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Restoring opportunity for
the working class

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Study group convened by Opportunity America, cosponsored by the American Enterprise Institute and the Brookings Institution

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In almost every one of the leading controversies, past or present, in social philosophy, both sides were in the right in what they affirmed, though wrong in what they denied . . . [I]f either could have been made to take the other's views in addition to its own, little more would have been needed to make its doctrine correct.

— John Stuart Mill, 1840

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EXECUTIVE SUMMARY

The 2016 election put the plight of working-class America front and center in American politics. A long-neglected and largely forgotten voting bloc thought by many to be shrinking to the point of irrelevance suddenly mattered, nationally and in every state. But more important even than the political consequences, the campaign and what followed shone a light on working-class communities, revealing a cluster of problems—economic, social, health-related—that had been festering for several decades.

Since the late 1970s and still today, working-class America is bearing the brunt of automation and globalization: entire industries are disappearing, and wages have been flat since the 1970s. Marriage has declined faster among the working class than in any other group, richer or poorer. Civic institutions that once sustained blue-collar enclaves—churches, union halls, neighborhood associations, the local VFW or Lions Club—are closing their doors or moving elsewhere. And as the social fabric frays, a host of new problems are arising, from opioid addiction to what Anne Case and Angus Deaton have called “deaths of despair” caused by drugs, alcohol or suicide and correlated with distress and social dysfunction.

Looking back, it’s clear that we as a nation should have seen the problem coming: the symptoms were stark and alarming.

Still, for all the attention of the past two years, it isn’t clear that anyone, left or right, understands working-class America. Who makes up the working class today? What exactly is it that ails them? Why, unlike in so many other parts of America, do their fortunes seem to be declining rather than improving? And what can government—state or federal government—do to remedy the collapse in blue-collar communities?

The authors of this report came together in the months after the 2016 election to develop a plan of action. We convened a group of scholars—half right-leaning, half left-leaning—then spent a year considering the causes of working-class distress and debating policy solutions. We struggled to find bipartisan consensus—far from easy in a year when American politics were more polarized than at any time in memory. And we have produced a set of recommendations that we hope Democrats and Republicans will come together to enact in Congress, arresting the decline in working-class communities and building bridges back to opportunity in the American mainstream.

Our definition of working class: people with at least a high school diploma but less than a four-year college degree living in households between the 20th and 50th income percentiles—roughly \$30,000 to \$69,000 a year for a household with two adults and one child. We include Americans of all races and ethnicities. A laid-off factory worker in Ohio or a Latina housekeeper in Los Angeles: when we look out across blue-collar America, we see more similarities than differences.

Our report begins with description: who makes up the working class, where do they live, how much education do they have, do they work, at what kinds of jobs, what do they earn, how much do they own? We also trace their growing problems—declining labor force participation, slumping marriage rates, single-parent families, opioid deaths—and map them.

The three chapters that follow contain our proposed solutions: ideas about creating jobs, increasing wages, drawing workers back into the labor force,

revamping education and job training, bolstering communities and strengthening families.

Among our top proposals:

- Make work pay by expanding the earned income tax credit to cover childless workers and experimenting with a new wage subsidy.
- Require state and local agencies that administer government benefits to make a priority of getting recipients back to work.
- Strengthen work requirements for some beneficiaries of means-tested government programs so long as jobs, training, treatment slots and other relevant services are available.
- Reform unemployment and disability insurance to promote work.
- Reform federal education spending to fund programs that teach students, college-age and older, the skills they need for the jobs of the future.
- Mobilize communities to make the most of the job-creating investment we expect to be unleashed by the Opportunity Zone provision of the 2017 tax bill.

- Make the child and dependent care tax credit more available to working-class families.

- Create a new federal program to monitor and limit opioid prescriptions.

See pages 3 to 5 for a full list of recommendations for government, business, labor, churches, civil society and, not least, working-class communities.

Many of the initiatives we propose are expensive, and we wrestled long and hard with how to pay for them. What we finally agreed: to do no harm. Members of our group are dismayed by the growing deficit, and we resolved we would do nothing to make it worse. The package of solutions we propose is budget-neutral.

Our final chapter points a way forward. We as a nation can and must renew the social contract that once bound us—the promise that if you worked hard and played by the rules, you could get ahead. Government, business and civic institutions all played a part in upholding the contract, and it was a two-way street—workers, parents and others were responsible for the choices they made about how to live their lives. That promise is no longer true for much of the working class, and we must restore it. The policy proposals in this volume are a place to start—the beginning, not the end, of what’s needed to arrest the decline in working-class communities.

POLICY RECOMMENDATIONS

JOBS AND WAGES

Jobs

Occupational licensing. Create new causes of action that allow workers to challenge licensing requirements in state or federal court. Grant states that adopt reciprocal multistate standards safe harbor from these challenges.

Works councils. Allow for alternative forms of labor-management cooperation outside the confines of traditional unions.

International trade. Combat mercantilist policies in nations like China that prevent market access and coerce technology transfer. Use multilateral institutions to amplify these efforts.

Environmental protection. Streamline permitting processes and reduce project-stalling litigation.

Antitrust enforcement. Consider both worker and consumer welfare when enforcing antitrust law. Evaluate the effects of mergers on monopsony power in labor markets as well as monopoly power in consumer markets. Prohibit noncompete agreements for low-wage workers.

The credential gap. Discourage employers from demanding college degrees for jobs that do not require them.

Monetary policy. Err on the side of tight labor markets unless there is clear evidence of persistent inflation.

Workers

Earned income tax credit (EITC). Expand the EITC for single workers. Avoid penalizing beneficiaries who marry. Pay for the expansion with a combination of new revenue and reallocation of existing spending. Reallocate funding saved by reducing the EITC error rate and savings that accrue to other programs if an expanded EITC spurs greater labor force participation. Three possible ways to raise new revenue: expand the number of families that pay estate taxes, limit tax exemptions available to better-off households or raise minimum taxes for corporations that rely on tax havens.

Wage subsidy pilot. Experiment with more direct ways to enhance the take-home pay of low-wage workers, inviting states and municipalities to propose pilot programs. Options could include worker tax credits or subsidizing workers for each hour worked—money added to each paycheck alongside wages from employers.

Unemployment insurance. Strengthen incentives and expectations that recipients of unemployment insurance will seek new employment quickly. Provide lump-sum payments when claimants take a new job. Require them to pick up benefits at unemployment offices where they receive case management services. Lower thresholds for acceptable employment after prolonged job searches.

Disability insurance. Review existing cases to determine if beneficiaries are still disabled. Strengthen employer incentives to contest claims and accommodate workers with impairments rather than shift them to disability programs.

Displaced workers. Rather than create programs to support a new class of beneficiary, focus on improving existing career education and making it more widely available to workers thrown out of work by automation. (See chapter IV, “Education and Skills.”)

Supplemental Nutrition Assistance Program (SNAP). Encourage states that relaxed work requirements during the Great Recession to reimplement them. Ensure that programs provide the training and support necessary to help employable beneficiaries find and retain jobs.

Child support. Expand work programs for fathers who owe child support, and sanction those who do not participate, including with mandatory community service. Permit federal funding to support these programs.

Universal basic income. Reject proposals that provide unconditional cash payments. Universal basic income would devalue work for individuals, undermine societal expectations and excuse the nation from its obligation to create job opportunities.

Jobs of last resort. Subsidize employers who create jobs for beneficiaries of safety-net programs, assuring a job of last resort to any recipient willing to work. Reject calls for a federal jobs program—a task beyond the scope of government that would distort the labor market.

EDUCATION AND SKILLS

New providers, new models. Encourage educational innovation focused on preparing students for the job market. Support new delivery models, including online and hybrid programs, competency-based

education, career academies, career pathways, early college high schools, career and technical education charters, apprenticeships and coops, and midcareer upskilling.

Employers. Create new norms and expectations for employer engagement in workforce training. More states should broker relationships between companies and colleges. Use state perks and privileges to encourage employers to offer training. Design state customized training grants to prime the pump of employer spending.

Secondary and postsecondary career education. Double existing funding for high school and community college career education. Include dedicated funding for internships, and reform state policy to shield employers who hire interns from liability. Use state funding formulas to spur community colleges to prioritize career education, including the “unbundled” nondegree courses likely to appeal most to workers who lose their jobs as a consequence of economic change.

A training tax credit. Create a federal tax credit modeled on the R&D tax credit to reimburse companies for 20 percent of new training offered to employees earning less than \$60,000 a year.

Federal incentives for employers. Strengthen federal mandates for employer-educator partnerships, and develop a metric to distinguish between perfunctory and meaningful employer input in training programs.

Federal financial aid. Provide federal financial aid for all career education that meets quality control standards, including short-term and nondegree programs at unaccredited institutions and options designed for older workers displaced by new technology.

A level playing field. Target federal financial aid to students who need it most, reallocating money currently spent on 529 education savings accounts,

tuition tax credits and graduate student loan forgiveness, all of which benefit primarily higher-income students.

Quality control. Experiment with alternative accreditation, including outcomes-based and industry-driven options. Support efforts by states and the private sector to identify quality industry certifications. Add employment outcomes metrics to state pay-for-performance formulas.

A pay-for-performance pilot. Make a share of federal funding for career education programs conditional on students' employment outcomes—jobs placements and wages.

Data. Overturn the federal student-level data ban, bolstering quality assurance and helping students make better choices based on information about outcomes, including jobs and wages.

FAMILY AND COMMUNITY

Opportunity Zones. Governors and mayors who wish to reap the full benefit of the new investment unleashed by federal Opportunity Zones should incorporate the incoming funds in a broader strategy to address social problems that private-investment dollars are unlikely or unable to reach.

Work requirements. Our working group agrees that assistance programs should do more to link disconnected workers to jobs, and most members believe more beneficiaries should be required to take a job if one is offered.

Family leave. Subsidize eight weeks of paid parental leave, and encourage employers to offer up to 40 weeks of unpaid time off.

Child care. Make the child and dependent care tax credit more available to working-class families by making it refundable—payable to even families who do not earn enough to owe income taxes. Pay for the expansion by capping program eligibility at \$80,000 per family per year. Strengthen state certification requirements for child care programs.

The private sector. Fund an independent non-profit to create new standards and expectations that employers adopt family-friendly policies and practices, including bans on unwanted overtime and weekend work hours.

Civic institutions. Institutions, religious and secular, that work to revitalize civic life and community engagement should reorient their programming to more directly engage working-class communities.

Marriage and family life. Raise expectations that young adults follow the “success sequence”—pursuing first postsecondary education, then full-time work, and then marrying before having children. Most of our group recommends that contraception be made available and affordable to young couples not yet ready to be parents. Most of us also favor scaling local civic efforts to strengthen family life with public messaging and relationship education.

Opioids. Create a federal program to monitor and limit opioid prescriptions. Make naloxone, treatment beds and recovery beds more readily available.



INTRODUCTION

The Founding Fathers drew heavily on Enlightenment ideas about the social contract, and in the 250 years that followed, generations of Americans gave meaning to the ideal. Our economics, our politics, our communities embodied the core concept: mutual obligation combined with mutual support. Today, that contract is crumbling, and working-class Americans are bearing the brunt of the collapse. The authors of this volume came together as a bipartisan working group to propose public policy to renew the social contract, reviving the promise of equal opportunity and upward mobility for all Americans.

INTRODUCTION

The 2016 election put the plight of working-class America front and center in American politics. Candidate Donald Trump called them “forgotten Americans” and made their concerns the first items on his agenda. Working-class voters responded, abandoning their traditional Democratic roots, and helped put Trump over the top even in the industrial heartland states of Michigan, Wisconsin, Ohio and Pennsylvania.

The election transformed American politics. A long-neglected and indeed all-but-forgotten group thought by many observers to be shrinking to the point of irrelevance suddenly mattered, nationally and in every state. Pundits on the left and right scrambled to explain what had happened, looking abroad and into the past for help understanding the new populism. Democrats and Republicans hastened to rebrand themselves, professing new loyalties and looking for ways to reverse what no one could deny had been decades of neglect. Even Madison Avenue admitted it could be doing a better job, holding up a truer mirror to America.

Still, for all the attention, even two years later, it isn’t clear that we as a nation understand working-class America. Who makes up the working class today? What exactly is it that ails them? Why, unlike in so many other parts of America, do their fortunes seem to be declining rather than improving? Do iconic Trump voters—white, angry, conservative—speak for all or even most of the working class? And what can government—state or federal—do to remedy the collapse in blue-collar communities? The 2016 election was a symptom; the problem has been many decades in the making. And the nation needs answers—better answers that go beyond partisan politics.

A DOUBLE WHAMMY

Traditionally, and still to some extent, the working class has been distinctly different from the poor. Their households and working lives were more stable, their communities cohesive and self-reliant. Poverty wasn’t unknown or ever far from the door, but there was little intergenerational poverty.

Even today, the second tier of earners has a distinctly different profile than those on the bottom rung. Working-class Americans are more likely than the poor to be married.¹ They are less likely to live in households where no one is working and more likely to come from homes where at least one person is employed full-time.² And yet an ever-widening social and economic gulf divides this America from the more affluent, more educated middle and upper-middle classes.

It was Charles Murray who first drew attention to the divide in his breakthrough 2012 book, *Coming Apart*: portraits of two neighborhoods, working-class Fishtown and better-off Belmont, where marriage rates, out-of-wedlock births, labor force participation and churchgoing, among other behaviors, were diverging sharply.³ Three years later, Robert Putnam’s *Our Kids* told much the same story, drawing on developments in his hometown, Port Clinton, Ohio—once a cohesive and socially diverse community that had split into two distinct enclaves where financial stress, social isolation, engaged parenting and obesity differed dramatically on opposite sides of the tracks.⁴

Stanford economist Raj Chetty and colleagues underscored these two vivid accounts with their 2014 study revealing broad variation—and again a

The 2016 election was a symptom. The problem has been many decades in the making.

startling divide—in intergenerational mobility in cities and counties across the United States. Among the cities where opportunity was most limited: iconic working-class communities, Milwaukee, Wisconsin and Cleveland, Dayton and Columbus, Ohio, where according to Chetty and his team, family, education and social capital are far weaker than in many middle-class communities.⁵

Finally, in 2015, Princeton scholars Anne Case and Angus Deaton added a new, devastating twist to the story with their groundbreaking study of mortality rates, declining everywhere in the world and among virtually all groups, except in the US among middle-aged whites with only a high school diploma or less. Far from living longer, a growing share of this group was dying what Case and Deaton called “deaths of despair” caused by drugs, alcohol or suicide and correlated with distress and social dysfunction.⁶

Looking back, it’s clear we should have seen the problem coming: the symptoms were stark and alarming. But it wasn’t until after the Trump victory that many began to piece together the causes of working-class decline and resentment—a double whammy of economic change and political neglect.

It’s no secret that the US is undergoing a wrenching economic and social transformation. Technological change is transforming the way we live—the ever-evolving digital economy—while globalization has scattered industrial production and financial activity across the world. The resulting shocks and opportunities have been unevenly distributed. It’s true that winners have outnumbered losers, and not all the winners are affluent. Increased trade and technology have expanded the American middle class and lifted millions of people around the globe out of traditional rural poverty. But that has been no solace to those on the short end of the stick.

Hardest hit in the US have been workers without a college education. Factory workers have lost millions of jobs to automation and trade. Communities across America—coal miners in eastern Kentucky, steelworkers from Alabama to Indiana, factory workers in countless small towns across the Midwest—have lost their economic purpose and identity. People without college degrees face falling wages and downward economic mobility. Immigration and changing cultural mores have added to their sense of social dislocation. So has the decline of marriage and stable family life. Together, these shocks have dashed working Americans’ traditional optimism, leading many to drop out of the labor market and lose faith in the norms that once moored their communities.

The impact of economic change would alone have been a devastating blow. But it has been compounded in recent decades by the unraveling of the nation’s social contract. Right and left, rich and poor, urban and rural, Americans have sometimes seen the contract from different angles, emphasizing different elements or interpreting it differently. Still, it bound us, underpinning broad upward mobility and buoying all Americans’ belief in the promise of equal opportunity.

Business, government, unions, churches, civil society and popular culture all played a part in upholding and reinforcing the contract. It was the time-honored secret of American capitalism. If you worked hard and played by the rules, you could get ahead. Workers had a stake in their company’s success—in quality and innovation and competitiveness. And companies had a stake in their workers’ well-being—as workers and, in many cases, as customers. Unions checked the power of corporations, negotiating collective bargaining agreements that improved wages, working conditions and job security, while companies with deep roots in local communities assumed responsibility for workers’ health and retirement benefits along with wages.

Add a range of government benefits: universal public education, Social Security, the GI bill, wage and labor laws, and public support for homeownership. Insulation from external pressures helped reinforce America’s cohesion. In the decades after World War II, there was little international economic competition

or immigration, either of which might have made it harder to sustain the contract. The happy result: a large, property-owning middle class, shared prosperity, social stability and a widespread belief that a rising tide would lift all boats.

Today, all that is history. The great economic and social upheavals of the last five decades have shredded the social contract. Working-class Americans have borne the brunt of the change while the political establishment looked the other way and, if anything, seemed to put its thumb on the scale in favor of every group except those with moderate incomes.

Many blue-collar Americans believe the government is helping everyone but them. The white working class, once the mainstay of the Democratic Party, looks back on the War on Poverty as the first step in a long fall from favor. The perceived betrayal continued through the 1960s and '70s, as economic dislocation began to erode workers' way of life but national sympathy focused on minorities, women, the gay community and other "victims," some worse off than the working class but others much more affluent.⁷ Rightly or wrongly, many working-class people begrudge the money Washington spends on antipoverty programs, which they believe reward idle and irresponsible behavior.⁸ Others chafe at affirmative action, which they feel tips the scales against them when they apply for jobs and college admissions.

The government programs that address working-class problems are paltry and often all but invisible to the people they're intended to help. Washington spends \$9.5 billion a year on the public workforce system designed to help low-income and displaced workers find jobs—compared to \$122 billion on federal financial aid for college students, much of it targeted at middle- and upper-middle-class families.⁹ Trade Adjustment Assistance for people thrown out of work by globalization is, if anything, less equal to the challenge: it's budgeted at just \$800 million a year.¹⁰

An array of tax provisions benefit more affluent Americans while doing little for the working class. In 2013, federal tax expenditures totaling \$540 billion subsidized personal savings, retirement accounts, higher education and

homeownership—and according to one estimate by the advocacy group Prosperity Now, the bottom 60 percent of Americans received just 10 to 15 percent of these benefits.¹¹

Even private investment increasingly favors the better off. According to one estimate, in 2016, 75 percent of all US venture capital flowed to just three states—California, New York and Massachusetts. From 2010 to 2014, five metro areas were responsible for half of successful business startups, and 73 of 3,000 counties generated half the job growth. The rest of America, including much of the working class, languished in distressed communities, where employment, income and business growth lagged well behind national averages.¹²

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No wonder many working Americans feel the economic game is rigged against them. Meanwhile, populist movements like the Tea Party have done little to awaken the nation's conscience or spur us into action. Now nearly a decade old, the Tea Party revolt and the reaction that followed have transformed American politics, producing endless angry rhetoric on both sides of the partisan divide but not much in the way of remedies for a struggling working class.

The decline in working-class communities is not all attributable to other people. Choices matter too—choices about school and work and marriage and drugs. And many working Americans have been making the wrong choices. Still, there can be no denying the lack of attention and empathy from the rest of us, and working people aren't wrong: far too many of society's benefits flow to communities that are either richer or poorer than they are.

The working class is angry—for good reason. But anger is not a solution. And two years after the Trump victory, the nation is still short on solutions for working-class Americans.

A BIPARTISAN WORKING GROUP

The authors of this report came together in the months after Trump's election to develop a bipartisan plan of action.

Our approach was modeled on that of a similar bipartisan group convened in 2014 by the American Enterprise Institute and the Brookings Institution to craft a set of solutions for Americans living in poverty—the bottom income quintile.¹³ Like that project, we convened a group of scholars—half right-leaning, half left-leaning—then spent just over a year considering the causes of what ails the working class and debating policy solutions. Like that group, we struggled to find bipartisan consensus—far from easy in a year when American politics were more polarized than at any time in living memory. And like that group, we have produced a set of recommendations we hope Democrats and Republicans will come together to enact in Congress, arresting the decline in working-class communities and building bridges back to opportunity in the American mainstream.

In some ways, our job was harder than that of the first AEI-Brookings working group. Unlike the poorest of the poor, the working class has not been much studied in recent decades. Far less is known about its problems. There's no long history of public policy trial and error to learn from. Even who should be considered working class was an open question: how big and how diverse a group?

The definition we settled on: people with at least a high school diploma but less than a four-year college degree living in households between the 20th and 50th income percentiles—roughly \$30,000 to \$69,000 a year for a household with two adults and one child.

Choices matter too—choices about school and work and marriage and drugs.

We had no trouble agreeing that we wanted to find solutions for working Americans of all races and ethnicities. The white working-class voters who rallied behind Donald Trump are top of mind for many Americans. The Rust Belt and Appalachia have been hit hard by globalization, and working-class decline has been especially pronounced in those communities. But when we look out across blue-collar America, we see more similarities than differences.

A laid-off factory worker in Ohio struggling to make do on a service-sector salary faces many of the same problems as a Latina housekeeper whose father came from Mexico to pick grapes in California. Their trajectories are different, and polling shows that immigrants and their children tend to be more hopeful than working-class whites.¹⁴ But odds are both housekeeper and factory worker struggle to make ends meet. Both worry about how to give their kids a decent education. Neither is sure how to navigate the changing economy or the future of work. And our group agreed that we needed to find answers that work for both of them—and a range of other working-class Americans.

Before we began to deliberate about policy, we sought to establish some agreed-upon facts about the working class. We commissioned four studies: a demographic profile of working Americans, a study of changing marriage rates and childbearing among blue-collar families, a closer look at working-class educational attainment and an exploration of working-class reliance on government programs.¹⁵ All four studies are publicly available, and we have drawn on them in this report.

We also traveled together as a group on a site visit to the Ohio River Valley—the Louisville metro area and southern Indiana. The goal of the trip was to supplement our reading and conversations with two days of experience on the ground—meeting with workers laid off in a plant closing, participating in a group session at an opioid clinic and visiting a cutting-edge manufacturing training program at a local community college.

The hallmark of our group is the diversity of our perspectives and experiences. Some of us have worked for or advised Republican lawmakers; others have served under Democrats. Some identify as

conservatives, others as progressives and still others as centrist or nonpartisan. We view the world through many different professional prisms: economics, politics, psychology, sociology, urban studies. And as conservatives and progressives, we came to the plight of the working class with different assumptions about the root cause—is it economics or culture?

This is an age-old debate between left and right. The left says poverty—inner-city poverty and working-class poverty—is mostly about economics. The right says culture plays at least as central a role.

No one in our group is so ideological as to think it's possible to completely separate one set of causes from the other. The nuanced version of the progressive view holds that the problem begins with economics—growing income inequality, disappearing jobs, stagnant wages, downward mobility—which then triggers a broad array of cultural consequences, including weaker families and fragmenting communities. Nuanced conservatives do not deny that the US is undergoing a historic economic transformation. But they tend to see economic effects as secondary, exacerbating but not causing a more fundamental weakening of social norms—that able-bodied men should work, that they are responsible for providing for their families, that couples should marry before having children.

This divide could have stymied our group, thwarting any effort to come to consensus.

Instead, we think it may have been our greatest asset. Our diagnosis of what ails the working class draws on both culture and economics. Jobs are disappearing *and* millions of men are dropping out of the labor force. Wages are stagnating, workers are aging *and* the design of social programs like disability insurance is encouraging dependency. Our remedies, too, address both culture and economics and the many, complicated ways they interact.

The common ground we found isn't just a lowest common denominator. Our deliberations were more than horse trading: "I'll concede this if you concede that." As in the earlier AEI-Brookings working group, our recommendations are grounded in common values—values born of an understanding that culture and economics cannot be separated.

OUR SHARED PRINCIPLES

The recommendations in this report—some three dozen detailed policy prescriptions—stand on a foundation of principle: a few common tenets that seem undeniable to all of us.

A renewed social contract. America needs to reimagine and reinvigorate the old social contract. Working-class voters aren't wrong: the status quo is rigged against them. Far too many benefits—wage gains, tax breaks, private investment—flow to others and have for more than half a century.

The disparity goes beyond economics. Once upon a time, Midwestern steel mills were the nation's proud economic engine, and the workers who manned the furnaces were America's heroes. Today, many mills are burnt-out shells—the empty centers of dying cities. As the plants closed, the nation's respect and empathy evaporated, and now, if we think about them at all, many see these former heroes as backward and "deplorable."

A renewed contract would spread government benefits more equally—with tax breaks, infrastructure investment and funding for education, including more varied educational options. It would put alternatives to traditional academic learning—job training and career education—on a par with college. It would equip working Americans with the skills they need to compete in the knowledge economy and take advantage of new opportunities.

Looking ahead, it would make a renewed commitment to workers who are laid off when technology wipes out their jobs and destroys the value of their experience and expertise. It would make provision for the growing number of workers employed freelance, part-time or on contract—so-called "contingent workers." And it would spread private investment more equitably across the country, launching businesses and creating jobs in a broader range of communities—inner cities, urban peripheries, old industrial centers, small towns and rural areas.

A renewal of norms. Like any bargain, the social contract is a two-way street, and the plight of the working class will not be reversed without changes on both sides—with public benefits and opportunities comes personal responsibility. What afflicts working-class Americans goes beyond economic change and failed public policy. Blue-collar men and women have agency, and they bear some responsibility for the situations in which they find themselves.

The change that's needed starts with a renewal of norms: that the able-bodied should work, that parents have a responsibility to provide for their children, that relying on government benefits is a last resort, that drug addiction is a bad choice for anyone and unacceptable for parents of young children.

The rest of us can provide new opportunities. We can work to seed new civic institutions in crumbling communities. We can bring people together and provide incentives. But in the end, there will be no renewal unless more working-class Americans begin to make different choices about how to live their lives. Neither jobs nor work nor skills are enough without a social underpinning: strong families, vibrant communities, self-reliance and a renewed sense of responsibility to family and community.

The centrality of work. The most important provision of the social contract is work: the opportunity for meaningful, rewarding work and the norm that healthy adults who aren't taking care of children should engage in work.

Work is vital for many reasons. It's a way to provide for yourself and your family. It helps grow the economy. For most people, it's more satisfying than almost any other activity, including consumption. And it's character-forming—a first good choice that usually leads to other good choices and essential values like purpose, diligence, responsibility and self-reliance.

Members of our group agree that little would do more to help working-class Americans than enabling more people to get and hold jobs.

Economic growth is a core element of the remedy—robust growth and full employment. Work should pay, and full-time work should bring economic security. Skills matter: the biggest difference between the struggling working class and the next tier up is education and skills. And policies that discourage work or workforce participation should be reformed.

Traditionally, left and right tend to champion different parts of this agenda. Members of our group agree that all are indispensable: a growing economy, skills and labor force participation.

New expectations of employers. There were many parties to the old social contract, few as important as private-sector employers, many if not most of whom have traditionally felt a sense of responsibility for their employees and the communities in which their companies were located. Today, that kind of concern seems almost quaint—so rare that such companies stand out as notable exceptions.

Our group is troubled by the new indifference; we believe it must change. Government alone cannot uphold society's end of the bargain. Ultimately, we cannot hope to renew the social contract without employers.

What's needed starts with decent wages and working conditions. As important is job training—continuing, lifelong job training—and not just for the educated, middle-class employees who receive the lion's share of employer-provided training today. Our group would like to see more companies treat their contingent workers fairly, providing them with adequate employment benefits. Even national and multinational companies should care about the places where they do business and the health of the communities where their workers and customers live.

The challenge ahead: how will employers treat employees as automation and artificial intelligence transform the economy? Employers cannot be expected to battle the new technology or hide from it, but they can try to take employees into account as they make decisions about the inevitable changes to come.

Members of our group were divided about just how policy should encourage the private sector to take these and other steps. Some wanted mandates and penalties; others argued for encouragement and incentives, including tax incentives. It should not be difficult, some maintained, to persuade companies—after all, many if not most of these measures are in their self-interest. Where we all agreed: any and all policy reform should be coupled with new expectations—a new national expectation that employers should carry a larger share of the load.

Do no harm. Restoring upward mobility for working Americans is no small undertaking. Many of the initiatives our group considered would be expensive: a new wage subsidy, expanded federal financial aid, tax incentives for responsible employers, subsidized child care and more. Our group wrestled long and hard with how to pay for our proposals. Some members argued forcibly for increased taxes; others were adamantly opposed. Still others hesitated to address cost; they felt we should focus on developing the best remedies, regardless of the price tag.

We finally agreed to do no harm. Years of irresponsible spending by both political parties have landed the nation deeply in debt. The next generation faces a grim fiscal future. Working-class Americans will likely be among those hardest hit as essential expenditures and servicing the debt gobble up available funds, leaving little even for basic services.

Dismayed by this prospect, members of our group resolved we would do nothing to add to the deficit. This often tied our hands. Many of us would have liked a bolder, more radical set of recommendations. But in the current fiscal circumstances, we felt that was irresponsible, and we agreed that the initiatives we propose should be budget-neutral.

Our group's costliest proposals are to expand the earned income tax credit (EITC), provide Pell Grants for career education, subsidize paid parental leave and make the child and dependent care tax credit available to working-class parents currently unable to take advantage of it.

We agreed to fund these priorities with a combination of strategies: raising new revenue, reallocating existing spending and repurposing programs that benefit primarily the middle and upper-middle class, reorienting funding to help those who need it most.

The most important provision of the social contract is work.

Today, the primary beneficiaries of the child and dependent care tax credit are households with incomes above \$100,000. We propose capping eligibility at \$80,000 and making the credit refundable—payable even to families that don't earn enough to owe income taxes. Likewise, we propose funding Pell Grants for career education and training—for college-age students and workers displaced by economic change—by reallocating money currently spent on 529 education savings accounts, tuition tax credits and graduate student loans. All of these subsidies benefit primarily higher-income students or those who could be equally well served by private lenders. Funds for expanding the EITC would come in part from reducing the error and fraud that plague the program.

Along with these savings, we propose raising new revenue—whenever possible, by taxing those on the winning side of growing economic inequality or those who benefited most from the expensive tax cuts of 2017. We propose enacting one of three possible tax increases: expanding the number of families that pay estate taxes, limiting tax deductions available to better-off households or raising minimum taxes for corporations that rely on tax havens.

It wasn't easy to reach a compromise on how to pay for our proposals. No one in our group is happy with all the options we recommend, and we recognize it will not be easy for the nation to rebalance spending more equitably. But no one benefits from policy that cannot be implemented for lack of funding. Our group wrestled with the trade-offs of reordering

priorities and reallocating resources because we felt it was imperative—part of remedying decades of neglect and renewing the social contract with working-class Americans. We hope our work can provide a model for other bipartisan fiscal compromises in years to come.

OUR LEADING PROPOSALS

Not surprisingly, progressives and conservatives in our group were sharply divided about the role that government—particularly, federal government—should play in restoring opportunity for working-class Americans. Some called for large-scale federal interventions: increased revenue and spending and dramatic changes to the tax structure. Others argued that people closest to a problem generally know best how to solve it—and that government spending will not cure much of what ails working-class communities.

We never fully resolved these differences; our recommendations represent an uneasy truce. But in the end, we agreed strongly on two counts.

First, we do not endorse two increasingly popular, sweeping reforms that many in the political class believe would help working Americans: free college and universal basic income. We believe that making college free for all students would offer needless savings to upper-middle-class families instead of targeting federal aid to those who need help the most, including the working class. As for universal basic income, we believe programs that provide unconditional cash payments devalue work and excuse the nation from its obligation to create job opportunities.

Second, no matter how we view new large-scale federal spending, we agree that the battle to provide more opportunity must be fought on many fronts. Much of what needs fixing falls to employers. Also critical: more even economic growth. Revitalizing civic institutions is a job for people at ground level; members of each community must come together and resolve to rebuild or replace decaying supports. Most challenging, the hard work of rekindling social norms must be done by working-class families themselves. There is little government can do.

Our group's policy recommendations reflect this compromise: more federal intervention than some of us were comfortable with and less than others would have liked.

A thread running through our major proposals: getting people back to work and increasing wages—with job growth, wage supports, work requirements, more readily available job training and the renewal of communities that provide a social underpinning for workers.

Expanded EITC. Members of our group agree that work should pay, and full-time work should pay enough to support a decent way of life. The EITC is designed to supplement wages for less-skilled, lower-paying jobs, but childless working adults are all but excluded from the program. There is broad bipartisan backing for increasing the credit available to workers without children. Presidents Bill Clinton and Barack Obama and Speaker of the House Paul Ryan all floated plans. What stymied them: the cost. We endorse the concept and consider taking it one step further, reforming the way the benefit is calculated so as not to penalize or discourage marriage. We also propose a funding offset that we believe can break the political logjam, opening the way to bipartisan enactment of the EITC for childless workers.

A wage subsidy pilot. Effective as it is, the EITC does not always work as intended, and we encourage lawmakers to experiment with an alternative approach, either a worker tax credit or a more direct wage subsidy that low-wage workers receive in their paychecks rather than as a lump sum at tax time. Such a program would be costly, and we suggest starting with a pilot in a few states or metropolitan areas.

Work requirements and jobs of last resort. A top priority for our group is reversing the decline in work among blue-collar men. Higher wages would likely draw many back into the labor market, but some may also need a nudge from public policy. Our group agreed unanimously that public assistance programs should do more to link disconnected workers to jobs.

Most members of the group also want to strengthen Supplemental Nutrition Assistance Program (SNAP) work requirements that were relaxed during the Great Recession and permit state agencies to reduce assistance to beneficiaries who are offered jobs and choose not to take them. In cases where no job is available, the state would be permitted to create incentives for the private sector to provide one. No one's benefits would be reduced if no job were available.

Reforms to unemployment and disability insurance. Our group agrees that existing unemployment and disability insurance programs create the wrong incentives for Americans thrown out of work, encouraging many to stay on the rolls as long as possible—sometimes, in the case of disability insurance, for the rest of their lives. We recommend strengthening incentives and expectations that claimants seek new employment and also encouraging employers to accommodate physically challenged workers rather than write them off as unemployable.

Federal financial aid for career education. Today, federal financial aid targets mostly traditional academic education at the expense of programs that teach students, college-age and older, the skills they need to succeed in the workplace. We recommend righting this imbalance, making grants and loans available for a much broader range of career education, including short-term and nondegree programs at unaccredited institutions.

This is not a reform that can be implemented immediately nationwide: it must be accompanied by effective quality control, and we as a nation don't yet have the means to guarantee quality on that scale. Our group recommends moving forward with several promising experiments in quality assurance, including a federal pay-for-performance pilot that funds training at programs with good employment outcomes. We propose paying for what could eventually be a significant expansion of federal financial aid—especially if large numbers of displaced workers enroll in training programs—by ending education tax credits for the upper-middle class and loan forgiveness for graduate students.

Bolstering Opportunity Zones. A little-noticed provision of the 2017 Tax Cuts and Jobs Act rewards investors who put capital to work in areas, labeled Opportunity Zones, struggling with poverty or sluggish job growth. This new financing, which may be significant, will likely create jobs for working Americans.

But private investment alone can do little to address the social problems and human capital deficits that often prevent workers from taking advantage of opportunity. Governors and mayors who wish to reap the full benefit of Opportunity Zone investment must incorporate incoming funding in a broader strategy, eliminating local impediments to growth, marshaling additional resources and addressing problems that investment dollars are unlikely or unable to reach. We propose a number of strategies for communities to consider.

These recommendations do not exhaust our proposals. On the contrary, these are just six of several dozen. Find the full list on pages 3 to 5 and in the chapters that follow.

We listened and negotiated and ultimately compromised with one another.

OMITTED ISSUES

Our recommendations address three broad areas where members of our group agreed the nation can do most to help working-class Americans: jobs and wages, education and skills, family and community. We set aside other issues we saw as less relevant—important in their own right, but not, we felt, central to our project—or on which we were unable to reach consensus.

We do not discuss race. Our definition of working class encompasses all races and ethnicities, and though color often compounds the problems we

address, we decided it was beyond our scope. We take no position on the Affordable Care Act or the 2017 tax overhaul—also, we felt, beyond our remit. We set aside immigration.

Many working Americans blame immigrants for what's wrong in their communities. The political rise of the working class has been accompanied by growing anti-immigrant sentiment, and conventional wisdom holds that immigration has contributed to stagnant wages and declining employment in blue-collar communities. In fact, the research is mixed.¹⁶ Some studies find that immigration has reduced wages for less-educated workers; others show small or positive effects for those with a high school diploma. A better case can be made that the easy availability of immigrant labor has allowed the nation to avoid facing the problems of less-skilled native-born workers.¹⁷

But our group agreed: the perception that immigration is responsible for what ails the working class is mistaken. The causes—and remedies—are far more complex. The aim of our project is to tackle those problems, and we felt it was unnecessary to address immigration to propose solutions for the working class.

