3

FEDERAL POLICIES THAT KEEP PEOPLE POOR

Americans have long had faith in education to raise the economic prospects of the poor. And the federal government, primarily since the 1981–89 Presidency of Ronald Reagan, has relied on the policy assumption that increased education (e.g., college or job training) would put the poor to work, and thereby substantially reduce U.S. poverty. But workers of all races now have more education than ever before, and as the previous chapter demonstrates, wages have been falling across the board for more than two decades and poverty has grown. For an increasing number of Americans, but for African Americans and Latinos especially, job training, a two-year associate's degree—or even a bachelor's degree—does not ensure escape from poverty or even near-poverty wages. Indeed, despite increased education levels in the last few decades, *the share of workers earning poverty wages is about the same as in 1973.*

I believe it is important for educators, public policy analysts, and the public to take hold of the fact that current economic policies yield widespread low-wage work even among an increasingly educated workforce. This phenomenon seriously strains the credibility of school reform as a solution to the problems of the urban poor. Unless we make some changes in the way the political economy works, economic policy will continue to trump not only urban school reform, but the individual educational achievement of urban students as well.

Federal Policies that Maintain Low-Wage Work

Federal macroeconomic policies that conduce to widespread poverty-wage work in the U.S. include (among others) minimum wage legislation, anti-unionization laws, lack of job creation *except* of high-end scientific and technical investments, class-biased regulations of the Federal Reserve Bank, technology that replaces

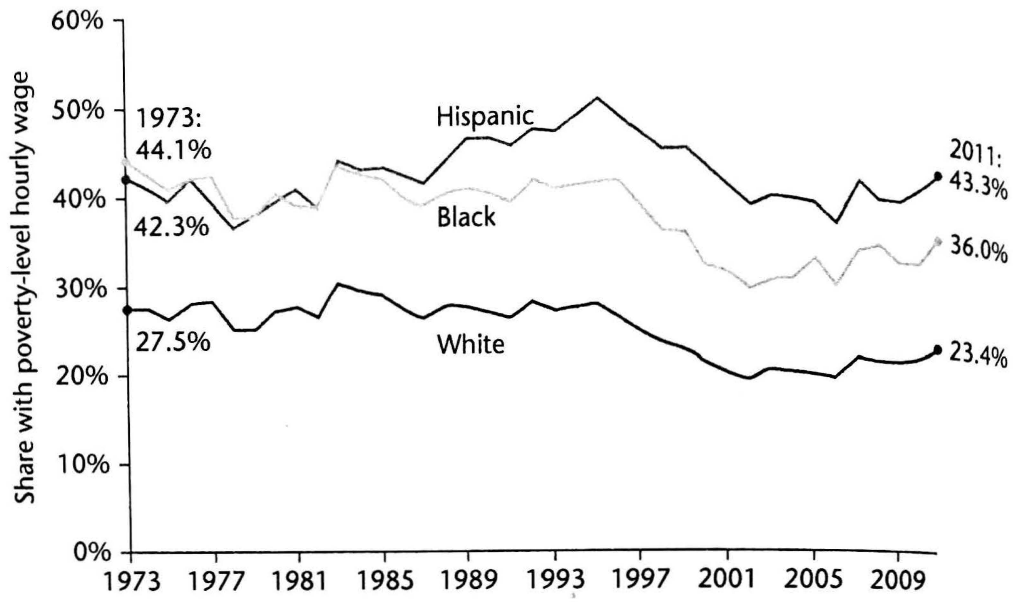

FIGURE 3.1 Share of workers earning poverty-level wages, by race and ethnicity, 1973–2011

Source: Economic Policy Institute, SWA. Updated May 14, 2012. http://stateofworkingamerica.org/chart/swa-wages-figure-4f-share-workers-earning/

Note: Authors' analysis of Current Population Survey Outgoing Rotation Group microdata.

workers, ineffective federal implementation of policies that outlaw racial discrimination in hiring, and free trade agreements that allow thousands of corporations to abandon U.S. workers for less-expensive locations in other countries, thus putting downward competitive pressure on wages in the U.S. (There are other, social—not strictly macroeconomic—policies that are important here, such as the lack of universal affordable childcare, which hampers parents' efforts to hold jobs.)

This chapter takes an in-depth look at two of the policies most directly responsible for poverty-wage work: minimum wage legislation and federal policies that prevent union organizing. The chapter also attempts a realistic assessment of the widespread belief that lack of education (rather than macroeconomic policy) is responsible for the low wages of workers, and that sufficient increases in education will ultimately reduce poverty.

Finally, the chapter presents a number of political-economic policies that would benefit workers as a class, and several additional strategies that would increase opportunities for black, Latino, and immigrant workers in particular, whose situation differs in important ways from that of whites.

Minimum Wage Policy

The minimum wage is a provision of the Fair Labor Standards Act (FLSA), passed in 1938. Its law was crafted by FDR and his wealthy colleagues as a direct result of the massive political demonstrations and social movement organizing during the Great Depression. The policy set a minimum wage and standards for overtime compensation. Minimum wage increases are legislated by Congress as amendments to the FLSA. Thus, minimum wage amounts are based solely on decisions made by Congressional legislators.

The federal minimum in 2012 was $7.25/hour. This amount yields a full-time, year-round salary of $13,930—well below the federal poverty line for a family of three ($19,090).

As Figure 3.2 shows, the minimum wage was $8.25 in 1967 (in 2011 dollars) and *a dollar less 44 years later.*

If the real value of the minimum wage had kept pace with the rising cost of living, it would be over $10.50/hour today (National Employment Law Project, 2012a). The paucity of the minimum wage was a major contributor to the growth in inequality after 1980, and to the increase in poverty-range wages of larger percentages of the workforce.

Statistics compiled in a proposal by the Economic Policy Institute (EPI) to gradually raise the minimum wage to $9.80/hour reveal the extent to which minimum wage work characterizes jobs in America. This proposal would raise the wages of 28.4 million workers—more than one in five people at work in the U.S. (22.3%). There are about 19.5 million workers whose wages would be directly affected. An additional 8.9 million workers, with wages just above the proposed

