THIS WAY UP

New Thinking About Poverty and Economic Mobility

Edited by Tamar Jacoby

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CONSERVATIVE REFORM NETWORK

The Clapham Group creative consulting

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Preface

More than 50 years after the War on Poverty, 20 years after welfare reform, 15 years since President George W. Bush created a federal office to coordinate faith-based efforts to fight poverty, the challenge is more pressing than ever: how to ensure economic mobility for all Americans—the very poor, both urban and rural, and a neglected working class struggling to keep up with globalization.

Past efforts have taught us many lessons, but our current approach is not enough. We need new, better solutions that help more Americans move up the economic ladder.

This booklet offers a compendium of new thinking about how to accomplish this essential goal. Contributors include some of the best conservative thinkers and researchers working in the field today. They draw on what has come before—chastened by the limits of the War on Poverty, inspired by Ronald Reagan, schooled by welfare reform and George W. Bush's faith-based initiative, among other efforts. The new center-right thinkers build on all of that, learning from what worked and jettisoning what hasn't. But what's emerging—today's conservative approach to poverty and mobility—is new: There's a new determination, new ideas, a new sense of responsibility for the problem and the solutions.

What follows are some of the best new ideas. Some address policy, state and federal. But most look beyond government to harness the power of communities—solutions driven by choice, competition, faith, public-private partnerships, and empowering individuals to make the most of their opportunities.

Many of these ideas were generated at a conference in Washington, DC, in December 2016. The booklet includes some excerpts from those sessions, including a speech by House Speaker Paul Ryan, and some compilations of excerpted remarks, grouped thematically. But many of the essays are fresh: deeper reflections and honed policy proposals that have grown over the months since from seeds planted at the conference.

The essays fall into three categories. Some are broad, general thinking about the principles and values that lie behind, or should lie behind, a conservative approach to poverty and mobility. Others are policy proposals: focused, specific, ready to enact today. Still others look at policy and practices already being implemented on the ground, by the government, a nonprofit organization, and a leading American company.

Together, we believe, they offer a window on an exciting new center-right movement. Not all adherents agree on all issues. There is robust debate in the pages that follow. But we see this contention as a sign of strength. Where there is no questioning or discussion, there is no life. What follows is a snapshot of a vibrant, evolving movement, fermenting new ideas, developing fresh approaches, and ever searching for new, better ways to address poverty and economic mobility in America.

Tamar Jacoby, Opportunity America

I

The Conservative Approach to Poverty

Center right and center left don't differ appreciably in their concern about poverty. What sets conservatives apart are the values they bring to the debate. The fundamentals have remained constant through the decades. First, government alone isn't the answer—civil society, faith groups, and business must also join the fight. Second, the best antidote to poverty is work—work as a paycheck, but also the dignity of work. Third, along with economics, we need to pay attention to people's choices, particularly their bad choices, and there is no substitute for personal responsibility.

These are the classic tenets of the center-right approach to poverty and opportunity, and they remain essential pillars. But today's thinkers are reinventing them—bringing new clarity, new subtleties, and a new moral urgency to the fight.

The Dignity Deficit

Arthur C. Brooks on What the Poor Need Most

I want to challenge us to think about American poverty in a new way.

For decades now, the policy community has thought the problem with American poverty is that we haven't been able to help people enough. The government has spent $20 trillion since the mid-1960s trying to alleviate poverty by helping struggling people meet their material needs. And indeed, poverty has become more bearable in strictly material terms.

But earned success has not become meaningfully more attainable. In 1964, 15 percent of the country was in poverty, and about the same percentage of the country is still in poverty in 2017. So while poverty has become more bearable—we've helped people somewhat effectively with government money—it has not become any more escapable. Is that really success?

The deep problem is this: Those who are poor in our country are increasingly being told, implicitly and explicitly, that they are not needed by the rest of society. And the result of so many people not being needed is a dignity deficit.

When people are told, by everything from labor markets to trends in family formation, "You're not necessary, you're not useful," that will attenuate any sense of dignity. And that leads to a culture and an economy of despair. It leads to opiate and alcohol abuse. It leads to an uptick in suicide. And that's what we're seeing in our country.

But not everywhere.

One of my all-time favorite nonprofit projects is Ready, Willing & Able, run by the Doe Fund in New York City. It has taught me a lot about how we can repair the dignity deficit.

You see the people who are working for Ready, Willing & Able near Fifth Avenue in New York City: men in blue jumpsuits sweeping the streets. Ready, Willing & Able is actually a homeless shelter program. But instead of focusing on how to help people, it focuses on how to create opportunities in which these men are needed.

I've met some of these men. One of the friends I made is named Rick. When I met him, he'd just gotten out of prison after a long spell. He has a story that you hear a lot: petty crime when he was a teenager, then selling drugs, and finally there was a terrible crime. He had to start over completely.

He made his way to the Doe Fund and started out like everyone does—sweeping the streets. He moved on after a few weeks or months into vocational training and then got his first real job, working for an exterminator agency, killing bugs. Many people would call that a dead-end job. But what the Doe Fund understands is that work is work and all work can be sanctified, and all work is a good thing if we use it to build up our lives in the service of people who need us.

A few months into the program, I asked Rick, "How is your life?" and he said, "Let me show you." And he showed me an email from his boss: "Rick, emergency bedbug job, East 65th Street. I need you now."

I said, "So what?"

He said, "Read it again: 'I need you now.' That is the first time in my life anybody has said those words to me."

We all need that. We all need to be needed. That's the essence of what it means to be alive. And that—not just a paycheck—might be the most deeply important benefit that we get from employment. No amount of material help can really alleviate the human cost of not being needed.

This has to become the central question that animates our policy discussions. Not "How can government become more efficient or more effective at helping people in poverty?" It has to be: "How can we rebuild an economy and a culture where everyone has the tools to be necessary? To their families, their communities, and their employers."

I hope and I believe that our country has enough love in our hearts to take on this question of human dignity. That's what it comes down to—not just successful public policy, but love.

It comes down to brotherhood. It comes down to solidarity. We will be judged ultimately, as a society, by the extent to which we treat other people with that solidarity and with that love. Not just by the extent to which we make chronic poverty less painful, but the extent to which we make it more temporary. We need to make dignity more attainable for everyone.

Conservative Economic Stewardship Will Help Janesville

Paul Ryan on What Ails the Working Class

Conservatives are coming to a consensus about how to fight poverty and restore upward mobility.

It's not one problem—there are several problems, or several dimensions. There's multigenerational poverty—persistently poor communities, urban and rural—and there's working-class economic anxiety. Stubborn, persistent poverty requires emergency surgery. That's what we need to go at right away because that's who's hurting the most. But I don't see these things as mutually exclusive. We need to address it all.

A lot of working-class anxieties start with economic growth—the much slower economic growth we've had in recent years. Our own domestic policies have been a big cause of that. The regulatory state hurts jobs, especially for small businesses and in the manufacturing sector. Our tax policy has made us extremely uncompetitive. And together, this has taken a big toll in working-class communities.

I live in Janesville, Wisconsin, on the same block where I grew up. Janesville's big employer until 2009 was General Motors (GM). GM sustained the town for nearly 90 years, and many of the people I went to high school with went to work at GM after we graduated. You could get a good job in the plant and do very well and have a good life—and your kids could do the same.

But then in 2009, it ended. We lost the plant—just like that. Janesville used to make Tahoes and Suburbans. Now they're made in Texas. And there wasn't really anything to replace those jobs. Some of the guys I went to high school with had enough seniority in the union that they could move within the GM system—get a job in Saint Louis or

Kokomo, Indiana, or somewhere else where the company is still making cars. But lots of others didn't have that option.

One buddy of mine is now the night guy at a QuikTrip convenience store. He went from GM—a skilled trades job with a six-figure income and great benefits—to working as a night manager at a QuikTrip.

It wasn't his fault. He didn't have any other opportunities. And that's just one example. You see that lack of opportunity throughout the Rust Belt—and of course it's causing great anxiety.

What do we do about it? I look first at our tax laws.

Consider Johnson Controls. It's the biggest company in Wisconsin, but it's becoming an Irish company. It's moving its headquarters to Ireland—because Ireland has a 12.5 percent tax rate. Same with Miller. We still brew the beer in Milwaukee, but those headquarters too are now overseas—in Belgium.

We're losing our base. We're losing our companies. We're losing our competitiveness. It's about our tax laws, and it's about the regulations that make it so much harder to create new jobs to replace the old jobs being lost.

Then there's the skills gap. A lot of working-class people who were doing well are now doing much, much worse because the jobs in their area are changing and they don't have the skills to adjust.

Manufacturing is recovering in some places—not GM, but smaller, local manufacturing businesses with maybe 50 to 150 jobs. And you can still make a good living in manufacturing. High-skilled custom welders, for example, make a very good living. But companies in Wisconsin can't find enough custom welders. People's skills have atrophied. They don't have the skills to fill the new jobs. And in too many cases, our education system isn't equipped to help them acquire the skills they need.

And the point is these things add up. Our tax policy is driving companies overseas. Bad domestic policy is making it harder to create new jobs. We're not helping people learn the skills to adjust. No wonder people feel they have no prospects.

The answer has to be a multifront policy war. The best way to restore upward mobility is with economic growth—American competitiveness, manufacturing, restoring jobs, and closing the skills gap. We need to start with regulatory relief, and we need to get tax policy right. Economic growth won't fix everything, but it can and will solve a lot of problems, including for the working class in places like Janesville.

The New Normal

Michael R. Strain on Personal Responsibility

We've been arguing for years about poverty. The left emphasizes economics and institutions—an unequal and unfair distribution of assets, income, and opportunity. The right emphasizes personal responsibility—the choices people make about how to live their lives. Today, the focus has shifted to the working class—but the same essential truth holds.

Members of the working class are not solely the victims of economic change and inadequate public policy. They have agency, and they themselves bear some responsibility for the frustration and anger they feel. Yet much of our public conversation implicitly denies this basic fact.

As a culture, we feel more comfortable discussing what we want than what we owe. We want working-class Americans to lead flourishing lives that include meaningful employment, and there can be little doubt—society has a moral obligation to work toward making this the case. But working-class Americans have duties as well.

