

Seminar: THE BABY BUST: WHO WILL DO THE WORK? WHO WILL PAY THE TAXES
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Ending America's Waste of Its Most Precious Resource – Its Own People

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H.L. Mencken once wrote that “for every problem there is a solution that is neat and simple, and wrong.” A profound problem in the United States is the continuing waste of the talent and potential of millions of our people – especially as we head into an era when we are likely to face shortages of people to do all of the work that needs doing in our nation.

It is tempting to say, and some people do, that if only we did x or y or z the problem would be solved. Fix our public schools. Provide proper job training. Pay every worker a living wage. End racism. Elect a Democratic President. But, like many challenges confronting our nation, this ongoing tragedy reflects multiple failures and requires multiple changes in both public policy and private action for significant change to occur. Those multiple changes are the subject of this paper.

The paper is essentially organized into two sections. The first half deals with the demand side of the picture – how to get enough people working, earning a living income, receiving appropriate benefits, and protected by a decent safety net. The second half is about investing in people, especially children and youth, so they are ready to participate fully and fairly in the labor market when they reach an appropriate age.

The Context

Even with the recent recession, we have been fortunate for about a decade to have had a national economy with relatively low unemployment. The unemployment rate in early 2005 is still much lower than it was when President Clinton took office. For 20 years before that, the

United States routinely had an unemployment rate of around 7% and often higher. Nonetheless, it is appropriate to begin by saying that if we want not to waste human resources in the U.S. we should always run a full employment economy. We should have fiscal and monetary policies designed to maximize employment at the same time as they serve other legitimate purposes.

Similarly, it is impossible in 2005 to discuss full utilization of America's human resources without placing it in a global context. This subject could fill a shelf of books, but, at the very least, we should insist that trade arrangements with other nations or groups of nations be premised on fair labor standards and reasonable environmental protections. We should resist and repeal tax provisions that reward sending jobs overseas. Even understanding that globalization is very real, many jobs that disappeared overseas could have been kept at home by better public policy.

Yet, talking about our economy on a national scale obscures the employment disparities among groups and across locales. Unemployment (and underemployment) among many minorities runs far higher than the national rate, as does unemployment in particular places, especially inner cities and various rural areas. These groups and locales need special attention. To be even more explicit, we cannot discuss the waste of our precious human resources without having race and all the issues associated with it squarely before us.

We are wasting our human resources for a long list of reasons: inadequate schooling and other poor preparation; racial, ethnic, and other discrimination; geographic isolation and lack of transportation; gaps in physical accessibility for the disabled; lack of mental health services; weak protection for victims of domestic violence; unavailability of treatment for drug and alcohol abuse; and more. I will speak to many of these issues, and others, in the course of this paper. It should be evident by now that making full use of our human resources is a complex

challenge (although it is also true that, for some, one intervention will make all the difference).

Finally, the context includes a bedrock point that liberals too often do not say out loud. That is the simple idea (simple to say, anyway) that everyone has a personal responsibility to work toward success in school and in the workplace, and to fulfill family and civic obligations. Concomitantly, all the various communities (some place-based and some not) to which we belong have a mirror-image responsibility to provide supports that enhance people's ability to succeed in fulfilling their individual and personal responsibilities. This responsibility includes both public policy and private action in various organizational and individual forms.

A Living Income

If we were permitted only one solution to the waste of our American human resources, I believe it would be to assure that everyone in the U.S. has a living income, based primarily on work. In 2003, about 31% of American families had incomes below twice the poverty line of \$14,680 for a family of three. Multiple studies and analyses suggest that twice the so-called poverty line is the point at which people generally become able to meet their usual costs of living. So, with regional variations, we should define the living income at approximately twice the poverty line. In some parts of the country the appropriate figure for a living income will be considerably higher, and in others somewhat lower.

The wages of the entire lower half of the workforce have been virtually stagnant for about three decades. The median wage for all jobs has been stuck at about \$13 an hour (in inflation-adjusted terms) since the early 1970s, with the little increase that did occur coming only in the last half of the 1990s. This means that half of all American workers have jobs that pay less than about \$27,000 annually, assuming they work 40 hours a week all year. Maybe some have overtime, but many more have only part-time or seasonal work, or both. On the other hand, many

families have more than one wage-earner and therefore earn more. Even so, there has been a massive failure in the labor market that has gotten worse and worse since about 1973. (And all of this says nothing about the 35.9 million people with incomes below the poverty line, and the 15 and a quarter million people with incomes below half the poverty line, or below \$7,500 for a family of three – a total that has grown by more than 3 million since President Bush took office.)

Of course the American economy did not stay still for thirty years. The income of the country as a whole approximately doubled, but nearly all of the return went to people in the top half, and mainly to the top one percent. I believe the vast majority of the American people have no idea how grossly skewed the distribution of our growth has been.

Is this a racial story? No, in the sense that low-wage work is, shall we say, an equal-opportunity scourge. But emphatically yes, as well, because the median household income of non-Hispanic whites is \$48,000 and the median family income of African-Americans is \$30,000. If 31% of Americans have incomes below twice the poverty line, about half of all African-Americans have incomes that low. The same is true for Hispanics.

Achieving an income floor (including income equivalents) at twice the poverty line is not at all simple, so describing it as “one solution” is misleading. But an income base at that level would be a phenomenally constructive step. Workers would have less financial stress, which would radiate to their family lives as well as pay off in the workplace. Many would be able to save more. Some could move to more desirable neighborhoods. Some could pursue further education and training. Since one element of a living income would be health coverage, workers would be healthier, live longer, and on those accounts as well be more productive on the job.

What are the elements of a strategy to achieve a living income? I suggest six: raising the minimum wage, improving the Earned Income Tax Credit, living wage campaigns, strengthening

the ability of labor unions to organize, asset development policies, and investing in job creation for people unable to find work. In this first half of the paper I will also discuss important policies that have an income-equivalent value – health coverage, child care, affordable housing, and college tuition assistance – and therefore are part of a living income strategy (in addition to their intrinsic importance for other purposes). Finally, also to be discussed below, it is imperative that we have an adequate safety net for people who have lost their jobs or are for one reason or another not in a position to work.

