of the green jobs movement. This is the milieu from which Van Jones emerged before (fleeting) becoming President Obama's go-to guy on green jobs. Many cities are counting on the national push to go green to help alleviate chronic urban poverty. And these same activist community organizers in these locales are standing in line to grab some of the millions in federal spending that is designated for green jobs training programs.

Will any of it work? Doubtful. The idea of greening the inner city to improve the lives of its poorest residents doesn't stand up under close inspection. It relies on the fallacy that the government must undertake a rescue mission in the inner city because society has failed to provide opportunities for urban blacks. Yet over the last several decades, as the economy has steadily expanded, millions of construction jobs were created in urban centers all across America. For the most part, Mexican and Central American immigrants have filled these positions, not urban blacks, who have largely absented themselves from this employment boom.

If Jones and his compatriots in the green jobs movement truly wanted to help poor minorities, they might start by taking a long, hard look at the history of government-run job-training programs. In terms of money wasted, skills not imparted, and opportunities lost, the history of such programs is abysmal. According to journalist Jim Bovard, one of the foremost experts on government job-training efforts, "[m]any, if not most, of the participants in federal jobs and job-training programs would be better off today if the programs had never existed."

There's not much reason to think that green jobs training efforts will prove any differently. But then, there's no reason to think that President Obama's bold desire to completely overhaul our energy economy will meet with any real success either. There may be legitimate arguments for taking dramatic steps to fight climate change. Boosting the economy isn't one of them. What's really at stake here is honesty and transparency in what our government initiatives will do; green initiatives should stand or fall on their own merits as an antidote to climate change, not be hawked as a snake oil that addresses all our nation's problems, even poverty. One thing, however, is certain: it is going to cost taxpayers and consumers a lot of money to learn some very hard lessons.

Max Schulz is a senior fellow at the Manhattan Institute.

Optimistic economic projections of a transition to a post-carbon future fall short because they focus on the benefits but never factor in the costs. And there will certainly be costs imposed throughout the economy if we try to force a wholesale switch to renewable energy technologies and fuels.

An illustration at the top of the page shows a person in a blue suit and white shirt, seen from the side, looking towards a large green gear. Inside this gear is a yellow sunflower. Other similar gears with sunflowers are visible in the background. The text 'Green Data' is written in a green, sans-serif font, curving over the top of the central gear.

Green Data

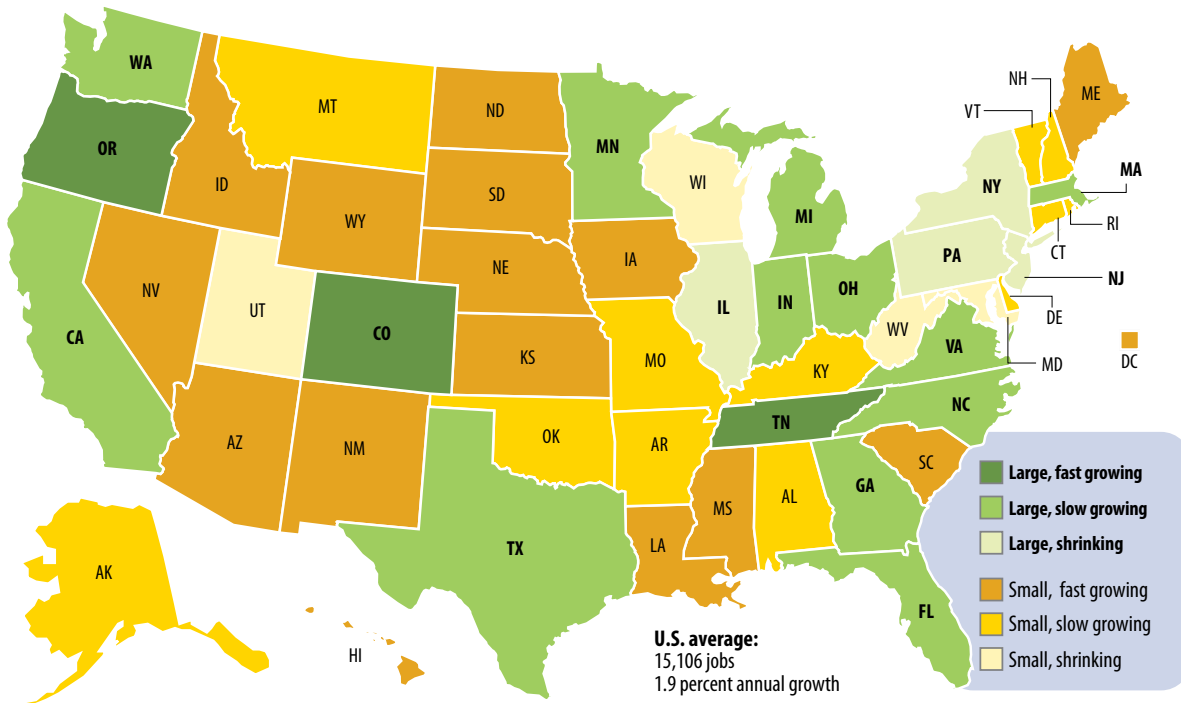
*What Do We Really Know about
Jobs in the Green Economy?*

