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**Steal This Agenda:
A Blueprint for a Better
Pennsylvania**

September 2000

Steal This Agenda: A Blueprint for a Better Pennsylvania

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KEYSTONE RESEARCH CENTER

The Keystone Research Center (KRC), a non-partisan think tank, conducts research on the Pennsylvania economy and civic institutions. This research documents current conditions and seeks to develop innovative policy proposals to expand economic opportunity and ensure that all State residents share in economic growth.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

INTRODUCTION 5

FOUR PROBLEMS 6

 The New Insecurity 6

 Tension Between Work and Family 7

 The Decline of Central Cities and Older Suburbs 7

 Lower than Attainable Productivity Growth 8

THERE IS A BETTER WAY 10

PROMOTE ECONOMIC SECURITY 11

 Make Work Pay 11

 Raise the Pennsylvania Minimum Wage 11

 Enact a Worthy Wage for Caregivers 12

 A Living Wage for Employees of Businesses that Receive Government Funds 12

 Build Career Ladders 12

 Create New Unions for a New Economy 14

 Make Health Insurance Accessible to More Working People 15

RELIEVE STRESS FOR WORKING FAMILIES 16

 Relieve the Time Squeeze on Working Families 16

 Make Quality Child Care Accessible to More Working Families 16

 Promote Life-Enriching Elder Care 18

REDUCE SUBURBAN SPRAWL 20

PROMOTE HIGHER PRODUCTIVITY GROWTH 22

 Redirect State Business Subsidies to the Creation of Good Jobs 22

 Raise the Performance of Industries 22

BUILD A STRONG FOUNDATION FOR A BETTER PENNSYLVANIA 24

 Make Pennsylvania’s Democracy More Responsive To Ordinary Pennsylvanians 24

 Promote High-Quality Education for All Children 24

 Raise State Funding for Education 24

 Reduce Class Size in Grades K-3 25

 Launch A Teacher Effectiveness Initiative 25

 Increase Investment in Higher Education 26

 Ensure that the State Has Adequate Revenues 26

 Monitor whether the State is On the Right Path 28

CONCLUSION 30

EXECUTIVE SUMMARY

The Pennsylvania economy grew steadily in the 1990s. Wages for low- and middle-income Pennsylvania workers rose in 1999 for the fourth year in a row. Unemployment hovers around its lowest level in three decades. The state government each year runs a large surplus. Productivity has increased at nearly 3 percent per year since 1995.

The good news has led pundits to crow about America's information technology-based new economy and politicians to debate whether credit should go to a Democratic President or to Republicans in Congress and state government.

Yet the giddiness of most Americans remains tempered by the limits of the new prosperity and questions about whether it will last. In Pennsylvania, despite recent gains, typical workers still earn less in inflation-adjusted dollars than they did in 1979. Families work longer hours to make up for wage declines. The number of people without health insurance is rising, the number with good pensions falling. With manufacturing still shrinking and job growth greatest in a mix of high- and low-wage service industries, many Pennsylvanians still are not sure where the middle class jobs of the future will come from.

The mix of promise and uncertainty in the air makes Pennsylvanians and Americans ripe for ideas and politicians that offer a more permanent prosperity. Ordinary people want to be sure that the good times will last, not be followed by a return to the harsh realities of the 1980s and early 1990s.

This Blueprint puts forward practical ideas that would deliver not just higher living standards but a better quality of life. It shows how to create a future that all Pennsylvanians can look forward to with optimism instead of unease.

We believe that embracing the ideas here would increase the popularity and success of political candidates and parties. The proposals here would appeal especially to Pennsylvanians without four-

year college degrees, whose wages have dipped sharply over the past two decades. This group makes up over two thirds of Pennsylvania voters. In the 1990s, the loyalties of this group have shifted from election to election as its members have searched for someone who would reverse their economic decline. By mobilizing these voters, a program based on this Blueprint could enable either major party to dominate state politics for a generation.

The policies we put forward take off by taking aim at four problems that now prevent the "new economy" from realizing its potential to improve the lives of the vast majority.

- "The New Insecurity" stemming from a cluster of problems experienced by working families since 1980: falling wages, eroding benefits, declining job security and advancement opportunities, and rising household debt.
- The stress faced by economically strapped dual-earner and single-parent households in which adults juggle work and family responsibilities.
- The decay of older towns and cities, which concentrates poverty, undermines schools, wastes infrastructure, and tears at the fabric of community life.
- Productivity growth that remains below what is attainable, holding down living standards and making it harder to invest adequately in strengthening our families and communities.

All of the policy recommendations in this Blueprint address at least one of these four problems. Most of them address more than one (although to make the text easier to follow we present most proposals as solutions to the problem that they would help solve most directly). A few "foundation policies" provide the basis for solving all four problems. At the cornerstone of our foundation are democratic

reforms that would make state government more responsive to ordinary citizens and less responsive to major campaign contributors.

- **Create the “new security”** by
 - making work pay through an increase in the Pennsylvania minimum wage, local “living-wage” ordinances, and a “worthy wage” above the minimum wage for workers in caregiving occupations;
 - building new career ladders that lead out of dead-end jobs, provide security for mid-career workers, and create critical skills;
 - fostering “new unions” that can raise compensation in low-wage jobs, help build new career ladders, and take responsibility for on-the-job learning; and
 - using tobacco and Medicaid money to make health care accessible to more working families.
- **Relieve the tension between work and family obligations** by
 - establishing a paid family leave program,
 - making quality early education and child care affordable for all, and
 - promoting life-enriching elder care.
- **Revitalize life in older towns and cities** by reforming regional planning, tax, infrastructure and school funding policies that push economic development into outlying areas.
- **Raise productivity and living standards** by
 - eliminating business subsidies to low-wage firms and
 - reorienting economic development assistance away from handouts to

individual companies and toward raising the performance of regional industries.

- **Create the foundation for a better Pennsylvania** by
 - enacting public financing of election campaigns and making voting easier,
 - making state school funding adequate for all communities to achieve a first-class education,
 - investing in smaller classes in the early grades,
 - launching an initiative to make teachers more effective in the classroom,
 - raising funding for higher education, including Pennsylvania’s greatly underfunded community colleges,
 - ensuring that the state has adequate tax revenues by putting on hold the planned phase-out of one of Pennsylvania’s major business taxes (the Capital Stock and Franchise Tax) and establishing a Pennsylvania 21st Century Tax Commission, and
 - monitoring state progress toward a better future by creating a “Pennsylvania Index” that measures Pennsylvania quality of life over time and compared to other states.

Box 1 summarizes how our recommendations address the four problems with which we began.

The policies we advocate are

- aimed at expanding the economic pie as well as distributing it more equally,
- friendly to “high-road” businesses — which seek profit through innovation, high quality, and good service — giving them the access to better workers and linkages to other firms that will help them remain cutting edge,



- in line with popular sentiment, which shows large majorities favoring increases in funding for education, health care, and solving the problems of cities, and
- capable of galvanizing the support of the over two-thirds of voters without a four-year college degree.

Many observers see the new insecurity as an unavoidable outgrowth of our new economy and believe that public policy can do nothing about it. We are more optimistic. A new security and widespread confidence in the future are possible in a reconstructed Pennsylvania economy.

This Blueprint builds on the comprehensive review of the economic situation of Pennsylvanians that can be found in Keystone Research

Center's *The State of Working Pennsylvania 2000*, on line at www.keystoneresearch.org. In the next month, Keystone Research will release Issue Briefs that present some of the policy proposals summarized here in more depth. This report and the Issue Briefs will also be posted on the Keystone Web site.

We intend this blueprint and our Web site to be resources for policymakers and to enrich what has been a sterile debate about the alternative futures open to the Commonwealth. We hope that religious, community, student, and labor groups; local chapters of associations and political parties; and teachers in public schools and higher education will use these materials in courses, study groups, and informal discussions. This, too, is part of the democratic process by which we can together find our way to a better Pennsylvania.

A BLUEPRINT FOR A BETTER PENNSYLVANIA

Promote Economic Security

- **Make Work Pay** by raising the minimum wage, enacting “living-wage laws” that require that jobs subsidized by government pay enough for a family to live on, and establishing a “worthy wage” above the minimum wage for workers in critical caregiving occupations.
- **Build Career Ladders** linked to regional industries and occupations rather than to individual firms.
- **Foster “New Unions”** that can raise wages and benefits, help build career ladders, and ensure that companies invest adequately in workers’ skills.
- **Make Health Insurance Accessible to More Working People** by modifying the Governor’s proposed use of tobacco money so that the state can draw down Medicaid matching funds from the federal government.

Relieve Stress for Working Families

- **Relieve the Time Squeeze on Working Families** by enacting a paid family leave program.
- **Make Quality Child Care Accessible to More Working Families** by expanding eligibility for state subsidies and increasing funds for compensation and quality improvement at child care providers.
- **Promote Life-Enriching Elder Care** by supporting a grass-roots movement to spread innovative high-quality models of care delivery.

Reduce Suburban Sprawl

- **Reverse the Decline of Established Cities and Towns** by establishing country or metropolitan planning councils, using state planning and infrastructure funds to encourage compliance with country or metropolitan plans, and implementing regional tax-base sharing.

Promote Higher Productivity Growth

- **Redirect State Business Subsidies to the Creation of Good Jobs.**
- **Shift Economic Development Dollars to Raising the Performance of Whole Industries,** not individual firms.

Build a Strong Foundation for a Better Pennsylvania

- **Make Pennsylvania’s Democracy More Responsive To Ordinary Pennsylvanians** through public financing of campaigns and making voting easier.
- **Promote High Quality Education for All Children** through
 - raising state education funding to ensure adequate school funding in all school districts,
 - invest in small classes in the early grades,
 - investing in a Teacher Effectiveness Initiative,
 - increasing funding for higher education, including Pennsylvania’s underfunded community colleges.
- **Ensure That the State Has Adequate Revenues for Essential Public Investment and Social Needs** by putting the planned phase-out of one of Pennsylvania’s major business taxes (the Capital Stock and Franchise Tax) on hold and establishing a 21st Century Pennsylvania Tax Commission.
- **Monitor Whether the State is On the Right Path** by creating a new Pennsylvania Benchmarks index that measures quality of life in the state.



INTRODUCTION

In the mid-1990s, with economic anxiety at its peak, many Americans were coming to the conclusion that it might not be possible to do better than slowly growing living standards and rising inequality in a postindustrial economy. Now there is a growing sense that we can do better, even if we are not quite sure how.

The goal of this document is to outline how. We think a sense of possibility, of excitement, about the future is in order. After two decades of watching Pennsylvania's old economy torn down and lives destroyed, we have a chance to build a new economy that benefits all and see lives enriched. We have a chance to create a future with more prosperity and more security, more rewarding work and more fulfilling family life, more vibrant communities and more respect for our natural environment. We have a chance to create a future that Pennsylvanians can look forward to with optimism instead of unease.