Raising the Minimum Wage

Raising the minimum wage is a necessary component of a living income strategy, although far from a full strategy in itself. The current federal minimum wage of \$5.15 an hour is more than \$2.00 an hour below the level of the minimum wage in the late 1960s, measured in current dollars. A \$7.00 federal minimum wage would amount to a pay raise of about 36%, and would bring a worker with two children almost to the poverty line as of the moment, and leave a family of four about \$4,000 short of getting out of poverty. This is very much worth doing, but clearly not sufficient. Some economists argue that even such a modest increase will destroy jobs. However, the current weight of economic opinion and research is that a \$7.00 minimum wage will have relatively little negative effect.

Of all national steps that would benefit low-wage workers, a modest increase in the federal minimum wage is the most politically feasible at the present time. But increasing the minimum wage should be pursued at the state level, too. In two “red” states, Nevada and Florida, successful ballot measures in 2004 raised their state minimum wages to a dollar above the current federal minimum, and the legislature in New York overrode Republican Governor Pataki’s veto of an increase to \$7.15. Such state increases, helpful in themselves, tend to create

pressure for an increase at the federal level as well. Businesses in states with minimum wages higher than the federal minimum should want to alleviate the disadvantage of having to pay low-wage workers more than competitors in other states are required to do. Additional state ballot measures and legislative campaigns would be useful, especially until the federal minimum is increased.

Improving the Earned Income Tax Credit

The Earned Income Tax Credit is a vital but tricky piece of public policy. In 2005 it adds \$4,290 to the income of a full-time minimum-wage worker with two children, and \$2,604 to the income of such a worker who has one child. Many believe the large EITC increase of 1993 (along with the fortuitous availability of low-wage work) helped draw welfare recipients into the labor market following enactment of the so-called “welfare reform” legislation of 1996. Adding about 40% to the return from a minimum-wage job brought a single-parent family with two children to an income level that exceeded the poverty line in the late 1990s.

The tricky issue is that the EITC has to be kept in delicate balance with the minimum wage. In short, the EITC shouldn't let employers off the hook. One reason the credit has had bipartisan support is that low-wage employers think it is an attractive policy. That is politically useful, but employers have a responsibility to pay workers a decent wage. I have no doubt that some undetermined number of employers are getting a free ride from the EITC, saving wages they would otherwise have to pay their workers themselves.

But wages are something else again. It deeply troubles me that we have allowed wages to stagnate, and the EITC is a necessary wage-equivalent for millions of workers (although we are not the only country that finds it necessary to have a wage supplement). To be sure, some of this reflects the change in the nature of work. Good-paying jobs have disappeared offshore and to

technology. The service-sector jobs that have come in their stead (at least replacement jobs have come) pay far less. Labor unions have fallen prey to weakened legal protections and weak regulatory enforcement, changes in public attitudes, and, in some areas, the unions' own lethargy.

All of that said, the EITC needs improvement. There should be a category for families with three or more children. We must ameliorate the penalties that effectively accrue when two low-wage single parents with children marry. The phase-out of benefits as income increases also needs re-examination in light of the real costs of maintaining a household.

Another idea worthy of examination is a substantial EITC payment to a noncustodial parent who has a low-wage job and is meeting his or her child-support obligations. Too many low-income noncustodial parents (mainly men) with child-support obligations face a set of issues that borders on absurdity. They often have child-support orders that far exceed their ability to pay and, typically, any money they do pay is kept wholly or almost wholly by the state to offset welfare payments to the custodial parent and the children. If they get an "on the books" job, they take home nothing or almost nothing for themselves, and their children receive no benefit either. Quite logically, they often take "off the books" work where they are paid in cash, and then they pay a portion of their earnings, under the table, to support their children. Changing child-support rules to get money passed through to support the children is one step that needs to be taken on a national basis. This proposition has been received favorably in Congress but never enacted by both Houses in the same biennium. At the state level, Governor George Pataki of New York proposed in January 2005 to expand his state's Earned Income Tax Credit for low-income noncustodial fathers who have fulfilled their child support obligations.

Mentioning Governor Pataki reminds me to say that continued work to get state EITCs

enacted more widely is very important. Although the precise amount varies by state and individual income level, a state EITC can add several hundred or even a thousand dollars to the income of a low-wage working family with two children. Also important to mention is that, at the federal level, Congress in 2001 added a refundable feature to the child tax credit, which can also add about \$1,000 to the income of families earning between \$10,000 and \$16,000.

Somewhat oddly, or perhaps meanly is the better word, Congress refused to extend the refundable credit to families earning less than \$10,000. This remains an agenda item for people who work on these policies.

Living Wage Campaigns

Over a hundred local jurisdictions have now enacted living wage laws or ordinances. These laws usually cover employees of the governmental unit and of companies that contract with that government. Some also cover employees of companies that receive specific tax abatements from the jurisdiction. Three universities—Harvard, Stanford, and Wesleyan—also have living-wage floors. Currently, in most jurisdictions, the wage floor established is in the \$9 to \$10 range. Some of the schemes have a duplex schedule, with a lower wage permitted for companies that offer health coverage to their employees and a higher figure required for those that do not. Typically, the percentage of the total number of employees in the local labor market who are covered by the living wage law is quite small, in the single digits.

All or nearly all of the living wage laws have come as a result of organizing and lobbying led by groups like ACORN, often in partnership with local affiliates of unions like the Service Employees International Union. They are quite valuable as yardsticks to set exemplary standards in local labor markets, and sometimes have an effect in tightening wages locally for work that is not specifically covered by the living wage law itself. If the county government's office cleaners

are covered by the living wage law, for example, the employees of other office cleaning companies may find themselves the beneficiaries of the law even though it does not apply to them directly. The living wage campaigns also give the people who participate in the advocacy a sense of efficacy – no small thing in a world where so many decisions that affect our lives are made by people whose deliberations seem far away and unreachable by the advocacy of “ordinary” citizens.