For the working class, as for all Americans, the sense of duty rests on cultural norms—norms that have been eroding and need to be reinvigorated. The norm that if you can work, you should be working, even if the only job you can find pays 65 percent of what you made in your last job—and even if you have to move a few states away for a good job. That if you can work, you should be providing for your kids. That you have an obligation to contribute, adding your skills and talent and effort to the fabric of your community. A recovery of these basic norms would go a long way toward helping the working class lead full and flourishing lives.

How? It used to be that an able-bodied man who wasn't working would feel a social stigma. Today, there is little stigma—but stigma can push a man on the margin into a job. And once he is employed, it is much easier to meet his obligations: to be a good father, to be a good member of his community, to put down the video game and not use drugs.

It’s a virtuous cycle, in which self-mastery, proper choices, and adherence to duty in each aspect of life reinforce duty, self-mastery, and proper choices in other realms—with obvious ensuing benefits to children and community.

Public policy can help reinvigorate these norms by supporting and encouraging work. And the norms in turn can help make public policy more effective by predisposing citizens to respond in more productive ways.

Among the policy changes that could create new norms for the working class:

- An increase in earnings subsidies would help paychecks go further and pull people into the workforce who otherwise do not participate because of the low wages they command.

- Policy can help workers build skills in demand in the marketplace.

- Policy that gets government out of the way, deregulating the labor market, would create more opportunity.

- And policies that suppress workforce participation—such as disability insurance—should be reformed.

Some of these policy changes will cost money, and that’s okay. Our commitment to the common good requires public action to help the working class lead flourishing lives. We should spend less money on the rich and the middle class and use it to fund programs that empower the working class.

Better policy is not the only tool we have. Public leadership and public messaging are important as well. Americans with platforms and bully pulpits need to speak more clearly—about the challenges facing working-class Americans, but also their obligations. And members of society who are living by healthier norms—stable marriages, involved parenting, attachment to the workforce, and community involvement—should recover the confidence to "preach what they practice," as my colleague Charles Murray puts it.

Advancing the common good is a duty we all share. We all have obligations to one another and to ourselves. We shouldn't be afraid to say so. In fact, saying so is often a crucial first step—a way in and of itself to meet these obligations.

Minimum Income Is Not a Right

Robert Doar on Federalism and Social Services

President Lyndon B. Johnson's War on Poverty got some things right and has had some important successes. But it got at least one thing very wrong—a mistake still haunting us today.

You don't have to be a constitutional lawyer—I am not—to know that certain rights, such as freedom of speech and religion, are protected by federal authority through explicit language in the Constitution. Minimum income and health care, in contrast, are not constitutional rights, and they do not enjoy the same kind of protection. Some people believe they should be, but they aren't.

This is the original sin of President Johnson's Great Society: applying an approach appropriate for civil rights to a sphere where the invocation of "rights" does not fit and does not work. And it has led over the years to a misguided effort to use Congress and federal courts to impose uniform antipoverty policies in every state.

Today, the federal role in antipoverty policies is huge but uneven. Vast federal spending and the coercive powers that come with it give federal officials a decisive influence over antipoverty policy in every state. Medicaid, food stamp benefits—now renamed the Supplemental Nutrition Assistance Program (SNAP)—the earned income tax credit, disability assistance, cash welfare, child support enforcement, child care, and housing all, to varying degrees, involve significant federal involvement in the lives of citizens in every state.

I've seen the consequences firsthand—when I was a state official overseeing social services in New York. Technically, I was employed by the state of New York and Gov. George Pataki, but in reality I worked for the federal government. Washington paid the bulk of my salary, and in countless ways, on most of the details of governing, I took my direction from federal officials.

What that experience taught me: federalism, properly understood, respects the responsibilities of the states and limits the use of federal power. The best approach is to allow states to reach the correct outcomes on their own, without federal intervention. But in some cases, a combined approach can work—when the federal government outlines desired outcomes but leaves the means to achieve those outcomes to the discretion of people in the states.

This approach worked well in New York in the wake of welfare reform—the bipartisan 1996 legislation mandating dramatic changes to cash welfare and enforcement of child support. Congress provided substantial funding for both programs and broad guidance to state officials but allowed each state to determine the details of their programs on their own. Importantly, the federal government holds the states accountable for outcomes—but not process.

The cash welfare program—what was Aid to Families with Dependent Children and became Temporary Assistance for Needy Families (TANF)—is funded by a fixed block grant and comes with a firm federal requirement that states move a fixed percentage of participants from welfare to work. But the program leaves much to states' discretion in how they achieve this end.

Less well-known, the child support enforcement program has more open-ended funding, but a significant portion of it is provided through incentive payments tied to five federal outcome measures—including the percentage of cases with a formal order of support and the percentage of ordered support that is collected. The better states do in achieving these measures, the more money they receive from Washington.

While there is certainly room for improvement, since 1996 both child support and TANF have made significant gains in achieving the goals they are designed to meet. Many more single-parent households receive payments from absent fathers. TANF, by requiring work, increased work levels and reduced poverty for never-married mothers.

Contrast this with two other large federal programs in which Washington plays a much more prescriptive role: Medicaid, which provides health care for the poor, and SNAP, intended to combat hunger. In both cases, the federal government is more heavily involved in the details of every state's program, and funding is not tied to substantive outcomes—less hunger or better health.

Some people believe that more federal involvement has led to gains in SNAP and Medicaid. Certainly, more people benefit—enrollment for both programs has grown dramatically. But is that really the goal? There is not a lot of evidence that Medicaid enrollment leads to better health. And while SNAP enrollment soared during the recession—perhaps understandably—the percentage of households with what researchers call very low "food security" remained high even as the economy rebounded.

Bottom line: We're raising enrollment but not improving outcomes. It's the opposite of success: The goal of welfare is to help people become independent, not more dependent. Increased enrollment without improved outcomes is losing the battle and the war.

Faith in the states, or in federal officials, generally breaks down along party lines, with Republicans more willing to defer to states, while Democrats push for federal mandates. But not always.

President Trump wants to move more authority to the states. The administration is encouraging states to ask for relief from federal authority in Medicaid and SNAP, and many people in the states—from both parties—appear to want to take on more responsibility, so long as there is adequate funding.

It's a good sign—and it will be a great experiment. Over the next few years, we'll see which approach works better at improving health and reducing hunger, not just boosting coverage and increasing enrollments.

What Causes Poverty

Charles Murray on Culture vs. Economics

Tamar Jacoby: It's an age-old debate between the left and the right. The left says poverty—inner-city poverty and working-class poverty—is mostly about economics. The right says culture has at least as much to do with it. You're a longtime proponent of the cultural explanation. Can you spell that out for us?

Charles Murray: I believe—I've believed for 40 years—that the reforms of the 1960s and the sexual revolution combined to create a perfect storm. And that storm changed the rules of the game for poor people—especially young poor people.

In 1960, if you were male, working age, and not physically disabled, you were in the labor force. You were either working or you were looking for work. If you were a woman in your 20s, you were probably already married and had children.

Now let's be clear—this is not the natural state of affairs. Your late teens are not the time you want to get up every day and go to work at the same time even if you don't feel like it. If you're a guy, it's certainly not the time when you naturally say, "I think I want to get married."

And yet, into the '60s, there were norms. And those norms held, almost universally.

But then, at some point in the '60s, the rules changed.

By 1970, it had become much easier if you were a guy to commit a crime, get caught for it, and still not go to jail. It was much easier to slide through school, even if you were a troublemaker, and end up with a diploma without having learned anything or having faced any pressure to learn something.

If you were a young woman at the end of the 1960s, if you had a baby, you were not the only girl in your high school class who had one. There were probably half a dozen others. The stigma was pretty much gone. You could afford to take care of the child without a husband. And you could live with a boyfriend, which you couldn't have done before.

Meanwhile—the other element of the perfect storm—there was the sexual revolution. The pill was first put on sale in 1960. For the first time in human history, women had a safe, convenient way to have sexual intercourse even if the guy did nothing to protect against pregnancy. Naturally, this had a huge effect on family formation.

Jacoby: So let me play devil's advocate. I say it's not an either/or. Okay, culture plays a huge role. But doesn't economics have at least as much to do with it?

The US lost 5.6 million manufacturing jobs between 2000 and 2010—30 percent of manufacturing employment. The guy who used to make $25 an hour in a fabricating plant now has to work at Wendy's for minimum wage. And this in turn drives other changes—cultural changes.

When you can't find a job that pays what you're used to, you drop out of the labor force. And then the women in your community are much less interested in marrying you. And pretty soon, those women are raising kids on their own, etc., etc.

In this theory, economics and culture intertwine and drive each other. Is there anything to that?

Murray: I'm not denying that these things have occurred. I'm not denying that they have interacted. But I wish people would take a closer look at the timing.

The problems we're talking about start in the last half of the '60s. That's when labor force participation started to decline, when out-of-wedlock births started to rise, when crime rose. But in the last half of the '60s, the jobs hadn't left. The economy was red hot.

And as we've seen in the years since, things don't get much better when the economy improves. We had a natural experiment in the late

1990s. There were "help wanted" signs everywhere. You could work as many hours a week as you wanted, even if you had low skills and little education. Even then, employers were begging for welders and electricians and cabinetmakers—and they were willing to pay $25 to $30 an hour.

What happened? White male labor force participation stopped declining for a couple years. But it did not go back up. People did not flock back into the labor force. There was no turnaround.

Jacoby: It's very hard to put Humpty Dumpty back together again?

Murray: Exactly. Some of the most depressing research has to do with chronic unemployment. Once you've been out of the labor force for a while, getting back in is really hard.

Jacoby: So this brings us to policy. What can we do about this? I guess that's one reason I cling to economic causality along with cultural causality. Culture is so hard to change.

Murray: We've been trying 20, 30, 40 years—policy intervention after policy intervention. And most of what we've tried hasn't worked or worked only around the edges.

Jacoby: What about reasserting the norms? Moral suasion—by government or civil society—could that work?

Murray: I think there should be a lot more of it. As we know, the educated middle class has been doing better and better in recent years—economically and maintaining the old norms. But that new upper class has been AWOL in the culture wars.