This blueprint contains a vision that looks forward a generation. It also contains concrete proposals that the state legislature could enact today. Many of the individual recommendations we put forward have already been enacted in other states, under

Republican and Democratic Governors. And the Pennsylvanians without a four-year college degree who would benefit most from implementing this blueprint — more than two-thirds of Pennsylvania voters — still hold the balance of power in state elections. Offered a program along these lines, they would support it.

This agenda should also appeal to many college-educated voters. These voters may have the best shot at the good jobs that are available. But their lives would also be less anxious if we moved beyond the "lottery economy," in which good jobs are in short supply, to an economy in which everyone can be a winner. Moreover, even those highly educated voters who have no insecurity about their own future or their children's have a stake in restoring a more widespread sense of well-being, stronger communities, a better quality of life.

The next part of this document outlines four problems that must be addressed to achieve a better Pennsylvania. Following that, we introduce public policy proposals that address the four problems. The final section contains some concluding remarks.

FOUR PROBLEMS

Although the United States is now in the longest economic expansion on record, life remains more of a struggle than it needs to be for ordinary Pennsylvanians. Four problems make life unnecessarily difficult.¹

- The New Insecurity” stemming from a cluster of problems experienced by working families since 1980: falling wages, eroding benefits, declining job security and advancement opportunities, and rising household debt
- Tension between work and family, which has been exacerbated by working parents increasing their work hours to make up for declining male wages.
- The decline of central cities and older towns, which creates pockets of concentrated poverty even in an economy with ever-expanding wealth.
- Lower than attainable productivity growth, which limits the rate at which living standards rise.

The New Insecurity

In Pennsylvania’s old economy, with its steel mills and appliance factories, regulated utilities and telephone monopoly, hierarchical businesses stood at the center of the economic security system. Through such employers, many workers obtained wages that could support a family, job security and opportunities to advance, health care and good pensions. Now the security system of the past is badly frayed. This stems partly from rising employment in service industries, in which dead end jobs were common even in the 1960s. It also stems from the forces buffeting the old bureaucracies — globalization and deregulation, new technology and cost pressure (e.g., in health care). With gale force competitive winds, even manufacturers, telecommunications firms, and hospitals are less willing or able to offer the “old

security.” The decaying of the employer-based security system has led to the multiple dimensions of what Ruy Teixeira and Joel Rogers call “the new insecurity.”²

Wage stagnation and decline. For two decades, wage stagnation has been a defining feature of the experience of Pennsylvania’s working people. Despite increases since 1995, typical Pennsylvania workers still earn about 40 cents less in inflation-adjusted dollars than they did in 1979 — \$800 less per year for a full-time, full-year worker. Wage declines have been particularly severe for less educated Pennsylvania men. White men with less than a four-year college degree have seen their wages decline by a sixth since 1979. Black men with less than a four-year college degree have seen their wages decline by almost a third.

Pennsylvania workers now know that the good jobs of the past have gone for good. Where the good jobs of the future will come from, especially for less educated workers, remains something of a mystery.

Eroding health and pension benefit coverage. Most American working families obtain their health and pension benefits through a family member’s job. In conjunction with the expansion of low-wage jobs, there has been an increase in the number of jobs without health care coverage or guaranteed pensions.

*Declining job security and lack of upward mobility.*³ In the mid-1990s, *Business Week* proclaimed “The End of the Job.” In fact, the average amount of time people have been at their current job has changed only a little over the past 20 years. But men, African-Americans, and, in the 1990s, older workers have seen a marked decline in job security. Even with the economy picking up speed, more than one in nine workers lost a job in the 1993-95 period — almost as many as in the deep early 1980s recession. Those re-employed at the end of the three-year period saw their wages dip by 14 percent on average. At least for white men,

corporate bureaucracies also offered opportunities to climb an internal job ladder. Today, many workplaces consist mostly of bottom-rung jobs.

Rising debt. While the rising stock market has helped the top 1 percent of American households increase their net worth to an average of \$10.2 million, typical American households have been accumulating more and more debt.⁴ In 1999, for the first time in history, total household debt surpassed total household disposable income. One in seven middle-income households has debt payments – mortgages and home equity loans, credit card and car payments — that exceed 40 percent of its income. The rate of personal bankruptcies has tripled since the early 1980s. Good economic conditions today allow many families to carry higher debt burdens. But the financial balancing act of many families is precarious. This, too, adds stress to the lives and marriages of ordinary Pennsylvanians.

Tension Between Work and Family

In the 1950s and 1960s, many women worked part time or not at all outside the home. They raised children, managed the home, cared for aging parents. Nuclear families existed within extended family networks that provided another layer of support.

Changing attitudes toward women working, the efforts of middle-income families to maintain their living standard in the face of falling male wages, and rising divorce rates have drastically reduced the share of families that fit the 1950s stereotype. Whereas in 1960, 61 percent of two-parent families managed on one income, by 1990 only 21 percent did.⁵ Twenty-three percent of children are now in single-parent families in the United States, compared to 9 percent in 1960. Both due to two-earner and single-parent families, about two thirds of preschool children are now placed in some type

of child care. Geographic mobility and shrinking family size mean that adults caring for the young or old get less help from others.

Social policy has not caught up with changes in family structure and the economic role of women. Hard-working parents end up leading stressed lives. The quality of life of those who depend directly on them suffers as well. So does the larger community. With the hands of hard-working parents full keeping their immediate family above water, there is less time available for the Parent-Teacher Organization, the Girl Scouts, the Rotary Club.

The Decline of Central Cities and Older Suburbs

As best we can tell (while waiting for definitive evidence from the 2000 Census), the new prosperity has not yet reached Pennsylvania's central cities or many of its older, inner suburbs. In the second half of the 1990s, wages declined further in Pennsylvania cities. And income and wealth continue to flow into new suburbs and outlying areas, giving rise to suburban sprawl. These trends make life needlessly difficult for all Pennsylvanians who live in or near metropolitan areas. Pennsylvanians who live in older cities and suburbs must cope with increasing rates of poverty and declining local tax bases. They must either pay more in local taxes or make do with fewer local public services, or both. Increasingly, they worry that if they cannot afford to move out or pay for private school, then their children's education will be inadequate. Those who can afford to move to the outer suburbs face a different set of worries: lengthy drives on crowded highways to get to work or shopping, environmental damage, and the worry that the same problems that led them to move will sooner or later re-appear in their new neighborhoods.

Suburban sprawl also contributes to other problems of working Pennsylvanians. Increasing distances between home and work, without improvements in public transportation, heighten the tension between work and family responsibilities. The growing geographic isolation of businesses from one another makes it difficult for companies to co-operate to solve industry needs in such areas as worker recruitment and skills shortages, thereby making businesses less productive than they could be.

Lower than Attainable Productivity Growth

Productivity growth is the basis of higher living standards.⁶ Slow labor productivity growth from 1974 to 1995 constrained the expansion of wages and family income, directly fueling economic insecurity. Via the link to stagnant wages, slow productivity growth led middle-class parents to work longer hours that made it harder for them to manage their family responsibilities. By reducing the growth of income, slow productivity growth contributed to anti-tax sentiments that have so far impeded a concerted public policy response to the problems of cities and inner suburbs.

The period 1996-1999 has brought good news on the productivity front. Labor productivity grew at 2.6 percent per year, compared to 1.4 percent per year over the period 1974-1995. This is a big reason why wages have started rising again. If productivity growth can be sustained, it could provide the resources necessary to reduce the pressure on working families and to reverse the flow of economic development outward from urban centers.

No one knows whether productivity will keep rising. Technology boosters seem to think it will. But their justification amounts to the extrapolation of a four-year trend plus vague hand-waving about companies having finally figured out how to use information technology effectively. We think

economic performance could keep getting better but for different reasons.

Additional improvements in economic performance are possible because the recent productivity boom is not broadly based. Half of the recent increase in productivity growth is the result of trends within the information technology and software industries. Measured productivity growth in most service industries remains low.

Studies of individual companies and industries also indicate that we can do better. In industry after industry – auto parts suppliers and nursing homes, lumber distributors and truckers, airlines and child care centers — “standard practice” lags far behind “best practice.” Bringing more companies up to the standards of the best companies could lead to a big jump in performance. Fostering further improvement of best practice promises additional gains. We can follow both of these routes to higher living standards if we reduce three barriers to better performance.

One barrier is that many employers compete by keeping wages and benefits low. In an estimated one in four jobs, employers do not attempt systematically to improve performance.⁷ Most often these jobs are in labor-intensive services – janitorial work and hotel housekeeping, elder care and child care, long-distance truck driving and moving jobs. Employers make money the way this work is currently organized. They often take for granted that such “unskilled” work could not be organized differently. But evidence from higher quality competitors shows otherwise.

A second barrier to productivity improvement is the lack of a widely understood recipe for improving economic performance in service jobs. American corporations and managers knew how to raise productivity in mass manufacturing: by standardizing and automating jobs. But these approaches are not much help when it comes to improving performance in the jobs most

Pennsylvanians have today – as teachers, doctors, office support staff, technicians, even sales clerks.

A third barrier to improving performance is the reluctance of businesses to invest in workers' skills. When bureaucratic employers and workers were tightly bound together, it made sense for companies to develop those workers. With the economy less stable, companies are less willing to mentor and train workers who may soon be working for a competitor.



THERE IS A BETTER WAY

The policy proposals summarized in Box 1 represent an overall strategy for adapting to the major social and economic shifts of the past several decades. They flow with the current of our New Economy, seeking to make postindustrial Pennsylvania function better in both economic and social terms. Taken together, our recommendations would alleviate the sources of the new insecurity, relieve the tension between work and family life, give central cities and older suburbs a fighting chance to reverse the vicious circle of decline, and promote faster productivity growth.

Most of the proposals we put forward would contribute to solving more than one of the four problems described above. Foundation policies, in particular, would help address all four problems. For ease of presentation in the text, we place all except foundation proposals into four categories,

based on which of the four problems each recommendation responds to most directly.

The proposals we put forward are in line with the current priorities of the public. For example, a recent poll by Millersville University indicates that education and jobs are two of the highest priorities of Pennsylvanians.⁸ Our agenda would substantially improve both education and job opportunities. Recent national polls also indicate that the public believes government spends too little on the major priorities on which we propose to spend more: education, health care, and solving the problems of big cities (one reason for curtailing suburban sprawl). Many of our specific proposals have not, to our knowledge, been the subject of detailed polling in Pennsylvania. When they have, we cite that fact in discussing those individual proposals later in the text.