We should be starting a campaign for a national living wage. Every contractor with the federal government and every company that gets special tax breaks from the federal government should have to pay all of its employees a living wage. Why not?

Labor Law Reform

Union members earn more than their nonunion counterparts and are far more likely to have health coverage through their employer and a pension plan to which their employer contributes. Yet union membership is steadily declining. One reason is the sophisticated intimidation tactics that employers can utilize to oppose representation elections in the workplace, in some instances legally or at least because they have no fear of an effective sanction. Polls show nearly three times the number of employees actually unionized would like to have union representation, but fear employer reprisal if they participate in a unionization drive.

The biggest problems are the employers’ ability, de jure or de facto, to campaign against organizing drives by antiunion pressure exerted on the workers as a captive audience on the job, and the meager sanctions available against employers (which employers can resist by prolonged legal moves going all the way to the appellate courts if need be). A sophisticated consultant industry has developed to advise employers on how to resist unionization efforts.

Senator Edward Kennedy and Representative George Miller, with 30 Senate and 168 House cosponsors, have introduced the Employee Free Choice Act, which would level the playing field. The legislation would toughen the definitions of impermissible employer interference in representation elections and increase substantially the sanctions for employer violation of the law. Enactment of the legislation is hardly promising in the current Congress, but pursuing it is a vital plank in a platform of constructive steps toward increasing more employees' income from work to a living level.

Asset Development

So many people are one paycheck away from poverty, and part of their problem is that they have no cushion of savings to fall back on. We have had one asset development policy for a long time, of course – the mortgage interest deduction – and it has been a resounding success. The percent of Americans who own their own home has shot up since World War II, and the act of purchasing a home has been a phenomenally smart (or fortuitous) investment decision for millions of Americans. Numerous asset development ideas targeted particularly to lower-income people have been put forward in recent years – individual development accounts (IDAs) are the most prominent example.

The interest of the public in these ideas is indicated by the fact that our current President makes a major point of talking about an “ownership society” (although the substance of his ideas does not live up to the force of his rhetoric). An important challenge in the coming years is for public officials and outside advocates to put forward ideas with substance.

The basic idea of IDAs is to encourage savings among lower-income families through an incentive structure, such that some source, public or private, would match at some level investments in savings deposits. During the Clinton years, federal legislation financed some

modest IDA demonstrations, with encouraging results. States and private foundations have financed such initiatives as well, usually for narrowly defined populations or purposes, such as encouraging recent welfare recipients pursue education and training or adding to the effective income of child-care workers. Most IDA programs limit use of the savings to identified purposes like home ownership, microenterprise, college education, or job training. About half the states have or have had IDA initiatives of one kind or another.

Two other major categories of asset development proposals relate to retirement and to savings from birth. President Clinton proposed Universal Savings Accounts (USAs), an idea for a refundable federal tax credit to match individual contributions to retirement accounts for the purpose of supplementing Social Security. Vice President Gore proposed something similar called Retirement Savings Plus, in his 2000 presidential campaign. His proposal also partook of the IDA idea, in that it permitted withdrawals after 5 years for specific purposes like purchasing a home, paying for college, or paying unexpected medical bills. Both the Clinton and the Gore proposals were means-tested, and both were completely independent of Social Security, thus raising none of the problems that attend the current Bush proposals for partial privatization of Social Security.

Many policy analysts in various countries have offered proposals for accounts to be established from the public treasury for every child at birth and added to for the first five years of life, so that by the time a child reaches retirement (or adulthood, depending on the proposal), the initial investment has automatically become quite substantial just through the accrual of interest. Again, uses would be limited to retirement, or to specified purposes similar to those mentioned above in connection with IDAs.

Job Creation

Occasionally I hear people advocate re-creating the Civilian Conservation Corps and the Works Progress Administration – the legendary job creation programs of the New Deal. These, of course, were programs mainly for people thrown out of work because of the Great Depression. Our most acute problem in 2005 is that people, especially young people, are having difficulty finding their way into the labor market.

I include this issue here because if we are talking about wasting human resources, we surely waste human resources when a person who could add value to the economy through work does not do so for lack of an available job for which he or she is qualified.

What policies might we pursue? One appropriate use of job creation is as a transitional policy – part of a training and placement strategy – to help young people, welfare recipients, perhaps ex-offenders, and maybe displaced workers find their way to stable employment. Such initiatives exist already in a number of incarnations. The various service and conservation corps around the country, for example, regard themselves as direct descendants of the New Deal, and play exactly the kind of transitional role I am suggesting, as do others.

I want to put another idea on the table here. That is the creation of jobs on public payrolls (or on nonprofit payrolls, but financed with public funds) to do things that we want done for other reasons. This might include child care, park maintenance, highway-building, taking care of the elderly and disabled, building homes, and any of a number of other things. Obviously no one should have such a job without being qualified, trained, and otherwise suitable for the task.

That said, however, we seldom think in terms of a priority for the unemployed or the underemployed in hiring for new or expanded job opportunities. Outreach for such hiring, and even the location for the work, could be tied to places, whether urban or rural, where disproportionate numbers of people have no work. Jobs for people who don't have them are

certainly part of a strategy to get a living income to more people.

“Social” Income

One reason why so many millions of Americans struggle to pay their bills each month, or are just plain poor, is that they have costs that the public has a moral responsibility to defray, at least for people at their income levels or below. I am talking, obviously, about health coverage, child care, the huge escalation in rental costs in large portions of the country, and the cost of postsecondary education.