BIPARTISAN AGREEMENT

Our bipartisan working group offers the recommendations that follow. This doesn't mean each of us agrees with every claim or supports every policy proposal. But we put them forward as a package—we believe the components fit together as a package. We all agree that the nation must take vigorous action to restore upward mobility for working-class Americans.

America is increasingly polarized along party lines. Washington is close to paralyzed. Many on the right and left no longer agree even about facts, and different factions prioritize different essential American values, picking and choosing from what was once regarded as a universal creed. Our working group is determined to resist this division and the logic behind it—that left and right can never see eye to eye. We still believe it's possible for conservatives and progressives to cooperate.

Over the past year, we listened and negotiated and ultimately compromised with one another to create a plan that we believe is the best way forward. All members of our group stand by our report because we believe it will begin to remedy years of neglect and increase opportunity for working Americans.





I. THE FACTS

The working class looks very different today than it did just 60 years ago. Factories have closed, work has changed, and the iconic blue-collar communities of the 1940s and '50s have all but disappeared. Yet most Americans know very little about the world that has replaced them. Who makes up the working class today? What exactly is it that ails them? Why, unlike in so many other parts of America, do their fortunes seem to be declining rather than improving? Our group began by establishing a set of agreed-upon facts—the foundation on which we built our policy recommendations.

I. THE FACTS

Like many analysts, we think the working class is in trouble—not deep trouble, but trouble enough. As we will lay out in some detail, these signs of trouble include economic stagnation; reduced levels of work; declining marriage rates; increasing rates of childbearing outside marriage; physical and behavioral health issues, including addiction and suicide; and other symptoms of what Anne Case and Angus Deaton of Princeton call “cultural despair.”¹⁸

In this chapter, we review these signs of trouble. Each of the chapters that follow examines a different aspect of the state of the working class and proposes solutions that hold promise. The recommendations we offer are backed by empirical evidence and political consensus within our group. In this chapter, we focus our attention on describing the problems and not how they might be solved.

DEFINITION AND DEMOGRAPHIC CHARACTERISTICS

We define the working class as adults between the ages of 25 and 64, with household income between the 20th percentile (around \$30,435 for a household containing a married couple with one child in 2016) and the 50th percentile (\$69,254), with a high school degree or more, but less than a four-year college degree.¹⁹ Under our definition, there are 15.8 million working-class households; they contain approximately 29 million adults and 9 million children.

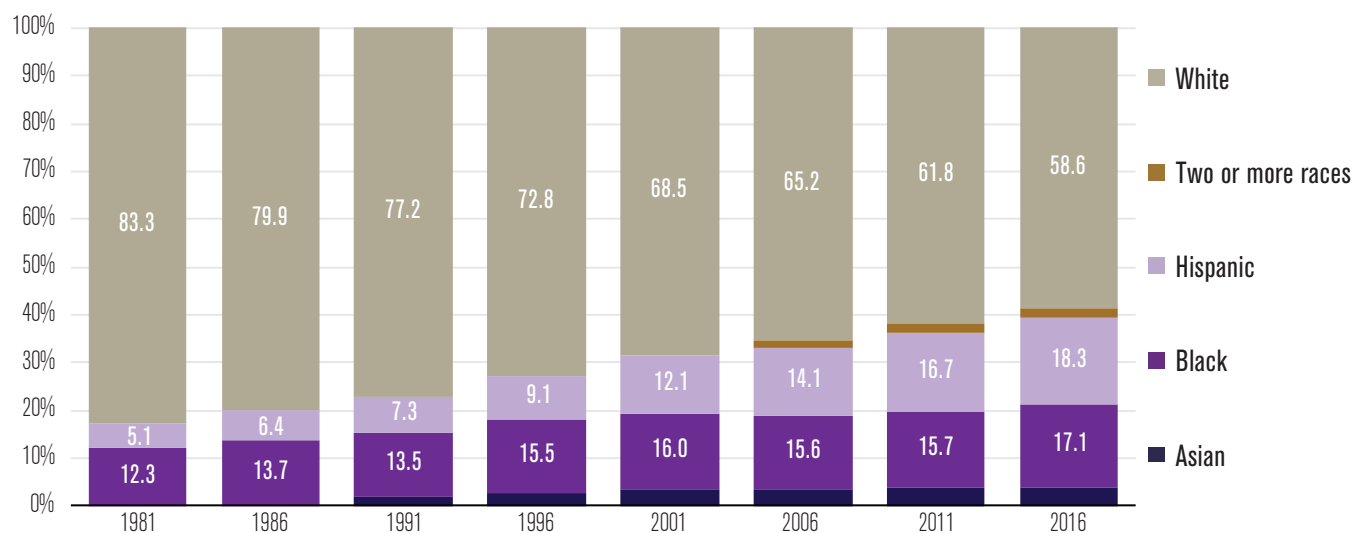
Racial and ethnic composition

The racial/ethnic composition of the working class has undergone striking changes over recent decades. The most important change is that the percentage of the working class that is white has dropped by just under 25 percent—from 83.3 percent in 1981 to 58.6 percent today. This sharp decline is accounted for by a large increase in the percentage of working-class Hispanics and blacks, the Hispanic share more than tripling from a mere 5.1 percent to 18.3 percent, and the black share increasing from 12.3 percent to 17.1 percent.

Figure 1 shows the growing representation of Hispanics and blacks in the working class over these years and the declining representation of whites. Such increasing diversity in the ranks of the working class is the result primarily of overall increases in the Hispanic population in the United States rather than a reduced probability that whites will end up in the working class. In the US as a whole, whites account for 76.6 percent of the population, blacks for 13.4 percent, Hispanics for 18.1 percent and Asians for 5.8 percent.²⁰

The percentage of the working class that is white has dropped from 83.3 percent in 1981 to 58.6 percent today.

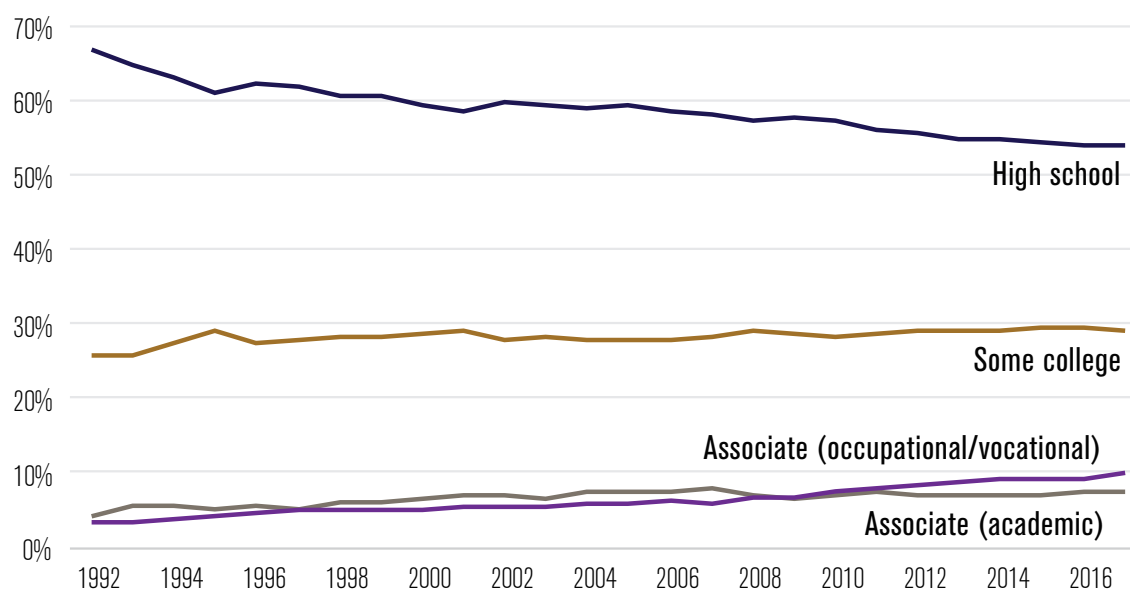
Figure 1. Working class by race, 1981–2016



Note: The Census Bureau allowed for the "Two or more races" category only starting in 2003.

Source: Author's calculations from the Current Population Survey.

Figure 2. Highest level of educational attainment among the working class, 1992–2016



Source: Author's calculations from the Current Population Survey, Annual Social and Economic Supplement.

Education and skills

Education has long been seen as the way to get ahead in America. There is a new and growing understanding, however, that attending a traditional, academic four-year college does not increase economic opportunity for all working-class young people. Americans report increasing pessimism about the value of college. In a recent survey conducted by the Public Religion Research Institute and the *Atlantic*, just 44 percent of those in the white working class said they believed that a college education is a smart investment in the future. Even more notable, 54 percent think it is “a gamble that may not pay off.”²¹

Too many students from working-class families who start college do not finish, and many of them are left struggling to pay off their college loan debt. Even those who finish often have trouble paying off their loans. Whether we can help all members of the working class secure decent jobs or assist those who have lost their jobs by encouraging them to attend a four-year college is an increasingly open question.

But the data also indicate that the noncollege pathway as it currently exists is an inadequate substitute. We need new ideas. In chapter IV, we develop this argument further and propose alternative and less risky paths to success in the labor market for young people in the working class.

Fifty-four percent of the working class have just a high school diploma, while 29 percent have some college but no degree (figure 2). The remaining 17 percent have a two-year associate degree. But this summary of the working class’s education credentials misses two important trends.

First, the share of the working class with just a high school degree has been falling since 1992. Over this period, the share of the working class that has achieved only a high school diploma declined by 12.8 percentage points, from 66.6 percent to 53.8 percent.

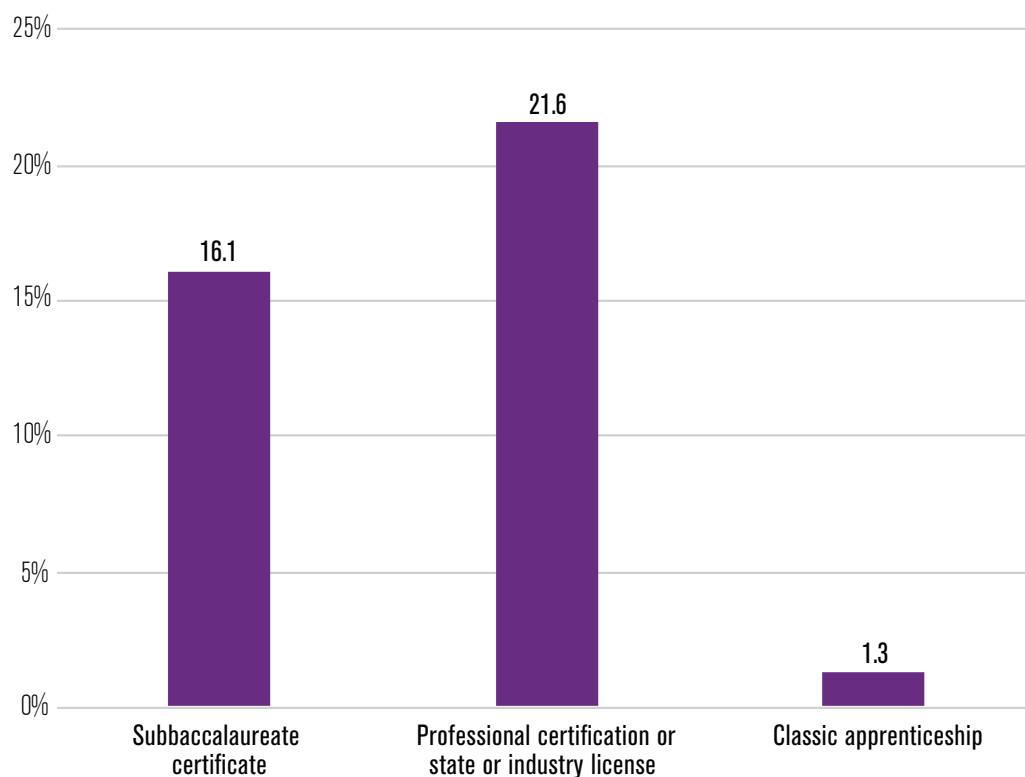
Second, a major reason the percentage of the working class with only a high school degree has declined is that young people seem to understand that they need more education to be competitive in the labor market. Rooney Columbus, formerly of AEI, recently

examined data from the Adult Training and Education Survey (ATES) and found that in 2016 nearly 32 percent of the working class reported having some form of nondegree credential, many of which can pay off in the labor market.²²

There are four main forms of postsecondary, non-degree credentials: certificates granted by an educational institution like a community college; licenses, often issued by state or local government; professional certifications awarded by industry groups that qualify individuals to perform a specific job; and journeyman certificates signaling completion of apprenticeships that provide extensive training and on-the-job experience in learning a trade. The ATES survey lumps licenses and certifications in one category. According to Columbus’s analysis (figure 3), about 16 percent of the working class has some form of subbaccalaureate certificate from a community college, and nearly 22 percent report having a professional certification or license. Only a little more than 1 percent of the working class has participated in an apprenticeship program.

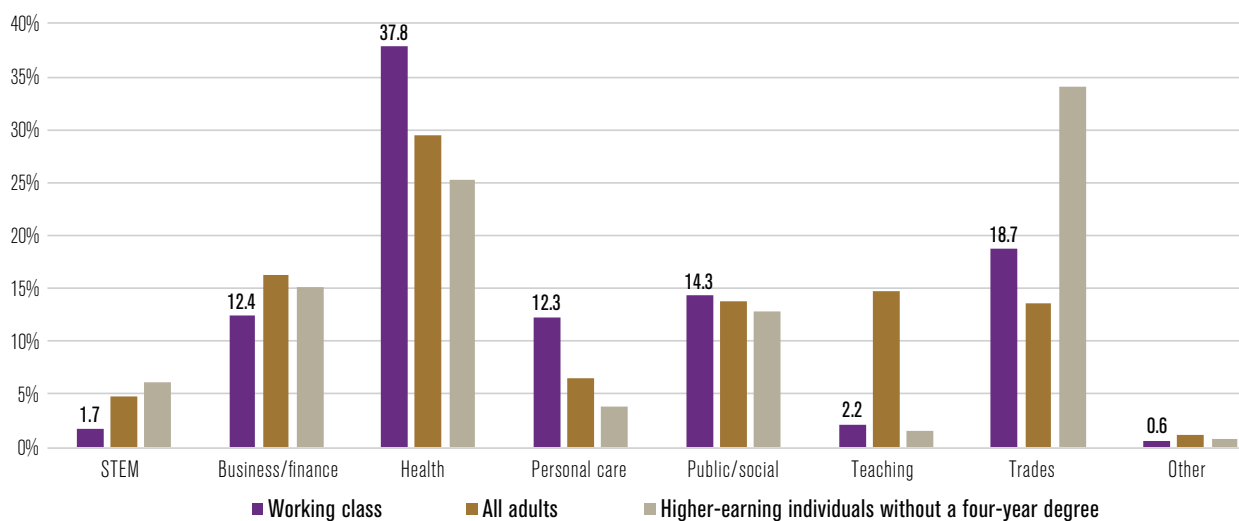
Beyond the specific types of awards, interviewers also ask about the field of study in which individuals hold credentials (figure 4). The most common fields of study among all adults age 25–64 are health (30 percent), followed by business/finance (16 percent), teaching (15 percent), the skilled trades (14 percent) and public and social services (14 percent). Compared to all adults, the working class has notably higher rates of credentials in health, the trades and personal care (38 percent, 19 percent and 12 percent, respectively), while credentials in teaching are less common, at 2 percent. Individuals without a four-year degree who outearn the working class tend to hold qualifications in the skilled trades; science, technology, engineering and math (STEM); and business/finance. These estimates are only correlational, but they suggest that if more of the working class were to attain credentials and certificates in the skilled trades, STEM and business or finance, their incomes might be higher.

Figure 3. Types of nondegree postsecondary credentials among the working class, 2016



Source: Calculations by Rooney Columbus based on the Adult Training and Education Survey (ATES) 2016.

Figure 4. Field of study of work credential, 2016



Note: Dollar figures adjusted by the CPI-U-RS to 2016 levels.

Source: Calculations by Rooney Columbus based on the Adult Training and Education Survey (ATES) 2016.

ECONOMIC WELL-BEING

Wage and salary income

Nothing tells us more about the changing position of the working class in America today than its shifting economic circumstances. In what follows, we often compare the working class with the 50 percent of the income distribution above them and the 20 percent below them to demonstrate both their absolute and relative position.

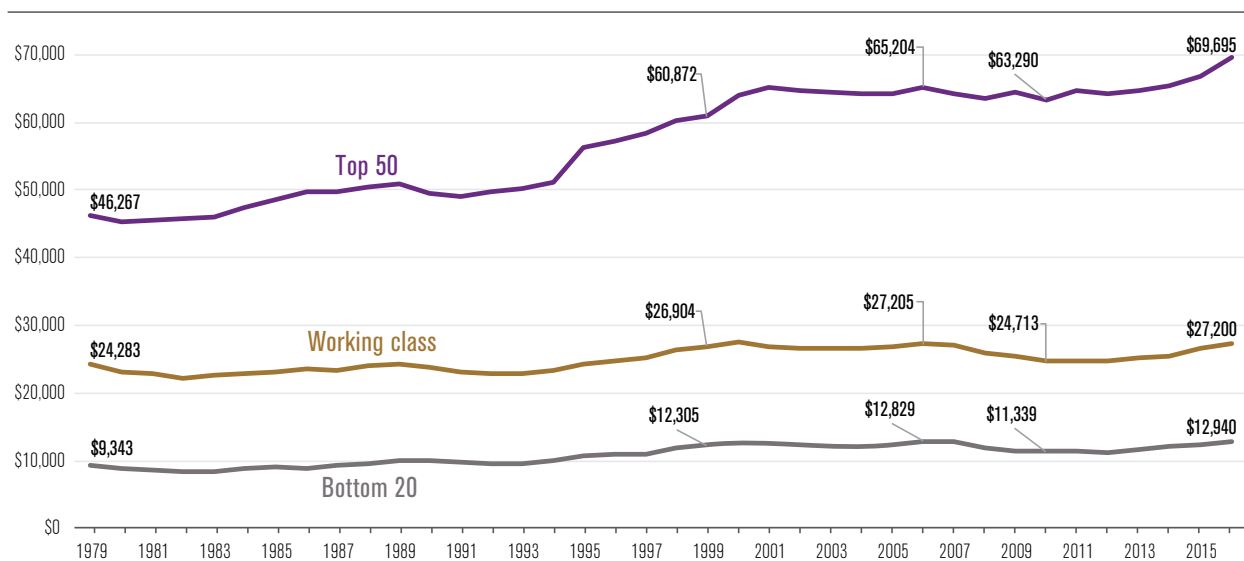
The most important indicator of economic well-being is individual wage and salary income. (Note that individual wage and salary income differs from the household income we use to define membership in the working class.) As shown in figure 5, the 50 percent of the income distribution above the working class enjoyed a substantial increase in wage and salary income over the entire period from 1979 to 2016. Their average salary and wages rose from \$46,267 to \$69,695 over these years, an increase of nearly 51 percent. Most of this progress took place

before the recession of 2001 and virtually all of it before the Great Recession began in 2007.

The growth of wage and salary income for the working class and the bottom 20 percent was small compared with this substantial rise for those in the top half of the distribution. For the working class, the rise was from \$24,283 to \$27,200, about 12 percent. Almost all of this increase took place before 2000, and wages have stagnated since. The rise for the bottom 20 percent was more than 38 percent, but that's in large part because the initial level—\$9,343—was so low. Both the absolute level of earnings and the rise over the past 36 years have been minimal for the working class.

Wage and salary stagnation everywhere but at the top reflects, in part, an unanticipated shift of national income away from labor (figure 6). Economists long believed that labor's share would remain constant at slightly less than two-thirds of GDP. But early in the 21st century, for reasons that are not fully understood, labor's share began a steady slide that bottomed out at 56 percent in 2015 before recovering slightly in recent years.

Figure 5. Average wage and salary income of the working class and bottom 20 percent and top 50 percent of earners, 1979–2016



Note: Dollar figures adjusted by the CPI-U-RS to 2016 levels.

Source: Authors' calculations from the Current Population Survey, Annual Social and Economic Supplement.

Our group believes that both the absolute level of working-class income and its relatively sluggish growth over the past three-plus decades support the widespread view that stagnant incomes have played a role in exacerbating working-class discontent. The working class sees those above them doing better and better, and they wonder why they have been stuck for more than three decades. In addition, many in the working class believe that poorer families on welfare are getting a free ride. Numerous studies show that welfare programs have become more effective and that many in the bottom 20 percent are better off because of welfare programs, especially programs such as the earned income tax credit that supplement low earnings.²³

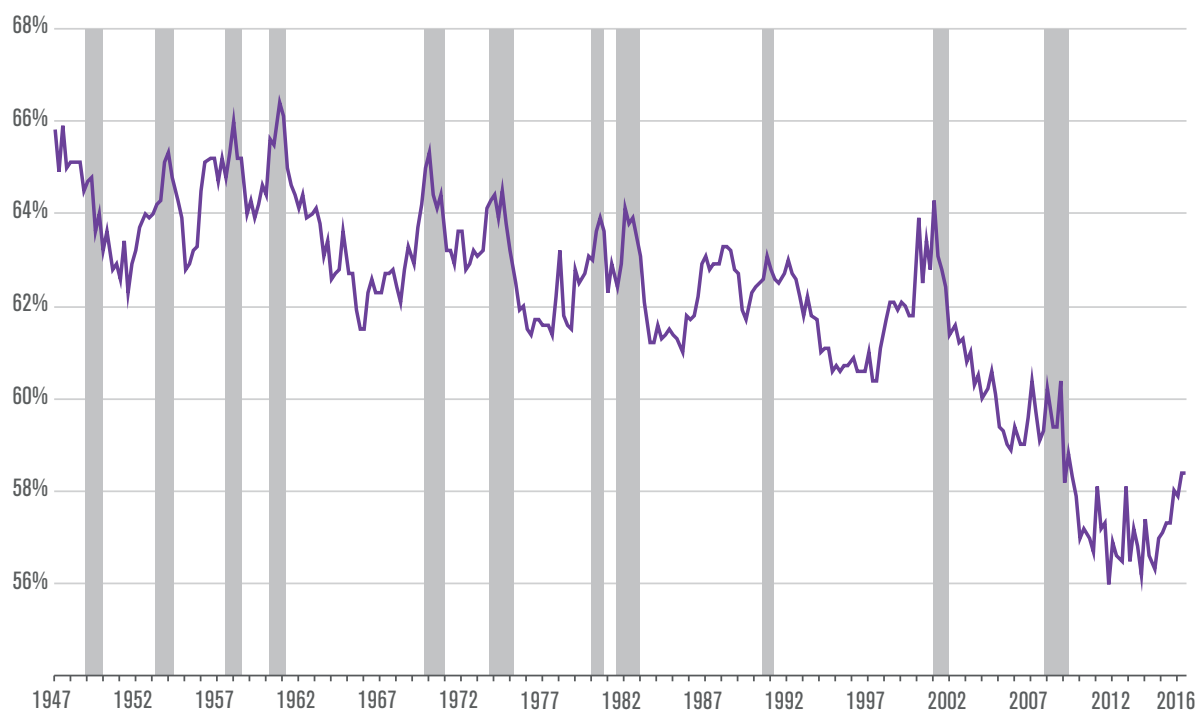
This descriptive chapter of our report and the more interpretive chapters that follow will show that other problems have developed along with stagnant or declining wages. There is a kind of dance between income and other factors such as changes in family

composition, health problems and drug use, which often work together to produce additional lousy outcomes. Separating these factors is difficult, but there can be no question that stagnating and declining income plays a major role. Later sections of this chapter explore further how the dance works.

Consumption expenditures compared with income

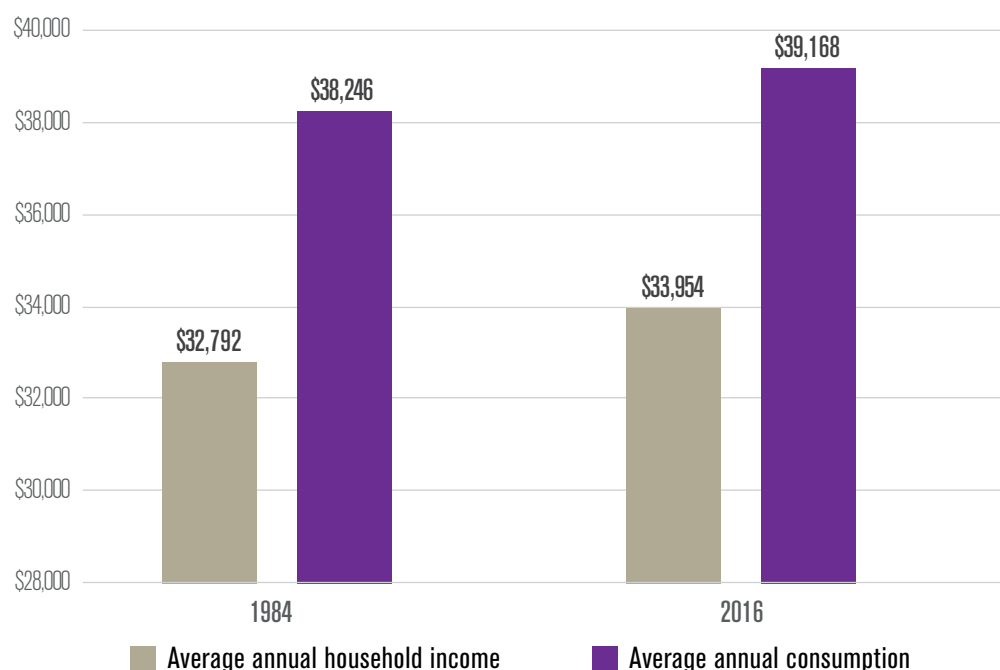
As recent literature has shown, income is not always the best indicator of the resources available to a household or family. Consumption, defined as what a household spends on goods and services, may be a better measure of well-being. We use Bureau of Labor Statistics tables of consumer expenditure data to explore consumption trends among the working class (figure 7).

Figure 6. Labor's share of output in the nonfarm business sector, 1947–2016



Note: Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.
Source: US Bureau of Labor Statistics.

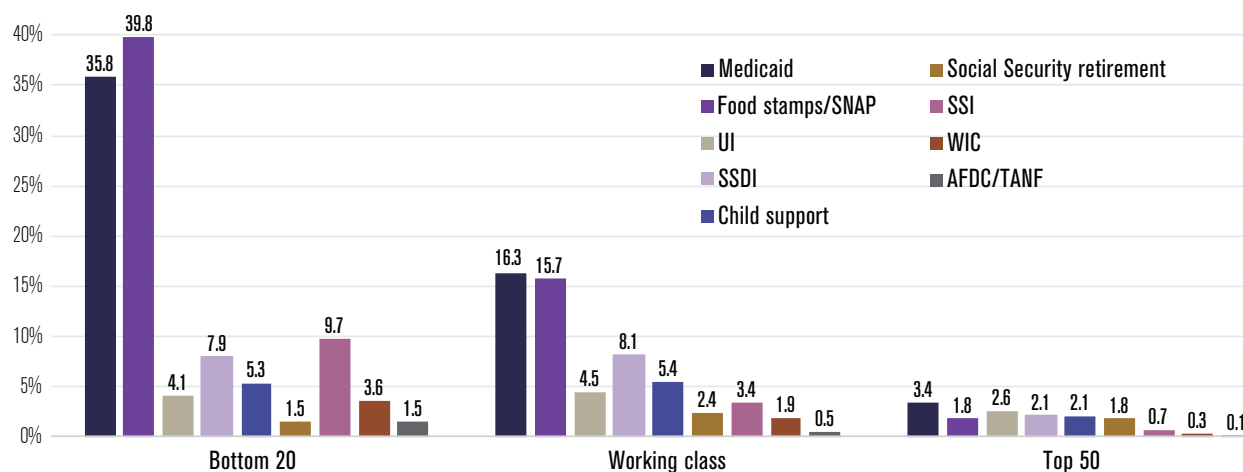
Figure 7. Income versus consumption, 20th–50th percentile of pretax household income, 1984 and 2016



Note: Approximations for 20th and 50th percentiles made for 1984 based on population sizes of consumer units. Dollar figures adjusted by the CPI-U-RS to 2016 levels.

Source: Bureau of Labor Statistics, table 1110, "Deciles of Income Before Taxes: Annual Expenditure Means Shares, Standard Errors and Coefficients of Variation," Consumer Expenditure Survey, 2016; and BLS, table 2, "Income Before Taxes: Average Annual Expenditures and Characteristics," Consumer Expenditure Survey, 1984.

Figure 8. Receipt of various public benefits by working class and bottom 20 percent and top 50 percent of earners, 2014



Source: Angela Rachidi, *The Working Class and the Federal Government's Social Safety Net*, AEI, 2018, <http://www.aei.org/publication/the-working-class-and-the-federal-governments-social-safety-net/>.

In most years, individuals who fall in the 20th and 50th percentile of pretax household income (which includes the entire working class as our group defines it) spend considerably more than their income. In 2016, the average working-class consumer spent about 15 percent more than their household earned. That gap has been consistent as far back as 1984. Thus, stagnant incomes among the working class have been mirrored by stagnant consumption, although consumption has been consistently higher.

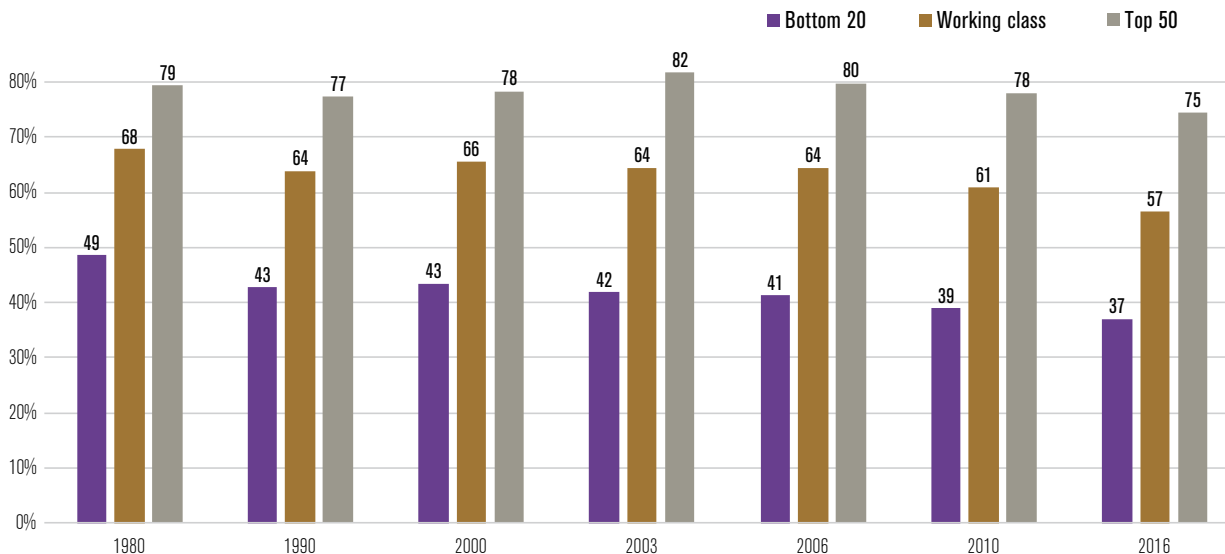
Public benefits

Means-tested public benefits are an important source of income for many American families. But according to a study conducted by Angela Rachidi of AEI, the working class draws much less of its income from public benefits than the bottom 20 percent (figure 8). Two means-tested programs that do provide substantial benefits to the working class are Medicaid health insurance and food stamps (SNAP); about 16 percent of members of the working class receive one of these two benefits.

Also important to the working class are disability payments. There are two major disability programs: Social Security Disability Insurance (SSDI), an insurance program that's part of the Social Security system, and Supplemental Security Income (SSI), a welfare program. Among other benefits, both provide a sizeable cash income supplement to people with verified disabilities. Enrollment in both programs increased substantially beginning roughly in the 1980s, causing concern that many people, especially males (see the data on dropping out of the workforce summarized in the "Employment" section in this chapter), were using the benefits to support themselves while they left the workforce.²⁴ Researchers all along the political spectrum are concerned about the problem, but there is little agreement on either diagnosis or solutions.²⁵

Surprisingly, in 2014, the increase in the rolls stopped and even reversed. By May 2018, the SSDI rolls had fallen from more than 11 million to 10.3 million. Economists and policy thinkers aren't sure why; no convincing explanation has yet been proposed. Perhaps the reasons will become clearer in months ahead, but we still don't know how to help disabled adults stay in the labor force and out of dependency.

Figure 9. Homeownership for working class and bottom 20 percent and top 50 percent of earners, 1980, 1990, 2000, 2003, 2006, 2010, 2016



Source: Authors' calculations from the American Community Survey.

Wealth

The wealth of those with incomes that place them in the working class has declined sharply in recent years. After reaching a high of \$50,700 (in real 2016 dollars) in 2001, median net worth for families at the 20th–40th income percentiles tumbled to \$23,100 in 2013 and has increased only modestly in the past few years to \$32,300, a level markedly below those that persisted throughout the 1990s and early 2000s.²⁶

A large part of this decline for the working class is associated with a fall in homeownership and in the value of homes (figure 9). For most low- and moderate-income families, including those in the working class, all or nearly all of their wealth is the net worth of their home—the potential sales price minus the balance on their mortgage. According to 2017 data from the American Community Survey, homeownership declined somewhat after the recession of 2001 and then even more after the Great Recession, dropping below 60 percent among members of the working class for the first time in 2016. By comparison, in 1980, 68 percent of the working class owned homes. The Federal Reserve Board’s Survey of Consumer Finances confirms that the value held in primary residences sank during the Great Recession and has yet to recover, especially for those near the bottom of the income distribution.²⁷

Wealth is not much discussed in media coverage of the impacts of the Great Recession or the plight of the working class, but losing their nest egg can have both a financial and psychological impact on these families, especially if their nest egg is their home. And for those approaching retirement age, the consequences can be especially distressing.

Employment

Members of the working class, especially men, have been less likely to work in recent decades than in the past. Figures 10 and 11 present employment rates for men (figure 10) and women (figure 11) between 1980 and 2016—for the working class, the top 50 percent and the bottom 20 percent of Americans.

Across the three groups, the less affluent the men were, the more their employment rates dropped. The decline for the top 50 percent was 3.1 percent; for those with working-class incomes, it was 9.2 percent; and for those in the bottom 20 percent, it was 21 percent. Most of the decline in employment for the bottom 20 percent and the working class took place following the recession of 2001, while the rest took place following the Great Recession.

The employment rates of women are more encouraging but nonetheless leave plenty of reason for concern. At their peak before the 2001 recession, the employment of all three income groups, especially the bottom 20 percent, increased. Over the entire 36-year period from 1980 to 2016, which included the two recessions at the beginning of the 21st century—2001 and 2007–09—employment among working-class women increased by 11.7 percent, while employment among women in the bottom 20 percent increased by 20 percent and employment among women in the top 50 percent increased by 21 percent. Women in the top half of the distribution suffered almost no decline in employment as a result of the Great Recession, despite its severity. Women in the other two groups and all three male groups, by contrast, suffered negative impacts from both 21st-century recessions.

This employment decline and modest recovery—for women in the working class and the bottom 20 percent—is an issue of concern, especially after the strong increase in women’s employment in the previous four decades. The decline in work among American women is an outlier compared to other Organisation for Economic Co-operation and Development countries.²⁸ Many members of the working class live in female-headed families, and if this trend continues, many households may continue to struggle economically despite anyone’s best efforts.

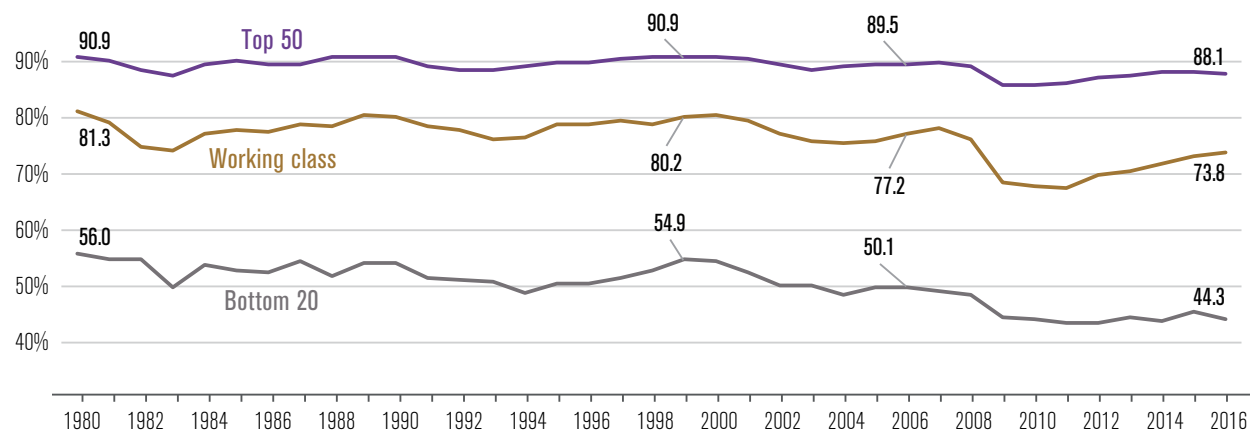
We think of recessions as a time of rising unemployment followed by a rising economy and a return to work, but this is not the way the labor market has been working in recent years. The Great Recession of 2007–2009 seemed to lead many workers, especially men, to leave the economy on a permanent basis.²⁹ According to research by Robert Shapiro, workers with at least a high school degree but less

than a four-year degree (many of whom are members of the working class as our group defines it) saw a net loss of three million jobs between January 2008 and January 2013.³⁰ Between 2013 and 2017, the economy added only 2.3 million jobs for those with a high school diploma but without a four-year degree, leaving these workers about 700,000 jobs short of a full recovery.