	Share of Survey respondents who said government spends this amount on each spending priority (percent)			
	Too Little	About Right	Too Much	Net Score
Education	73	21	7	66
Health	70	24	7	63
Environment	65	28	8	57
Solving the Problems of Big Cities	52	35	12	44
Assistance to Big Cities	29	40	25	4
Welfare	16	38	46	-30

Source: Tom W. Smith, "Trends in National Spending Priorities, 1973-1998," unpublished manuscript, National Opinion Research Center, Chicago, 1999. Ruy Teixeira and Joel Rogers, *America's Forgotten Majority: Why the White Working Class Still Matters* (New York: Basic Books, 2000), p. 51.



PROMOTE ECONOMIC SECURITY

The policies in this section directly attack several of the most important aspects of the new insecurity: low pay, lack of upward mobility and employment security, and the rising number of Pennsylvanians without health insurance.

Make Work Pay

Raise the Pennsylvania minimum wage

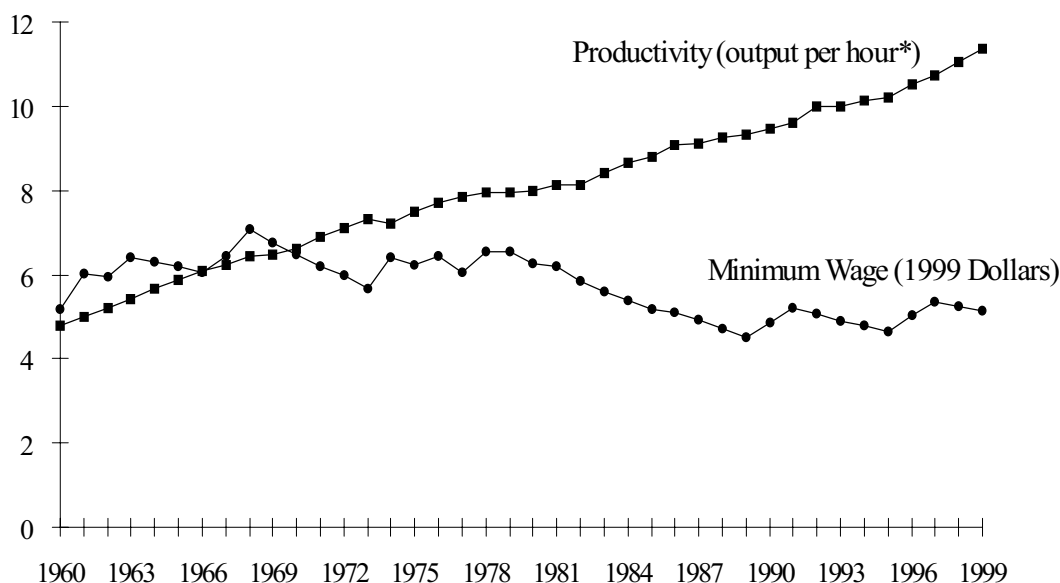
The minimum wage is the most powerful instrument for raising earnings at the bottom of the labor market.⁹ A higher minimum wage is also a critical instrument for promoting improvements in quality and productivity. It creates a powerful incentive for employers to seek more efficient ways to organize production.

The declining minimum wage is a major reason that low-wage workers' hourly earnings have fallen in the last several decades. Since 1968, the inflation-adjusted value of the minimum wage has

fallen by roughly a third. Prior to 1968, moreover, our goal was more ambitious than simply keeping the minimum wage at the same, inflation-adjusted level. Before that date, the minimum wage used to rise with productivity growth, and minimum wage workers shared equitably in the benefits of an expanding economic pie (Figure 1). If the minimum wage had continued to rise with productivity since 1968, it would now be about \$12.00 per hour.

Minimum-wage workers are not, by and large, teenagers with part-time jobs. Seventy-one percent of those who directly benefited from the 1996-97 minimum wage increases (from \$4.25 to \$5.15) were aged 21 and over. Nearly half worked full-time and another third worked 20-34 hours per week. The average minimum-wage worker brings home 54 percent of his or her family's weekly earnings. Thirty-five percent of the benefits of the 1996 and 1997 federal minimum wage increases went to the poorest fifth of American families.

Figure 1. The Inflation-Adjusted Minimum Wage Falls While Productivity Grows



*Output per hour is indexed to 1960=4.8. This makes it easier to see the divergence with the minimum wage after 1968.

Source: KRC.

Opponents of the minimum wage argue that increases will lead to job loss, hurting the workers that the minimum is meant to help. An expanding body of evidence shows that modest minimum wage increases do not cause job loss.

At least nine other states have raised minimum wages above the federal level. Pennsylvania should, too. If the federal government soon passes a phased \$1.00 per hour minimum wage increase, Pennsylvania should pass a state-level increase of an additional dollar that would be phased in the year after the last federal hike.

Enact a Worthy Wage for Caregivers

Above the minimum wage, state government also has tools for raising wages in particular industries. The best known examples are construction industry prevailing wage laws. These laws require that contractors on publicly funded construction projects be paid at least the “prevailing wage” in each occupation. This prevailing wage is typically two to four times the minimum wage.

Today, equivalents of prevailing wage laws are desperately needed in social service industries that receive state funds such as child-care, elder care (including nursing homes), and community-based mental health-mental retardation services. All three industries face a recruitment and retention crisis, in large part because wages and benefits are too low. Because they depend on state funds and on families that have limited budgets, wages in these industries will not go up unless public policy requires it. Indeed, tight labor markets make the situation worse, not better. When wages in retail stores and fast food restaurants go up, human service providers find it even harder to keep or attract workers. Since quality depends on long-term relationships between caregivers and those they serve, the resulting higher turnover rates undercut quality.

The permanent way around these problems is for state government to commit itself to a “worthy” wage

that is high enough to keep turnover down to acceptable levels. In conjunction with such a wage requirement, government must compensate employers well enough that they can afford a worthy wage.

A Living Wage for Employees of Businesses that Receive Government Funds

At least 35 cities across the United States, including Boston, New York, Baltimore, Chicago, and Los Angeles, have enacted “living wage” ordinances.¹⁰ These laws require city contractors and recipients of government subsidies to pay wages well above the minimum wage. Living wage laws have the same advantages for the working poor and for long-term economic growth as minimum wage increases. In addition, they make a statement about the use of public money: that accepting government funds carries with it a special obligation to act in the public interest, not only by providing the government with needed services, but also by paying employees a wage that is high enough to ensure that they can be self-sufficient. Since most manufacturers and geographically mobile service businesses pay at least \$8 to \$10 per hour, Pennsylvania and its local governments can require living wages up to that level without substantially reducing investment in the state.

Build Career Ladders

A central dimension of the new insecurity is the decay of job ladders within individual companies. This leads to more entry-level and younger workers being stuck in low-wage jobs. It means that when mid-career workers are laid off they often lack confidence that they will find a satisfactory new job.

Since employers are unsure how long workers will be around, the weakening of company-specific job ladders also makes employers less willing to invest in workers’ skills. This disincentive jeopardizes the knowledge bases on which whole industries depend. It makes it more likely that Pennsylvania firms, facing shortages of critical skills, will take the “low road” to profitability -- competing by keeping wages and

benefits low -- or, in mobile industries, locate in regions that have found ways to ensure an adequate knowledge base.

With job ladders in individual companies on the wane, we need to create career ladders that enable workers to advance by changing employers within an occupation or industry. We can draw on the experience of professionals (such as nurses and doctors) and unionized construction workers, who have long had careers tied to industries and occupations as opposed to single employers.

Over the past decade, efforts to create career ladders and training partnerships linked to groups of employers have taken place in a wide range of industries and occupations: construction, printing, hospitality, financial services, manufacturing, health care, retail trade, elder care, child care, office occupations, temporary work, and technical occupations.¹¹ Leading partnerships have pioneered upgrading programs for both entry-level and mid-career workers, developed curricula and credentials that serve multiple employers, achieved economies in the delivery of training, negotiated to ensure that community college training programs meet industry and worker needs, and promoted improvements in work organization and human resource practice. The growing body of experience with multi-employer training and career institutions provides a guide to the characteristics of effective partnerships.

- Initially, employers must see cooperation with other employers as helping them cope with pressing, concrete problems, such as skill shortages, recruitment, and retention.
- Partnerships that include only employers tend to focus on immediate skill shortages or recruitment problems. They tend not to address longer term needs for deep and broad skills or workers' career concerns.
- Participation of worker representatives, including unions and professional associations where they

exist, ensures more attention to workers' priorities. It can also make programs more effective: the people who do the work play a larger role in designing curricula, more attention is paid to delivering training in ways that do not threaten workers, and the possibilities for mentoring and peer learning expand.

- Where unions represent workers in multi-employer training partnerships, they are also able to raise investment in training. Regional collective bargaining agreements in construction, for example, set aside a certain number of cents per hour worked for regional labor-management apprenticeship and training funds.

In Pennsylvania over the past several years, there has been increasing interest in training partnerships, motivated primarily by concerns about the shortages businesses face of high-quality entry-level and skilled workers.¹² Both the state and federal governments have encouraged the creation of consortia through seed funding. In Pennsylvania, the funds have come from the state's Customized Job Training program.

With an increasing body of local and national experience to build on, now is the time to reorient Pennsylvania workforce policy toward building career ladders. Drawing primarily on the budgets of the Departments of Labor and Industry, Public Welfare, and Education, the state should facilitate the creation of multi-firm career ladders.

The state should use pilot programs to catalyze the creation of such job ladders without dictating their structure, governance, and activities. Preference for funding should be given to partnerships that

- can demonstrate participation by a substantial share of employers in critical regional industries,
- include worker representatives,
- give workers in entry-level jobs the counseling, training and support necessary to advance into family-sustaining jobs,
- give mid-career workers counseling, training, and support that make their employment security less

- dependent on the fortunes of a single employer,
- deliver portable credentials,
- promote higher private sector investment in training,
- promote the spread and improvement of best practice, and
- develop criteria for evaluating their success and agree to share their assessments with others.

Create New Unions for a New Economy

Many Pennsylvanians think of labor unions as anachronisms: they had a role to play in the old economy of steel mills and auto assembly lines, but not in the new.¹³ In fact, adapted to fit the jobs and labor markets of today, “new unions” could make essential contributions to a new era of prosperity. To put the point more strongly, we cannot imagine the state being able to solve the problem of the new insecurity without a substantial rebound of organized labor.

One of the key ways unions need to adapt is by representing workers in regional industries and occupations, not only in individual employers. In service industries, unions that represent workers in a single workplace or company – a retail store, a nursing home, an office, a janitorial contractor — have little ability to improve jobs or encourage companies to adopt high-road strategies.

In adopting more occupational and industry-wide representation, unions would be taking a page out of the book of unions of electricians, plumbers, and other construction crafts. New unions organized like construction unions could perform several critical functions.

