

THE UNDERCLASS

HEARING
BEFORE THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
ONE HUNDRED FIRST CONGRESS
FIRST SESSION

MAY 25, 1989

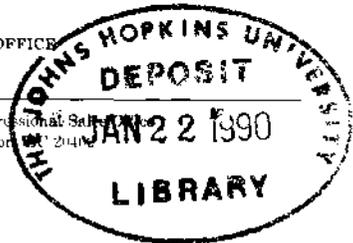
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CONTENTS

WITNESSES AND STATEMENTS

THURSDAY, MAY 25, 1989

	Page
Obey, Hon. David R., member of the Joint Economic Committee, presiding: Opening statement.	1
Mincy, Ronald B., research associate, the Urban Institute	2
Mead, Lawrence M., associate professor, Department of Politics, New York University.....	21
Anderson, Elijah, professor of sociology, University of Pennsylvania.	43

SUBMISSIONS FOR THE RECORD

THURSDAY, MAY 25, 1989

Mead, Lawrence M.: Prepared statement	27
Mincy, Ronald B.: Prepared statement.	6

(iii)

THE UNDERCLASS

THURSDAY, MAY 25, 1989

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in room 2212, Rayburn House Office Building, Hon. Lee H. Hamilton (chairman of the committee) presiding.

Present: Representatives Hamilton, Hawkins, Obey, Scheuer, Solarz, Wylie, Fish, and Upton.

Also present: Joseph J. Minarik, executive director; David R. Malpass, minority staff director; and Jim Klumpner, professional staff member.

OPENING STATEMENT OF REPRESENTATIVE OBEY, PRESIDING

Representative OBEY [presiding]. Good morning. This morning the Joint Economic Committee will be reviewing the issue of what has been described by many as America's underclass.

Despite the long economic expansion of recent years, there are still 33 million poor people in this country. Among those below the poverty line, a substantial number of families find themselves in such chaotic current circumstances that their future prospects seem to be even more bleak. For those families poverty is being passed from generation to generation.

Many Americans—in fact, most Americans—probably never visit underclass neighborhoods. They are unaware of the terrible human toll that the breakdown of social convention has taken. They are unaware of the real face of economic deprivation, but highly visible manifestations of the tragedy of the underclass, like soaring teenage pregnancies, drug murders, chaotic schools, have alerted the Nation as a whole to the fact that the problem affects us all.

If compassion did not prompt us to seek solutions to these problems, certainly enlightened self-interest, both individual and societal, would.

We will hear today from three distinguished scholars who have studied this problem.

Mr. Ronald Mincy, with his colleagues at the Urban Institute, has been involved in a substantial effort to define and quantify the underclass.

Mr. Lawrence Mead of New York University has investigated ways in which the underclass culture undermines economic initiatives.

The work of Mr. Elijah Anderson of the University of Pennsylvania concerns the ways in which a lack of economic opportunity

helps to create a culture which in turn diminishes opportunity even further.

Gentlemen, your prepared statements will certainly be entered in the record. I think we would ask you to simply summarize your prepared statements so that we might have as much of give and take as possible and leave as much time for questioning as possible.

Why don't we begin with Mr. Mincy?

**STATEMENT OF RONALD B. MINCY, RESEARCH ASSOCIATE, THE
URBAN INSTITUTE**

Mr. MINCY. First of all, good morning, and I would like to say that I welcome this opportunity to testify before this committee about the problem of the underclass and how it should have been affected both by the economic recovery and by demographic changes that we anticipate over the next 10 or 15 years or so.

And since you prefer that we summarize our testimony, let me sort of begin by suggesting that the work that has taken place at the Urban Institute on the underclass has concentrated on an effort to define and measure the underclass in order that policy-makers would have a handle on what the population is, where it is located, and what are some of the more important determinants of its existence and growth.

We have found in our research and our review of the literature that there has been a lot of discussion of the problem, but very little empirical evidence about what and where and how large, and so our work has concentrated primarily on that.

To do that we have looked at 1970 and 1980 census tract data, and the implication of that is that our definition is an area definition. It includes everyone who resides in a severely distressed neighborhood as part of an underclass area population, and we do that not to stigmatize all residents of a neighborhood, but rather to say that everyone who lives in such a neighborhood is adversely affected by the things that are going on.

So I would like to direct your attention to the latter part of the prepared statement, which includes the criteria for our definition and then, on the second chart, also shows some of the results that we have obtained from this.

First of all, we define as an underclass area any neighborhood which has an above proportion of teenagers who are high school dropouts, prime age males who are not regularly attached to the labor force, households that are headed by women, and households that are dependent on welfare.

This is a very stringent definition because a neighborhood will have to qualify on all four of these adverse criteria in order to qualify as one of our underclass areas.

We discovered that there were 243 underclass areas in 1970, but by 1980 that number of neighborhoods had risen to 880, and the population in all underclass areas was about 750,000 people in 1970 and it had grown to 2.5 million in 1980.

I think the message there is that using this stringent definition the underclass area population is a small population, but between 1970 and 1980 it grew very rapidly. There was indeed a threefold increase in the underclass area population.

And if you will turn then to the second chart briefly, I want to describe some of the key characteristics of this population that we noted.

First of all, the underclass area population is almost entirely an urban phenomenon the way we measure it, but more importantly, it is concentrated in the Northeast and North Central regions. Over 60 percent of the underclass area population resides in cities in the Northeast and North Central regions, regions which have lost dramatically in manufacturing and other employment opportunities that used to pay high wages to workers with relatively low skills.

Second, a large proportion of the underclass area population is black and Hispanic, but I want to emphasize that between 1970 and 1980 the black share of the underclass area population declined from 72 percent to 59 percent.

And I think one of the things that I would like to emphasize in what I say about these issues is that I believe the underclass area population is disproportionately minority; however, I believe the problem is reaching out to envelop low-skilled immigrants—new immigrant groups and low-skilled whites who are still confined to large urban areas, and that should be so because the changes in the structure of employment opportunities should affect workers of all races as long as they live in inner cities, and increases in housing costs should have adversely affected all low-skilled and low-paid people because it prevents them from escaping to suburban areas where employment is growing.

I would then like to move on and to talk about what might have happened to the underclass area population during the recovery and what demographic changes—how they should affect the underclass area population and then finally to look at some policy suggestions that I think are paramount.

First of all, of our four underclass indicators, male employment is the one that is most likely to be sensitive to changes in the business cycle. The other parameters having to do with welfare dependency, female headship, and high school dropout rates, they are going to really respond to long-term changes, but male employment in particular should change most rapidly with the business cycle.

Since the underclass area population is disproportionately black, I concentrated on the employment-to-population ratio of black males in the United States to try to predict what has happened to the underclass, and I would then turn your attention to the final figure in the prepared statement.

That figure indicates that there has been a long-term decline in the black male employment-to-population ratio since 1955. That long-term decline is only relieved when we have periods of low and falling unemployment, and during the recent recovery, although the unemployment rate fell by 8 percent at an average annual rate, the black employment-to-population ratio increased by only 2 percent. The point being that in a period of strong recovery the indicator most likely to be sensitive to the business cycle rose very little, and that is my reason for suggesting that the underclass area population probably grew during this period of economic recovery.

And we have suggestions of that in other variables that I could talk about, but I will leave that to perhaps be addressed in a period of comment or questions and answers.

Second, the underclass area population is a disproportionately minority population, and that suggests that the demographic changes that we anticipate over the next 10 years or so is going to provide a window of opportunity for the underclass.

I think it is important to recognize that a very high share of teenagers in underclass areas are dropouts, and a very high share of their parents and older siblings are also dropouts. Unless the educational attainment of children who are now going to school in underclass areas is vastly improved, I think we are fooling ourselves to think that the year 2000 will provide an effective window of opportunity for these young people.

On average, Federal spending on education has declined by 3 percent per year since 1982, and this is just not the commitment toward education that is likely to enable children who are now in school in underclass areas to enter an effective labor force.

Finally, there was some interest, I understand, on the part of the committee to think about what portion of the underclass area population might reside in rural areas, and I have tried to address that, but in a limited way.

First of all, the rural poor population undergoes poverty. The problem of working poverty in rural areas is severe and very important, and I don't mean to deny that. However, the rural poor tend not to exhibit the same dysfunctional behaviors that the underclass area population does.

Looking at our four indicators—high school dropout rates, female headship, welfare dependency, and nonwork—the rural poor tend to score higher than the underclass area population in urban areas only in the high school dropout rate. Otherwise, they tend to depend on welfare less, they are less likely to have female headed families, and they are more likely to work.

Therefore, I think that the concentration of the research and policy that tries to address the underclass problem, that concentration stayed in urban areas is the correct one because, although the problem of rural poverty is important it is just not the same animal.

Finally, let me conclude by making some policy suggestions.

I think the kernel of the solution to the underclass problem is to guarantee that families in underclass areas benefit from two earners. To me that is the bottom line. We have Federal policies that will seem to work toward the goal of ensuring that female headed families in underclass areas have a single earner.

However, welfare reform is essentially not going to affect the earnings of absent fathers and the employment possibilities of absent fathers, and in view of the fact that 72 percent of black poverty in the United States was accounted for by female headed families and that never fell throughout the decade of the 1980's, it seems to me that the solution toward the underclass is to guarantee that there are working mothers, there are working fathers, and that working fathers, irrespective of their status in the household, contribute to the support of their children.

Long-term solutions will have to emphasize increasing the amount that children now in school in underclass areas learn in school, making sure that they graduate from high school without having children of their own and, third, making sure that if they demonstrate high academic and technical ability they have the money to go to college.

And I think that is probably as much as I can jam in here in my time, and I welcome the opportunity in the question and answer session to focus on interests that you may have in all this.

Thank you.

[The prepared statement of Mr. Mincy follows:]

PREPARED STATEMENT OF RONALD B. MINCY

**WHAT HAS HAPPENED TO THE UNDERCLASS
DURING THE ECONOMIC RECOVERY**

I welcome this opportunity to speak before this Committee about the effects of the economic recovery and demographic changes on the underclass. Urban policymakers and researchers use the term underclass more and more, but they have been slow to define exactly what the term means. Gunnar Myrdal first used the term "under-class" in 1962 to describe a group of permanently unemployed, underemployed, or unemployable persons, "... that was not really an integrated part of the nation but a useless and miserable substratum." Discussions through the mid-1980's expanded this definition by concentrating on minorities in inner cities, but contracted it by adding welfare dependency, childbearing by teenagers, crime, and dropping out of high school to the list of central features describing the underclass. Despite this evolution in usage, policymakers have no measurable definition of the underclass population to work with and no way to distinguish the underclass from the poor.

When I use the term underclass, I have a specific population in mind. The working definition that I use was derived after an exhaustive review of the literature to synthesize what various authors were saying about this population. Here is the conventional description. First, multiple social problems within neighborhoods characterize the underclass. Crime, drug abuse, welfare dependency, female headed families, dropping out of high school, childbearing by teenagers, and non-labor force participation by males are the social problems most often discussed. Next, the underclass is almost exclusively black

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or black and Hispanic. Last, the underclass is physically and socially isolated from other communities because whites moved away from inner-city ghetto areas long ago and middle income blacks followed after the Fair Housing Act of 1968.

To completely understand the growth of the underclass we need two kinds of explanations. Subjective explanations emphasize the motivation to work, to finish schooling, and to avoid crime, drug abuse, and parenting before one can support children. Objective explanations emphasize changes in the structure of urban economies and changes in laws affecting employment and housing discrimination. We have learned much more about objective explanations, but subjective explanations are becoming more and more popular. Since I know little about changes in motivation over the past twenty years and their effects on the underclass, I will try to confine my remarks to the objective explanations.

Let me make three summary remarks before going into details. First, the underclass probably grew during the recovery, because the indicators most likely to be affected by the business cycle--namely, black male employment and earnings--showed little improvement. Second, the demographic changes expected over the coming decade seem to provide a window of opportunity for children of minority groups who are over-represented in the underclass. But to take advantage of the opportunities, children now enrolled in elementary schools in underclass areas must have two things: (1) greater primary and secondary school achievement than their parents and older siblings; and (2) public and private support for post-secondary education. Our present levels of funding for education are too low to achieve these goals. Three, popular rhetoric and the volume of data on blacks promote the notion that the underclass is a problem involving blacks exclusively. But there are signs

that the underclass is beginning to envelop Hispanics, other recent immigrants, and whites as well.

WHAT WE KNOW ABOUT THE UNDERCLASS

To determine how microeconomic and demographic changes affect the underclass, we must define and measure the underclass, understand some of the factors responsible for the emergence and growth of the underclass, and know what kinds of opportunities the economic and demographic changes create.

Let's start with the definition and measurement issues. The first stage of The Urban Institute's work on the underclass used the conventional description given above to design a method for measuring the underclass. We have used this method to study the size, growth, and composition of the underclass, and we are now using the method to test and refine the conventional wisdom about why the underclass has emerged. Here is a brief description of that wisdom, concentrating on objective explanations.

Male joblessness and isolation are the keys to understanding the other social problems that distinguish the underclass from other disadvantaged groups. Male joblessness means too few desirable marriage partners for women in low income areas. Next, out of wedlock births among young--often poorly educated--women leads to female-headed and welfare-dependent families. Next, the concentration of poor, jobless men; poor, single mothers; and poor, fatherless children creates conditions ripe for crime, drug abuse, dropping out of high school, and so on. Last, a decline in the number of urban jobs paying high wages to workers with little formal schooling explains the increase in male joblessness.

With the conventional descriptions and explanations as background, we designed a measure called an underclass area. The four criteria for an underclass area appear in Chart 1. An underclass area is a census tract with above average proportions of: (1) teenage high school dropouts; (2) males detached from the labor force; (3) households dependent on welfare; and (4) households headed by females. This is a stringent definition because a tract must have above average scores on all four indicators to be counted as an underclass area.

Using this definition, we found 750,000 people living in all underclass areas in 1970 and 2.5 million people in 1980. The small size of the underclass comes from the stringent definition we used. But the three-fold increase in the underclass area population between 1970 and 1980, suggests that the underclass is a serious social problem. The composition of the underclass area population supports some, but not all, elements of the conventional wisdom. The black share of the underclass area population was 77 percent in 1970, but this share was only 59 percent in 1980. Poverty rates in underclass areas were 49 percent in 1970 and 44 percent in 1980. These rates were in the same range as the poverty rates in extreme poverty areas, a measure other researchers use to estimate the size of the underclass. Underclass areas were located almost exclusively inside SMSA's in 1970 and 1980 and most such areas were located in the Northeast and North central regions. Finally, the average underclass area had over 3,600 people in 1970, but only 2,800 people in 1980.

Part of the conventional explanation for the growth of underclass areas is depopulation of undesirable neighborhoods by middle income residents. If this is true, one would expect to find the most disadvantaged people left behind. Labor market and family structure trends in underclass areas between 1970 and 1980 support this view. But trends

in welfare dependency and high school dropout rates in underclass areas became stable or showed improvement. Chart 2 shows other characteristics of underclass areas in 1980.