Many in the working class are indeed dropping out of the labor force, albeit at a more moderate rate than workers below them in the bottom 20 percent. Many

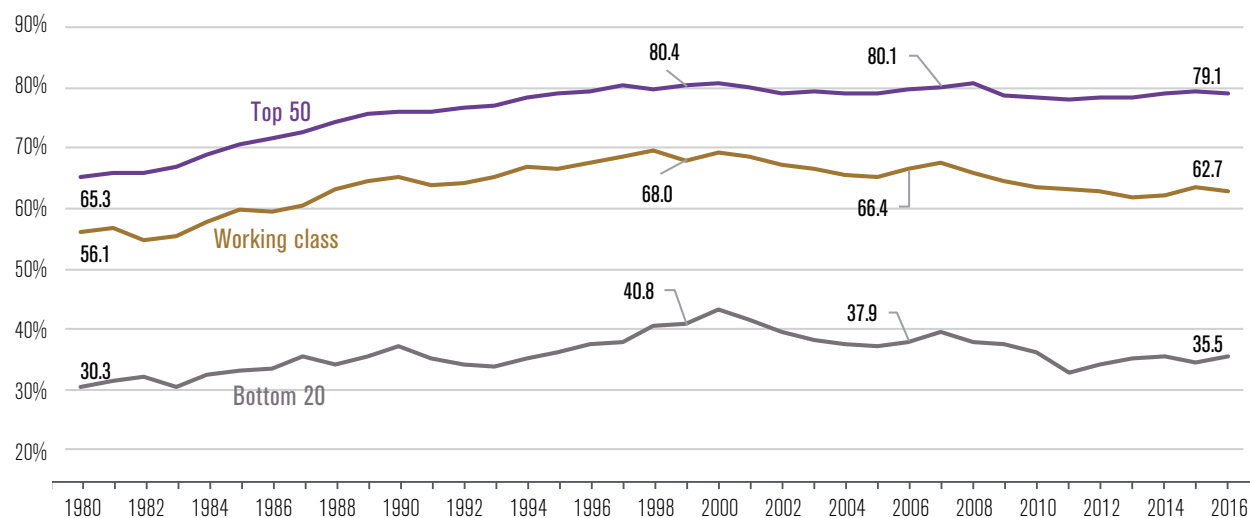
in the working class lost their jobs during the recessions of the early 21st century, and although some returned to work as the economy recovered, the group as a whole did not make up its losses. In the wake of each of the two recessions, the employment-to-population ratio has recovered only partially. The net loss of employment for men was about 3 percent in the 2001 recession, while the net loss during the Great Recession was about 6 percent. The figures were similar for women. These trends are of considerable concern.

Figure 10. Employment-to-population ratio, men, 1980–2016



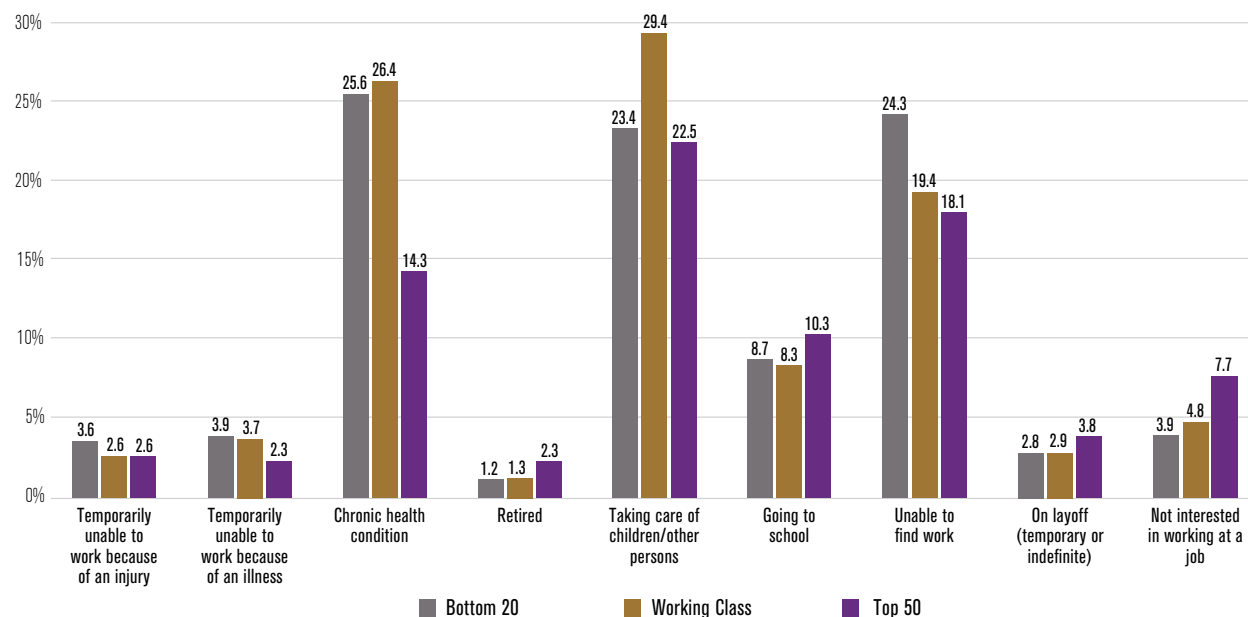
Source: Authors' calculations from the Current Population Survey.

Figure 11. Employment-to-population ratio, women, 1980–2016



Source: Authors' calculations from the Current Population Survey.

Figure 12. Reasons given for nonwork by prime-age individuals in working class and bottom 20 percent and top 50 percent of earners who did not hold a job for at least one week in any given month, 2013



Source: Authors' calculations from Survey of Income and Program Participation 2014 Wave 1 data.

Poor and working-class men and women have suffered a double blow in the past three or four decades. First, their absolute income, already low, was stagnant or declining during and immediately after the recessionary periods. Second, their work rates weakened, albeit modestly for women both in the working class and the bottom 20 percent. For men, the work rate problem appears to be more serious and may be lasting.

What could be keeping so many men and a considerable number of women out of the labor force? The most straightforward way to determine the barriers to work is to ask people why they are not working. The Census Bureau's Survey of Income and Program Participation (SIPP) did this for its 2014 survey (which records responses for calendar year 2013).

Figure 12 depicts the responses of prime-age men and women. The most frequently cited reasons, especially among the working class, are chronic health conditions and needing to take care of children

or other persons. Close behind is inability to find work. The rest—temporary injury, temporary illness, retired, going to school, on layoff and not interested in work—trail the top three reasons by wide margins.

The connection between income and health issues is nothing new—workers have been saying this for a long time. Nonetheless, the degree to which workers today say chronic conditions are interfering with work could be a major concern. Perhaps the greatest threat is that individuals with mild disabilities but who have other labor market issues will leave the labor market to qualify for SSI or SSDI and live on benefits rather than earnings. These individuals tend to stay out of the labor market permanently, a development that is troubling for both the individuals and the federal budget. Several proposals circulating in the nation's capital endeavor to address this issue, and a few that aim to help young adults with modest disabilities have been tested.³¹

Other explanations and consequences of economic changes

There are many other potential explanations for these economic changes. Most analysts agree that what ails the working class goes beyond economics—beyond earnings and work rates. In the section that follows, we examine some of the other potential causes of their declining circumstances. Later chapters examine these causes in more depth and propose solutions.

Occupation/sectoral employment. The jobs held by the working class look different today than 20 or 30 years ago, raising troubling questions about whether these occupations and industries—the old and the new—will be viable over the long term in the increasingly automated world of work.

Tabulations from the Current Population Survey show that the five most common occupations reported among the working class are office and administrative support, sales and related occupations, transportation and material moving, production, and construction and extraction. Together, these account for just over half of all jobs held by the working class (table 1), and between 2006 and 2010, all experienced declines of greater than 6 percent. Construction and extraction jobs, production, and transportation and material moving occupations lost the most, plummeting by 24 percent, 19.5 percent and 13 percent, respectively.³² Production occupations are expected to fall further between 2016 and 2026, and many other traditional working-class occupations are expected to experience below-average growth.

Also in flux—along with the jobs held by working-class men and women—the economic sectors that matter most to the economy are changing, and the two trends may well be linked. Thus, for example, the decline in labor force participation rates may trace back in part to the shrinking of the manufacturing sector, especially if laid off and dislocated workers do not receive appropriate training or are unwilling to accept new jobs that offer lower pay.³³ This may be particularly true in local labor markets hard hit by recent changes in trade flows.³⁴

The sectors that employ the largest numbers of working-class men and women are the retail trade; manufacturing; arts, entertainment, recreation, accommodations and food services; transportation and warehousing; and construction industries. Together these sectors make up just under half of total employment, with retail trades and manufacturing accounting for just over and just under 9 percent, respectively. Yet many of these industries have experienced substantial employment declines in recent years. Between 2000 and 2017, for example, manufacturing employment fell by 5.5 million jobs.³⁵

Unions. One of the most notable work-related changes in the past three decades has been the decline of unions (figure 13). Through the 20th century, many if not most workers looked to unions to represent their interests, and the labor movement has a long history of improving wages and working conditions. In 1983, union membership among wage and salary workers stood at 20.1 percent. But it has since fallen dramatically to 10.7 percent in 2017.³⁶

This secular decline has not bypassed any group. Since 1990, union membership has fallen in all three wage groups—top, bottom and working class—with the most dramatic effects on the working class and those in the top 50 percent. Today, just 11 percent of the working class are union members, down from about 17 percent. Among the top 50 percent of earners, union membership has declined from 24 percent to 15 percent.

Scheduling and on-call work. For at least some members of the working class, the nature of work has changed. On-call work—days and hours in which workers are not at a work location but are on standby until called to work—and temporary positions have become more and more prevalent. Between 2001 and 2015, on-call work positions rose from 10.1 percent to 15.8 percent of jobs, and the trend has affected some groups of Americans more dramatically than others. According to Lawrence Katz and Alan Krueger, the probability of being an on-call worker spikes as income rises from the 40th to the 60th percentile, while the probability of being a temporary

help agency worker spikes between the 20th and 40th percentiles—and a large share of these workers fall in our group’s definition of the working class.³⁷

Opioids. In 2016, drug overdoses were the leading cause of death among Americans under age 50.³⁸ According to Krueger, almost half of prime-age men not in the labor force take pain medicine daily, and of those, two-thirds use prescriptions to gain access to the drugs.³⁹ This suggests that at least one-third are gaining access by sharing, stealing or obtaining prescription medicines by some other illicit means. Furthermore, according to Krueger’s calculations, as much as 20 percent of the decline in labor force participation of prime-age men between 1999 and 2015, and 25 percent for women, could be accounted for by the increase in opioid use. As Case and Deaton show, the human costs of opioid addiction are hard to calculate but are likely very large.⁴⁰

Lack of jobs. Among working-class individuals not in the labor force, approximately 7.3 percent report that the reason they are not in the labor force is because they are unable to find work. These findings appear to confirm a theory, commonly called “hysteresis,” increasingly popular since the Great Recession, that persistent slack in the labor market may itself lead to long-term declines in employment.⁴¹ The theory stipulates that unemployment and underemployment for a sustained period of time can lead to a deterioration in worker skills, tepid skill growth through underinvestment in education and training, and a subsequent severing of workers’ attachment to the labor market.

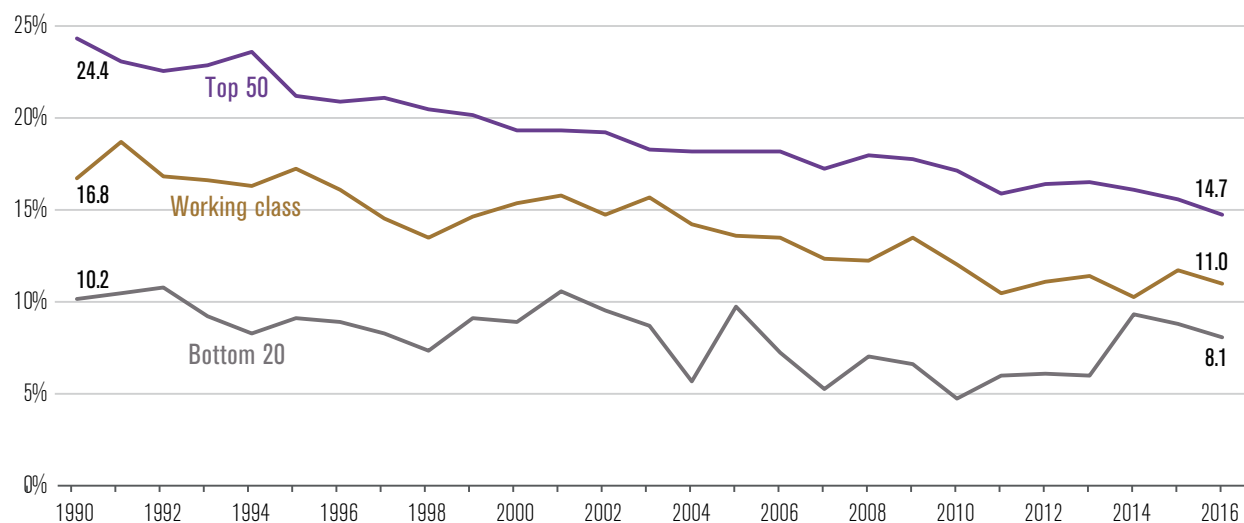
According to Jared Bernstein of the Center on Budget and Policy Priorities, “The US job market has been slack about 70 percent of the quarters since 1980, compared to just about a third of the quarters from 1949–1980.”⁴² And this slack has statistically significant negative impacts on real wages and incomes that disproportionately fall on those between the 20th and 50th wage percentiles. It is easy enough to understand

Table 1. Top 10 most common types of jobs held by the working class and the overall population

TYPES OF JOBS	WORKING CLASS	OVERALL ADULT POPULATION	PERCENTAGE POINT DIFFERENCE
None reported	27.4	22.7	4.7
Office and administrative support	11.0	8.9	2.1
Sales and related	7.3	7.1	0.3
Transportation and material moving	7.2	4.7	2.5
Production	6.6	4.7	1.9
Construction and extraction	5.4	4.3	1.1
Health care support	5.2	3.3	2.0
Food preparation and serving-related	4.7	3.2	1.5
Management	4.3	9.5	-5.1
Building and grounds cleaning and maintenance	4.2	3.0	1.1
Personal care and service	3.8	2.6	1.2

Source: Authors’ calculations from the Current Population Survey.

Figure 13. Union membership of the working class and bottom 20 percent and top 50 percent of salary and wage workers, 1990–2016



Source: Authors' calculations from the Current Population Survey.

that increased long-term absence from employment can lead to a permanent exit from the labor market.

Child care and care of other relatives. Among workers who dropped out of the labor force, nearly 30 percent say the main reason is that they have trouble finding affordable child care or care for other dependent people in their households. One potential policy solution, increasingly popular across the political spectrum, is paid family leave and more generous support for child care. Experts and members of the working class agree inadequate leave policies and unaffordable child care appear to be a barrier to work.

Cultural norms. The increasing availability of leisure and entertainment may have changed the culture surrounding work. Research conducted by Nicholas Eberstadt on time use by what economists call “inactive men”—those who have dropped out of the labor force—suggests that they have a different attitude toward leisure than “active men,” those with a job or looking for a job.⁴³ Inactive men spend more time—approximately two more hours a day—socializing,

relaxing and engaging in leisure than unemployed men, who by definition are not employed but are looking for work. A substantial portion of the difference comes from watching TV and movies.

FAMILY COMPOSITION

Along with the major economic changes that have hit the working class in recent decades have come equally dramatic changes in family composition. This is a more contentious topic than economics, but there can be no doubt—working-class families are changing, and not for the better.

Marriage rates

Marriage rates have been declining across all three groups of Americans—top, bottom and working-class—for four decades, and the rate for the working class has declined more than the other two groups (figure 14). Thus, the marriage rate for the top half of the distribution has fallen by about

13 percentage points, from 79.3 percent in 1981 to 66.4 percent today. The rate for the working class has dropped by around 22 percentage points, from 74.3 percent to 52.0 percentage points today. For the bottom 20 percent of the population, the rate has fallen by about 12 percentage points, from 53.0 percent to 40.6 percent.

Strikingly, in 1980, people in the working class were almost as likely to be married as those at the top of the distribution—the rates were about 74 percent and 79, respectively, with the bottom 20 percent more than 20 percentage points below the working class. But in subsequent years, the erosion of marriage was most pronounced in the working class. The rate dropped by nearly 10 percentage points more for the working class than it dropped among the bottom 20 percent, and today only about half of working-class adults are married. In their marital behavior, the working class is becoming more and more like the bottom fifth of the income distribution.

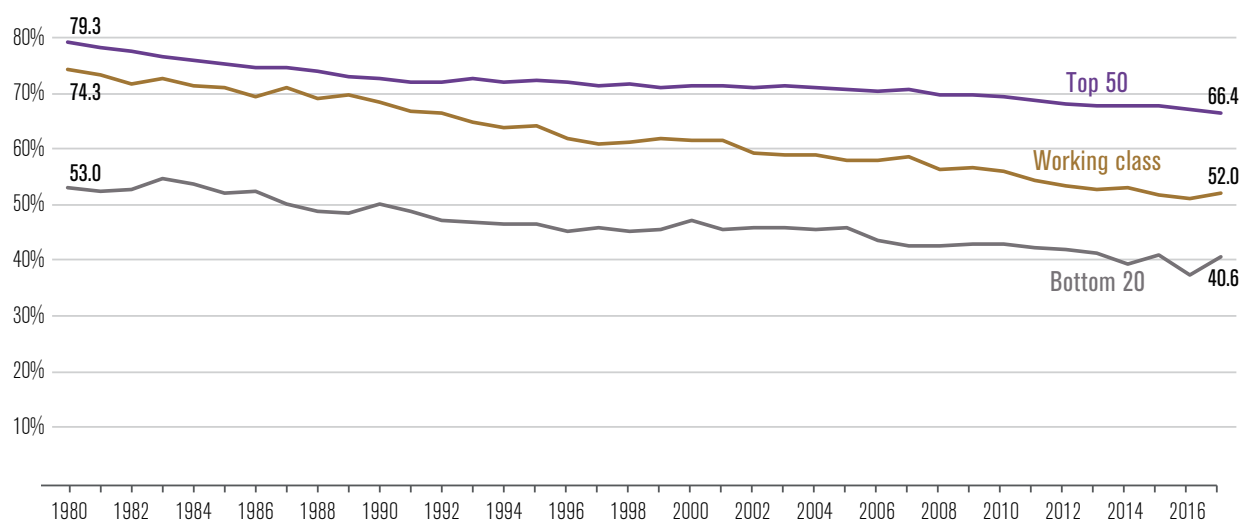
The decline of marriage among working-class parents makes financial instability and downward mobility more likely. The poverty rate among single mothers with children tends to be about five times

as high as the rate among married couples.⁴⁴ In 2016, for example, the poverty rate among families headed by single mothers was nearly 41 percent, while the poverty rate among families headed by married couples was less than 9 percent. It follows that as more and more working-class parents fail to form or maintain two-parent families, their poverty rate inevitably rises. In addition, most researchers observe, married-couple families provide a better child-rearing environment than single-parent families, so an increase in the share of any group that is headed by single parents could have a troubling impact on the prospects for their children in the next generation.⁴⁵

Nonmarital births

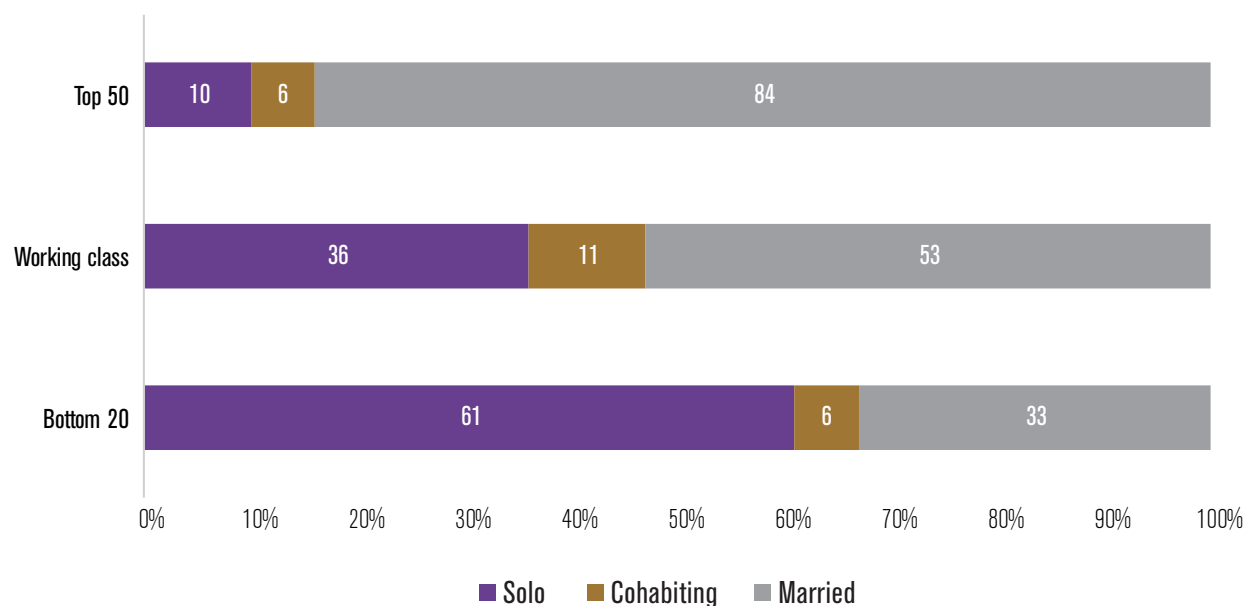
An inevitable consequence of a drop in marriage rates is an increase in nonmarital births. Even if marriage declines, sex among teens and young adults has not declined, or at least not declined by much. Nonmarital births, about 60 percent of which are unintended, occur disproportionately to poor and working-class families.⁴⁶ Among children less than one year old

Figure 14. Marriage rates for the working class and bottom 20 percent and top 50 percent, 1980–2017



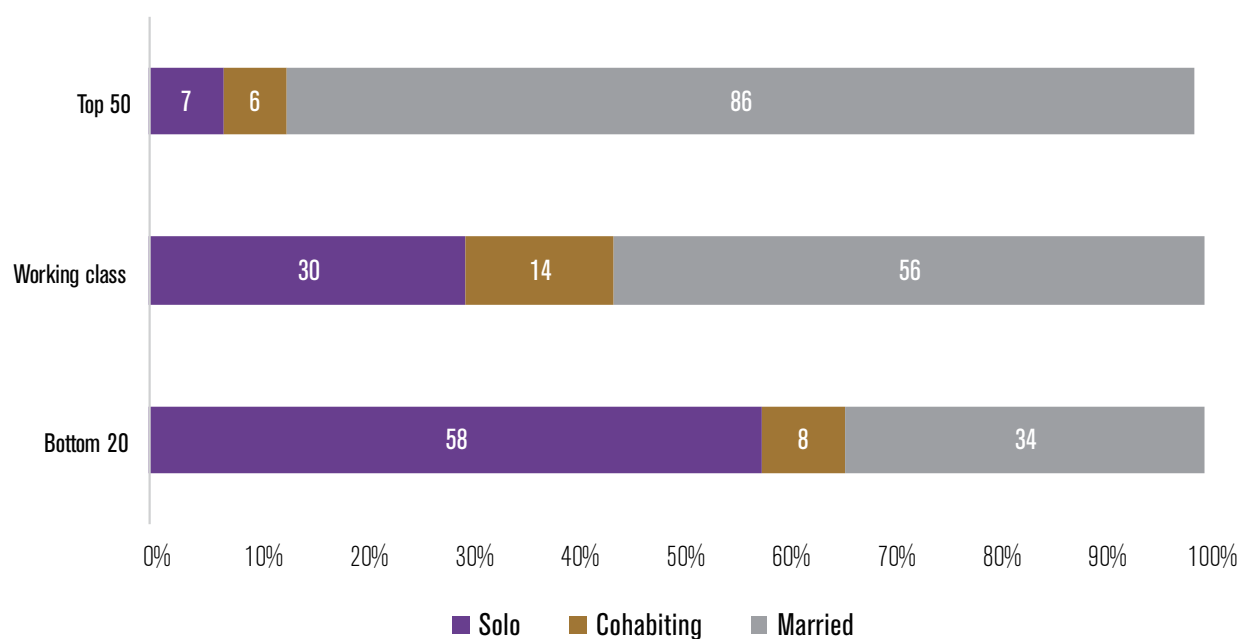
Source: Authors' calculations from the Current Population Survey.

Figure 15. Family structure of all mothers with children under 18 for mothers with various levels of income



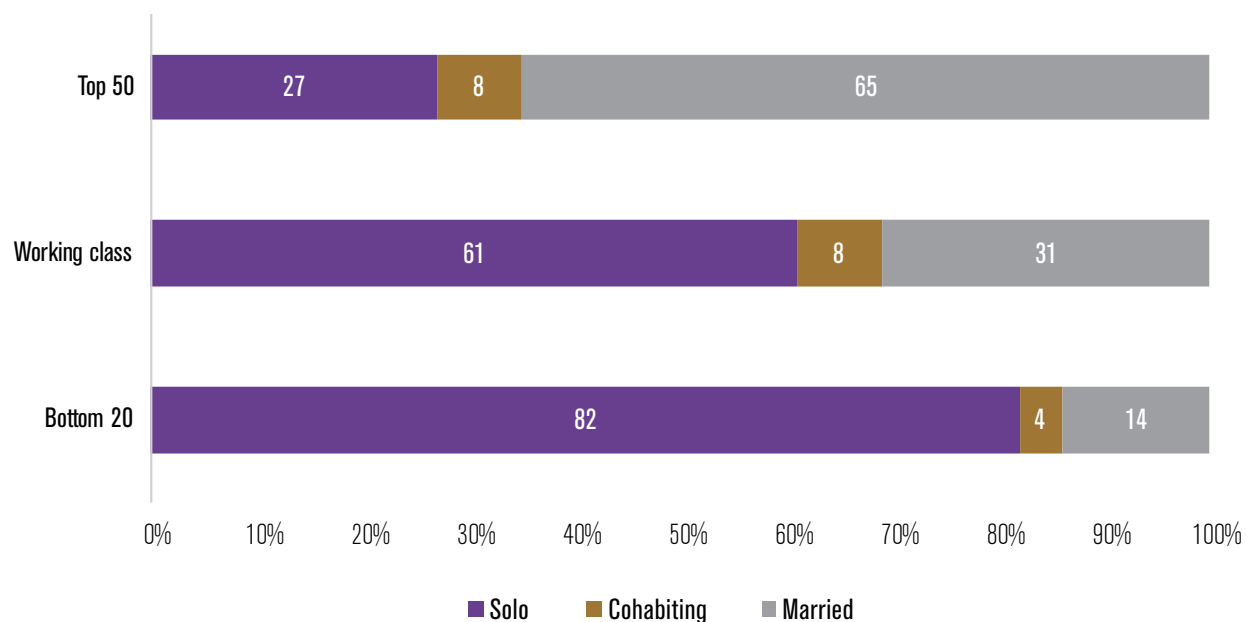
Source: Authors' calculations from the Current Population Survey.

Figure 16. Family structure of white mothers with children under age 18



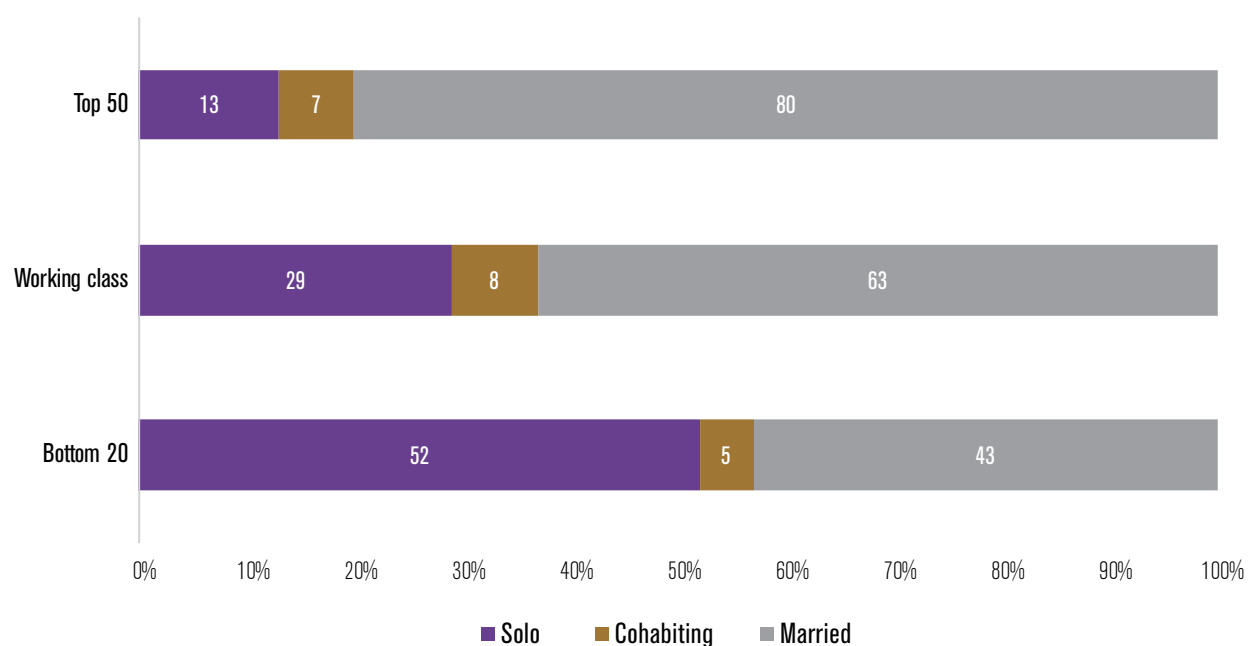
Source: Authors' calculations from the Current Population Survey.

Figure 17. Family structure of black mothers with children under age 18



Source: Authors' analysis of 2017 Annual Social and Economic Supplement of the Current Population Survey (IPUMS).

Figure 18. Family structure of Hispanic mothers with children under age 18



Source: Authors' analysis of 2017 Annual Social and Economic Supplement of the Current Population Survey (IPUMS).

living with at least one parent in 2015, 64 percent of those living in a poor household were born outside marriage; 36 percent living in working-class households were born outside marriage; and only 13 percent living in middle- or upper-class households were born outside marriage.⁴⁷ The 2017 Annual Social and Economic Supplement of the Current Population Survey shows that working-class mothers are far less likely to be married than those in the upper 50 percent of income. Breaking down family structure by socioeconomic status reveals that the family structure of the working class more closely resembles that of the bottom 20 percent than that of the top 50 percent.

This trend persists across working-class mothers of all racial groups (see figures 15–18), underscoring the unique challenge family composition poses to the working class as a whole. That said, cohabitation as opposed to marriage or solo parenting is far more common among the white working class than other racial groups with a similar socioeconomic profile.

As this report points out in the chapter on working-class families and communities (chapter V), the prevalence of single-parent homes poses a number of concerns, including the effects of unstable family structure on children and the communities they live in. Particularly worrisome is the share of working-class families having kids in cohabiting relationships—elevated rates of cohabitation are what sets the working class apart.

Researchers are just beginning to understand the impacts of cohabitation, but early studies suggest that it may pose unique problems for children and families. Cohabiting relationships are less stable than married-couple relationships, and family living arrangements in cohabiting households are more subject to change. These less-stable environments are associated with poorer outcomes for children.⁴⁸ Research suggests that children raised in a single-parent household are more likely to develop behavioral problems, use drugs and engage in criminal activity.⁴⁹

COMMUNITY AND CIVIC ENGAGEMENT

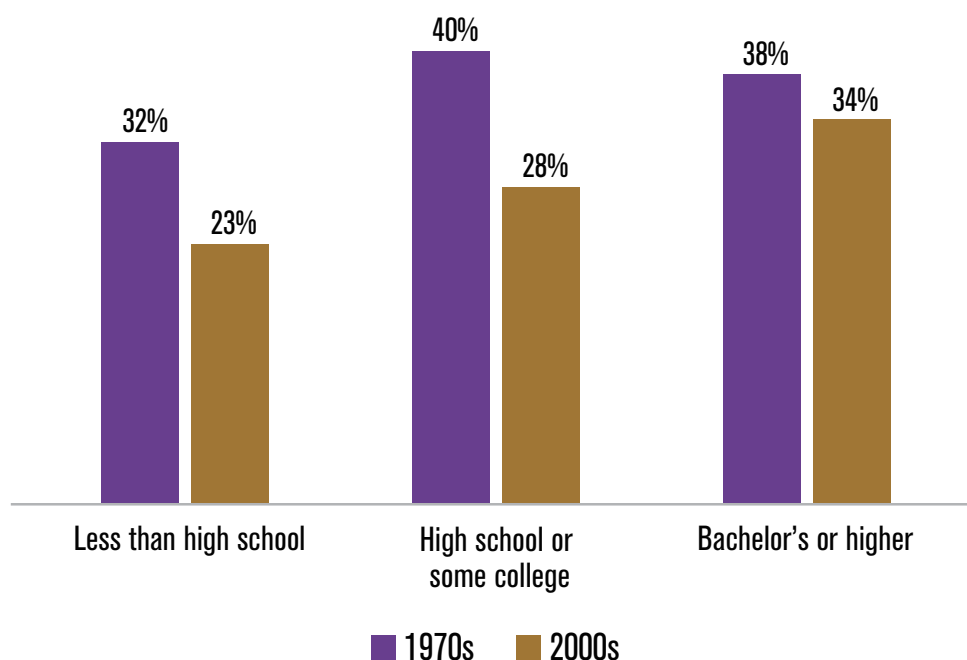
Still another cause for significant concern is the deterioration of civic institutions in many American communities—working-class and other—and the fraying of the social fabric that implies.⁵⁰ This decline may have an especially deleterious impact on working-class individuals and families. In this section, we examine some of the changes for which there is good evidence and that are widely thought to contribute to the decline of the working class.

The role of faith in working-class families is well-documented. As Robert Jones, the CEO of the polling firm PPRI, has explained it, “Churches have served, for most of the nation’s life, as pipelines to all kinds of civic engagement—and not just because they hand out voter-registration cards or have them in the lobby. We actually see a link between all kinds of civic activity and church activity.”⁵¹ Yet, participation in this once-central institution has declined greatly, with weekly church attendance falling from 40 percent in the 1970s to 28 percent in the 2000s among those with a high school degree or some college (figure 19).

Mirroring this decline in churchgoing, the working class is also participating less actively in other civic institutions (figure 20). According to a PPRI survey, white working-class Americans, which they define as people without a college degree who are paid by the hour or the job, have lower rates of participation in sports teams, book clubs and neighborhood associations than their more-educated peers (30 percent to 49 percent).⁵² Our definition of working class includes people from all races without bachelor’s degrees, and among them too, rates of civic engagement—participation in service, school or community associations, or recreational or religious organizations—are all distressingly low and more like rates for low-income than high-income adults. According to data from the Civic Engagement Supplement to the Current Population Survey, no more than 15 percent of working-class men and women participate annually in any of these activities.