- Raise wages and benefits, in the process increasing the likelihood that companies will move away from low-road strategies.
- Negotiate to create career ladders and benefit security tied to multiple employers.
- Negotiate to ensure that companies invest adequately in worker skills and then help deliver effective training, mentoring, and apprenticeship programs, improving performance and making higher compensation and expanded career opportunities possible.

Across the country, unions are laying the foundation for a labor movement that meshes with the new economy. One of the most innovative examples is the United Child Care Union (UCCU) in Philadelphia. The UCCU has launched a multi-faceted organizing campaign designed to improve the quality of care as well as jobs, in part by creating an area-wide occupational association for child care workers. The union is now working with other stakeholders to promote the training and certification of workers and an increase in state spending on child care. Such an increase would pay for higher wages and benefits, and reduce the turnover that undermines the continuity and quality of care.

There is a new social contract implicit in the activities of the UCCU and other innovative unions: workers and unions will deliver responsible, high-quality service and, in exchange, society will support a union’s right to exist and all workers’ right to economic security.

The federal government has primary responsibility for the laws that regulate the formation and activities of unions. Nonetheless, a number of states and localities have helped catalyze the creation or growth of new unions. Perhaps the best-known example was in Los Angeles, where a state law allowed the county to hold a single union election for 75,000 home care workers. The workers became part of a local union that now negotiates a collective bargaining agreement with the county covering all publicly funded Los Angeles home-care workers.

To define policy options that would promote unions that reduce the new insecurity, relieve work-family stress, and raise economic performance, the Pennsylvania House Labor Committee should survey

legislative actions on this topic taken in other states and localities. Policies surveyed should include but not be limited to

- funding for workforce development partnerships that include unions,
- withholding of state funds from companies that violate workers' rights to organize, and
- laws like the one governing home care in California that facilitate representation and bargaining across multiple employers.

To learn from other states, the House Labor Committee should also request that the National Conference of State Legislatures fund a national assessment of state policy options for promoting new unionism.

Make Health Insurance Accessible to More Working People

Since 1987, the number of Pennsylvanians without health insurance has grown from 844,000 to 1.25 million. The share of Pennsylvania children under 18 without health insurance has risen from 7.1 percent to 9.1 percent.¹⁴

The state has a golden opportunity to reduce the number of uninsured by modifying the Governor's proposed use of tobacco money so that the state can draw down Medicaid matching funds from the federal government. This would be another direct attack on the new insecurity.

Governor Ridge has proposed that 40 percent of Pennsylvania's \$11.2 billion tobacco settlement (\$160 million per year) be used to fund an adult health insurance program for those in families up to 200 percent of the poverty line. However, the Governor's proposal does not take advantage of federal matching

funds. If Pennsylvania took advantage of new federal rules that allow states to expand Medicaid coverage of families as far as state budget and policy preferences permit, the federal government would cover an estimated 54 percent of the cost of expanding adult health insurance.¹⁵

Under federal law, only adults with dependent children or those who are disabled, blind or medically needy can qualify for Medicaid. The largest group of uninsured adults that Pennsylvania could make eligible for Medicaid includes adults with dependent children whose income levels are too high to qualify currently. Pennsylvania has 206,800 uninsured parents not now eligible for Medicaid and whose incomes fall below 200 percent of the poverty level. Of these, 98,900 have incomes below the poverty line.¹⁶ It is this population of younger, healthier adults that would benefit from our proposal to make all parents up to 200 percent of the poverty level eligible for Medicaid.

New York, Wisconsin, Connecticut, Rhode Island and Washington, D.C., are using the new federal Medicaid rules to create family-based health coverage for low-income working parents and children with incomes up to 185 percent – and in some cases 200 percent – of the federal poverty level. Maine recently expanded Medicaid to parents at 150 percent of poverty, while Governor Whitman of New Jersey proposes to expand Medicaid to cover 123,000 uninsured adults using New Jersey's share of the tobacco settlement. Most states that are now providing insurance coverage to low-wage adults are doing so by expanding their Medicaid programs.¹⁷

By expanding Medicaid to cover uninsured parents, policymakers could give many hard-working Pennsylvania families the health security they deserve.

RELIEVE STRESS FOR WORKING FAMILIES

Americans believe strongly in the value of hard work.¹⁸ In the past several decades, Americans have come to expect that all adults enter paid employment, women as well as men, mothers as well as fathers. Juggling work and family responsibilities, however, is a source of great stress for many hard-working families. It contributes to the high divorce rate, the rise in the share of children who grow up without fathers in their life, and the crime and social problems to which these lead.

So far, government has done virtually nothing in response to the pressures faced by working families. Even the 1993 Family and Medical Leave Act, which mandates that certain employers grant unpaid leave so that their employees can tend to family emergencies, is of little use. Many working parents cannot afford unpaid leave.

Hard-working parents deserve more help in their efforts to raise children well, to be good workers, and to care for their own aging parents. Paid family leave, quality child care for working families, and elder care that families can trust would provide much needed relief.

Relieve the Time Squeeze on Working Families

The state could relieve the time squeeze on working families through a state paid family leave program. One way to implement paid family leave is to make it part of the unemployment insurance system. For this to work, eligibility for unemployment benefits in Pennsylvania would have to be expanded. (At present, too many workers in low-wage, part-time, and temporary jobs are ineligible for unemployment insurance because they do not meet outdated requirements for minimum earnings and minimum amounts of time worked.) After the necessary eligibility reforms, rules governing parental leave benefits for parents of newborns could be the same as for other workers to receive unemployment insurance, except that parents

would not need to be laid off (and, indeed, should be legally entitled to get their old job back). A final component of a program to relieve the time squeeze on working families should be a state requirement that all employers allow parents of children 18 and under one day of paid leave (per child per year) for parent-teacher conferences and other school-related activities.

Make Quality Child Care Accessible to More Working Families

Nearly two-thirds of all children under the age of five are placed in some type of child care. But in part because the wages of many workers have stagnated for two decades, many families can barely afford child care. We recently estimated that, even if both parents worked, one third of jobs in Pennsylvania do not pay enough to cover a bare-bones family budget that includes decent child care for two young children. Among single-parent families, two-thirds of jobs do not pay enough.¹⁹

This year the state budgeted funds for child care subsidies that would cover an estimated 140,000 children, a little over a quarter of all Pennsylvania children in paid care.²⁰ A child can begin receiving state subsidies only if her or his family's income is below 185 percent of the poverty line. (Once in the state subsidy program, families stay in it until they reach 235 percent of the poverty line.) Therefore, a family of four with an income of \$32,000 and two pre-school children is not eligible for direct child-care subsidies from the state – even though child care costs in the range of \$4,000 to \$7,000 per year for a preschool child.²¹

The low levels of public investment in child care combined with the limited resources of parents have predictable consequences: resource-starved providers that pay low wages and benefits, offer inadequate training and mentoring, and have high staff turnover and uneven quality of care. A study of 50 child care centers in four states found that “most child care is mediocre in quality, sufficiently

poor to interfere with children’s emotional and intellectual development.”²² A study of family child care concluded that 9 percent of family child care providers deliver good quality care, 56 percent “adequate care,” and 35 percent “growth-harming” care.²³

In Pennsylvania, according to the Annie E. Casey Foundation, the gap in 1996 between the average annual wages of child care workers and those of all workers was larger in Pennsylvania than *in any other state*.²⁴ This worsens the turnover problem and destroys the child-caregiver relationship that is critical to healthy development. A 1999 Legislative Budget and Finance Committee report found that almost one-third of Pennsylvania child care center teachers leave their jobs each year.²⁵

Only small fractions of middle- and low-income families place their children in the high-quality upper tier of the industry. In addition to pressure on family budgets, working families thus confront the anxiety and guilt that goes along with placing their children in at best adequate care.

Employers pay for our lack of affordable, quality child care in the lower productivity of working parents. We all pay in the form of higher long-term crime rates and children who are less ready for school. A RAND review of past research found that for every dollar invested in child care, taxpayers save several times as much later on in the costs of remedial education, unemployment, welfare and the criminal justice system.²⁶

An expanding cross-section of Pennsylvanians, including business leaders, now recognize that early education is one of the best investments we can make in our shared future. In light of this emerging consensus, the state needs a long-term plan to achieve universally available, high-quality, affordable child care. This plan should raise public investment in child care in a way that ensures substantial improvements in quality. Achieving this requires increasing training and work-based

mentoring for child care workers and raising their compensation as they gain experience and credentials. It also requires strengthening regional providers’ associations and partnerships between providers associations, professional associations, and unions. Partnerships could help small child care providers improve management practices and create better recruitment, training, career, and benefit systems.

The state should begin by implementing the following changes, building on progress made in the state budget this past year.

- Make child-care subsidies more widely available by substantially raising the income ceilings below which families may receive assistance.
- Increase technical assistance to help child-care programs improve quality and become accredited.
- In recognition of the social importance of child care work, phase in a requirement that providers receiving public subsidies pay a “worthy wage” based on the experience and credentials of their workers.
- Raise reimbursement rates for child care providers so that they can afford higher wages.
- Pay higher reimbursement rates to providers that meet national accreditation standards and have higher pay scales for their workers.
- Create a child care industry health and welfare fund. Even with higher reimbursement rates for child-care providers and an expansion of health insurance for low-income working parents, many child care workers will probably remain unable to afford health and pension benefits. The state should set aside funds for pilot programs to create a multi-employer health and welfare benefit fund in several regions of the state.

Promote Life-Enriching Elder Care

As the Pennsylvania population ages, the care of older family members is an increasing source of stress for working families.²⁷ One reason for this is the uneven quality of the elder care available through the state’s home care, assisted living, personal care, and nursing home providers. Like the child care industry, elder care includes a substantial segment in which low pay, lack of training, poor management, and inadequate numbers of workers coexist with high turnover and mediocre care. Although it by no means characterizes the whole industry, this low-quality segment feeds the media’s appetite for stories of elder care abuse. It also increases the psychological burden that working families face when economic constraints force them to place a family member in care outside the home.

The major public funding for elder care comes from Medicaid, supplemented by Medicare, and currently pays primarily for care delivered in nursing homes. After the creation of Medicaid in the mid-1960s, the nursing home industry mushroomed. By the mid-to-late 1970s, books with titles such as *Tender Loving Greed* and *Unloving Care* documented financial abuses by unscrupulous operators and atrocious quality. In 1987, the federal Omnibus Budget Reconciliation Act (OBRA) included comprehensive reforms, including annual inspections of nursing homes. Regulations implemented in the 1990s imposed financial sanctions for repeated deficiencies.

OBRA helped eliminate the worst abuses. It did not lead most nursing homes to move beyond a custodial approach. Most homes still see the role of aides as performing for and on residents the activities of daily living (dressing, eating, toileting, bathing, etc.) that those residents can no longer perform for themselves.