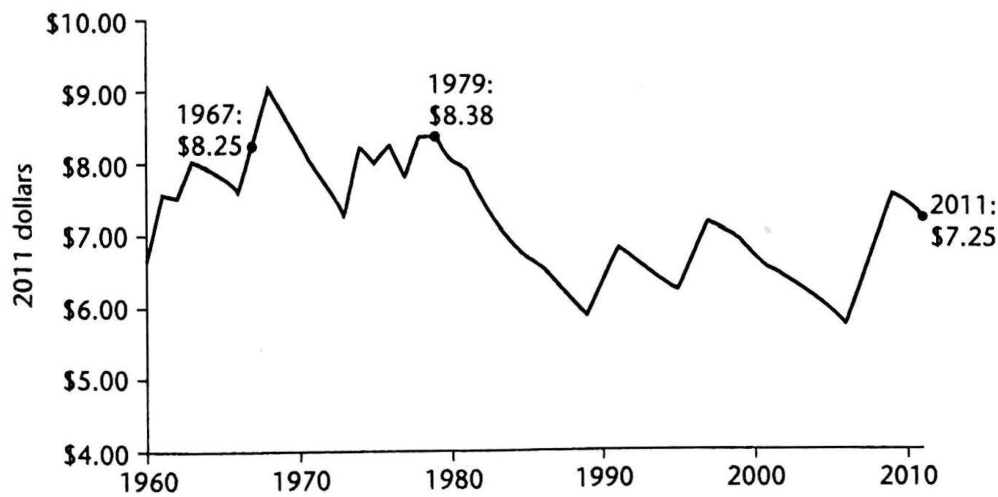

FIGURE 3.2 Real value of the minimum wage, 1960–2011

Source: Economic Policy Institute, SWA. Updated May 21, 2012. http://stateofworkingamerica.org/chart/swa-wages-figure-4-ae-real-minimum-wage/1213

Notes: Authors' analysis of U.S. Department of Labor Wage and Hour Division (2009). Documentation and methodology.
Underlying data are from U.S. Department of Labor Wage and Hour Division (2009), deflated using CPI-U-RS; see note to Table 4.39.

minimum, would also get a raise, "through spillover effects as employers adjust their overall pay scales" (Cooper, 2012, p. 2).

This raised minimum wage (to $9.80/hour) would also affect 21.5 million children—those who have a parent whose income would increase as a result of the proposed raise (21.5 million children is more than a quarter (28.2%) of the nation's children) (ibid.).

The perception that minimum-wage workers are teenagers working part time is not accurate. More than 88% of those who would benefit from a higher minimum wage are over the age of 20. And a majority (54%) of people who would be affected by the increase are full-time workers. Only 15% of those who would be affected work less than 20 hours a week (Hall, 2012).

Fifty-five percent of those affected by increasing the minimum wage to $9.80/hour are white. Yet large percentages of black and Latino workers would also be affected. And over three-quarters of those affected by the proposed increase to $9.80/hour have completed high school or more, including 42.3% who have completed some college, have an associate's degree, a bachelor's degree, or more.

As seen in Figure 3.3, over three-quarters of those affected by the proposed increase to $9.80/hour have completed high school or more, including 42.3% who have completed some college, have an associate's degree, a bachelor's degree, or more. Here we have more evidence that increased education does not prevent low-wage work.

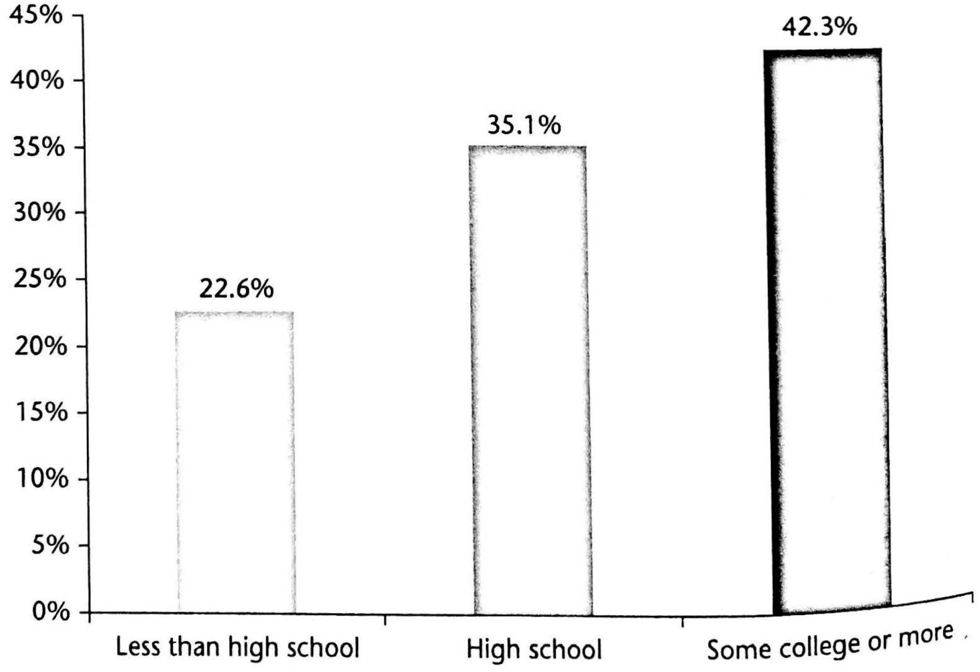

FIGURE 3.3 Educational attainment of those affected by increasing the Federal Minimum Wage to $9.80 (by July 1, 2014)

Source: Economic Policy Institute, SWA. www.epi.org/publication/ib341-raising-federal-minimum-wage/

To reiterate an important development: the majority (66%) of America's lowest-paid workers are employed by large corporations (those with over 100 employees), not small businesses. The three largest low-wage employers in the U.S. are Wal-Mart, Yum! Brands (the owner of Pizza Hut, Taco Bell, and Kentucky Fried Chicken), and McDonald's. These and most of the other large corporations that pay poverty wages are in good financial health. A 2012 report found that "[t]he 50 largest employers of low-wage workers have largely recovered from the recession and most are in strong financial positions.... They returned $174.8 billion to shareholders in dividends or share buybacks over the past five years" (Reilly, 2012).

Despite their affluence, these corporations pay their workers poverty-level wages. Or perhaps their affluence is in part *due to* how little they pay their employees. Consider just one company—Caterpillar. This corporation, "despite earning a record $4.9 billion profit [in 2011] and projecting even better results for 2012 ... is insisting on a six-year wage freeze and a pension freeze for most of the 780 production workers at its factory here" (Greenhouse, 2013, p. 4). Yet this company made a profit of *$39,000 per employee* in 2011 and $45,000 per employee in 2012 (Greenhouse, 2012a, 2013).

Interviews with executives in other companies reveal that they pay their workers the minimum "because they can"—they know that replacement workers are easy to find (Leonhardt, 2003).

The fact that there is a pool of unemployed labor in reserve keeps all employees' wages down. As Federal Reserve Chairman Alan Greenspan acknowledged, a large number of unemployed or underemployed workers leads to a "heightened sense of job insecurity and, as a consequence, subdued wage gains" (cited in Pollin, 1998, p. 20).

Contrary to the claims of those who oppose raising the minimum wage (that an increase will force employers to fire workers, or hire fewer of those affected by the increase), studies of both the 1990–91 and 1996–97 minimum wage increases failed to find any systematic, significant job losses associated with the increases, and found no evidence of negative employment effects on small businesses (Card and Krueger, 1997; Economic Policy Institute 2004a; Lester and Jacobs, 2010; Schmitt and Rosnick, 2011).

A classic, widely cited study on the relationship between minimum wage raises and job loss was carried out by Card and Krueger in the early 1990s. They utilized data from a series of minimum wage increases, including the 1992 increase in New Jersey, the 1988 rise in California, and the 1990–91 increases in the federal minimum wage. In each case they found that increases in the minimum wage led to increases in pay, but no loss in jobs (Card and Krueger, 1997).