BY KIL HUH AND LORI GRANGE

THERE HAS BEEN MUCH RHETORIC about building a new “green economy” in the United States, but until recently, there has been little in the way of hard data about where we stand on that promise. And hard data are what we need. If we are serious about rebuilding our economy with green jobs, we need to know more about the types of green jobs that are now in place and what potential exists for a major expansion. If a substantial infusion of public and private capital is to be well spent, it is important to establish whether America’s green economy provides a viable base for such an investment. Is the green revolution indeed an important source of U.S. economic growth in the near- and long-term? And does it provide opportunities for a wide range of workers or just those with highly specialized skills? We seek to address these questions here.

WHERE ARE THE JOBS IN THE CLEAN ENERGY ECONOMY?

Looking simultaneously at the total number of jobs (large or small) and their average annual growth rate (fast growing, slow growing, or shrinking), states' clean energy economies fall into six groups: large and fast-growing, large and slow-growing, and large but shrinking; small and fast-growing, small and slow-growing, or small and shrinking. Large states have more jobs in their clean energy economies in 2007 than the national average of 15,106 jobs. Small states have fewer than the national average of clean energy economy jobs. States with fast-growing clean energy economies have experienced average annual growth between 1998 and 2007 that exceeds the national average of 1.9 percent. Slow-growing states have a positive average annual rate of growth (but less than 1.9 percent) and losing states have experienced negative growth.



SOURCE: Pew Charitable Trusts, 2009, based on the National Establishment Time Series Database; analysis by Pew Center on the States and Collaborative Economics.

FIGURE 1

Research by The Pew Charitable Trusts suggests that our country's green sector—what we call the clean energy economy—is, in fact, poised for explosive growth, driven by strong consumer demand, venture capital investment, and federal and state government support. As Figure 1 shows, every state has a piece of America's clean energy economy, including traditional manufacturing states such as Ohio, Michigan, and Wisconsin. And although some have suggested that clean energy sector jobs will provide employment mainly for engineers and other highly skilled workers, Pew's data and analysis indicate they can present opportunities for a wide range of workers, including plumbers, administrative assistants, construction workers, machine setters, marketing consultants, teachers, and many others, with annual incomes ranging from \$21,000 to \$111,000.

Why Go Green? The Three Reasons

There are three primary reasons underlying interest in a clean energy economy.

The green economy and global warming: The best-known rationale for building a clean energy economy is that it is a necessary response to climate change, declines in traditional energy sources, and the nation's overreliance on foreign oil. "While our economic engine has for years been powered by relatively inexpensive energy, there is evidence that this era is coming to a close," a National Governors Association report noted in 2007. "Meanwhile, we are increasingly aware of the serious impacts of global climate change—and how America's consumption of fossil fuels is contributing to a warming Earth." Clean energy sector jobs, to the extent that they can be cultivated and established in the United States, hold promise for staunching the problems of global warming and pollution.

The green economy as an economic spark: We refer here to the emerging idea that "going green" makes good economic sense, that even in the absence of any concern with climate change there are opportunities to be had in the clean energy sector.

Research released by Pew in June 2009 highlighted that, nationally, the number of jobs in the clean energy economy grew 2.5 times faster than the number of jobs overall between 1998 and 2007. Industry analysts who follow the cleantech sector estimate that worldwide demand for green products and technology will continue to grow, creating new and unrealized economic opportunities in the clean energy economy. Pew's research found that federal and state policy makers are looking to expand this sector as a way to help the United States better compete in the global marketplace. They want new lines of business that will create jobs and new industries, generate revenues for many years to come, and help America grow as a technological leader. In this paper, we cannot provide anything approaching a full assessment of the clean energy economy's potential, but we will at least be able to weigh in on whether it provides a foundation for substantial growth and investment going forward.

The green economy as diverse jobs generator: The third reason to go green is that it has the potential to deliver employment opportunities for many who have lost jobs in the recession or during earlier declines in the manufacturing base. And while the evidence on behalf of this claim has to date been limited, we will provide some relevant data.

Amid these discussions, and given the burgeoning interest in a clean energy economy, lawmakers, business leaders, and the public need credible, reliable data to ground their policy deliberations and choices and to point to where growth is heading. Both government and the private sector need a clear and concrete definition of this market so they can track jobs, businesses, and investments aimed at both economic growth and environmental sustainability and gauge the effectiveness of public policy choices to support such efforts.