In the 1990s, however, nursing home “pioneers” across the United States have sought to “break the mold” of the custodial nursing home. Through

means as simple as introducing pets, allowing residents to choose when to eat, and holding daily community meetings, these pioneers have challenged the idea that nursing homes are places in which most residents inevitably decline and then die. They have sought to increase the amount of time that residents are active, and especially the amount of time that they are socially engaged with others. Innovative homes have sought also to recognize that aides do not perform unskilled, menial labor, but caring work that is critical to making elder care facilities places to live. Consistent with the emphasis on the direct caregiver, pioneer homes have better pay and human resource practices, assign each aide to care for fewer residents, and spend more of their resources on front-line staff.

Although the pioneer or “culture change” movement originated in nursing homes, its emphasis on making facilities less institutional is compatible with the consumer movement to shift more elder care – and more public funding for elder care — outside nursing homes, to individuals’ homes or settings that are as home-like as possible. (Shifting care out of nursing homes must not be used to increase the burden on hard-pressed families of handling elder care on their own.)

The elder care industry stands on the verge of a more widespread attempt to move beyond custodial, life-draining care. But it is also in crisis. Some observers say that staffing and quality problems are worse now than at any time in recent memory. The reasons for this crisis include financial difficulties at most major nursing home chains, the increasing “acuity levels” of many nursing home residents, and the enormous difficulty providers across the elder care spectrum have in recruiting and retaining workers in today’s tight labor market. The deeper reasons for recruitment and retention problems include the low quality (and worse public image) of elder care jobs, and demographic shifts that are increasing the demand for elder care while shrinking the share of women in the 25-54 year-old age group that has traditionally performed most caring work.²⁸

The current crisis has actually increased the elder care industry’s openness to change. For-profit chains no longer make money delivering low-quality care, leading to a consensus that “what we’re doing now is not working.” In this climate, innovative homes are suddenly receiving widespread attention because they appear to have found a way to improve workforce retention without increasing the overall cost of care.

In Pennsylvania, excitement about innovative models of care and the industry crisis have led to the creation of a “Pennsylvania Culture Change Coalition.” Since January 2000, all of the major private sector stakeholders – industry associations, professional associations, unions, and advocates for the elderly — have sent representatives to coalition meetings. At the regional level, especially within the Southwestern Pennsylvania Partnership on Aging, stakeholder efforts to promote culture change are also growing stronger.

The current situation gives state policymakers an unusual opportunity to make Pennsylvania a model for the reform of elder care throughout the United States. By collaborating with the statewide Culture Change Coalition and with regional coalitions committed to improving quality, the state could relieve the short-term workforce crisis, accelerate the spread of best-practice models of care, and encourage improvements in the status and compensation of direct caregiving that are essential to improving long-term quality.

In the immediate future, the state should take the following steps.²⁹

- Establish a competitive grants program for regional stakeholder partnerships to improve quality of care through such means as pilot culture change programs or regional training

systems and career ladders. (One benefit of regional career ladders is that they may expand advancement opportunities for some direct caregivers, thereby reducing turnover.)

- Work with the Culture Change Coalition to develop a “Pennsylvania Cares Index” that would measure outcomes statewide and regionally in the industry. Ideally outcomes measured would include clinical outcomes and resident/family/ direct care worker satisfaction. The index from Health Department surveys could also include findings on workforce variables that are linked to quality such as training and turnover.
- Increase reimbursement for elder care providers through “wage pass-through” legislation that requires providers to spend additional funds on more direct caregivers and higher wages and benefits.
- Fund pilot entry-level training programs for caregivers that include care planning, the aging process, assessment of individual needs, problem-solving, and conflict resolution. These pilot programs should be used as a basis for designing state-mandated training that exceeds the federally required 75 hours.³⁰
- Encourage the formation of associations of direct caregivers. Achieving quality jobs and quality care throughout the elder care industry requires raising the compensation, status, and professionalism of all direct caregivers. Industrywide associations of aides could play a central role in achieving these goals. As one component of its overall evaluation of state policy options for promoting “new unions”, the House Labor Relations Committee should focus specifically on elder care.³¹

REDUCE SUBURBAN SPRAWL

During the past few years, Pennsylvanians from across the political spectrum have come to see suburban sprawl as a serious threat to the Commonwealth's quality of life. To many, the consequences of sprawl are confined to the inconveniences of driving on crowded roads or the loss of aesthetically pleasing landscapes. But the movement of population and economic development away from older communities – which gives rise to suburban sprawl — has also had more devastating impact on the lives of millions of Pennsylvanians.

It has

- destroyed their neighborhoods, cities, and small town;
- eroded the value of their homes;
- concentrated poverty in older communities;
- stressed urban schools, raising the challenges for educators while robbing them of the financial resources they need to address those challenges;
- produced unequal tax burdens between cities and suburbs;
- wasted existing infrastructure (roads, sewers, water, electricity, and telecommunications) and required expensive new infrastructure in outlying, low-density developments;
- made it less likely that businesses – spread out over larger land areas, their managers unlikely to meet by chance downtown — will come together to create the workforce and technology infrastructure of a high-road economy; and
- accelerated the loss of open space, damaging wildlife habitats and increasing pressure on the state's aquifers. (The population of Pennsylvania's 10 largest metropolitan areas grew by only 13 percent from 1970 to 1990, but their land area grew by 80 percent.³²)

There is no evidence yet that a strong economy has done anything but slightly retard the decline of

cities and older suburbs in Pennsylvania. About half of Pennsylvania's major urban schools districts, for example, lost substantial ground in the 1990s compared to the rest of the state measured by personal income per pupil.³³

Any attempt to reduce sprawl must reform public policies that today reinforce the outward flow of population and economic development. The General Assembly has begun to address this issue by encouraging voluntary regional planning. But much more remains to be done. Pennsylvania should adopt the following policy changes, each of which has been implemented in at least one other state.

- *Regionalize the land use planning system.* Planning for growth cannot be effectively carried out within individual municipalities, especially in a state like Pennsylvania, where municipalities are generally very small and cannot view the needs of a region comprehensively. This regional perspective is especially important in improving our ability to assess environmental impacts of development, to set regional infrastructure investment priorities, and to stem the decline of established communities. Building on existing legislation, counties or, in the case of multi-county metropolitan areas, groups of counties, should be required to establish elected regional planning councils. The state should use planning and infrastructure grants to municipalities to encourage municipal compliance with the councils' plans.
- *Change zoning ordinances and planning codes to allow mixed-use (commercial and residential), high-density, mixed-price communities.* Encouraging the inclusion of low- and moderate-income housing in all new developments helps counter the concentration of poverty. Mixed-use zoning can also combat sprawl by reducing the distance between homes, workplaces, and shopping areas.

- *Establish urban growth boundaries.* As Oregon has shown, urban growth boundaries are a powerful tool for reorienting development inward. Regional planning councils could determine the location of the growth boundaries in their counties or metropolitan areas.
- *Use state public infrastructure investment strategies to encourage the redevelopment of cities and small towns.* Public infrastructure policies today subsidize sprawl by allowing residents of new outlying developments to pay the same rates for sewer and water systems as urban residents. The bias of federal transportation funds towards highways and against mass transit also contributes to sprawl. Following the lead of Maryland's Smart Growth Initiative, Pennsylvania should reverse the bias of past infrastructure spending and use state infrastructure funds to encourage the redevelopment of cities and established towns.
- *Reduce differences in tax rates and promote regional tax-base sharing.* At present, large disparities exist between the tax rates of established communities and those of newer suburbs. Pennsylvania could do much to eliminate this growing disparity – and slow the departure of upper income residents from struggling communities — by raising the state

government's share of public education funding. Regional tax-base sharing would also help reduce fiscal disparities between municipalities.

Under regional tax-base sharing, municipalities within each county or metropolitan area would be required to contribute part of the growth in their commercial and industrial property tax bases to a regional pool distributed in ways that alleviate intra-regional disparities. Municipalities with rapid commercial or industrial growth would, therefore, contribute some of the fruits of that growth to their slower-growing or declining neighbors. The latter, typically urban centers or older suburbs, would gain extra revenues that they could use to improve services, cut taxes, or both. By improving services and/or cutting taxes in urban and older suburban areas, regional tax-base sharing could help stem the vicious circle of decline that depopulates older communities.³⁴

Sprawl is neither smart nor right. We need to reform the laws that reinforce it. Above all, we need to ensure that patterns of growth support strong communities and a high quality of life for all Pennsylvanians.

PROMOTE HIGHER PRODUCTIVITY GROWTH

Higher productivity growth makes it possible for living standards and wages to rise. It can thus help relieve the insecurity of hard-working families and the pressure to work longer hours to maintain family income. The rapid economic growth that goes along with rising productivity also provides the state with more resources, enabling it to make public investments in economic security, reducing work-family stress, and strengthening cities, inner suburbs, and towns.

State economic development programs, overseen by the Pennsylvania Department of Community and Economic Development (DCED), should be an important component of an overall state policy shift to promote higher performance.

Redirect State Business Subsidies to the Creation of Good Jobs

Many Pennsylvania economic development programs primarily subsidize individual businesses. Examples include the \$33.5 million Infrastructure Development program, which provides grants and loans to develop and improve business sites; the Pennsylvania Industrial Development Authority (PIDA) program, which provides low-interest loan funds; and the highly flexible Opportunity Grant program, expanded from \$35 to \$63 million in the 2000-01 budget. Overall, between 1995-96 and 2000-2001, state spending on what the Governor's annual budget terms "grant and subsidy" programs increased from \$165 million to \$334 million.

Although better than those in some other states, the accountability and job quality conditions that Pennsylvania attaches to the distribution of corporate subsidies are inadequate. Pennsylvania should emulate the practices of leading states (such as Minnesota and Maine) by requiring that individual businesses that receive state subsidies

- receive less than \$35,000 per full-time, permanent, and new job created, with all state and local subsidies counted in the event that a project receives two or more subsidies, and
- abide by stronger disclosure, anti-piracy, anti-sprawl, and "clawback" provisions (which require partial or complete repayment of subsidies if businesses fail to meet job creation or other goals).³⁵

Even with comprehensive reforms, questions exist about whether the state should be in the business of subsidizing individual companies. Unavoidably, such subsidies distort the market and appear politically motivated. To further limit such dangers, Pennsylvania should require localities and authorities that distribute business subsidies to develop regional strategies identifying key local industries. Funds to individual companies should be consistent with these strategies. Finally the state should reduce total spending on individual subsidies.