It is one thing to argue, as I would and do, that certain measures which have income value should be totally or least partially government responsibilities and not fall solely on the shoulders of employers. There are important design questions about sharing responsibility among employers, employees, and government (and not just the federal government), but health care and child care are part of a “social” wage for which the government bears at least a means-tested responsibility, and the same is true for housing and the cost of college attendance (but without the employer in the equation in those instances).

Health Coverage

The constellation of health issues that contributes to our waste of human resources is more complex and profound than the fact that 45 million people now have no health coverage, an increase of more than six million since 2000. Americans are suffering from an epidemic of preventable disease which is costing the economy tens of billions of dollars in lost hours from work and reduced productivity. We need national leadership on nutrition, exercise, tobacco, and excessive use of alcohol and drugs. The wave of obesity and diabetes gripping the country goes much beyond the fact that 45 million people have no health coverage, as serious as that is.

Nonetheless, it is past time to enact a system of universal health coverage. Senator

Edward Kennedy recently proposed a thoughtful and workable idea that he called, simply, Medicare for All (and in this area as in others, simple is definitely good). Besides the effect that an equitable health financing structure coupled with public health measures would have on preventing the waste of human resources, it would, if properly structured, serve as a key component in delivering a livable income to the 30 percent of Americans without such an income at present.

At the same time, a clear and present danger looms over the future of Medicaid, the federal health program that serves more than 50 million people and, as the number served strongly implies, covers many people whose income exceeds the poverty line. In a number of states, Medicaid effectively increases the income of families living below double the poverty line—the people who do earn a living income. President Bush, having seemed to discover fiscal responsibility in his second term, is proposing deep cuts in the Medicaid program, both in the income levels of those afforded eligibility and in the benefits covered by the program. Success with any of his proposals would take income away from people already receiving less, often far less, than a living income.

Child Care

I will revisit the issue of child care when I come to discussing investment in children. Here I want to raise it from an income (and work) perspective. One of the major subplots of the implementation of the 1996 welfare law is the number of women who have lost jobs because their child became ill and had to stay home from school or child care, lost out on jobs because the logistics of getting their children to child care and then getting to and from work themselves were too difficult, or had to place their child with an unreliable caregiver because they couldn't afford anything of higher quality. And so on.

We have had a fairly substantial increase in the federal investment in child care over the past 15 years. The bad news is that, even with that increase, federal child care assistance reaches only about one in seven children whose family's income qualifies them for a subsidy. A major reason why working families, especially families with pre-school children, have such a difficult time financially is the cost of child care (and the cost is high even though the wages of child care workers are awful – nationally averaging about \$15,000 annually). The need for increased child care funding includes after-school arrangements for school-age children, as well. A decent national investment in child care assistance for every family that needs it would make a great difference in helping us move toward a goal of a living income for every family.

Housing

The crisis in the cost of rental housing is not ubiquitous, being mainly coincident with urban areas that have hot economies. But, in no state can a person with a minimum wage job afford the HUD-determined Fair Market Rent for a 2 bedroom apartment. In city after city, homeless families with children, who now constitute about 40% of the homeless population, report that the level of their income – often from work – forced them to choose between paying the rent and eating.

We have been on a net downward trend in the supply of affordable housing essentially since Ronald Reagan became President. His most enduring contribution to domestic social policy was the destruction of any substantial policy to build or rehabilitate lower-income housing. The Low-Income Housing Tax Credit, enacted in 1986, was a modest step toward subsidizing increases in supply, but its contribution has been overwhelmed by the continuing and inexorable trend of supply decreases that goes on from year to year.

Now Section 8 vouchers, a staple income supplement since the Nixon Presidency, are

under substantial attack from the Bush Administration. Section 8 vouchers add income to 2 million households. They have never come close to providing assistance to all whose income speaks to their need for help. Now even the relatively minimal number of people they do reach is at risk of being substantially reduced.

A partial solution has been at hand for some years. A bipartisan coalition in Congress backs enactment of a National Housing Trust Fund. Fully financed, it could add 1.5 million units of affordable housing annually to the nation's housing supply. Instead, President Bush's budget for fiscal 2006 proposes to take federal support for low-income housing in a sharply different direction.

Help for all whose income speaks to a need for assistance with the cost of housing would be a key element in developing a living-income strategy for those whose incomes are below twice the poverty line.

Postsecondary Education

One of the most dramatic effects of President Bush's disastrous fiscal policies has been the very large state public college tuition increases almost everywhere in the country. Hit hard by revenue reductions caused by a combination of the recession and the tie of state tax systems to the federal tax structure, states responded by promulgating steep rises in their fees for public colleges.

Pell Grants have not kept up with these rising tuition costs. The maximum grant for 2004-2005 was \$4,050, far less than the total cost of attendance at most public institutions. It rankles many people to see President Bush now proposing a \$500 increase in the maximum Pell Grant over a period of five years. This is less than the President promised in his 2000 election campaign. The proposed increase is also far less than is needed to keep pace with the large state

tuition increases and to close the several billion dollar shortfall in Pell funding expected over the next few years.

Adequate federal assistance for community college attendance and for relatively low tuition public four-year colleges is a key element in a living-income strategy.

The Safety Net

The previous discussion covers much of the safety net that adds to the income of lower-income workers, and protects people who have no work or occasional or part-time work. Unlike every other industrialized country, the American safety net is a patchwork, full of holes. Some populations receive no help at all. Others are covered, but limited appropriations mean that only a fraction of those eligible receive aid. If one looks, not too closely, at a list of the various programs that exist to help the poor and in some cases the near-poor, it seems extensive and not unimpressive. But when one looks at the less than adequate appropriations and income and other eligibility limits, the reality is quite different.

In particular, cash assistance for families with children (“welfare”) was radically redesigned in 1996, with results that have been injurious to large numbers of people, especially in states that chose to run punitive programs, as the law fully permitted. We can only hope that the time will come when we can have a thoughtful public discussion about welfare. The goal would be to transform what worked well in some states under the 1996 law into federal policy that continues to encourage work (but in more positive ways), provides some basic protections for recipients, and yet preserves state flexibility where appropriate.