Eighteen states (plus the District of Columbia) have minimums above the federal level of $7.25/hour. In all but three cases, the difference is less than a dollar an hour (see the United States Department of Labor, USDL, Minimum Wage Laws in the States, January 1, 2013, www.dol.gov/whd/minwage/america.htm). Many cities have enacted "living wage laws" in recent years as well, establishing a slightly higher minimum wage for employers that receive contracts or subsidies from the local government.

Concerted grassroots struggle has been necessary to raise the minimum wage in localities and states that have done so. Some of these campaigns are portrayed in Chapter Ten. It is important to note, however, that even an increase to $9.80 an hour (as described in the proposal above) would only bring a full-time year-round worker to a salary of $20,384 a year—which is still a poverty wage; it is only $854 a year higher than the official poverty level cut-off for a family of three ($19,530) in 2013.

One of the main lessons of the minimum wage is that this poverty wage is a result of a political decision. It is a decision made by Congress; and it is a crucial determinant of who lives in poverty. And thus being poor while working is very much a result of a federal policy.

An important consequence of widespread poverty wages paid by businesses is that when companies do not pay wages on which workers can support themselves, taxpayers are asked to ante up dollars for public assistance (welfare, food stamps, housing subsidies, etc.). This process effectively subsidizes business with taxpayer money. Unfortunately, many taxpayers who complain typically blame workers rather than the companies that underpay them.

Union Membership

I have been discussing the rise of poverty wage jobs and the decades-long decline of income. Wages have fallen from 53% of GDP in 1970 to 44% today—a shift of nearly $1.5 trillion away from wage income. Profits, dividends, and capital gains have been growing at the expense of workers: "J.P. Morgan chief investment officer Michael Cembalest calculated that reductions in wages and benefits were responsible for about 75 percent of the increase in corporate profits between 2000 and 2007" (Meyerson, 2013).

Lowered wages over time are the results of many factors, important among them the decisions of politically and economically powerful individuals and groups, mostly at the federal level. In sum, the following decisions (policies and actions) have lowered wages: deregulation of finance and the financialization of the economy, which moved money from public and private investment in business to asset gambling and the profits of a few wealthy investors; the shrinking of investment in businesses, inducing employers to lay off workers; the deregulation of large industries like trucking, airlines, and telecommunications, which, since companies were free to do so, lowered workers' wages in those industries; the shift to low-paying industries as a consequence of globalized trade pacts like the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT), which encouraged deindustrialization here and industrialization abroad, where it is cheaper, thus reducing employment in the U.S.; taxation and other laws that encourage corporations to move industry abroad, where they have access to cheaper workers, meaning that U.S. workers must then compete with those making smaller wages in other countries; policies like congressionally set, poverty-level minimum wages that keep full-time workers poor; and last but not at all least, declining unionization, which decreases the bargaining power of workers.

I focus here on the decline of unionization. As union power has declined, so has their power to demand higher pay. The share of private-sector employees who are unionized has declined from 23% in 1979 to less than 8% in 2012. However, a much larger share, 40.7%, of *public-sector* employees (e.g., employed by local, state, or federal governments) are represented by unions. Overall, the number of workers covered by union representation is 16.3 million. The average weekly earnings of union workers in 2011 was $938, compared to an average of $729 for non-union workers (Schmitt and Jones, 2012). Employees in education, training, and library occupations have the highest unionization rate, at 36.8%, while the lowest rate occurred in sales and related occupations (3%). Black workers were more likely to be union members than were white, Asian, or Hispanic workers. Among states, New York continues to have the highest union membership rate (24.1%) and North Carolina the lowest (2.9%) (Bureau of Labor Statistics, 2012a).

As I have indicated, unionized workers earn higher wages than comparable non-union workers; in addition, they are 18.3% more likely to have health insurance, and 22.5% more likely to have pension coverage. Large union premiums (extra dollars per hour accruing to those in a union) exist for blacks and Latinos, who gain premiums of 17.3% and 23.1% of pay, respectively, much higher than the 10.9% union premium for whites (ibid.; see also Schmitt, 2008).

These extra dollars per hour as a consequence of being in a union mean that unions raise the wages of minorities more than of whites, thus helping to close racial/ethnic wage gaps. Hispanic and African American men tend to reap the greatest wage advantage from unionism, though minority women have substantially higher union premiums than their white counterparts (ibid.).

An important cause of the decline of unions in the workforce is federal policy since the early 1980s that allows businesses to fire and otherwise penalize workers for attempting to organize unions. In a study presented as testimony before the National Labor Relations Board in 2011, Kate Bronfenbrenner and Dorian Warren documented extensive business owner practices aimed at preventing the organization of unions by employees.

> Our findings show that serious violations occurred ... from discharging, harassing, and threatening [union] leaders ... to using surveillance, interrogation, and threats to try to dissuade workers from attending union meetings or speaking with organizing committee members ... all the way to retaliating against the most outspoken union activists.... Employers increasingly use fear and violence.
>
> *(Bronfenbrenner and Warren, 2011)*

Despite corporate harassment, men and women do join unions. And as I pointed out above, there is a premium for belonging to a union that is high, especially for workers of color. One could argue, as does labor economist Gordon Lafer, that for non-college-educated workers, unionization can be much more important than further education:

> For nonunion high school dropouts, the advantage of finishing school is an increase of $2.25 per hour, while organizing one's workplace will benefit the worker more than twice as much. Similarly, high school graduates contemplating getting some college training short of a bachelors would actually do three times better to organize than go back to school.
>
> *(2002, p. 78)*

There is a particularly serious implication here for urban high school students who will not, under present policy conditions, have the funds to complete college. Rather than obtain further higher education, they could become involved in the political contention necessary to organize a union at their place of work. There is a lesson in this for educators, too, as it challenges our notion of the power of further education to boost income for low-income minority students. This challenge is explored in detail in the next section.

Education and Income

I want to return to the issue of education and income. As I have indicated, macroeconomic policies—as well as federal education policies—are based on the assumption that increased education of the workforce will alleviate poverty by putting better educated people into better jobs. We have already seen that the preponderance of low-wage jobs, and the concomitant lack of good jobs, undermines this assumption quite a bit. But doesn't a college education guarantee a high-level salary? Can education be used as a remedy for poverty and low-wage work? Or must we change federal policies in the economic sphere in order to solve the problem of poverty and poverty-wage work?

A person's education is, of course, an important determinant of their income. However, it plays less of a role than we typically assume. Indeed, the evidence on the relation between education and earnings below suggests that education explains about only a *third* of income levels. Therefore, it cannot serve either as an explanation for Americans' falling income, or as a workable strategy for correcting this trend.

There is no question that in most cases individuals with more education earn higher salaries than those with less. Of full-time workers aged 25 and over, the median weekly earning (with half above and half below) for high school graduates in 2011 was $638, while the median weekly earning for those with a bachelor's degree was $1,053 (Bureau of Labor Statistics, 2013).