HOW DID THE RECOVERY AFFECT THE UNDERCLASS?

Since our method relies on Census data, we must await the 1990 Census to determine exactly how the recovery affected underclass areas. But data on demographic groups overrepresented in underclass areas and nonspatial data on underclass indicators suggest that the underclass continued to grow during the recovery.

To predict what happened to the underclass during the recovery, I emphasize changes in black male employment and real earnings. There are three reasons for doing so. Our underclass results support the idea that joblessness among black men is key to the emergence and growth of the underclass. Black male employment and earnings trends are easily traced in published data. And these trends are more likely to respond to changes in the business cycle than other underclass indicators.

The recovery could have reduced the size of the underclass if stable employment and real earnings had grown among black men in underclass areas. Higher earnings of absent fathers, a common phenomenon in the underclass, could benefit children indirectly. Higher real earnings could also reduce welfare dependency and enable families to leave inner-city poverty neighborhoods where social dislocations incubate. In fact, employment of black men increased by less than one would have hoped during the recovery and real earnings fell. So the changes that would have reduced the size of the underclass, after being induced by growth in black male employment and real earnings, probably did not occur.

Economic recovery periods have stemmed the long-term decline in black male employment-to-population ratios. The employment-to-population ratio of black men has been declining--absolutely and relatively--since 1955, except for the three periods of low and falling unemployment as shown in Figure 1. The biggest gains in the black male employment-to-population ratio occurred during the sustained recovery between 1964 and 1969. Little improvement occurred during the shorter recovery between 1977 and 1979. And little improvement has occurred in the recent, sustained recovery since 1984. That is, the employment-to-population ratio of black men rose at a 2 percent annual rate, even though the unemployment rate fell at an 8 percent annual rate.

A recession could easily remove the small gains that were made. During most of the past thirty years, the employment position of black men resumed its absolute and relative downward trend as soon as unemployment began to rise. Last month's economic and unemployment figures suggested that the recovery is slowing down. If the economic picture worsens, and unemployment begins to rise, the ranks of the underclass could swell in the months to come.

Employment and real earnings for young, inner city, black men--a critical group for making predictions about the underclass---also showed little improvement. At the height of the recession (1982), the overall unemployment rate was nearly 10 percent. At that time, a startling 47 percent of the high school dropouts in this critical group reported no earnings. Further 21 percent of the high school graduates in this critical group also reported no earnings. By 1986 the unemployment rate had fallen to 7 percent. Still, 36 percent of the high school dropouts and 15 percent of the high school graduates in this critical group reported no earnings.

Finally, employment in sectors traditionally paying high wages to low-skilled black men has continued to decline. In 1980, for example, the manufacturing, transportation, and public administration sectors employed 34.2 percent of the U.S. workforce, but by 1987 these sectors employed just 30.3 percent.

What about trends in other underclass indicators? The most favorable sign is the trend in high school dropout rates. The fraction of adults who had not completed high school fell between 1970 and 1980, even though the underclass was growing. This trend has continued for both whites and blacks and the rate of decline has been greater for blacks since 1980. This is good news. But slower growth in labor productivity and rising skill requirements make it harder for high school graduates to find employment and to preserve real wages. Even in 1986, only half of the black male high school graduates between 20 and 29 years old were full-time, year-round employees. Further, mean real annual earnings fell by 16 percent between 1979 and 1986 for those who were employed, as did the real mean annual earnings of white high school graduates of the same age.

Other underclass indicators showed little improvement. First, there was virtually no change in the fraction of black families headed by females: 41.7 percent of black families were headed by females in 1980 and 42.8 percent in 1987. Poverty rates among such families remained above 50 percent. And the fraction of poor black families headed by females never fell below 72 percent. Next, the number of AFDC recipients as a fraction of the poor (or a fraction of the total population) have changed little since 1982, despite declines in the real value of benefits and tighter eligibility requirements. Third, the fraction of the poverty population that lives in central city poverty areas has continued to increase. Many researchers use this measure to estimate the size of the underclass. Between 1980 and 1987, the fraction of the poverty population living in central city poverty areas increased

by 64 percent. One third of poor blacks lived in central city poverty areas in 1980 and by 1987 this fraction had grown to 42.4 percent.

In sum, young black men, whether high school dropouts or graduates, have experienced slow increases in employment and earnings. These trends make it more and more difficult for them to support themselves and the families they may have created, through work. This probably prevented a decline in the underclass area population by preventing a decline in the number of female headed families depending on welfare and preventing dispersion of the low-skilled black population from inner-city poverty areas.

ETHNIC DIVERSITY IN THE UNDERCLASS

The conventional wisdom presumes that the underclass is an inner-city minority phenomenon, so government efforts to reduce the underclass require more spending on minorities. I am skeptical of this view for two reasons. First, although racial discrimination undoubtedly creates additional barriers for blacks, low-skilled workers of all races and ethnic groups have been hurt by declines in high paying jobs for low-skilled urban workers. Second, suburban migration of low-income people of all races and ethnic groups has been slowed by rising suburban housing costs.

The data show signs that whites, Hispanics, and immigrants are being drawn into underclass areas. The black share of the underclass area population declined from 72 to 59 percent between 1970 and 1980 and the foreign born share of this population increased from 3 to 8 percent. Next, Chart 2 shows that blacks and Hispanics together represented 70 percent of the underclass area population. Some people in the remaining 30 percent are non-Hispanic whites. Other results show that in almost a quarter of the 1980

underclass areas, whites represented 51 percent or more of the residents. These white majority underclass areas include few Hispanics, so many of the residents of these neighborhoods are probably non-Hispanic whites.

Published data on central city poverty areas, which include separate tabulations for non-Hispanic whites, also suggest some racial and ethnic diversity in the underclass. Though only 7.2 percent of poor non-Hispanic whites lived in central city poverty areas in 1980, this fraction had increased to 15.2 percent by 1987.

Some even suspect that there is a growing white underclass in rural areas, which is missed because underclass researchers focus on urban areas. We will know more about the rural underclass question shortly, but data on poverty by place of residence support a continued focus on the urban underclass. Poor whites are more likely to live in rural areas. But, except for having higher school dropout rates, the rural poor are less likely to exhibit underclass behaviors than the urban poor. The rural poor are less likely to depend on welfare, have female headed families, and they are more likely to work. Further, the rural poor are much less likely than the urban poor, to have all four underclass behaviors.

DEMOGRAPHIC TRENDS AND THE UNDERCLASS

Widely publicized demographic trends point to a window of opportunity for children of minority groups, which are overrepresented in the underclass. First, labor force growth during the next 10 years will be lower than growth at any time in the post war period. Second, only 15 percent of labor force growth will come from white males. Third, the average age of the labor force will increase from 34 years to 39 years. This is important because younger workers are more willing to move and may adapt to new skill demands

more easily than older workers. Last, the number of workers between 16 and 34 years old will fall. As a result of these demographic trends, America's labor needs over the next decade will draw heavily from minorities, women, older workers, and immigrants.

Despite expanding opportunities for these groups, there is no open field for the underclass. Rising skill requirements create employment barriers for children now enrolled in underclass area schools. A study for the Labor Department estimates that that more than half the jobs created between now and the year 2000 will require more than a high school diploma and more than one-third will require a college degree. These estimates may overstate educational requirements, but the basic point is clear. To take advantage of slow labor force growth, children from underclass areas must: (1) have much higher academic achievement than their parents and older siblings and (2) enter and complete post-secondary schooling at higher rates.

Achieving these goals will require a consistent commitment to education at the federal level. The federal budget has shown no clear signal for or against education since 1982. Instead, large increases in federal funding for all levels of education followed consecutive annual cuts, so that this funding has declined at an average annual rate of 3 percent per year. This cannot continue.

POLICY DIRECTIONS

To decrease the size of the underclass, families must receive contributions from two earners, so that they can leave areas where social dislocations incubate. So short term policies must ease the transition from welfare to work among mothers and increase employment and child support among fathers.

The greatest earnings gains from recent state, work-welfare, experiments have come by increasing work efforts by single mothers, through childcare, job search, job training, and job counseling. The 1988 Family Support Act requires all states to develop similar programs, but because these programs rarely apply to absent fathers they leave half of the underclass problem untouched. Single mothers provide support for their children through in-kind services. If these mothers find a job through work-welfare programs, they will also provide cash support. But absent fathers, who are unwilling take a job, bear no responsibility for their children. Finally, Those who are willing, but unable, to find work and those who earn too little receive no help in meeting their paternal obligations.

Future policy must compliment work-welfare by (1) reducing joblessness among men in underclass areas and (2) making sure that absent fathers in underclass areas support their children. Increasing demand for low-skilled workers in urban areas or providing public service employment at low wages could accomplish the first goal. If successful, such programs would stabilize labor force participation among men in underclass areas, allow them to establish employment records, and make it possible for those who father children to share the responsibility with mothers and with taxpayers. This leaves the problem of low pay unresolved. But by joining the ranks of the working poor, men in underclass areas would become part of a large and growing constituency whose plight is at the top of the domestic policy agenda.

Establishing paternity and support orders, even when fathers are poor or unemployed, and tying employment services for absent fathers to child support payments could achieve the second goal. The Family Security Act already contains the foundations of this proposal. Further, even though poor, young, fathers, rarely marry the mothers of their children, there is some evidence that they make small cash and in kind child support

contributions. This leaves room for optimism that, if government can increase and stabilize their earnings, some absent fathers in underclass areas will make higher and more stable contributions to their children. Finally, while purely punitive measures could backfire, establishing paternity and a legal obligation to support could discourage absent fatherhood.

Longer term policies must help children from underclass areas reach their working years with fewer scars. This means they should: (1) learn more in elementary and high school; (2) complete high school without children of their own; and (3) have the money to attend post-secondary school, if they have strong academic or technical ability. Education for children from underclass areas should rank high among competitors for federal dollars because programs like Head Start and Chapter One of the Education Consolidation and Improvement Act have already shown some success. Besides extending these programs to more children, additional funding is needed to design new strategies to educate disadvantaged children and to retain them in greater numbers in high school and college. Finally, teen pregnancy prevention programs should focus on the sexual and contraceptive choices of girls and boys, since the goal is to reduce the concentration of absent fathers, single mothers, and their children.

Chart 1

DEFINITIONS

Urban Institute estimates are based on a definition of the underclass that focuses on concentrations of individuals living in neighborhoods where dysfunctional behaviors are commonplace.

That is, where there is a high proportion of:

- o teenagers who are high school dropouts,
- o prime-age males not regularly attached to the labor force,
- o households on welfare, and
- o households headed by women,

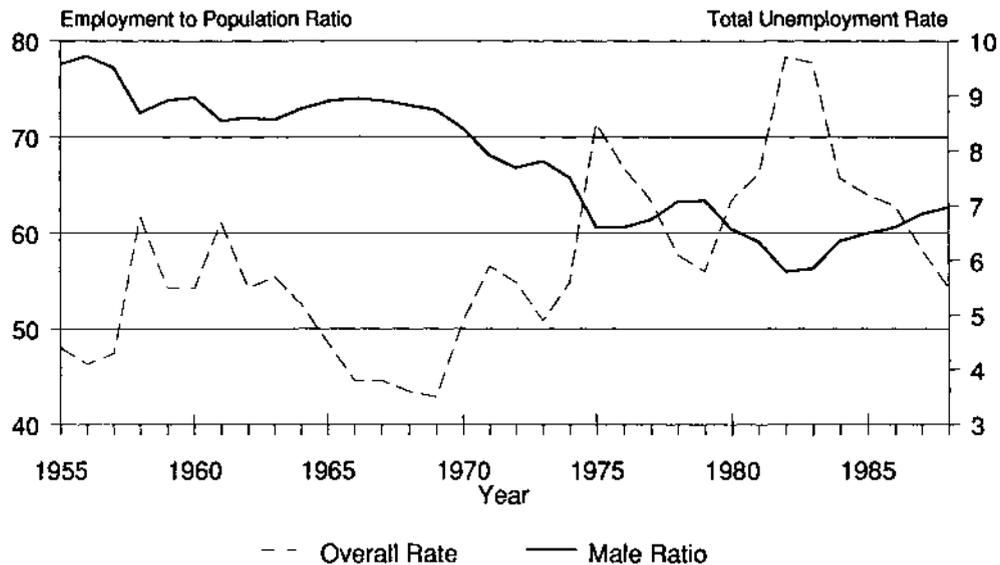
and where "high" means one standard deviation above the mean for the United States as a whole.

Chart 2

THE SIZE AND COMPOSITION OF THE UNDERCLASS, 1980

	Underclass Areas	U.S.
Total Population (Thousands)	2,484	226,546
Total Poverty Population (Thousands)	1,066	26,100
Proportion of Total Populations that is:		
Urban	0.99	0.77
In Northeast	0.36	0.25
In North Central	0.27	0.24
In South	0.26	0.30
In West	0.11	0.21
White	0.28	0.82
Black	0.59	0.12
Hispanic	0.10	0.03
Adults with less than a high school education	0.63	0.31
Proportion of:		
Households headed by women	0.60	0.19
Teenagers who are high school dropouts	0.36	0.13
Prime-age males not regularly attached to the labor force	0.56	0.31
Households on welfare	0.34	0.08

Figure 1
 Nonwhite (or Black) Male Employment
 to Population Ratios, 1955-88



SOURCE: Economic Report of the President
 February, 1988; Employment and Earnings,
 U.S. Department of Labor, January, 1989.

Representative OBEY. Thank you very much.
Mr. Mead, please proceed.

**STATEMENT OF LAWRENCE M. MEAD, ASSOCIATE PROFESSOR,
DEPARTMENT OF POLITICS, NEW YORK UNIVERSITY**

Mr. MEAD. Thank you, Congressman. I am delighted to be here.

Let me just say somewhat parallel things to what Ron Mincy has said but emphasizing a different view of the causes of this problem.

The underclass, as most people use that term, is a small group that is poor and which has various problems of functioning along the lines that Ron Mincy has described. One estimate is that the size might range somewhere between 2 to 9 million.

I don't believe there is any serious disagreement about the definition of this term. The disagreements are quite limited, and they have mostly to do with whether the underclass can be associated with geographic areas, with neighborhoods in the way that Ron Mincy has suggested. But everyone uses the term to mean people who are poor and who have problems in functioning.

I would particularly want to emphasize the employment aspect. One of the things that hasn't been noticed enough, I think, in the debate about poverty is that work levels among the poor are remarkably low, and furthermore they are falling, and they are falling in the midst of the tightest labor market that we have had in a long time.

In 1986, only 42 percent of poor adults had any earnings at all in a year, and that contrasts to 68 percent for the public. Obviously, that is a major cause of poverty and there is a sharp and inverse relationship between work effort and poverty levels.

Yet the share of poor family heads who had any earnings has fallen 20 percentage points since 1959. The drop is from about two-thirds to less than half, to 47 percent, and there isn't any obvious explanation.