They get married. They work long hours. They're engaged in their communities. But they don't say, "This would be a good idea for other people as well." They're nonjudgmental. They don't preach what they practice.

I don't mean people should get bullhorns and go down to working-class neighborhoods and yell. That's not how it worked in the 1950s.

But the norms were in the air. Values were promulgated by people at the top of society as a matter of course.

It's about policymakers and people who write TV shows and people who make movies. They need to start saying, "You know, it's really a good thing for kids if their parents are married. It's really important that guys get into the labor force and stay there."

Jacoby: We do sometimes change cultural norms. In our lifetimes, society succeeded in creating a new norm around smoking—and a lot of people stopped smoking.

Murray: That's right. I'm not sure it would be that simple. But I won't argue with you.

I know you'd like to hear something more optimistic, and I wish I could help you. But the one thing I'll say is that American history does seem to go in cycles.

We have a history of revivals—of what used to be called "reawakenings." In the past, they were religious. We had three or four of them. And each one had huge effects across the culture. The civil rights movement was also a kind of great awakening—an about-face in our values over just 10 years.

Jacoby: And you think that kind of thing could happen again?

Murray: Well, let's just say there's a lot less resistance today to some of the things we've been talking about—reasserting norms about marriage and family and work—than there was 20 or 30 years ago. Back then, I could not have said many of the things I've said today without getting hissed by the audience. So I think there is some potential for a cultural revival.

What are the odds? I don't know. But they're greater than zero. And given how little we know about how to effect change programmatically, with government interventions, I say we'd better go with the only game in town. I think that's culture.

These remarks are excerpted from a conversation at the December 2016

"This Way Up" summit, a gathering of conservative thinkers and practitioners concerned about poverty and economic mobility cosponsored by Opportunity America, AEI, the Manhattan Institute, and eight other organizations.

Conservative Principles

Values to Guide a New Approach to Poverty and Mobility

Fundamentals

We all agree on that beautiful notion, the American idea, that the condition of your birth shouldn't determine the outcome of your life. But a lot of people don't believe it anymore—don't believe it's true for them. And if there are some who don't believe it, then it isn't true. It's our job to restore it.

Speaker Paul Ryan, US House of Representatives

The conservative economic agenda, deregulation, entitlement reform, free trade, reducing tax rates: A lot of those are good ideas, but they no longer speak to people the way they once did. . . . We need to do more than balance the books and make the government solvent. We need to help working people and working-class people advance. We need to make the welfare state work better for people.

Ramesh Ponnuru, *National Review*

Many different things contribute to the problems of low-income and blue-collar Americans. Some of it is economic—globalization, technology, automation. Some of it is values—the breakdown of communities, the breakdown of families, the attenuation of faith. . . . We need to focus on four areas: work, communities, family, and faith.

Peter Wehner, Ethics & Public Policy Center

There are three rules: Graduate from high school, get a job and work, and wait until you're 21 and get married before you have babies. If you follow all three rules, the probability that you will be in poverty in any given year is 2 percent. If you violate all three, the probability is over 75 percent. . . . And the same applies to making it into the middle class, defined as an income of $55,000 or more a year. If you violate all three rules, the probability that you'll make it into the middle class is under 5 percent. If you follow them, the probability is better than 70 percent.

Ron Haskins, Brookings Institution

Most Americans are not against helping poor people. On the contrary—they want the government to help the poor. But what they want in return is an affirmation of key values, particularly working. What this means for policymakers: The bottom line shouldn't be a budgetary bottom line so much as the effects on society—what programs do to the way people live and our values as a society.

Lawrence M. Mead, New York University

Growth

We can implement whatever antipoverty program we want, but we won't succeed if we don't also grow the economy. That's the best way to lift people out of poverty. And we won't grow the economy unless we address the size of government—control the size of government by reforming entitlement spending.

Veronique de Rugy, Mercatus Center at George Mason University

Culture

Along with economics, we need to pay attention to people's choices, particularly their bad choices about marriage and parenting and school and work and drugs.

Tamar Jacoby, Opportunity America

I run a French restaurant in Cleveland. It's a fine-dining restaurant. We serve frogs' legs. The big surprise: Behind the scenes, everyone who works there has been incarcerated. And we make it work because we believe that every human being, regardless of their past, has a right to a fair and equal future. If you show someone a way and give them that fair opportunity, they will rise to it.

Brandon Chrostowski,
Edwins Leadership & Restaurant Institute

We know that culture matters—expectations matter. We saw it after welfare reform passed in 1996. The culture changed in local welfare offices. There was a time limit—how long you could stay on welfare—and an obligation to go to work. And this was taken very seriously by welfare applicants.

Jason Turner, Secretaries' Innovation Group

What federal policy does to incentivize or disincentivize marriage and responsible parenting is critically important. But nothing is more important than cultural signals. Media, entertainment, pop culture, who's featured in the tabloids at the supermarket: These are the people shaping the context in which our children are making decisions about marriage and parenting. We've got to find ways to get pop culture messengers on board and hold them more accountable.

Mark Rodgers, Clapham Group

Work

There's a continuing divide between liberals and conservatives about the value of work—the dignity of work. Some conservatives have gotten away from this in recent years, and it needs to be reclaimed. Work is a virtue. It's obviously good for your wallet and for the economy. But arguably even more important is its formative effect on character.

Peter Wehner, Ethics & Public Policy Center

The sweet spot is work, and policymakers need to say so more emphatically. If the message coming from the top—whether it's the president or the governor or the mayor—is that the way to alleviate poverty is to increase transfer payments and to sign people up, that's what the bureaucracy will do. If the message is that the way to alleviate poverty is to get people into work, the bureaucracy will turn in that direction.

Robert Doar, American Enterprise Institute

Most of the safety-net programs—everything from unemployment insurance to disability, TANF, SNAP—encourage idleness. Enforced idleness. And that has a tremendously deleterious effect. . . . Take someone on disability. First, your physical health declines faster than it did before. Secondly, your mental health declines—depression goes up. Substance abuse goes up. Family stress goes up. No one can sit on a couch for eight hours a day—it's a recipe for isolation and substance abuse. . . . Everybody needs work, and from work, they need self-actualization.

Jason Turner, Secretaries' Innovation Group

We need to revisit the work requirements for welfare—TANF work programs that have deteriorated and ceased to exist in many states. We also need to extend some kind of work requirement to food stamps. And we need to fix the disability system that allows so many people who are actually employable to escape any work obligation.

Lawrence M. Mead, New York University

Family

If there's anything the government can do to alleviate family disintegration, I'm not sure what it is. We've tried different things. This is really beyond our reach. But the dictum "do no harm" is a good one. You don't want to subsidize or create incentives for people not to marry.

Peter Wehner, Ethics & Public Policy Center

We should get rid of the marriage penalty in the earned income tax credit and then food stamps and then housing. We should do it incrementally—remove them incrementally. But we should not be in the position of saying to anybody, "If you cohabit, you get $8,000 a year more out of the government. And if you put a ring on the mother's finger, we'll take that money away." That's a terrible message to send.

Robert Rector, Heritage Foundation

Civil Society

We've got to stop displacing local poverty fighters. We've got to let go of the arrogant, paternalistic notion that Washington knows best. The way to fight poverty is eye to eye, soul to soul, person to person. Instead of displacing that good work, we need to support it.

The government has an important role to play—but it's manning the supply lines, not dictating from the front line. We can identify proven local poverty fighters. We can get their stories told so that their success can be replicated. And we can get everything and everyone working hand in hand and moving in the same direction—we can create incentives for that. But then we need to get out of the way and leave it to civil society and charities and the private sector.

Speaker Paul Ryan, US House of Representatives

The government and the way it provides help is extremely paternalistic. It's one-size-fits-all—and often one size that fits no one. The federal government and even the states end up telling you what you can do with your unemployment benefit or how much you can spend on food and housing and under what conditions. . . . The message is that the government knows better than you—that bureaucrats in Washington and even the states know better than people. That is extremely disrespectful.

Veronique de Rugy, Mercatus Center at George Mason University

What's important is conservative principles and conservative purposes. It's not just about collecting the money in Washington and handing it over to the states to spend as they wish. Why would that produce conservative results? If it's federal money, the federal government needs to insist on strong pro-family, pro-work programs. . . .

The key to welfare reform was the mandatory work requirements. We didn't tell the states, "Do whatever you want." We demanded that they put people to work.

Robert Rector, Heritage Foundation

The tough work of solving the poverty problem is building institutions at the local level. The real heroes of welfare reform were not the planners in Washington but the state and local officials who built work programs and made clear to recipients that the day was coming when they would have to work. It was those people who made welfare reform work. They're the heroes, and they're invisible inside the Beltway. . . . The federal government can show the way and affirm goals. But the real work that's needed is on the ground. That's where the action has to be fought and won.

Lawrence M. Mead, New York University

The Private Sector

Business too is committed to advancing greater opportunity and economic mobility. We do it because it's the right thing to do and because it's critical to the nation's economic health. . . . Business will not succeed and the economy will not prosper if people cannot reach their potential.

Thomas J. Donohue, US Chamber of Commerce

Scale

We have to be careful about scale. A former president of the Ford Foundation went to see Lyndon Johnson and told him about a little program that was working to cut poverty in New Haven. He told Johnson he'd like to try it on the same scale in some other cities, and the president told him, "Add three zeros to that price tag, boy. This is the federal government." And that's a danger—you can scale it up so much that it becomes utterly attenuated.

Smaller units of government are more attentive to civil society. Policymakers feel, "I want to help my town." But liberals have pushed for many years for regional governments—larger and larger units of government. And as government becomes more distant, you lose that umbilical link. The lines of accountability get distended.

Howard Husock, Manhattan Institute

Results

One more principle: Test results. We need to measure our efforts. Are we succeeding? We need to test results and judge success—not based on effort, not based on how many programs we're creating or how many dollars we're spending, but based on results. Are we getting people out of poverty? Are we creating upward mobility? Does it work?

Speaker Paul Ryan, US House of Representatives

These remarks are excerpted from presentations at the 2016 "This Way Up" summit of conservative thinkers and practitioners concerned about poverty and economic mobility.