In contrast with what has happened with welfare, the food stamp program, which was transformed into a modest minimum income guarantee in the 1970s at about 30% of the poverty line, constitutes a major social policy success. While the program is still not fully adequate to

end hunger in America, it has been effective in ending the severe malnutrition extant in some areas in the late 1960s. It is important to protect food stamps from erosion or retrogressive structural change.

Perhaps the one safety-net program that deserves special mention here is the unemployment insurance system, which is desperately in need of reform and redesign. Currently, only about 40% of people who have lost their jobs get UI, and benefits in many states are extremely limited in amount and duration. People who had part-time work, low-wage jobs, or have not had work experience over a long enough period of time do not qualify for benefits, and the benefits often run out before a person has found another job. All of this causes the number of beneficiaries at any one time to be surprisingly low. The case for reform has been well and repeatedly made. There is insufficient interest in the current Administration and in Congress to get action on the problem.

Who Gets the Jobs That Are Available?

We have talked thus far about how many jobs there will be and how much they will pay, directly or indirectly, with particular emphasis on issues relating to the lower half or third of the income spectrum. A further and vitally important issue is the discrimination that is a continuing source of wasting human resources. This must be confronted, front and center.

The victims of illegal (or morally unacceptable) discrimination make up a long list. Practically anyone can be the object of discrimination for some reason. Historically, African-Americans and Native Americans are surely are our most longstanding minority targets of discrimination, and women were relegated to second-class status from the beginning. Now things are somewhat more complicated. We have laws that ban most employment discrimination. The only area in which there is no legal protection in most parts of the country is sexual orientation.

Yet even with protection on paper, individuals continue to face discrimination because of race, ethnicity, gender, religion, disability, and other protected categories, and many suffer from the consequences of discrimination from an earlier time.

It is easy to say (easier to say than to accomplish fully) that we must vigorously enforce all laws that prohibit discrimination and not leave enforcement only to individual litigation. There is slippage and evasion, but no one would disagree with the principle. The harder issues that arise can be grouped in a category that might be loosely summarized as steps— sometimes costly steps – to get beyond discrimination. Some of these are controversial; others are merely expensive. Grouping them is definitely to list apples and oranges, so I hope I will not offend anyone who thinks I have joined his or her cause to others in an inappropriate way.

Affirmative Action

This is a hot button in our country. Numerically based remedies remain legal when there is a judicial finding of egregious discrimination against a class that has been systemically excluded from an entire category of jobs. The Supreme Court recently gave its blessing to taking race into account in university admissions, as long as it is done with extreme care, and apparently on a time-limited basis as well, of 25 years from the date of the Court's decision.

Yet women and many minorities remain underrepresented in many professions and fields. Continuing effort is needed from the cradle onward, to attract the interest of members of underrepresented groups and see that they have the preparation and support they need to qualify for admission and selection for the various steps along the way to acceptance in the area of their interest.

Paid Family and Medical Leave

We remain an outlier among industrialized nations in our grudging attitude toward

workers who need time for reasons other than their own illness, especially during the weeks before and months following the birth of a child. This affects both women and men, but it is especially a barrier to the achievement by women of their full professional or career potential. The enactment of unpaid family and medical leave in 1993 was a great step forward, and all of those associated with that achievement deserve great credit. It is time now to require the investment of the necessary resources to improve this important policy and extend financial support to workers who have difficulty using unpaid leave for important family and medical obligations and needs. Flexible or “family friendly” workplaces are important for family stability and to end the under-utilization of women in the workplace.

Accommodations for the Disabled

We have made enormous strides in including the disabled in the workplace, but we have a long way to go. Many workplaces have made major accommodations of both physical environments and hiring policies. Nor is there a bright line between what is appropriate and what is too costly, either financially or in human terms. But the level of unemployment in the disabled community, among people who could succeed in the world of work if they had the chance, is still unacceptably high. We are definitely wasting human resources in this area.

The Intersection of Poverty with Race, Ethnicity, and Immigration Status

Poverty is a racial issue. Poverty among African-Americans, Hispanics, and Native Americans is actually much reduced from what it had routinely been in earlier years, hovering at about 23%. But poverty among whites is under 10%.

The obvious question is, what is wrong with this picture? The answer is not so simple, because the problem is not simply that employers are encountering people of color and refusing to hire them, although there surely some of that occurs.

The issue is bound up in what people call structural racism or institutional racism. Lower-income minorities, disproportionately poor to begin with, tend to cluster around other poor people of their same race or ethnicity, and the concentration of so many of the poor all living in the same area has a number of multiplier effects. One result is disproportionate attendance at inferior schools. Another is that children grow up in families where, too often, no father is present, the children are not read to or encouraged to read, drugs or alcohol are consumed in excess, and violence is endemic. Even good schools would have difficulty making up for these deficits. Neighborhood influences are not constructive, either, with violence spilling out into the street and a peer culture that derides achievement as being “white.” In these circumstances, constructive opportunities for enrichment and association with caring adults during off-school hours are crucial, and too often not present. In their teens, youth – especially young men – routinely get entangled in the juvenile justice system, followed almost inexorably by incarceration in the adult correctional system. Young women have children at ages that are far too early for them to be able to raise them in a responsible way. By the time these young people should be in college or in the labor force, they are out of school without a high school diploma and offer little to a prospective employer.

Is this a story of race discrimination? Not in the sense of segregation mandated by law and pervasive discrimination based solely on race or ethnicity. At the same time, it is entirely about race and the racially disparate ways in which a series of systems and agencies operate, even if they deal neutrally with the racially skewed picture that confronts them. We are wasting America’s human resources in a disproportionately racial and ethnic way. Our solutions must take this into account.