This is where Pew comes in. Pew sought first to define the clean energy economy and then count the number of jobs, businesses, and investments in it. Pew released its findings in the report *The Clean Energy Economy: Repowering Jobs, Businesses and Investments Across America*.

The Pew analysis tallied actual businesses and jobs in the clean energy economy as of the end of 2007, the latest year for which data were available at the time of our report. The analysis did not assume that entire occupations (e.g., mass transit workers) should be counted. For example, the Pew report included workers who manufacture hybrid cars and buses, technicians who construct wind turbines, electricians who install solar panels on homes, and engineers who research fuel cell technology. But it did not include all auto manufacturers, electricians, technicians, and engineers. In addition, Pew's analysis focused exclusively on producers and suppliers in the clean energy economy, not the jobs that use their products and services. Although the resulting count is conservative, Pew's report provides the most precise depiction to date of the size and composition of the clean energy sector in the United States.

What Is the Clean Energy Economy?

A clear definition of the clean energy economy is necessary before any counting exercise can be undertaken. Based on research and input from experts in the field, including an advisory panel that helped guide our study, Pew developed the following definition:

A clean energy economy generates jobs, businesses, and investments while expanding clean energy production, increasing energy efficiency, reducing greenhouse gas emissions, waste, and pollution, and conserving water and other natural resources.

The clean energy economy comprises five categories: (1) clean energy, (2) energy efficiency, (3) environmentally friendly production, (4) conservation and pollution mitigation goods and services, and (5) training and support for the foregoing activities. Our framework provides a clear, practical, and consistent tool for tracking green investments, jobs, and businesses over time.

A complete data set with which to count these jobs and businesses is not available, and obtaining an accurate count of emerging economic activity is difficult. For these reasons, Pew used data that provide detailed information on individual companies. As a first step, Pew's researchers identified companies receiving clean-technology venture capital. Next, we used the National Establishment Time Series (NETS) database of U.S. public and private establishments based on data from Dun & Bradstreet to identify similar and related companies. This approach enabled Pew to capture the different sets of activities that result in products and services produced and supplied by the clean energy economy. For the purposes of this analysis, Pew studied the growth of jobs and businesses between 1998 and 2007.

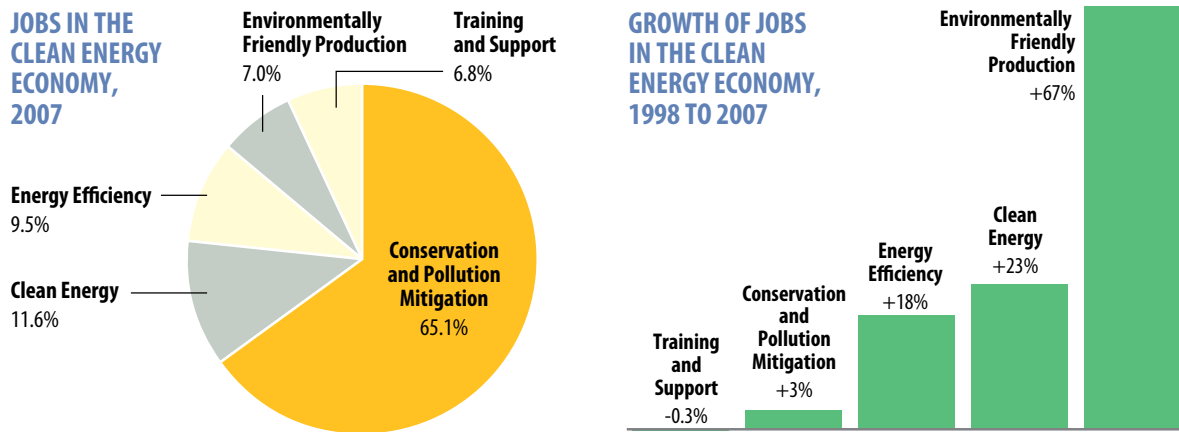
**the clean energy economy—
largely driven by consumer
demand—grew 2.5 times
faster than jobs overall
between 1998 and 2007**

How Large Is the Clean Energy Economy?

Our analysis found that, as of the end of 2007, more than 68,200 businesses across all 50 states and the District of Columbia accounted for about 770,000 jobs that achieve the double bottom line of economic growth and environmental sustainability. This is approximately one-half of one percent of all jobs in the

THE U.S. CLEAN ENERGY ECONOMY: Jobs of Today and Jobs of Tomorrow

65 percent of today's clean energy economy jobs are in the category of Conservation and Pollution Mitigation. Growing recognition among the public, policy makers, and business leaders of the need to recycle waste, conserve water, and work to mitigate emissions of greenhouse gases and other pollutants has helped make this the leading category. But growth trends paint a different picture for the future of the clean energy economy. Jobs in Environmentally Friendly Production, Clean Energy, and Energy Efficiency are growing much faster in response to new market demands.