II

Seven Policy Proposals

Conservatives are suspicious of government, but they also know policy matters. Government makes the rules and sets the stage for what happens in civil society. Good policy clears the way for choice, spurring competition that improves services. Bad policy crowds out activity by nonprofit organizations, faith groups, and the private sector. Most important, good policy can empower individuals to help themselves and take advantage of opportunity, while bad policy drives increased dependence—instead of helping, it hurts poor people.

Paycheck by Paycheck

Oren Cass on Wage Subsidies

Policymakers across the political spectrum are concluding that if we want more employment at higher wages than the market delivers, especially for less-skilled workers, we should subsidize it. The standard tool for accomplishing this, popular in both parties, is the earned income tax credit (EITC), which pays many low-income households substantial government checks when they file their taxes once a year. But we can do better, by creating a direct wage subsidy, similar in many respects to the EITC but calculated on the basis of a worker's hourly wage and inserted into every paycheck.

Any form of means-tested cash transfer may seem an odd fit for the conservative agenda, which traditionally emphasizes the tension between government benefits and paid work. But subsidizing work—whether through a tax credit like the EITC or a paycheck-based wage subsidy—differs from a typical welfare program. The benefit goes only to those who work, and it can grow as they work more. If either basic fairness or the social good requires redistribution, boosting take-home pay is the best way to create healthy economic incentives, reinforce a norm of self-sufficiency, and minimize government intervention.

Subsidizing work achieves two benefits at once. First, by increasing a worker's effective wage rate, it encourages people to enter the workforce and work more hours. This is the standard subsidy effect: more of the thing subsidized. But unlike the typical subsidy target, a low-wage worker is someone to whom policymakers want to transfer resources. Thus the second benefit: The subsidy not only gets more people working but also increases their material well-being.

The EITC began as a temporary program in 1975, became permanent in 1978, has undergone repeated expansions, and is currently the nation's primary means of subsidizing work. A low-income household claims the credit on its tax return; a family with several children can receive as much as 40 cents from Uncle Sam for each dollar earned from an employer, up to $6,000 for the year. In 2015, more than 27 million workers received more than $67 billion in credits.

Compare this to a minimum-wage hike, which also aims to boost earnings but comes with significant drawbacks. President Obama's proposal to lift the federal minimum wage from $7.25 to $10.10 would mean raises for some, but likely at the expense of others who see their hours cut or may not get a job at all. By contrast, the EITC increases take-home pay while increasing opportunities. For instance, for a woman with two children working full time at $7.25 per hour, the added EITC payment increases her effective hourly wage to $10.04—almost exactly the wage Obama advocated.

A variety of policymakers, left and right, propose expanding the EITC. Obama and House Speaker Paul Ryan both proposed an EITC increase for childless workers, for whom the credit is currently capped at around $500. More recently, Rep. Ro Khanna (D-CA) suggested more than doubling the EITC at a 10-year cost of roughly $1 trillion.

But the EITC has drawbacks, primarily because of the way it is delivered: once a year, in a lump-sum check, to anyone who claims eligibility on a tax form. That's a weak, delayed incentive for someone not in the labor force to take a job today. It can wreak havoc on a low-income household's already uneven and precarious finances. And nearly one-quarter of payments are made improperly because of accidental filing errors and outright fraud.

A direct, paycheck-based wage subsidy, added weekly or biweekly to the paychecks of workers earning low hourly wages, would be more efficient and more effective. The subsidy could be calculated as half the gap between a worker's hourly wage and the median wage, now between $17 and $18 per hour. So someone earning $10 an hour would receive an additional $3 to $4 for every hour worked. Sen. Marco Rubio (R-FL) has proposed a federal "wage enhancement" along these lines and in 2016 introduced legislation to pilot the approach in Puerto Rico.

This kind of direct wage subsidy offers several substantial benefits over the EITC's lump-sum tax credit. First, it arrives in every paycheck.

This helps low-income households manage their finances and creates an immediate and easily understandable benefit that strengthens the incentive to find work.

Second, because the subsidy is tied to the hourly wage instead of to earnings over the year, workers do not see support phaseout as they or someone in their household works more hours. The government calculates a tax credit like the EITC based on a household's total annual income, and the credit's value begins to decline as income increases—no matter whether that increase is due to a raise or more hours worked. So as members of a household work more, they find themselves losing the credit—a disincentive to work. With a wage subsidy tied directly to the hourly wage, someone working 40 hours per week at $10 per hour can take a second job at the same wage, or another family member can take a low-wage job, and every new hour will still earn the subsidy. The phaseout occurs only as workers receive raises.

Third, whereas the EITC is paid directly to the worker at tax time, a direct, paycheck-based wage subsidy would flow through employers, who are less likely to make accidental errors and can more easily be deterred from attempting fraud.

One more key difference: A tax credit like the EITC, calculated for the household at tax time, considers family structure and children. A direct wage subsidy, calculated solely on the basis of hourly wage, ignores household status. A young, single person receives the same subsidy as a mother of three.

A labor economist would approve. To him, a worker is a worker. In contrast, we as a nation may want to focus extra support on families with children. But rather than try to accomplish this through the labor market, we could do it more cleanly and effectively by expanding the child tax credit. The result would be a clear distinction between a direct wage subsidy that treats workers as workers in the labor market and a child benefit that aims to help families manage the added cost of raising children.

Perhaps the greatest obstacle to more aggressively subsidizing work, whether through the EITC or a direct wage subsidy, is paying for it. This is what stymied Obama and Ryan's parallel proposals. Obama sought to fund an expansion of the EITC with higher taxes, while Ryan preferred a budget offset—cutting spending on other programs and using those funds for the EITC.

Conservatives should insist on reallocating funds from existing antipoverty programs, which already cost more than $1 trillion annually. Certainly, there is a debate to be had about overall spending levels. But whatever the amount of money that goes each year toward helping low-income households, everyone should be able to agree on directing it toward those programs, like a wage subsidy, that will do the most good.

Help and Hassle

Lawrence M. Mead on Welfare Reform for Men

To overcome poverty in America, we must address the problems of low-income men. Many low-skilled men lack regular employment. Many are involved in gangs, and some are in conflict with the police. To reach them, we need what could well be called welfare reform for men.

In the 1990s, the United States reformed family welfare to emphasize work. Many more poor mothers receiving cash assistance were required to work than ever before. At the same time, they received improved subsidies to work from an expanded earned income tax credit (EITC). This combination of "help and hassle" was hugely successful. About two-thirds of welfare mothers left the rolls, and of these about two-third took jobs, with most of the working mothers and their children emerging better off. Work levels soared, and poverty fell for poor single mothers in general, not only those on welfare.

Critics of reform have recently shown that some mothers who left welfare without working encountered hardship, but this was mostly because welfare prevented them from reapplying for aid. Welfare reform was still a success because it raised work levels among the poor as nothing else government had done for decades.

The great limitation of welfare reform, however, was that it applied principally to only poor single mothers. What about poor men? They are often the fathers of welfare families, but they seldom receive government benefits and hence fell outside the new work policies. As poor mothers were working more, the men were working less, even amid the excellent economy of the 1990s.

In 2015, only 35 percent of poor men worked at all, only 12 percent full time and full year. That compares to figures of 70 and 52 percent for men in general. While many low-income men work sporadically, few put in the steady working hours needed to raise themselves and their families above the poverty line.

Nonwork is the main reason these men are poor, and it creates or exacerbates all the other problems in poor America. Failure to provide for the family is a principal reason why low-income fathers break up with their spouses and leave their families. The men then live on their own through erratic jobs and, often, illegal activity. That denies the families needed income and also much of the attention that children need from their fathers as well as mothers. Boys suffer more than girls from growing up in a single-mother household because they lack the role model that a working father could provide. Boys often join gangs because gangs provide the male structure that they are not getting at home. They are then unlikely to get through school or work steadily themselves, and the cycle continues.

How do we repeat the success of welfare reform for men? While poor men do not get cash welfare, they are eligible for food stamps. President Trump has proposed strengthening work tests in this program, and that could move at least some nonworking men toward employment.

But probably more important are the child support and criminal justice systems. Many poor men owe child support to the families they have left behind, and many others are ex-offenders exiting the prisons on parole. The two groups overlap substantially, as many ex-offenders are also fathers who owe child support. Both groups are expected to work, either to pay their child support judgments or as a condition of parole, but many fail to do so.

Largely unbeknownst to Washington, states and localities have begun to establish work programs to which these nonworking men can be assigned if they do not work regularly. In these programs, they usually look for work under staff supervision, and some will be put in jobs arranged by the program. In Texas, for example, NCP Choices—an offshoot of the state's welfare reform program—oversees nonworking men owing child support as they search for private jobs. In New York City, the Center for Employment Opportunities (CEO) enrolls ex-offenders leaving prison in work crews cleaning buildings, then places them in private positions.

Before welfare reform, evaluations had established that work programs for welfare mothers could raise their employment and earnings substantially, and that was one reason why welfare reform emphasized work requirements. The evaluations for men's work programs are fewer and, on average, show less effect. Nevertheless, the best programs are promising. NCP Choices raised its men's employment by about a fifth and their child support payments by about half. CEO reduced recidivism among its clients by 11 percent and by 22 percent among those who came to the program soon after leaving prison. With further development, these programs can help solve the men's work problem.

As with poor mothers, improved wage subsidies can also play a role. Currently, the EITC gives its largest subsidy—as much as 45 percent of earnings—to parents in charge of children, usually the mother. Many have proposed that the absent father's subsidy, which is now much smaller, be increased, to give him more reason to work. To do that would probably not raise men's work levels by itself, but it might if coupled with the new work programs. Fathers who worked full time and paid their child support would be subsidized to do so. So much of the subsidy would go to the family, via child support. This would help the family and also strengthen the father's position with his spouse and children.

To raise poor men's, like poor mothers', work levels, it is not enough to enact new requirements or subsidies in Washington. One must also implement actual work programs across the country. Only then will it be clear that the new work demands are serious and permanent. Welfare reform did that for poor single mothers, which was why it had such an impact.