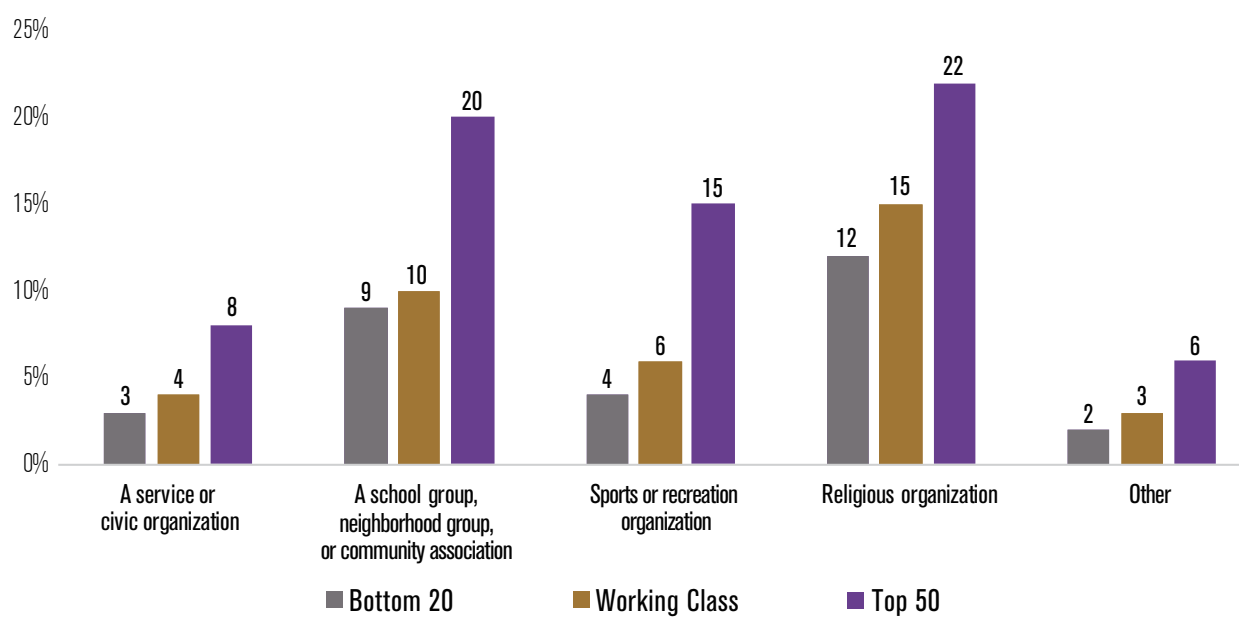
These low rates of participation in civil society can be especially harmful in the face of economic

Figure 19. Share of adults age 25–60 who attend church nearly every week or more, by education and decade



Source: General Social Surveys, 1972–78 and 2000–08, as cited in Wilcox and Wang, *The Marriage Divide*.

Figure 20. Participation in selected civic activities in the past 12 months, 2013



Source: Current Population Survey, Civic Engagement Supplement, November 2013.

instability and insecurity. As factory jobs disappear, many in the working class are losing not just a paycheck but also the supports and social fabric that once provided their identity and helped them understand their place in the world.

GEOGRAPHIC ISOLATION AND CONCENTRATED DYSFUNCTION

Many if not most of the problems described in this chapter are not spread evenly across the country; they are concentrated and most acute in areas where the working class lives. Opioid abuse and family breakups are particularly acute in working-class communities, as is lack of access to educational institutions.

Where the working class lives

The American Community Survey tells us that the working class lives clustered in a few parts of the country (figure 21). States where the working class accounts for a large share of the population include broad swaths of the Rust Belt and Midwest (Indiana, Iowa, Kansas, Michigan, Missouri, Nebraska, Ohio, Oklahoma and Wisconsin), the South (Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Texas and West Virginia) and West (Arizona, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming).

Could something be happening in these communities—a self-reinforcing dynamic of some kind—that leads the problems we have discussed in this chapter to build on and even trigger each other? New research suggests these communities may suffer from a deficit of social capital.

Social capital is the networks of relationships among people who live and work in a community—networks that enable that community to function effectively. It is thought to have many dimensions: family unity, community health, civic and religious institutions, and volunteerism, among others.

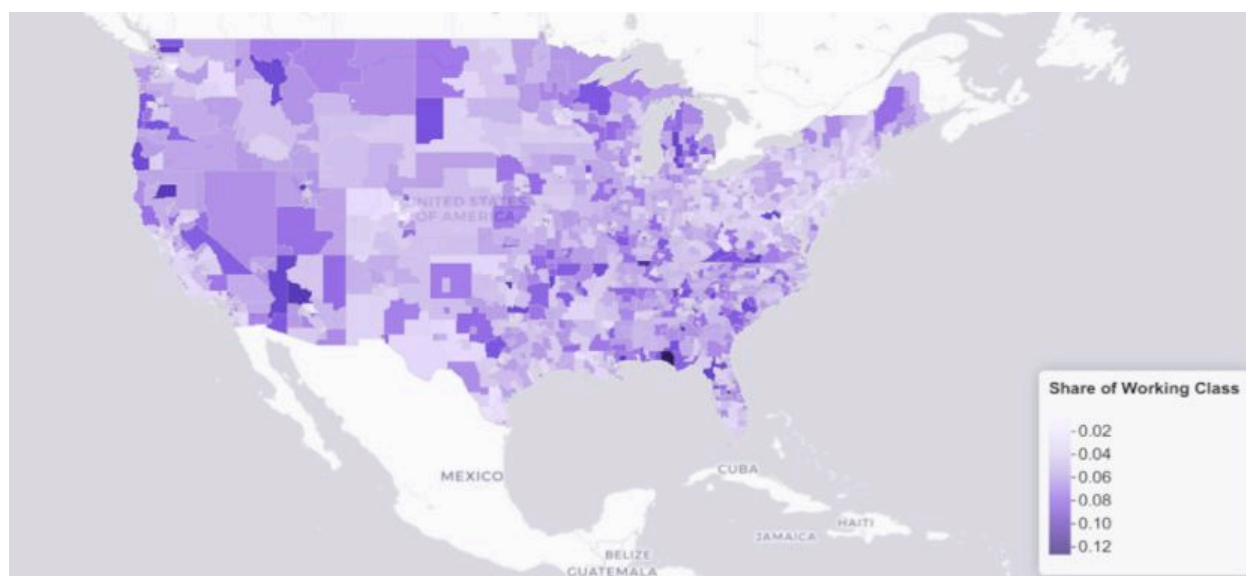
The new study, written by economist Scott Winship for the Congressional Joint Economic Committee, examines the geography of social capital, first developing a set of place-based variables assessing various dimensions of social capital and then combining them into a single measure for each county in the United States (figure 22).⁵³ Winship's conclusion: there is "something corresponding with the health of associational life or the 'stock' of social capital in different places" that varies from place to place and has an important effect on people's lives.⁵⁴

Winship's results align well with previous research on social capital. Perhaps the best-known previous research is the social index Robert Putnam developed in his widely respected 2000 book, *Bowling Alone*.⁵⁵ Putnam's book and his index are nearly two decades older than Winship's work, and the two studies feature different measures. But both rate many of the same states as having the highest social capital. The five top states in the Joint Committee's index are ranked third, fourth, eighth, eleventh and fourteenth by Putnam's index.

Winship's concerns also align closely with the economic and social outcomes most policymakers seek to influence. The Joint Committee study includes an extensive table showing the correlation between its 59 state-level benchmarks and composite index scores and traditional state and federal policy concerns such as employment, income, poverty, inequality, mobility and education. All in all, it makes a persuasive case for the importance of social capital—the argument that something in the social relationships in a community influences important social and economic outcomes.

Our conclusion is that the work on social capital is in its infancy. However, the underlying concept—that there is something in the social relationships within a community that influences important social and economic outcomes—is a topic that greatly interests policymakers and that could eventually lead to more robust solutions than we now have to the problems of the working class examined in this report. We turn now to an analysis of the solutions that our group thinks would be effective and enjoy bipartisan support.

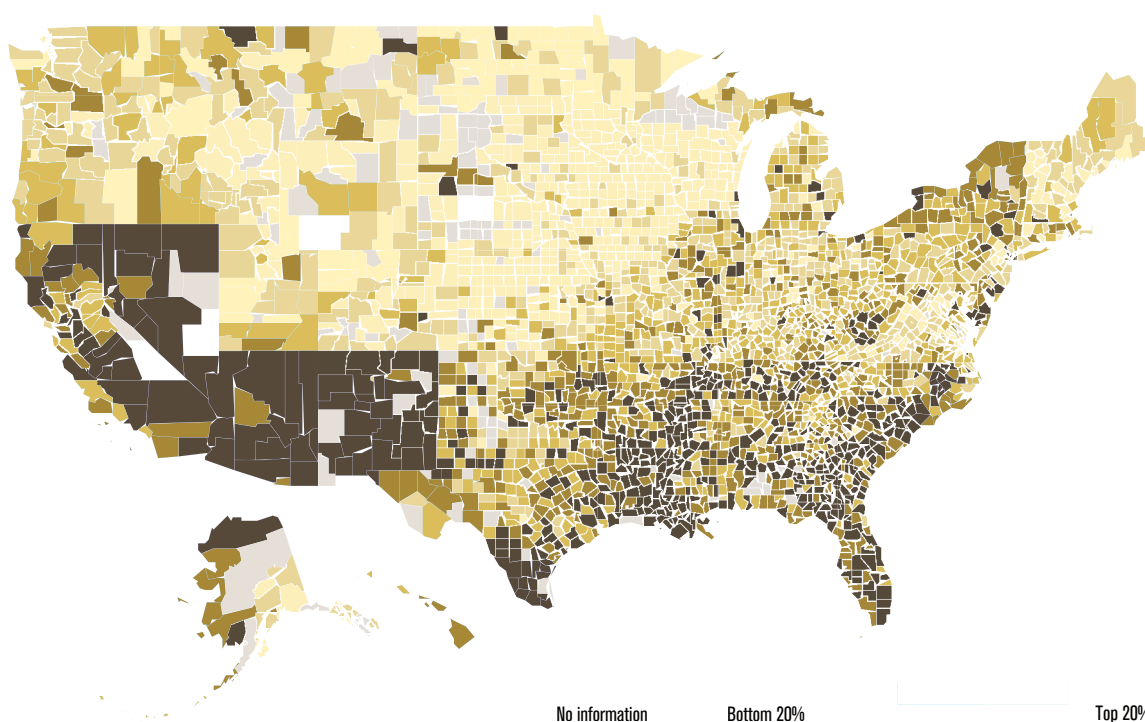
Figure 21. Share of the working class living in small geographic areas (PUMAs), 2011-2015



Note: Public Use Microdata Areas (PUMAs) are small geographies that contain about 100,000 persons each and may be smaller or larger than counties depending on the particular density of an area.

Source: Author's calculations from 2011-2015 American Community Survey data.

Figure 22. County-level social capital index scores



Note: Index scores based on indicators taken from multiple data sources, 2008-2016.

Source: Social Capital Project, *The Geography of Social Capital in America*, April 2018, 24, https://www.lee.senate.gov/public/_cache/files/da64fdb7-3b2e-40d4-b9e3-07001b81ec31/the-geography-of-social-capital.pdf.



II. MAPPING THE WORKING CLASS

Few of the problems described in this volume are spread evenly across America; most are concentrated in a few areas—in many cases, the same few areas. The nation's towns and cities are more socially segregated than in the past. Many working-class enclaves are geographically isolated. The human networks that once bound them are disintegrating—and this erosion of social capital is opening the way to a host of other ills. Our group mapped the symptoms of working-class decline: men who have dropped out of the labor force, slumping marriage rates, single-parent families, opioid deaths. The overlap is stark and deeply distressing.

II. MAPPING THE WORKING CLASS

Like politics, class is often local—shaped by geography along with income and education. This chapter looks at the geography of the working class, using a series of maps to shed additional light on blue-collar enclaves and how they do and do not differ from other parts of America. We explore two issues: first, who falls into our group’s definition of working class and where they live, then the challenges facing them and their communities.

The first maps in the chapter tease out different dimensions of our definition of working class and the subcategories within it—education, income, race and ethnicity. There is no agreed-upon definition of the working class. Many researchers and journalists use a simple educational metric: Americans with less than a four-year college degree. Others use an income cutoff—\$50,000 or \$60,000 a year. Still others add occupation: people, for example, who are paid by the hour or the job. Our working group decided that both education and income were relevant, and in this chapter, we use maps to explore how these two dimensions do and do not overlap.

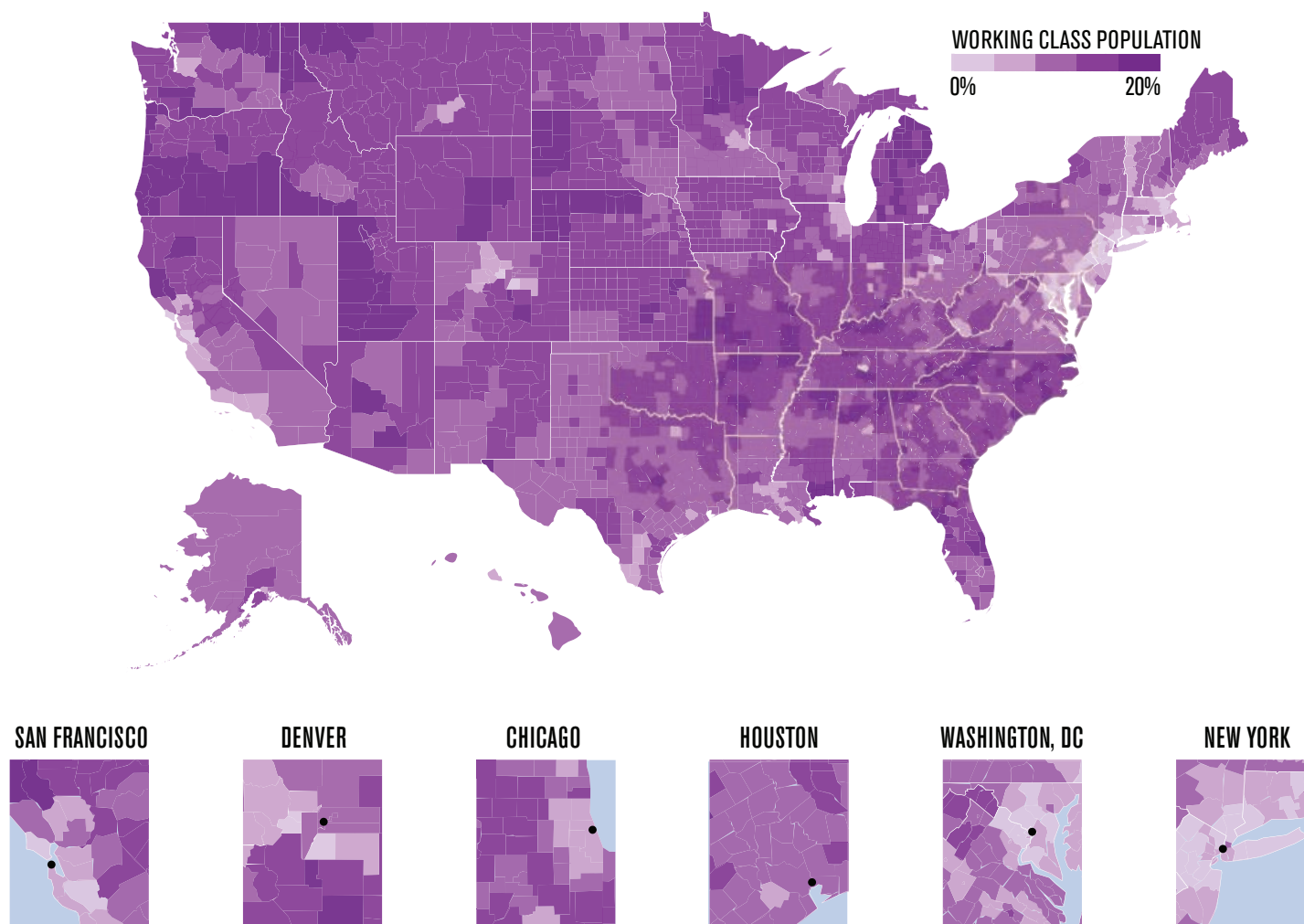
A second set of maps plots the challenges that increasingly affect the working class—falling labor force participation, declining marriage rates and drug overdoses, among others. We map these challenges for all Americans, rich, poor and working class, and we suggest that readers compare across maps, juxtaposing each set of problems with where the working class lives. How closely, for example, do drug overdoses correlate with working-class communities? As a comparison of figure 23 and figure 31 shows, Americans in every income bracket are suffering from drug overdoses, but the problem is concentrated disproportionately in working-class enclaves.

Unlike some other researchers who have mapped opportunity in America—Raj Chetty of Stanford, Scott Winship at the Congressional Joint Economic Committee, the Economic Innovation Group—we propose no new indices or new composite metrics. We have included several of those sophisticated depictions at the end of the chapter. Our maps are simpler: some basic attributes of the group we’re studying. But we believe they paint a picture—sometimes a surprising picture—of who the working class is today and how it is changing.

1. WHERE DOES THE WORKING CLASS LIVE?

Many Americans still think of the working class as concentrated in the Rust Belt—the industrial heartland stretching from Wisconsin and Michigan down through Ohio and Pennsylvania. If that was ever true, it is no longer true today. Many working-class people live in the Midwest, and many Michigan counties, for example, are still heavily working class. But so are many Maine, Florida, Oregon, Idaho, Nebraska, Utah, Arizona and New Mexico counties. The Acela corridor—Boston to Washington, DC—and the California coast are among the least working-class regions of the country. But the national map can be misleading: some cities that have a low concentration overall have dense working-class enclaves in their outer suburbs.

Figure 23. Working-class population (share of county population)



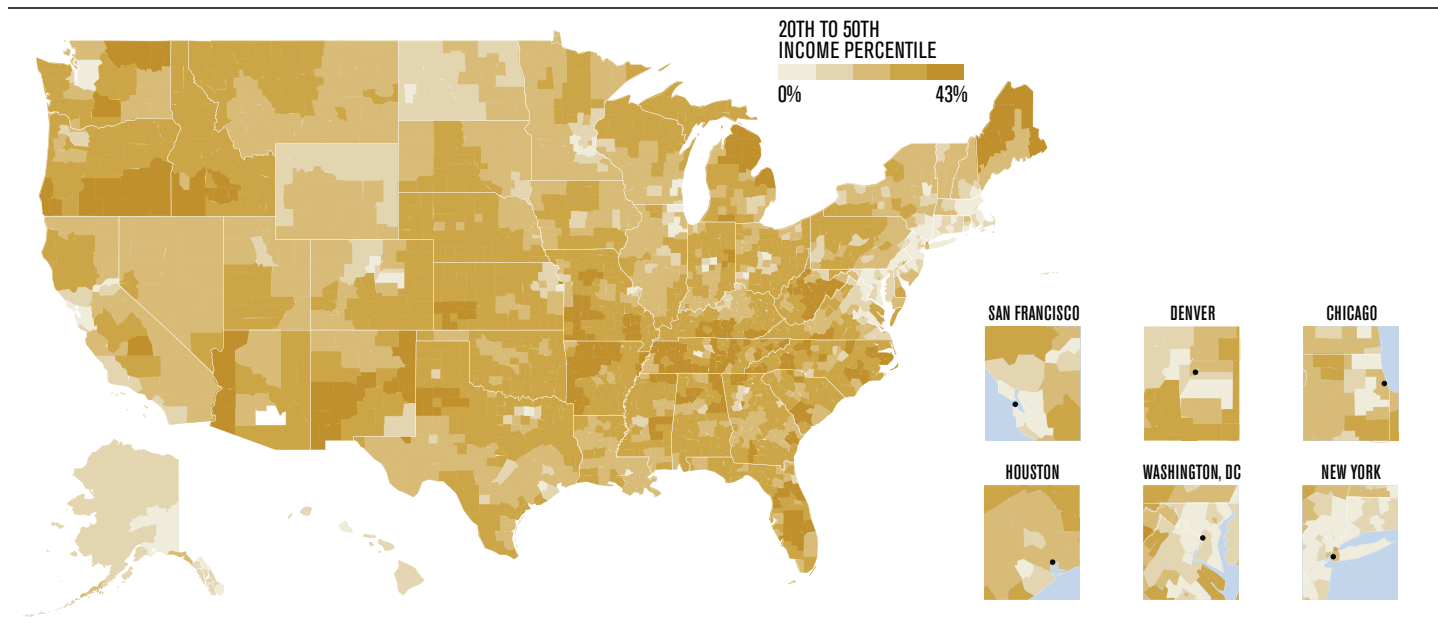
Note: Working class is defined as working age, 25 to 64 years old, with an income between the 20th and 50th income percentiles and at least a high school diploma but no four-year college degree.

Source: American Community Survey 2011–2015 five-year sample.

2. LOW-INCOME AND LESS-EDUCATED AMERICANS

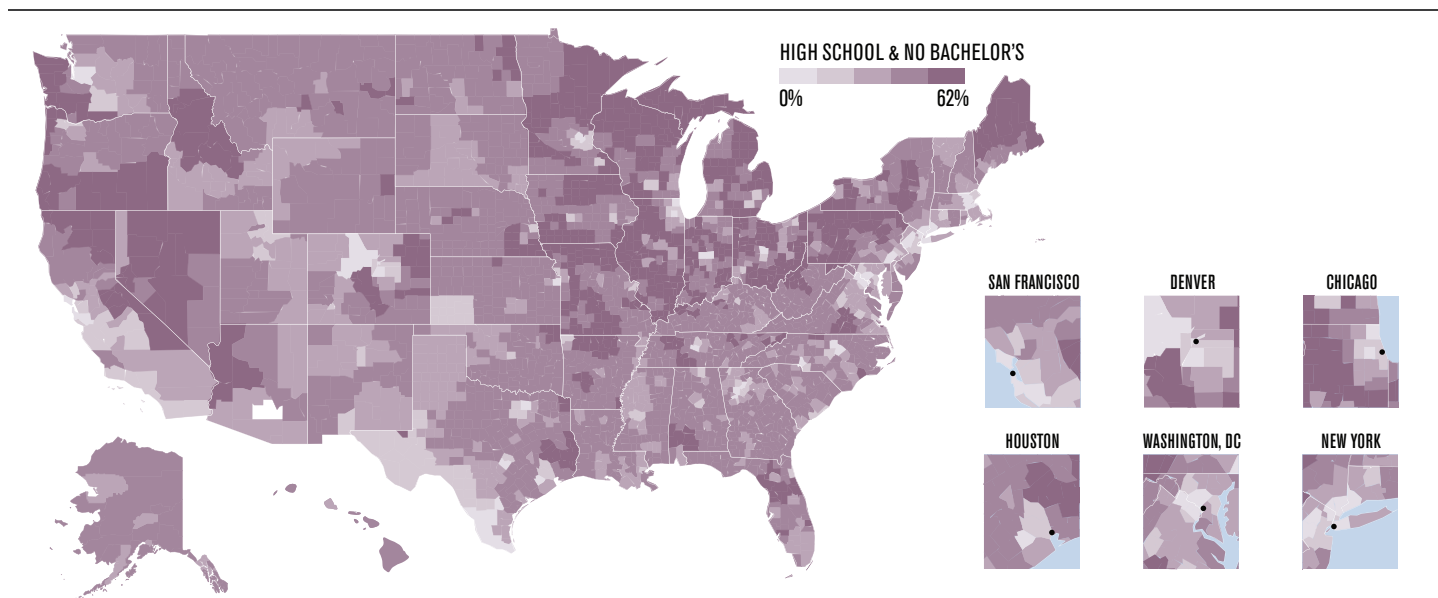
Most Americans believe education is the best path to upward mobility—a way for even the poorest children to catch up with those born in better circumstances. In fact, the map of low educational attainment lines up very closely with a map of low- to moderate-income Americans. It’s not a perfect fit: the two maps are not identical. But the overlap suggests that relatively few young people are able to use education as a ladder out of poverty or the working class. Our group’s definition of working class combines these two dimensions—low to moderate income and low educational attainment. So, not surprisingly, the national patterns in figures 24 and 25 align closely with figure 23, our map of where the working class as we define it lives.

Figure 24. Income between 20th and 50th percentile (share of county population)



Source: American Community Survey 2012–2016 five-year sample.

Figure 25. High school graduates without a bachelor’s degree (share of county population)



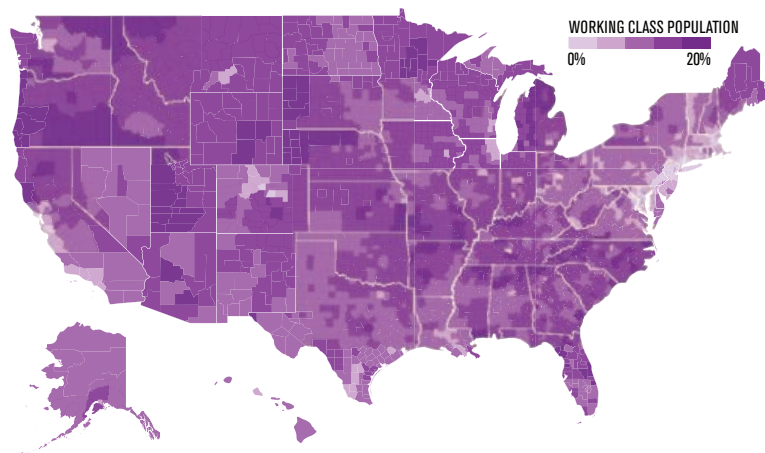
Source: American Community Survey 2012–2016 five-year sample.

WORKING-CLASS POPULATION

(SHARE OF COUNTY POPULATION)



FOR COMPARISON WITH
MAPS BELOW AND OPPOSITE

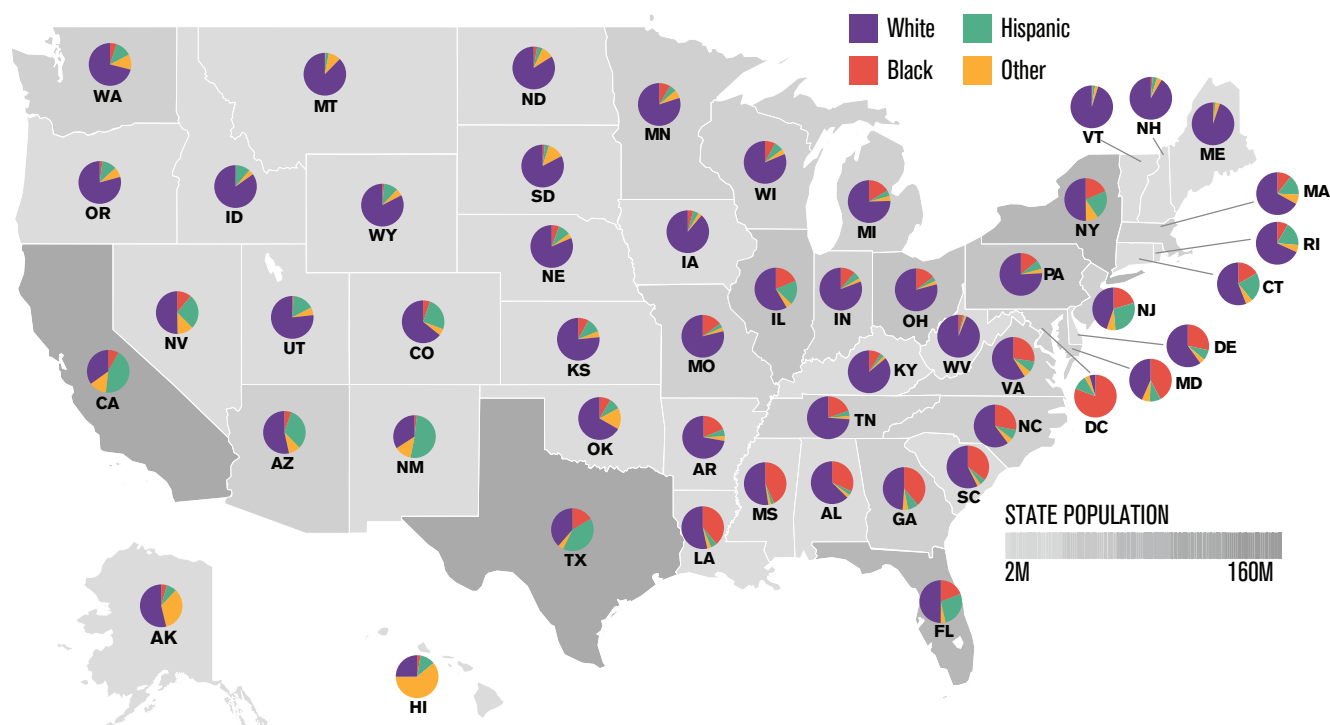


3. RACE AND ETHNICITY

The racial and ethnic composition of the working class has undergone striking changes in recent decades—changes that largely parallel changes in the US population. In 1981, 83 percent of the working class was white. Today, the figure is just 59 percent, a considerably smaller share than the 77 percent of the US population who are white. Hispanics make up 18 percent of the working class (and 18 percent of the US population); blacks account for 12 percent of the working class (and 13 percent of the population).

Not surprisingly, the face of the working class varies from state to state. Compare Maine to Florida, or West Virginia to Texas. But notice also a few unexpected things. In almost no state is the working class entirely white: Hispanics and Asians as well as blacks figure in the mix virtually everywhere.

Figure 26. Working-class population by race and ethnicity (by state)



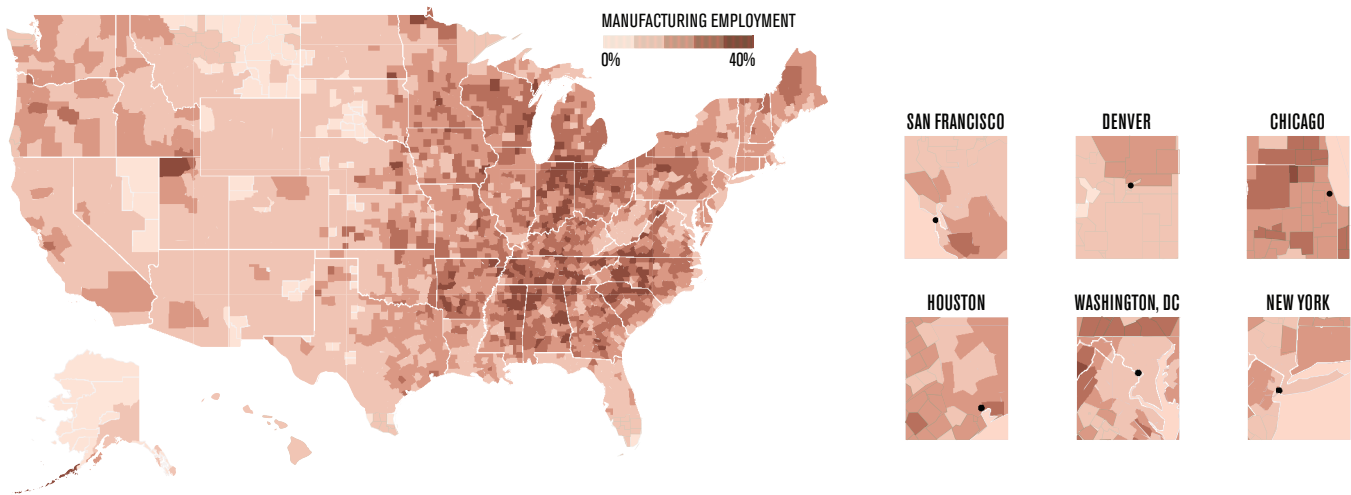
Note: The shades of gray on the map reflect state population. The slices of the circles are percentages.

Source: American Community Survey 2012–2016 five-year sample.

4. MANUFACTURING JOBS

Over the past three decades, US manufacturing employment has fallen by nearly one-third; between 2000 and 2017, some 5.5 million manufacturing jobs disappeared. Manufacturing jobs are changing—many require more skill than in the past—and they are moving to new places, often out of big cities to blue-collar suburbs. Manufacturing is still heavily concentrated in the eastern half of the US, and there is still some overlap between manufacturing employment and where the working class lives. But many heavily working-class enclaves have little if any manufacturing.

Figure 27. Manufacturing employment (share of county population)

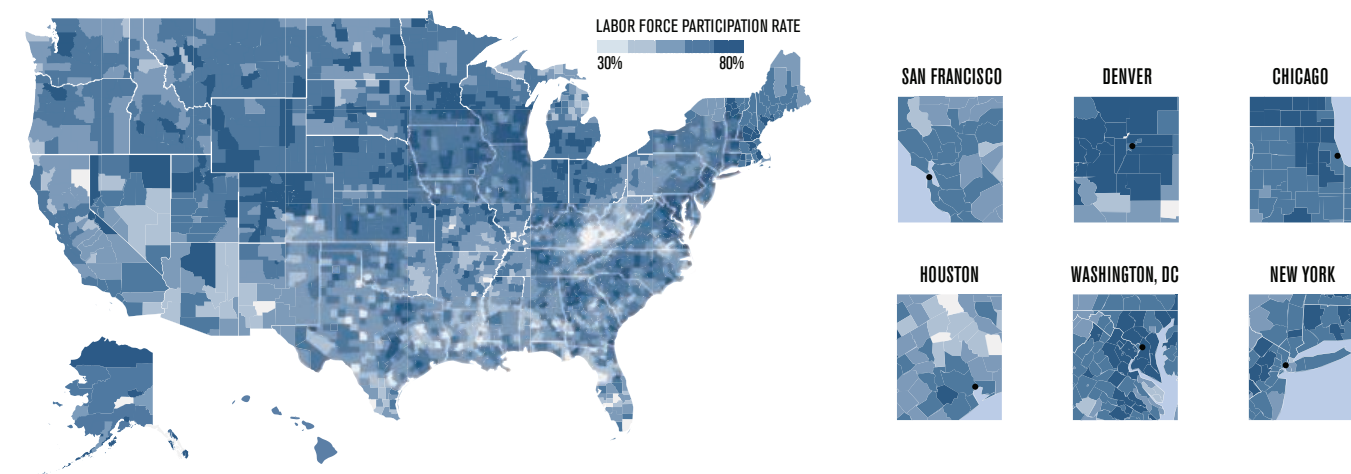


Source: The Equality of Opportunity Project—data from Raj Chetty and Nathaniel Hendren, *The Effects of Neighborhoods on Intergenerational Mobility*, online data table 4, “Complete County-Level Dataset: Causal Effects and Covariates,” 2017, <http://www.equality-of-opportunity.org/data/>.

5. WHO IS WORKING OR LOOKING FOR WORK?

Labor force participation has dropped dramatically over the past four decades, with employment among men aged 25 to 54 in all income groups slumping from 95 percent in 1968 to just 85 percent in 2017. Not all of this dropout corresponds to where the working class lives, but the overlap is troubling. Look at eastern Kentucky, for example, or Arkansas, Arizona, northern Michigan and the west coast of Florida. Overall, the pattern is similar to the map of working-class communities. And many of the hardest-working parts of America have relatively small working-class populations—look at the Acela corridor.

Figure 28. Labor force participation (by county)



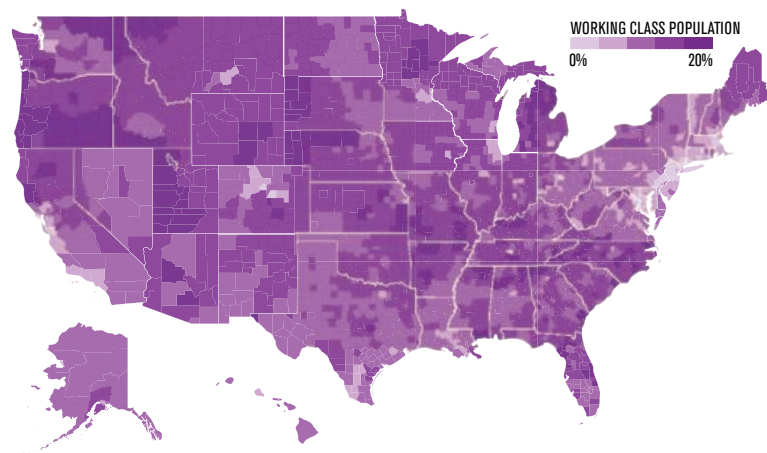
Note: The labor force participation rate is the percentage of the civilian noninstitutional population 16 years and older who are working or actively looking for work.
Source: Chetty and Hendren, online data table 4.