It is connected to the rise in female headedness. It is female headed families who work markedly less than two-parent families, and you might think, well, that is the reason, because the mothers are unable to work. Well, that is unpersuasive, however, because other single mothers who are not poor are working and for women as a whole, married and unmarried and with and without children, there has been increasing labor force participation. That is true among whites and blacks.

So rising female headedness really doesn't explain our problem. Also, among poor blacks, families that break up are usually poor before they break up as well as after, in both cases because there is limited work effort.

Also, it isn't true that the poor are becoming less employable. Actually, the share of the poor who are working age, that is, not children and not elderly, is rising. It is right about half of the poverty population.

It is also not true that all of this can be explained by rising real wages. As wages rise, it is tougher to work and remain poor because the income that you get from working is above the poverty line, which is a fixed level and does not rise. However, if you look at poverty in a relative sense, if you look at the bottom fifth of the

income distribution, you still see falling work effort even while the better off are working harder. There has been this division in American society where most people are putting in more working hours to maintain incomes and get ahead in various senses. Especially, the best off are working very hard indeed. But the worst off are working less.

This division largely accounts for the underclass and also for the division politically over this question. Most Americans feel they are working hard and people who are poor and dependent are typically not working hard.

Now, that just pushes the question back. What is the origin of the various dysfunctions that define the group, and especially what is the origin of nonwork?

There are fairly well-defined theories here, both liberal and conservative, and I find both of them rather unpersuasive on the evidence. I am left with a mystery and rather tentative answers.

Among liberals one theory is that jobs don't pay enough. It is possible to work and be poor in this country, and indeed there are working poor people. By the broadest definition, there are about 9 million working poor, about 2 million of whom are working full time the full year.

But it is important to point out that that is a much smaller number than the nonworking poor; 58 percent of poor adults don't work at all. That is over 12 million in a year. That is a considerably larger number than the working poor by the broadest definition.

And the same is true for the idea that the minimum wage is the answer. The minimum wage has a very small connection to poverty. Most people who are working at the minimum wage are not poor. Most people who are poor are working above the minimum wage. Overwhelmingly, the reason for poverty is low working hours and not low wages, and the great difficulty is to expand working hours. That has a much sharper effect on poverty levels than wage rates do or the minimum wage.

A second theory, to which Ron Mincy has alluded, is that jobs may be absent, opportunities to work may be lacking, especially in the cities. There is no way to be sure of this for various technical reasons, but the evidence we have overwhelmingly suggests that jobs, at least of the low-paid variety, are indeed available in the cities on a wide basis. The labor market is quite tight. It is tighter in the suburbs, to be sure, than in the inner city, but it looks like jobs of some sort are widely available.

The notion that the collapse in manufacturing employment is the bogey is unpersuasive because there isn't much connection as far as anyone can find between nonworking poor people in the inner city and people who worked or could work or ever have worked in factories. Deindustrialization is occurring, and it is a serious problem for American workers, but it is going on over the heads of the poor. Most of those involved are made worse off by deindustrialization, but that is not the same thing as becoming poor. As long as they work and they keep working, they may be worse off, they may be less equal, but most of them are not poor or dependent.

The mismatch theory that sees a connection between the trends of economic change and rising inner-city joblessness has simply not been verified by a variety of economists over 20 years. It is not a new theory. It is an old theory and it hasn't been found to check out.

So I don't think there is really any convincing evidence now that lack of jobs is the reason for the problem. The fact that opportunities are worse in some ways for the unskilled, I don't doubt that, but I don't think that explains the total lack of work. What that would explain is working and doing worse, making lower wages, lower income. But being poor and dependent primarily is due to a total lack of employment.

The same can be said for other barriers to employment, such as racial discrimination and child care problems. These are unpersuasive as causes for nonwork; that is, for lack of all employment. They are rather more persuasive as problems for people who are working.

And that is my general conclusion about the barriers that are cited as reasons for nonwork. They explain inequality among workers. They are important, but they explain problems among people who already have jobs. They do not explain the failure to work at all, and therefore they don't explain the underclass.

Now, turning to the main conservative theory, it is a theory associated with Charles Murray, the notion that welfare programs and other programs create disincentives for work effort.

It hasn't been shown that there is any clear association between high welfare benefits and low work levels or, indeed, other dysfunctions which have to do with the underclass. This entire tradition of research has shown only slight effects.

I would look at several other causes to explain the underclass myself, one of which is emphasized by Bill Wilson and other people in his tradition, and that is the isolation of the inner-city poor. I do think they are isolated, even though jobs appear to exist. They are cut off from the mainstream economy, and this tends to entrench attitudes against employment over time.

The second thing I would emphasize is the permissiveness of the welfare system. I don't see strong evidence that benefits deter work, but I do see evidence that lack of work requirements deters work, or rather permits nonwork. The strongest effect that welfare can have on the work situation is whether or not work is required as a natural part of the welfare bargain.

The third element I would emphasize is several attitudes that appear to be well entrenched among the underclass and are contrary to work. I don't mean that people don't want to work. I see strong evidence they do want to work.

What you find, rather, is a resistance to low-wage jobs on the part of many individuals, especially men, not because it is irrational to work but because they feel it is morally insulting to have to take jobs that are dirty and low paid. There is an attitude of revulsion against the available jobs. That is one reaction, which I find understandable.

The second reaction is defeatism, where one wants to work and one does accept the available jobs but one feels overwhelmed by the logistics of employment. One can't arrange a job. One can't arrange

child care. One needs help on all those things, and because it is so defeating one gives up. I think that is a predominant reaction among long-term welfare mothers.

So this complex of social isolation, permissive welfare, and attitudes contrary to work—not values contrary to work, but attitudes which cause one not to work even though one wants to work in principle—these things are what I would cite as the causes.

Now, this leads to a curious conclusion that I have just reached recently. In general, in talking about the problems of work, liberals tend to emphasize structural social problems, including economic limitations, lack of jobs, lack of wages, et cetera, while conservatives question the desire of the poor to work, and so on. But the evidence that I see is almost the other way around.

It looks like the conservatives are right about society, the liberals are right about the psychology of the poor. Conservatives are right to say on the whole that opportunity does exist, jobs do exist, at least good enough to keep out of welfare and out of poverty, if not to become equal in broader senses. Conservatives are right about society.

But liberals are right in saying that poor people don't feel they have opportunities. They do feel alienated. They do feel defeated. So I think the liberal reading of the psychology is correct, even though it is not in fact supported by the objective facts about society. So we have to deal with that alienation.

In terms of policy I feel the great difficulty is to avoid assuming a solution in advance. What I see in the history of Federal antipoverty policy is a tendency to assume economic competence; that is to say, to assume that people want to work, will work if offered the chance, so all they have to have is better opportunity.

So most Federal employment programs concentrate on increasing jobs or increasing the pay of those jobs or increasing skills through various kinds of training. They all assume precisely the thing which seems to be lacking, which is that people are economically competent in the sense that they seek to get ahead and seize opportunities and go to work without prompting.

But if that were true, we wouldn't have an underclass in the first place. I don't think one can premise policy on the supposition that people are economically activist because that simply isn't true of the underclass. I don't believe that economic reasoning can explain the predicament. If the poor in fact did seize opportunities and did respond to incentives in the way that all our policies have presumed, they wouldn't be poor in the first place.

It is not surprising to me that work incentives and voluntary training programs and government job programs have had very little impact on this problem because they all assume in advance the thing which, if it were true, we would have no problem.

We have to create rather than presume the will to get ahead—not the desire to get ahead, but the will to actually do it. That is the thing that has to somehow be liberated in these people.

Employment policies have moved toward work requirements, especially in the welfare system and to a lesser extent elsewhere. We have seen that we cannot presume economic competence, but rather we have to create it.

What workfare does is use public authority rather than economic incentives to try to motivate. My studies say very strongly and also my reading of the psychology says very, very strongly, that this is the way to go. Public authority is a real lever which can in fact affect behavior; whereas, economic incentives do not.

This is a dutiful group that wants to work, wants to function, but feels unable to do so. But they want the norms enforced and they respond when they are enforced, and when they are not enforced they experience that as abandonment.

So we have to be willing to be tutelary. We have to be willing to set up a structure to some extent paternalist. I don't see any alternative to that. Some way down the road it may be possible to go back to strictly economic motivation.

Now, my main problem with the workfare programs we have is that they don't in fact involve the bulk of the clients. They are a formality for most clients. Only about a third of those are employable have to participate actively. That would be changed very little by the Moynihan bill enacted last fall. I would try to get the participation rate up to 50 percent. That is the strongest thing one could do to get at the heart of the underclass.

The difficulty is to again persuade politicians that we need to do this, to stop making the competence assumption about the way people function at the bottom of society, and realize that this is necessary.

Liberals and conservatives both make that assumption. When liberals want government to be involved in the economy, they mean to expand opportunities for workers. The whole progressive tradition is about equality for workers. It assumes working families. But work-based benefits are no answer to nonworking families. The same is true for the conservative side. Conservatives trust the private marketplace, but the marketplace again assumes that families are working, and if they are not then they don't benefit from economic expansion.

What Ron Mincy has told us about the effects of the expansion I think is quite extraordinary. We have declining work effort in the midst of the tightest labor market in about 20 years. That is extraordinary, and it indicates that economic solutions are not sufficient. We have to go over to some more paternalist structure involving administrative sanctions where people are in fact required to work rather than motivated to work by economic payoffs.

Two other recommendations I would have. One is not only to expand workfare, but also to reform inner-city schools—Ron Mincy has alluded to that—so that people really possess some skills before they get out. I don't think we should promote or graduate students who are illiterate, who can't add and subtract.

And, finally—and this is an important part of the work problem for men who are not on welfare—law enforcement against the underground economy. That is the key to requiring that men not on welfare actually work.

I would also, incidentally, allow more men to go on the rolls, but I wouldn't do it in the way that is done now under the unemployed father program, where the father has to not work in order to qualify for welfare. I would do just the opposite. I would qualify the father, but require him to work. He would have to be working full

time, and if he was, the family could get aid if it were still needy. The mother might have to work only part time.

Those would be my recommendations, and I will be glad to answer questions.

[The prepared statement of Mr. Mead follows:]

PREPARED STATEMENT OF LAWRENCE M. MEAD
The Underclass and American Politics

SUMMARY

The underclass comprises those 2 to 9 million Americans who combine low income with difficulties in functioning, particularly in working. Work effort is low and falling among the poor. The main reason is not social barriers such as low wages, lack of jobs, racial bias, or welfare disincentives. The incentive to work is already great, and the chance to do so seems widely available. More likely, nonwork arises from the ambivalence the poor feel toward employment and a permissive welfare system that seldom requires work.

Most strategies to help the poor, such as voluntary training and jobs programs, have failed because they presume just the economic competence--the willingness to take chances to work--that today's poor tend to lack. Workfare shows more impact because it motivates work effort through public authority. This and stronger education and law enforcement offer the best hope to integrate the underclass.

However, such paternalist measures are difficult for American politics. Leaders prefer to debate traditional progressive issues, such as the proper scale of government and how to advance equality among workers. The real need is to create more workers. The real issue is not opportunity but competence.

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The underclass has become a touchstone for current debates about social policy in the U.S. Whatever approach one recommends, it must promise integration for this group. In this testimony, I will describe the underclass as most experts understand it, discuss its causes, and suggest prescriptions. None of these matters is as contentious as the debate suggests. Much of the argument is an evasion of the real issue, which is how to cope with the economic incompetence of the nonworking poor.¹

THE UNDERCLASS

Most experts understand the underclass to include people who are poor or near-poor over the long term *and* who display serious problems in functioning in the ways society expects. That is, they have difficulty observing such civilities as obeying the law, getting through school, maintaining families, and, above all, working for a living. These behavioral problems are the most fundamental, as they usually are the initial causes of the income problems of the group.

The focus on behavior implies that we talking mostly about working-aged and able-bodied people, not children, the elderly, or the mentally ill or disabled. While significant numbers of these groups are poor too, their need less often arises from uncivil behavior. This makes them easier to help, and helping them is less controversial. In the following, I focus on adult poverty, and especially on poor single men and long-term welfare mothers. I do not deny that there are other, and more "deserving," types of poverty.

One good estimate, by Robert Reischauer, is that the underclass comprises between 0.9 and 3.3 percent of the population depending on the kinds and degrees of dysfunction specified. That implies somewhere between 2.2 and 8.5 million people in 1987. The underclass is clearly a much smaller group than all long-term poor people (6-7 percent of population, or 15-17 million), let alone all poor in a single year (13.5 percent, 33 million). It may be seen as the inner core of the

¹ Much of the following is drawn from a new book, tentatively entitled The New Dependency Politics: Nonworking Poverty in the U.S., which should appear from Basic Books next year. I have avoided documentation but will be glad to supply it.

poor, those who are not only needy year after year but whose poverty is rooted in a lifestyle that is difficult to change.

Of all the dysfunctions that help to define the group, the most fundamental may be nonwork, in which I include both failure to find a job and failure even to look for one. It has been noted too little that work levels are dropping among the American poor. The share of the heads of poor families that work at all in a year has dropped 20 percentage points since 1959, from over two-thirds to less than half. The share working full-time and full-year has dropped from almost a third to under 15 percent. Much of the decline is associated with the rapid rise in female-headed families among the poor, but family breakup alone cannot explain it. Among poor blacks, who dominate the underclass, most couples that split were poor before the breakup as well as after. Work effort has fallen among poor female heads, not only because there are more such heads. Yet among the general population, including blacks, work effort among women has risen and employment is usual for single mothers who are not poor.

Nor is it inevitable that work levels should fall because the needy are becoming less employable. The proportion of children and elderly among the poor has actually fallen due to smaller families and rising Social Security benefits for the retired. Almost half of poor individuals today are working-aged. Nor is it true that poverty and work have become mutually exclusive because of rising real incomes, which makes it more difficult to work and remain poor by the official measure, which is fixed in real terms. Even if we define poverty in relative terms, a trend against work is apparent. Work effort is falling among the poorest fifth of families, even as it is rising among the better-off.

In 1986, only 42 percent of poor adults reported any earnings in a year, compared to 68 percent for the public. Among welfare mothers, only 5 percent work in a given month, even part time, though over a year perhaps a third do. Low earnings, in turn, produce need. The relationship between poverty and work effort is potent and inverse. The poverty rate is a quarter for families with nonworking heads, and over half for those with nonworking single heads, but it drops to 3 and 8 percent, respectively, for all heads and female heads who work full-time and full-year. Escape from poverty is also strongly related to the number of workers in the family.

Members of the underclass are poor largely because they live off welfare or illegal activities rather than steady earnings in legitimate jobs. The failure of husbands to work, while wives qualify for welfare, is also a leading cause of family breakup, which in turn helps precipitate many of the other social problems of the inner city. Separation from work is a more important cause of isolation for the poor than the ghetto as such. It is common participation in the economy, more than residential integration, that traditionally has brought races and ethnic groups together in America.

CAUSES

To explain the underclass means, in essence, to explain the demoralized mindset that leads to the functioning problems of the group, which in turn usually cause its poverty. The puzzle is to explain why people engage in behaviors, such as illegitimacy, crime, and nonwork, which are irrational for the individual's long-term interest, let alone society's.