Similarly for men, actual work programs must exist. These would probably be improved versions of the child support and ex-offender work programs that localities are already developing. Those programs can demonstrate to low-income men that working is now to be a routine and unavoidable part of child support and parole. Then work levels among poor men will rise. Indeed, they must work, but then they can come in from the cold.

Leveling the Playing Field

Tamar Jacoby on Pell Grants for Workforce Training

There's no silver bullet—no simple legislative fix—for the skills gaps plaguing industry after industry and constricting opportunity for workers. But Washington could make a big dent in the problem by taking steps to level the financial playing field between traditional academic higher education and career-focused technical instruction.

The skills gap grows more acute every year as technology and globalization eliminate routine jobs but put a new premium on education and training, including technical training. Even as the nation approaches full employment, six million jobs stand empty across the US—generally because companies can't find workers with the skills to fill them. Educators and employers agree: Opportunities are shrinking for workers with no more than a high school diploma. But demand for middle-skill workers—those with more than high school but less than a four-year degree—remains robust. Though estimates vary, research suggests that middle-skill openings will account for between 30 percent and 50 percent of all new jobs in years ahead.

Education and training providers are racing to meet the need, and alternative education options are mushrooming—from coding boot camps and massive open online courses to employer-provided job training, including apprenticeship. But federal funding isn't keeping up. Federal financial aid for postsecondary students—a huge and until recently growing pot—focuses heavily on those in traditional academic fields aiming for professional, white-collar careers, not middle-skill occupations.

A primary culprit is the Pell Grant program. In the 2015–16 school year, some 7.6 million students—more than one-third of those attending college—received $28 billion in Pell funding, the single largest outlay in the federal education budget. It's a means-tested benefit, paid directly to students—in effect, a voucher they can use at a college of their choice. The problem: Federal law sharply limits the types of educational programs eligible to receive Pell funding.

There are three key restrictions. Students can use federal financial aid only for credit-bearing programs at accredited institutions that run for 15 weeks or longer—at least 600 clock hours of instruction. But some of the most promising job training takes place outside of accredited institutions—offered by employers or disruptive education innovators. Within the college context, many occupational programs are not credit-bearing. Think of 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.

The result is a sharp skew in federal higher education funding. In 2014, according to one estimate, just 21 percent of Pell Grants went to college students preparing for middle-skill jobs. And beyond Pell, the imbalance is even starker. In 2013, the nation spent some $139 billion all-told on higher education and career training, including government job-training programs for youth and adults. But only about $10 billion of that total went to workforce education.

The upshot for higher education: Traditional colleges and universities maintain a stranglehold—some reformers go so far as to call it "cartel control"—on the options open to the students and workers most in need of help.

There's no easy, short-term solution. GOP presidential candidates Jeb Bush and Marco Rubio both proposed sweeping changes to higher education funding, including radical reform of accreditation. But both proposals are probably too dramatic to be enacted any time soon.

Fiscal conservatives are sure to oppose any significant increase in funding. Traditional colleges and universities will fight tooth and nail to maintain the status quo. Any move to level the playing field between academic offerings and career education will have to be part of a larger overhaul that brings new accountability and discipline to federal financial aid. And even lawmakers who support change struggle with the issue of quality control: how to guarantee the quality of the programs that could become eligible for funding if we remove existing restrictions—particularly the bar to funding unaccredited education providers.

What may be possible in the short term: small steps in a better direction. One bipartisan proposal on the table in Washington—sponsored by Sens. Rob Portman (R-OH) and Tim Kaine (D-VA)—would allow students to use Pell Grants to pay for short-term occupational programs. This is an important change, but only a partial fix. The bill might or might not eliminate the requirement that courses be credit-bearing—the language is unclear—and it would do nothing to tackle the biggest issue, accreditation.

The Obama administration went further: a one-time experiment, piloted at just eight schools, to blur the line between accredited and unaccredited programs. The Educational Quality through Innovative Partnerships (EQUIP) initiative allows students to use Pell funding at programs run entirely by unaccredited education providers—as long as the sponsoring entity partners with a Pell-eligible institution and agrees to additional oversight by a neutral third party, often a non-profit or a consulting firm. The initiative is small: just $17 million for 1,500 students. The multitiered quality control is cumbersome, and it's not clear that it will be effective—there are many simpler options, including pay-for-performance funding. And there are no results yet—the experiment debuted in mid-2016. Still, it's a critical breakthrough—a first crack in the edifice of accreditation that could lead to more dramatic, far-reaching change in years ahead.

Potential next steps for policymakers: Expand the EQUIP experiment. Broaden its reach. Most EQUIP beneficiaries are coding academies or online sites, bypassing traditional middle-skill occupations like manufacturing and health care. House Republicans have proposed a reform along these lines: modifying the Higher Education Act to allow colleges to partner with nonaccredited training providers, including employers. Still another idea: incorporate something like EQUIP in a national infrastructure initiative, creating an incentive for construction firms that win infrastructure contracts to offer on-the-job training by allowing trainees to pay in part with federal financial aid.

The long-term goal—the ultimate payoff—would be a vast expansion of choice in higher education. Imagine students using their Pell

Grants at a company-run apprenticeship program or for short-term training overseen by an employer association. The new funding stream would create incentives for community colleges to collaborate with employers and others to offer fast, flexible, job-focused courses that could add up at a later date to academic credit. Competition with these new offerings would eventually spur traditional institutions to focus more on occupational outcomes and do more to meet the needs of middle-skill students.

Alternative, career-focused education and training options are already sprouting in every sector of the economy. The government shouldn't have to pay full freight when the program is offered by a company or an employer association. Firms that stand to benefit from a better trained workforce need to shoulder part of the cost. But more balanced federal funding—even a small next step down the road to more balance—could spur dramatic change for students and employers, a much-needed, double-barreled boost for opportunity and economic competitiveness.

Resisting the Federal Temptation

Andy Smarick on Localism and School Choice

School choice advocates were heartened by the ascent of a president who supports their cause and an education secretary who has advocated for it over a long career—and many hope Donald Trump and Betsy DeVos will use the power of the federal government to advance this issue. But if Trump and DeVos want school choice to succeed in the long run, they should demur. The issue has been ascendant for 25 years, largely because Uncle Sam has remained in the back seat while states and communities have been allowed to drive.

Just over a quarter century ago, there were no charter schools and little private school choice—just a few tiny programs for rural students in a couple of New England states. Today, some three million children attend charters nationwide, and another half million attend private schools paid for by taxpayers through publicly funded scholarships, education savings accounts, and tuition tax credits. Choice proponents and opponents often squabble about this or that—charter school funding levels or scholarship accountability provisions. But clearly choice is here to stay. Almost all states have charter school laws, and about half have some kind of private school choice program.

What accounts for this success and stability? It could be the nation's decentralized approach to these policies.

Federal interventions can be quick and uniform. One small tweak to federal law can drive change from coast to coast. But change that starts in Washington risks misunderstanding what's different about local communities, applying clumsy solutions and generating resentment among stakeholders.

Localism, in contrast, offers a humble, practical approach to policymaking. Pushing authority down means empowering people who know their local communities inside out and who will have to live with the consequences of their decisions. Local decision makers have a tendency to move slowly at first and then make small course corrections as conditions warrant. And this generally produces wiser, more robust reforms that have deep local support.

True, school choice programs vary widely from state to state. Minnesota's charter law is different from Massachusetts', which is different from Michigan's. But this is a feature, not a bug, of the decentralized approach.

Localism isn't just good for policy; it can also be transformative for individuals and associations. Putting people in charge of their lives and giving them a say in what happens to their neighbors gives them a sense of agency. It forces them to take responsibility. It drives greater civic engagement. It strengthens and deepens their personal relationships. In these ways, "self-government" is as much about "self" as it is about "government."

In the case of school choice, this could all be rapidly undermined if Uncle Sam insinuates himself—if he steps in to dictate choice or a particular approach to choice or, worse still, a particular school model. For 25 years, our legislators crafted state choice programs. Our community-based organizations operated schools. Our neighborhood associations agitated for changes. Our families chose the schools that best fit their kids' needs. Ours—not Washington's.

That's not how things worked outside the choice movement—in the larger world of education reform. For the past 15 years, reformers steadily undermined localism by pushing sweeping policies from higher and higher levels of government: No Child Left Behind, Race to the Top, Common Core, teacher-evaluation reform, and School Improvement Grants. In every case, the goal was to go big and go bold. Change was too often driven by policymakers, researchers, advocates, and foundations far removed from the problems families were facing. This inhibited communities' ability to make decisions for themselves, and it sent an unmistakable, insulting message: You can't be trusted to control your own schools.

We can do better this time around—with continued state and local leadership on school choice matters. A major federal push on choice would extend the presumptuousness and problems of the last era—yet another series of reforms premised on the view that Uncle Sam knows best. Far better would be a decentralized approach that trusts families, educators, and civil society, enabling communities to solve their own problems in their own ways.

Standing back doesn't mean standing down. Trump and DeVos should visit schools of choice and support the families who select them. They should use the bully pulpit to showcase state and local policies that are working. They should praise the diversity emerging among state approaches: different types of charter laws, different kinds of financing—scholarship programs, tax credits, education savings accounts—and different approaches to education, whether college-prep, career-focused, project-based, or driven by technology. The bottom line, the real message here: DC doesn't have the answers. You do.

By definition, school choice is about pluralism, pushing power down and trusting communities and families to lead. If Washington wants to help, its approach should be tailored accordingly.

A Better Way to Repay

Kevin James on Income-Driven College Financing

American policymakers have been toying for decades with the idea of income-driven repayment of student loans—a system in which a student's monthly payments are tied to his or her after-school income. It's time to make this promise a reality—time to put aside half measures and enact workable reform.

Presidents Barack Obama and Donald Trump both made income-driven college financing a central part of their education agendas. President Obama's signature student-debt initiative was his Pay as You Earn proposal, enacted in 2012, which allowed borrowers to cap their payments at 10 percent of their discretionary income, with any remaining balance forgiven after 20 years. In a similar spirit, President Trump has proposed that borrowers be able to cap their payments at 12.5 percent of their discretionary income, with forgiveness available after 15 years. Presidents Ronald Reagan and Bill Clinton embraced similar ideas.