However, medians can be misleading. Many factors can mitigate and even reverse the wage effects of education. For example, women earn less than men, even when they work the same number of hours—a gap that persists across all levels of educational attainment. In fact, women with a bachelor's degree earn about as much as men with some college education but no degree. On average, to earn as much as men with a bachelor's degree, women must obtain a doctoral degree. Similar gaps also exist by race and ethnicity. African-Americans and Latinos earn less than their white counterparts, even among the most highly-educated workers. African-Americans and Latinos with master's degrees don't exceed the median lifetime earnings of whites with bachelor's degrees.

(Carnevale, Rose, and Cheah, 2011, p. 7)

In these cases it is the absence of federal (and in some instances state) policies that is the problem. There are no effective, enforced, comparable worth laws to equalize the pay for men and women who do the same kind of work, and the lack of enforcement of federal anti-discrimination law allows employers to assign women to low-wage jobs without government reprisal. One study found that effective pay equity policies would enable up to 40% of poor working women to leave public assistance (Lafer, 2002).

In addition, discrimination on the basis of race often renders education irrelevant. For example, in the nation's largest labor market, California, a study of entry-level workers found that black and Latino youth had improved significantly on every measure of skill, in absolute terms, as well as relative to white workers. Yet their wages were falling further behind those of whites. The effects of race outweighed those of education, with minority workers at every level of education losing ground to similarly prepared whites. Whenever trials have been carried out in which identically qualified black and white candidates applied for the same job, a "pattern of discriminatory hiring has been revealed across a wide range of entry-level occupations.... It is clear than more vigorous enforcement of anti-discrimination laws is a prerequisite to enabling minority workers to realize any payoff to skills" (Lafer, 2002, p. 84; see also Galbraith, 1998; Wolff, 2003).

Educational attainment, then, is mitigated by institutional factors such as unionization, gender, and race. Since these institutional factors cut across all levels of education, the ultimate wage which any person earns is determined by the interaction of these (and other) factors (Howell, Houston, and Milberg, 1999). A telling statistic regarding the weakening effect of education on income is that *by 1996*, one out of every six college graduates was in a job that paid *less* than the average salary of high school graduates (Monthly Labor Review, 1998, as in Lafer, 2002, p. 47). Thus, while education and wages are indeed positively related, this relationship is often compromised and can even be reversed by other determinants.

Indeed, over the past 30 years, the real wages (adjusted for inflation) of high school graduates fell by 11.3%, while those of college graduates rose only by 5.7%. Most (60%) of the change in the college premium over these years was due to a worsening situation for high school graduates rather than to increasing wages for college graduates. For male workers the trend is bleak. Since 1973, the gap between wages of college- and high-school-educated male workers has increased by $4.06 an hour; nearly two-thirds (70%) of this change is due to the bottom falling out of the high school market, rather than rises in the wages of college workers (Gottschalk, 1997; Wolff, 2003). Thus, it is difficult to see how the rising college premium can be interpreted as a growing demand for higher education.

Figure 3.4 shows how the relative demand for college graduates has shrunk over the period 1940–2005.

Additional evidence that the college wage premium is less valuable now is the increasing percentage of college graduates who are making poverty wages. Decades ago, at the beginning of the 1940s, between 1.4% and 1.6% of employed heads of households earned around the minimum wage (that is, 50% below the federal minimum wage, to 50% above it). The vast majority of employed heads of households made more than this in that decade. The percentage of workers making around the minimum wage has increased over the years so that by 1990 between 8.8% and 11% of those with a *bachelor's degree* made around the minimum wage. This means that *before the Great Recession, about one out of ten workers with a four-year college degree was making poverty wages* (Levin-Waldman, 1999).

In the 20 years between 1979 and 1999, the number of college graduates in the labor force grew from 17.9 million to 38.9 million—an increase of over 100%.

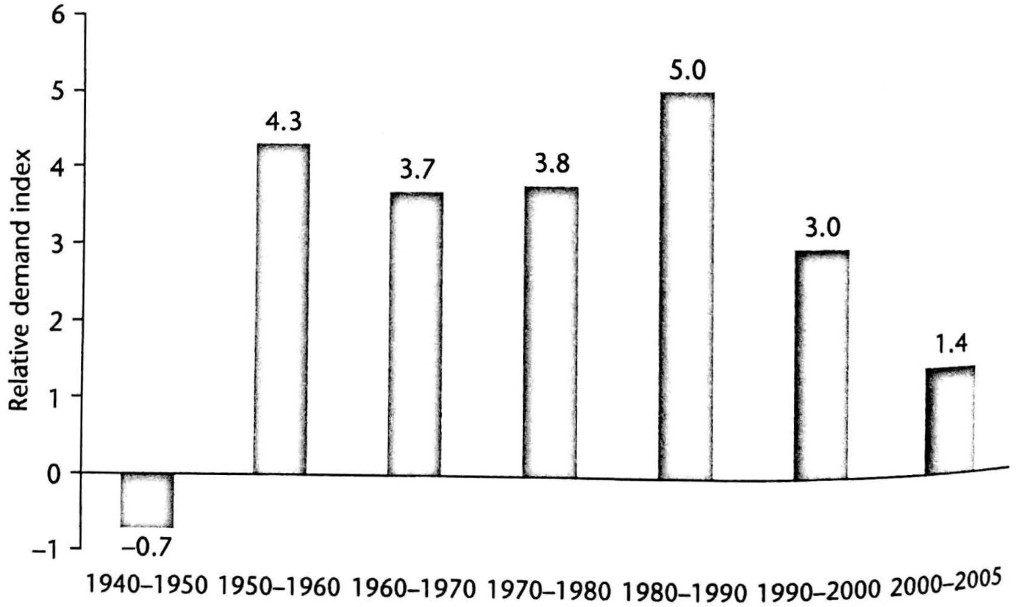

FIGURE 3.4 Growth in relative demand for college graduates, 1940–2005

Source: Economic Policy Institute, SWA. www.epi.org/publication/ib341-raising-federal-minimum-wage/. Updated June 14, 2012. http://stateofworkingamerica.org/chart/swa-wages-table-ai-growth-relative-demand/

Note: Authors' analysis of Goldin and Katz (2008, Table 1). Documentation and methodology.

But—and this is before the Great Recession—they were not in great demand. Rather, a significant share of them was unable to find jobs in occupations that make use of their degrees. By 1990, almost 20% of graduates—almost 6 million (5.7 million) college-educated workers—were not able to find college-level work. This total included "75,000 college graduates working as street vendors or door-to-door salespeople, 166,000 as truck and bus drivers, 83,000 as maids, housemen, janitors, or cleaners, and 688,000 who were unemployed" (Lafer, 2002, p. 61). These figures are derived from workers' experiences in the 1990s. The Department of Labor predicted in 2000 that in the first ten years of the 21st century, although the retirement of college-educated baby boomers would create more openings in college jobs, the number of new college graduates would continue to grow more rapidly than the number of jobs that require a bachelor's degree. They were correct; and the college diploma has become increasingly less valuable, as more and more people obtain the four-year degree.