Since most of the underclass is nonwhite, one obvious cause is past slavery and racial discrimination. Groups that have been denied fair opportunity inevitably pursue it less energetically than the privileged. The most heavily dependent groups--blacks, Hispanics, American Indians--also came from less achieving backgrounds than those that are conspicuously successful (e.g., Jews and Asians). The trouble is that the influence of racism and ethnicity is heaviest in the past, while the decline in work effort is recent. Indeed, it coincides with the period since 1960 when racial barriers have fallen.

Most of the recent debate has been specifically about the causes of nonwork. Two main explanations have been proposed. Liberals say that the poor are kept from earning their way out of poverty by various social barriers, particularly low wages, lack of jobs, and other impediments to employment. Conservatives say government programs create disincentives to work. Neither theory is very persuasive.

It is said that people are poor today mainly because the jobs they can get do not pay enough, but this is implausible. Steady work at any legal wage typically takes a family off welfare and above poverty, at least if both parents work, as is now the norm. It is true that there are "working

poor" people--nearly 9 million in 1986, 2 million of whom worked full-time and full-year. But they are considerably outnumbered by poor people who do not work at all--12.5 million in 1986. Overwhelmingly, *poverty is due to low working hours rather than low wages*. Low wages cannot explain low hours. One would expect the low-paid to work *more* hours than the better off, when in fact they average far fewer.

The minimum wage, now set at \$3.35 an hour, is often blamed for working poverty. But the relationship between poverty and minimum-wage work is very tenuous. Most working poor are above the minimum wage--when they work--and most people who work at the minimum are not poor. It is true that one cannot support a family above poverty by working at the minimum wage even full-time, but such calculations are always made hypothetically. *Very few actual workers are in that position*. Most minimum-wage workers are teenagers, and spouses, not heads of household, and most work part-time. According to CBO, *only 120,000 workers in the entire economy worked full-time, full-year at the minimum wage and were still poor, and not all of these were heads of family*. There may be grounds to raise the minimum wage or expand work-connected benefits (such as the EITC). But since most poor people do not work at any wage, doing this will have little effect on poverty.

It would have an effect only if more people were tempted to work by the higher returns. One often hears that the answer to nonwork is to make employment "pay," by raising wages and guaranteeing benefits such as health care. But the incentive to work is already great, as the powerful antipoverty effects of employment show. Work levels probably would rise if wages or benefits were raised to middle-class levels, but they would have to be raised for all workers, and this would be prohibitive. Increases on the much smaller scale now under discussion would have little impact.

The contention that jobs are lacking is also implausible. The labor market is already tight and, due to demographic trends, likely to remain so. The boom of the 1980s coupled with the "baby bust" have brought unemployment down to around 5 percent, and there is a distinct labor shortage in suburban areas. Millions of illegal aliens have entered the country to do jobs not taken by poor Americans. Most unemployed are out of work only briefly, and joblessness even among the groups with the highest measured unemployment (minorities, women, youth) is

characterized more by rapid turnover than a lack of all employment. A good deal of unemployment, among rich and poor alike, appears to be voluntary, in the sense that people pass up available but unattractive jobs in hopes of finding better. Poor people themselves say they usually can find jobs; they complain, rather, about the quality of these positions.

On the left, structural theories have been advanced to explain nonwork. The "dual labor market theory" says disadvantaged workers are confined to a "secondary" economy of small firms and service industries in which pay and prospects are much worse than in the "primary" economy of large firms and government. Research does not corroborate such a division. Even low-paid workers, it appears, typically enjoy substantial mobility over their lives--if they work steadily.

Recently, William Julius Wilson and others have contended that nonwork among the poor is explained by a "mismatch" between available jobs and jobless adults in the inner city. The latter cannot get to the suburbs, where most available jobs are located, nor can they qualify for employment in a "high-tech" economy. Manufacturing jobs they could do have declined in favor of fields such as computing and telecommunications that demand much more education. However, nobody has shown a concrete connection between deindustrialization and the inner-city poor. Very few of the latter ever worked in factories. Studies do not find that difficulty commuting to jobs is an important cause of urban unemployment, and, despite "high-tech" trends, the bulk of jobs in the economy still demand only limited education.

Other barriers to employment are more apparent than real. Racial discrimination seldom restricts employment by the poor; it is a greater problem for better-prepared blacks who are in more direct competition with whites for preferred jobs. Because the size of families has fallen, the burdens of children less often keep single mothers from working than was once the case. Nor is lack of child care a significant barrier. Most working mothers, poor and nonpoor, arrange care informally with friends and relatives and are satisfied with it. Expanded child care centers might be necessary for other goals, such as early childhood education, but not for employment. Finally, while skills among poor adults are clearly limited, only a small proportion are disabled or otherwise clearly unemployable.

My sense is that the barriers cited by liberals largely explain inequality among workers, poverty or dependency. That is, they explain why low-skilled adults, if they work, will not prosper in competitive senses. Most will be decidedly worse-off than better-prepared workers. But these facts cannot explain why so many of the poor do not work at all. That usually makes them worse off than working even in the worst jobs. The same may be said of deindustrialization. It may explain why some unionized workers have had to come down in pay, but it is going on largely over the heads of the poor. Most workers driven out of factories keep working in some job and so avoid poverty or dependency.

The leading conservative theory of nonwork is that it is caused by the disincentives inherent in welfare and other social programs. These benefits support people who are single mothers and nonworking, so they encourage the poor to avoid marriage and employment. Allegedly, nonwork and other dysfunctions rose to record levels in the 1960s and 1970s as social spending soared due to Great Society initiatives. The theory sounds plausible, but research offers little hard support for it. There may be some low threshold of welfare that permits nonwork, but above that work levels among recipients do not vary much with benefit levels. And work levels went on falling after the real value of welfare benefits fell after the early 1970s.

Rather than the pattern of opportunity or welfare benefits, I would cite two other structural causes. One is the isolation of the long-term poor. The underclass may be linked to particular geographic locations, especially the inner-city neighborhoods of large cities. In these areas, an alien subculture opposed to self-reliance has arisen that may be feeding on itself. Researchers are divided as to whether there is such a "neighborhood" or "contagion" effect. But it is clear that the underclass is substantially separated from the economy. This seems to have entrenched employment difficulties over time.

The other structural factor is the lack of serious work requirements in welfare and other antipoverty programs. The poor accept the work ethic, but it has not been enforced as a routine aspect of social policy. It has thus become an aspiration divorced from actual behavior, much as the tax or traffic laws would be if they went unenforced. The mistake is not the benefits government gives people but its failure to expect work and other civilities *in return*. The problem is not government's generosity but its *permissiveness*.

There are also attitudes that cause the poor to avoid work despite the opportunities that appear available. I do not mean they do not want to work. One might suspect this from the daily activities of the poor, which are little directed toward getting ahead. But in interview studies, poor adults say firmly that they do want to work, and most welfare recipients who participate in welfare employment programs are enthusiastic about their experience. I believe these sentiments are sincere.

Nor is it likely, as some liberals claim, that nonwork is a "rational" response to the constraints low-skilled workers face in getting and keeping jobs. This view is implausible if, as the evidence suggests, poor workers do not face unusual obstacles to working, only in "succeeding." Not to work cannot be as "rational," at least in material terms, as laboring steadily in available jobs, however meagre they are. Neither crime nor welfare, on average, pays as well as work. Apparently, the jobless poor want to "get ahead" but they are not competent in the economic sense. That is, they do not press their own advancement effectively, above all by working regularly.

Two other reactions seem to be much more important. One is that many nonworkers, especially youth and men, reject available jobs as beneath them. The motivation is not rational calculation but moral revulsion at the limited options society offers the low-skilled. These workers would rather be out of a job entirely than accept low-paid or "dirty work." Secondly, a larger number of poor, especially welfare mothers, suffer the syndrome often called "culture of poverty." They do not resist available jobs, but they are overwhelmed by the demands of working. They feel they cannot work unless government assumes most of the burdens, including arranging a job, training, transportation, and child care.

Overall, in assessing the causes of nonwork, conservatives are right about society, but liberals are right about the mentality of the poor. Society does offer opportunities to the poor sufficient to escape poverty and dependency. But most long-term jobless do not *believe* this. They *feel* they are boxed in by barriers even if, to an impartial eye, they are not. These feelings have themselves become the major barriers to employment.

POLICY

Federal domestic policy has been driven since the early 1960s by the desire to reduce poverty, and much of that endeavor has been to raise work levels. But federal programmers have usually made what I call the competence assumption. They assume the poor are willing and able to advance their own interests if offered the chance. The emphasis has been on expanding the opportunity to work and profit from it. Liberals have tried to do this by expanding government's role, conservatives by reducing it. But since the long-term poor no longer seek consistently to get ahead, both approaches have failed.

Roughly, opportunity policies succeeded with people that were already working but failed with those who were not. In the 1960s, civil rights reforms and Keynesian measures to maintain full employment opened new chances to blacks as a group and especially to two-parent, working families. The result was the rapid fall in working poverty and the expansion of the black middle class. The government, however, has signally failed to raise work effort among nonworking adults, which is now the key to reducing poverty. A number of benefit-oriented approaches have been tried, to no avail.

One was "work incentives." The idea was that welfare would not discourage work effort by recipients if only part of their earnings were deducted from their welfare grants. But incentives added to AFDC in 1967 did not raise work levels, while government income maintenance experiments showed that work effort reacts little to such inducements. Nor does the provision of Medicaid benefits attract more people onto the rolls than would otherwise be dependent. It now seems that people go on welfare largely because of an inability to cope, and that reflex varies little with the details of the benefit package.

A number of voluntary training programs were instituted, on the view that better skills would enable the poor to get better jobs. The programs increased individual earnings, but the effects were small, and they came mostly from motivating clients to work more hours in the low-paid jobs they could already get, not from getting them better jobs. In the 1970s, government took to hiring disadvantaged workers for jobs in public and nonprofit agencies, on the view that this would accustom them to work. These programs, chiefly under the Comprehensive Employment

and Training Act (CETA), generated useful income and work experience, but few clients "transitioned" to employment in the private sector when their subsidized positions ended. All voluntary programs manifestly failed to stem the fall in work effort among the poor.

On the conservative theory that benefits deterred work, the Reagan Administration trimmed work incentives and eligibility in welfare, abolished government jobs, and cut funding for training sharply. But these steps also had little effect. Work levels kept falling even in the midst of the Reagan boom, while poverty and dependency have declined very little.

The trouble was that all these approaches assumed that nonworking adults would respond to the incentives provided so as to maximize income and wealth. But experience has shown that most of the long-term poor do not respond strongly to economic payoffs, whether they stem from incentives or disincentives, from government or the private sector. Indeed, if they did, they would seldom be poor for long in the first place.

Largely due to these disappointments, employment policy has turned increasingly toward "workfare," or efforts to require welfare recipients to work in return for support. The term originally meant making clients "work off" their grants in unpaid government jobs, but it has lately come to connote any employment program where participation is mandatory. Workfare in this meaning, which I will use, may offer a range of options, including job search in the private sector, training, and education, as well as public employment.

Federal workfare began in 1967, when a Work Incentive (WIN) program was attached to Aid to Families with Dependent Children (AFDC) and employable recipients were required to sign up for it. These stipulations were strengthened in 1971, and in 1981 states were allowed to replace WIN with more demanding programs of their own. The Family Security Act (FSA) passed in 1988 will expand these programs further.

Workfare programs have shown promise. They have if anything greater impact on individual earnings than voluntary employment programs, and they save enough money due to reduced welfare to finance themselves. More important, they show a potential to elevate work levels generally, at least on welfare. That effect has strengthened as the programs have become more demanding, and it can be shown statistically. My studies comparing programs find that the main determinant of the share of clients entering jobs is the share obligated to participate

actively. That is so even controlling for economic conditions, the employability of clients, and the generosity of benefits relative to wages, which conventional analyses say determine whether recipients work.

The main weakness of workfare is that participation has been low. Although all employable recipients have to register for the programs, only about a third typically have to participate actively. The rate is lowest in major cities like New York. The best of the post-1981 programs have raised the participation level to 30 percent or more, and this seems the main reason they are more successful. But for most recipients, the work requirement remains a formality.

Many liberals oppose the mandatory aspect of workfare. They would prefer "workfare" run on a virtually voluntary basis, as Massachusetts has done. The trouble is that clients who volunteer tend to be the least dependent, the most likely to get jobs on their own. To reach the true underclass, participation must be required. The great difficulty is to overcome withdrawal, to get people out of their homes into the public world. Only there can they be less isolated and recover hope. The rationale is the same as for mandatory public education. Anyone who opposes requiring poor parents to work should ask why they should be required, rather than merely permitted, to send their children to school.

The main recommendation I would make is to raise participation rates. Federal rules for state programs have typically exempted mothers with preschool children as unemployable, and have required that only 15 percent of other recipients participate actively in work programs. FSA includes mothers with children 3 or older in the employable pool but raises the participation floor only to 20 percent in 1995. I would have preferred 30 percent. This seems practicable, and it would achieve an important change in norms: purposeful activity, rather than inactivity, would now become the norm on welfare.

The national interest is to set the participation floor and a few other critical standards. The detailed design, administration, and much of the funding of workfare programs should come from the states. The 1981 reforms have shown that locally-designed programs perform better than WIN or any national model could do. The Bush Administration is now developing regulations to implement the participation levels set in FSA. Congress should resist complaints from states that

the rules are too demanding, or workfare will remain a token. Localities have quite enough discretion as it is.

The critical difference between workfare and voluntary programs is that it does not make the competence assumption. It does not assume that poor adults will go to work and get ahead on their own. Rather, they have to be motivated initially by public authority, and they can be. That is just what experience proves, and what a reading of poverty psychology should lead us to expect. Although nonworkers are ambivalent about jobs, their response to the work ethic is dutiful. They want to be held to it, and they respond positively when they are. Workfare helps close the very considerable gap that normally exists between their desire to work and their inability to work in practice. For this most are *grateful*.

The main limitation of workfare is that it can reach only nonworkers who are on welfare. That includes some unemployed fathers, who under FSA would be subject to a fairly stringent work requirement, but they are only a small part of the caseload. To qualify, they have to work less than 100 hours a month, yet show enough prior attachment to the labor force to be classified as unemployed. Most of the fathers of welfare families are not on welfare, though some of them receive support unofficially from mothers who are.

One of the ways to reach them is to bring more of them onto the rolls. I would allow them to live openly with their spouses and draw welfare //they worked full-time, in either a private or government job. That is, instead of forbidding them to work, I would *require* them to. The other way to enforce work on this group is to foreclose the alternatives to legal employment. That primarily requires police action to shut down the illegal economy, especially drug trafficking.

Besides demanding work and enforcing public order, a third essential step is educational reform. Poor adults have marginal skills partly because standards in inner-city schools have collapsed. Disadvantaged children must be taught to read and figure at a young age and not promoted, let alone graduated, until they can.