SOURCE: Pew Charitable Trusts, 2009, based on the National Establishment Time Series Database; analysis by Pew Center on the States and Collaborative Economics.

FIGURE 2

United States today. These numbers may seem modest, but the following considerations suggest otherwise:

Bigger than biotech: Biotechnology has been the focus of significant public policy and government and private investment. Still, the biotechnology sector, which has developed applications for agriculture, consumer products, the environment, and health care, employed fewer than 200,000 workers in 2007, or about a tenth of a percent of total U.S. jobs, according to a 2008 Ernst & Young report. Likewise, the well-established traditional energy sector—including utilities, coal mining, and oil and gas extraction, industries that have received significant government investment—comprised about 1.27 million workers in 2007, or only about 1 percent of total employment. By these two yardsticks, the clean energy economy, still in its infancy, is relatively substantial in size.

Recent growth: Between 1998 and 2007, clean energy economy jobs—a mix of white- and blue-collar positions, from scientists and engineers to electricians, machinists, and teachers—grew by 9.1 percent, while total jobs grew by only 3.7 percent. Although we expect job growth in the clean energy economy to have declined in 2008, experts predict the drop in this sector will be less severe than the drop in U.S. jobs overall.

Private-sector investment: Growing attention and financial support from the private sector indicates that the clean energy economy is poised to expand significantly. Signaling interest in new market opportunities, venture capital investment in clean

technology crossed the \$1 billion threshold in 2005 and continued to grow substantially, totaling about \$12.6 billion during the past three years. Although they have dropped because of the recession, investments in clean technology have fared better than other industries; they were down 48 percent in the first three months of 2009 compared with a year earlier, while total venture capital across all sectors was down 61 percent for the same period. “It’s important not to miss the forest for the trees,” Nicholas Parker, executive chairman of the Cleantech Group, said in January 2009. “In 2008, there was a quantum leap in talent, resources, and institutional appetite for clean technologies. Now, more than ever, clean technologies represent the biggest opportunities for job and wealth creation.”

Public-sector investment: With the first significant public investments in the clean energy economy, the sector may contribute significantly to the United States’ economic recovery. Through the American Recovery and Reinvestment Act (ARRA), signed into law in February 2009, President Barack Obama and Congress are pumping substantial federal funds into cultivating the clean energy economy—nearly \$85 billion in direct spending and tax credits for energy and transportation programs. Also, a growing, diverse number of states—including Tennessee, Texas, Colorado, Michigan and Ohio—have made investments in the clean energy economy. Indeed, Pew’s study found that every state has a piece of America’s clean energy economy.

With this combination of federal, state, and private investments, the clean energy economy is poised for explosive growth.

What Types of Jobs?

Our data (see Figure 2) show that 65 percent of clean energy economy jobs as of 2007 were in the category of conservation and pollution mitigation, a sector that reflects significant interest to date in recycling waste, conserving water, and mitigating emissions of greenhouse gases and other pollutants. But three other categories—clean energy, energy efficiency, and environmentally friendly production—are growing at a far faster clip. And, as Figure 3 shows, about 80 percent of venture capital investments in 2008 were in the sectors of clean energy and energy efficiency, which focus on developing clean, renewable energy sources such as wind and solar and products and services that reduce our overall energy consumption. Bottom line? Our data indicate that clean energy and energy efficiency are the sectors to watch, both for job growth and public and private investment.

What do these jobs look like? Pew's research showed that the job mix across the clean energy sector includes both highly skilled and semiskilled positions, which suggests that further investments in green jobs are likely to benefit Americans across economic and educational spectrums. In addition, we think it is

reasonable to assume that the impending ramp-up will create new jobs of roughly the same mix as current jobs. The following is a brief description of the largest segments of the clean energy economy.

Conservation and Pollution Mitigation. This segment of the clean energy economy includes trained workers safely remediating hazardous materials from industrial sites; scientists and technicians developing, installing, and supplying products to capture and treat noxious greenhouse gases and pollutants; machinists and system operators treating water and waste; and environmental consultants helping companies and governments improve emissions monitoring, water conservation, and recycling.

Clean Energy. This segment includes electricians, electrical engineers, and plumbers installing new energy systems; plant operators involved in converting renewable sources, such as wind and solar, to electricity; mechanics rebuilding the energy infrastructure by installing sensors and controls that monitor and distribute clean energy more effectively; and researchers and technicians perfecting and implementing battery technologies that improve how we store and distribute energy.

Energy Efficiency. This segment includes engineers developing energy-efficient lighting, meters, software programs, and other products that help curb and monitor energy usage, and electricians and carpenters installing these products in homes, businesses, and government buildings.