Ex-offenders

A special category, largely coincident with the intersection of race and poverty, is that of ex-offenders. The reluctance of employers to hire ex-offenders is not shocking, but that does not make it right in the frequency with which it occurs. With 600,000 people pouring out of our nation's prisons and jails annually – disproportionately people of color and disproportionately from backgrounds of poverty – the waste of human resources associated with unjustified refusals to hire ex-offenders is immense.

A modest awakening is occurring in this area. The Bush Administration has developed some small initiatives for the training and placement of ex-offenders. More programs are springing up in localities around the country. But the most important remedy is to prevent so many people from going to jail in the first place. This involves everything from improving schools and job opportunities, to reducing discrimination, to changing criminal sentencing structures, especially with regard to possession and small-time selling of illegal drugs.

More attention is needed to the situation of people recently released from prison or jail and, more broadly, to (in many states) the continuing consequences for those merely arrested and never charged with anything.

Start with the latter. In many states, arrest records become an unalterable part of a person's biography, and induce refusals to hire even though that person has not violated the law. A finding of innocence after being tried has the same effect in many places. Having successfully completed probation where there was no sentence to be incarcerated, again, remains on the permanent record and effectively blocks people from jobs. Convictions for certain kinds of crimes become legal blocks to be hired for some jobs – sometimes rightly, to be sure. In some states, released felons are not allowed to get drivers' licenses. All of this needs to be examined. It is a state by state endeavor, although federal incentives and model laws could make a substantial

difference in making change happen faster.

One can hope that the tight labor markets of the future will force change, just as the tight labor market of the 1990s was a boon to welfare recipients seeking work, but special efforts are needed to reform misguided laws and change overly judgmental public attitudes.

Investing in Our Future

Thus far, we have discussed raising incomes, adding jobs and distributing available work equitably, and improving the quality of work in the here and now. I want to turn to the complex of issues that adds up to investing in our future.

Early Childhood Development

The conversation begins with prenatal care, and with expectant mothers taking proper care of themselves. The themes of personal and public/community responsibility that should be symbiotic and intertwined appear as political poles from the very beginning – from before conception, actually. A material percentage of the human resources we waste is made up of people who were doomed from the start by their mother's behavior while they were in the womb, or by the inaccessibility of prenatal care, or both combined. Liberals who want to talk only about universal prenatal care are as seriously misguided as conservatives who want only to stress personal responsibility.

Public policy and accompanying public attitudes are hypocritical. Stay home with your child and bond, we say to mothers of means. Go out and work right away, we say to any mother who receives cash assistance from the state to help support her child. Our labor market is in essence no more forgiving than the state. A mother in a two-parent family where the husband has a full-time low-wage job may be just as pressured to go right back to work as a single mother under our current welfare policy. Research shows that high-quality center-based child care

creates no special risk of harm to an infant or toddler, but how many lower-income parents can afford child care like that?

So the disparities begin early, and they tend to perpetuate themselves from generation to generation. But if we recognize that disparities are caused by both a failure of responsibility within the home and a failure to provide adequate early childhood development programs outside the home, what does that suggest for our public and community policy? Are there ways we can reach parents and get them to see the importance of reading to their children, the damage done by allowing violence to be the normative way of dealing with conflict, and the importance of exposing children to enriching experience in the outside community?

The answer, obviously, is yes. There are successful programs, evaluated programs, that have made a difference in breaking into the cycle, in changing the mores with which people have grown, in helping parents see a different way of relating to their children. If we say we want all children to be ready for school by age 5, and we know that so many are not because of the deep deficits they already have compared to other children who were parented differently, why don't we invest in trying to reach more parents in these proven ways?

Good developmental child care, Head Start, and pre-kindergarten will make up for the deficits from home in many cases, and complement good parenting in many others. Compared to where we were as a country, and state by state, we are much better off in this area than where we were 40 years ago. The problem is that we also have millions more mothers in the labor market, so it is not at all clear that the child care situation has improved on a net basis.

One way or another, we are now spending over \$7 billion annually in federal funds on child care, plus \$6.7 billion on Head Start. We are still reaching only about half of those eligible for Head Start, and as I said before, our federal child care investment covers about one in seven

of those children whose families are eligible for federal child care assistance based on their level of income.

So the first item on the early childhood agenda is clear – increase the federal investment. But that is not enough. States and localities have to get into the act in a much bigger way. We will never get to where we want to be without a major state and local commitment. The goal should be child care provided in a seamless, systematic way, with a sliding scale payment schedule, to all children whose parents want them to participate. A significant proportion of that care, especially for four year olds, should be developmental in nature, not simply custodial.

A few states have moved in this direction. Georgia was the leader in introducing universal pre-K. Florida recently enacted three hours a day of substantive preschool for four year olds. The Florida story is particularly instructive. The former publisher of the Miami Herald, backed by visionary philanthropists, began a planning process and then a lobby to get the state to act. In 2002, Florida voters passed a ballot measure changing the state's constitution to require that all four year olds receive pre-K by 2005. It received 59% of the vote. The people of a conservative state responded because they were bombarded with a lobbying process that included powerful and influential people, broad media coverage, and wide grassroots participation. A textbook case. Easy to prescribe, hard to pull off in practice.

The overall agenda is one of breadth and depth: universality for four year olds, adequate services down to the infant and toddler level for working parents (and care gets more expensive the younger the child), sufficient hours of truly developmental care, merging child care and Head Start into one seamless system, raising pay for Head Start teachers and child care workers, and investing in proper training for all teachers and care providers.

Our reach is beginning to approach an appropriate level of ambition. Our grasp is

improving, too, but we have a way to go.

Schooling

The bottom line—there are no magic bullets. Amazing how Americans reach for the panacea. Vouchers, they say. If only we had vouchers. There is no substitute for fixing our public schools so they offer a good education to every child. Just no substitute.