Raise the Performance of Industries

While traditional economic development subsidies should be cut back, the government has a critical role to play in creating and strengthening the supportive institutions that high road firms need to remain cutting-edge. These firms require good education and training institutions to generate a skilled workforce, "modernization" services to disseminate best practice (and discourage worst practice), and other mechanisms to facilitate communication and learning among managers and occupational groups. In many cases, as we learned in our discussion of career ladders, the market will not generate the institutional supports high road firms need. Individual firms have no incentive to invest in transferable skills -- or lead efforts to create institutions that promote learning and good business practice -- if competitors may also benefit, but without sharing the cost. Government must step forward to help overcome "market failures." It needs to catalyze the coming together

of firms to invest in the human capital and organizational learning at the heart of superior performance in the contemporary economy.

Pennsylvania already has two highly respected programs for promoting better performance: four Ben Franklin Technology Centers (BFTCs) promote the competitiveness of small and mid-size companies through technology development, modernization, and training programs; and seven Industrial Resource Centers (IRCs) provide low-cost consulting to client companies in such areas as strategic planning, product development, marketing/sales, production, and human resource development.

A recent performance review of BFTCs and IRCs by the Legislative Budget and Finance Committee found that they have been successful in helping clients.³⁶ Even so, they could be more effective. At present, as with direct subsidy programs, it appears that job quality is not considered when firms receive subsidized technical assistance. Second, the technology and resource centers work primarily with companies one at a time. Third, the BFTCs and IRCs work mostly with manufacturing. Drawing on its experience with the Ben Franklin and Industrial Resource Centers, Pennsylvania should take the following steps to create an infrastructure that provides the backbone of a high road economy.

- *Job quality standards* should also be applied to the distribution of technical assistance. Without such criteria technical assistance can help low-road firms become good enough to undercut higher-paying high-road firms.
- *Assist service as well as manufacturing industries.* The need to improve organizational practice is, if anything, greater in service industries than in manufacturing. The gap that exists between standard practice and best practice in services increases the

potential for modest investments in improvement to yield big gains.

- *Support and create high-performance industry intermediaries.* Institutions linked with multiple firms – such as industry associations, professional associations, unions, multi-stakeholder partnerships, and some industry-linked training institutions – have the potential to make whole industries become more productive.
 - DCED should establish a competitive grants program through which associations and other intermediaries would seek state support to bolster their efforts to raise industry performance.
 - DCED should also establish a state awards program that honors industry intermediaries that contribute the most to improving performance. The goal is to shift associations away from self-interested lobbying and toward establishing an integral role in efforts to achieve continuous improvement.
- *Develop an Industry Performance Index program.* Given state government's goal of strengthening the Pennsylvania economy, it should work with the private sector to develop indices that track performance in major industries, both statewide and within sub-state regions. Such indicators might include direct measures of performance — productivity, quality, the rate of innovation, etc. – and organizational proxies such as investment in workforce training and the share of firms that have achieved organizational standards such as ISO (International Standards Organization) certification. As well as enabling individual companies to see where they stand, such benchmarking could focus collective energy on achieving industrywide improvement.

BUILD A STRONG FOUNDATION FOR A BETTER PENNSYLVANIA

We now turn from policies linked tightly with at least one of our four problems to policies that provide a foundation for addressing all four problems.

Make Pennsylvania's Democracy More Responsive To Ordinary Pennsylvanians

In a democracy, a marked deterioration in the economic circumstances of a majority of families might be expected to lead to a political reaction.³⁷ In both Pennsylvania and the United States, however, this reaction has been muted. One reason for this is the growing influence on politics of money.

An indicator of the increasing importance of wealthy contributors is the escalation in the cost of running a political campaign. In Pennsylvania between 1974 and 1994 (the last hotly contested gubernatorial campaign in the state), contributions to Pennsylvania gubernatorial candidates rose by 378 percent after adjusting for inflation. In the 1992 to 1998 period alone, contributions per Congressional district in Pennsylvania rose 38 percent (compared to 7 percent in the United States).

While wealthy contributors have gained leverage over politicians, many ordinary citizens have stopped participating in politics and become more disillusioned about government. Just over two-thirds of voting-age Pennsylvania citizens voted in 1964. By 1996, under half voted. Evidence of declining faith in government comes from national surveys (no equivalent surveys exist for Pennsylvania alone). In 1966, only 34 percent of Americans agreed with the statement "Public officials don't care much what people like me think." By 1996, more than 60 percent agreed. Seventy percent of Americans agreed in 1996 that the government is "run by a few big interests," compared with 29 percent in 1964. Surveys show that the loss of confidence in government has been greatest among the middle class.

Before drifting any further towards one dollar-one vote, Pennsylvania should redress the inequalities in political influence that exist between wealthy citizens and the rest of the population by enacting the following two simple reforms.

- Public financing of political campaigns. Following the lead of Maine, Massachusetts, and Arizona, Pennsylvania should adopt a system of public financing of political campaigns for any candidate who demonstrates sufficient support and who agrees to voluntary spending limits.
- Lower the obstacles to voting. Like some other states, Pennsylvania should allow voting by mail and voter registration on election day. A complementary change that also relieves the time squeeze on working families would make election day a state holiday.

Such electoral reforms will not, by themselves, guarantee our ability to address problems such as the new insecurity, the working family time squeeze, and the decline of established cities and towns. Without electoral reforms, our odds of addressing these problems are much slimmer.

Promote High-Quality Education for All Children

Giving children in all communities access to high-quality education is a matter of basic fairness. It is also critical to the long-term performance of the economy and to reducing the flow of more affluent families out of hard-pressed cities, older towns, and suburbs.

Raise State Funding for Education

At present, large inequities exist in funding for K-12 education in Pennsylvania. In 1997-98, Radnor Township (in Delaware County) spent \$13,347 per pupil (including local, state, and federal dollars.)

The nearby city of Philadelphia spent \$7,018 per pupil. Total per pupil funding for education in the state's highest-income districts is 30 percent higher than in the state's lowest-income districts.³⁸

According to *Education Week*, Pennsylvania has the 15th most inequitable public school funding system of the 50 states.³⁹

Funding gaps stem from enormous differences in local contributions to school funding. These differences exist because of huge variations in wealth and income across school districts. The highest-income group of Pennsylvania school districts has a personal income per pupil that is twice that of middle-income districts and 3.2 times that of the poorest districts.

State funding reduces inequity in educational funding. The poorest two groups of districts each receive 25 percent of state educational funding, compared to the 20 percent that they would get if the state gave all districts the same amount of money per pupil. But at 39 percent of total funding (in 1997-98), state spending is too low to make up for variations in local funding. The state share of educational funding in Pennsylvania has declined steadily for 25 years. The state contribution to instructional expenses reached a peak of 55 percent in 1973-74 and declined to 37 percent by 2000.

Low-income school districts would be hard pressed to contribute more in local funding to their schools. They already contribute \$49 per \$1,000 in personal income, compared to \$39 in high-income school districts. Further tax hikes might accelerate the outward flow of wealthier residents from low-income districts. The most effective way to achieve adequate educational funding in low-income areas is to weaken or eliminate the influence of wealth differences on school funding. This could be done by shifting more (or all) funding of education from local property taxes to the state income tax. Giving more state money to low-income schools would be a popular reform.

According to a 1998 poll by Mansfield University, roughly 70 percent of suburbanites think the state should give more money to low-income school districts.

Reduce Class Size in Grades K-3

Spending more money on education is not enough. The state should also seek more bang for its education buck. One proven approach, particularly for lower-income students, would be to reduce class size in kindergarten through third grade. Experiments with smaller classes in Tennessee and Wisconsin show that smaller classes in the early grades improve student test scores in a wide range of subjects. Achievement improves most for low-income and minority students.⁴⁰ A new RAND study finds that in a comparison of educational performance across states, a low pupil-teacher ratio in the early grades is one of three variables that is significantly associated with higher student achievement.⁴¹ Smaller classes are also popular with the public. In recent polls, more than 70 percent of Pennsylvanians favored smaller classes.

A modest approach would be for Pennsylvania to launch a class-size initiative that targets low-income schools. Targeted investment could be combined with class-size experiments that build on ground-breaking research in Tennessee and Wisconsin, and that help policymakers make wise investments of educational dollars in the future. Pennsylvania class-size experiments, for example, could be designed to shed light on the trade-offs and complementarity between smaller classes and alternative reforms, such as giving teachers more opportunity to plan together with their peers.

Launch A Teacher Effectiveness Initiative

The real secret to unlocking large gains in educational achievement is to change the "culture" of American teaching. This culture is based heavily on teachers' lecturing to passive students, without paying enough attention to whether

students are actually learning (a very difficult question which therefore requires concerted attention to be answered). This culture is perpetuated by the fact that American teachers get little help honing their craft. They have insufficient time to plan their lessons and even less time to plan and teach collaboratively. The American “culture of teaching” stands out in sharp relief in comparison to Japanese practice.⁴² In Japan, math teachers typically join a team that meets throughout a year to plan a single lesson collaboratively. Japanese students score highest on standardized international math tests.

A Teacher Effectiveness Initiative should aim directly at helping teachers’ get better at what they do every day. Such an initiative should begin with grants of three types.

Funds for improving teaching effectiveness in every school district. Many teachers are starved for more opportunity to talk to other teachers about how to do their job better. District funds for improving teacher effectiveness should be spent on the priorities that classroom teachers believe will most help them improve, whether those are joint lesson planning, team teaching, assistance with evaluating individual students’ obstacles to learning, mentoring from the most respected teachers, or similar, practical initiatives. To ensure that classroom teachers are equal partners in deciding how to spend teacher effectiveness funds, districts could be required to submit a plan that highlights the role of teachers in the design and implementation of the proposed program and the ways that the program will change what takes place in the classroom. Districts should also specify how the program will be evaluated and documented so that others can learn from it.

Competitive grants to associations of teachers that submit proposals designed to make their members more effective. Teachers’ associations, both subject specialists (e.g., math teachers) and local

teachers’ unions, could promote collaboration among their members about how to become better at what they do every day. A grants program could be a vehicle for making this happen more often.

Competitive grants for innovative teacher training programs. Teacher training and continuing education courses are too divorced from the classroom. Innovative programs across the country are seeking to better marry classroom education for future teachers with internships and peer mentoring. The state should fund innovative proposals, e.g., from University-school district or University-union partnerships, that link teacher training and continuing education with the classroom.

Increase Investment in Higher Education

Pennsylvania invests less in higher education than most other states.⁴³ The state especially underinvests in community colleges.⁴⁴ Pennsylvania appropriations for community colleges per capita are only 33 percent of the national average. Pennsylvania state spending on community colleges per capita ranks 45th of the 50 states. Partly because of low state spending, tuition at Pennsylvania community colleges is the 11th highest in the nation.

While community colleges are still the most affordable higher education opportunity, their relatively high tuition reduces access for some lower-income working families. Investment in community college occupational and technical education is also critical to meeting the skill needs of employers in the state. Following the lead of New Jersey Governor Christine Todd Whitman, the state should begin a multi-year process of raising state spending on community colleges. One goal might be for Pennsylvania to reach, by the year 2005, 50 percent of the national average for state per capita investment in community colleges.