Spurring Future Growth

Policy makers and the public are looking to generate new industries and areas of growth to help the United States achieve an economic recovery and better compete in the 21st-century global marketplace. Given the nation's need to create enduring jobs and industries while conserving natural resources and reducing carbon emissions, federal and state leaders alike are deliberating additional measures to spur the clean energy economy. Of course, whether and to what degree any particular measure is effective in fueling economic growth and accelerating the United States' recovery depends on its details. Details will also matter greatly when it comes to improving the employment opportunities of America's displaced workers and ensuring that the benefits of job growth in the clean energy economy accrue to individuals with a diverse range of skills and backgrounds. But as our data make clear, the clean energy economy already is emerging as a vital component of America's new economic landscape—and efforts underway have generated jobs, businesses, and investments benefiting a wide array of Americans.

Kil Huh is a project director and Lori Grange is an interim deputy director in the research unit of the Pew Center on the States.

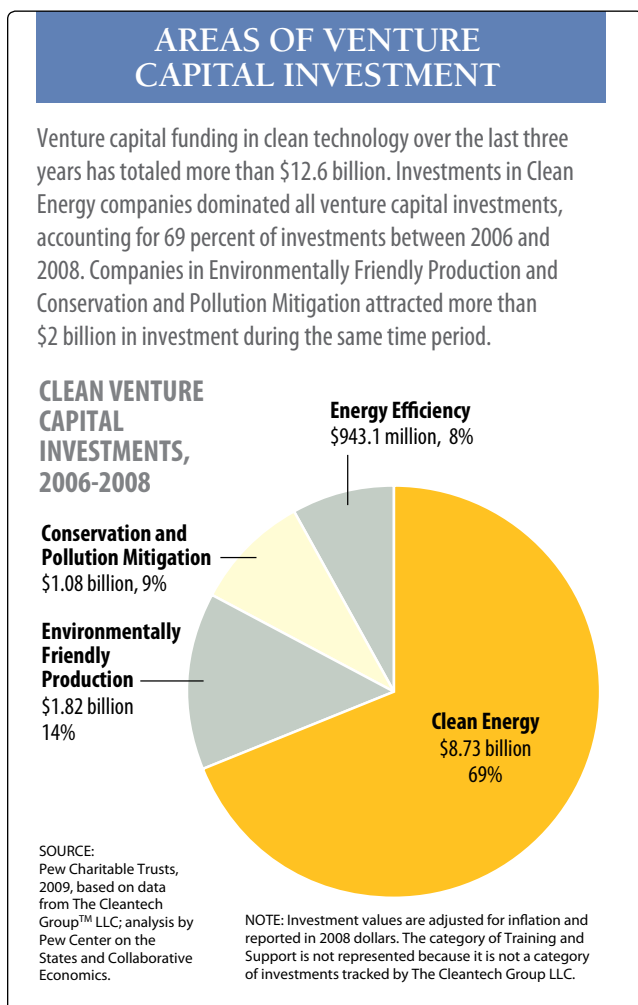


FIGURE 3

BY MANWAI C. KU

SPOTLIGHT ON...

Springboard Forward

The conventional employment program in the United States focuses on helping workers *find* a job and then, to a lesser extent, *keep* that job. But does this two-pronged “find and keep” mantra serve workers and businesses well? Is it good enough to simply slot a worker into a job and assume that thereafter it’s just a matter of holding it? The highly educated worker, by contrast, is schooled to think in terms of a career plan rather than just holding down her or his current job. The question that then emerges is whether this type of career plan, which has served the educated worker so well, might be applied more broadly.

We recently spoke with Elliott Brown, founder and executive director of Springboard Forward, a new social venture based in Belmont, California, that has developed an innovative approach to helping low-wage workers formulate real and meaningful career plans. “We have a saying here, ‘What if it were possible?’” Brown said when describing the vision of his organization. Prior to establishing Springboard Forward, Brown had worked in a youth employment agency in East Palo Alto, and he was deeply troubled that low-wage workers there typically had little hope and expected their future to be one forever mired in low-paying work. Based on this experience, Brown saw a need for a program that could inspire hope by providing assistance with career development and that could engage the business community in these efforts precisely because doing so was in businesses’ interests. Because hopelessness about career advancement often leads to disengagement from work, businesses face chronic workforce challenges such as high worker turnover, poor employee performance, and weak customer service. As a result, business success is intimately tied to the needs of the low-income community, an insight that allowed Brown to build an approach aligning the interests of workers and businesses.

The cornerstone of Springboard Forward is the Engaged Employment™ Program, which comprises a yearlong combination that begins with workshops and continues with ten months of one-on-one coaching. The workshops are designed to help employees discover their skills, experiences, interests, and strengths, and the one-on-one coaching focuses on helping employees create what is often their first career development plan. Supervisors of employees are included in the process,

receiving training to recognize the value in employee development and to identify the skills they need to support the development of their workforce. Although the plans of workers may include eventually leaving their employer, such plans nevertheless provide workers with real direction and thereby increase engagement with their current jobs. As a result, businesses benefit from greater productivity, lower turnover rates, and better relationships with employees. Brown explains, “What is different about our model is our dual-value proposition: we help workers, but we also help businesses.”