All these steps, especially workfare, can be seen as breaking down the isolation of the underclass and thus dealing with the deeper roots of dysfunction. To do this is to offer opportunity but also to enforce the mores the poor must live by to get ahead, and in which they already believe. A broad-based workfare structure, offering and demanding a wide range of involvements

by clients, can be understood as another stage of public education for those who are not yet able to take care of themselves. Within that structure, more of them could function and thus command the respect of other Americans.

POLITICS

The main difficulty in helping the underclass is not in knowing what to do. It is getting political attention and support for it. The trouble with all these recommendations, and especially welfare, is that they violate the competence assumption. They institute a degree of paternalism. They assume that poor Americans require some direction if they are to improve their lives. That is distinctly uncongenial to politicians of either left or right.

In this century, American politics has taken a progressive form. It has largely been a battle between those advocating more government and less. Liberals say that government must intervene in the economy to assure fair wages and protect income when people cannot work. That is the purpose of such New Deal measures as the minimum wage and Social Security. Conservatives say there will be more economic growth, hence more and better jobs, if government does less of these things. Such was the logic behind President Reagan's domestic policy.

Both viewpoints make a serious appeal to the interests of ordinary Americans. But both assume that people naturally seek to get ahead. Both assume that families are working. Otherwise they would not receive income from the private economy, nor even much from government, since mainstream social benefits (Unemployment insurance, Social Security, Medicare) presume a work history. The very fact that welfare benefits, which are not contributory, are so much less generous than social insurance reflects the strong belief of virtually all Americans that income should be premised on employment.

The underclass has defeated the preferred strategies of each side precisely because it does not act to get ahead. The era of big government in the 1960s and 1970s failed to cure entrenched poverty because poor adults did not seize the chances to work which were offered. Falling work levels, more than anything else, defeated the innovative programming of the Great Society. But the Reagan era of smaller government was no more successful. Poor families could not benefit

from a growing economy if they were detached from it, as most are. For antipoverty purposes, reliance on the marketplace is now in as much disrepute as Big Government was earlier. Through its passivity, the underclass has discredited the ideologies of both left and right.

Politically, the great difficulty is to get leaders to face up to this reality. They much prefer to go on fighting old progressive battles. The debate over welfare reform typically becomes a struggle over the scale of government, with liberals demanding more spending and conservatives less. Liberals want entitlements, while conservatives would prefer to devolve responsibility for welfare entirely out of Washington. This has obstructed the major need, which is to strengthen work requirements to make welfare less passive, however generous it is. That pattern recurred over the Family Security Act, which is one reason the work reforms it contains are only marginal.

Another progressive issue is how to advance equality among workers. Politicians love to argue over how best to achieve "good jobs at good wages." That is the issue when they debate the minimum wage. It raises no questions about competence, and it taps old passions about the proper scale of government in a free society. Among experts, there is much dispute whether jobs, even if they exist, are "real" or "decent" enough to require the poor to take them. Liberals set demanding conditions for acceptable jobs, conservatives much more lenient ones. But the debate is almost irrelevant to the issue we face. Poverty reduction is mostly about creating more steady workers in any kind of job.

The real issue in social policy today is competence rather than opportunity. Even if opportunity of a kind exists, can the poor really profit from it? Are they able to stomach the demands of work and satisfy employers? This is where liberal and conservative analysts part company most sharply. Ironically, it is liberals, the putative champions of the poor, who are most doubtful about their potential. Unskilled men and welfare mothers, they feel, are unable to get and keep jobs without massive government help. It is conservatives who assert a brassy confidence that people with little background can compete and succeed like the better-off. They are actually more positive about the poor than their opponents.

The policy question is no longer whether, or how, to restructure the economy to provide fairer opportunity for workers. It is how to generate steadier work effort among the poor in any kind of economy. That requires some way to change the passive, dysfunctional behavior of poor

adults. Simply altering the array of benefits and opportunities around them, which is what progressive politics is about, cannot accomplish this. The person at the center of the web must be mobilized. Benefit-oriented policies have shown little power to energize. Exertions of authority such as workfare look better because at least they can motivate activity.

Competence and how to improve is increasingly what experts dispute. The underclass debate has tended this way precisely because prohibitive social barriers to the poor are no longer apparent. More reliance now is placed on direct studies of the culture and psychology of the poor, less on analyses of the structure of opportunity outside them. The competence debate has much more to contribute to solutions than old battles about social openness and fairness. This does not mean that liberals are defeated. Their view of poverty psychology is actually more persuasive than their view of society ever was. It appears that most poor adults really are alienated and defeated. We cannot assume, as conservatives tend to, that they are just like other people.

But just because social barriers no longer seem prohibitive, neither can we exempt them from work and other normal expectations. The goal of policy cannot be to confine work to the few poor who choose it, or to require it only in a less demanding world of public jobs created specially for them. Rather, it must be to achieve the integration of poor adults in the mainstream economy, albeit with some ongoing support arrangements. That requires some tutelary structure that will seriously require work while providing the services and encouragement needed to achieve it. That is just what the most effective workfare programs offer.

The public strongly supports this. If the last election proved anything, it was that progressive issues no longer control the national political agenda. Rather, issues of competence and dependency do. The public is more worried about crime and other disorders, most of them linked to the underclass, than it is about whether the economy is serving working families fairly. In this climate, a credible social policy must above all address competence. It must find a way for more of the very poor to work and otherwise function in the ways they and other Americans expect.

I do not mean that society is entirely fair or that progressive battles are dead. They remain perennially important. But they cannot recover center stage in American politics until work levels rise. When and if that happens, the country can go back to battling over how to advance

equality among workers. That question is more divisive than poverty, but also less distressing. It does not bring competence into question, while poverty does.

Representative OBEY. Thank you very much.
Mr. Anderson, please proceed.

**STATEMENT OF ELIJAH ANDERSON, PROFESSOR OF SOCIOLOGY,
UNIVERSITY OF PENNSYLVANIA**

Mr. ANDERSON. I am pleased to be here today to discuss my ethnographic work on ghetto and underclass communities.

My testimony focuses on some of my findings from about 10 years of ethnographic work in poor black communities in west Philadelphia. My chief research concern has been and continues to be with the nature of the social organization of such communities.

In order to do my work, I spend time with people, listening to what they have to say and looking at what they do, and then I try to make sense of all of this with regard to sociological issues. The purpose of all of this is to better understand the people and the society of which they are a part.

As the black middle class in Philadelphia and elsewhere in the Nation emerges socially and economically, it has tended to become ever more distant from the ghetto communities of its origin. This absence has led to the diminution of an extremely important source of moral and social leadership within the ghetto community.

In pursuit of status and employment opportunities and out of the sense of genuine concern for their survival, members of the black middle class and those who aspire to it tend increasingly to leave the ghetto behind. In their wake, crime, drug use, and antisocial behavior have become powerful social forces working to segment these communities.

At the same time, poor blacks do not have much opportunity to participate in the regular economy. With severely limited education and skills, they are caught in an employment bind. Many young people are totally unprepared to work in the emerging service economy except at its lowest levels.

Many service jobs are located many miles from the inner city, out of range of so many young black people. As high-paying factory jobs disappear, older workers fall into poverty. To many young blacks an underground economy of drugs and vice appears attractive. The level of interpersonal trust and moral cohesion that once prevailed in the community is increasingly undermined and an atmosphere of distrust, alienation, and crime pervades, effectively altering the social organization of the ghetto.

Little known to most outsiders, one of the black community's most important institutions has become a casualty of these changes, the relationship between "old heads" and young boys.

Now, the relationship between old heads and young boys represents an important institution of the traditional black community. It has always been an important aspect of the social organization of such communities. This institution assisted the transition of young men from boyhood to manhood, enabled youth to secure gainful employment and participation in the regular manufacturing economy. The old heads' acknowledged role was to teach, support, encourage, and, in effect, socialize young men to meet their responsibilities with regard to the work ethic, family life, law, common decency.

But as meaningful employment opportunities have become increasingly scarce for young black males, drugs accessible and crime a way of life for many, this institution has undergone stress and significant change.

In the past an old head was known as a man of stable means who believed in the work ethic and was strongly committed to family life, to church, and, most important, to passing his philosophy, developed through his own rewarding experiences with work, to young boys whom he found worthy. He personified the work ethic and equated it with values and high standards of morality. In his eyes an employed working man was a good and decent individual.

The relationship between the old head and boy was essentially one between mentor and protege. The old head could be 2 years older than the young boy or as much as 30 or 40 years older. The boy was usually at least 10 years old. The young boy readily deferred to the old head's chronological age and worldly experience. The nature of the relationship was that of junior-senior, based on junior's confidence in senior's ability to impart useful wisdom and practical advice for getting through the world successfully and living well according to values of decency, family responsibility, and regular work.

The old head was a kind of guidance counselor and moral cheerleader who preached anticrime and antitrouble messages to his charges. Encouraging boys to work and to make something of themselves, he would try to set a good example by living as best he could a stable, decent, worry-free life.

His constant refrain was: "Get yourself a trade, son, do something with your life, make something of yourself." Displaying initiative, diligence, and pride as a prime role model of the community, he lived to have something, usually something material, but an intact nuclear family counted for much in the picture that he presented to the young boys on the corner.

On the corner and in the alleys of the community he would point to others who worked, using them as examples of how hard work and decency could pay off for such a person. He might urge the boys to "pattern yourself after him."

In these conversations and lectures he would express great pride in his own outstanding work record, punctuality, good credit rating, and anything else reflecting his commitment to honesty, independence, hard work, and family values.

The old head could be a minister. He could be a deacon in the church. He could be a policeman, a favorite teacher, an athletic coach, or a corner man. He could be the uncle or even the father of one of the local group of boys. Very often the old head played the role of surrogate father for many of those he determined to be in need of such attention.

A youth in trouble would sometimes discuss his problems with an old head before going to his own father, if he had a father, and the old head would be ready with a helping hand, sometimes in the form of a loan for a worthy purpose.

Through this kind of extension of himself, the old head could gain moral affirmation that would be his reward for saving yet another young boy.

On occasion he might be seen walking through the community streets with one or two of his boys in tow, showing them how to hustle, how to make money legally by doing odd jobs for community residents. The young boys would sometimes attempt to do such jobs on their own, and they also may meet strangers at the doors of local supermarkets and offer to carry groceries to their car for money, or they may stand around self-service pumps and offer to pump gasoline for a small fee. There is often an old head in the background encouraging boys to earn spending money through honest work.

Within the traditional black community, the old head served as an important link to the more privileged classes. Often he could be seen at the local barbershop pointing out and speaking of the big shots in glowing terms to the youth. Through his examples he offered moral support to both the local and the wider system of stratification.

With the massive introduction of drugs into the black community, a drug culture as well as a drug economy has emerged and become elaborated. The attendant financial opportunities as well as possibilities for getting high compete effectively for the minds, if not the hearts, of boys and girls. The roles of drug pusher, pimp, illegal hustler have become increasingly attractive.

Street-smart young people who work in this underground economy are apparently able to obtain big money more easily and glamorously than their elders, including traditional old heads. Some young people who are able to appear successful become role models for still younger people, and the older people, many of whom are not doing so well financially, find themselves ineffectively competing with such young people for leadership roles.

In turn, older working people of the community find themselves becoming very cautious or altogether shying away from any gratuitous involvement with young people, believing they are the primary source of so much drug-related street crime.

Now, these general perceptions have contributed to the flight of many from the black community and have deflected others who might consider moving into some of these areas, and those black residents who remain and might serve as self-conscious and upright role models for youth are often reluctant to become involved.

The drug culture and its organization are related in the following account by a former drug dealer. He told me:

The way I see it, there is top dogs, middle dogs, and low dogs in the neighborhood, right?

The top dogs are the guys with the money, the dudes with the cars. The majority of them sell drugs. They got big money. They drive Cadillacs, El Dorados, Rivas. They are selling their drugs in the bars. There is not many of them that work at regular jobs. They dress casual. Then on weekends they go on out and they show off their suits. They walk in the neighborhoods. They sell cocaine mostly and heroin.

They are in their late 30's, in the 36 to 38 range. They make big money. They have a little war here and there. When they sell bad stuff, they get their cars shot up. They stand on the corner and sometimes come shooting at one another.

Mostly you see the top dogs at afterhours spots, after the bars close. I went to one. They had a gambling spot upstairs. They go to them all morning. They are located in somebody's house, one of the top dog's houses. They sell foods and they have liquor and a bar upstairs, and they have a little whore room where the whores give you a little action.

All of them are black people, and that is the top dogs.

The middle dogs are the ones who sell the drugs for the top dog. They are taking—they are trying to be like them. They are trying to get like the top dog. Selling drugs for them, shit like that.

They range from 17 to late 20's. They get their supply from the top dog. They are selling drugs. When they sell out, they give them the money. They get their half and they go on out.

The middle dogs ask—or the top dog asks the guy, "Do you want to sell for me?" Everybody knows the top dog. The guy wanted me to sell for him. I knew I knew a lot of people. He knew I knew a lot of people. It got tiresome. People coming to my house at all times of the day and night. They make a bag of cocaine. They will sell you nickels, just 20's. Sometimes they are nice if the guy know you, you are good. Crack is out there. I took a lot of that myself.

The low dogs never completely get off that stuff. When they like it, they like it. Some of them will get off crack and maybe do a little cocaine.

You know, I had these boys—8, 9, 10, 11, 12 years old—ask me for rolling paper. I was shocked. I said, "How old are you?" He said, "I am 10." I said, "Man, you are crazy. What are you going to do with that paper? Smoke a joint, man."

Eight, nine, ten years old. I was shocked. I didn't know they did it that young, 10 years old. Man, that freaked me right out. Cute little guy, dressed in a Fila sweat suit. Nice. I would say he was wearing \$200 worth of clothes easy. Shit, a Fila sweat suit is \$200. Fila sneaks on. That is \$70 a pair. Fila hat, another \$5. 10 years old. Smoking a joint and had over \$300 worth of clothes on.

He comes with a 16-year-old guy and a 15-year-old girl. He got stuff from middle dog. They don't care who they sell that stuff to. You got the money, you can have it. Tiny dog, I call him.

That is a lot of money for a little boy like that; 10-year-old boy. I didn't believe it. I looked at him. He had to be selling something or he had a good mother and father, one or the other. I didn't picture him selling drugs really. I just pictured him, young guy, you should have seen him into rolling the joint.

Now, with the expansion of the drug culture and its opportunities for large sums of quick money, street-smart young boys are reaching the conclusion that the old heads' lessons about life and the work ethic are no longer relevant.

In place of the traditional old head, a new role model is emerging. He is young, often a product of the street gang, and indifferent, at best, to the law and traditional values.

This new old head is in many respects the antithesis of the traditional old head. If he works, he works at the low-paying jobs available to him and he does so grudgingly. More likely, he makes ends meet by working either part time or full time in the drug trade. He derides family values. He has a string of women but feels little obligation to them and the children he has fathered.

On the street corner his self-aggrandizement consumes his whole being as he attempts to impress people through displays of material success like expensive clothes and fancy cars. Eagerly awaiting his message are the young, unemployed black men, demoralized by a hopeless financial situation and inclined to emulate his style and values.