Figure 3.5 demonstrates that there were more people with college and advanced degrees in 2011 than will be needed in 2020.

As the number of college graduates increases beyond what the economy needs, people with bachelor's degrees are forced to take jobs that (formerly, at least) did not require one. And as employers have the pick of more and more college graduates, they pay lower salaries than they would have to if there were fewer college graduates available.

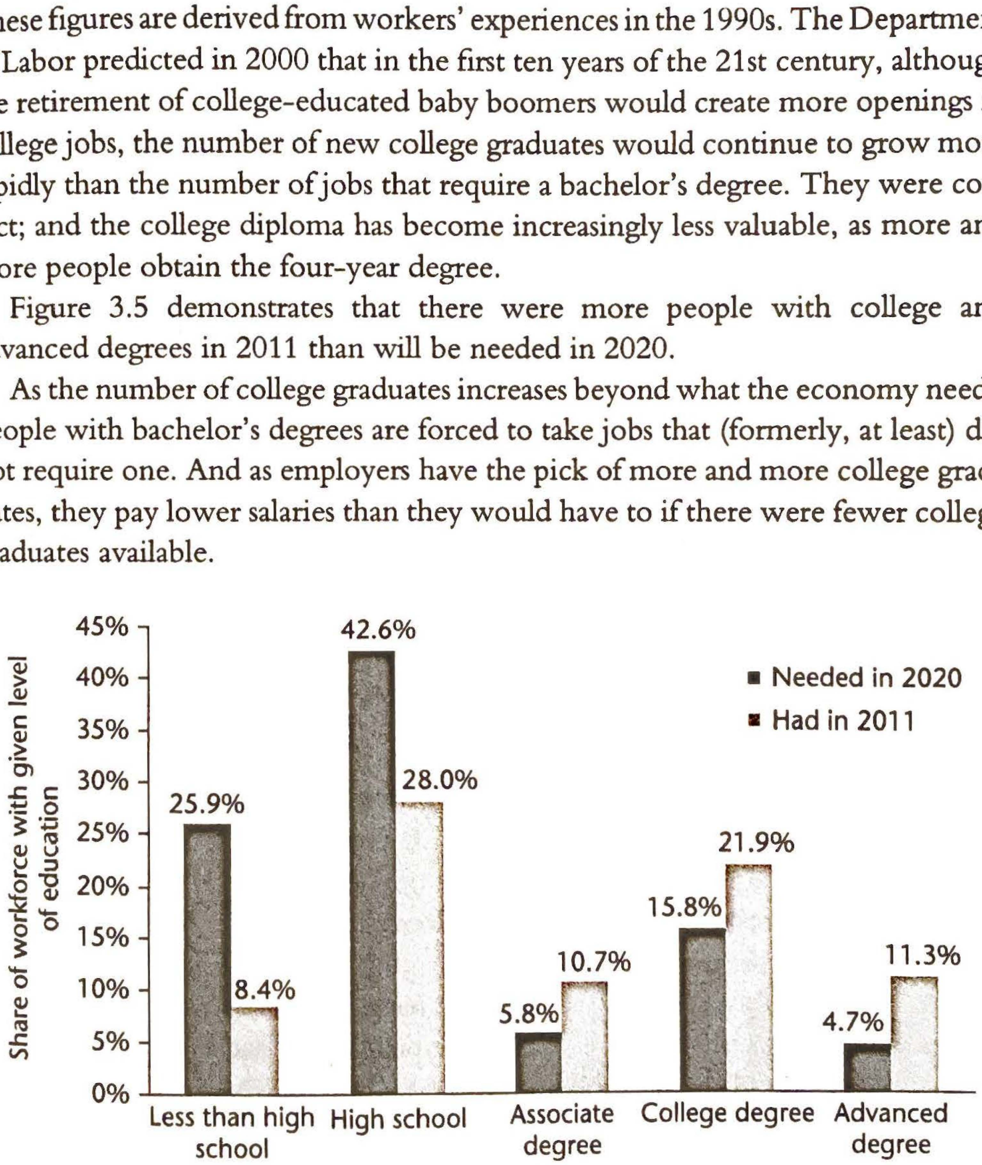

FIGURE 3.5 Education needed in 2020 workforce and education levels of the 2011 workforce

Source: Economic Policy Institute, SWA. Updated May 21, 2012. http://stateofworkingamerica.org/chart/swa-wages-figure-4a-education-needed-2020/

Notes: Figure is based on authors' analysis of Thiess (2012) for Table 4.46 and education attainment data from Table 4.17. Documentation and methodology. Totals do not sum to 100% because some categories were omitted.

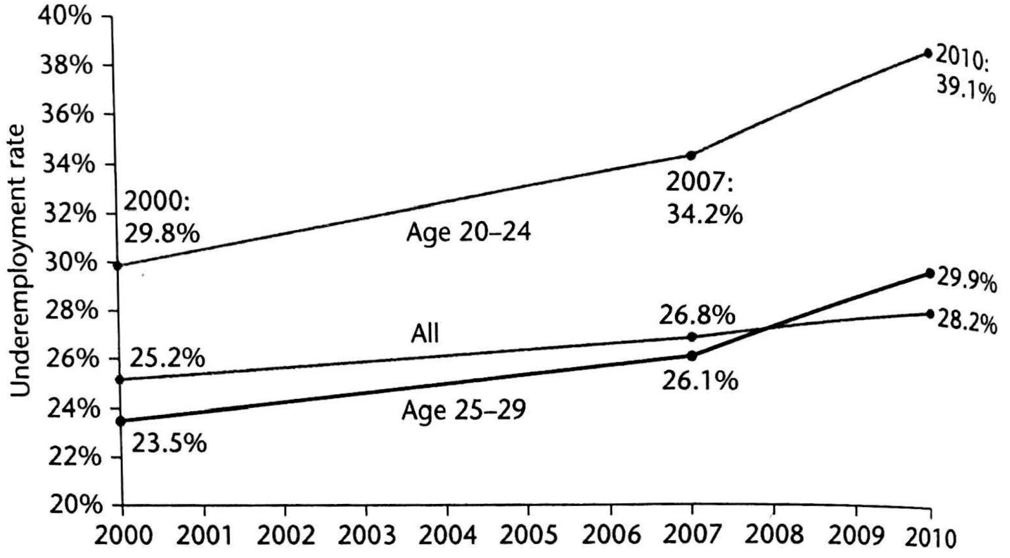

FIGURE 3.6 Underemployment of college graduates, by age, 2000–10

Source: Economic Policy Institute, SWA. Updated June 14, 2012. http://stateofworkingamerica.org/chart/swa-wages-figure-4ak-underemployment-college/equire a college education

Notes: Figure is based on authors' analysis of Fogg and Harrington (2011), Table 1. Documentation and methodology. Underemployment is defined as college graduates working in occupations that do not require a college degree to perform the work. "Underemployment" occurs when a college graduate works in an occupation that does not require a bachelor's degree.