I don't mean to say that I find vouchers to be an easy issue. How do you argue with the African-American parents in Cleveland and Milwaukee who embraced vouchers to escape the horrible public schools in which their children were trapped? I'm still against vouchers, but in a much more nuanced way. We never should have come to a time when vouchers could be taken seriously as a public policy proposal. The demand for vouchers arose because we allowed our central-city public schools to deteriorate so badly. The public schools are our agent of the common good. The public schools are the place where children should be socialized to be part of the larger community, part of civil society. That so many of our schools are failing in their mission is a tragedy. The answer is not to compound the offense by blowing up the public school system. It is to fix the schools for all of the children.

Let me say it in a different way. We have had school options for children throughout American history. The Boston Latin School, founded in 1635, was our country's first public school. Over time, our public school system became universal and diverse in its educational offerings. Bronx High School of Science came along in 1938. Then came magnets. And now charters. And, of course, if people wanted to pay, they have always been allowed to attend nonpublic schools. The one thing we never did was to use public money to pay tuition for private K-12 education. Vouchers involve crossing that line. But given that we always accepted the idea of alternatives to one's neighborhood school, the voucher can also be seen as part of a

continuum, especially if sufficient funding of the public schools is maintained. So the line between vouchers and other alternatives is not as bright as some would say. But it is a line, and I still believe we should not cross it.

Okay. So what do we do? A lot of things. Attract additional talented people into teaching, with pay, public recognition, and better training, especially in-service training. Pay more attention to developing talented and trained principals to lead schools. Create smaller classes, more homework, longer school days, and longer school years. (I find it ridiculous to continue a calendar that was established to respond to the needs of farmers). Enact high school reform, especially smaller schools within schools. (How did we ever invent these massive 3,000 student high schools? How did we ever come to believe that bigger is always better?) Establish career academies geared to going to work in a particular industry such as computers or travel and entertainment or health care (an innovation that has been carefully evaluated). Provide more connection to the world of work for young people who are not college-bound or just need some practical experience to remain engaged. Encourage greater parent participation and engagement.

How about doing what I call affirmative action for five year olds? Especially in neighborhoods of concentrated poverty, we have so many children coming to school who need not just good teachers, but our very best teachers. Why not arrange incentives and policies so that exceptionally talented teachers will be drawn to teach the children who need them the most? And not just when they are five years old.

What are we doing instead? No Child Left Behind. NCLB. The idea isn't wrong. Every child can learn, so every child can be held to reasonable standards. But then you have to teach every child. And you can't blame the child for not learning when the child hasn't been taught. And you haven't got a prayer of living up to the promise of the statute if you don't appropriate

the funds that were authorized in the legislation (putting aside the question whether the authorization was enough to begin with). And you have to put the requisite effort and funding into it at the local level as well. The idea of NCLB was at least more complex than some of the simplistic fixes that get thrown around by some people but, as implemented, it's closer to being a slogan than a solution.

Off-School Hours

With so many mothers in the work force, with the awful performance of so many schools, and with negative neighborhood influences, we have become much more concerned with what children and youth are doing when they are not in school. America has certainly paid attention to what we now call the off-school hours from the time people began to flock to the cities from the farms and the number of new immigrants shot up. The settlement houses of the early 20th century were in part places for young people to go in the off-school hours. The YMCAs, the Scouts, Boys and Girls Clubs, Little Leagues, youth orchestras, and so forth have been around for a long time, and provide activities and enrichment in the off-school hours.

But the phenomena mentioned above have revived and intensified interest, especially concerning young people who need something extra that their parents can't afford. With all the talk, though, and even with the enactment in the late 1990s of a billion-dollar federal program to support after-school initiatives, we still don't have it right. Although, there are some excellent individual programs and some city-wide initiatives that are quite encouraging.

The federal program – 21st Century Learning Centers – turned out to be less than optimal in three major ways. One, the applicants had to be schools or schools in partnership with nonprofits, so nonprofits – the backbone of the after-school world – were largely excluded from the program. Two, the money went mostly to elementary-school programs, with a little to middle

schools, and almost none for high school-age youth. Three, the program is heavily academic in most places; while not terrible, this does tend to leave out the developmental aspects that are in fact a major aim, explicitly or implicitly, of most after-school activities.

Then, when President Bush came into office, Congress turned the program into a block grant, at his request. Now the money is dribbled out by the states to local school systems, such that everyone gets a sliver. It is now impossible to do anything worthwhile without putting together a package of funding from multiple sources, which is fine in some places, and not possible in others.

Consequently, the federal money no longer stimulates much in the way of new initiatives. The interesting work that is going on – and there is quite a lot – is locally driven. Two especially interesting efforts are the Harlem Children’s Zone in New York and After School Matters in Chicago. They are polar opposites in origin. HCZ is bottom up, growing gradually in Central Harlem for the past 20 years under the charismatic leadership of Geoffrey Canada, to the point where it is a complex, multifaceted \$24 million program virtually saturating a 24 square block chunk of the city. ASM, much more recent in origin, was founded primarily by Maggie Daley, the wife of the Mayor of Chicago, and is a top-down initiative that is gradually reaching out to cover more and more areas of the city and more and more young people.

Communities Taking Responsibility for All of Their Children and Young People

If we are going to stop the waste of human resources in our country, we need in every community to make a civic commitment to all of our young people, to see that they finish high school and go to college or find a job. This will take money, to be sure, and much of that money will need to be tax dollars, but this is a commitment that requires more than money. It means civic leadership to make sure that systems and agencies do what they are supposed to do, and it

means individual involvement to see that children and youth who need something extra have caring adults in their lives on a continuing basis. We need voluntary involvement in many areas, but none is more important than mentoring and tutoring children and youth who need extra help and support and the sense that adults whom they respect care deeply about them and about what happens to them.

This means creating a continuum in the community from the cradle to adulthood, a continuum to replace the cradle-to-prison pipeline, as the Children's Defense Fund is now denominating it. We tend to talk about programs and about money. We can have huge government funding for this or that or whatever, but with the leadership and the commitment and the competence in communities, that money will be wasted.