For those following his model, his recruits, a trail of broken lives, trouble, jail, and even death awaits. Stable family life, respect for the law, propriety, self-esteem, common decency are all strongly related to gainful employment, which has become scarce for so many.

Thirty years ago, a young worker migrating from the South could find a factory job that paid roughly \$5,000 a year. In today's dollars that is about \$23,000, enough to start and raise a small family. But such manufacturing jobs have largely vanished from the economy, replaced by thousands of low-paying jobs that tend to exist in the suburbs beyond the reach of inner-city blacks.

Young people require jobs that pay not only livable wages but good benefits as well, and if such jobs were available, young blacks, I believe, would rush after them as earlier generations of blacks did. It is not so much that the work ethic has declined in the black community as it is that good jobs are not available to young black people, and when good jobs are not available, the work ethic loses its force.

Even in the most destitute neighborhoods, decent people continue to believe in the infinite value of work, even for jobs that are increasingly unavailable. The rise of the alluring drug economy is particularly dismaying to them, but the regular economy offers few places for young inner-city black people.

The main problem then is not an individual one. Rather, it is deeply connected to a changing economy and the social and racial nature of opportunity in America. But the problem, I believe, is not intractable.

Traditionally, blacks have been systematically excluded from the occupational structure. The middle class is just beginning to gain something of a foothold, but this does little for the poor. Because of the racial situation in this country, blacks have seldom been in a secure enough position to sponsor their own people seriously.

One of the lessons from my presentation is that the old heads must be supported and reinforced by the wider structure. One way to accomplish this is for the Federal Government to encourage the private sector to join with the public sector in a serious program of on-the-job training. Young people would have more of an incentive to work if they were confident of obtaining a job at the end of their training. In this on-the-job training situation, the person would learn a marketable skill and fill a job at the same time. It is a one-step process to financial self-sufficiency.

I will end my presentation there, and we can have questions.

Representative HAMILTON [presiding]. Congressman Wylie. We will begin with a 10-minute rule and alternate.

Representative WYLIE. Thank you very much, Mr. Chairman.

Thank you very much, panelists, for your testimony, which certainly was most revealing and I think to the point.

The subject that we have of today's hearing is an important public policy issue, and I suppose that if you can help us define the problem or define the issue that is needed before we can determine, one, the cause and what we should do about it, I suppose, whether it is a problem of the Federal Government, of the private sector or local government, or whatever.

Mr. Anderson, may I say that you have recounted a very scary scenario, and I think that probably with your testimony you have indicated that you have a feeling that a lot of the problem of the underclass is drug related now.

Is that a fair analysis of your testimony?

Mr. ANDERSON. I think that it is becoming increasingly difficult to separate poverty from drugs anymore.

Representative WYLIE. What can we do, or how could we advise the committees of legislation? What could we advise them to do about that?

Mr. ANDERSON. It is a very complicated question, certainly. But I think that with respect to drugs there is a great need for effective

interdiction, to keep drugs from coming into the country. I think that people in these communities, not just in the urban communities but in the rural communities and suburban communities as well, need serious drug education.

One of the things that I have been learning by visiting people who go to crack houses, who spend time in crack houses, is how devastating crack is. If you could see that situation—and I assume that many of you probably have never seen a crack house—you would realize how devastating the whole business is.

Crack, as you all may know, is instantaneously addictive and the addiction is permanent. The medical people that I associate with at the University of Pennsylvania tell me that there is no cure for it. As they work through rehabilitation of people, they talk in terms of drug-free days. They feel they have achieved a victory if they can keep a person off of drugs for a day. These are professionals at the University of Pennsylvania Hospital with whom I talk regularly.

One doesn't have to have a pathological history in order to get involved in crack. You can just try it a few times, and you can become completely addicted, irretrievably so, and I think that young people need to be educated about this. I think we have to embark upon a very serious drug-education program, and I would combine that with effective interdiction.

Representative WYLIE. You mentioned interdiction and stopping the source, and I couldn't agree with you more on that, and then you used the key word "education," and, Mr. Mead, you talked about education, too, and may I say that I can relate to this. In my own city of Columbus I never thought it would happen, but we just had a big drug raid in the city of Columbus, and the head of the organization was not an American citizen. He was from Jamaica. How he got there I am not sure, but anyhow he had quite an operation going.

But I want to get on this issue of education. Many of our city schools, including the District of Columbia, spend more on education per student than any other industrialized country, and yet the quality of education seems often inadequate. I think our school system is pretty good in the city of Columbus, and yet they don't seem to do very well on tests right now. There are some outstanding students, of course, but on average they do worse in the urban city schools.

To what extent does that relate to discipline or educational opportunity, lack of educational opportunity?

You touched on this, Mr. Mead. So I will ask you to respond.

Mr. MEAD. I don't think that the fundamental problem is lack of opportunity, not in today's labor market. I think jobs are available. I don't see evidence that they have all left for the suburbs. That contention has not been supported by any hard evidence that I know of.

What you do see is a breakdown of social authority. I think—and for various reasons—the schools and police and other public agencies no longer routinely enforce mores in which the bulk of society believe and, indeed, poor people themselves believe. They do want to work. They simply don't work in practice.

I think Professor Anderson has described it very graphically. These drug dealers have come in and displaced the traditional authority figures who previously socialized youth. What is remarkable about it is it really isn't true that you are better off hustling drugs. It may appear that way for a few, but on average crime is not a rational way to get ahead. You make less money over a year as a criminal, on average, than you do working in a low-paid job.

The notion that this is somehow an escape from poverty is really not supported by any hard evidence. Crime is not a rational decision. This behavior can be understood in various human and psychological ways. But we should not assume that it is some rational response to the structure of opportunity. That is simply false. The opportunities today are better than they were 30 years ago when work levels were a lot higher. That is the puzzle.

You have these old heads who previously inculcated a work ethic at a time when opportunities were actually quite constricted. Now they are much wider, although the nature of the jobs has changed. I mean, there are fewer factories. I agree with that. I don't agree that there are no other jobs that would allow a person equally to support a family.

Representative WYLIE. Yes, Mr. Mincy has talked about that.

Mr. MEAD. Yes.

Representative WYLIE. And it appears that this emerging underclass that you talk about is practically "prosperity proof" in the sense that the improved economic conditions do not seem to have helped members of this underclass.

To what extent then is the problem due to social causes as opposed to economic causes?

Mr. MINCY. Well, I recently sat in on a presentation that talked about how young whites in a white ethnic community in Boston who are high school graduates entered the labor market, and what I found surprising—to summarize what I learned—was that they were no more aggressive about finding their first job than are young blacks in inner-city neighborhoods. But what was there was a network of old heads and of other people who connected them from high school graduation to work.

And I think economic opportunities have a lot to do with—the available set of opportunities enables one to get a reference to a job from someone who lives in your neighborhood. Most low-wage employers recruit labor through their own employees and through other employers who work in a similar kind of industry. If you live in a neighborhood in which—in my data—56 percent of the men don't work, then you lack opportunities to find out where the jobs are, where the opportunities are, and so forth.

So I think it is—and I don't want to suggest that attitudes about work ethic, about working for low pay have nothing to do with what is going on here, and I fundamentally disagree with Larry Mead about economic incentives not operating. What we have here is a set of circumstances whereby young people think they can make more money pushing drugs than they can by working. That is an economic incentive, and it is operating.

And so I think a lack of good employment opportunities outside of the neighborhood and a breakdown in the networks whereby

people find out what good jobs are available is what causes the low levels of unemployment among males in this population.

Representative WYLIE. Thank you very much, Mr. Chairman.

Representative HAMILTON. Congressman Solarz.

Representative SOLARZ. Thank you very much, Mr. Chairman.

Gentlemen, do any of you know how many poor people there are in the United States and, of that number, how many would you consider to be part of the underclass?

Mr. MINCY. There are about 33 million poor people in the United States, and about a third of that population is probably in the underclass.

It is hard to say because it is difficult to categorize the poor irrespective of where they live, OK, and it is difficult to categorize the poor unless you add to it other dimensions of it, and I rarely talk about poverty and the underclass in the same breath because not all poor people are part of the underclass.

Representative SOLARZ. Well, obviously, and that was the next question I was going to ask. What is the difference between the poor on the one hand and the underclass on the other?

But do any of you have a rough estimate, order of magnitude of the 33 million poor people in the country—I gather on that figure there is broad agreement—what percent, what number would you say are in the underclass?

Mr. MEAD. I would say it is somewhere between a tenth and a third.

Representative SOLARZ. Between a tenth and a third?

Mr. MEAD. The estimate that I used was 2 to 9 million people, and you are saying there are 33 million people who are poor in a given year, in 1 year. Probably somewhere between 2 to 9 million of those can be defined as underclass.

Now, the difference is that with underclass you have not only poverty but long-term poverty, and you also have these behavioral problems. Not all poor people are underclass because they don't all have these behavioral problems.

Representative SOLARZ. Right, and so what would you say is the critical difference between an individual you would identify as being a member of the underclass and another individual you would identify as poor but not as a member of the underclass?

Mr. MEAD. An underclass person is someone who by reason of the way he or she lives is unlikely to get out of poverty even when the opportunity does exist. There are many people who are poor short term because of economic reverses of the sort that are temporary, but when another opportunity appears they go back to work and thereby escape poverty. Those people are not distinct from the general population. But this group that has tremendous trouble functioning has a much more difficult problem because their poverty is rooted in lifestyle rather than in the structure of things.

Representative SOLARZ. Well, describe it.

Mr. MEAD. Well, the things we have been talking about primarily are problems getting and holding jobs on the part of men. The other important dysfunction is single parenthood on the part of welfare mothers who have children out of wedlock, usually at a young age, go on welfare for long periods, drop out of school.

Those are the two poles of the underclass, I think. There are a number of other groups that can be considered underclass, like the mentally ill or many homeless, but the two most important groups are single, nonworking men or people who are hustling or doing other things to make ends meet, and then the long-term welfare mothers.

Representative SOLARZ. Now, these single, nonworking men, do you have any sense of what percentage of them are in fact, say, in the drug trade or in the underground economy engaged in various forms of illegal activity?

Mr. MEAD. There is no hard evidence on that. I had an assistant review research on that question, and we found that the underground economy is smaller than most people think. The best estimates are somewhere between 5 and 15 percent of GNP. Also, most of it involves the activities of small business that are off the books, people who are, in other words, not themselves poor. It looks as if probably only a small share of nonworking poor people are actually working underground.

Representative SOLARZ. Now, I read some time ago William Wilson's book, which I was very impressed with, and as I understood one of the main arguments he was making, it was that one of the primary explanations for the underclass was a departure of manufacturing jobs from the inner city out to the suburbs and the fact that a lot of the people living in the inner cities didn't have the skills for the kind of service jobs that the economy was demanding and so you had a large pool of unemployed young men for whom no jobs were available and that in turn was one of the critical explanations for why you had so many unwed, unmarried women but who had children. The pool of marriageable age men had declined.

But you said something that really struck me, Mr. Mead. You, I gather, contend that while it may be true the manufacturing jobs, unskilled jobs, manufacturing jobs are leaving, that there are nevertheless a lot of other jobs that are available. I think Mr. Anderson may have challenged that.

Could you explain to us in a little bit more detail what kind of jobs are you talking about that you claim are in fact available if these people were willing to take them?

Mr. MEAD. They are willing, but they don't take them in fact. Just let me back up a little.

I agree with parts of Bill Wilson's argument. I think it is true that the employment problems of men are primary to the family, that nonworking men is the ultimate reason why the mothers become dependent. I also agree that the ghetto poor are isolated to a large extent from the larger society.

The place we differ is on the point whether this lack of work by the men can be explained by structural changes in the economy. That is the part that I don't see evidence for, and I don't know anyone who has hard evidence making that connection.

The jobs that I see are primarily service-sector jobs. The proverbial example is working at McDonald's. Other jobs involving cleaning office buildings, maintenance jobs in restaurants, all kinds of maintenance jobs surrounding the high-tech economy. There are many such jobs. They are being done largely by aliens.

Representative SOLARZ. So this is the next question I wanted to ask. Let's assume that these jobs do exist. They are very low-skilled jobs, McDonald's jobs, cleanup jobs, security jobs, not the kind of jobs that appear to have a great future, but nevertheless jobs which are being filled by other people. I mean, there are people who are willing to take them. I gather a lot of them are immigrants or aliens.

Mr. MEAD. That is right.

Representative SOLARZ. It is part of the tradition of America. You know, you start out at the bottom and you scrape and save and you get a little bit of money maybe and you open your business or you get a better education for your children.

The question I have is what accounts for the fact that there are people in our country who are willing to take these jobs, lowly as they may be, but then you have this other group who are not willing to take the jobs? That I don't understand. Why aren't they willing to take them?

Mr. MEAD. I think it is the factors that I mentioned. It is the fact that there has been a breakdown of social authority involving the schools, involving the welfare system, involving law enforcement such that these people have become involved in alternative forms of supporting themselves, including the drug trade, welfare, other illegal activities.

Meanwhile the aliens and recent immigrants are doing the jobs. For them the problems of doing those jobs are fewer. It is not that they want to work more. I don't believe that, but they have lower expectations.

The research says that the main reason disadvantaged youth do not do those jobs is not that they don't want to work, but they want to have jobs as good as white kids can get. But they less often qualify for those jobs because they have lower skills.

Representative SOLARZ. Yes, Mr. Mincy.

Mr. MINCY. Thank you.

First of all, we have some difficulty because we are moving very rapidly across a population and not defining our terms. The fact of the matter is we have evidence from youth employment projects that demonstrate that the same underprivileged youth, underprivileged black youth in inner cities have been willing to work in low-wage jobs, minimum-wage jobs in point of fact. But their successes in acquiring those jobs have come about through demonstration programs that have worked on their skills, that have worked on their basic education, but have also spent a great deal of money trying to get the private sector to connect with them, so that Larry Mead's point bears emphasis, I think, that many of these people need help connecting to the labor market. They need help—

Representative SOLARZ. Why does that group, these young black males, need help in the sense that young aliens or immigrants don't need help?

Mr. MINCY. Because oftentimes young immigrants have employment networks. Young immigrants oftentimes work for their parents or other immigrants—members of the same immigrant group who arrived earlier. They work in those businesses. They oftentimes establish commuting networks within cities to take them to jobs.

Mr. MEAD. Well, but the network argument I don't believe has any hard evidence behind it. It sounds plausible, but studies do not support it.

Most unemployed youth say they can find jobs. That is not their problem. They find the jobs unacceptable. The wages aren't high enough.

Representative SOLARZ. Well, that was my question. Why are the jobs unacceptable to them whereas they are acceptable to the people who take them?

Mr. MEAD. They have higher expectations, and I don't say that they are wrong.

Representative SOLARZ. Why?

Mr. MEAD. Because they feel that they deserve jobs that will allow them to support a family. Whereas other people feel that their wives should work, they apparently don't feel this. So they want to have a job which will allow them to be middle class or working class with one job. Now, maybe that is just, but that is the kind of claim you can make after you are working and not before.