Notice that even before the Recession, almost one in four college graduates was underemployed. As I reported in the last chapter, by 2012 the percentage of recent college graduates who were underemployed or jobless was 53%.

Levels of education in the U.S. have been increasing steadily; yet as we have seen, incomes have been falling for the last 30 years. The average education of American workers was 9.2 years in 1940; it is now over 13 years. The percentage of American workers with a high school diploma has also increased over the past three decades. This is true for men, women, and all racial and economic groups. Even the education levels of welfare recipients have improved significantly. Before the Great Recession, the share of welfare recipients who had high school diplomas increased from 42% in 1979 to almost two-thirds (70%) in 1999 (Loprest, 1999; U.S. General Accounting Office, 2001).

It is important to note that even though college levels have risen across the board, they are still considerably lower for African Americans, Latinos, and low-income students of all colors.

College attainment figures vary by social class: Although 48% of low-income students *who complete high school* now enroll in a two- or four-year college degree upon graduation, only 7% obtain a bachelor's degree by age 26, compared to 60% of upper-income students. A study by Martha Bailey, an economics professor at the University of Michigan, *revealed that the difference in college-graduation rates* *between the rich and poor has widened by more than 50% since the 1990s—despite two decades of "college for all" policy* (Bailey and Dynarski, 2011).

High-scoring, low-income youth complete college at a lower rate than low-scoring, upper-income youth.

The lack of financial assistance, and a reluctance to take on huge loans that they fear they will not be able to repay, is a crucial reason why low-income students do not finish college (Fossey and Bateman, 1998; National Center for Public Policy and Higher Education, 2002; Gladieux, 2004). By 2010, a record one in five households owed student debt and the average debt was $26,000 (Fry, 2012).

Whether computed as a share of household income or assets, the relative burden of student loan debt is greatest for households in the bottom fifth of the income spectrum, even though members of such households are less likely than those in other groups to attend college in the first place.

No evidence exists for the belief that deteriorating education—whether measured as fewer years of school, falling achievement levels, or demographics of the workforce—are the cause of the falling wages of U.S. workers. Rather, as I have argued here and throughout this book, the evidence points to macroeconomic policy and resulting employer practice as more to blame for the worsening position of U.S. workers than any failures of education. This is an important issue for education and educational reformers, as it implies that even academically successful school reform can only rarely trump macroeconomic conditions and policies. I return to this issue in later chapters.

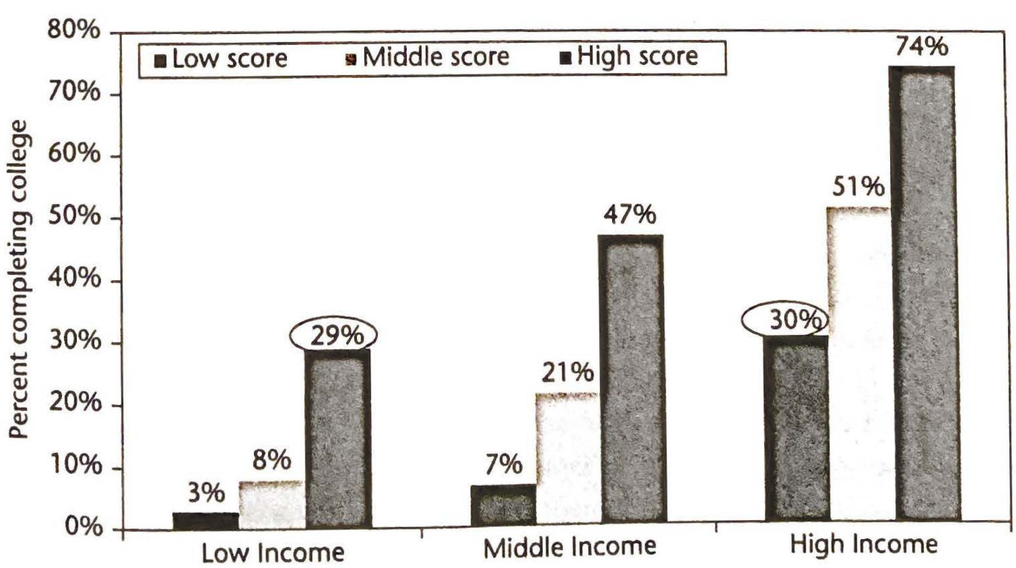

FIGURE 3.7 Incomes matter more than test scores for college completion: college completion by income status and 8th grade test scores

Source: Economic Policy Institute, SWA. Fox, Connolly, and Snyder (2005).

Note: Low income is defined as bottom 25%, middle income is middle 50%, and high income is top 25%.

Despite the abundance of evidence to the contrary, some argue that the U.S. has a growing *unmet need* for college graduates (Autor, 2010; Rampell, 2012). It is important to note that when these analysts argue that the economy needs more people with college degrees, they are lumping all college graduates together, combining people who have four-year college degrees with those who have advanced or professional degrees. They argue that "good jobs" require college. But as I have shown, college graduates (those with bachelor's degrees only) have not fared well in the labor market for at least ten years—real wages are no higher than ten years ago. And most jobs do not require a college degree. But people with *advanced degrees* have seen their wages grow strongly. The difference is the advanced degree.

It is misleading to argue that having more people go to college is the answer to growing wage inequality or middle-class wage stagnation; "*getting onto the better wage track requires either getting an advanced or professional degree (not just a college degree) or joining a clear subset of college graduates* [who are doing well]" (Mishel, 2012). The meaning of this is that there may indeed be a need for doctoral degrees in some areas (e.g., hard sciences), but not of bachelor's degrees in general (see also Mishel, 2011). I want to point out that there are good jobs going begging that require only technical education or on-the-job training:

> The empirical evidence to date certainly provides some support for the notion that middle-paying or middle-skill jobs declined in magnitude (and in pay levels) more than others, especially during the 1990s. At the same time, it is clear that many well-paid middle-skill jobs, requiring some post-secondary schooling or training but less than a four-year college degree, remain in the U.S. labor market. These jobs remain good jobs for workers with appropriate levels of skill and previous training, even if they do not have college diplomas, and many of them cannot easily be outsourced or replaced by machines.
>
> *(Holzer, 2011, p. 9)*

A good example is skilled auto mechanics, of which there is a shortage in the New York City area, where I live.

U.S. politicians and mainstream economists often argue that we must reform education in order to be competitive in the global economy. Yet in highly developed industrial/technical economies like ours, it is investments in high-end technology and scientific research that make significant contributions to national competitiveness (e.g., the development of the computer and more recent digital advancements). In countries where most of the people are *not literate* is where advances in education of the general population are important for economic competitiveness.

I would offer two lessons from the discussion in this chapter of income, education, and the declining power of a college degree to provide good jobs. First, for better education to provide better jobs, there have to *be* better jobs. Our financialized, globalized economy has not been producing these in sufficient number for several decades. Second, for many students, especially females and students of color, economic and other social policies will, if current practices are not altered, trump educational attainment.