The results? Through a partnership with Kenexa, a leading multinational evaluation firm, Springboard Forward finds that almost all of the employees in partnering companies (which have included Home Depot, Bon Appetit, and El Camino Hospital) have developed long-term goals and career plans. Over 90 percent have achieved stable and steady employment, and most have taken steps toward realizing their aspirations. About 40 percent have received a raise or a promotion within the first four months of the program, and almost a quarter have enrolled in classes related to their career goals. Nearly 90 percent of graduating clients view their current positions as valuable starting points for their careers, and most express greater clarity about their career paths. Meanwhile, businesses are reporting 80 to 90 percent job-retention rates—several times greater than the average rates in these high-turnover industries. About 80 percent of the employees have worked with their supervisors to identify opportunities for growth, and supervisors note that their employees have become more focused, proactive, and ultimately productive.



ABOVE: A Springboard client interprets her career map. BELOW: Springboard clients working individually and in small groups on developing their career maps.

For his work, Brown was elected as an Ashoka Fellow, a prestigious award for top social entrepreneurs, in 2005, and Springboard Forward was named a 2005 and 2007 Social Capitalist Award winner by Fast Company/Monitor Group. This year, Springboard Forward has been selected to join America Forward, a coalition of social entrepreneurial nonprofit organizations, and it was even recognized recently by President Obama at the White House. Amid the accolades, Springboard Forward has also expanded across regions and in size, with the number of Bay Area counties covered increasing from two to five in the past year, and the number of career coaches increasing from 12 to over 50. A Stanford graduate, Brown is especially thrilled by the recent addition of Don Kennedy, former President of Stanford University, to the board of directors.

Will the Springboard Forward model become the new mainstream approach to employment programs? “There is a real interest in the Obama administration in innovative approaches,” Brown says. “We are realizing as a nation that the conventional fight against poverty hasn’t worked and that we need to take a look at new kinds of solutions.” Reflecting on the mission of Springboard Forward, Brown stresses the importance of recognizing the resourcefulness and capability of low-wage workers to move out of poverty. “What we ask people to do is think about what they most want,” Brown says, “and to come up with a plan that allows them to get up in the morning and be excited about the contribution that they are going to make.” The results are startling: “We do nothing more than unleash a plan. And it’s incredible what people can do once that is unleashed.”

Manwai C. Ku is a doctoral candidate in Sociology at Stanford University.



Doubling Down

Reforming Retirement and Disability Policy at the Same Time

BY DAVID STAPLETON

For older people in the United States, two types of federal policy are especially critical: (a) policy governing when and how retirement occurs, and (b) programs governing how disabilities are dealt with. These two types of federal policy are by all accounts in crisis.

This article is partially based on D.C. Stapleton, *Employment Support for the Transition to Retirement: Can a New Program Help Older Workers Continue to Work and Protect those Who Cannot*, Washington, DC: AARP, 2009, prepared under contract to AARP. Preparation of this article was supported by the National Institute on Disability and Rehabilitation Research, U.S. Department of Education, through its Rehabilitation Research and Training Center on Employment Policy grant to Cornell University (No. H133B040012). Mathematica Policy Research is a subcontractor under this grant. The contents of this paper do not necessarily represent the policy of the Department of Education, any other federal agency, or AARP. The author is solely responsible for all views expressed.

The retirement policy crisis is in part a simple fiscal one, but this does not of course imply that reform is imminent. Indeed, even as fiscal realities are making it harder and harder to escape the need for retirement policy reform, resistance to even the most common-sense reforms remains strong.

As for disability programs, here again there is much fiscal stress. Worse yet, there is a growing recognition that federal disability programs fail to meet the needs of many workers who experience the onset of a disability. But despite these problems, opposition to sensible disability policy reforms also runs strong.

The most logical retirement policy reforms would encourage later retirement in recognition of long-term societal improvements in life expectancy and health. Why are these reforms nonetheless often opposed? It is partly because they could harm many older workers who have not experienced such gains in life expectancy or health. Moreover, for workers who remain in the labor force, current disability programs are inadequate to protect them.

The most common-sense reforms of disability policy address the needs and interests of both employers and workers. On the employer side, we need early intervention that makes it attractive to retain employees after the onset of a significant medical condition. On the worker side, we need to provide support that makes it possible to stay in the labor force rather than claim disability benefits.

The opposition to such reform, however sensible it might seem, is substantial. Advocates fear these reforms would harm those they are designed to help, employers worry they will increase labor costs, and deficit hawks fear they will add to the government's fiscal woes. I suggest that we break the impasse on both fronts through a package of reforms that would increase the retirement age and establish an early intervention program for older workers.