WORKING-CLASS POPULATION

(SHARE OF COUNTY POPULATION)



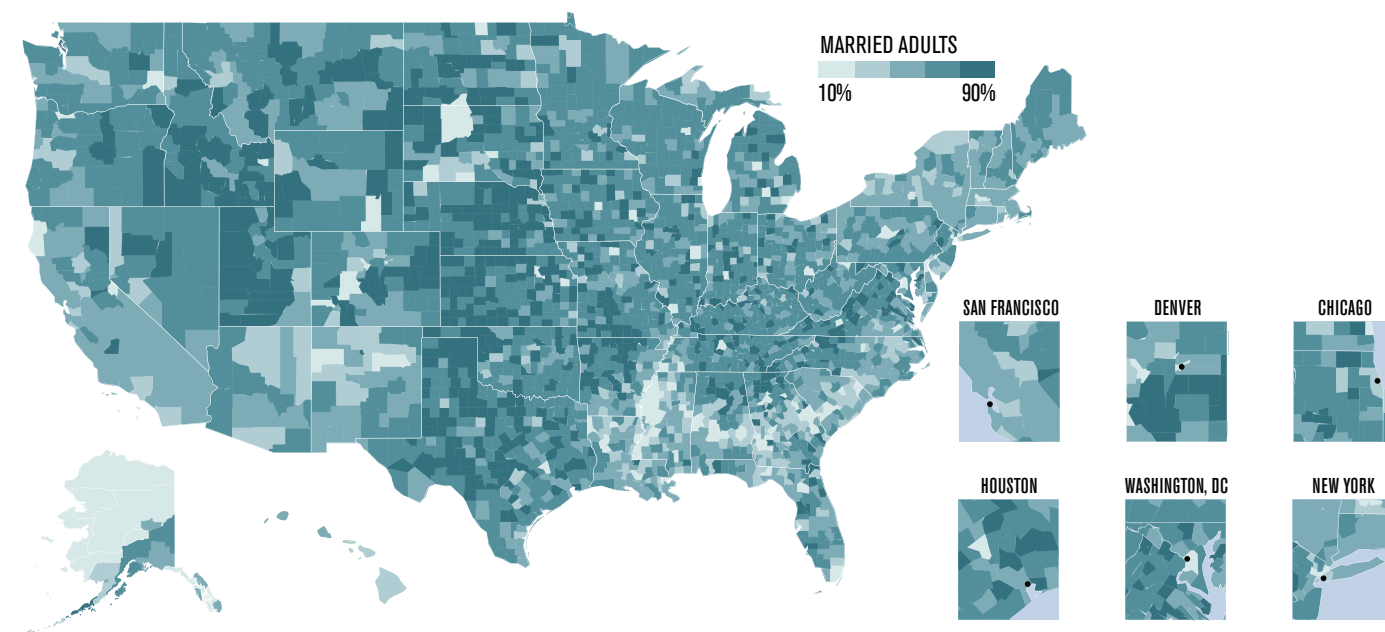
**FOR COMPARISON WITH
MAPS BELOW AND OPPOSITE**



6. MARRIAGE

Marriage has declined dramatically in working-class communities since the 1970s, far more dramatically than among the middle and upper-middle classes or among the poor. But the erosion of marriage does not seem to be as clearly correlated with working-class concentration as some other variables. For example, marriage still looks strong up and down the Intermountain West, particularly in western Utah, southern Idaho and Oregon—all working-class strongholds.

Figure 29. Married adults (share of county population)

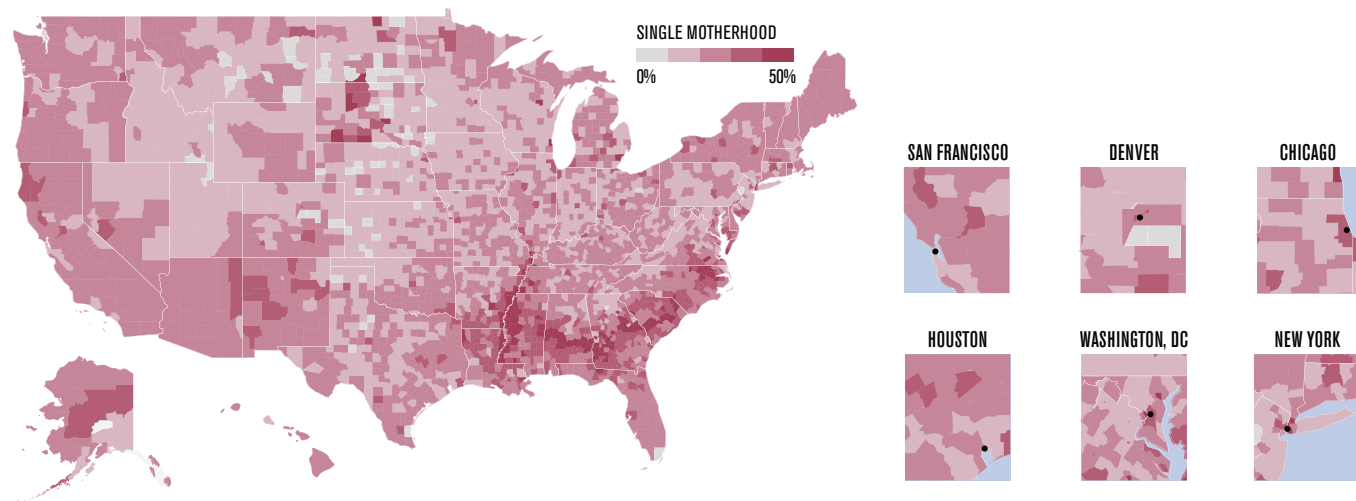


Source: Chetty and Hendren, online data table 4.

7. SINGLE MOTHERHOOD

Single parenthood is rising in working-class communities, with more than one-third of working-class children now born out of wedlock. But the distribution of single mothers corresponds even less closely than marriage to where the working class lives. Compare figure 30 to figure 23. Overall, this map shows a different pattern than the map of working-class communities. Families are indeed in trouble in many working-class enclaves, but not everywhere.

Figure 30. Single motherhood (share of county population)

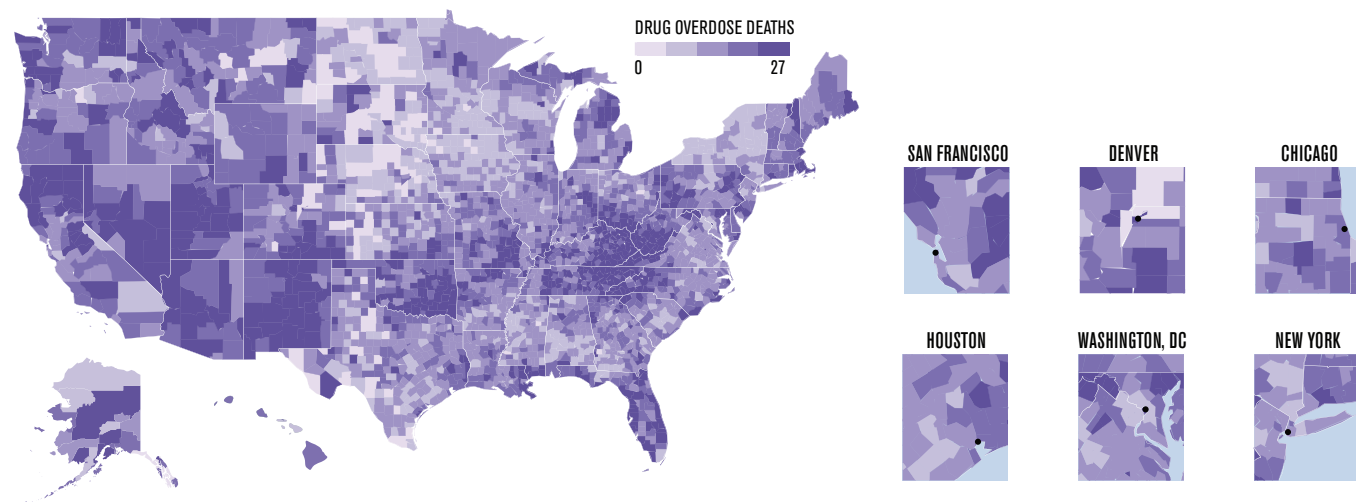


Source: Chetty and Hendren, online data table 4.

8. DRUG DEATHS

The opioid epidemic is ravaging communities across America—rich, poor, and working class—with drug overdoses now the leading cause of death among adults under 50. But as this map shows, the damage is much worse in working-class enclaves. Compare the overall patterns in figure 23 and figure 31. Some places where the overlap is most striking: Michigan, Ohio, Kentucky, Tennessee, Arkansas, Missouri and Oklahoma. Also New Mexico, Arizona, western Utah, parts of Maine and much of Florida.

Figure 31. Drug overdose deaths (per 100k people, by county)

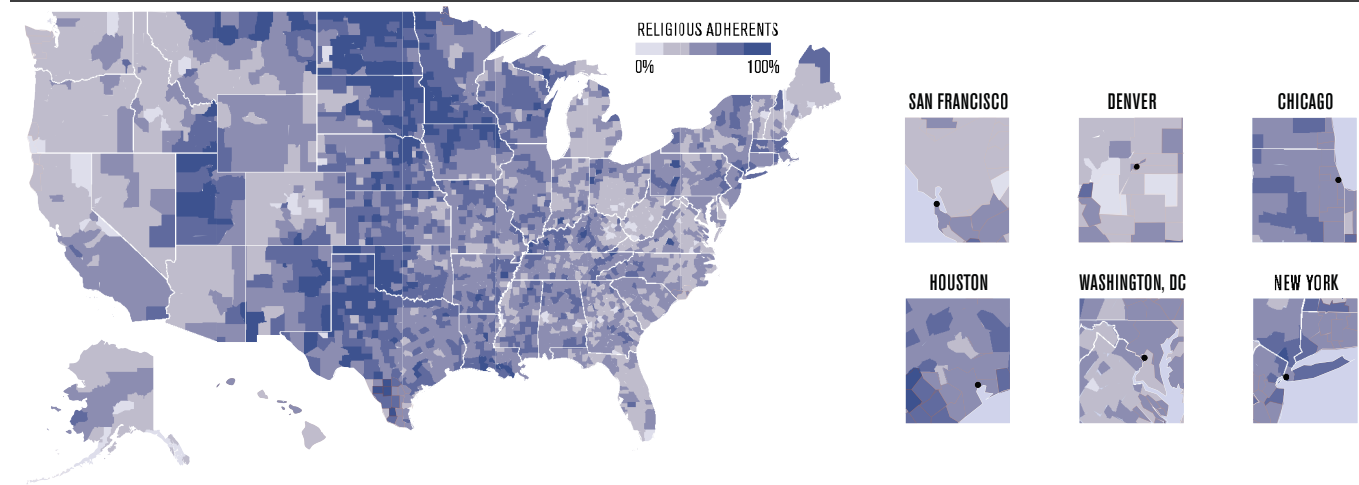


Source: Centers for Disease Control and Prevention, National Center for Health Statistics, "Drug Poisoning Mortality in the United States, 1999–2016," County Estimates, <https://www.cdc.gov/nchs/data-visualization/drug-poisoning-mortality/>.

9. RELIGION

Religious observance in working-class communities has declined precipitously in recent decades, falling from 40 percent in the 1970s to 28 percent in the 2000s. But as a comparison of figure 23 and figure 32 shows, the decline of religion is not a uniquely or particularly working-class phenomenon. There is some overlap—look at the Rust Belt—but also strong exceptions, including in the Intermountain West.

Figure 32. Religious population (share of county population)

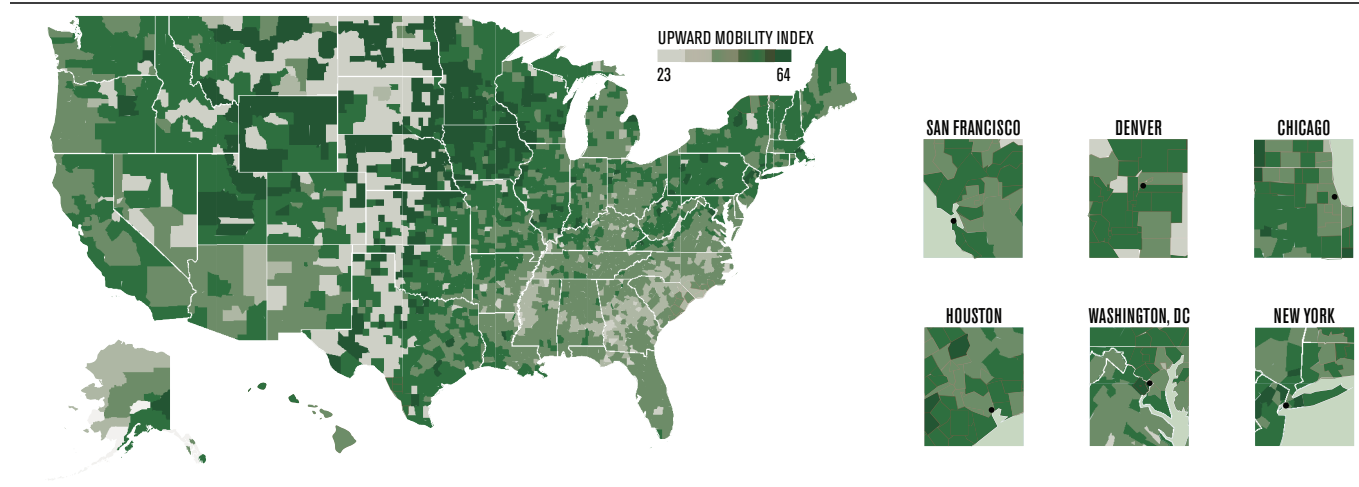


Note: Chetty's team defines "religious adherents" as members of a congregation and their children, as well as the estimated number of other participants who are not considered members of a congregation. Source: Chetty and Hendren, online data table 4.

10. UPWARD MOBILITY

In 2014, Stanford economist Raj Chetty and colleagues published a now-classic study revealing broad variation in intergenerational mobility in communities across the US. The overall pattern depicted in their map is somewhat different than the pattern in the map of where the working class lives, but there is considerable overlap. See the large light green area—lighter shading represents limited upward mobility—that stretches from Michigan to Alabama and North Carolina to Arkansas. Look also at New Mexico and Arizona.

Figure 33. Upward mobility (by county)



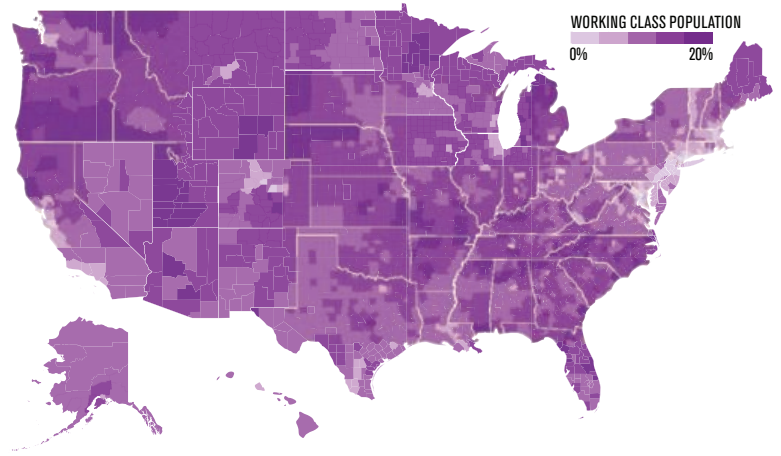
Note: This index compares a child's position in the income distribution for all children in the same birth cohort to his or her parents' position on the income distribution of other parents with children in that birth cohort. For more information, see http://www.equality-of-opportunity.org/assets/documents/mobility_geo.pdf. Source: The Equality of Opportunity Project—Chetty et al., *Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States*, online data table 3, "Intergenerational Mobility Statistics and Selected Covariates by County," 2014, <http://www.equality-of-opportunity.org/data/>.

WORKING-CLASS POPULATION

(SHARE OF COUNTY POPULATION)



**FOR COMPARISON WITH
MAPS BELOW AND OPPOSITE**

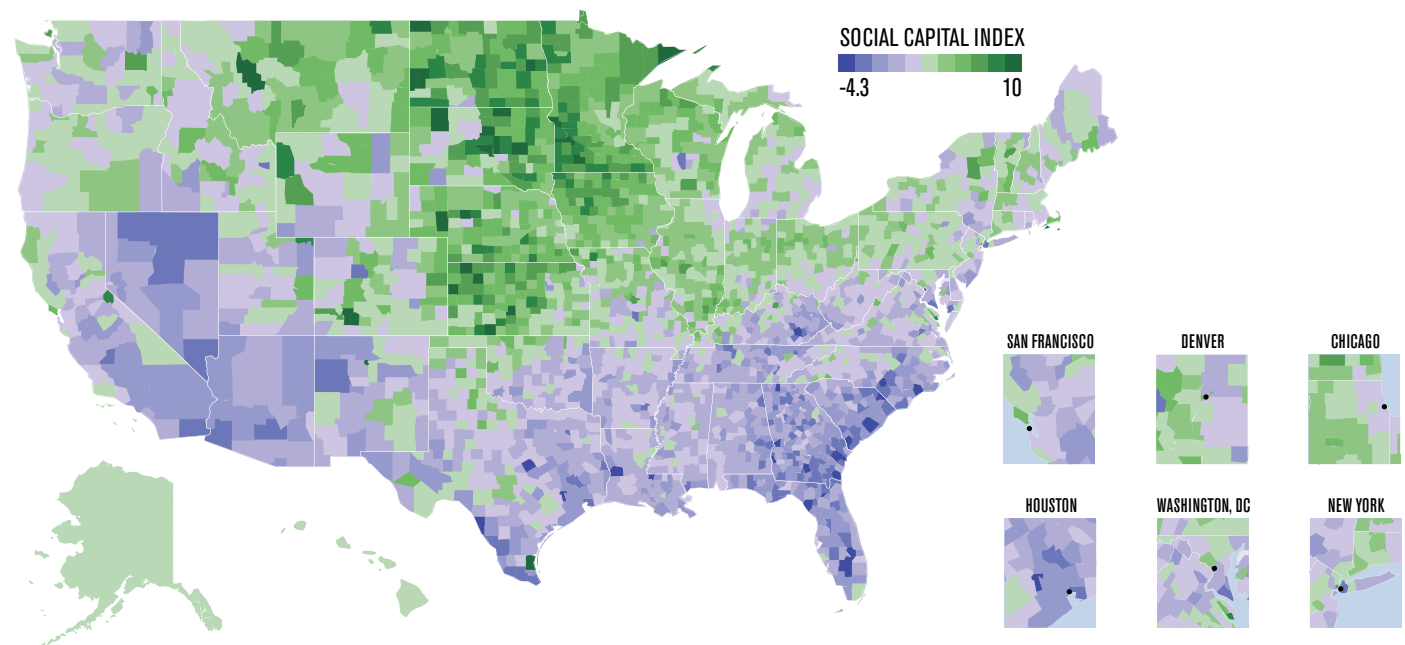


11. SOCIAL CAPITAL

An important new study by the Congressional Joint Economic Committee examines the geography of social capital—the networks of relationships among people who live and work in a community that enable that community and its residents to function effectively. Social capital has many dimensions: family unity, community health, civic and religious institutions, and volunteerism, among others. The new study measures and maps these and other variables, combining them into a single score for each county in the US.

The committee's map shows a somewhat different pattern than our map of where the working class lives, but there is considerable overlap in all regions of the country. Look at the Southeast and southern central heartland, especially Kentucky, Tennessee, Oklahoma, Arkansas and Louisiana. See also pockets in the Northeast—in New England and western New York State—and enclaves out west, including in New Mexico, Arizona, Idaho and eastern Washington.

Figure 34. Social capital index



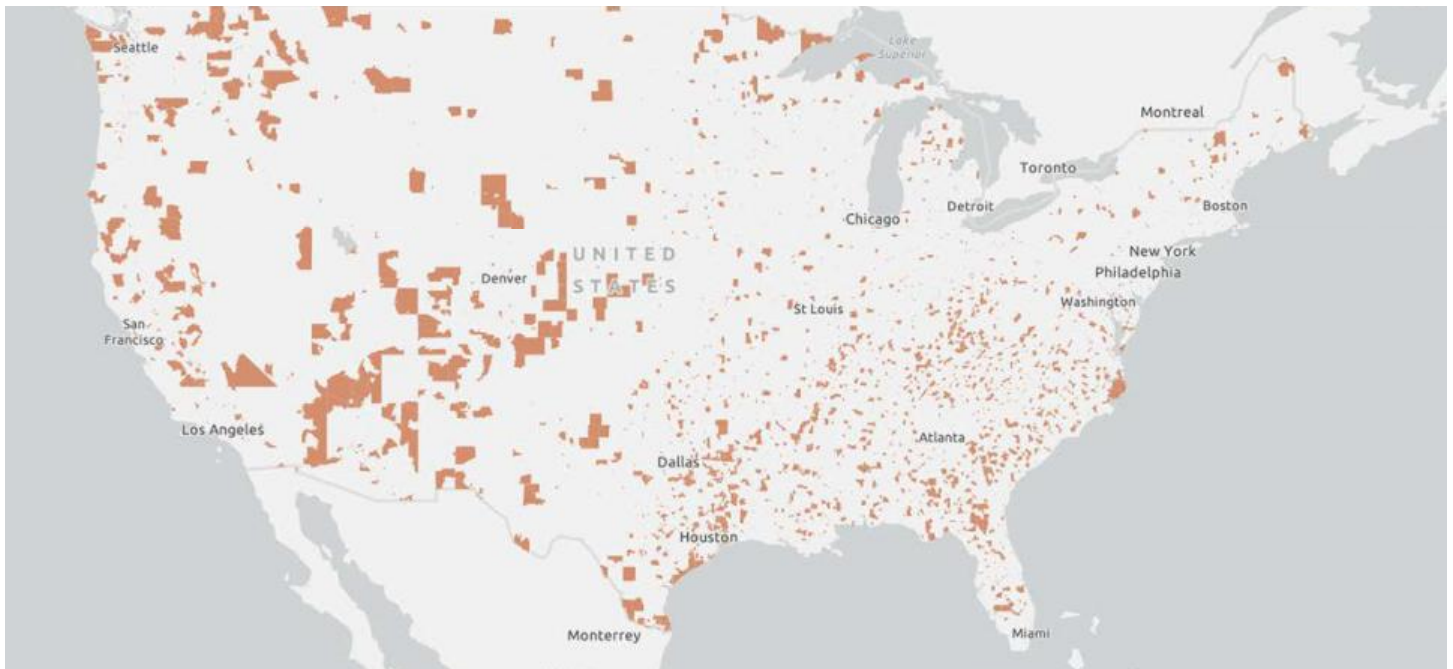
Note: The social capital index combines 25 metrics into seven subindexes that are then aggregated into one index score. The seven subindexes are family unity, family interaction, social support, community health, institutional health, collective efficiency and philanthropic health. For more detail, see <https://www.lee.senate.gov/public/index.cfm/tagged?id=B109CC4F-BA12-43C2-BB70-356F0D1B3A2E#endnote-022-backlink>.

Source: Social Capital Project, *The Geography of Social Capital in America*, 2018, <https://www.lee.senate.gov/public/index.cfm/scp-index>.

12. OPPORTUNITY ZONES

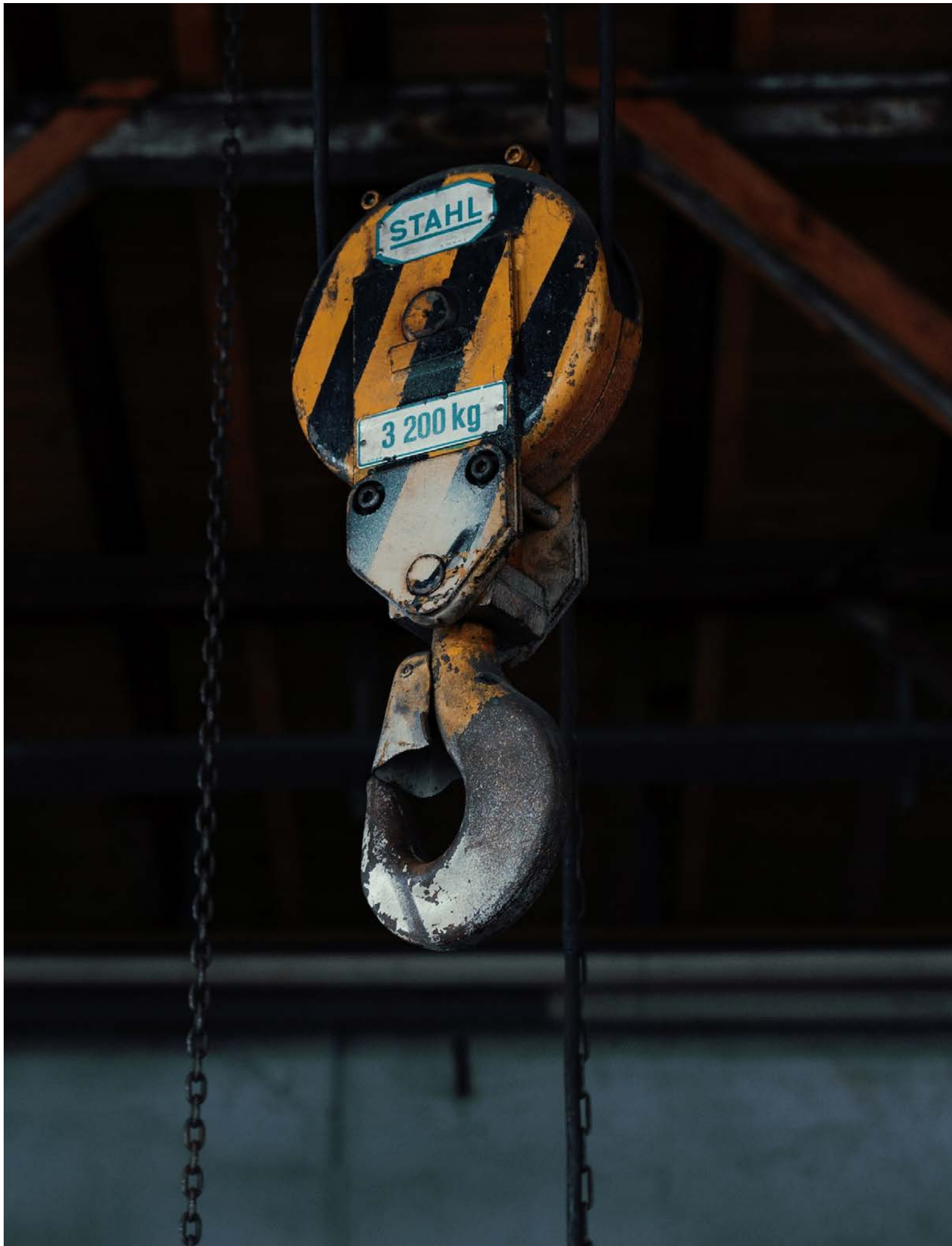
The US Treasury Secretary has certified some 8,700 census tracts as Opportunity Zones—distressed areas with sluggish job growth and low business startup rates that qualify for tax-advantaged investment. Many of the designated tracts are poor; the average poverty rate is 31 percent, compared to 17 percent nationwide. But many residents are working class. The median family income is 59 percent of the income in surrounding areas—\$41,000.

Figure 35. Designated Opportunity Zones



Note: Calculations of the poverty rate and median income apply to US states and Washington, DC, only, excluding Puerto Rico, Guam and other offshore territories.

Source: Economic Innovation Group, "Opportunity Zones," <https://eig.org/opportunityzones>.





III. JOBS AND WAGES

We call them the working class for a reason: their identity was once bound up with work—hard, physical work that often took a toll on their bodies but provided dignity and purpose for their lives and sustained their communities. Today, all that is changing. Jobs have disappeared. If new jobs have replaced them, they often pay less and confer anything but dignity. Millions of men have dropped out the labor force. Social programs support those who are out of work but often fail to help clients find or prepare for new jobs. And these new distortions of the relationship between worker and work are destroying families and communities. We must restore work to its rightful place at the center of working-class communities.

III. JOBS AND WAGES

At the center of the working-class predicament today is employment. This report focuses on Americans on a middle rung in our society—not impoverished, but also without the security that comes with college education and professional employment. We call them the working class for a reason: their identity was once bound up with a lifetime of hard, steady work. For much of the nation’s history, that work was easy to come by, without regard to background or education, and it gave workers and their families a respected and moderately secure standing in American life.

Recent events, however, have not been kind to many of these workers. Among men, work levels are falling to historic lows. The decline in work is clear, the reasons behind it much less so. For some, work is hard to find. Others choose not to seek jobs that are available. Many withdraw from the workforce even when the unemployment rate is low.

This chapter addresses the employment challenge from every angle. We seek to reward work, increase incentives and remove disincentives to work, reduce barriers that stand in the way of work, increase expectations to go to work, and make sure there is enough work to go around. We discuss first the demand for less-skilled labor, then factors limiting the supply of workers willing and able to work.

LABOR DEMAND

Working-class wages have stagnated for more than 30 years, and many of the jobs that allowed less-skilled workers to support families and communities have vanished. Manufacturing employment has fallen by nearly one-third. Productivity growth has slowed dramatically; this prevents wages and living standards from rising. Domestic output increases much

more slowly than it used to, which means that when productivity does rise, it often translates into fewer workers producing the same things, instead of the same workers producing more than before.⁵⁶ Much of our economy’s growing demand has been met from overseas, but without a comparable rise in overseas demand for the things Americans produce. Much of the entrepreneurship and capital that once employed American workers at good wages now employs workers in Asia or goes toward investments in the finance and technology sectors that generate few new jobs for the working class.

The answer cannot be simply redistribution or protecting workers from foreign competition. There is no escaping the need for every region of America to become more competitive. People in an area cannot live well simply by exchanging their own products or services among themselves. Rather, each locality must produce something in demand elsewhere in the nation, if not also abroad. Working-class households will not attain self-sufficiency and participate fully in society unless the economy generates more and better opportunities for them.

Many fear that new technology like robotics and artificial intelligence will compound today’s challenges or render workers superfluous. We believe this

We call them the working class for a reason: their identity was once bound up with a lifetime of hard, physical work.

misunderstands the relationship between technology and work. At root, automation is simply one of the processes by which an economy generates more output per worker. In other words, it is synonymous with the rising worker productivity that the working class so desperately needs—and that current economic data show has been missing, not surging.

New technologies will undoubtedly change the nature of work, as the breakthroughs of prior generations—from electricity to the assembly line to the computer—did before them. Certainly, there will be disruptions. But how we cope with those challenges—and whether they ultimately redound to the benefit of most workers—is within our control.

Indeed, a broader prosperity *depends* on achieving higher productivity, and that productivity must be shared more broadly than it is today. As chapter IV of this report shows, workers have a responsibility to increase their own capabilities, acquiring skills that allow them to earn more. But equally, private business must show more responsibility toward the workforce. Management should see workers not just as an input to be purchased at least cost, but also as allies to be invested in to the end of greater production and income for all.

The role for public policy is first and foremost to improve labor market conditions so that more firms again seek to employ workers here at home and boost their productivity. As Harvard economist Ed Glaeser has observed, “Every underemployed American represents a failure of entrepreneurial imagination.”⁵⁷ Good jobs represent a partnership between entrepreneurs with profitable ideas and capable workers eager to make and deliver goods. Real wages rise and prosperity spreads when management challenges workers and pays them well to become more productive.

In pursuing these goals, not all economic growth is equal. Entrepreneurship and new business creation will be crucial to broad-based economic revival, especially in small, isolated markets. A number of policy reforms could channel that effort toward the kinds of jobs in which workers with less than a college degree can excel and earn more over time. In the pages that follow, we emphasize ways in which policymakers can

improve the functioning of the labor market, make employment more attractive for employers and workers, and reorient the US economy toward domestic production.

Occupational licensing

One of the leading labor-market obstacles for workers is occupational licensing. Today, 29 percent of American workers require a state license to do their jobs, compared to just 5 percent in the 1950s.⁵⁸ Requirements for these licenses vary widely from state to state and often serve more as barriers to entry than evidence of competency.⁵⁹ One study estimates that occupational licensing reduces workers’ geographic mobility and results in about three million fewer jobs nationwide.⁶⁰ Many working-class professions are licensed in all 50 states—emergency medical technician (EMT), bus driver, pest control worker, truck driver, cosmetologist, manicurist and barber, among others.⁶¹ A study of licensing requirements in 102 low- and moderate-income occupations found that one-third of licenses took more than a year to earn.⁶²

Economists across the political spectrum have called for states to reduce occupational licensing.⁶³ States should roll back or eliminate requirements that impose burdens and barriers without advancing health, safety or the public interest. It shouldn’t take 10 to 15 times longer to train to become a cosmetologist than to become an EMT.⁶⁴ In addition, states should forge interstate compacts to make it easier for workers who have licenses in one state to move to and work in another. This reciprocity will benefit military spouses, who move frequently, as well as licensed workers in economically depressed areas who need to move elsewhere to find work. Licensing at the state and local levels has thus far resisted reform, in part because rules are set by established practitioners eager to insulate themselves from competition.

One promising approach, pioneered in Arizona, is to create a cause of action that workers can use to challenge licensing requirements that serve no legitimate health or safety purpose.⁶⁵ In cases where a licensing

board advances a senseless and onerous requirement, affected workers supported by public-interest litigators can challenge it in court. This avoids the need for a legislature concerned about burdensome licensing to revisit certification for every field. The result—and this has been Arizona’s experience—need not be to spur constant litigation, but rather to put licensing boards on notice that they can be held accountable for unreasonable requirements.

Many fear that robotics and artificial intelligence will render workers superfluous. We believe this misunderstands the relationship between technology and work.

All states would benefit from creating similar causes of action. Further, the federal government should create a comparable law allowing residents in any state to challenge requirements inconsistent with the state’s health-and-safety standards. In this way, federal rules would not preempt state and local regulations but would facilitate challenges to those that interfere with economic opportunity for no legitimate purpose.

To encourage interstate compacts and standardized requirements, states and the federal government should provide safe-harbor provisions that immunize licensing from challenges in cases where a common standard has been adopted by a majority of states. If a licensing board adopts the same standard used in most other states, that choice should be presumptively valid. Such standards are less likely to be arbitrary and onerous because they will have achieved broad consensus. Even where they impose burdens, common standards ensure that a license achieved in one state will be recognized wherever the worker moves.

Works councils

The working class would benefit from a vibrant labor movement that serves its interests, helps workers build and maintain relationships with employers, and boosts productivity. America’s existing system of organized labor, largely unchanged since the Great Depression, does not fill this need. Private-sector union membership has been plummeting for half a century, from a high of 36 percent of workers in 1953 to less than 7 percent in 2015.⁶⁶ Since 1973, while union-member manufacturing employment collapsed from 7.8 million to 1.3 million, nonunion manufacturing employment has risen.⁶⁷

A key shortcoming of the current system is its highly adversarial nature. Other countries have rejected the idea that workers and bosses are opponents and one side can gain only at the expense of the other. An alternative model is works councils, where management and employees work together to improve working conditions and productivity, to the benefit of both. Rather than seek maximum concessions, sometimes to the detriment of a firm’s long-term health and in ways that limit job creation or productivity gains, works councils operate collaboratively, giving workers a stake and a say in running a company—a new role they often use to boost their own earnings and the employer’s bottom line. Both sides share more information, and better solutions often emerge.⁶⁸ In Germany, nearly 90 percent of companies with at least 500 employees have works councils.⁶⁹ This approach promotes high productivity, helping Germany remain highly competitive even with high wages.

In the United States, section 8(a)(2) of the National Labor Relations Act prohibits works councils—or almost any kind of formal management-labor cooperation—unless the firm also has a traditional union. The worry in 1935, when the act was written, was that management could use a cooperative committee to create the appearance of representation while forestalling a full-fledged union that would be worth much more to workers. Today, however, many workers prefer a more cooperative relationship with management. A landmark survey conducted by

Harvard University's Richard Freeman and the University of Wisconsin's Joel Rogers in the 1990s found that, given the choice of unionizing or establishing a cooperative management-employee committee, workers preferred a committee by more than two to one.⁷⁰

Section 8(a)(2) should be amended to allow other forms of organizing, including works councils, when workers choose them, while preserving workers' right to a traditional union if they prefer that. Increasing choice and flexibility in labor law could strengthen relationships between firms and workers in ways that increase workers' value and make industrial investments more attractive. It could also give a revitalized labor movement another chance to play an integral role in the lives of the working class.

International trade

Many American workers find themselves competing against foreign counterparts who benefit from aggressive government support. The promise that free trade would benefit American workers has always presumed that those who lost jobs because of foreign competition would gain new opportunities to produce tradable goods and services for foreign markets in some other industry. For many, that has not happened, as the nation's large trade deficit makes clear. The American economy should have benefited from major export opportunities for its advanced technologies. But even in the category of "advanced technology products," the US trade deficit exceeded \$100 billion in 2017, driven by items like biotechnology, computers and electronics, and advanced materials.⁷¹

Of particular concern are policies pursued by China under its "indigenous innovation" program, currently called "Made in China 2025." These policies put pressure on global producers to locate operations in China, share intellectual property (IP) with Chinese firms and employ Chinese workers. In 2017, the first Chinese commercial airliner began test flights—thanks to 16 joint ventures with foreign firms that facilitated technology transfers.⁷² Since then, Chinese airlines have ordered nearly 800 planes

from their domestic producer—orders that otherwise might have gone to Boeing or Airbus.⁷³ Facing heavily subsidized competitors and stiff tariffs in the Chinese market, Tesla has focused on building its next manufacturing facility near Shanghai.⁷⁴

Trade theory holds that America benefits overall from freer trade even if its market is more open than those of competitors like China. But even Adam Smith recognized that a country might have to threaten trade restrictions to force freer trade practices on foreign competitors.⁷⁵ Indiscriminate tariffs are not an appropriate response to challenges of the kind posed by China, but neither is doing nothing. American policymakers should develop targeted responses to combat the policies of countries that force firms to relocate operations and expropriate their technology.

