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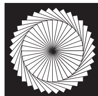

Focus

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The new global labor market

Richard B. Freeman

When China, India, and the former Soviet bloc joined the global economy in the 1990s, the size of the global labor pool was doubled, rising from approximately 1.46 billion workers to 2.93 billion workers. This doubling of the global workforce continues to present the U.S. economy with a great challenge. The nature of the nation's adjustment to this challenge may mean the difference between improved living standards for all Americans and exacerbated economic divisions. A poor adjustment risks turning much of the country against globalization.

The danger is that as many firms invest in low-wage labor overseas, low-wage Americans may continue to lose ground in the economy. The author argues that this displacement would be the fault, not of globalization itself, but rather the failure of government leaders to choose policies that distribute the benefits of the global economy wisely.

The Conclusions

Because the new entrants to the global economy brought relatively little capital with them, the global capital/labor ratio fell greatly. The author estimates that it will take about three decades to restore this ratio to what it had been before China, India, and the former Soviet bloc entered the world economy, and even longer to bring it to where it might have been absent their entry. For the foreseeable future, the United States and other countries will have to adjust to a relative shortfall of capital per worker and to the power this gives firms in bargaining with workers.

The spread of modern technology and education to China and India will also undo some of the U.S. monopoly on high-tech innovation and production and place competitive pressures on U.S. workers. The development of digital technology allows firms to move some work to low-wage highly educated workers in developing countries. For less-skilled and lower-paid Americans, there is a need to restructure the labor market to provide for their training and education so they do not fall further behind the rest of the country.

The United States must develop new and creative economic policies to assure that workers fare well during this transition. National policies toward education, worker rights, taxation, and investment in infrastructure can help the economy make the adjustments to assure that all will benefit.

http://www.irp.wisc.edu/publications/focus/pdfs/foc261a.pdf

Improving individual success for community college students

Susan Scrivener

Community colleges provide a pathway into the middle class for many low-income individuals, including people of color, immigrants, full- and part-time workers, and students who are the first in their families to attend college. However, the increased access to post-secondary education that community colleges offer has not always translated into individual success for students. As many as 60 percent of incoming community college students require at least one remedial course, and many drop out before receiving a credential. A one-semester "learning community" intervention may provide an early boost to freshmen, helping students move more quickly through required courses and earn more credits in their first semester.

This article presents evidence from one of the programs in the Opening Doors demonstration, which attempts to address factors that may hinder the progress of community college students by offering curricular and instructional innovations, enhanced student services, and supplementary financial aid. In the learning community model, courses are linked so that students have opportunities for deeper understanding and integration of the material they are studying, and there is more interaction with teachers and other students.

The Conclusions

The two-year results found that the program improved both students' college experiences and their education outcomes. Students participating in the program attempted and passed about half a course more in their first semester than did those in a control group at the same college. Students in the program were also able to move more quickly through developmental English requirements and progress to college-level English. Evidence is mixed about whether the program increases the rate at which students reenrolled after the first semester.

Students' outcomes will be tracked for at least three years, so the results described in this article are not the final word on the program. Nonetheless, the findings indicate that the learning community model shows promise. The program studied here lasted one semester, and the results suggest that more substantial effects could result from a multiple-semester learning community, or from other kinds of enhanced services in later semesters.

http://www.irp.wisc.edu/publications/focus/pdfs/foc261b.pdf

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A primer on U.S. welfare reform

Robert Moffitt

The most well-known transfer program for the poor in the United States provides cash support to low-income families with children, most of which are headed by a single mother. Called the "Aid to Families with Dependent Children" (AFDC) program prior to 1996 and the "Temporary Assistance for Needy Families" (TANF) program thereafter, it underwent a major structural reform in that year.

The TANF program is only a small component in the larger system of means-tested transfer programs in the United States today. The nine largest such programs are, in descending order of expenditure: (1) Medicaid; (2) Supplemental Security Income (SSI); (3) Earned Income Tax Credit (EITC); (4) Food Stamps; (5) subsidized housing; (6) TANF; (7) child care; (8) Head Start; and (9) jobs and training. The TANF program is only the sixth largest program in terms of expenditure, and only half as much is spent on it as is spent on subsidized housing.

In 1996 Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which simultaneously reduced federal authority over the TANF program and mandated many of the popular state-level reforms implemented in the early 1990s. The PRWORA legislation converted the previous matching grant to a block grant; imposed credible and enforceable work requirements, which were enforced by the use of sanctions; and imposed lifetime time limits on the receipt of benefits.

The Conclusions

There was a large effort by the research community to evaluate the effects of the welfare reform in the years following 1996. The central tendency of the findings indicates a dramatic reduction in AFDC-TANF expenditures and caseloads (the latter fell about 20 percent) over the relevant period, and an increase in employment of about 4 percent. Many studies suggest that at least some of these declines resulted from changing economic conditions. About two-thirds of women who left welfare were employed in the immediate period following reform, and many more were employed at some point over a longer period of one or two years. The general interpretation is that families that went off welfare increased the employment of many family members in order to sustain family income.