It's no surprise that the idea of linking payments to income has attracted the support of presidents on both sides of the aisle. It's a better way to finance education than traditional student loans.

But most US income-based financing plans have been partial, piecemeal reforms. Conventional fixed-payment financing remains the default option—so only better informed, more engaged students avail themselves of income-based plans. And even those who do must continually update paperwork and income documentation to stay enrolled and keep their payment obligations aligned with their incomes, leading many to fall through the cracks into default.

Tinkering in the margins is no longer enough. It's going to take more dramatic reform to reduce the burden of student debt.

The rationale for linking a student's payments to his after-school income is simple: As is today, we ask young people to borrow large sums of money—$37,000 on average—for an investment that is generally worthwhile but has no guarantee of paying off.

Roughly 25 percent of college graduates end up earning no more than their peers with only a high school degree. And unlike someone buying a house or a car, a student who obtains an education has no asset they can sell if they're unable to afford their payments at some point in the future. Borrowers who fall behind on their loans often have few options for escape.

We don't ask any other individuals facing similar levels of risk to finance their endeavors with loans. Instead, we've invented an array of new tools—equity for new businesses, for example—that diversify risk and facilitate socially beneficial investments that would not be possible if loans were the only financing available.

A better answer for students: payments tied to their future incomes, with students who do well after school covering the losses of students who don't do as well. Properly designed, such an approach would be financially sustainable while also significantly reducing defaults—since students would always face affordable payment obligations. According to a 2015 study by the Government Accountability Office, 14 percent of students on fixed-payment plans default within three years—compared to only 1 percent of borrowers on income-driven plans.

An income-based approach would also broaden educational opportunity by ensuring that all students—particularly those from low-income backgrounds, who have less cushion in the face of debt—can invest in their educations comfortably and confidently.

The ideal approach: a thoroughgoing overhaul, simple to administer. College-debt financing should build on the tax-withholding system, so students' payments automatically adjust with their income, eliminating a second income-tracking process on top of what already exists for taxes.

The idea of tying a student's repayment obligation to his or her circumstances has been gaining traction for decades. Congress created the first income-based student-loan repayment plan in 1992, and there have been several iterations since. But rather than creating a simple, streamlined process built on the payroll withholding system, policymakers have added new features to the old creaky architecture of traditional student-loan servicing, creating a confusing array of income-based and non-income-based repayment options.

The bottom line: There are income-based options available, but roughly three-quarters of students still finance their educations the old-fashioned way—with a conventional repayment plan that requires them to make fixed payments regardless of their financial circumstances later in life. And while the newer, income-based plans allow reduced payments when a borrower's income is low, the interest clock continues to run—and some borrowers may see their balances grow rather than shrink.

In contrast, several other countries, including Australia, New Zealand, and the United Kingdom, have implemented straightforward and automatic income-based student-loan systems in which the default option is affordable income-based financing. Policymakers in the US have started to take note of these successes abroad. In recent years, there have been a number of partisan and bipartisan proposals to implement reforms similar to those in other countries.

Republican presidential candidate Jeb Bush included a radically simplified income-based financing proposal in his campaign platform. Sens. Marco Rubio (R-FL) and Mark Warner (D-VA) have introduced legislation that would create a simple, streamlined income-based system built on the payroll withholding system. And several bipartisan proposals have circulated in the House in recent years.

Though any of these proposals would be a step forward, the Bush approach is the most appealing—because it's the most far-reaching. It does away entirely with the old debt model and instead requires students to pay a percentage of their incomes for a set period—with no principal balance and no accruing interest.

The United States has been reprehensibly slow in implementing effective income-based finance for college students. The good news: It's not too late, and momentum is growing. The kind of sweeping reform that's needed would enhance educational opportunity and enable students to invest in their futures without worrying that they'll be left with nothing but a mountain of debt.

Can We Put Humpty Dumpty Back Together Again?

Kay S. Hymowitz on Marriage and Responsible Parenting

The waning of the two-parent family has weakened American society and left it vulnerable to a host of ills: poverty, declining economic mobility, the crisis in the white working class, men dropping out of the labor force, school achievement gaps, child abuse, crime, and racial, gender, and economic inequality. The nation's epidemic of fractured homes has helped inflame all these problems to seemingly intractable crisis levels.

So what can policymakers do to encourage young Americans to commit to marriage before they have children and improve the stability of their unions? Trivial as it may seem to many in the policy world, the battle should start with an unapologetic social marketing campaign that drives home the importance of stable, long-term marriage for both children and communities.

Several generations after the start of what I call the "single-mother revolution," Americans no longer recognize that widespread fatherlessness and the unstable homes that often follow are anything to worry about. Many young Americans already in or nearing their childbearing years don't view the separation of marriage and children as a social problem—to them, it's just a fact of modern life. Fewer than half of millennials see having children as an important reason for marrying. Forty-four percent think marriage is obsolete. A similar number don't think children need to grow up with a mother and father "to grow up happily."

Of course, there's a risk that a pro-marriage PR campaign could end up sounding like Sunday morning sermonizing rather than a pragmatic policy initiative. But there are ways to avoid that.

One sensible model is the National Campaign to Prevent Teen and Unplanned Pregnancy. Launched in 1996 by a nonpartisan nonprofit, the campaign was able to garner support across the political divide from media, popular culture, religious groups, and a wide variety of state and local organizations unified by the goal of discouraging teen childbearing.

What happened in the following years was astonishing: Teen pregnancy has declined by 60 percent. How big a role the campaign played is impossible to say. But clearly it helped mobilize an emerging consensus around the negative consequences of adolescent parenthood.

A comparable "National Campaign for Two-Parent Families" would have the benefit of more sophisticated data analytics and, 30 years after the campaign against teen pregnancy, would likely be more sensitive to demographic differences and do a better job of tailoring messages for different audiences.

A second, more conventional tool would be state and federal policy, particularly policy designed to strengthen the financial circumstances of middle- and low-income young people in ways that might encourage them to make more permanent marital commitments.

Any effort should start with so-called marriage penalties. As is, when two single, low-income earners marry, their joint income often rises enough to reduce or negate their eligibility for government benefits. The obvious solution: Eliminate marriage penalties in the federal tax code and in means-tested benefits programs such as food stamps and Medicaid.

Another crucial policy tool is the child tax credit, which has not been updated or expanded in 15 years. As is, parents write off only $1,000 per child, and because the credit is nonrefundable—not paid to filers, but subtracted from their income tax liability—it's of no help to low-income earners who don't pay taxes. Sens. Mike Lee (R-UT) and Marco Rubio (R-FL) have recommended expanding the credit to $2,000 per child and making it refundable. Both are good ideas, sure to help level the financial playing field for low-income couples and boost their capacity to plan for the future.

Still another potential policy tool: improving the earning potential of low-skilled, marriage-age men. Finding a husband is still financially beneficial for most women, but as they have become more financially independent, marriage is no longer essential for them or their children. Means-tested programs that help secure the financial stability of the single-parent home have unwittingly added to the problem by making men even less necessary. At the same time, men's median wages have stagnated, and their workforce participation has declined.

Policy can help by boosting the earnings of low-income men. Many lower-income, less academically inclined men would benefit from programs that integrate work and education—career and technical education—whether in high school or immediately after. More apprenticeships and better coordination between community colleges and local businesses can also help improve the earnings and marriageability of young working-class men.

Still another tack would be to look beyond eroding marriage norms to the consequence that concerns us most: the effect on children who grow up in fragile or chaotic homes. Not only is it harder to raise children without a reliable father in the house, but low-income mothers often use harsh or inconsistent discipline and remain emotionally and verbally unresponsive to their infants and young children. Home-visiting programs have had some success in increasing mothers' sensitivity and children's self-control. One well-known and carefully evaluated multisite program providing home visits for poor pregnant women and new mothers is the Nurse Family Partnership, which has also been shown to reduce antisocial behavior among the children it treats.

Many of these programs still need more long-term evaluation. But if they were proven to work, policymakers should consider investing more robustly.

Can we put Humpty Dumpty back together again? Can we save marriage? All these tools can help, but policymakers should be wary of overpromising.

George W. Bush's Healthy Marriage Initiative, which offered relationship education to low-income couples, yielded modest results at best and provided an easy target for skeptical critics. And the sad truth is that almost a half century into the single-mother revolution, it's painfully clear that no government policy can bring back old assumptions about marriage or childbearing or the vital tie between the two.

Where does that leave us? The American people need to understand the enormous cost of endemic family breakdown. We also need to grasp that without civic consensus and engagement, the government cannot repair it.

Better Than Government Work

Howard Husock on Civil Society

Conservatives have long sought, in vain, to roll back the welfare state. The results of government social programs are often mediocre. See, for example, the ineffective Head Start. But their noble-sounding goals have made it difficult for skeptics to question their virtues without seeming hard-hearted. The time has come to try a different approach.

It's time to dial back attacks on the welfare state and, instead, demonstrate that there's a better way. We should focus on encouraging civil society and nongovernmental organizations that not only assist those in need but do something even more important: encourage healthier social norms so that, over time, the perceived need for government programs recedes. Call it a welfare-state workaround strategy.

For the most part, this is not an effort that calls for public policy. It does not, for instance, mean federal grants for religious groups. It does call for government to provide the preconditions for helping new, nongovernment efforts flower. Crucially, these include retaining special tax treatment for charitable contributions and reversing the long decline in the number of local governments. More governments don't necessarily mean bigger government.

For too long, many Americans have believed that when social problems arise, we must look to government to cope with them. But in a healthy society, ills such as single parenthood, drug abuse, or non-school-ready children are not taken as givens that government must try to pick up after. For long-term social improvement, conservatives should look instead to nonsubsidized, nonprofit organizations that encourage healthy norms, including sobriety, delayed gratification, voluntarism, and charity.

Examples abound, in the past and still today. Nineteenth-century social reformer Charles Loring Brace, founder of the New York Children's Aid Society, stressed the importance of the "formative" rather than the "reformative." In the early 20th century, the settlement house movement provided English classes and other assistance to assimilating immigrants through more than 400 local organizations funded entirely with private moneys. Among models from that era that have persisted and continued to prove their worth: the Boy Scouts and Girl Scouts, with their stress on honorable behavior.