We cannot expect education to compensate for ravages wrought by macroeconomic policy. The primacy of federal economic regulations in maintaining poor wages suggests that it is not prudent to rely on the reform of education to increase the economic opportunities of women, or blacks and Latinos from poor families. A change in macroeconomic policies is also crucial.

Fortunately, federal policies that make the economy more responsive to the needs of working-class employees are not without precedent in the U.S. As I pointed out in Chapter One, during the decades following World War II, federal price and wage guidelines kept prices stable and wages up. During those years, the minimum wage was kept at 50% of the median industrial wage. When unionized, well-paid workers did better, minimum wage workers did better, too (Galbraith, 1998). The antipathy of recent U.S. economic elites to wage and price controls is so strong that—as an example—the U.S. is the only major developed nation without price or profit controls on even that most important commodity, medicine (Weiner, 2001).

The Federal Reserve Bank was created in 1913. Its statutory goals are set out in the Employment Act of 1946, and amended by the Humphreys-Hawkins Full Employment and Balanced Growth Act of 1978. Both laws are very clear: The twin goals of economic policy are to maintain a high level of employment and production, as well as to maintain reasonable price stability. In recent decades, Chairmen Burns, Volker, and Greenspan have concentrated on the stability of prices (Thorbecke, 2000, p. 2).

They have, for the most part, ignored the mandate to maintain low unemployment—despite the low employment of the late 1990s, which was a function of the booming economy itself. Low unemployment, if it is sustained over several years, generally helps the poor first, and helps the poor the most, as more of them are able to obtain work (Economic Policy Institute, 2004a). We observed this in the late 1990s, in the uptick of wages in the retail sector, and in the (albeit slight) rise of employment in many central city neighborhoods.

To reinstate the other half of the federal reserve mandate, we need to implement policies that produce low unemployment: Policies like maintaining low interest rates, increasing government spending on infrastructure and human capital development, and creating demand-side pressure—a need for workers. In addition to the support of full employment policies, we should reinstate price and wage guidelines. The wages corporations pay need to be regulated like they used to be, so that wages in the retail and other low-wage sectors are indexed to union standards, like the minimum wage used to be.

Macroeconomic policies that would be important for workers include the creation of decent jobs by the federal government for those who need and want them; the passage of significantly higher minimum wage laws with health insurance and other benefits; the elimination for the working poor of regressive tax policies that fall most heavily on them (payroll taxes, for example, as detailed in the next chapter); and the enactment of policies that protect union organizing.

Moreover, the body of worker protection law that already exists does not extend to the new, large group of working poor, many of whom are immigrants. Laws covering workplace health and safety, protection from discrimination, family and medical leave, wage and hour enforcement, unemployment compensation, workmen's compensation, and business-closing notice, all bypass low-wage workers in low-wage jobs employed by small businesses. Some eligibility requirements for employment and labor statutes, such as minimum hours, disqualify many low-wage workers. "In other words, workers who are the most vulnerable to the dictates of employers are left without assistance from the government" (Shulman, 2002, pp. 1–3). Many of these most vulnerable workers are African American, Latino, and immigrant residents of urban areas.

African American Workers

Following the Civil Rights Movement, during the 1970s, many African Americans made substantial economic progress. With mass migration to cities came increased years of education and rising wages in industry; and civil rights laws and affirmative action conjoined to increase opportunities (Smith and Welch, 1989). Indeed, by the late 1970s, wages of black and white college graduates were nearly equal, and the wages of black women surpassed those of white women (Freeman, 1976). The numbers of black managers and professionals—especially in government agencies—increased significantly (Moss and Tilly, 2001).

During the 1980s, the wage gap between employed working- and middle-class blacks and whites began to increase. Black women were less likely to find work than in the 1970s and early '80s (Bound and Dresser, 1999, cited in Moss and Tilly, 2001). During this decade there was also a downward movement out of middle-wage employment for blacks into very-low-wage employment for many, and relatively higher-wage employment for a few (Mishel, Bernstein, and Boushey, 2003; see also Bound and Dresser, 1999).

And in the early 1990s, in part because of the recessions of 1990 and 1991, young black workers suffered further wage and employment setbacks, even though blacks were obtaining higher levels of education than ever, and had been closing the gap with whites in both educational attainment and test scores (Moss and Tilly, 2001; see also Jencks, 1991; Bound and Freeman, 1992). During the 1990s wages diverged widely between young black and white male college graduates (Bound and Freeman, 1992). Latinos also experienced economic regression in the 1990s (Moss and Tilly, 2001; see also Corcoran, Heflin, and Reyes, 1999).

By 1990 there was a large group living in concentrated poverty in America's inner cities. This inner city concentrated poverty was particularly prevalent among black urban populations. In that year there were more people living in concentrated poverty in America's cities than at any time since the 1960s. Prolonged unemployment, underemployment, and detachment from the labor market were prevalent (see Anyon, 1997; Wilson, 1997).

What accounts for the deteriorated position of blacks and Latinos in the labor market when they had been obtaining higher levels of education? The common explanation is that they do not have the skills required by the information/technology economy. The increase in earnings inequality of the last two decades of the 20th century is often laid to an upward shift in skill demands. Thus, it is said that because blacks and Latinos have less- or lower-quality education, they are not hired by employers. A corollary to this argument is that the "digital divide" is producing a growing racial divide.

To test these assumptions, Philip Moss and Chris Tilly (2001) assessed employers' desires for workers' "hard skills" (literacy, numeracy, computer familiarity, cognitive abilities)—which are said to be the basis of the digital divide—and "soft skills," which refer to interaction (ability to interact with customers, coworkers, and supervisors, including friendliness, teamwork, ability to fit in, and appropriate affect, language use, grooming, and attire), as well as motivation (which refers to enthusiasm, positive work attitudes, commitment, dependability, integrity, and willingness to learn).

Managers in various economic sectors interviewed by Moss and Tilly expressed increased demands for soft skills more frequently than for any hard skill but for computer literacy. Except for employers in manufacturing firms where workers needed to program computers or read printouts, "all other employers emphasized the soft skills of interaction with customers and motivation for work as just as important as basic reading and arithmetic skills" (or, to use these researchers' phrase, "attitude trumps technical facility" in a large numbers of jobs) (Moss and Tilly, 2001, p. 61). Indeed, another researcher, Peter Cappelli, has concluded that the alleged "skill shortages" decried by employers in the first half of the 1990s referred mainly to issues of worker motivation (1996, in Moss and Tilly, 2001). Osterman (1995), as well, found that in a large representative sample, managers report behavioral traits as one of the two most important job criteria in about 82% of cases, and the top criterion in about half.

What Moss and Tilly also discovered, however, is that managers' definition of, and evaluation of, applicants' soft skills is highly subjective and is context bound. Moreover, employers typically conflate the two, aggregating appearance, ways of talking and self-presentation, with possession of the hard skills. In interviews, managers mixed and entangled comments on inner-city blacks' and Latinos' hard skills (education, intelligence) with evaluation of soft skills (use of language, dress, and attitudes) (Moss and Tilly, 2001, pp. 44, 99).