Ensure that the State Has Adequate Revenues

Pennsylvania needs a tax system that will generate sufficient revenues to finance public investment and meet social needs. It also needs a tax system that supports rather than undermines efforts to alleviate economic insecurity, relieve work-family stress, reduce sprawl, and promote higher productivity growth. At present, the state and local tax system in Pennsylvania does not satisfy these requirements.

Revenue Generation. In the 2000-01 budget, the state legislature approved a phase out, over 10 years, of the Capital Stock and Franchise Tax (CFST). This corporate net worth tax, analogous to a wealth tax on individuals, collected \$1.1 billion in 1999.⁴⁵ Capital employed in manufacturing, processing, research or development are exempt from paying the CSFT.

Even in our booming low-unemployment economy, the state would now be running deficits without the revenue from the CFST. Phasing out this tax without creating an alternative source of revenue is a time bomb for the state's next Governor. Only unexpectedly rapid growth will prevent the cut from derailing investments in education or in reducing worker insecurity and work-family stress.

The CFST was phased out based on one questionable assumption — that Pennsylvania has high business taxes — and one false assumption — that cutting business taxes is the key to attracting investment and good jobs.

Studies that look only at taxes imposed exclusively on business (in Pennsylvania's case, the CFST and corporate net income taxes) show Pennsylvania to be a high tax state for corporations.⁴⁶ Accurately assessing the tax burden that Pennsylvania imposes on business, however, requires considering *all* taxes that businesses pay, including sales and property taxes.

A recent study that examined all major taxes that businesses pay found that Pennsylvania taxes manufacturing firms at the second lowest rate in a group of 10 mostly southern states perceived as business friendly.⁴⁷ Pennsylvania taxes were 28 percent lower than the 10-state average. Pennsylvania may be a higher tax state in non-manufacturing industries, but no definitive study of this question exists.⁴⁸

The elimination of the CFST was also premised on the idea that business taxes are the key to attracting investment and creating jobs. In fact, survey data show that, in business location decisions, workforce quality, proximity to market, access to raw materials and suppliers are all more important than taxes.⁴⁹ If a tax cut leads to cuts in public services, including education, the result can be an overall decline in a state's business climate.⁵⁰

There is a case for reforms that would reduce the inequities within Pennsylvania's business tax structure. These inequities result from some companies being exempt from the CFST and other companies paying the 2.8 percent personal income tax rather than the 9.99 percent Corporate Net Income Tax by registering as Subchapter S Corporations. Simply phasing out the CFST without considering how to make up lost revenues was, nonetheless, bad public policy.

Tax Equity. Over the past two decades, cuts in Pennsylvania's state and local taxes could have been used to cushion the impact of wage stagnation on hard-working families. For Pennsylvania's middle class, such cuts have not been forthcoming.

State lawmakers did lower taxes for the lowest-income families. They did this by raising the so-called income tax-forgiveness thresholds below which families pay no taxes. Even with the current thresholds, however, a four-person Pennsylvania family with an income of \$30,000 pays the 2.8 percent state personal income tax on its entire income.

Pennsylvania retains one of the most inequitable state and local tax systems in the nation. Pennsylvania’s effective state and local tax rate on middle-income families is about the 13th highest in the nation. Its tax rate on the bottom fifth of families is about 15th highest. Its tax rate on the richest 1 percent of families is the 11th lowest.⁵¹

One way to give middle class families with children a tax cut without reducing the revenues collected by the state would be to introduce personal exemptions into the Pennsylvania personal income tax while increasing the personal income tax rate. Such an approach would enable middle-income families with two children to enjoy a \$300-\$800 cut in taxes. No family with two children below about \$104,000 would pay more in taxes.⁵²

Pennsylvania could also build on recent progress to help the lowest-income working families by establishing a state Earned Income Tax Credit (EITC). Federal and state EITCs reward work — families only receive the tax credits if they have earnings — and thus often have strong bipartisan support.⁵³ For a family of four with two children, the federal EITC increases to a peak of almost \$4,000 when the family earns \$10,700. The federal EITC then phases to zero when a family of four earns just over \$30,000. The federal credit is also “refundable.” This means that if a family owes the government less than zero taxes after taking the EITC, the federal government sends the family a check. Nine states have refundable EITCS, most of which piggyback on the federal credit. Such state EITCs give low-income families a credit equal to anywhere from 10 to 43 percent of the federal credit.

Sprawl. As discussed earlier, Pennsylvania’s heavy reliance on local property taxes to fund schools contributes to the decline of cities and established towns and suburbs.

Establish a 21st Century Pennsylvania Tax Commission. Pennsylvania’s tax system overhaul needs an overhaul. To deal with the immediate danger to state revenues, the legislature should put the planned phase-out of the Capital Stock and Franchise Tax on hold. It should then charge a 21st Century Tax Commission with developing recommendations on how the state can establish a tax system that would

- generates adequate revenues,
- strengthen economic security and relieve the pressures on working families,
- help reverse the flow of income and wealth from established communities,
- attract and grow high-road businesses, and
- promote a clean environment

Specific policy reforms that the Commission should consider include

- a revenue neutral improvement in the equity of business taxes rather than a phase-out of the CSFT,
- introducing personal exemptions in the state personal income tax,
- a state earned-income tax credit,
- a refundable dependent care tax credit (which would relieve the financial pressure on families with children),⁵⁴ and
- the imposition of “green taxes” on pollution, which would simultaneously raise revenues and discourage environmentally harmful economic activity.⁵⁵

Monitor whether the State is On the Right Path

The recommendations above are intended to improve social and economic outcomes in Pennsylvania. To know whether that is happening, Pennsylvania needs a new index of state well-being. At present, policymakers use measures of overall economic growth — the rate of job growth, per capita and personal income in the state, and the average annual wage — as the primary indicators of how well the state is doing. As long as a rising tide lifts all boats—pay improves in jobs at all levels—measures such as these are rough indicators of how most people are doing.

The experience of the last two decades has shown that traditional economic measures no longer capture whether quality of life in the state is getting better. This is partly because of increasing disparities in wages and income. It is also because of increasing concern with the environmental sustainability of current economic development. Economists have

long known that measures such as income growth (and, in the entire United States, Gross National Product) do not take account of environmental damage. With rural lands and wildlife habitat disappearing, and with rising concerns about other ecological consequences of traditional growth patterns (such as global warming), this is an oversight that none of us can afford.

For these reasons, we endorse the 21st Century Environment Commission’s recommendation that the state create a task force to develop a new index of state well-being called the Pennsylvania Index. This index should be a comprehensive measure of economic, social, and environmental health. In developing this measure, we can draw on earlier efforts such as the Oregon Benchmarks and the Corporation for Enterprise Development’s annual Report Card for the states. Developing a Pennsylvania Index gives us an opportunity to define what kind of Pennsylvania we want and then to devote our efforts to creating that Commonwealth.

CONCLUSION

Some observers see the new insecurity, the tension between work and family, and the decline of cities and towns as unavoidable by-products of a dynamic, post-industrial economy. They also see current productivity performance as the best we can do. We do not.

This *Blueprint* has been written in the conviction that there is a better way. Its recommendations show how we can begin to build that better way.

Our recommendations would help create a “new security” to take the place of the old, employer-based security. This new security would result from a substantial improvement in the pay of many of our lowest wage jobs and the bolstering of careers linked to occupations and industries rather than to individual employers. It would also result from decoupling of health and pension benefits from individual employers and their increased provision through multi-employer funds (as in our proposed child care health and welfare fund), and, as necessary, through universal provision by the government.

The policies we propose would alleviate the tension between work and family life. Children would regain precious hours of parental attention in their earliest years. The hard-working parents at the center of our communities would regain the sense that their lives are under control, the balls they juggle no longer about to hit the ground. More

marriages would last, more children would be raised by both parents.

Our recommendations would help reverse the decline that has gripped too many cities, too many working-class suburbs, too many small towns in which Pennsylvanians grew up but feel they cannot grow old.

Our public policy proposals, finally, would contribute to a new era of rapid productivity growth. This era would be built not on the economies achieved by giant factories, but on millions of small improvements made by Pennsylvania’s five million plus workers — nurses and managers, teachers and office workers, Directors of child care center and child care workers. Throughout Pennsylvania’s new economy, our proposals aim to make best practice standard practice. Through increased training, mentoring, and expanded opportunities to interact with others who do the same job, the end result would be levels of quality and service in Pennsylvania that are second to none.

In polls and focus groups, Americans and Pennsylvanians make it clear that they want more security and less stress in their lives, stronger communities and a brighter future for their children. They will rally around a program that offers those things, that offers them a better life. Indeed, they have been waiting for such a program for well over a decade. It is time to give it to them.

FOOTNOTES

¹ Much of the analytical basis for the first two problems is contained in Stephen A. Herzenberg, John A. Alic, and Howard Wial, *New Rules for a New Economy: Employment and Opportunity in Postindustrial America* (Ithaca, N.Y.: Cornell/ILR Press 1998). For a shorter treatment, see Stephen A. Herzenberg, John A. Alic, and Howard Wial, “A New Deal for a New Economy,” *Challenge* 42 (March-April 1999): pp. 102-129.

² Ruy Teixeira and Joel Rogers, *America’s Forgotten Majority: Why the White Working Class Still Matters* (New York: Basic Books, 2000), p. 51. Although the label is new, the concept is not. Additional detail on each of the dimensions of the new insecurity can be found in Stephen A. Herzenberg and David H. Bradley, *The State of Working Pennsylvania 2000* (Harrisburg: Keystone Research Center, 2000).

³ This discussion is based on Lawrence Mishel, Jared Bernstein, and John Schmitt, *The State of Working America 2000-01* (Ithaca, NY: Cornell University Press, 2000), pp. 231-244.

⁴ Mishel, Bernstein, and Schmitt, *The State of Working America 2000-01*, chapter 4.

⁵ Theda Skocpol, *The Missing Middle: Working Families and the Future of American Social Policy* (New York: W.W. Norton, 2000), p. 124.

⁶ The productivity numbers in this section are from Mishel, Bernstein, and Schmitt, *The State of Working America 2000-01*.

⁷ This argument is developed in Herzenberg, Alic, and Wial, *New Rules for a New Economy*, chapter 5.

⁸ Personal communication with Burwood Yates, Millersville University.

⁹ For additional evidence and references on the points in the text, see *Making Work Pay: The Benefits of the 1996-97 Minimum Wage Increase for Low-wage Workers in the U.S. and Pennsylvania*, Keystone Research Center Briefing Paper 98/4; and Howard Wial, *Pennsylvania Minimum Wage Briefing Points*, Keystone Research Center, March 23, 2000.