Most of the remaining and future welfare reform issues currently under discussion in the United States concern fine-tuning and modifications in the current reform rather than wholesale change. These issues include whether work should be increased among those remaining on welfare, the effect of time limits, and the relative lack of programs and services available to unskilled prime-age males. That the 1996 welfare reform was a success, in overall terms and on average, is almost universally accepted by policy analysts and researchers.

http://www.irp.wisc.edu/publications/focus/pdfs/foc261c.pdf

Rethinking the safety net: Gaps and instability in help for the working poor

Scott W. Allard

Government and nongovernment antipoverty programs intended to help those without adequate income, food, housing, or health care collectively compose the "safety net." Research and policy discussions of the safety net usually focus on the government programs designed to reduce material poverty, such as Food Stamps, Temporary Assistance for Needy Families, and the Earned Income Tax Credit. Less frequently addressed are social service programs that help people get and keep jobs and improve their personal well-being. Services provided by such programs include job training, adult education, child care, temporary emergency food or cash assistance, and substance abuse or mental health treatment. In total, between $150 and $200 billion is spent annually on social services through public and private financing.

Delivery of social service programs is very different from delivery of cash assistance programs. Social service programs have a fundamentally local character, and can vary widely by location. Poor individuals who live far from service providers and have limited access to transportation may find it difficult to access programs. Funding of service programs also changes from year to year, organization to organization. Moreover, social service program funding typically contracts during economic downturns, just as demand for assistance increases.

The Conclusions

The author presents evidence of "holes" in the safety net. The locations of government and nongovernment agencies offering assistance do not match up well with the areas of greatest need. For example, a low-income family living in a high-poverty or predominately minority neighborhood has access to far fewer service providers than a low-income family located in a more affluent, predominately white neighborhood. Funding and service delivery are also highly volatile, with many service providers forced to make cutbacks in program offerings, staff, or the number of clients served.

In order to improve safety net access, the author argues that both public and private financial commitments to social service programs must be maintained or increased, particularly given an environment where poverty and income inequality are on the rise. It also is necessary to build information technology systems that better link individuals in need with resources and service providers. Finally, the author stresses the need to continue the research described here in order to increase information about social service organizations and how they provide services. Future research should seek to develop more precise measures of program accessibility and work to develop geographically representative data in order to facilitate comparisons across communities. By strengthening our public and private commitments to helping the poor, we can provide a safety net that offers support to those in need while remaining true to traditional American values of individualism, efficiency, and equitable access to opportunity.

http://www.irp.wisc.edu/publications/focus/pdfs/foc261d.pdf

A longitudinal perspective on income inequality in the United States and Europe

Markus Gangl

The United States has over the past 30 years exhibited not only the highest level of income inequality among industrialized nations, but also the fastest growth in the level of income inequality. Many European nations have also experienced acceleration in the growth of income inequality over the same period, but theirs has been less dramatic.

The vast majority of studies that compare economic inequality across nations have relied on cross-sectional income data for a sample of households or individuals whose current or past year's annual incomes have been recorded. The problem with the study of the cross-sectional distribution of income is that the data do not account for economic mobility at the level of individuals and households. To address these concerns, the analyses in this article use longitudinal income data from the mid- to late 1990s, the most recent period for which extensive and comparable data is available, for the United States and eleven Western European states of the European Union.

The Conclusions

The study results confirm that the United States has the highest income inequality, and find no systematic cross-national differences in economic mobility. The analysis also sheds some light on why there is relatively little economic mobility in the United States and on differences in earnings and mobility patterns between the United States and Europe.

In the European nations, an individual's standard of living generally declines during their thirties, and then rises during their forties and fifties. The U.S. pattern is the opposite, with standard of living rising through an individual's thirties, then declining sharply thereafter. The United States and Europe also differ on individual mobility across the income distribution. In most European countries, the incomes of poorer people rose disproportionately relative to overall income growth. In contrast, in the United States those at the bottom of the distribution experienced income losses, while those at the top had above-average income growth. Finally, income instability in the United States is about three times as high as that in some European countries, and economic prospects for individuals and families are correspondingly much less predictable.

During the 1990s, the United States continued to be the country with the highest level of income inequality in the industrialized world, and this outcome holds regardless of whether inequality is measured cross-sectionally at a single point in time, or longitudinally following the same households over a number of years. This finding is explained in part by cross-national differences in life-cycle patterns of economic mobility and by the polarization of the income distribution over time, both of which seem to be following more equalizing patterns in European countries than in the United States.

http://www.irp.wisc.edu/publications/focus/pdfs/foc261e.pdf

Coming soon from IRP:

Fast Focus

We are creating a new, electronic-only publication called *Fast Focus,* which will be produced occasionally and feature brief summaries of important IRP conferences, publications, and events in order to keep you up-to-date on our latest poverty research between issues of *Focus*. There will be no overlap of articles in *Fast Focus* and *Focus*; content in each publication will be distinct but complementary. This is a "green" initiative; we will not be printing or mailing hard copies of *Fast Focus*.

Anyone who receives IRP Publications Alert e-mails will be notified by e-mail when the first issue of *Fast Focus* is produced in late December 2008. *Fast Focus* will be available on IRP's Web site at www.irp.wisc.edu. If you would like to receive *Fast Focus* and are not currently on the IRP Publications Alert mailing list, please send a message to irppubs@ssc.wisc.edu with the subject line "Subscribe to Fast Focus." Please include your name, affiliation, and mailing address along with your e-mail address.

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