But we've taken a long, unfortunate path away from that era. Our three worst mistakes start with expanding government into realms once independent of it. Much of civil society has become the vehicle for what's sometimes called "government by contract." Across the nation, government agencies maintain some 350,000 contracts with more than 56,000 nonprofits to provide services for the less fortunate. In 2012, such contracts totaled some $137 billion. Where once religious organizations looked after orphans and abused children with their own funds, today they do so with public dollars. A similar story holds true for virtually every "social service," from drug- and alcohol-abuse counseling to job training for ex-offenders. All too often, such groups have spotty records—as, for instance, with the many local "child protection services" whose charges so often show up in headlines abused or worse.

At the same time, mistake number two, we've undermined the federalist system that can do so much to encourage local approaches to local problems. We have seen a sharp decline in the overall number of governing jurisdictions in the US—thanks to the consolidation of school districts and the regionalization of general-purpose governments. According to the federal Census of Governments, in 1942 there were 155,116 units of government coast to coast—including 108,000 school districts. By 2012, that number had fallen to roughly 90,000, with the number of school districts falling to just 12,880. This consolidation was driven by a false premise: that larger units of government would be more efficient and effective. Perhaps so, in modest ways—but government spending has hardly declined.

Meanwhile, the shrinking number of governments has been accompanied by a vast increase in mandates as to how local funds should be spent. Local communities now face diktats on how to address special education, community development, and environmental needs, among other issues—problems that local communities once faced on their own, often with help from volunteer boards that fostered innovation and created social capital.

Finally, strike three, we've taken aim at the tax code that once did so much to encourage charitable giving. The Obama White House proposed to reduce the value of the charitable tax deduction from 39 cents on the dollar to 28 cents on the dollar, a change one study estimated would lead to more than $2 billion less in charitable donations. Current proposals to increase the standard deduction—and reduce the number of itemizers overall—may have similar ill effects on charitable giving.

To revitalize civil society, we need to take action on all three fronts: support and call attention to organizations that are setting healthy norms, revitalize local governance, and protect the special tax status of charitable giving.

Even in recent years, we've seen that progress can be made toward healthy norms. For instance, Mothers Against Drunk Driving and the Harvard School of Public Health successfully promoted the idea of a designated driver who abstains from drink. Another good example: the village movement, based on the idea of helping the "young elderly" age in place in so-called naturally occurring retirement communities where they are already concentrated. Today, there are more than 140 such self-supporting villages around the country—challenging the norm that aging presents a binary choice between completely independent living and an institutionalized life.

Norms, in other words, are not fixed. It's a message that should be spread. But we also must protect the policies that make change possible.

Tax policy matters. Not only would it be a mistake to eliminate the charitable tax deduction available to those Americans who itemize their tax returns; we also should consider creating a new deduction for those non-itemizers who donate to good causes. The Brookings-Urban Institute tax center estimates that a reform of this kind could grow charitable giving by up to $10 billion. Yes, this will reduce federal tax revenue. But do we really believe that Washington will do more good with the money than charitable nonprofits?

We must also protect and nurture our traditional federalist approach to local governance. Small communities encourage friends and neighbors to start organizations to address local problems, perhaps a thrift store to help the local hospital or a group to help the elderly remain in their own homes. One feels pride in one's own community—and takes steps to improve it. How much greater would parent involvement in New York City's public schools be if, instead of one citywide district for 1.1 million students, each of the city's 52 community districts had its own school district—and local budget?

It seems counterintuitive to assert that we need more government to foster a more robust civil society. We don't. But we may need more governments.

Scaling back government social programs requires more than citing their ineffectiveness. Conservatives must take steps to address the perceived need for government intervention. To do so, we must support efforts that change social norms for the better along with renewed federalism and a tax code that will make it possible for civil society to flourish.

III

What Works

The good news about fighting poverty and restoring upward mobility: In many realms, we know what works—someone on the ground is already doing it. Most of these success stories come from civil society, although government occasionally gets something right. And most are works in progress.

Some—the earned income tax credit, for example—work fairly well for one group of poor people but could be improved and expanded. Other initiatives are still evolving: Someone has discovered a promising approach and is working to perfect it. Still others are proven successes, and the principal challenge is replicating them.

No account of the center-right approach to poverty and mobility would be complete without some examples of what's working on the ground—models for what can be done when government gets out of the way and empowers individuals to make the most of their opportunities.

Our Best Tool?

What's Next for the Earned Income Tax Credit

One of the nation's largest antipoverty programs, the earned income tax credit (EITC), is a refundable credit paid once a year at tax time to working adults with low to moderate incomes. Designed to encourage the poor to enter and stay in the labor force, it grows with each additional dollar earned but then eventually plateaus and phases out as incomes reach a cutoff point—roughly $40,000 to $50,000 for workers with children, depending on the number of children in the household. The program strongly favors workers with children: More than 95 percent of credits go to families. In 2015, some 27 million Americans received EITC payments, at a cost of roughly $67 billion.

The EITC enjoys support on the center left and center right. But there's a robust debate among conservatives—about the effects of the program, its flaws, its limits as a tool, and whether and how it should be reformed.

One of the Best Weapons We Have

The EITC played a crucial part in one of the great policy success stories of recent decades. Welfare reform succeeded by combining new benefits—namely EITC and child care—with more clear-cut work requirements. The result was a revolution where welfare declined dramatically and work levels rose.

Lawrence M. Mead, New York University

I'm fine with expanding earning subsidies like the EITC, including to childless workers, as a way to increase the reward to work and boost the workforce participation rate. The EITC has a good history on both counts. We should also expand the child tax credits.

Peter Wehner, Ethics & Public Policy Center

People who worry about the poverty trap argue that poor people on government assistance have no incentive to work because if their income rises, they lose their benefits. But in fact there is no poverty trap—thanks in part to the EITC. For a single mother or an earner making between, say, zero and $20,000 a year, the marginal tax rates on her benefits are close to zero, because as her TANF or food stamps go down, EITC and the additional child tax credit go up.

Robert Rector, Heritage Foundation

I think there is some bipartisan consensus. I'm for increasing the EITC for childless adults, for example. That's something I think a lot of us agree on. I think it's a good way to pull people into the workforce and smooth the benefits cliff—the way many programs discourage people from taking a job or getting a raise because they would lose their benefits. I would also like to think we could get consensus on moving EITC from being an end-of-year, lump-sum payment to being embedded in the paycheck.

Speaker Paul Ryan, US House of Representatives

The EITC is one of our best weapons. It can be improved—by converting it from a lump-sum, end-of-year payment to a paycheck wage subsidy. But unfortunately, many people on the right are not willing to push forward with the EITC because of the fraud problem. If we don't talk about that—if we don't solve it—we're taking our best weapon off the table.

Oren Cass, Manhattan Institute

Room for Improvement

The EITC is meant to be a work incentive, and it would work better if it was a weekly wage supplement rather than a lump sum at the end of the year. My son spent time in the Mississippi Delta and came back with a troubling story. He told me it's common for people to go to their payday lenders, borrow against their upcoming EITC, and then actually come out behind because they were paying interest charges. The EITC should work like a reverse payroll tax, where you're reinforced for work every week. That would be a much better work incentive.

Howard Husock, Manhattan Institute

The EITC has a very big error rate, and conservatives, rightly, are concerned about that. They are not going to go along with an expansion or an extension to new populations like childless adults until that gets tackled. Speaker Ryan may be in favor of more EITC for childless adults, but the Republican conference has been hesitant—because of the error rate.

Peter Wehner, Ethics & Public Policy Center

There's a $20 billion fraud problem—$20 billion for the EITC and the additional child tax credit together. The EITC, although it's ostensibly a work-based program, works on the honor system. The income is not verified. The Obama IRS went so far as to say they could not verify it—that it would be illegal to try. This could be easily corrected—and we could use the money we save to improve the program. You could use that $20 billion to remove marriage penalties. You could use it to make the EITC more pro-work or more generous. At the moment, it's being wasted on fraud.

Robert Rector, Heritage Foundation

The problem starts with what people report. In order to get food stamps, many households report no income. But in order to get EITC, the same household often reports a lot of income—the same household. We need to merge the administrative records from all the means-tested programs, at least the big ones. That's the only way we'll get an accurate count of who's getting what benefits. It's also the only way we'll get an accurate picture of income distribution because all of that trillion dollars a year we spend on poverty is not counted when we measure economic inequality.

Robert Rector, Heritage Foundation

We can also improve the work requirement in the EITC. As is, if somebody makes, say, $60,000 a year and works only one or two months a year, they get the same EITC as someone who's making $8 an hour and works the full year. That makes no sense. You need to link the EITC benefit to the actual number of hours of work performed. That would make it a much stronger program.

Robert Rector, Heritage Foundation

One problem with the EITC: Like a lot of programs, including Medicaid and SNAP, it sends a message that if you get married, you are going to be worse off financially. For a single parent who doesn't work at all, the EITC creates an incentive to go to work. But in situations where you have two parents who are both working and one or both are receiving EITC payments, they might actually be worse off if they get married than if they're not married.

Angela Rachidi, American Enterprise Institute

The Bigger Picture

The EITC works. Things like that can help. But there's only so much you can do with a formula written in Washington. You need to be able to customize benefits. You need to be able to test results.

Speaker Paul Ryan, US House of Representatives

Programs like the EITC focus heavily on single parents with children. That's where most antipoverty money goes, and there's a need to help those people. But that's not the only problem and not the only place we need leverage. When you've already made the decision not to finish high school, when you've already had kids outside of marriage, it can be awfully hard to get that person back into the labor force. We need to create incentives that help people make better decisions before they reach that point.

Oren Cass, Manhattan Institute

My question is about helping the working class. We can offer them work supports and transfer payments to supplement their wages. But is that really what they want? Is that going to be successful? Or are they going to say, as I've sometimes heard even much poorer people say, "Don't talk to me about a tax credit or a higher EITC. I want a better job."

Robert Doar, American Enterprise Institute

These remarks are excerpted from presentations at the 2016 "This Way Up" summit of conservative thinkers and practitioners concerned about poverty and economic mobility.