For instance, the United States could prohibit the import of products developed and built with stolen intellectual property, just as it prohibits domestic trade in stolen and counterfeit goods. It could also prohibit the transfer of industrial technologies to countries with a record of IP theft, much as it prohibits the transfer of sensitive military technologies. And it could establish differential levels of IP protection for firms that retain their technology domestically rather than transferring it overseas. Policymakers need to identify points where the United States has greatest leverage over China—for instance, in access to American higher education, financial markets and critical technologies—and use them to American advantage.

Measures like these will be most effective if the United States takes them in concert with other nations equally committed to fair trade. Such coalitions can bring greater pressure to bear on bad actors and collectively take a harder line than any country can likely enforce unilaterally. To achieve cooperation of this kind, the US will need to reestablish its credibility as a responsible and reliable partner in trade negotiations.

The Trans-Pacific Partnership represented an opportunity to establish this sort of coalition; the US erred in withdrawing from participation and should seek to reengage in the process. But where multilateral cooperation is not forthcoming, or is insufficient,

the United States should be prepared to take action alone—even at short-term cost—in the interest of establishing a more beneficial trading system.

Environmental protection

Firms' decisions to locate production elsewhere are also a function of handicaps that America has imposed on itself. Laws passed in the 1970s have done much to elevate environmental quality. But sometimes, environmental law delays or frustrates needed investments in industrial capacity, and advocates use the permitting process to block projects that could provide well-paying jobs for less-skilled workers.

A clean energy future will require sweeping changes in the nation's infrastructure, from a new generation of renewable energy sources to more efficient forms of transportation, such as high-speed rail. These investments will make our air and water cleaner and our economy more efficient while providing good, high-paying jobs for the working class. But here too, environmental clearances can impose excessive costs and delays.

In contrast, Canada and Germany streamline approval of new facilities so as to limit bureaucracy, curb litigation and reduce delay. In Canada, the "one project, one review" system delegates authority to provincial governments and limits the review process to two years, even for large federal projects. In Germany, reviews take as little as six months, and final approval is incorporated into an administrative act that precludes legal challenge on the basis of environmental questions.⁷⁶ The US should adopt comparable reforms.

Antitrust enforcement

Numerous measures indicate that markets have become increasingly concentrated. A higher share of economic value is flowing to a narrower set of firms and workers. Across most industries, the largest firms

accounted for a higher share of sales in the 2010s than in the 1980s or '90s. Profitable firms are remaining more persistently profitable, and new firms enter the market at a far lower rate than in the past.⁷⁷ These trends limit the number of buyers and sellers in the market, situate corporate control further from local communities and discourage entrepreneurship.

Further, while antitrust law seeks to protect consumers from monopoly (sole seller) power, it does little to protect workers against monopsony (sole buyer). Among other ills, this has allowed the spread of noncompete agreements, which now cover 15 percent of workers with less than a college degree, reducing their bargaining leverage and limiting their vocational and geographic mobility.⁷⁸

Antitrust laws and doctrines established more than a century ago proved effective in strengthening the market economy, promoting innovation and broadening opportunity. Today, policymakers should ask whether new forms of economic power are distorting the labor market. The very concept of "market power" acquires a different meaning when the network effects of higher market share actively enhance a product's value, as they do today, and many online products and services are offered for free.

The antitrust field relies largely on judicially created doctrines and the judgment of officials at the US Department of Justice and the Federal Trade Commission. Our group believes antitrust enforcement is ripe for bipartisan reform that would improve market competition in the interests of workers. We encourage legal and economic scholars to set ideology aside and give this issue greater attention.

For instance, scrutiny of market power created by mergers should consider not only the product market into which the new firm would sell but also the labor market in which it hires. More broadly, not only consumer welfare but also the opportunities available to workers should be considered in judging whether or not a company's behavior is anti-competitive. In some circumstances, we should consider making noncompete agreements illegal.

The credential gap

Those without a college degree are at an inherent disadvantage in today's economy. The workplace used to offer a second chance to those with limited education. They could succeed on the job even if they could not succeed in the classroom or never had the opportunity. Lack of a four-year college degree did not bar unusual achievement. Neither John D. Rockefeller nor Henry Ford was a college graduate. More recently, Bill Gates, Steve Jobs and Mark Zuckerberg created world-dominating companies without college degrees.

Yet for much of today's working class, this second chance is no longer available. Many employers now consider only college graduates, even for jobs currently filled primarily by workers without degrees. A Harvard Business School study found that 67 percent of job postings for production supervisors require a bachelor's degree or higher, even though just 16 percent of existing production supervisors have college degrees.⁷⁹ Likewise, Burning Glass, a career data analytics firm, has identified a long list of middle-skill jobs where there are large gaps between the educational credentials of current job occupants and those listed as requirements in online job postings.⁸⁰ With more and more job searches now processed online, employers can choose to filter applicants and avoid even looking at the noncollege working class.

Excessive credentialism not only hurts workers; it's also less useful in hiring than many assume. Going to college is not necessary for significant achievement. Still less does going to a prestigious college matter much for what you accomplish later.⁸¹ In picking workers, managers would do better to focus on whether applicants have the skills to do the job at hand—skills they will often have learned on the job rather than in school.

The obsession with college also harms the nation's education system. It drives many people to pursue degrees they don't want in order to qualify for jobs that don't in fact require skills likely to be learned in college. As chapter IV of this report makes clear, more career and technical training would be a better solution.

Employers may, for a variety of reasons, wish to consider educational attainment in their hiring processes. But they should do so without preemptively excluding the entire working class, many of whom could be worthy candidates for many of the jobs now arbitrarily placed beyond their reach. The best remedy is not mandates, but rather changes to norms and expectations. Public figures and others should highlight the problem and encourage scrutiny of employers who exclude broad swaths of potential employees just so they can review a smaller pile of resumes. We should also question job search engines that make it too easy for employers to overlook qualified candidates. Responsible employers should adopt inclusive policies and call attention to them, and the public should take note.

Monetary policy

Finally, policymakers should not ignore the central role that macroeconomic conditions and monetary policy play in increasing labor demand and ensuring full employment. As this report went to press, the US unemployment rate had reached a level last seen briefly in 2000 and before that in the 1960s.⁸² Inflation had begun a slow and steady increase up to 2 percent.⁸³ The Federal Reserve was understandably moving toward tightening interest rates.

But over most of the past decade, even as the inflation rate remained well below the Fed's target, any sign of a tightening labor market led quickly to concern that the economy was overheating. In 2012, when the unemployment rate averaged 8 percent, the Congressional Budget Office (CBO) estimated that 5.5 percent unemployment represented full employment. Yet the unemployment rate has been lower than that in every month for more than three years, and it continues to fall, drawing more people back into the labor force without setting off an inflationary spiral. The CBO has since revised its full-employment estimate to 4.6 percent unemployment, and we are far below that level now as well.⁸⁴

A tight labor market disproportionately benefits lower-wage workers, including the working class, even

as inflation starts to rise. After years of below-target inflation, there may be more leeway in the economy than many assume. Economists and policymakers should err on the side of keeping labor markets tight, allowing wages to rise and encouraging employers to invest in boosting productivity, rather than prematurely disrupting economic conditions that benefit marginal workers.

LABOR SUPPLY

To raise work levels in the working class, it is not enough simply to improve work opportunities. Work is not just a right that society owes to workers—it is also an obligation. Americans who can work owe it to their families and the wider society to do so. Indeed, our society has always viewed work as a common bond, a rite of passage into the economic mainstream and the basis of widely shared prosperity. Those who lack the opportunity or spurn the responsibility to work miss out on the dignity and promise of American life.⁸⁵

Adverse changes in the labor market are probably the most significant cause of falling work levels among the noncollege labor force, but restrictions on labor supply are also to blame.⁸⁶ Today, too many workers subsist on support from their families or government benefits. Thirty-five percent of the working class as our group defines it got support from a safety-net program in 2014, often SNAP or Medicaid, up from 23 percent in 1998.⁸⁷

Getting employable workers back to work and reducing dependency is essential to their full participation in American life. Benefit programs that have traditionally been used to support people who are not working can also be used to encourage them to rejoin the labor force. When our group proposes altering the safety net, as we do in the pages that follow, our goal is not to save money, but rather to direct less spending toward subsidizing idleness and more toward encouraging and supporting work. Likewise, the impetus for expanding work requirements is not to punish those who are not working, but rather to equip benefit programs with tools and incentives to move people into work when it is available and they are able.

Earned income tax credit

Traditionally, government has rewarded work most directly through the earned income tax credit (EITC), which subsidizes the earnings of low-income workers. For 2018, families with as much as \$54,884 in income can receive an annual subsidy of as much as 45 percent of their earnings, or up to \$6,431 for a family with three children.⁸⁸ The credit is refundable, so it goes even to families without tax obligations to set it against. In 2015, nearly 28 million people received the EITC, and it lifted 6.5 million of them out of poverty, including some 3 million children.⁸⁹

The EITC's biggest bonus goes to families with children, often headed by single mothers. A single worker not claiming children as dependents—even if he is a father—received no more than \$519 in 2018. Many, including the Trump administration, have proposed increasing EITC payments for childless workers as a way to get more low-income men to work, including the jobless working class. Such a plan would cost an estimated \$65 billion over 10 years, and much of that would go to people who were working already.⁹⁰ Still, our group believes, supporting low-wage workers is a good idea.

One drawback of the current EITC, which an increase would only compound, is the way it sometimes penalizes marriage.⁹¹ Two earners who might each be eligible for the EITC as individuals can find themselves with too much income to claim comparable credits if they form a joint household. For instance, two single workers, each with \$8,000 in earned income, would each receive \$519 from the EITC in 2018, or a total of \$1,038. If they filed as a joint household with \$16,000 of income, their total EITC payment would be only \$377. If the EITC for childless workers doubles, so would the cost of marrying.

For workers with children, the picture is even more complicated. If two single parents, each earning \$18,000 and each with a child of their own, choose to get married, their combined EITC payments would fall from \$6,922 to \$3,257. In other contexts, there can be a large marriage bonus: if a single worker with \$15,000 of earned income marries a single mother of two children with \$5,000 of earned income, their

combined EITC payments would rise from \$2,010 to \$5,574.⁹²

For childless workers, we propose doubling the EITC and eliminating the marriage penalty by calculating credits on the basis of individual earnings rather than household earnings, as they are currently calculated. An analysis by AEI's Open Source Policy Center estimated that the cost for an expansion of this kind would be \$20 to \$25 billion per year.⁹³ Some portion of this cost could be covered by reducing the program's roughly 25 percent improper-payment rate, but additional tax revenue will be required.⁹⁴ Three possible ways to raise new revenue: expand the number of families that pay estate taxes, limit tax exemptions available to better-off households or raise minimum taxes for corporations that rely on tax havens.

Ideally, a parallel reform would eliminate the marriage penalty for households with children. But children change the calculation dramatically, and eliminating these penalties would be complicated and prohibitively expensive. Simply allowing each parent to claim their own maximum credit could lead total household payments to double from more than \$5,000 to more than \$10,000. While marriages are rare between two single parents, each with multiple children and earnings that qualify them for large EITC payments, married couples with three or four dependents and earnings in that range are not rare, and the tax system would struggle to distinguish between the two circumstances. Even if the maximum payment were capped, allowing workers to claim credits as if they were individuals with children would make high-income households where a second earner, perhaps working part-time, had annual income in the EITC's target range eligible for very large EITC payments.

In some respects, for these reasons and others, the EITC might work best if converted from a household tax credit to a more direct, worker-focused payment—an approach we turn to next.

Wage subsidy pilot

Policymakers should consider a broader and more direct wage subsidy to low-wage workers. Rather than supplement wages with a year-end tax credit, a subsidy would add money to each paycheck alongside the wage from an employer. The supplement would be limited to workers earning less than a target wage of, say, \$15 an hour and would be equal to half the difference between the worker's wage and the target. Eligibility would be determined solely by the worker's market wage, without reference to marital or parental status. Lower-income households would receive steady payments throughout the year rather than a lump sum long after the fact as with the EITC, making the incentive to work clearer to those who are eligible.

An initiative of this kind might counter at least some of the recent labor force withdrawal by men with a work history, some of whom refuse to accept low-wage service jobs.

A wage subsidy has administrative benefits and drawbacks. On one hand, it is much easier to calculate and would not face the EITC's problems with improper payments. On the other hand, a subsidy demands cooperation from employers, who would be required to tap public funds to pay employees, a complexity many businesses dislike.⁹⁵

Another approach to subsidizing wages would be a worker tax credit. It too should be based on individual earnings and could provide benefits for those earning up to about \$40,000 per year. If the tax credit were set at 15 percent of earnings, it would in effect offset the payroll taxes owed for these workers, simplifying the administration of the program but still boosting take-home pay substantially. For working-class recipients, who would be the primary beneficiaries, the effect would appear less like a government program and more like a tax cut.

Either kind of subsidy—a direct wage supplement or a worker tax credit—would be a substantial and potentially very costly new intervention in the labor market. The concept merits further study. Our group proposes piloting it in several states or metropolitan areas. The federal government should invite interested jurisdictions to submit applications, specifying

among other particulars their method for setting a target wage, and accept several that would implement the program for enough time to warrant the upfront investment—at least five years. The program would require federal funding and administration through the US Treasury’s existing tax-withholding system.⁹⁶ Workers receiving subsidy payments would remain eligible for EITC payments only to the extent their EITC claim exceeded the subsidy payments received in a given year.

Unemployment Insurance

Ever since the Great Depression, Unemployment Insurance (UI) has supported workers who lose jobs through no fault of their own. The goal of the program should be to help workers return to employment as quickly as possible. Being out of work takes an emotional and financial toll that only a return to work can reverse, and remaining on unemployment until one’s benefits are exhausted can do lasting damage to a recipient’s employability. The long-term unemployed face serious, often-overwhelming barriers to rejoining the workforce.

To receive UI benefits, claimants must have worked for at least two prior calendar quarters and earned a prescribed minimum amount. In 2014, as the nation recovered from the Great Recession, only 23 percent of unemployed workers received regular UI benefits, the lowest in the postwar era.⁹⁷ This was due in part to restrictive state policies and in part to the fact that relatively fewer workers today leave jobs involuntarily, as UI assumes, and more do so for other reasons.⁹⁸

UI benefits vary by state, but they typically pay jobless recipients about half their prior earnings and last for six months, although that time is often extended during recessions. In theory, UI claimants are supposed to be available for work at any time and always seeking a new job, but this requirement is not strongly enforced. In most localities, to keep their benefits, workers simply phone in weekly; they no longer must appear at the unemployment office. The system counts mainly on the termination of benefits

to make claimants look for work and seldom requires them to search for jobs before that.

An alternative approach would create better incentives by allowing workers who get new jobs before their benefits expire to receive a portion of their remaining insurance as a lump sum. They would then be ineligible to claim support until they had again worked as many quarters as required for eligibility in their state.

Still another potential reform would require claimants to return to the unemployment office to pick up their weekly checks, and they could be required to enroll with the US Employment Service and discuss whether and how they were looking for work. UI “suitable work” rules allow beneficiaries to remain jobless long enough to obtain jobs similar to those they previously held, but the longer that search is unavailing, the more the claimant is required to accept lower-paid work. These rules should be examined to be sure they are not keeping claimants out of work too long.

Disability Insurance

Disability programs were designed to help those who cannot work. As caseloads rise, however, it is clear that benefits are enabling many who could work not to do so. Supplemental Security Income (SSI) is a means-tested program that supports more than eight million needy aged, blind and disabled recipients who are not expected to work; the great majority are disabled. A separate program, Social Security Disability Insurance (SSDI), supports more than 11 million contributors to Social Security who have been allowed to retire early because of impairment.

In the long run, the EITC might work best if converted from a household tax credit to a more direct, worker-focused payment.

Disability Insurance (DI) has exploded in recent decades. By 2012, it supported 5 percent of all adults. By 2015, nine million former workers were living on the program, up from three million in 1980.⁹⁹

Policymakers have allowed SSDI to finance the decline of working-class employment. The growth in the caseload is primarily due not to the aging of the population, but rather to the liberalization of the eligibility process since 1984. Disability originally meant a clear-cut physical impairment, but at least half of recent awards have been based on so-called “vocational factors” above and beyond a physical inability to work.¹⁰⁰ Pains are more often a matter of judgment; psychological conditions are more often the basis for coverage. And where independent state agencies once judged eligibility, since 1984 the applicant’s own doctor has gained a controlling influence.

While the program properly supports many incapacitated people who could never work, many claimants are not actually disabled and would probably work if denied coverage. For them, DI has become a long-term unemployment program.¹⁰¹

Efforts to motivate claimants back to work by allowing them to keep much of their benefits if they take a job have failed. Policymakers should consider an alternative reform: government could reassess existing claimants to determine whether they can in fact work. When Congress mandated such a review in the early 1980s, 40 percent of the cases examined were found not to be medically disabled, and claimants lost their benefits. Controversy over the reviews forced lawmakers to halt them and instead liberalize the program.¹⁰²

But a more careful, independently funded review of cases might have a better chance of success. One model is the WeCare program, a comprehensive disability review used by the New York City welfare department to judge claims by welfare recipients that they are unable to work.

A further solution would be to give employers more stake in controlling the expansion of the program. Currently, employers can shift workers who become impaired to SSDI without cost. A potential reform would “experience-rate” the Social Security tax employers pay on their employees, as we

now experience-rate the tax they pay to finance UI. This would cause a firm’s tax to rise and fall depending on how many of its employees retire on DI—and would give firms a reason to accommodate impaired workers rather than shift them to DI. Employers might also be allowed to contest claimants’ requests for awards, making eligibility a more stringent, adversarial process.¹⁰³

Displaced workers

Some workers who lose jobs because of globalization can receive limited wage replacement and retraining under the Trade Adjustment Assistance (TAA) program, which serves workers forced out of jobs by foreign competition. TAA serves only a small share of those who might be eligible, and studies show that it does not improve the employment of its clients. Often, it reduces their earnings compared to similar displaced workers who are not enrolled in the program.¹⁰⁴

While Congress and the public are understandably concerned about jobs lost to trade, TAA seems misconceived. It aims to help displaced workers train for new jobs, but the evidence suggests these workers would do better to seek whatever jobs they can get as quickly as possible. For some people, even the best training programs are less effective than a simple job search. Displaced workers tend to be older and less educated than average, and training them for new, well-paying jobs is difficult.¹⁰⁵

Our group considered expanding TAA to fund wage insurance—temporary cash payments to help workers thrown out of work adjust to lower-paying positions—and training accounts for workers who lose their jobs because of technology or trade. But the cost—estimated at \$22 billion a year—would be much more than for the present program, and without better evaluation results, we believe doubling down on this approach would be a bad investment.¹⁰⁶

We suggest some alternative answers for displaced workers in chapter IV of this report, on education and skills.

SNAP

The nation needs safety-net programs to support families without income, but the preferred solution to need should be work, not aid. Means-tested programs should promote work rather than becoming a substitute for it. Most Americans, working-class and others, believe aid should reward and support work and preparation for work.

This principle can be applied to many means-tested programs. It was instituted in cash aid for families in the welfare reform of the 1990s, when Temporary Assistance for Needy Families (TANF) required most welfare mothers to engage in work activities as a condition of aid. Few working-class people receive TANF, but a great many rely on the Supplemental Nutrition Assistance Program (SNAP). The SNAP caseload grew during the Great Recession, understandably. But it has not fallen nearly as much in the current recovery as it did after previous downturns. Today, nearly a decade after the recession ended, more than 40 million Americans still receive SNAP.

The program has not paid enough attention to work. Recipients need both more opportunity and more expectation to work. In 2015, 12 million able-bodied adults enrolled in SNAP reported no earnings—up from four million in 2000.¹⁰⁷

The program has some work requirements, but in practice states do little to prepare recipients for work, help them enter the workforce or arrange for work when none is available. Able-bodied adults without dependents are theoretically limited to three months of benefits unless they work at least 20 hours a week or enter training or community service. But states may waive this requirement when unemployment is high, and many have not reinstated a work test even though the unemployment rate is now under 4 percent. The federal government should stop letting these states off the hook.

SNAP needs meaningful work requirements. States should expect participants to work and facilitate it. Training programs are not enough. Child care should be guaranteed when necessary, and jobs should be provided if beneficiaries cannot find their own. As in TANF, states should have to work actively

with employable cases to be sure the expectation of work is not just a formality.

Child support

Child support programs offer another opportunity to promote work. Since 1975, the nation has developed an elaborate system designed to require that absent parents help support their families. State agencies, largely funded by Washington, help single parents establish the paternity of their children, set judgments about what absent parents should pay to help support their offspring and then garnish their earnings to be sure they do so. This system is highly efficient at collecting the support that's due—provided absent fathers have regular jobs. But assuring that fathers get jobs and work is much tougher.

Like welfare, child support is most important for low-income families, where single parents face the greatest burdens. But family breakdown is now rife in the working class as well, and promoting work must play a greater role in the child support system. Child support agencies have begun to develop mandatory work programs to which absent low-income fathers may be referred if they fail to work or pay their judgments. They must then choose to get a job and pay up, participate in the program, or face the threat of jail. These programs provide valuable leverage to move many nonworking men back toward employment.

Evaluations of these programs are promising, and they could become the basis of what might be called welfare reform for men. Just as welfare mothers were required to go to work in the 1990s and subsidized by the EITC for doing so, so nonpaying fathers could be required to work and receive improved wage subsidies. Child support work programs have developed slowly because they do not usually receive the federal funding, provided under Title of IVD of the Social Security Act, that underpins the rest of the child support system. We recommend that such funding be allowed and that development of these work programs proceed apace.¹⁰⁸

Another needed reform would address the heavy arrearages in unpaid child support that many men owe, often because of periods when they could not work—for instance, when they were incapacitated or incarcerated. States should develop rules that allow arrearages owed to government to be reduced over time provided the noncustodial parent pays his current judgment regularly. Arrearages owed to the custodial parent would not be affected unless she agreed.

Jobs of last resort

Everyone in our group, even those who are most supportive of enhanced work requirements for means-tested benefit programs, agrees that benefits should not be reduced or taken away from anyone for failing to work if there is any question whether a job is available. Requiring beneficiaries to work entails an assurance that they have the opportunity to do so—an open position at a location near them for which they have the requisite skills.

Our group does not favor a government commitment to guarantee public jobs—especially at above-market wages—to those in need of work. We consider this impractical and undesirable. A guarantee of this kind would be extraordinarily expensive. It would require government to take on a task it is ill-equipped to perform, and it would badly distort the private labor market.

Putting people to work on behalf of public priorities sounds appealing in the abstract, but the vagaries of the business cycle would leave the government with many millions of prospective workers in some years and precious few in others. Society cannot

make productive use of so much labor fluctuating so unpredictably.

What we favor instead, where economic conditions or individual circumstances mean no job is available, are efforts by government to subsidize private employment. The reforms to the EITC proposed elsewhere in this chapter are one step in that direction. Still another, more targeted option would resemble an initiative pioneered during the Great Recession: as part of the 2009 stimulus package, the American Recovery and Reinvestment Act, Congress spent \$1.3 billion to create some 260,000 subsidized jobs. The jobs were readily filled, and a nonexperimental evaluation suggests that recipients may have increased their skills and earnings.¹⁰⁹

Universal basic income

The idea of a universal basic income (UBI) has gained attention in recent years as a potential response to the labor market's seeming inability to support many working-class families. Proposals vary, but most entail automatic monthly payments to all Americans on the order of \$1,000 per month, sufficient to maintain a basic standard of living.

Such a program is not now affordable or popular. But even if it were, our group believes that pursuing UBI would be unwise. The nation's goal should be universal employment, not universal basic income. Work provides more than just a paycheck. Supporting oneself and one's family, and making positive contributions to one's community, is a central source of purpose and dignity for many people. Productive work is a prerequisite to upward mobility for most individuals. And because it supports families and satisfies community norms, work is crucial to transmitting economic opportunity across generations. A society where fewer people engage in productive work while a large and growing segment sit on the sidelines will not be an inclusive or thriving society.

Implementing UBI would excuse policymakers from the much more difficult task of ensuring that everyone in society can participate fully and contribute productively, whatever their abilities and

**The nation's goal should be
universal employment, not universal
basic income.**

education. UBI may appear generous and compassionate, but it would evade our true challenge—helping those who are struggling to fulfill their potential as workers. Perhaps that effort will prove futile. Perhaps, as now seems unlikely, automation will reduce the available employment below what workers need. Only then should UBI be discussed. To pursue it now would be a dereliction of duty.

A new working community

For much of the 20th century, America's safety net aimed largely to offset lack of jobs in the private economy. Support had to be provided to the jobless because jobs were not always available, but the will to go to work was not in doubt. Public support was indeed a safety net, designed to catch willing workers thrown out of the private economy through no fault of their own.

Today, the chief limitation of the labor market is no longer lack of jobs, but, for many positions, insufficient wages to support a mainstream life. The low-wage labor market is replacing government as the nation's principal safety net. And while jobs are available, the will to take them is much more in doubt.

The private sector has a role to play. For most of this century, returns on capital have been rising, while returns for labor have been flat. Employers should do more to balance the equation, raising wages for low-paid workers.

But if wages—and the will to work—continue to flag, government will need to reward and incentivize work and, in some cases, require and provide it. Not everyone will find a well-paying job, but everyone should be able to get some job and the dignity that goes with it.¹¹⁰ Those able to work have an obligation to reclaim steady work as their identity. Work, not its absence, must again become the hallmark of the working class.



IV. EDUCATION AND SKILLS

Since the birth of the nation, Americans have regarded education as the key to upward mobility. It no longer works that way for many working-class Americans. The promise of college for all has proved a false lure. Recent years have seen burgeoning interest in career and technical skills and promising experimentation with programs designed to prepare young people for work. But there is still no true alternative for students who are not aiming for a four-year college. Nor have we as a nation begun to grapple with what may be large numbers of workers displaced in coming years by new technology. Work as we know it is changing; education must keep up. And we need better answers for the working class—including those seeking to retool in midcareer.

IV. EDUCATION AND SKILLS

Little would do more, our group believes, to bolster the fortunes of the working class than enhanced skills—the career and technical skills in increasing demand in today’s changing economy. Yet far too often, the education that’s available today does not teach skills in demand in the workplace. Right and left, members of our group agree this is an area where policy can help, spurring the emergence of new choices for working Americans in search of opportunity. We need better answers for high school students, those just out of high school and adults seeking to acquire new skills later in life, retooling to keep up with a changing economy.

The problem is particularly acute for what economists call “middle-skill” workers, a category that dovetails with our group’s definition of working class: people with at least a high-school diploma but less than a four-year college degree. Although estimates vary, research suggests that middle-skill jobs account for at least 35 percent of all positions, perhaps more than half, and will continue to do so in years ahead.¹¹¹ Survey after survey finds employers complaining that the supply of middle-skill labor is not keeping up with demand; workers across the country seek better jobs and higher wages.¹¹² And the problem is likely to get worse as automation and artificial intelligence transform the workplace in coming years.

Yet our education system, focused as it is on college access and completion, offers few good answers for middle-skill workers. They need better options: better career education in high school, a true alternative to four-year college and ample opportunities for reskilling later in life—new institutions, new funding mechanisms and a new education marketplace to provide the lifelong learning workers will need to keep up with the changing jobs of the future.

Recent years have seen burgeoning interest in career and technical skills and the educators—traditional institutions and disruptive, innovative providers—best positioned to teach them. This intellectual ferment is sparking change across the country, as educators, employers, governors and a new generation of education entrepreneurs develop and encourage new approaches. But many of the new experiments are just that, experiments—innovative, promising, pointing toward a new vision, but not yet scalable answers and in no case the one right answer for everyone.

Our goal in this chapter is to suggest a way forward through this transitional time. Two foundational principles are clear. First, high school as we know it is no longer enough. All Americans need some postsecondary education or training to keep up with the changing workplace. Second, there can be no effective career education without employers—that’s the only way to ensure that students are learning skills in demand in today’s job market.

But beyond that, our group believes, it’s too soon to commit exclusively to a single approach—too soon for government to pick winners and losers and too soon to move too fast on trying to scale any single experiment. What’s needed are incentives for innovation, new thinking around quality control, more information for students and employers making choices, and a more transparent marketplace—a level playing field where the best new options can emerge and flourish.

High school as we know it
is no longer enough.

Our group has reached consensus on four pillars of a new approach:

Alternative providers. Spur the emergence of new, more agile and adaptable education providers—high schools, colleges and new alternative options geared to both traditional students and older workers.

Employer engagement. Create new incentives and expectations for employer engagement in career education—employer-provided training, employer input in regional workforce planning and robust employer partnerships with educational institutions.

Federal financial aid. Reform higher education funding to upend the existing skew toward traditional academic education, allocating more aid to programs that teach students the skills they need to succeed in the workforce.

Data-driven quality assurance. No one wants to spend taxpayer money on education that doesn't deliver for students, and more information is needed about the payoff to career education programs—job placements and wages after graduation. Students, educators and employers making choices also need better information: more readily available data about what kinds of preparation lead to the best jobs.

Together, we believe, these changes will create a wealth of new, better options for working-class students and adults, giving them the tools they need to succeed in the workplace and build bridges back to opportunity in the American mainstream.

NEW PROVIDERS, NEW MODELS

Higher education as we know it is a narrow path, one-size-fits-all and designed for traditional students: young people, often still dependent on their parents, for whom college or university is a one-time experience—all the education they need for the rest of their lives. The universal definition of success is graduation from a four-year college; the all-but-unquestioned

destination, a white-collar office job. This model is no longer apt. Fewer and fewer students fit this description, and those who need the most help are the most ill-served by the old, one-lane model.

What's needed: more variety, more flexibility, more agile institutions and instruction delivered in new ways—in new settings and less time-bound. Our group endorses a range of innovations taking hold across the country that break the stranglehold of the old approach.

- Competency-based education models measure success by what students know, not how much time they spend in a classroom.¹¹³
- Other reforms break down traditional education silos. Early-college high school and dual enrollment blur the line between secondary and post-secondary institutions.¹¹⁴ Cooperative programs and apprenticeship blur the line between school and work.¹¹⁵ Midcareer upskilling stretches learning to accommodate today's unpredictable career paths.¹¹⁶
- Online and hybrid programs—part online, part classroom-based—loosen the grip of place, including for students in remote areas, and upend old, one-size-fits-all delivery models, accommodating different students' different learning styles.¹¹⁷
- Many of these reforms and others take aim at what one scholar calls the “bachelor's addiction.”¹¹⁸ Not every student needs a four-year degree. Not all seek white-collar office jobs. The “college premium”—higher wages commanded over time by four-year graduates—is still a lifetime boon for the 33 percent of Americans who hold bachelor's degrees, and college was a shrewd investment for most of them.¹¹⁹ But many who don't get through four years of schooling would be better served by a different approach—in many cases, one that emphasizes hands-on learning and technical skills.¹²⁰

A critical question for the future—and one still very much up in the air—is which institution or institutions are best suited to provide this new alternative education and training? Our group believes it's too soon to say. What's needed now is broad-based experimentation: both alternative providers and reform—in some cases, reinvention—of existing institutions.

Alternative providers

New alternative providers have captured the public's imagination, and rightly so. Coding boot camps, massive open online courses (MOOCs) and other web-based options are transforming the way people learn, even as they make postsecondary education and training available to a much broader group of Americans. Less well known but also promising, “last-mile” education providers help students who have already earned degrees acquire additional skills that will help them land and keep better jobs.¹²¹ Perhaps most significant, an array of forward-thinking employers are developing innovative programs. Walmart trains frontline managers at 200 in-store “academies,” many if not most large construction firms provide in-house craft-skills training and hospitals across the country have programs for clerical workers seeking to move up to caregiving positions—to name just a few.¹²²

What these programs have in common: they are often shorter than conventional college courses. Many don't confer credit toward college degrees. Most operate beyond the reach of traditional academic accreditors. Students are not generally eligible for federal higher education funding. And many if not most of the new initiatives emerge from the private sector, either sponsored by employers or backed by private funding streams, including investment by a new generation of education entrepreneurs.¹²³

This distance from government is both an advantage and a disadvantage. There is a dynamism to the innovation that would be all but impossible if it were driven by government, and many of these new programs cost the taxpayer little or nothing. But there are also challenges, including quality assurance and how to build bridges for students who eventually

want a traditional college degree. Our group has given thought to both issues and suggests some answers later in this chapter.

Existing educational institutions

Alternative providers, promising as they are, cannot be the only answer for working-class students seeking to acquire skills in demand in the changing job market. Traditional educational institutions, secondary and postsecondary, must also play a part. High school career and technical education (CTE) programs have a proven track record engaging and graduating students who are otherwise less inclined to apply themselves in the classroom.¹²⁴ Secondary CTE is an invaluable precursor to skills training by employers and other nonschool providers. And no other postsecondary provider—not MOOCs or boot camps or employer-provided middle-skill training—comes close in reach and scale to the nation's community colleges. Just 17,000 students attended boot camps last year; more than 12 million passed through community colleges.¹²⁵

A variety of challenges stand in the way of expanding career education at existing educational institutions. Both secondary and postsecondary programs are highly uneven in quality. Funding lags far behind spending for traditional academic instruction. Students, parents, educators and others often see CTE as an inferior option—a path best suited for other people's children.

There is much promising experimentation taking place at high schools and community colleges across the country. But stellar programs are still more the exception than the rule, and it will take a battery of reforms to drive excellence on a broader scale—carrots and sticks from policymakers, intervention by employers and competition from alternative providers, among other goads.

Secondary career education. The way forward at the secondary level starts with two successful, research-tested initiatives: dedicated CTE programs embedded in high schools that also maintain

robust college preparatory offerings—an innovation known as “career academies”—and structured “career pathways” that start in high school and lead, often with related work experience, through post-secondary programs and credentials.¹²⁶ Our group also sees promise in early-college high school CTE options and career-focused charter schools, which are often freer than district schools to experiment with career programs.¹²⁷

An essential element in any program: time in the workplace, starting in middle school if not before. Younger students need career exposure. As they get older, they should have opportunities for supervised work—internships or pre-apprenticeships. The problem: many if not most high schools need help arranging on-the-job work-based learning. Among other barriers to be overcome, employers may be reluctant, schools often cannot spare the staff to negotiate internships and other work-based options, and in many states, outmoded labor laws prohibit students from putting in time on a job.¹²⁸ These obstacles must be addressed, ideally at the state level, including with dedicated funding.

Finally, while our group is divided about where to find the money—new spending or existing funds repurposed for career education—more resources are clearly needed to make secondary CTE available on the scale that’s needed. As is, the federal government spends a paltry \$1.1 billion a year on secondary and postsecondary career programs.¹²⁹ Our group proposes to double that number over time: a series of gradual increases conditioned on quality assurance—evidence that programs are preparing students with skills in demand in the workplace and leading to better employment outcomes, including jobs and wages.

Community college. The changes needed at community colleges are, if anything, more dramatic. Many two-year colleges have a long history of providing technical training, and most still offer an array of occupational programs in subjects such as allied health, automotive technology, public safety and accounting. But most schools serve multiple purposes in addition to career preparation: academic education, remedial education and English as a second language

instruction, among others. And many if not most are focused primarily on readying students for transfer to four-year colleges. In other cases, the college’s non-credit division provides the lion’s share of its career offerings but is looked down upon or neglected by administrators and others.

Still another challenge: community colleges can be hard to reach with policy. They receive comparatively little federal funding, and although some states can leverage a single, centralized community college system, in many states, each institution is autonomous or nearly so.

Needed reforms fall into three buckets.

- **Mission.** States should offer incentives for community colleges to focus more intensively on career education and less on preparing students for transfer to bachelor’s degree programs, putting skills and job preparation more squarely at the center of their missions. Several existing initiatives point the way: Texas, North Carolina and Virginia, among others, have driven a new focus on skills with performance-based funding mechanisms and new metrics that center on employment outcomes.¹³⁰ Still another option favored by some members of our group: a federal competitive grant program that creates incentives for states to put new emphasis on skills and hold community colleges more accountable.¹³¹
- **Employers.** Policymakers should do more to encourage colleges to partner with employers—the only way to guarantee that students are learning skills in demand in the job market. Virtually all community colleges maintain relationships with employers in their region. But these ties are often more perfunctory than meaningful—pro forma advisory councils rather than engaged day-to-day collaboration. Policy can help by bringing colleges and companies together, setting standards for what constitutes a meaningful relationship and providing modest funding incentives matched by input from employers. See more detail about incentives for

employers as well as educators in the following section of this chapter.

- **Unbundling.** New research shows what many educators have long suspected: some of the community college students who are most successful in the job market never earn a degree.¹³² They cannot afford to wait two years to start making a living. They see no need for the general studies requirements built into an associate degree. They come to college to learn a skill and leave without a credential but leverage what they learned in class to get a raise or a better job.

Community colleges cannot give up on completion. More students—many more students—need to earn degrees and certificates. But colleges also need incentives to unbundle programs that teach in-demand skills and help students who are in a hurry to get back to the workplace enhance their earning capacity without necessarily earning a degree.