It is local leadership and community involvement, along with adequate resources, that will produce better schools. It is employer partnerships with schools and colleges, especially community colleges, and nonprofits that will produce a clearer pathway into the labor force for youth at risk. The faith community has a role to play, especially in mentoring and tutoring and adopting struggling families. So do people in each neighborhood. Every part of the community has a role to play in helping youth successfully transition into adulthood. Starting in adolescence, the continuum includes the schools and positive youth development activities in the off-school hours, and has to include connection to the world of work as soon as young people are of an age where getting some information and exposure will start to acculturate them and familiarize them with what work is all about.

It is vitally important to increase the number of young people who graduate from high school – not with GEDs, but with regular high school diplomas. That is the single best step to increase someone's chances of gaining access successfully to the labor market. And, if more

young people graduate from high school, many more could be going to college. For some, going to community college where they might take specific job-focused programs is another enormously useful step, although it is also the case that many of the jobs projected to appear in the next two decades will require only a high school diploma.

Some youth will fall by the wayside. The community has a moral responsibility to minimize that number. If youth see a promise of opportunity, fewer will get in trouble with the law, and fewer will have children at young ages. But some will drop out and possibly get into more lasting trouble. The community needs to have ways of picking up the pieces. I already talked about the need for special attention to ex-offenders. But, whether or not a person has gotten into difficulty with the law, there should be opportunities like Job Corps, service and conservation corps, YouthBuild, Americorps, and special pathways back by way of community colleges – all geared to people who dropped out of high school for whatever reason and now want to get back on track.

A promising recent initiative to prepare at risk youth for the labor market was the Youth Opportunity Grant (YOG) program, scrapped by the Bush Administration last year. This initiative began in 36 sites around the country, both urban and rural, by the Clinton Administration. It received \$250 million annually in federal funds, and even a bit more for a couple of years. YOG sites were saturation models in particular neighborhoods or rural areas, designed to reach large numbers of the youth in those places. The typical grant was on the order of \$5 million annually for five years. The idea was a combination of job training, including so-called “soft skills” of attitude and punctuality, and work experience. The model is mainly for youth who had dropped out, although some participants were still in school. Early evaluation showed some sites to be producing promising outcomes, but the Bush Administration zeroed the

program out. A number of communities have been pleased enough at the performance of the program that they have used part of their regular federal Workforce Investment Act job training funds, as well as local funds, to keep the program going. It is an important program. It should never have been zeroed out nationally, and it should be brought back, with increased funding at the earliest possible time.

Other Federal Legislation Relating to the Continuum from Adolescence to Adulthood

I've mentioned Americorps and the Workforce Investment Act, and I want to say a few more words about each of those, as well as suggest a new national apprenticeship program.

Americorps gives Americans of every background a chance to serve and help others in our country. One important set of Americorps participants are people from lower-income communities. With a greater investment, which the program deserves – it ought to take in at least 100,000 new participants a year – it can be a bridge to the labor market for a significant number of lower-income youth, and a bridge that develops their civic awareness and commitment to participate in our democracy at the same time.

The Workforce Investment Act, despite being renamed in recent years as seems to happen every 10 to 15 years, is no more satisfactory than it ever was. Both its youth and adult portions should be redesigned into two distinct parts. One would be a national formula-grant program that builds on the current structure, but with clear outcome targets, and rigorous measurement criteria and reporting requirements to assure accountability. The second would be a national demonstration component, again with clear design criteria and evaluation requirements. It should not be so difficult to find ways to define with greater clarity what we want employment and training legislation to accomplish and to be able to find out whether the funds have in fact brought about the results we were seeking.

Finally, and extremely important, it is time to design and implement a new national apprenticeship program. The school-to-work legislation of the Clinton era has disappeared from the national conversation. There is a kind of implicit agreement that it was not very successful. In fact, that is not the case. Some of the same ideas, but this time far more targeted to young people in the greatest need of assistance and much more involving of employers for design of the training and development of the apprenticeship component, constitute the basis for a promising initiative. Discussion of the details of such an apprenticeship idea should be on the table, and part of the agenda for the next progressive administration.

National Policy for the Next Half Century – Pushing Back Against the Baby Bust

National policy is really just the tip of the iceberg, in my view. I hope I've made that clear. What goes on in communities is at the heart of whether we make real progress in ending the waste of human resources in the U.S. Nonetheless, national policy is crucial. Indeed, in the area of achieving a living income, it's the major area for policy outside of getting employers to pay higher wages.

Even though we must pay more attention to what people should be doing in their communities, it is useful to recap some of national policy items that we should be working on if we want to stop the waste of human resources in this great and wealthy nation:

- the elements of a living income, including continuing increases in the minimum wage, improvements in the Earned Income Tax Credit, federal living wage legislation, labor law reform, asset development measures, and job creation to meet pressing national needs;
- a “social” wage, including universal health coverage, child care assistance for all who need it, a new affordable housing production initiative and sufficient income support for low-income renters, and adequate assistance with defraying the cost of college attendance;

- repairing the gaping holes in the safety net for people out of work, including especially reforming the unemployment insurance program, improving income maintenance for families with children, and protecting the food stamp program from erosion or structural change;
- strong civil rights enforcement, paid family and medical leave, and active policies to help the disabled get into the labor force;
- a national policy on early childhood development, fulfillment of the promise of No Child Left Behind, redesign of the 21st Century Learning Centers program, a new life for Americorps, revival of the Youth Opportunity Grant program, a new national apprenticeship program, and complete reform of the Workforce Investment Act.

Conclusion

The coming demographic realities create a tremendous opportunity for the United States to make full use at long last of all of its human resources. The challenge is complex. Meeting it involves a multiplicity of policies and commitments – new national policies, adequate investments at all levels, and serious efforts by communities to get all shoulders pushing the vehicle of change, moving it up a hill that has been waiting to be conquered for as long as the American nation has been on the planet.

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