¹⁰ For an update on living wage campaigns across the country, see www.livingwagecampaign.org/living-wage-wins.html.

¹¹ For examples of multi-firm career ladders and training partnerships, see Herzenberg, Alic, and Wial, *New Rules for a New Economy*, especially chapter 7; Working for America Institute, *High Road Partnerships Report: Innovations in Building Good Jobs and Strong Communities* (Washington, D.C.: AFL-CIO Working for America Institute, 2000).

¹² See, for example, Oversight Committee of the Regional Workforce Development Initiative, *Working Together to Connect Workers to Jobs of the Future: Critical Steps for Regional Success*, 1998, Working Together Consortium, Pittsburgh.

¹³ This section summarizes arguments made in Stephen A. Herzenberg, John A. Alic, and Howard Wial, “New Unions for a New Economy,” *The New Democrat*, March 1998: ???. For more extended treatments, see Howard Wial, *...Rutgers Law Review*, 1993, and Herzenberg, Alic, and Wial, *New Rules*, especially chapters 7 and 8.

¹⁴ Herzenberg and Bradley, *The State of Working Pennsylvania 2000*, p. 11, contains a chart showing the share of the Pennsylvania and U.S. populations that lack health insurance in each year from 1987 to 1998. On line at www.keystoneresearch.org.

¹⁵ Health Care Financing Administration (HCFA), *Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare Reform World*, March 1999, p. 20.

¹⁶ Urban Institute calculations using the Census Bureau's March 1999 Current Population Survey. According to the U.S. Census Bureau, the 1999 federal poverty level for a family of three is \$13,423. An annual income of \$26,847 would put this family at 200 percent of poverty. For a family of four the federal poverty line is an annual income of \$16,895; \$33,790 would put this family at 200 percent of poverty.

¹⁷ The following states are all financing adult insurance coverage through Medicaid expansions or combination Medicaid/CHIP financing: Missouri, Wisconsin, New York, Delaware, Massachusetts, Minnesota, Oregon and Vermont.

¹⁸ This section is based in part on Skocpol, *The Missing Middle*, especially pp. 154-162.

¹⁹ This estimate covers the 1995-97 period. As a result of wage increases, a higher fraction of jobs now pay enough to cover child care for these two family types. For the estimates in the text, see Howard Wial, *The Job Gap in Pennsylvania: Are There Enough Living-Wage Jobs?* (Harrisburg: Keystone Research Center, 1999), p. 8.

²⁰ In July 1999, Feather Houstoun, Secretary of the Department of Public Welfare, testified before the House Aging and Youth Committee that the state provided subsidies for 110,000 children, which she said was one quarter of children receiving care. This year's Pennsylvania budget includes funds for 140,000 children.

²¹ According to the Women's Association for Women's Alternatives, this \$4,000-\$7,000 range includes the cost of child care for an infant or preschooler in most Pennsylvania counties.

²² Suzanne W. Helburn et al., *Cost, Quality, and Child Outcomes in Child Care Centers: Executive Summary* (Denver: Department of Economics, University of Colorado, 1995), p. 1.

²³ Ellen Galinsky, *The Study of Children in Family Child Care and Relative Care* (New York: Families and Work Institute, 1994).

²⁴ Annie E. Casey Foundation, *Kids Count Data Book* (Baltimore: Annie E. Casey Foundation, 1999), based on 1996 data from the Bureau of Labor Statistics of the U.S. Department of Labor.

²⁵ Pennsylvania Legislative Budget and Finance Committee, *Salary Levels and Their Impact on Quality of Care for Child Care Workers in Licensed Day Care Programs* (Harrisburg: Pennsylvania Legislative Budget and Finance Committee, 1999).

²⁶ Lynn A. Karoly, et al., *Investing in Our Children: What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions* (Santa Monica: RAND, 1998); online at www.rand.org/publications/MR/MR898/.

²⁷ This section is based on Susan C. Eaton, *Pennsylvania's Nursing Homes: Promoting Quality Care and Quality Jobs* (Harrisburg: Keystone Research Center, 1997) and on Stephen Herzenberg's participation in the Pennsylvania Culture Change Coalition.

²⁸ See Barbara Frank, *Health Care Workforce Issues in Massachusetts*, the Massachusetts Health Policy Forum Issue Brief, available at www.sihp.brandeis.edu/mhpf/. Although state-specific in some of its details, much of the analysis in this source applies to other states and to the United States as a whole.

²⁹ These recommendations overlap those in Eaton, *Pennsylvania Nursing Homes*, which also includes a number of related and more comprehensive recommendations.

³⁰ Several states now require certification training for nurse aides that exceed the 75-hour requirement, including Missouri (175 hours), California and Maine (150 hours), and Florida, Illinois, Oregon, and Rhode Island (120 hours).

³¹ For more specific state policy options, see Eaton, *Pennsylvania's Nursing Homes*, pp. 50-51.

³² Pennsylvania 21st Century Commission, *Redefining Progress: Recommendations from the 21st Century Environment Commission*, draft, June 1998, p. 11, citing David Rusk.

³³ For evidence on declining personal income in urban school districts in the 1990s, see Herzenberg and Bradley, *The State of Working Pennsylvania 2000*, p. 28.

³⁴ Myron Orfield, *MetroPolitics: A Regional Agenda for Community and Stability* (Washington, DC: Brookings Institution Press, 1997), pp. 84-90, 142-55.

³⁵ These recommendations are drawn from Greg LeRoy and Tyson Slocum, *Economic Development in Minnesota: High Subsidies, Low Wages, Absent Standards* (Washington, D.C.: Good Jobs First, 1999). See also Greg LeRoy, Fiona Hsu, and Sara Hinkley, *The Policy Shift to Good Jobs: Cities, States, and Counties Attaching Job Quality Standards to Development Subsidies* (Washington, D.C.: Good Jobs First, 1999). Both reports are on line at www.goodjobsfirst.org.

³⁶ Legislative Budget and Finance Committee (LFBC), *Sunset Audit of the Ben Franklin/IRC Partnership* (Harrisburg: LFBC, 2000).

³⁷ This section is based on Howard Wial, *Democracy in Pennsylvania* (Harrisburg: Keystone Research Center, 1999), in which readers can find sources for the statistics cited here.

³⁸ The comparisons of Radnor and Philadelphia are based on unadjusted spending per pupil. The comparison of the groups of high-income and low-income districts are based on spending per “TANF-weighted”-pupil, on the (conservative) assumption that students from families receiving Temporary Assistance for Needy Families (TANF) cost 1.2 times as much to educate as students from other families. Details of these and other calculations in the text will be provided in a forthcoming Keystone Research Center Issue Brief on education policy.

³⁹ This claim is based on 1995-96 data. See *Education Week*, “Quality Counts 2000,” on line at www.edweek.org/sreports/qc100/tables/resources-t1c.htm.

⁴⁰ Alex Molnar, *Smaller Classes and Educational Vouchers, A Research Update* (Harrisburg: Keystone Research Center, 1999), pp. 22-32; available at www.keystoneresearch.org.

⁴¹ David W. Grissmer et al., *Improving Student Achievement: What NAEP Test Scores Tell Us* (Washington, D.C.: Rand Corporation, 2000); available on line at www.rand.org/publications/MR/MR924/.

⁴² See James W. Stigler and James Hiebert, *The Teaching Gap: Best Ideas from the World's Teachers for Improving Education in the Classroom* (New York: Free Press, 1999).

⁴³ University of Illinois Website www.coe.ilstu.edu/grapevine.

⁴⁴ Kent Phillippe and Madeline Patton, *National Profile of Community Colleges* (Washington, D.C.: Community College Press, 2000), Table 5.3.

⁴⁵ Penn Future, *Using the Market to Improve Pennsylvania's Environment: Tax Reform to Grow Greener Pennsylvania's Economy and Environment* (Harrisburg, PA.: Citizens for Pennsylvania's Future, 2000), available on line at www.pennfuture.org. Technically, the CFST is imposed on the "capital stock value" of corporations conducting business in Pennsylvania. The Pennsylvania formula for calculating capital stock value takes into account net income as well as net worth. The state exempts the first \$125,000 of net worth from the CFST.

⁴⁶ Pennsylvania Economy League, "Improving Pennsylvania's Business Climate: A Comparative Analysis of State Business Taxes," October 1999. Available at www.pelcapital.org.

⁴⁷ According to the study, Pennsylvania levies lower property taxes on manufacturers than any other state studied. Corporate income taxes and sales taxes fall in the middle of the states studied. Nancy Cook, Gang Shao, and Andrew Phillips, "Analysis of State and Local Business Tax Systems," *State Tax Notes*, September 8, 1999.

⁴⁸ An unpublished study for the Pennsylvania Tax Blueprint project benchmarked taxes businesses in five non-manufacturing (and several manufacturing) industries. It found Pennsylvania to have the third highest business tax rate of 13 states, 19 percent above the 13-state average. This study, however, assumed that all corporations pay the Corporate Net Income tax of 9.99 percent, whereas only in one in 14 do. Many service businesses register as subchapter-S corporations and pay the 2.8 percent Personal Net Income Tax instead. The unpublished study also had some other limitations and was written prior to the introduction of an exemption from the sales and use tax for businesses that purchase computer services. Barents Group, *Pennsylvania Tax Blueprint Project: Phase One - Benchmarking*, unpublished study for the Pennsylvania Tax Blueprint project, 1996.

⁴⁹ Timothy J. Bartik, *Growing State Economies: How Taxes and Public Services Affect Private-Sector Performance* (Washington, D.C.: Economic Policy Institute, 1996).

⁵⁰ Robert Tannenwald, "Business Tax Climate: How Should It Be Measured and How Important Is It?" *State Tax Notes*, May 13, 1996, pp. 1459-71.

⁵¹ These figures assume that Pennsylvania's tax system has not changed since 1995, except for the increase in the tax forgiveness threshold. After the income tax forgiveness threshold for a family for four was raised to \$26,000, Pennsylvania moved from having the 10th to the 13th highest tax burden on poorest fifth of families. Pennsylvania is unlikely to have moved more than a couple of places following the small additional increase of the income tax forgiveness thresholds in last year's budget. See Howard Wial, *A Real Tax Cut for Pennsylvania's Middle Class*, Briefing Paper 99/1. On line at www.keystoneresearch.org.

⁵² For details, see Wial *A Real Tax Cut*.

⁵³ This paragraph is based on Nicholas Johnson, *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty in 2000: An Overview* (Center on Budget and Policy Priorities: Washington, D.C., 2000).



⁵⁴ Pennsylvania Partnerships for Children (PPC), *Taxing Pennsylvania: A Family-Focused Overview of Pennsylvania Taxes* (Harrisburg: PPC, 1999), p. 19.

⁵⁵ For some green tax options, see Penn Future, *Using the Market*, pp. 26-29.



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