This is especially important for older students who have already spent time in the workforce, a group sure to grow in years ahead as new technology transforms the economy. Community colleges are among the institutions best positioned to take on the challenges of displaced workers—but this will require new thinking and, at many institutions, far-reaching change.

Among the policy reforms that can help colleges move in this direction: state and federal performance metrics, followed by funding, that count employment outcomes as well as graduation rates, and mechanisms to recognize learning acquired in an unbundled program if students later return to school to earn a degree.

The goal of policy should be to create better choices for all working-class students: a system nimble and adaptable enough to serve all their needs—including those of working-class youth bound for traditional four-year colleges.

Recent public opinion research reveals a deeply troubling trend in working-class communities: a growing skepticism about the value of four-year college, shared by many Americans but amplified by

class resentment.¹³³ These findings should be a call to action. Not every student needs a four-year degree, but for most of those who graduate, it remains an essential ticket to the middle class.¹³⁴

A number of pioneering colleges are experimenting with targeted outreach in working-class communities.¹³⁵ Government should create incentives for more initiatives of this kind. And the public-private regional initiatives we propose in chapter V should include state-provided career counseling, along with a public-service awareness drive modeled on the National Campaign to Prevent Teen and Unplanned Pregnancy.¹³⁶

There can be no effective career education without employers.

The message: High school as we know it is no longer enough. All students need postsecondary education or additional career preparation and credentialing. Four-year college is an excellent answer for some—and there is a wealth of other options available. Find out which one is right for you!

EMPLOYER ENGAGEMENT

Employers, educators, scholars and policymakers agree: there can be no effective career education without employers. Engagement by employers, helping educators understand what skills are in demand in the workplace, is what makes today's career programs different from the old, ineffective vocational education of the past.

Research—sometimes conflicting research—suggests that employer interest and involvement are in a state of flux. Overall, some studies suggest, employer-provided training has declined sharply in recent decades.¹³⁷ Other scholars argue that in-house company programs remain robust—albeit focused disproportionately on more educated workers and

those who already have a job rather than the unemployed.¹³⁸ Employers vary widely by size, industry, region and workforce needs, and perhaps it's a mistake to generalize. Recent years have seen a flurry of new employer commitment to training, particularly in manufacturing and construction, and a surge of interest in apprenticeship—an increasingly popular option at big, brand-name companies and also smaller, less-known firms across a range of industries.¹³⁹ But clearly more remains to be done.

A first critical question: what exactly is needed from employers? One obvious answer is employer-provided training—programs offered by the company, at the company, on the company dime. But it's not irrational for many firms to decide this no longer makes sense today, when few workers expect to stay in a job for more than a few years and the skills needed for many positions are far more specialized and complex than in the past.¹⁴⁰ Employers, educators and policymakers increasingly agree there are other ways for employers to help—a spectrum of options, many of them just as valuable as on-the-job training.

Our group favors using an array of tools—new incentives and new expectations—to encourage more involvement all along the spectrum.

- There can be no effective regional workforce planning without advice from employers, and virtually all states as well as the federal government now offer incentives for company input, whether on state and local workforce investment boards; dedicated councils known as “sector partnerships” that bring educators, employers, unions and others together to craft initiatives for a region or an industry; or in some other venue.¹⁴¹
- As important, according to many educators, is ground-level engagement by local companies: campus by campus and program by program, offering advice about workforce needs, helping develop curricula, providing opportunities for work-based learning and ultimately hiring graduates. This can be time-consuming and labor-intensive, as much of a commitment

as providing training at the company, but according to many educators, it's an essential ingredient of any effective program.¹⁴²

- In still other instances, a group of employers from one industry or clustered in one geographic region comes together to partner with a community college or other training provider.¹⁴³ Though sometimes labeled “sector partnerships,” these coalitions are different in one important respect: they are often initiated by employers, not the government or other intermediaries, and the cooperating firms, not state planners or unions or college administrators, tend to be more clearly in the driver's seat. In this case too, what works best is intensive, day-to-day collaboration with the college or other provider. But it can help that several companies share the burden. And their collaboration can reduce the free-rider problem, easing employers' fears that they will train workers only to see them hired away by a competitor.

Arguably the pinnacle of employer engagement in training is apprenticeship—an intensive, often time-bound commitment that combines company-provided, on-the-job training with related learning in a classroom, generally over a period of two to four years.¹⁴⁴ First Barack Obama and then Donald Trump have focused US workforce policy on apprenticeship, and the number of programs is growing nationwide—cause, our group agrees, for celebration.¹⁴⁵ But apprenticeship is not the best tool in every case—not every company can afford the investment, not every job requires that level of skill. And part of what's missing from today's policy conversation is a clearer vision of an alternative model, or models: shorter, simpler, less exacting ways for employers to offer effective workforce training.

Call it the Model T of employer-provided on-the-job training. Any new, simpler prototype should build on the lessons of apprenticeship, including, most importantly, the combination of robust, structured on-the-job learning and related classroom instruction. As the recent history of apprenticeship shows, employers respond well to road maps and prototypes—proven

templates they can customize for their companies—and our group agrees that many options are needed to provide training on the scale that’s needed today.

Incentives and expectations for employers

The challenge for policymakers: how to encourage and incentivize employer engagement of any kind, from sitting on a workforce investment board or other advisory council to full-fledged apprenticeship. Our group sees promise in a number of tools, all of which could potentially be put to use on a broader scale.

Brokering relationships. Several states have found they can make a difference with a fairly light touch, sometimes simply creating a first opportunity for a company and a college to work together. In some cases, the inducement is a small, shared grant. In other instances, the state pays for training and offers it free of charge to the company but makes it available only at a community college.¹⁴⁶ The rationale for this kind of incentive: it’s often difficult for educators and employers to connect, but once they have some experience of collaboration, relationships often take on a life of their own.

Perks and privileges. Still another type of small but meaningful incentive involves access and privileges. Many companies that offer apprenticeship training say the decision to register their program, whether with the Department of Labor or a state office of apprenticeship, was driven less by the prospect of grants or tax credits than by the perks available to registered offerings: less red tape for students who take licensure exams, easier access to college credit for trainees or, for companies with public contracts, exemption from certain Davis-Bacon Act wage requirements, among other benefits.¹⁴⁷ Why not use these and other, similar tools to encourage more types of employer engagement?

Training grants. By far the most commonly used tool to encourage companies to offer skills development:

customized training grants, generally provided by state government. Almost every state in the nation offers them, usually as incentives for companies to move into the state or remain there. In most places, firms can use the money as they choose—to train in-house, to pay a community college or other training provider, for pre-hire instruction or to upskill existing employees. Grants tend to be small. One 2006 study found they averaged just \$525 per trainee.¹⁴⁸ What isn’t clear is whether this funding incentivizes companies to do something they would not otherwise have done or simply pays for training they would have provided in any case—an employer windfall.¹⁴⁹

Decades of trial and error have taught states how to maximize the payoff to customized training grants. Most states maintain some kind of criteria for eligible companies: requirements that they create jobs, raise wages, adopt new technology or shift to producing higher-value goods or services. Some states give preference to clusters of employers; the goal is to use funding to sustain a local industry rather than bolster a single company. Other states run the money through a local institution the state seeks to strengthen—a community college or the regional workforce investment board.¹⁵⁰

Still other potential tweaks: policymakers could taper training grants, requiring growing matches from employers. In the case of apprenticeship or other programs that combine on-the-job-learning with classroom instruction, authorities could take a leaf from Germany, where the government often pays for class time, while the company covers wage costs and workplace mentoring.

The bottom line, members of our group agree, is that states can help by priming the pump. But at some point, employers should be expected to carry a share of the burden.

Tax credits. Still another relatively little-used tool: the tax code, state or federal. A handful of states currently offer tax incentives for employee training—sometimes covering as much as 50 percent of training costs but usually capped at relatively small amounts. There is little research on tax credits designed to spur employers to provide training, and the idea has yet to

catch on more broadly. But in theory at least, the concept is popular with policymakers—several proposals are pending in Congress.¹⁵¹

Members of our group see promise in a recent proposal from the Aspen Institute Future of Work Initiative for a relatively modest, carefully targeted federal tax incentive modeled on the federal R&D tax credit.¹⁵² Our group would modify the proposal to ensure that the benefit falls primarily to the working class and not to the better-educated, better-paid workers who now receive the lion's share of employer-provided training.

How our credit would work: a company would calculate its average annual training cost based on what it spent over the past three years. The credit would cover 20 percent of additional upskilling offered the following year to employees earning less than \$60,000. Instruction could be offered anywhere by anyone—at the company, a community college, a nonprofit or for-profit training provider—as long as it was paid for by the employer and culminated in a portable industry credential, ensuring that trainees are learning skills useful across the industry, not just at a single firm. The rules would be slightly different for small businesses, tailored to ensure equitable uptake.

Particularly appealing to our group are both the design of the credit—funding for new training only—and the salary cutoff. Both provisions should help minimize any windfall effect. After all, companies generally offer less training to less well-paid employees. Also attractive: the 20 percent subsidy, which strikes our group as a reasonable amount to compensate employers for employees who may move on to other jobs.

More far-reaching tools. These proposals don't exhaust the options. There are many ways to encourage employers to offer more training and take a more active role in partnering with other training providers.

Some appear modest and inexpensive but could potentially drive substantial change. Federal funding for career education—both the Workforce Innovation and Opportunity Act (WIOA), which pays for the public workforce system, and the Carl D. Perkins Career and Technical Education Act, which covers secondary and postsecondary CTE—encourages training

providers to partner with business and industry, and these mandates should be strengthened.¹⁵³ A critical means to that end, badly needed, would be better metrics—a yardstick that helps policymakers distinguish between meaningful employer engagement and the all-too-common check-the-box variety. No such measure currently exists.

Other proposals are more dramatic. Some members of our group argue for significantly raising unemployment insurance taxes and returning the revenue to employers with the caveat that the money must be used to fund workforce training.¹⁵⁴ Others propose mandating that employers who provide career development for college-educated managers be required to provide equal opportunities for less-skilled, less-educated employees. Still others would like to see forward-looking companies come together and spur one another to provide more education and training, as they have collaborated to advance green building and other causes.

Where our group agrees: any and all policy reform should be coupled with new expectations—a national expectation that employers carry a larger share of the load. A skilled labor force is a public good, and there is a persuasive case for taxpayers doing more to pay to train in-demand workers. But employers too have an interest in a skilled workforce, and there is no better, more effective way to uphold their end of the fraying social contract. How to make work pay better than it does today? The more we invest in skills, the less need we have for other wage enhancements.

Many employers in a range of industries are showing increased interest in training as the labor market tightens. But what's needed goes beyond a quick fix, and employers need to shoulder more responsibility for workers' skills.

Perhaps the most powerful tool to incentivize employers—and others—to provide more training: reforming federal financial aid for higher education to allow students to use loans and grants to pay for occupational instruction.

FEDERAL FINANCIAL AID

American attitudes toward postsecondary education and training are changing. There's increasing interest in career options. High schools, community colleges, alternative training providers and employers across the country are experimenting with new programs and new, more effective ways of delivering them.

The biggest obstacle to change: the federal government isn't keeping up. Federal funding for higher education, including the \$122 billion we spend each year on student loans and grants, remains sharply skewed in favor of traditional academic options, with little left over for career education, wherever or however it's offered.¹⁵⁵ Our group believes strongly that this must change. Federal education spending is the most important lever we have—the best way to close growing skills gaps and unleash training on the scale that may be needed for displaced workers.¹⁵⁶

The numbers tell the story. All told, in 2016, the federal government spent more than \$139 billion on postsecondary education and training—loans, grants, the GI Bill, the Perkins Career and Technical Education Act, and funding for job training provided by the public workforce system.¹⁵⁷ Of that total, just \$19 billion—14 percent—was devoted to career education and training.¹⁵⁸

One of the biggest culprits—one of the skews that makes the biggest difference for working-class youth—is the Pell Grant program. In 2017, some 8.3 million students, more than one-third of those attending college, received \$26.9 billion in Pell funding.¹⁵⁹ It's a means-tested benefit, paid directly to students—in effect, a voucher they can use at a college of their choice. But federal law sharply limits the types of programs eligible to receive Pell funding, and according to one estimate, only about one-fifth of the total is spent on occupational education.¹⁶⁰

Three mandated criteria block students from using Pell for career education. In practice, federal financial aid covers only credit-bearing offerings at accredited institutions that run 15 weeks or longer—at least 600 hours of instruction. But some of the most promising job training takes place outside of accredited institutions, offered by employers or disruptive education

innovators. Even on college campuses, many occupational programs are not credit-bearing—for example, a welding class offered by the continuing education arm of a community college. And many are short—less than a full semester—designed for working students or those in a hurry to get back to the workplace.

Democrats and Republicans increasingly agree that change is needed. But that's where consensus ends: there's little agreement on what an overhaul should look like. There are three critical questions. First, how fast and far-reaching should change be? Should we move by small, incremental steps or crack the system open with radical reform? Second, how should we pay for what could be a significant expansion of demand for Pell Grants as trainees who now use their own money to pay for boot camps and noncredit community college programs seek funding from the federal government? Third and arguably most important, how do we ensure quality? No one wants to spend taxpayer money on programs that do not deliver. There can be no expansion of funding without rigorous quality assurance.

Federal funding for higher education is sharply skewed in favor of traditional academic options.

Our group proposes to begin incrementally. But ultimately we envision sweeping change, eventually eliminating all three restrictions that now prevent students from using federal funding for career programs. Popular bipartisan legislation pending in Congress would likely scrap just one of these barriers—the clock-hour requirement—releasing funding for shorter courses.¹⁶¹ That's a step in the right direction, but our group would go further, aiming over time to eliminate the requirement that courses be credit-bearing and, more radical still, that they be offered at accredited institutions—at least as accreditation is currently defined.

Our vision: low-income and working-class students should be able to use Pell Grants and indeed student loans for noncredit occupational instruction at community colleges, MOOCs, coding boot camps and in-house training offered by employers, among other options, as long as offerings meet with nationally agreed-upon standards of quality assurance. We understand the wisdom in starting slowly and carefully, with one or more federal pilots. But we see no reason to hold back in the design of these experiments. This challenge will not be met with timid half measures.

The next section of the chapter explains how we propose to pay for expanded financial aid for career education. The following section discusses quality assurance.

How to fund increased financial aid for career education

It's impossible to predict just how much it would cost over time to make alternative career education programs eligible for federal financial aid.

There are at least three critical unknowns. First, occupational programs vary widely in length and cost, some shorter and cheaper than traditional college courses, others more expensive—so it would be difficult to estimate a price tag even if we knew how many people were likely to seek skills training in years ahead. Second, we don't know how many students who currently use Pell Grants and other aid would switch to career programs if their stipends could be used for that instruction—perhaps a sizeable increase in occupational education nationwide at little or no cost.

Finally, most costly and hardest to foresee, we have no idea about fresh demand. How many new applicants, traditional college-age or older, who are not currently receiving grants or loans might apply for aid if it could be used more flexibly?¹⁶² The answer could depend on the number of workers who are displaced by automation and artificial intelligence—a number we can only guess.

In 2017, Pell Grants totaled \$26.9 billion a year.¹⁶³ How much might the cost grow? We have no way of knowing.

Whatever the cost, members of our group are divided about where to find the money.

Some are eager to appropriate new funds. One proposal floated in the group would use revenue from a new levy imposed by the 2017 tax bill on multibillion-dollar endowments of elite colleges and universities—a means, proponents in our group feel, to level the playing field between upper-middle-class students drawn to elite schools and those, probably from more modest backgrounds, likely to want to use federal funding for occupational programs.¹⁶⁴ Others among us propose to go further, paying for career education and other programs to help the working class with a broad-based national consumption tax modeled on the VAT used to levy revenues in Europe and elsewhere.

Still others in our group believe it should be possible to finance expanded career education out of existing federal spending—after all, the nation already devotes some \$139 billion a year to postsecondary education and training.

Our group has identified a number of programs that could be reformed, trimmed or eliminated to produce savings that could be spent on occupational education.

The public workforce system. Critics—both researchers and policymakers—have been decrying the failures of federal job training for more than 30 years. Multiple agencies run scores of programs with little regard for administrative efficiency or client outcomes.¹⁶⁵ Some of the most expensive initiatives—Job Corps is a telling example—consistently fail to improve trainees' job prospects or wages.¹⁶⁶ In theory, the system serves two constituencies—disadvantaged workers and employers. But detractors have long complained that it's badly out of touch with employers, and the harshest critics say it offers scant benefits for either group—that in fact it's mostly self-serving, a government bureaucracy focused above all on perpetuating itself.¹⁶⁷ Even the soberest research suggests that results are mixed—with one of the strongest complaints being that rigorous evaluation is often lacking.¹⁶⁸

Some members of our group are more skeptical than others. But we all agree that the most disparaging critics go too far. We don't support wholesale termination of programs or sharp cuts to federal spending for employment and training services. We hope the reforms promulgated by 2014 legislation reauthorizing the system, the Workforce Innovation and Opportunity Act, are taking hold and that they will make a difference for disadvantaged workers. Among the most important are mandates for more consultation with employers and more accountability for client outcomes.¹⁶⁹ Still, our group believes, more could be done to reform the system: consolidating programs, identifying and addressing inefficiencies, eliminating waste and fraud and saving money that could potentially be better spent on career programs funded with federal financial student aid.

Upper-middle-class tax credits and grants. By and large, members of our group agree: if federal funding available for student financial aid is limited, as it surely is in an era of revenue-neutral budgets, subsidies should be targeted to the neediest students, including the working class.

As is, Washington spends a considerable amount each year on middle- and upper-middle-class students. This is true to some degree of Pell Grants. The maximum allowable grant has been growing steadily in recent years as college costs increase, and because of the way student eligibility is calculated—as the maximum award rises, so does the allowable maximum income of recipient families—the pool of students who receive grants has also been growing to include more and more affluent students. Most subsidies still go to young people from families earning less than \$40,000 a year, but according to one estimate, 5 percent go to students with incomes greater than 250 percent of the poverty line.¹⁷⁰ A number of reform proposals, including a bipartisan plan backed by the College Board, suggest limiting this automatic expansion, and our group agrees.¹⁷¹

Even more costly for the government are education tax credits, which go predominantly to the middle and upper-middle class. The primary culprit is the American opportunity tax credit for undergraduates.

If federal funding for student financial aid is limited, subsidies should be targeted to the neediest students, including the working class.

Low-income students don't generally benefit: credits are based on the amount of tuition the student pays, and some 40 percent of students are ineligible for a credit because they pay no tuition or do not file taxes.¹⁷² Meanwhile, at the other end of the income scale, credits are available to students from families earning up to \$180,000 a year. Lowering the cap to \$100,000 would eliminate this upper-middle-class subsidy but preserve aid for middle-class students—and save the government a significant portion of the \$20 billion it spends each year on tax credits.¹⁷³

Add tax credits for graduate students, and according to one estimate, we could save another \$2 billion to \$3 billion—with little if any effect on student behavior.¹⁷⁴ Research suggests that tax credits do nothing to increase student enrollment in college or university.¹⁷⁵

Still another potential savings: eliminating tax-advantaged 529 education savings accounts, which also serve primarily wealthy families. According to the Congressional Budget Office, 97 percent of the benefit accrues to households in the top fifth of the income distribution, while poor and working-class families see no gain at all.¹⁷⁶ Abolishing 529 plans would save an additional \$1 billion to \$3 billion a year.¹⁷⁷

Loans for graduate students. Graduate students are a relatively small but growing share of the Americans enrolled in higher education, and they are responsible for an outsized share of federal education loans. Just 14 percent of all postsecondary students in 2017, they hold nearly 40 percent of total outstanding student debt, now valued at \$1.4 trillion, and according to one

study, they were responsible for roughly one-quarter of the dramatic increase in borrowing that began three decades ago and continues apace today.¹⁷⁸

There are a number of reasons for this disproportion. Graduate students do not face the same loan limits as undergraduates.¹⁷⁹ Their loans are often significantly larger.¹⁸⁰ And although in the past, they were less likely to default than undergraduates, this appears to be changing: one-third of those who left graduate school in 2009 had not repaid any portion of their loans after five years.¹⁸¹

Still an additional cost: like undergraduates, more and more graduate students are availing themselves of loans that allow for income-based repayment. These plans, which now account for nearly half of all student borrowing, set monthly payments as a share of the borrower's income until 10 to 25 years after graduation, when the loan is forgiven, whether or not the debt has been erased.¹⁸² According to the Department of Education, loan forgiveness for students, graduate and undergraduate, who borrowed on income-based repayment plans in 2015 is likely to cost the government some \$11.5 billion over time—and as more and more students choose these plans, the annual bill can only grow.¹⁸³

The case for trimming federal financial aid to graduate students assumes a robust and safe—adequately regulated—private loan market. As is, private lenders account for about 10 percent of student loan debt. The Obama administration sought to reduce private education lending, but banks are eager to expand their role and say—a claim supported by academic research—they can save money for students with good employment prospects and good credit histories.¹⁸⁴ It's a description that fits many if not most graduate students. Whatever their field, they already have bachelor's degrees—a credential with proven earning potential—and in many cases have returned to school to qualify for high-paying elite professions. The idea of relying more on private credit markets raises red flags for some progressives. But with adequate protections, it could save money for students, reduce the burden on taxpayers and send better signals—invaluable for students, educators and policymakers—about the quality and worth of educational programs.

Reform need not eliminate graduate student loans. Students who repay pose no burden. But there is an argument for capping graduate borrowing and eliminating loan forgiveness.¹⁸⁵ There is no government estimate, by the Congressional Budget Office or other agency, of how much eliminating graduate-student loan forgiveness would save the taxpayer. But one back-of-the-envelope estimate suggests the savings could amount to \$5 billion to \$10 billion a year—enough to pay for a robust increase in Pell expenditures.¹⁸⁶

A piece of a bigger puzzle. Federal financial aid is a vast, complex system crying out for reform well beyond the changes we propose to free up funding for career education. Other essential goals: limiting hemorrhaging costs, making higher education more affordable, targeting aid to students who need it most and injecting more meaningful accountability. There have been myriad proposals in recent years to rethink the Pell program, cap or eliminate loans, slash tax credits, replace grants and loans with lifetime education savings accounts and allow private investors to cover tuition costs in exchange for repayment based on students' future earnings—arrangements known as “income-share agreements”—among other changes. It's beyond the scope of this chapter to weigh in on these proposals, but members of our group agree: change is long overdue.

QUALITY ASSURANCE

Eager as our group is to free up additional resources for career education, we all agree there can be no new spending without quality assurance—certain, rigorous quality assurance. This is a challenge: there is no single, foolproof answer ready to implement today. The good news is that this realm too is seeing widespread experimentation and innovation, and a variety of new tools are emerging.¹⁸⁷

Many reformers feel quality assurance is primarily a job for the federal government, including perhaps wider use of tools such as the “gainful employment” measure developed by the Obama administration.¹⁸⁸

Others would rely more heavily on the states.¹⁸⁹ Still others look to employers and investors with a stake in the outcome of occupational programs to exercise oversight without interference from government—after all, the reasoning goes, these businesses’ time and money are at risk if trainees fall short.¹⁹⁰

Our group endorses four broad categories of reform: alternative accreditation, more reliance on industry-recognized credentials, pay-for-performance funding and a federal database where students, educators, employers and policymakers can find information about students’ employment outcomes—job placements and wages after graduation. All four tools can be used to track performance and spur improvements at traditional high schools and colleges as well as alternative education and training providers.

Alternative accreditation. How to assure quality at an institution of higher education? Most people’s first answer, the conventional answer, is with accreditation: oversight by an independent third party unaffiliated with government but recognized by it to monitor quality and maintain standards, like the accrediting bodies that oversee traditional colleges. Perhaps not surprisingly, a number of policymakers who support increased funding for career education propose to assure quality by means of alternative accreditors.

The Obama administration experimented with appointing accreditors on a case-by-case basis: for each career training option funded by the 2015 Educational Quality through Innovative Partnerships (EQUIP) pilot program, a third party familiar with the occupational skills being taught.¹⁹¹ The House Education and Workforce Committee proposes to give the job to existing academic accreditors.¹⁹² Sens. Marco Rubio (R-FL) and Michael Bennet (D-CO) want to create an entirely new system of “outcomes-based” accreditation.¹⁹³ Sen. Mike Lee (R-UT) would contract out to the states, allowing them to appoint their own alternative oversight bodies.¹⁹⁴ Most recently, a task force convened by the Trump administration has proposed a new generation of apprenticeship programs monitored by a national network of industry-specific accreditors, including trade associations and other employer groups.¹⁹⁵

Our group likes the idea of involving employers and also the emphasis on outcomes in the Rubio-Bennet proposal. But we’re not sure accreditation alone is an adequate answer—it didn’t help much in recent years to guarantee quality at for-profit colleges. The problem, in our view: traditional accreditation focuses on inputs like instructors’ credentials, facilities and student services rather than student success. In the case of career education, we propose combining accreditation with some other form of quality control that links funding directly to student outcomes—skills attained, credentials earned or employment outcomes.

Industry certifications. The ultimate question about any career education: does it prepare students for the world of work, equipping them with the skills they need to succeed on the job? Industry occupational certifications are designed to identify skills in demand in the workplace. They are often thought to signal quality in career education programs: the share of students earning industry credentials is seen as a proxy for the share landing jobs. And indeed, many proposals to use public funding for career education lean heavily on industry certifications for quality control.¹⁹⁶

How the credentials work: employer groups, working independently of educators, establish sector-wide skills standards, occupation by occupation and job by job. These standards are used to generate skills assessments—an on-paper test, a practical hands-on test or both—backed by the employer group. Instruction may be delivered at a high school, a community college or, in the case of some credentials, an independent training provider. Success is not measured by grades or academic progress. To earn a certification, a student need only pass the test, generally administered by an independent third party. The payoff: students seeking certification know they are learning skills in demand in the labor market, and success on the test signals to employers across the industry that the student has what it takes to succeed on the job.

What exactly are the skills needed for an entry-level welding job, for example? The American Welding Society has developed a standard and a test, and students who pass often have a significant leg up when applying for a job.

The problem with relying on industry certifications for quality assurance: the American National Standards Institute estimates that more than 4,000 certifying bodies are issuing occupational certifications in the US today, but according to the analytics firm Burning Glass Technologies, only about 100 industry credentials are in demand among employers.¹⁹⁷

Many different concerned parties are working to separate the wheat from the chaff. Governors are drawing up lists of credentials of value to employers in their states. Several national business groups and education reform nonprofits are working to develop databases and online platforms to help consumers—employers, educators, students and others—determine which credentials have currency and which do not.¹⁹⁸ Eventually, our group believes, the market will shake out. But we aren't there yet.

The bottom line for quality control: preparing students for an industry credential is not yet a rock-solid guarantor of quality—not in itself enough to assure students or taxpayers betting on an unaccredited career program. But industry certifications are an essential ingredient in what is needed now and will be needed in the future. Employer validation is an indispensable standard. Success in preparing students for the better-known certifications is a recognized hallmark of quality. Our group strongly endorses efforts to sift among credentials, identifying those with the most value in the labor market. And we believe industry certifications have the potential to become a *sine qua non* that most if not all career-education programs eligible for federal funding should have to meet.

Pay-for-performance funding. Still another form of quality control, perhaps the simplest: the government could withhold payment from programs that don't deliver results, equipping students with the skills they need to land and keep well-paying jobs.

That's not generally how it works today. Spending for institutions of higher education is based on enrollments, not performance. Colleges and universities receive funding for the number of students who attend and the number of hours they spend in class, with no reward or punishment for how well the school

meets any performance metric—academic attainment, employment outcomes or other measures.

Some policymakers, state and federal, are hesitant to impose stricter standards. Research shows mixed results for higher education funding based on results, and lawmakers are wary of seeming to punish schools or shut down educational opportunities—even a poor-performing school, this reasoning holds, is better than nothing.¹⁹⁹ But despite these reservations, states have been experimenting with performance-based funding, and after several decades of trial and error, about two-thirds now use a formula that takes account of outcomes to disburse some portion of what they spend on two- and four-year colleges.²⁰⁰

Most of these formulas focus on academic outcomes—progression toward degrees, completion and graduation.²⁰¹ A handful also include one or more employment metrics, rewarding colleges for student job placements, entry-level wages or wage gains.²⁰² This can be challenging: many states lack adequate or consistent data on employment outcomes. But a few pioneers—Virginia and Texas are leading the way—have developed promising mechanisms that could form the basis for experiments in other states.²⁰³ Our group strongly encourages adding and emphasizing employment metrics.

A bipartisan proposal from the education nonprofit Results for America would introduce federal performance-based funding for career education.²⁰⁴ The design is simple: a first payment from Washington would cover only part of the cost of the program, with full payment withheld until students graduate and find high-paying jobs. Many conventional academic educators will bristle at being judged in this way—most don't see it as their role to prepare students for the job market. But our group finds it an appropriate approach for career education, and we support a federal pilot designed along these lines.

A federal database. Ultimately, the key to better quality assurance is information—readily available information about outcomes. In the case of career education, the outcome that matters, or should matter, most is employment after graduation—a

well-paying job in an in-demand occupation, ideally related to the student's field of study. Do students who complete the program get better jobs? That's the truest test of quality.

More transparency would also benefit students, helping them make potentially life-changing choices—and allocate educational resources more efficiently. It may be particularly important for working-class families with less to spend and more interest in options other than traditional four-year colleges.

The good news: more information is becoming available. The federal government maintains a popular website, the College Scorecard, that provides data about college costs, graduation rates, previous graduates' earnings and more, institution by institution.²⁰⁵ Many if not most states also maintain databases and websites that help students make sense of their options.²⁰⁶ WIOA requires education and training providers funded through the public workforce system to publish data about trainees' employment outcomes.²⁰⁷ And industry-recognized credentials help signal what skills are in demand in the labor market.²⁰⁸

Do students who complete the program get better jobs? That's the truest test of quality.

But much information is still sorely lacking, and far too many students still make postsecondary choices based on what their parents did; what's popular among their peers; the reputation, substantiated and unsubstantiated, of the programs on offer; or simply geography—what's nearby.

There are many gaps in the information available today. The College Scorecard publishes data only on students who receive federal financial aid, and it reports graduation rates only for first-time, full-time students, leaving out the growing number who attend part-time, transfer from another college or return to school later in life. Also problematic, it provides

information institution by institution rather than program by program—even though a degree from a school's engineering program may pay off quite differently than, say, a psychology degree from the same institution.²⁰⁹

Government, state and federal, collects little information about the noncredit programs that often provide the most nimble and effective career education. State databases often contain detailed information about employment outcomes—data on job placements and earnings made available by the state agency that oversees unemployment insurance. But many students end up living and working in a state other than where they studied, and federal lawmakers concerned about privacy have been loath to make nationwide data—tax records or Census data—available.²¹⁰

Some of these problems are intractable and will remain so for years to come. The data just aren't available, or we lack the ability to collect them. But part of the problem is politics: educators reluctant to take on greater accountability and advocates on the right and left concerned that making more data available would violate student privacy or open the way to discrimination or security breaches. On the other side of the debate, a growing coalition—education reformers, business groups, investors, and public colleges and universities, among others—is clamoring for more information from the federal government.²¹¹

Two broad categories of reform could transform the landscape. Neither requires the collection of new data—the information already exists. What's needed starts with more comprehensive reporting: all students, all outcomes.²¹² A second key change would allow the federal government to match student-level education records with individual employment and earnings data—as many states already do—then “de-identify” the information in a way that protects student privacy and make the results available to students and others.²¹³

Student-level data would paint a much more granular, more accurate picture of the likely return to particular postsecondary education and training programs—the information reflects actual outcomes, not generalizations or averages. But federal law bans matching academic records and employment

outcomes in this way.²¹⁴ Several bipartisan proposals would overturn the ban: one introduced first in 2013 by Sens. Marco Rubio (R-FL) and Ron Wyden (R-OR) and another offered in 2017 by a strange-bedfellow group of cosponsors that included Sens. Elizabeth Warren (D-MA) and Orrin Hatch (R-UT).²¹⁵

Our group strongly endorses reform along these lines. There can be no effective quality control of career education without better information about employment outcomes.

More transparency would allow students—working-class students and others—to make better, more informed choices. It would help point the way for educational institutions seeking to serve learners better. It would be invaluable for policymakers, helping identify which programs work and where reform is needed, and it would harness the power of competition to improve higher education. Imagine a world where education providers compete not on the basis of perceived prestige or exclusivity, but rather on how well students fare—what kind of jobs they get and how much they earn—after graduation.

CONCLUSION

Progressive members of our group are focused above all on college affordability and increasing access to higher education. Conservatives are eager to advance choice, competition, flexibility and accountability. Our

group has reached consensus on a set of proposals that we believe would meet all of these goals, including increased access and more choice, along with greater accountability.

An important area of agreement: as a group, we oppose making college free for all students. Indeed, we believe this would compound existing problems, reinforcing the idea that all young people must attend traditional four-year schools and using public funds to offer needless savings to upper-middle-class students instead of targeting federal aid to those who need help the most.

More important in our eyes than universal access to traditional college are more, varied options that offer opportunities for all students to succeed, no matter what their aspirations or how they learn best—in a conventional classroom or some other way.

The question we found most challenging as a group: how to pay for our recommendations. Even our relatively modest proposals to repurpose existing funding streams—trimming federal subsidies for wealthy families and eliminating loan forgiveness for graduate students—would create winners and losers in a way that concerned some members of the group. Yet in the end, we believe, a system that provides more choice, more flexibility and more responsive postsecondary offerings—where what students learn in school is better matched to the skills they need on the job—will benefit not just the working class but Americans across the board.





V. FAMILY AND COMMUNITY

What's wrong in working-class communities today is bigger than economics. Working-class Americans have always earned and owned less than the middle class, but the two groups' families and communities once looked much the same: stable, cohesive, self-reliant. That is no longer the case today. Over the last four decades, the working class has come to look less like the middle class and more like the poor—struggling families, crumbling communities and, most recently, opioid addiction. This may be the hardest challenge we face in addressing the plight of the working class—restoring the culture of family and revitalizing civic institutions.

V. FAMILY AND COMMUNITY

Much of working-class America feels left out, and not just because real wages are down since the 1970s, too many jobs have been shipped to China or men's labor force participation is low. The depressed state of much of working-class America is about more than money. It's also about the fragility of family and community life in working-class enclaves. Some of this fragility adversely affects worker productivity, and some work conditions take a toll on family and community, making them even more fragile.

Too many working-class Americans are “bowling alone,” in political scientist Robert Putnam's famous phrase—disengaged from local community life and civic organizations, whether the Parent-Teacher Association, their neighborhood church, the Pipefitters Local 120 or the VFW.²¹⁶ From the 1970s to the 2000s, the share of working-class men and women aged 25 to 60 who were involved in some kind of secular civic activity fell from 71 percent to 52 percent.²¹⁷ Likewise, the share of working-class adults aged 25 to 60 who attended church regularly—nearly every week or more—fell from 40 to 28 percent.²¹⁸

Similar trends have played out among children and adolescents. Almost one-third of high school seniors with well-educated parents regularly attend religious services, whereas only about 20 percent of high school seniors with less-educated parents attend regularly.²¹⁹ And the share of children from lower socioeconomic backgrounds involved in school-based extracurricular activities has fallen by more than 10 percentage points in the same time period, even as involvement has remained largely constant and high among children from upper socioeconomic backgrounds.²²⁰ These are but some indicators of the ways in which the fabric of communal and civic life is unraveling in many working-class communities.

The fraying of civic and communal life hurts individuals. Putnam has found that high levels of social

capital—defined as civic and community engagement, as well as social trust—are especially important “in keeping teenagers from dropping out of school, hanging out on the streets and having babies out of wedlock.”²²¹ Men and women who are not integrated into local communities are less likely to flourish emotionally, socially and civically. They suffer from suicide, depression and substance abuse at higher rates; they are less likely to trust their neighbors; and they are less likely to vote.²²² Indeed, one reason that deaths related to suicide or substance abuse are climbing among white working-class Americans seems to be that they are less engaged in their communities than they were in previous decades.²²³ In some cases, then, social isolation can be downright deadly.

The breakdown of communal life also has consequences for society. Along with substance abuse, crime rates are also higher in communities where men and women are less civically engaged.²²⁴ Economic mobility for lower-income children is worse in places where community life is weak.²²⁵ Trust tends to be lower and engagement in the political process more limited.²²⁶

Moreover, in Putnam's words, “For working-class Americans, voluntary associations and churches offer the best opportunities for civic skill building.”²²⁷ This is where many people give their first presentation or learn to run a meeting, among other skills that can redound to the benefit of their local community and political life. An anemic communal life, then, erodes the basis for a robust economy and strong democracy in working-class communities.