Business Steps Up

The Apprentice School

There's little difference of opinion. Liberals, conservatives, pundits, and policymakers at all levels of government agree: Employers need to be doing more of their fair share to educate the workers of the future, helping to close skills gaps threatening industry after industry, particularly among so-called middle-skill workers with more than a high school diploma but less than a college degree.

Huntington Ingalls Industries is a model of what can be done. A Fortune 400 company that builds ships, submarines, and aircraft carriers for the US Navy, it spends a whopping $110 million a year on workforce development. And its nearly 100-year-old Apprenticeship School holds answers for employers across the economy who are thinking about stepping up to offer training but not sure how or whether it will pay off in the long term.

Workforce education is embedded in the culture at Huntington Ingalls. There's not much room for error or sloppy work on a nuclear-powered submarine. Yet, as CEO Mike Petters points out, few high schools or colleges teach shipbuilding. So the company feels it has little choice: It has to grow its own. "The heart of our business," Petters says, "is the people who come through our gate every day. Without them, we wouldn't be in business. We have to invest in them."

The company leaves few stones unturned: It invests in virtually every kind of educational institution at every stage along the workforce pipeline. With vast production facilities in Newport News, Virginia, and Pascagoula, Mississippi—it's the largest employer in both states—the firm maintains partnerships with local elementary schools, middle schools, high schools, community colleges, four-year colleges, and engineering programs. Executives sit on local workforce investment boards. The company runs its own night school. A generous tuition reimbursement program helps cover costs for employees who go back to college. And both facilities use expos, career days, job shadowing, internships—every means at their disposal—to recruit workers. But the crown jewel of the company's workforce strategy is the Apprentice School in Newport News.

It's a highly selective program: The 12:1 acceptance rate is steeper than at many elite colleges. Approximately 800 apprentices are enrolled at any given time. All are company employees, earning full-time salaries and attending school tuition-free. The average age is 25. About 40 percent are recent high school graduates, but many are veterans or older workers with job experience.

Most take four years to complete an apprenticeship in one of 19 trades, including electrician, welder, rigger, and machinist. And those who do well are offered an opportunity to continue their education, moving into one of nine advanced fields such as cost estimating and marine engineering and earning associate and bachelor's degrees.

Like all apprenticeships, the program relies on a carefully calibrated mix of classroom work and hands-on learning. Over four years, apprentices spend about 1,000 hours in class at the school's striking new glass and steel downtown campus, and academics are important: subjects such as algebra, geometry, and physics. But most instruction takes place in the plant, "on the waterfront," as it's called at Huntington Ingalls, where most apprentices spend about 7,000 hours.

They work in virtually every department, focusing over time on their specialties. They use state-of-the-art equipment, learn industry-standard techniques, and as soon as they are able, are put to work on components for real submarines and aircraft carriers. According to Director of Education Everett Jordan, most are carrying their own weight—skilled enough to be adding value that justifies their salaries—within four to six months.

As with any workforce education, the key to success is coordination between those doing the training and those who will eventually hire trainees, and Huntington Ingalls leaves nothing to chance just because the two divisions are part of the same company. School officials talk about what they call the "customer" on the waterfront, and they work hard to maintain communication—formal program reviews, regular in-person meetings, impromptu phone calls—to make sure apprentices are learning exactly the skills they will need on the job.

None of this comes cheap for Huntington Ingalls. According to Jordan, an average apprentice costs the firm $315,000 over four years. A large part of the cost—some $200,000—is salary. Apprentices start at $17.34 an hour and get steady raises as they build skills and become more productive for the company. Even so, it's a huge investment for the firm. But executives are adamant: It's more than worth it.

The company justifies the cost in three different ways, none of them altruistic. The first is quality: the ships, submarines, and aircraft carriers that the firm sends out into the world. The second is retention. Apprentices are not obliged to stay with the company after they graduate, and the journeyman certificates they earn are valued nationwide. Still, roughly 75 percent stay. "They want to be part of what we're doing," Petters says. "They see what kind of future they have with us." And ultimately, this pays off for the company. The third dividend: leadership. "We're training welders today," Jordan says. "But we're training welders who are going to become supervisors and superintendents on these ships in years to come."

This doesn't happen by accident. On average, the Apprentice School accepts some 230 students a year—just a sliver of the thousands of middle-skill workers hired by the company. The rotations on the waterfront are part of a deliberate strategy. So are the communications classes where students learn to speak and write through exercises in persuasion, convincing colleagues, for example, to rethink a particular production process. Everett Jordan likes to think he's educating the next Mike Petters. And indeed many supervisors across the company are former apprentices: three vice presidents, 60 percent of general foremen, and 45 percent of the production management team.

Petters and others at Huntington Ingalls understand: Not every company can open an apprentice school—and it's not the only kind of training that's needed or matters. That's why the firm partners with high schools and community colleges and collaborates with educators in the countless other ways it does.

But Petters doesn't conceal his frustration. "It's one of the hardest things I do," he says, "trying to convince other employers of the need to make this kind of investment. A lot of the time, they're just sitting there, watching what comes out of the pipeline and complaining, 'Joe and Sally aren't qualified to do what I need.' But they haven't done anything. There's an onus on us as employers. We need to be a lot more engaged."

This section was written by the editor, based on interviews with Huntington Ingalls executives.

"I Want to Solve Poverty"

Catholic Charities of Fort Worth

Catholic Charities of Fort Worth (CCFW) believes there are two ways to help the poor: the government way and its own more ambitious, more rigorous approach.

Though part of the national Catholic Charities network, CCFW is an independent nonprofit that sets its own distinctive course. Its handsome brick and stone campus on the low-income south side of Fort Worth provides an array of services for some 100,000 clients a year, nearly three-quarters of them working adults. Among the services offered: skills training, job placement, veterans' services, a children's shelter, a dental clinic, legal aid for immigrants and refugees, and an independent for-profit business—a social enterprise that provides jobs for clients and additional funding for the organization. Some of the nonprofit's $32 million annual budget comes from government, state and federal, but the lion's share is from the private sector, including private philanthropy and the social enterprise.

What makes CCFW unique is its mission: not just to alleviate poverty, as most government agencies do, but to end it, helping clients find their way up and out. The organization's definition of "out of poverty": when an individual is off government assistance, earning what CCFW estimates to be a "living wage," with no debt and three months of savings in the bank.

This usually takes time. It can start with helping someone cope with a crisis or an emergency need. But it doesn't end there—as many government-funded social services do. And there are no shortcuts. According to CCFW President and CEO Heather Reynolds, "tough love" doesn't usually work. "Change doesn't happen unless our clients have their own aha! moments," she says. "We can't just tell them what to do. They have to come to the understanding themselves."

CCFW's principal tool for helping clients reach aha! moments is case management. The nonprofit runs several case-management programs, including one for low-income adults and another for struggling community college students. Like many CCFW interventions, they started as pilot programs and are being rigorously evaluated, including with randomized controlled trials, so that each new effort builds on what came before.

The newest is the Padua Pilot, serving some 200 low-income adults. Most are women, many of them black or Latina. Roughly 40 percent are single mothers. A third have less than a high school diploma. Six in 10 are on food stamps, and their average household income is $18,000 a year. "These are among our most vulnerable clients," Reynolds says. CCFW's goal is to see them escape poverty within two to three years of entering the program.

Each client is paired with two case managers who will stay with her for as long as she remains in the program. She's asked about her goals for herself and her future. She and a counselor work together to identify her personal strengths, and they map out a series of "action steps"—small, reachable milestones on the way to her goals. Client and counselor then meet regularly to assess her progress. Sometimes the counselor acts as cheerleader, sometimes coach, and occasionally what CCFW calls "accountability partner."

A typical exercise: A counselor might ask a client where her money goes every week. Most clients don't know, so the counselor teaches them a budgeting exercise, and over the next few weeks, the client keeps track. It often takes a few tries, but when she finally reports back on her weekly spending, the counselor asks her to compare her outlays with her values. "Their values are always things like 'my kids, my future,'" Reynolds reports. "But typically, when they look at how they're spending their money, it doesn't line up. And we don't have to tell them. They see it."

Sometimes CCFW offers financial assistance, but only as a means to help the client help herself. One woman in the Padua Pilot—call her Consuela—hesitated even to look for work because she was afraid to put her son in child care. CCFW offered to help pay for a higher-quality day care option than she would normally have been able to afford—to put her mind at ease while she got started in a job. A year later, she still has the job and is now paying for her own child care. "It's a different kind of financial assistance," Reynolds says. "She could have applied for food stamps—and would have qualified. But that wouldn't have advanced her."

The other important difference between CCFW and many government poverty programs: CCFW's commitment to rigorous evaluation. Nearly 10 percent of the nonprofit's staff devote a significant part of their time to evaluating ongoing programs. There's a research partnership with the University of Notre Dame, which conducts the randomized controlled trials. And Reynolds and her team are ruthless. If a program doesn't work, they change it—or end it, if need be. "The social service mantra is 'Don't cut, don't cut,'" Reynolds says. "We say cut what doesn't work and invest in what does work, making sure we're investing in long-term impact."

Reynolds' goal over the long term: to develop a shelf of what she calls "plug-and-play solutions"—crafted in the field, rigorously tested, and easily replicable by other organizations. This too is a painstaking, rigorous process. Steps include packaging the model, creating a manual, and developing technical assistance and tools for monitoring how faithful the copy is to the original. CCFW calls it "franchising," and one of the nonprofit's signature programs has been transplanted to another city, with more on the way.

Reynolds is generally a cheery, upbeat person. But some things make her angry—a focused, principled anger that motivates her and her staff. "Imagine if you went to the doctor," she says, "and you were given pills or a treatment regimen just because some funder was funding it or because of some anecdotal success story. I want to solve poverty—and we should be disgusted with ourselves if we aren't using tools that have been proven to help people."

This section was written by the editor, based on interviews with CCFW executives.

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About Opportunity America

Opportunity America is a Washington-based nonprofit promoting economic mobility—work, skills, careers, ownership, and entrepreneurship for poor and working Americans. The organization's principal activities are research, policy development, dissemination of policy ideas, and working to build consensus around policy proposals.

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