Making the Case

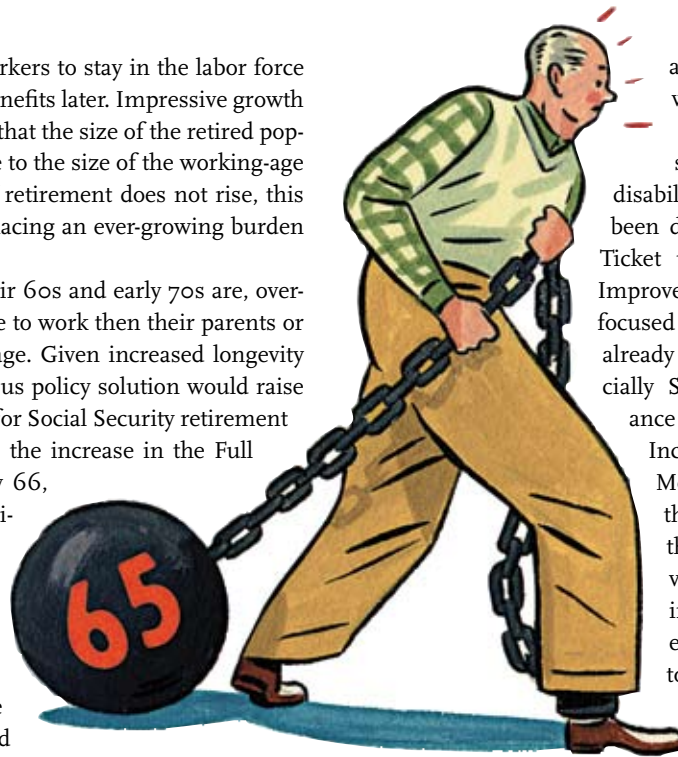
The public has paid a great deal of attention to retirement policy reform, but little progress has been made. Many smart people have argued that we must change retirement

policy in ways that encourage workers to stay in the labor force longer and to claim retirement benefits later. Impressive growth in average life expectancy means that the size of the retired population has also increased relative to the size of the working-age population. If the average age of retirement does not rise, this group will continue to expand, placing an ever-growing burden on those who are working.

In addition, individuals in their 60s and early 70s are, overall, much healthier and more able to work than their parents or grandparents were at the same age. Given increased longevity and better health, the most obvious policy solution would raise the Earliest Eligibility Age (EEA) for Social Security retirement benefits, currently 62, accelerate the increase in the Full Retirement Age (FRA), currently 66, and increase the Medicare Eligibility Age (MEA), currently 65. Such changes would increase total output, increase tax revenue, and reduce total Social Security and Medicare outlays.

Many stakeholders oppose increasing the EEA, FRA, and MEA, as well as other reforms that would support delayed retirement, because not all workers are benefiting from gains in health and longevity. One recent study showed that, among those who reached age 66 in 2007, a very large share of the recent gains in longevity accrued to workers who were in the top half of the earnings distribution during their prime working years. The bottom half experienced far less substantial gains in longevity. Research also suggests that, of the approximately 2.6 million workers who were 55 years old in 2008, over 600,000 will lose earnings because of a work-limiting health condition before age 62. At the same time, Social Security Disability Insurance (SSDI) will help fewer than a quarter of workers in this group. Without SSDI, many are forced to rely on lower Social Security retirement benefits to sustain their household incomes when they become eligible at age 62. These workers would be the most immediately disadvantaged by increases in the EEA, FRA, and/or MEA.

It is well established that the economic well-being of working-age people with disabilities has deteriorated. It is also well established that working-age people with disabilities are increasingly reliant on public support. Despite dramatic advances in technology and medicine, the employment rate of this group is much lower than it was in the mid-1980s, and a larger share of this group now relies on public disability benefits and public health insurance. These advances in technology and medicine have not had the expected effect because of policies that discourage employers from retaining workers after the onset of a significant long-term medical condition and that encourage workers to exit the labor force and apply for public benefits. The obvious policy response: incentives and technical assistance to help employers and workers take better advantage of advances in technology



and medicine, thereby increasing workers' self-sufficiency.

As a nation, we have made significant efforts to improve disability policy, but results so far have been disappointing. Most notably, the Ticket to Work and Work Incentives Improvement Act, enacted in 1999, focused on people with disabilities who already receive public benefits—especially Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI), Medicare, and/or Medicaid. The intent is to help them return to work by increasing the availability and quality of services they need to work and reducing the likelihood that they lose essential health coverage. Ticket to Work encourages qualified providers, including employers, to help SSDI beneficiaries earn enough to voluntarily give up their benefits. The legis-

lation introducing Ticket to Work also called for a demonstration to test a benefit offset for SSDI—to reduce benefits by \$1 for every \$2 of earnings above the monthly earnings limit (almost \$1,000 in 2009 for most beneficiaries), rather than terminating benefits entirely. Other less prominent policy changes, such as efforts to increase accessibility of employment services at One Stop Service Centers, have also aimed to improve the employment and self-sufficiency of people with disabilities. Although results have been underwhelming to date, the government continues to pursue these initiatives, including a 2008 increase in the generosity of the Ticket to Work program.