A similar story holds true for working-class families. Over the last half-century, stable, married families have lost ground among working-class Americans. In the 1970s, most working-class men and women were stably married, defined as living in their first marriage.²²⁸ Today, a majority of working-class adults

ages 18–55 are not married at all, let alone in stable marriages.²²⁹ Moreover, only about half of children raised in working-class homes will be raised into adolescence by stably married parents. By contrast, almost three-quarters of children raised in college-educated and affluent homes will be raised by their own married parents as they reach adolescence.²³⁰

This retreat from marriage in working-class America affects men, women and especially children. Men and women who are not stably married have lower levels of household income, greater income insecurity and worse financial prospects as they head toward retirement.²³¹ They are also more likely to face emotional problems and substance abuse and to end up committing suicide.²³²

The effects on working-class children are if anything more troubling. To be sure, many children raised outside of an intact, married family turn out fine, and some children raised in married families fare poorly, especially if their parents are inattentive, authoritarian or caught in highly conflicted marriages.²³³ But as the Saguaro Seminar working group notes, “[Children] who grow up in stable families with effective parents reap numerous advantages throughout their lives.”²³⁴

On average, children in stable, married families get more financial support, consistent attention, affection and discipline from their parents, and they are less likely to have their social networks dislodged by frequent moves.²³⁵ Children who experience instability or live with a single parent, in contrast, are more likely to flounder in school, have social-emotional problems and end up idle or underemployed as young adults.²³⁶ The increasing number of working-class children who grow up outside of marriage are also at greater risk of poverty and of dropping out of high school as they transition into adulthood.²³⁷

The weakness of family life in many working-class communities also exacts a social toll. Violent crime is higher in communities where families are more fragile, as are suicide and other deaths of despair.²³⁸ The American Dream—as measured by the odds that children raised in lower-income families will make it into the upper class as adults—is less attainable in communities where single-parent families

predominate.²³⁹ And what Case and Deaton call the “pathologies” now afflicting many working-class Americans appear to “move in tandem with other social dysfunctions, including the decline of marriage, social isolation and detachment from the labor force.”²⁴⁰

What is to be done to address the fragility of working-class families and communities? Our group suggests four steps: strengthen the underpinnings of blue-collar communities, reform social welfare policy, align working conditions with family needs, and strengthen families and civil society.

THE UNDERPINNINGS OF COMMUNITY

In too many working-class communities, a weak local economy undermines family and community well-being. Men and women are more likely to thrive in their relationships, get and stay married and participate in civic life when stable, decent-paying jobs are in good supply. According to one study, the decline of white working-class religious engagement may be attributed in part to the increasingly precarious character of work for working-class men.²⁴¹ We believe that work and human flourishing go hand in hand and that the vibrancy of the local economy is central to the revitalization of working-class communities.

The solution starts with local governments acting to shore up the foundation of the community—its economy, infrastructure and local services. Our group recommends that local governments advance business-friendly initiatives that maximize the potential for economic growth and stable jobs. This can mean investments in infrastructure, like roads and internet capabilities, to connect working-class people in smaller cities and towns to the global marketplace. Governments can integrate and analyze administrative data about schools, hospitals and other services to suggest solutions for local public health and safety problems.

Federal policy can help, creating incentives for place-based investment and local revitalization. Our group endorses the recently established Opportunity Zone program. Created by a little-noticed provision

of the 2017 Tax Cuts and Jobs Act, the bipartisan initiative invites governors and mayors to identify “distressed areas” where business creation and job growth are lagging, then creates an incentive for outside investors to put money into these enclaves by reducing the capital gains tax on their earnings. If the strategy works, our group believes the benefits will be economic, but also potentially broader, as communities come together to solve local problems and tap into the potential of working-class men and women—people we believe should be seen as resources, not liabilities.

Local communities that wish to reap the full benefit of Opportunity Zones must incorporate the new investment in a broader strategy.

The launch of the program—the selection of zones—highlighted this potential in states across the country, as governors and mayors scoured their regions for distressed areas that might be worthy of investment. The focus in Virginia was on human capital—communities with strong entrepreneurial spirit and entrepreneurial support programs that simply lacked funding to get projects off the ground. In Colorado, the emphasis was on rural communities that showed promise for economic innovation.²⁴² Policymakers at every level are being encouraged to see locales for the potential they hold, and savvy communities are working to put their best foot forward to attract capital and additional human talent.²⁴³

Opportunity Zones

The next step for governors and mayors is to strengthen the underpinnings—human, physical and economic—of the zones they have chosen. Outside investors will decide where and when to put their

capital and how long it should remain in place in the Opportunity Zones they select. But local policymakers who wish to reap the full benefit for the working class must incorporate these incoming funds in a broader strategy, eliminating local impediments to growth, marshaling additional resources and addressing social problems that private-investment dollars are unlikely or unable to reach. Mayors and governors should be taking these steps anyway—they are part of sustaining a healthy community and a growing region. But an influx of outside dollars, or the prospect of outside investment, should help concentrate minds and create incentives for a more deliberate, coordinated local push.

Part of a plan. Opportunity Zone investment will be most effective as part of a broader economic development plan. It’s not just an infusion of funds in this or that attractive project; the new money should be one building block among many in a thoughtful, coordinated strategy. Among the resources and other assistance local elected officials can bring to bear in crafting such a strategy:

- Convening local stakeholders—employers, educators, faith leaders, philanthropists, community organizations and others—to agree on a common vision and coordinate efforts.
- Encouraging local investors to buy into the community’s agreed-upon economic plan for the zone: Are the right suppliers in place? The right upstream customers? What critical investments might outsiders miss? What opportunities are available to local entrepreneurs?
- Targeting state and federal workforce education dollars to prepare workers for the new jobs being created in the zone. Coordinating local educational institutions to create industry-specific talent pipelines for the new jobs: K–8, high schools, community colleges, four-year colleges and the public workforce system working together, in collaboration with employers, to create programs that feed into and build on one

another to prepare residents for one or more targeted economic sectors.

- Creating incentives for employers—matching grants, tax credits, technical assistance and other resources—to provide education, training and work-based learning opportunities for local residents.
- Providing funding and technical assistance for micro-business startups, strengthening local entrepreneurs’ access to training and mentoring, and creating incentives for bigger businesses and institutions to buy locally.
- Encouraging local community, faith and philanthropic groups to provide social supports for workers whose personal and family issues—a lack of accessible child care and other issues—prevent them from taking and retaining jobs.
- Persuading local stakeholders to address community health issues—opioid abuse, but also more mundane problems—that hobble the local workforce.
- Targeting state and local resources to address infrastructure issues—including roads and bridges, airports, high-speed internet access and related transportation issues that prevent workers from taking jobs and limit business access to markets.
- Targeting state and local resources to address public safety and crime issues—ensuring adequate policing, firefighting, emergency medical services and other first responders.
- Working with philanthropic donors and social entrepreneurs to seed new civic institutions that can anchor the community, filling in for churches, unions and fraternal orders that have left or fallen on hard times. One place to start: creating opportunities for residents to come together—around a community school,

a two-generation social service center, a volunteer neighborhood watch and cleanup project or other initiative.

Removing barriers. Mayors, governors and other local policymakers can take steps to ensure that the local business context is investment-friendly and conducive to growth. Mostly, this is about removing impediments, many of which have a disparate impact on working-class men and women or on businesses that rely heavily on working-class employees:

- Burdensome licensing and permitting requirements.
- Overzealous zoning and land-use regulations.
- Punishing state capital gains taxes.

Attracting workers. Opportunity Zone investments are more likely to redound to the benefit of a community when they also attract new talent to a region. Part of what’s undermining many communities is a dwindling or inadequately prepared workforce, and filling critical labor gaps with skilled outsiders won’t displace local workers—on the contrary, it can drive economic growth and create jobs. You can’t open an advanced manufacturing facility without highly specialized technicians, but if that talent is in place and attracting investment, it can open up a broad array of additional jobs for local workers.

Among the steps mayors and governors can take to attract talent:

- Mobilizing local stakeholders and marshaling resources to ensure adequate and attractive housing stock.
- Rallying local stakeholders and marshaling resources to improve the K–12 education system.
- Seeding and coordinating efforts to improve the region’s institutions of higher education.
- Coordinating investment and philanthropic

dollars to launch an institute for applied research serving one or more local industries.

- Making the region hospitable to disruptive education innovators—charter schools, private loan funds available to students financing college with income-share agreements and “last-mile” education providers that help students who have finished college bridge the gap to the labor market.
- Persuading investors and philanthropic funders—ideally, with matching state and local dollars—to seed place-based education savings accounts that can be used for higher education, workforce training, midcareer upskilling and other instruction.

Any of these steps may be taken in concert with Opportunity Zone investments or independent of them. They can help working-class Americans wherever they live—in small towns, urban neighborhoods or rural communities. In other places, these stratagems can be used to bring city and suburb together, planning and acting regionally to bolster working-class Americans and others who have fallen on hard times.

SOCIAL WELFARE POLICY

Work and marriage are pillars of prosperity, economic security and upward mobility. Americans who remain employed full-time—or married to someone employed full-time—and stably married are much more likely to avoid spells of poverty or economic insecurity and to see their incomes rise over time.²⁴⁴ Yet today many means-tested social welfare policies do little to promote work or marriage.

Encouraging work. Despite a strong economy, working-age labor force participation has not returned to pre-recession levels, and for working-age men, the rate is well below its most recent peak of 91.5 percent in 2007.²⁴⁵ Many factors contribute to this reduction in work, and experts are uncertain

about the leading cause. But many who are not working live in households that receive public assistance, including Medicaid, SNAP, public housing and disability assistance.²⁴⁶ More than 16 percent of working-class households receive Medicaid, and just under 16 percent are enrolled in SNAP.²⁴⁷

Our group believes that this presents an opportunity. Policymakers can use social welfare programs to engage those who do not work in activities that will lead to employment and increased household income. This does not happen today or does not happen often enough—because programs have been told for years that it is not their job to help recipients find work. This must change. Not all recipients can work, but those who can would be better off working.

State agencies that administer Medicaid, SNAP and housing assistance should put getting recipients to work at the center of their mission. Federal oversight agencies should direct state officials to make increasing earnings for nondisabled working-age recipients a priority. When necessary, funding should be reallocated to ensure state agencies have the tools for the task.

Most members of our group believe that state agencies administering SNAP should be allowed to go further—not just required to make employment a core objective, but also permitted to reduce benefits for nonworking recipients who decline to take offered jobs. States would not be required to take this step, merely permitted to do so, and exceptions should be made—for families with young children for whom the requirement would cause hardship, disrupt a child’s health or development or interrupt the provision of care to a disabled member of the household. In cases where no job is available, the state would be permitted to create incentives for the private sector to

Not all recipients can work, but those who can would be better off working.

provide one. No one's benefits would be reduced if no job were available.

The Social Security Disability Insurance (SSDI) program should also be reformed to engage recipients in work or activities leading to work. In recent months, as the economy has improved, the tightening labor market has led to a decline in SSDI applications and enrollment—suggesting that incentives work and more could be done.²⁴⁸ One possibility is to require employers to fund a worker's first years of disability benefits; this would create an incentive for employers to offer accommodations and rehabilitation of a kind that has been shown to increase the chances that SSDI recipients will return to work.²⁴⁹

Our group as a whole believes that both kinds of reform are necessary: requiring public assistance agencies to make employment a core objective and requiring more nondisabled working-age recipients to participate in work. Together, these steps will increase labor force participation, earnings and upward mobility.

Encouraging marriage. Many of the nation's largest means-tested programs, including Medicaid and food stamps, penalize marriage among households that receive benefits. The disincentives are most pronounced for working-class families—the second earnings quintile rather than the poorest.²⁵⁰ One study found that 60 percent of couples with children two years old and younger whose combined income falls between the 20th and 40th percentiles face a reduction or elimination in their ability to access SNAP or Medicaid if they marry and report their combined income.²⁵¹ Another recent study found that some working-class families could lose as much as 32 percent of their combined household income because of marriage penalties.²⁵²

Programs differ, the rules are complex, and in some situations and some programs, working-class families can earn a bonus for marrying. The earned income tax credit (EITC), for example, rewards couples with children if at least one partner is working but the couple's combined income is low—\$20,000 or less.²⁵³ But far more often, marrying means a loss of income.

Do marriage penalties matter? Most studies suggest they play a modest role in discouraging marriage. One study found that couples with young children in the second and third earning quintiles were about two to four percentage points less likely to marry if they faced a marriage penalty in Medicaid or food stamps.²⁵⁴ Another study found that single mothers who would lose EITC benefits upon marrying are 2.5 percentage points less likely to marry and 2.5 percentage points more likely to cohabit instead, compared to single mothers whose choices are unaffected by the EITC.²⁵⁵ Another, qualitative study of EITC marriage penalties found no effects.²⁵⁶

In light of these findings—and the potentially large price tag for addressing marriage penalties—our group recommends an experimental approach. Federal demonstration programs and state agencies could randomly assign jurisdictions and give them the opportunity to eliminate or minimize penalties—especially for families with children under the age of five. Some states already do this. Minnesota recently passed legislation that allows low-income parents on cash welfare who marry to avoid losing benefits during the first 12 months after marriage.²⁵⁷ Our group believes experimentation of this kind should be expanded—applied to a range of means-tested programs and combined with a clear public message that marriage will not lead to lost benefits for at least the first two years a couple is together. Finally, going forward, when federal policymakers reauthorize or reform social welfare policies, they should consider raising eligibility thresholds for married couples with children under five so as to minimize the marriage penalty for working-class families.

FAMILY-FRIENDLY WORKING CONDITIONS

Many Americans struggle to reconcile the demands of work and family, but the challenges are often especially onerous for working-class families.

Qualitative research suggests that many service-sector jobs do not give workers the flexibility to care adequately for their children or elderly

parents. Latchkey children are left alone after school hours and on weekends, increasing risk for emergencies that could qualify as child neglect. Constraints at work keep parents from responding to emergencies such as picking up a sick child from school or even telephoning their child after school. Employer demands prevent some parents from scheduling events as important as weddings.²⁵⁸

Nonstandard work hours, inflexible work policies and unsupportive managers impose high levels of stress on working-class men, women and families.²⁵⁹ A growing body of research using mothers' daily diary records shows that nighttime shifts bring acute family stress, souring parents' moods and leading to poor parenting behavior, and this in turn affects the behavior of their children the next day.²⁶⁰

Most resident parents in most American families work or seek employment outside the home.²⁶¹ In some 37 percent of all families, one parent works nonstandard hours—night shifts or “on call” work hours with no advanced notice—and the figure is higher among working-class families.²⁶² The need to work causes many parents to accept substandard working conditions. In other cases, the stresses lead them to leave the labor force, or fail to enter it, with the financial strain that entails. This is bad for families and for employers, who face increased employee dissatisfaction, poor attendance and high turnover.

In the past, issues of this kind were addressed by labor unions bargaining on behalf of workers and their families. Today, instead, our group proposes a combination of legislative reform and voluntary corporate action.

Improved parental leave. First, we recommend increased paid and allowable unpaid parental leave to bring American practice into line with the rest of the developed world. The United States is the only high-income nation in the world without a paid parental leave law. The Family Medical Leave Act (FMLA) provides up to 12 weeks of unpaid leave and applies to only 60 percent of the workforce. According to the Department of Labor, only 12 percent of U.S. private-sector workers have access to paid family leave through their employer.²⁶³ The working class

is most adversely affected by these inadequate leave policies because of its pressing need to work.

Our group recommends amending FMLA to provide eight weeks of paid parental leave for qualifying workers. The benefit should replace 70 percent of the worker's wages, capped at \$600 per week. We do not recommend amending other provisions of FMLA beyond parental leave; we would make no changes to medical leave or time off for family care. All new parents should be eligible, not merely those currently covered by FMLA. We estimate the annual cost at between \$3 billion and \$11 billion. And we propose financing it with a portion of the new revenue we suggest raising in chapter III by expanding the number of families that pay estate taxes, limiting tax exemptions available to better-off households or raising minimum taxes for corporations that rely on tax havens.

We also recommend increasing the number of allowable weeks of unpaid parental leave from 12 to 40. This benefit should apply only to employees who are currently covered by FMLA.

Better access to high-quality child care. Second, we recommend improving access to high-quality early child care and education for children younger than five with working parents. Dissatisfaction with child care options keeps many young parents from entering the workforce and drives many others to stop working.

A century ago, most nuclear families could meet their financial goals if the father worked outside the home while the mother remained at home. This model no longer works for many working-class families. In many families, parents feel they must both work outside the home to make ends meet, and they often feel ambivalent about doing so.²⁶⁴ Many families would prefer to have one parent stay at home to raise their child if they could afford it.²⁶⁵ In other cases, parents would more readily enter the labor force or work longer hours if they had better child care options at an affordable cost.

The problem begins with cost: the cost of high-quality early child care and education exceeds what most working-class families can afford. Child

Many parents would more readily enter the labor force if they had better child care options at an affordable cost.

care and education comprise about 22 percent of all family expenditures for families making less than \$50,000 a year.²⁶⁶ As one 35-year-old working-class owner of an independent small business observed, “I make slightly too much to qualify for Head Start or a government subsidy, but I sure as heck do not make enough to afford a Montessori School. So my three-year-old daughter sits all day watching TV at a neighbor’s house. I wake up at night worried that my kid won’t be ready for kindergarten.”²⁶⁷ Surveys show that an overwhelming majority of Americans, not just parents, want families to have greater access to affordable, high-quality early child care and education.²⁶⁸

Today, the nation spends just 6 percent of gross domestic product to support children under 18 years old. The Organisation for Economic Cooperation and Development (OECD) ranks the US near the bottom of its 30-plus member nations in public expenditures for early child care and education. Families in the bottom earnings quintile receive modest support through Head Start and child care subsidies, leaving working-class families to suffer the most in comparison with counterparts in other developed nations.

This gap is worst among families with young children. Younger parents, who tend to earn relatively lower wages, often struggle when their children are young. Emerging scientific evidence suggest that young brains may be most receptive and responsive to cognitive stimulation.²⁶⁹ Yet federal assistance is skewed toward older children. The government provides on average more than \$12,000 of annual support for each older child and adolescent, mostly through public education and loans for higher education, but only about \$5,400 to \$8,600 for each child under five years old.²⁷⁰

If our goal is to prepare the next generation for the 21st-century economy, we must do more for our youngest children. Our group proposes a double-barreled approach to increase the quality of early child care and education in working-class communities and provide financial support so more families can afford it.

The quality of child care can be improved with top-down initiatives such as Smart Start in North Carolina, which provides training for child care workers, improved standards for child care facilities and consultations for owners seeking to improve their facilities. North Carolina’s experience suggests that the funding it provides for this initiative is more than worth the cost; results include improved third-grade standardized reading and math test scores, reduced special education placements and reduced grade retention across the state.²⁷¹

Still another way to improve standards for child care: states could certify facilities that meet quality benchmarks and provide financial support for certified facilities only. Our group also endorses the provision in the 2018 Bipartisan Budget Act that is expected to provide \$2.37 billion in additional appropriated funding for the Child Care and Development Block Grant, and we urge its full implementation. We believe policies of this kind will help parents feel more comfortable entering the labor force, and they are likely to yield significant return on the investment for government.

The second component of our double-barreled approach would be bottom-up: larger tax credits to help working-class families pay for early child care and education. We recommend increasing the child and dependent care tax credit for children up to four years old by \$1,000 and making it fully refundable, with a cap for family income at \$80,000, so that it serves working-class and lower-income families. We propose to pay for this increased support by eliminating the credit for families with incomes above \$80,000.

Voluntary corporate action. Creating better conditions for working-class families cannot be left to government alone. Particularly in the wake of the 2017 Tax Cuts and Jobs Act and its significant reduction

of the corporate income tax rate, our group believes businesses have a responsibility to create a better environment for families by strengthening parental, family and medical leave and enabling employees and managers to coordinate work schedules in ways that minimize the burden they place on workers' families.

Policies and practices that would strengthen working-class families—and improve worker retention and productivity—include but are not limited to regular work hours, bans on unwanted mandatory overtime and weekend work hours unless preapproved, flexible work hours, job sharing, flexibility that allows sick time to be used for a sick child, on-site child care, increased paid and unpaid parental leave and expansion of health care benefits for workers' families. It's time for corporations to step up voluntarily to support their workers in these expanded ways.

A family impact statement for every company. Over time, we believe the free market will reward family-friendly corporations with higher-quality job applicants, higher worker productivity and less turnover. In the short term, however, many job applicants and workers are unaware of local employers' policies and the variation across companies. We propose to help workers select employers that offer the most family-friendly working conditions by encouraging companies to release a voluntary annual "family impact statement" detailing their policies for parents and children.

One way to spur companies to release this information would be with modest government funding for an independent nonprofit that develops a checklist of employer best practices and makes companies' annual statements available to the public. The list of items to be reported could be determined by a non-partisan board made up of labor economists, business owners, parents, civic leaders and child development experts. Employers' responses could be summarized in ratings and rankings by the nonprofit. Reports should be published and made available to workers and job applicants. We propose that the federal government allocate resources to support the reporting and publishing process and encourage employers to comply—\$50 million annually.

FAMILIES AND CIVIL SOCIETY

Strengthening the underpinnings of blue-collar communities, using social policy to help beneficiaries enter or return to the workforce, family-friendly workplaces: all of this will help to improve the quality of life in working-class families and communities. But our group also believes that more direct supports are needed—initiatives that focus more intentionally on behavior and values.

The problem begins with the drug addiction spreading to all corners of American life but especially destructive in working-class communities. We also need more concerted efforts to shore up families, strengthen communal bonds and enhance the quality of communal life.

Drug addiction. Experts differ on what's driving the drug epidemic sweeping across America. Clearly, the causes are mixed—absence of economic opportunity, dissolving marriages, lack of work, decisions by doctors and pharmaceutical companies and aggressive illegal trafficking, among others. Our group believes the problem must be attacked from all angles, fighting the epidemic's causes and effects—preventing the spread of dangerous and illicit drugs and treating those suffering from addiction.

Federal and state governments have stepped up in recent years with increased funding to stop the spread of opioids, but funding goes only so far without more effective policy.

Our group is encouraged by the success of programs put in place in Arizona, New Jersey and Kentucky that seek to limit how many opioid pills doctors can prescribe for a patient at one time.²⁷² Prescription drugs aren't the only problem; since 2011, overdose deaths have been driven by heroin and fentanyl, rather than pain relievers. But states can make a difference by controlling the supply of prescription medication and preventing the diversion of opioids to illicit markets.

Many states have implemented prescription drug monitoring programs that alert authorities if a doctor strays from best practices in dispensing opioids or if patients are "doctor shopping" to obtain more pills.

The federal government should implement a nationwide monitoring program of this kind so that physicians and pharmacists can share information across states and law enforcement can better track the transport of drugs across state lines. Sharing information—between doctors, hospitals, law enforcement agencies and other state authorities—is among the most effective tools available for fighting the epidemic.

Treatment for those who suffer from addiction starts with naloxone, a popular antidote to overdoses. States can save lives by making naloxone and treatment beds more readily available.²⁷³ Rhode Island and Maryland, among other states, have also invested in “recovery coaches” who help addicts find treatment and in some cases change the course of their lives.²⁷⁴

Medicaid has a role to play in ensuring that prescription opioids do not fall into the wrong hands. Well over half of prime-age nonworking white males receive some kind of disability benefit, and Medicaid likely allows many of them to fill painkiller prescriptions at minimal cost. Medicaid should use its national reach to track prescriptions, help law enforcement target drug dealing, identify those at risk of overdoses, and help medical staff treat addicts and break the cycle of addiction. Medicaid and Medicare should provide coverage for non-opioid interventions for pain lasting several weeks or longer. They should also pay for medications such as methadone, buprenorphine and naltrexone that help addicts end their dependence on more dangerous drugs.

The success sequence. Economic, social and political measures will not be enough alone to renew the social fabric of working-class America. They are necessary, to be sure, but probably not sufficient. One recent study found, for instance, that communities that saw improved job opportunities and increased employment as a result of the fracking boom did not see a subsequent increase in marriage rates.²⁷⁵

Accordingly, many members of our group believe we must confront cultural and communal obstacles head on. What’s needed are conscious, programmatic efforts to change attitudes and strengthen values that undergird family and civil society. Here, we take a page from movements to address drunk driving,

same-sex marriage and teenage pregnancy. In all three cases, educators, civic leaders, journalists and popular culture came together to support social change with public service announcements, educational curricula, compelling television shows and news coverage that lent cultural support to changing norms and behavior.²⁷⁶

Our group encourages civil society to come together in a similar way to take two steps for working-class families and communities—and other Americans. The first step addresses individuals directly; the second works through civic organizations.

First, adolescents and young adults from working-class communities should be encouraged to follow a variant of what Ron Haskins and Isabel Sawhill have called the “success sequence”: education first, then marriage, then children.²⁷⁷ Today, given the changing character of the economy, we believe the success sequence should entail three steps:

1. Get an education that prepares you for a decent-paying job by completing a four-year college degree or obtaining an occupational credential.
2. Start working full-time by the time you have reached your early twenties.
3. Marry before having children.

Young adults who follow this sequence are much more likely to avoid poverty and to reach the middle class as they move into their thirties. One recent study found that 97 percent of millennials who followed all three steps had escaped or avoided poverty by the time they reached ages 28 to 34, and 86 percent had reached the middle or upper end of the income distribution.²⁷⁸

Some skeptics question the third step of the sequence, and there is little disagreement across the ideological spectrum that education and full-time work are closely tied to economic security and upward mobility.²⁷⁹ But ignoring marriage doesn’t make sense for at least one key reason: the stability it offers many couples. With marriage comes commitment, greater legal and social support, and ritualized entry

into the responsibilities of adult life. Certainly, it is more stable than the relationship alternatives. Young adults who have a child outside of marriage, including in a cohabiting relationship, are at least twice as likely to break up, even after controlling for a range of background factors, with the mother usually left to raise the child alone and the father saddled with child-support obligations.²⁸⁰ Neither of these paths is conducive to avoiding poverty or realizing the American Dream.

One way to increase the number of children born to two people who are committed to each other and ready to be parents—typically, in marriage—is to reduce the number of early, unplanned pregnancies. Although teen pregnancies have declined sharply, half of all pregnancies in the US are still unplanned, and the rate of unplanned pregnancy is far higher for working-class women.

Some members of our group believe the best way to avoid unplanned pregnancies and foster strong relationships among young adults is to encourage them to reserve sex for marriage. Most of the group, recognizing the prevalence of premarital sex, recommends that contraception be made available at an affordable cost to all women seeking to prevent a pregnancy. In Colorado, where this recommendation has been successfully implemented, unplanned pregnancies, abortion rates and state costs for Medicaid and other social programs have fallen dramatically.²⁸¹

Second, our group believes that philanthropists, foundations and civic and religious organizations should work in a more targeted way to strengthen marriage and families in local communities. Two promising initiatives that adopt this approach are First Things First in Chattanooga, Tennessee, and the Culture of Freedom Initiative (COFI) in Jacksonville, Florida. COFI has reached more than 30,000 people with in-person family and religious programming and generated more than 20 million internet impressions on family-related themes. Since 2016, the divorce rate has fallen 28 percent in surrounding Duval County, a decline much larger than the drop during this period in other Florida counties or the nation.²⁸² More

initiatives like this are needed to serve families in communities across the nation.

Our group also believes that civic organizations, local and national, should be more intentional about including working-class Americans in their activities. American religion is a prime example of the problem. Religious attendance by young adults has dropped off much more among working-class Americans than in the upper-middle class.²⁸³ But religious groups—evangelical Protestant, Catholic and Jewish—devote far more resources to targeting young people who attend four-year colleges than they devote to reaching those who are not in college.²⁸⁴ This pattern holds across a broad array of secular and religious nonprofit and civic organizations—from the Nature Conservancy and Parent-Teacher Associations to religious groups like FOCUS (Fellowship of Catholic University Students) and Cru. Far too many devote the lion's share of their attention to the poor or to more educated, affluent Americans—anyone but the working class. This must stop.

Nonprofit and civic organizations should address their failure to connect with working-class Americans. They should develop programmatic efforts that target working-class adults and families. They should seek out leaders with working-class backgrounds and make sure their style and messages speak to the sensibilities of working-class men and women. In the same vein, the nation's schools should work to eliminate fees for extracurricular activities, including sports, so that working-class young people are not excluded.²⁸⁵

No one in our group thinks it will be easy to strengthen the culture of family or the social fabric in working-class communities. It doesn't help that good jobs are often lacking, popular culture often seems directly at odds with the habits of mind conducive to family and community, and abundant electronic entertainment distracts all of us from in-person relationships. Still, our group is convinced that we must take on this challenge if we wish to improve the economic, social and emotional lives of men, women and children in working-class communities.



VI. ARRESTING THE DECLINE

From its earliest days, American democracy has been a rough-and-tumble business—strong parties with sharply opposed interests battling for preeminence. Yet most if not all of the nation’s greatest achievements were the fruit of bipartisan agreement. Today, very few decisions are made by the parties working together, and compromise, once most lawmakers’ topmost goal, is regarded as a sign of weakness. Can bipartisanship be revived? Can left and right come together to solve the problems we face as a nation? Our group does not believe either party alone can find the new answers we need to restore the dignity of the working class.

VI. ARRESTING THE DECLINE

The year we spent preparing this study was not a good year for bipartisanship. If anything, as the months passed, it came to seem more and more implausible that lawmakers in Washington would return to bipartisan governing any time soon—maybe for years to come. “Bipartisan,” already a dirty word in some circles, started to feel like a laughable word—what was our group imagining? Who did we think would adopt our compromise proposals?

What united our group was our determination not to give into this cynicism. If bipartisanship is dead, America is no longer governable. Our democracy cannot work; our nation cannot cohere. Bipartisanship is in eclipse—that, no one can deny. But we cannot give up hope—or stop working to find and promote bipartisan consensus about policy to address the challenges we face as a nation.

Few challenges strike us as greater or more pressing than the plight of the working class. The problems afflicting this group—by our definition, some 40 million Americans—are not different in kind from the challenges facing the nation as a whole. What is different: the degree to which these changes and trends are wreaking havoc in working-class communities.

All of America is reeling in the face of automation and struggling to adjust to changes unleashed by globalization. All of America is grappling with the decline of marriage and the rise of single-parent families. All American communities, or most, have seen a waning of religious faith and a decline in civic engagement. The scourge of opioid addiction is ravaging the nation—rich, poor, white, black and Latino. Drug addiction is now the leading cause of death for adults under 50. And families across America are wrestling with the question, is college worth it? Is a traditional four-year academic education still the best answer for them or their children?

No one is immune. But in each case—in the face of each of these challenges—the working class has been hardest hit. In almost all cases, it has been hit far harder than any other group.

Noncollege workers are bearing the brunt of automation and globalization. Entire industries are disappearing, and wages have been flat since the 1970s. Over the past four decades, marriage declined more in the working class than among any other group, richer or poorer. Civic institutions, religious and secular, hang on tenaciously and against all odds across America—except in working-class enclaves, where many if not most have collapsed.

So too with opioids and education. Map opioid deaths across the US, as our group and others have done, and compare the picture to a map of working-class communities—the overlap is stark and deeply distressing. As for the once-revered goal of college for all, it’s fading fastest in working-class America, and the need for alternatives is greater there than anywhere else in the nation.

Worse still, these separate ills seem to be interacting and exacerbating each other so that the sum of the parts is far worse than any single problem alone. Communities are more socially segregated than in the past; many working-class enclaves are geographically isolated. The human networks that once bound them are disintegrating, and this erosion of social capital is opening the way to a host of other troubling dynamics. Workers are losing their jobs *and* their social supports, and with them, in many cases, their sense of their identity and their place in the world—as a coal miner or steelworker or someone who helped assemble the things that once made America proudest.

“Decline” is a painful word—a word we hesitated to use. But it’s hard to argue with the facts. Pick the measure—workforce participation, marriage rates, civic engagement, reliance on government social

programs—and the working class is coming to look less like the middle class, which it once resembled on all metrics except income and wealth, and more like the poor.

A PLACE TO START

Our fervent hope is that the policies we propose in this report can help arrest this decline.

There are no easy answers. Free college, Medicaid for all, a government jobs guarantee, universal basic income: these are not solutions. Nor is closing the country to immigration or launching a global trade war. As we have explained in our report, appealing as they may sound, our group does not believe any of these approaches would work as hoped.

Our proposals are less dramatic-sounding, but no less ambitious. Our primary goal is getting people back to work and increasing wages—with job growth, wage supports, work requirements, more readily available job training and the renewal of communities that provide a social underpinning for workers.

We propose to make work pay by expanding the earned income tax credit to cover childless workers and experimenting with a new wage subsidy. We recommend putting more pressure on state and local agencies that administer public assistance, requiring that they make a priority of helping beneficiaries return to work. We propose adding work requirements for some recipients of means-tested government programs. We recommend reforming unemployment and disability insurance to create incentives to work and remove disincentives to taking a job.

**The hallmark of our proposals:
they're practical—not grand
schemes to remake the world, but
targeted, backed by research and
grounded in real-world experience.**

We propose dramatic changes to federal funding for higher education to shift spending away from traditional academic courses and toward programs that teach students the skills they need to succeed on the job. We suggest stratagems for communities seeking to leverage the job-creating investment we expect to see unleashed in blue-collar enclaves by the Opportunity Zone provision of the 2017 tax bill. We recommend making the child and dependent care tax credit available to working-class families. We propose a new federal program to monitor and limit opioid prescriptions.

The hallmark of our proposals: they're practical—not grand schemes to remake the world, but targeted, backed by research and grounded in real-world experience. Many build on or expand ideas already being piloted in the states. Some pick up concepts that have been put forward in Washington but not implemented for lack of funds or lack of political will and find ways to make them work—including by suggesting how to pay for them. Also critical, we believe all our proposals can appeal to lawmakers on both sides of the aisle. We have little faith in solutions that cannot enlist bipartisan support—they're not likely to be practical or enduring.

Equally important in our eyes—equally necessary if our ideas are to have an effect—we found ways to pay for our proposals without adding to the deficit. Years of irresponsible spending by both political parties have landed the nation deeply in debt. The next generation faces a grim fiscal future. Working-class Americans will likely be among those hardest hit. Our group resolved we would do nothing to make the situation worse, and the package of solutions we propose is budget-neutral.

This was the hardest part of our work—the root of our fiercest arguments. No one in our group is happy with all the options we recommend for spending, saving and raising new revenue. But we felt it was imperative to agree on how to finance our ideas. Programs that aren't enacted for lack of funding benefit no one. And we hope our work in this realm will provide an example for others. It is possible to reach bipartisan agreement on spending and saving. It is possible to

address America's challenges without breaking the bank or further encumbering the generation to come.

Our bipartisan group stands together behind the recommendations in this volume. This doesn't mean that each of us agrees with every idea. Almost everyone has reservations about at least a few things. That, we believe, is the nature of compromise: each party gives a little—swallows hard on something they don't like—to get agreement on the big thing that's important to them. This is what our group has done, and we all support the project, if not every particular.

We as a nation can and must renew the social contract that once bound us—the promise that if you worked hard and played by the rules, you could get ahead. Government, business and civic institutions

all played a part in upholding the contract, and it was a two-way street—workers, parents and others were responsible for the choices they made about how to live their lives. Working-class America is and has been for several decades the group suffering most from the unraveling of this contract.

We believe the policy proposals in this report are a place to start—the beginning, not the end, of what's needed to arrest the decline in working-class communities. We hope lawmakers, employers, unions, churches—and not least, working-class men and women—will now step up, fleshing out our proposals and acting on them. We look forward to being part of that progress as it gains momentum.

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 - The US Department of Education Inspector General estimates that students who took out loans in fiscal year 2015 and enrolled in income-driven repayment plans are expected, over their lifetimes, to pay back \$11.5 billion less than they borrowed.
 - Graduate student borrowing accounts for 40 percent of all student loan originations, so at least 40 percent of this \$11.5 billion gap could trace back to graduate students—in which case, graduate student loans taken out in FY 2015 would cost taxpayers \$4.6 billion over time.
 - The average loan debt of students with income-based-repayment loans is \$54,300, and loans larger than \$60,000 account for two-thirds of the dollars being repaid on income-based plans. Yet average debt among new bachelor’s degree borrowers is \$28,400, suggesting that graduate students take out an overwhelming majority of income-based-repayment loans. Suppose conservatively that they are responsible for 75 percent of income-based-repayment loans, and graduate student loans taken out in FY 2015 would cost taxpayers \$8.6 billion over time.
 - The Congressional Budget Office and the White House have run the numbers on a comparable reform: a 2018 House Republican proposal to eliminate Public Service Loan Forgiveness. According to the Government Accountability Office, some 25 percent of the US workforce is employed in jobs that qualify them for Public Service Loan Forgiveness. Estimated savings of the House proposal: \$2.4 billion a year.
 - Another comparable: the White House’s FY 2018 budget makes a number of relatively modest changes to the federal student loan program, ending Public Service Loan Forgiveness, implementing loan forgiveness five years earlier for undergraduate students with income-based-repayment loans and 10 years later for graduate students. Estimated savings, according to the Congressional Budget Office: \$7.6 billion a year.
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