Unfortunately, most employers do not screen applicants for entry-level jobs through formal measures; rather, they rely on the pre-employment interview. Thus, the increased desire by managers for "soft skills" may make it harder for non-white applicants because it may increase racial discrimination by employers. Moss and Tilly conclude,

> This tells us that skill- or location-based policies that fail to address race are likely to fall short of the mark. Providing added training programs for black and Latino job seekers will not easily dissolve the suspicion that many employers harbor. And employers' unease may block access by workers of color to the critically important training that takes place on the job. Similarly, new transportation systems such as vanpools to crack inner city isolation will have limited effects if suburban businesspeople remain chary of the urban minority workforce. Policies to dissipate stereotypes, *and to constrain employers' ability to act on them, are necessary complements*
>
> *(2001, p. 254, italics added)*

The lack of enforcement of federal laws against discrimination in hiring is an important reason, then, that—despite more years of education—a smaller percentage of African American men are working now than in recent decades. Only 52% of young (aged 16 to 24) non-institutionalized, out of school black males with high school degrees or less were employed in 2002, compared to 62% 20 years ago. In contrast, the labor force activity of comparable white and Latino males has been steady over the last two decades, and employment among young black women has increased.

Employment for young black men even declined fairly continuously between 1989 and 1997, despite the strong economic recovery that occurred after 1992. Labor force *attachment* (which includes searching for work) for young black men suffered a sharp 14 percentage point decline over the 1980–2000 period. This contrasts sharply with the experience of young, less-educated Latino men, who essentially achieved employment parity with their white counterparts during these decades (Offner and Holzer, 2002; see also Mishel, Bernstein, and Boushey, 2003).

It is important to understand that the weakening attachment of young, less-educated black males to the labor force occurred despite the higher educational attainment of the group: A much larger percentage of the group held high school degrees at the end of the period than at the beginning (see Freeman, 1991; Cherry and Rodgers, 2000).

Discrimination in hiring because of the emphasis on soft skills may be one reason fewer young African American men are working. It is also the case, however, that a high incarceration rate among members of this group contribute to their declining employment. In 2000, 10% of black males aged 20–24 were incarcerated and among high school dropouts, over *one-third* were incarcerated (Mauer, 2003b, p. 4). Research by Holzer and Stoll documented that many employers are reluctant to hire individuals with criminal records. Since substantial numbers of the prisoners released every day in the U.S. return to low-income urban neighborhoods, their joblessness contributes to the low rates of employment in young black males (Holzer and Stoll, 2001; see also Mauer, 2003b). Indeed, as Pettit (2012) has documented, if one counted the black and Latino men who are incarcerated, joblessness and poverty figures (as well as high school dropout figures) for these groups would be much higher than their current official rates.

The reluctance of employers to hire young black males and workers of color in general—this widespread, illegal discrimination in hiring—has important implications for federal policies to assist them. It suggests that policies that might reduce *overall* unemployment in the U.S. in the hopes of employing significant numbers of black workers may not assist African American males. During the nearly "full" employment economy of the late 1990s, for example, the employment rate of young black women who did not finish high school rose by 14 points. However, the percentage of those young black women who were employed went from 23% to 37%—still very low (Bernstein and Baker, 2002). So policies that create jobs—with the federal government as employer of last resort—are indicated.

Moreover, it is crucial that we establish programs to ease the formerly incarcerated into jobs, education, and civic life. Each year, approximately 700,000 prisoners are released from state and federal prisons (Guerino, Harrison, and Sabol, 2011). Nearly two-thirds of the nation's prisoners are African American or Latino. In many states, men and women returning to civilian status are barred for life from receiving even temporary welfare benefits. Without access to jobs and without welfare, there is little they can do to obtain money legally.

Former prisoners also lose access to student loans for higher education. In 2001–2002, 48,000 applicants were denied aid for further education under this provision. And in some states they are barred from living in public housing (in which many of them grew up). In 48 states and the District of Columbia, voting rights of convicted felons are restricted. As a result of these laws, almost 5 million (4.7) persons are currently unable to vote, and an estimated 13% of black men are barred from the voting booth (disenfranchisement figures for women are not available). As Marc Mauer notes, the consequence of these policies can be huge:

> Consider the 2000 presidential election in Florida, which was decided by just 537 votes. In that state, an estimated 600,000 former felons were excluded from the ballot box under state law, even though they had completed their sentences. We will never know what impact their votes might

have had, but the fact that the narrow margin of victory in Florida put George W. Bush in the White House clearly suggests that a small fraction of that group could have changed the outcome.

(Mauer, 2003a, pp. 16–17; see also Mauer, 2003b)

As we have seen in this and the previous chapter, most jobs in the U.S. economy do not require college degrees, and a large share of these pay little more than subsistence wages. I also reported that about 80% of black and Latino persons who are at work fill these unrewarding, sometimes degrading, slots. Urban students know these jobs are their future if they join the mainstream workforce. Many minority students, rather rationally it seems to me, reject meaningless work, and take up other, often illegal, activities. If they do not have the funds to see them through to college completion, urban school reform could not have offered them more.

As educators who care deeply about these students, we must come to grips with the fact that no amount of school reform as presently conceived will make the economy accept minority high school graduates in a more humane manner. Even the latest equity-seeking reform—small, democratic, and personally nurturing high schools where advanced courses are offered to make students college-ready—lacks meaning and consequence when students and their families cannot obtain support for the college years.

We need, therefore, to change the way the macroeconomy receives these students. Federal policies that mandate a living wage for entry-level work, that create urban jobs with advancement possibilities, and that penalize employers who prevent labor organizing or discriminate on the basis of color, would yield a vibrant set of economic opportunities that could give substance and meaning to the potentiality of school reform.

Another policy—to provide public funding for qualified low-income students to complete college—would certainly reward and motivate achievement efforts of urban students and, I suspect, teachers as well. Where there is a way, there is will. Unless the labor market is equalized for low-income students, or until they have sufficient college support, public macroeconomic policies will continue to trump educational achievement—and probably educational effort, as well.

Federal policies that are not considered here but that absolutely contribute to the ability of people to enter and sustain employment when jobs are available include health care and childcare. Without sufficient health care, minor sickness can turn into major illness and an impediment to work. Indeed, increasing percentages of jobs are part time now, and therefore do not offer health care (the retail and wholesale sector has cut a million full-time jobs since 2006, while adding more than 500,000 part-time jobs; in 2011, half of retail workers in New York City were part time (Greenhouse, 2012b)).

And for parents of young children, universal subsidized childcare as national policy would make employment possible for those who cannot afford expensive nursery schools. Many other capitalist countries provide both national health care and subsidized support systems for families with young children (Polokow, 2007). The lack of such policies in this country contributes to the maintenance of poverty and low income in the U.S. population.

There is another kind of federal policy that will be discussed at length here, one that maintains the poverty of people as well as school systems—tax policies that cull the income of the working poor but not of vast corporations—and these are described in the following chapter.