Representative SOLARZ. OK. Mr. Anderson, did you want to comment on that?

Mr. ANDERSON. I just wanted to add that quite apart from the fact that the networks don't exist, a component of the networking has to do with the kind of affinity that the worker can feel with the employer, and one of the things that I have found out in my studies—I think you alluded to this one study that I did about youth employment a few years back among black youth—that was so striking was that so many young black males face a tremendous amount of distrust as they go from employer to employer to employer, and once they get the job sometimes they continue to experience this problem of trust. The black male is, in the minds of many people, an outsider in the society.

Representative SOLARZ. Mr. Chairman, if I may ask just one final question.

There was a very interesting article in the Outlook section of the Washington Post this week, or last weekend, the thesis of which was that this problem of the underclass which is getting everybody excited is essentially no different than the problems we have historically experienced with the urban poor, and there were generous quotations from Jacob Riis' "How the Other Half Lives," and these descriptions of the Jewish ghetto and of the Italian ghetto, you know, sound almost like contemporary descriptions of the black ghetto today—of crime, you know, pestilence. I mean, it was these descriptions—and they have quotations about how there is no hope for the future, these people are outside of the realm of the values of our society, but of course they grew out of it.

So my question is from a historic perspective, is there a qualitative, fundamental difference between the underclass today and the urban poor, you know, in the 19th and early 20th centuries in our country?

Mr. ANDERSON. I think one of the issues is persistent racial discrimination and prejudice. That fact is a very important difference, and I think we should face up to that.

Mr. MEAD. My sense is the old ghetto was qualitatively different. In the period that these earlier authors were writing about there

were certainly social disorders in the ghetto. No question about it. But two things were much less prevalent than they are today. One was female headed families and the other was low work effort.

Much of the difficulty of the ghetto at the turn of the century was simply low wages. You had entire families slaving away 12 hours a day, 7 days a week, and they were destitute. The solution was higher wages. This is the very thing that Congress now talks about, but it is not a solution for our poor today because they are not working. It was a solution for those poor because they were working.

Furthermore, because the families were intact the children had a much better base to get through school and prosper. Much of the disorder that those commentators talked about was things such as drunkenness, lifestyle questions that didn't reach the core of functioning; whereas, today's disorder does reach to the core.

Also, if you look at pictures in Riis' book and compare them to pictures of today's most seriously poor, you find that today's poor look very much more depressed, very much more defeated than was true back then.

So I think a structural analysis was really valid for the turn of the century. That is when limitations of the economy and society really did explain the problem to a large extent; whereas, today that is no longer very plausible.

Mr. MINCY. I would just add that I underscore the connection between male joblessness and female headed families. Those are different phenomena, but because male joblessness and female headed families is so important, the potential for these—Nicholas Lehman, the author of this article, mentioned that there were eventually roots of opportunity. The sum of male joblessness and female headed families threatens that those roots for opportunity won't exist, will be much harder to achieve in the current underclass than in the one he talked about.

Representative HAMILTON. Congressman Upton.

Representative UPTON. Thank you.

Mr. Mead you indicated a few minutes ago that jobs were available in some of these areas, but that they were simply unacceptable because they included higher expectations.

I would presume part of that would be along what Mr. Anderson indicated was drug trafficking and what people see as what they can earn and that would be a pretty heavy factor with that.

How would you expect the recent minimum-wage proposal that Congress now has passed and the President will veto to impact on some of these areas?

Mr. MEAD. I think it will have a very small effect, the reason being that most people who work for any consistent period or unusual hours are working above the minimum wage now, so it is almost a nonproblem. If you raise it, you will help people who are working at the minimum wage, but few of them are poor.

There are many people who work at the minimum wage part time or sporadically. The main reason they are poor, if they are, is not the minimum wage, but lack of full-time hours. There are very few full-time, full-year workers at the minimum wage who are poor.

Representative UPTON. You indicated in your testimony, I think, it was only 120,000.

Mr. MEAD. Yes, that is right.

So I am not saying it is unimportant, but we should face up to the fact that wage levels and the minimum wage are simply not the heart of the poverty problem. They affect inequality among workers. Our main difficulty in dealing with the poor, however, is to generate more workers.

I think it is a good idea to say that the lowest paid job should earn more, but we should not imagine that it is going to cause very many more people to work. It is based on the supposition that work doesn't pay now and must be made to pay.

Work already pays. The incentives to work are quite strong, and why this group doesn't work consistently is, quite frankly, a mystery. I don't believe that any structural factor can explain it.

Representative UPRON. Do you think that it is more with regard to the hours that the individual works? Is that more because of what the worker desires or more because of what the employer desires?

Mr. MEAD. It is a little of both, but in the current state of the economy it is mostly the worker. According to the Labor Department surveys, about two-thirds of part-time workers are working that many hours because they choose to, not because they would like to work more hours and cannot.

Now, amongst part-time workers who are poor you find a higher proportion who say the reason they are not working greater hours is that they can't find a job. So there is some reason to think that there is a problem moving from part time to full time.

But the really serious difficulty is part-year work. It is the fact that people don't work consistently for any number of hours in a week.

Also, the part-time problem has receded with the recovery. Most of the upsurge in part-time employment that has been so much commented upon was due to the recession of the early 1980's and the years immediately after that. Most of the jobs being created now are full time. So we should not say that it is a fundamental difficulty.

Again, it is a problem, but it is a much lesser problem than people who are not in the labor force at all.

Mr. MINCY. Congressman Upton.

Representative UPTON. Yes.

Mr. MINCY. I have recently completed a paper looking at the effects of minimum wage increases on the working poor, and in fact 68 percent of low-wage workers are teenagers or women.

Therefore, in answer to your question, is it the employer or the worker, most of those workers have other commitments—family commitments, schooling commitments—and it is for that reason that many of them desire part-time, part-year work, and so that is explaining the potential impact of the minimum wage change.

Representative UPTON. OK. So you really put the onus back on the worker as well?

Mr. MINCY. On the workers for the supply choices, but the other issue is the other one, and that is much—to me, what really underscores the underclass is nonwork and, hence, an increase in the

minimum wage is not going to be a big enough inducement on its own to encourage, particularly, some of these younger men into the labor market, and we have to begin to operate on—to discover why that is and then to attempt to draw them in and in the process make work pay so as to sort of cooperate with this whole argument, and it seems to me that it is somewhat illogical that we are beginning to set up this process in welfare reform to do so for women but we are not doing so for men, and in the absence of two earners, higher incomes, those families can't get out of the neighborhoods where the work ethic and other kinds of attitudes are incubating, quite frankly.

Representative UPTON. I would be interested if you might provide my office with a copy of your study that you did.

Mr. MINCY. Will do.

Representative UPTON. An interesting question for you here. You indicated in your testimony, Mr. Mincy, that for the period between 1970 and 1980 the number of areas grew from 243 to 880 and that the numbers of people grew from 750,000 to 2.5 million.

Well, today, 9 years later from when you did these statistics, we have had tremendous economic expansion, unemployment dropped to almost near record levels. Where do you think these statistics have moved from 1980?

Mr. MINCY. Let me give you—not to overwhelm you with statistics, but in 1982 the unemployment rate overall was 10 percent; 47 percent of black high school dropouts between 20 and 29 years old reported no earnings at the height of the recession. When the unemployment rate had dropped to 7.2 percent, still 35 percent of those people reported no earnings. Even high school graduates were reporting no earnings—black males in inner cities.

It is that that leads me to say that, well, first of all, things did move. You have more employment among inner-city blacks than you did at the height of the recession, which is to say that people do respond to economic incentives.

My point is that the response isn't enough. We would have hoped that with an 8 percent annual decline in the unemployment rate that we would have had a much larger increase in the employment-to-population ratios of these critical groups, and we are going to have to operate directly on, or more directly on the employment incentives of particularly the men in these groups in order to get more income, more earnings into those families and to facilitate their mobility that Nicholas Lehman was talking about in his article.

Representative UPTON. Let me ask one final question because I know my time is about ready to expire.

Last year the Congress did pass a large piece of legislation, the welfare reform bill, and included much along the lines of Senator Moynihan's ideas on mandatory workfare for those who are able bodied.

I would like to hear from each of you in terms of how you think those provisions—I mean, were they worthless?

I saw Warren Brooks' story that you may or may not have seen in the last couple of weeks, indicating he was not particularly pleased with it. He didn't think it would have any impact really at all.

I would be interested to know what your thoughts were, if you have in fact done an analysis of what we in the Congress did and how it in fact would affect those areas of the underclass that you have identified.

Mr. MINCY. I, for one, think that they are a step in the right direction. They change the philosophy of supporting the poor from welfare to work, and all that is good.

Their implication for the underclass, however, is weak because basically they extend no benefits to absent fathers, and in underclass areas that underscores the problem, so that job training, job search, a whole litany of help is available for the single mother but the single father who is equally responsible for that family is out of the picture, and it seems to me that that is a major flaw not only in welfare—and there is a five-State demonstration that is going to think about that and give us some evidence on how to fix it, but I think there is where we need more work to incorporate the two earners into this household so that the earnings can rise and that they will have the capacity to get out of the neighborhoods that everyone is trying to avoid.

Representative UPRON. Mr. Mead.

Mr. MEAD. I think the main achievement of the Moynihan bill was to state more explicitly the participation levels expected in these workfare programs. The act allegedly obligates all employable mothers—who are now defined more broadly—to participate, but that only means registration. The key is the share that have to participate actively in a work program of some kind.

My research is the only research that I know that has focused on the importance of participation. I find that the participation rate in workfare is overwhelmingly the most important determinant of the share of clients going into jobs. It doesn't affect the quality of the job, but it very much affects the proportion of people who enter jobs. Therefore, the participation rate is critically important to performance.

Now, the Moynihan bill raises the Federal floor on participation only from 15 to 20 percent, and not until 1995. That was a big disappointment to me. I would have preferred 50 percent, and the administration proposed 70 percent. However, they are measuring and enforcing it more stringently, and there has already been some resistance from the States on implementing those regulations.

As far as I am concerned, that is where the shoe pinches. That is a place where Congress has to stand tough and at least not water down the standards that were in the Moynihan bill.

I also agree with Ron Mincy that the father should be covered, but I would have the emphasis be on his accepting available jobs and working full time. If he did, then his family would be eligible for coverage under the welfare grant.

Mr. ANDERSON. I have an informant who is 23 years old, and—

Representative UPRON. An informant?

Mr. ANDERSON. One of my subjects in my ethnographic studies, a young man of the so-called underclass. He has four children out of wedlock by three different women. I have been working with this young man for some time, and I have helped him to get a job. I got him probably the best job he ever had in his life. He was working as a janitor at a big institution, making about \$500 a week take-

home pay, working lots of overtime. He was a very hard-working man for a number of months.

But after he had been working for a while, the various women, most of whom he would give money to sporadically in exchange for social and sexual favors, wanted to formalize their relationships with him. As they got lawyers and petitions for child support, he lost the incentive to work. In fact, he worked for about 5 months at this job, which had benefits and good money, and he quit, went back to the street corner, and he is now involved in the underground economy. He told me about 12 weeks ago that he was dealing drugs.

Representative UPTON. Thank you, Mr. Chairman.

Representative HAMILTON. Congressman Scheuer.

Representative SCHEUER. Thank you, Mr. Chairman.

I have a sense of *deja vu*, as I guess many of us do. All over again, as Yogi Berra said.

In 1965, in my freshman term in Congress, I was on the House Education and Labor Committee, and at that time there was a lot of talk about structural unemployment. I headed up a task force of the Education and Labor Committee on structural unemployment, and at that time the black unemployment rate was about twice what the white unemployment rate was, and I don't think things have changed very much, except that the problem seems to have been exacerbated by an exponential leap in the skills and the literacy and numeracy requirements of the job market.

About a year ago, I conducted for the Joint Economic Committee 9 days of hearings on what it would take to produce a competent, effective, and competitive labor force in our country. I would be happy to send any of you a report if you haven't seen it.

Witnesses at the hearings testified that about 75 percent of all new jobs that would be created would require some postsecondary education—so even graduating from high school wasn't enough—and that 90 percent of the kids who were in the job market didn't have the numeracy and literacy skills needed to process information.

So you had 90 percent of the kids who didn't have those skills chasing the 25 percent of the new jobs that didn't require them, and you had 75 percent of the employers who need those skills chasing the 10 percent of the kids who do have them. Nowhere in the country is that imbalance between skills and jobs more prevalent than New York City. We had executives of major corporations, the insurance companies, the banks, IBM, all those major service industries coming down and telling us the terrible problems they had finding and training new employees.

Then we had a very brilliant black sociologist from the University of the District of Columbia, Department of Education, Signithia Fordham.

And she testified that a problem that they had in the District of Columbia was that there was sort of an ethic in the high schools to fail—she did a study on the high school population here in Washington. It was OK to succeed in athletics, but if you excelled in academics, you had a real peer group problem with your black colleagues in high school and that the black kids who excelled academically had to sort of hide it and compensate for it by trying to

excel athletically, which was OK, but try and sort of hide the fact under a bushel basket that they were also succeeding academically.

Of course, it is very difficult to tell a young, disadvantaged 17-year-old to give up a job that may pay him a thousand bucks a week and take a job that pays him the minimum wage. I mean, when you get to market forces, which one of those two market forces is the young disadvantaged kid going to opt for?

To ask the question is to answer it.

But still there is something to the business of leading a legal life, of being able to raise a family, job prospects, education prospects, marriage prospects, life prospects, all of which are destroyed by drugs. They threaten all of them, including life itself.

So there are these other pulls that might induce the young, disadvantaged kids to want to make it and acquire those skills that 75 percent of the job market seems to demand.

Where do we intervene?

We don't want to increase the welfare class. We can't do everything at one time, but we know we can do some things.

We have to try and find out the key areas in which we can intervene.

Is it more welfare reform or do we intervene at the very beginning of the education spectrum?

We had testimony before our committee that we ought to lower the school year all over the country. We ought to have an entitlement down for 2 years of Head Start.

I used to say, and I do say, I am a Head Start kid, and it probably did me a lot of good, although probably I came from a family that provided a lot of that. We didn't call it Head Start in 1923. We called it nursery school or pre-nursery school.

But the kids that needed it the least have received it the most over the last half a century, and the kids that urgently, desperately need it are getting it the least. Maybe 16 percent of the kids at education risk are getting the benefits of a Head Start experience, an enriched preschool experience, without which they are almost certainly destined for education failure.

Where in the chain do we intervene? Should we tell kids in school that we are going to extend to them an entitlement for free education through the first 2 years of college or other postsecondary education?

We had a spectacularly successful national research and demonstration program on exactly that. Only we did it for as much postsecondary education as the young person wanted, and the cost benefit for that exercise in creating an entitlement for postsecondary education all the way through law school, med school, whatever, was a minimum of 5 to 1 and a maximum of 12.5 to 1.

Where do we intervene with the limited funds that we have?

Is it extending the school system down? Is it extending the school system up?

Is it more day care? Is it more counseling?