A growing number of policy analysts and disability advocates have argued that the success of disability reforms will always be limited because they focus on people who have already separated from their employer and grown reliant on public benefits. Some even argue that such efforts make matters worse, because they “induce demand” by encouraging workers to enter SSDI so they can take advantage of new employment supports. In fact, concern about induced demand is a major reason that SSDI does not already have a benefit offset. Instead, many stakeholders are now considering early intervention policies that encourage employers to retain workers after the onset of a significant medical condition, and help workers stay in the labor force rather than enter SSDI. These policies are largely untested, however, and implementing an untested approach is risky. Ill-designed early intervention policies could impose burdens on employers that undermine, rather than stimulate, employment of workers with disabilities. They could also harm workers and accelerate government expenditures.

All Together Now: Reforming Retirement and Disability Policy

Addressing these difficult policy problems simultaneously offers several advantages. Specifically, a package of reforms that encourages later retirement, offers early intervention for older workers with medical problems, and expedites SSDI entry for those older workers with the most severe medical problems could help address the government's rapidly mounting fiscal problems while protecting those who would be most harmed by policy reforms that would only encourage later retirement. If the package succeeds in keeping some older workers with medical conditions in the labor force and deters some from entering SSDI, the net cost of such early intervention might be very modest; it is even possible that SSDI savings and higher tax revenue from older workers would be sufficient to pay for early intervention.

The design of early intervention policies will be critical to the success of this proposal. Many options are available. At one extreme are relatively simple, broadly targeted policies that take the form of wage subsidies. These policies include, for example, an expansion of the Earned Income Tax Credit for older workers, comparable to the expansion for low-income parents in 1993; time-limited return-to-work subsidies, or re-employment bonuses, which have been shown to be an efficient means of helping laid-off workers return to work; or a wage insurance program. Another broad approach would be to simply reduce employers' payroll taxes for older workers.

Relative to other options, these approaches have two important merits. First, they are simple, relying mostly on earnings information that employers must already report. Second, they help workers who involuntarily experience wage losses for reasons other than health, such as a recession, industrial restructuring, or the need to care for a loved one. But on the flip side, they also benefit those who voluntarily move to lower-paying jobs, and they might be insufficient to help people with significant medical conditions.

Envisioning a New Program

These drawbacks are important enough to suggest a targeted approach focusing more narrowly on workers with significant medical conditions. Although aimed at a different group, the U.S. Department of Labor's Alternative Trade Adjustment Assistance (ATAA) program provides a possible model. The broader Trade Adjustment Assistance program is available to workers displaced from their jobs by international competition, and ATAA is a component that is available to those over 50 only.



Benefits include a time-limited wage subsidy, a health insurance credit, and employment counseling.

I envision an ATAA-style program, Employment Support for the Transition to Retirement (ESTR), to address the needs of older workers who experience the onset of significant medical conditions. The program would provide assistance to workers at risk for SSDI, including an initial screen to expedite SSDI entry for those with the most serious problems; more extensive counseling, including health care counseling; financing for assistive devices, accommodations, and personal assistance needed to work; and temporary income support for some. Those who meet ESTR eligibility requirements would also qualify for Medicaid and Supplemental Security Income (SSI) if they met those programs' means tests. Incentives could be offered to employers who hire or retain those eligible for ESTR.

The administrative burden of ESTR might appear daunting to those familiar with the problems of the SSDI/SSI disability determination process. But the accelerated development of a national electronic health information system will make eligibility determinations easier in the future; in fact, the SSDI/SSI determination processes are already experiencing gains from rapid access to electronic medical records for a small share of claimants. Local delivery of federally funded employment, health, and other services is also administratively challenging; the new program would need to incorporate federally funded service systems already in place, including vocational rehabilitation and workforce development services. Ensuring that workers receive the health care they need to continue working would be a key goal, although health care reform might address this issue.

There are many intermediate versions of early intervention policies, and much analysis of the costs and benefits of various options remains to be done. Such analysis will inform a political process that will ultimately determine which version, if any, is adopted.

The specifics of the retirement and disability policy reforms are tangential to the main point. It appears feasible to develop a fiscally attractive package of policy reforms that would both encourage later retirement and provide early intervention support to older workers with significant medical challenges. Perhaps such a package could break the policy-reform impasse in both of these difficult areas. The result would be a smarter retirement policy that both protects the vulnerable and addresses long-term budget problems.

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