Is it more effort to create practical, realistic vocational education, programs that give kids—that don't just train kids to be makers of carriage whips, buggies, and Stanley steamers?

Where do we intervene most cost effectively? What have we learned from our research as the way to shoot with a high powered

rifle and a 12-power scope rather than splattering our buckshot all over the landscape?

Mr. MINCY. May I?

Representative SCHEUER. Yes, please.

Mr. MINCY. I will hazard the first try at this.

I think where you begin is you begin with children. You begin in the prenatal, perinatal stages. You begin with Head Start because what we are learning is, unfortunately—you know, this is under constraints that we are operating with.

You take a 16-, 17-, 18-year-old, young male or woman, put them in the labor market with educational scars, and with children. They become much more difficult to work with and their potential for success is very limited.

We know that Head Start has demonstrated dramatic successes, and so we should begin with what we know how to do, and we put resources there.

Representative SCHEUER. Let me ask you a specific question because you are going right to my central nervous system.

We now have about 16 percent of educationally deprived youngsters who are urgently at education risk; 16 percent of them are now in a Head Start Program. Under the new budget that we agreed on that would go up to 18 or 19 percent, maybe 19.5 percent.

As a matter of national priority, would you think that getting all kids at education risk in their third and fourth year into some kind of an enriched preschool program at a cost of \$5 or \$6 or \$7 billion would be perhaps the most cost—and I don't want to put words in your mouth—effective way of making an investment in our future and the future manpower of America and the future citizenry of America as anything else that we could do later down the line after these kids have failed at school and after all of those emotional and pathological problems have developed?

And please don't let me put words in your mouth.

Mr. MINCY. I think with the dozen or so hedges that you have given me, my answer would be yes.

Representative SCHEUER. Let's hear the hedges.

Mr. MINCY. The hedges are that in doing so we are condemning the lives—or not condemning, but cooperating in phenomenal and unspeakable rates of incarceration among people who are already 12, 13, 14, 15, and 16 years old. That is why I hedge, the people that we write off by doing so. However—

Representative SCHEUER. Well, I am not saying we shouldn't do anything.

Mr. MINCY. No, no.

However, my bucks are there, or my bucks are with the youth because we know that those programs demonstrate successes. We know that by the time those children reach—children who are now in school—maturity we will need them, and it seems to me both from their point of view and from the larger point of view that is where to put the dollars.

Representative SCHEUER. Anybody else? Yes, Mr. Mead.

Mr. MEAD. I would be a little more cautious about Head Start. All the evidence that promises great impacts comes from the Perry Preschool Project. That is an excellent project. I am not sure it can

be generalized or has been generalized. I am not sure we should assume that Head Start can have that kind of effect nationwide. I do think it is a good investment. If I had to recommend one thing to do for children, that would be it, not child care, which I think is mostly available already.

The other thing that I would do, however, is I would mobilize the mothers and fathers, if possible, through more ambitious workfare programs.

I think the most important teacher is the parent. The parents are lions in the path who you can't get around by some aggressive early childhood strategy. You have to involve the parents in some meaningful activity outside the home that makes them think better of their own lives and their own hopes.

If you do that, that has more impact on the child than anything else you can do.

So even if you are trying to get to the child, you should worry about the parents. They should be doing something that is hopeful, even if it is training or preparing for work rather than immediately working.

Representative SCHEUER. You are absolutely right, but of course you are aware of the fact that well-designed Head Start Programs have that as their central organizing element.

Mr. MEAD. Well, no, no, I don't just mean---

Representative SCHEUER. The active involvement of parents.

Mr. MEAD. But that is involvement in the Head Start Program. What I am talking about is involvement in employment-related activity, which is a little bit different. We are saying to the mother and the father, if possible, you should be involved in something to help yourself, not only to work with a Head Start Program. Indeed, if they work at something meaningful, they will have more authority to help their child.

Representative SCHEUER. You are absolutely right. If you really want to be depressed, talk to school administrators about the difficulty that they have involving parents.

My god, they have been trying this for years and years and years. They are at their wit's end as to how to involve parents in the education prospects of their kids.

Mr. MEAD. I think the best way to involve them is to get them doing something that makes them feel good about their own lives, and that especially means employment. If you do that, they will show up at PTA meetings. They have something proud to show.

Representative SCHEUER. Well, my time is over, but I very much appreciated your comments.

Representative HAMILTON. Let me ask you, why do you think policymakers should be concerned about the underclass?

There is a tendency, I think, on the part of the affluent group in America just to want to forget about them, and some of the studies talk about the forgotten half or third, or whatever the figure is.

What is it about the underclass that weakens a society and that is cause for us to be concerned about these people? I mean, why bother, I guess is the question, from a policymaking standpoint?

Mr. ANDERSON. First off, I think it is morally right to bother with these people, but the society could also go from enlightened self-interest.

I wish you could see what I have seen on the streets around the crack houses in the community. There is a new group of people who are becoming maybe even a subunderclass, and people in the community that I am working in call these people zombies.

Zombies. These are crack-addicted people. Sometimes they are as young as 16, 17 years of age. Their parents don't know what to do with them. They take the family property and exchange it for crack. They go to the store for their mothers with \$30, and they come back a few hours later with no money and no groceries.

Eventually, the family puts them out. They go to a friend's house, and the same thing happens, and eventually they find themselves on the streets. They gravitate to the shelters.

They are on crack, and they do all kinds of things, from stealing to selling their bodies—anything you can imagine. They walk the streets with a glazed look in their eyes. They scan the streets. They scavenge. They pick up anything of value. They break into cars to steal change. They break into cars to steal something like dog food.

The respectable, law-abiding people of the community can't keep their door mats. They can't keep their garbage cans.

Representative HAMILTON. OK, then one of the reasons is the threat that these people constitute to other people. They are going to steal, they are going to commit all kinds of antisocial behavior?

Mr. ANDERSON. Yes, but I think it is morally right to help these people.

Representative HAMILTON. I understand that, of course. But I am trying to look at it from a policy point of view.

So it is the threat of crime that certainly impresses you as to the manner in which the underclass affects the rest of us?

Mr. ANDERSON. I think that is one thing. Another thing is lost productivity. Drug addicts don't work well. I think that there is a lot of wasted talent out there. Those who are in effect running very lucrative underground businesses are poor models for talented but frustrated young people. One can sit in a car and watch activities at the crack houses and you can see the queues.

I have one informant who tells me about the schoolbus driver who pulls up in the schoolbus, with children in the schoolbus, goes into the crack house, gets crack, gets back into his schoolbus, and drives off.

The same informant told me about the Philadelphia Gas Works man who drives to the crack house in his truck, who stops, goes in, gets his crack, gets back into the truck, and drives off.

We are talking about working people. We are talking about people in queues with their VCR's and TV sets and toasters, trading these for crack. We are talking about women who come to the crack houses with no underwear on because they are ready to sell their bodies not for money, not for subsistence, but to get high.

Representative HAMILTON. Do you find a hardening in the attitude of the rest of us toward the underclass or is it a reverse? Are we becoming more compassionate or less compassionate for these people?

Mr. ANDERSON. My sense is that so many people are indifferent because this problem has not touched them in a way, and—

Representative HAMILTON. That is what I was driving at a moment ago.

Mr. ANDERSON. This is my sense. It seems that this kind of a problem is for many middle-class people a problem for the so-called underclass, and this is one of the problems with the term "underclass," I think.

It helps people to distance themselves from that largely black, Hispanic, and urban group, and I think that a lot of them don't take this group very seriously. They put the poor out there, although the problem, as many reports are showing, is emerging in the rural areas and in the suburbs increasingly.

Representative HAMILTON. So you see the threat, if you would, of the underclass beginning to spread?

Mr. ANDERSON. That is what the reports say.

Representative HAMILTON. What reports are you talking about?

Mr. ANDERSON. Well, various news reports. There are any number of New York Times articles and Washington Post articles that indicate that in certain rural areas of Ohio and various other places they are finding crack problems, including crack babies. Middle-class families in suburban communities are having these problems with their children.

Representative HAMILTON. Do you think we are more receptive in the Congress and in other policy bodies to dealing with the problems of the underclass today than we were a few years ago or less?

Mr. ANDERSON. My sense is that the American people have become more receptive. I read this piece that appeared in the New York Times a few weeks ago in which Louis Harris¹ found that the American people were very much ready to do something about the underclass, and my sense, from what I have been reading is that many Congressmen are ready to do something, too.

Representative HAMILTON. Do you all feel the same way?

Mr. MEAD. I would say rather more strongly that the public wants to do something. In fact, it always has. For a long time—indeed, for as long as there have been polls on the subject—the public generally, not simply worse off people, but better off people, express a concern about poverty and helping people in need. That is a popular thing to do, and programs that do that are popular. That feeling has strengthened, if anything, in the last several years because of the underclass, but it is a constant. It has been there all along.

At the same time, the public is opposed to welfare. The way one reconciles that is that welfare has nefarious connotations and is seen as having failed. It is a handout. But people want to help the poor.

It is the political class that is much more polarized on this question, with some elements feeling that great effort should be made and other elements opposing this, both sides for ideological reasons. The public is consistent in wanting something done, but equally wishing to uphold social standards.

Representative HAMILTON. Let me pick up on Congressman Scheuer's line of questioning for a moment.

We have all of these programs here that we enact into law. You talked about Head Start. You have nutrition programs, you have

¹ See Louis Harris, "Examining These Myths of the 80s," New York Times, May 19, 1989, p. A-35.

remedial education programs, you have child care programs, you have job training programs, you have welfare, the Family Support Act. You have income—earned income tax credits. You have the minimum wage. You have all of these and probably many, many more as well.

What does not come through to me from your testimony this morning is a sense of unanimity or agreement with respect to policy steps that we ought to take. I mean, do you all have different views as to how to resolve this problem?

If you as experts don't have some sense of unanimity or focus on remedies for the underclass, then it is very difficult for us to do it.

Mr. MINCY. I don't think that is accurate. First of all, you know, research on the underclass and trying to cull that problem out of the more general problem of poverty, which we have not successfully done even this morning, focusing on the underclass as distinct from the poor, the rural poor, it is very recent and hence we don't have well thought out ideas and agreement on causes. Hence, we can't have well thought out ideas among us. We are the first targets.

Representative HAMILTON. It is still going to take a lot more work to understand the phenomenon; is that right?

Mr. MINCY. That is my opinion.

Representative HAMILTON. What do you think?

Mr. MEAD. Yes.

Mr. ANDERSON. I agree.

Mr. MEAD. I don't know that there is quite that much disagreement. There are two points at issue among researchers, I think. One is the question of the neighborhood effect—

Representative HAMILTON. The what effect?

Mr. MEAD. The neighborhood effect, the notion that the underclass is related to particular low-income areas; in other words, it is something that inhabits a territory rather consisting of individuals who might go anywhere. That is an issue. I don't believe it is terribly consequential because clearly most of the underclass is concentrated in the inner city regardless of whether that is an inherent part of the definition.

The major difference that I see among researchers and policy people close to the researchers is the question of whether structural economic change accounts for the underclass by explaining the unemployment of the men.

I don't see hard evidence for that. A lot of people are trying to find hard evidence for it. What we agree on is that the unemployment of the men is crucial. We don't agree on the reason why they are unemployed. I tend to think that it is because of a falloff in the attitude that one should accept available jobs and also because of the permissive welfare system. The other view says that the failure of the factory and the exit of jobs from the city means the people can't work.

But even among those people there is agreement about some things that ought to be done, and I think we have mentioned two in particular.

One is early childhood education, and the other is building up warfare programs which, by the way, have a variety of options. They don't simply involve working immediately in available jobs,

though that is something that one should have. Rather, they have training and education aspects as well.

There is a fair amount of consensus about that, and it lay behind the Moynihan bill when it was passed last fall. The major dispute that was unresolved and I think is going to be with Congress for some time is how large those programs should be. That is, what proportion of the employable recipients we seriously want to involve in them. This again is the issue of the participation rate.

Representative HAMILTON. Congressman Solarz.

Representative SOLARZ. Thank you, Mr. Chairman.

Mr. Mead, I gather your feeling is that one of the main problems with the underclass is not due to the lack of jobs, but rather to the unwillingness of the people in the underclass to take the jobs that are available; is that correct?

Mr. MEAD. That plus defeatism; that is to say, some would like to take the jobs, but they feel they just can't handle the logistics.

Representative SOLARZ. OK, but you categorically reject the notion that it is due to a structural lack of employment opportunity.

Mr. MEAD. Not categorically. I think there are some very depressed cities like Detroit where it might explain part of the problem.

Representative SOLARZ. But by and large nationally——

Mr. MEAD. Yes, yes.

Representative SOLARZ [continuing]. Your point is that there are unskilled jobs available. Witness the fact that a lot of aliens and immigrants take these jobs, and presumably the people in the underclass who have no jobs, if they really were willing to take them, would be able to get them.

Mr. MEAD. Yes.

Representative SOLARZ. Do you disagree with that, Mr. Mincy?

Mr. MINCY. I do. Just because a job is out there, one has to know who the employers are, how to get to the jobs, and a number of other things. Now, Mr. Mead has said they have logistical problems, and I think those logistical problems are important. It is not just that people have difficulty locating the opportunities that are available.

For example, if you have a job paying \$3, \$3.50 an hour but it costs you more than a dollar a day to commute from here to there, then that is more than a logistical problem. The cost-benefit analysis said that job isn't worth it.

So I think those kinds of——

Representative SOLARZ. But there are a lot of people in those jobs.

Mr. MINCY. There are a lot of people in those jobs and they have worked out mechanisms for making it cost efficient for them to have those jobs.

Representative SOLARZ. Mr. Anderson, what is your view?

Mr. ANDERSON. I was just thinking about that young man I helped out. You brought up the idea of drugs, Congressman Solarz, before. I had lost contact with the young man for a year after I had obtained him the job that he quit. I bumped into him about 12 weeks ago, and we had a long conversation. He told me about what he had been doing over the year, and 15 minutes into the conversa-

tion he told me that he used to deal drugs, and I said "When did you quit?" He said, "2 weeks ago."

And we talked about that, and he wanted me to help him again. He wanted a job, but I didn't feel right going back to the employer with whom I had spoken before. I asked him if he had ever thought about going into military service, and he said he had thought about that and he would like to do that, and I went down with him on a Monday morning to the recruitment office, and we tried to sign him up.

Of course, one of the first questions was, "Are you on probation?" which he had to answer yes to, and the man told us to talk with his probation officer and try to work that out. We went to the probation office—and I am getting to this point—and this woman was not around. So eventually we went to various places in the city looking for jobs for this person. We went to this one restaurant, and we walked in and we talked with the owner, and the man looked at this young man and spoke with him, interviewed him, and hired him, and this young man was ready to work for \$3.50 an hour.

Now this is a person who was a former drug dealer, who had been making a good deal of money. In my conversations with him he told me about the great sums of money he had been making, how many things he had in his apartment, from gold chains to TV sets and so on. But now he was ready to work, and the reason that he wanted to leave this other life is because he was "tired" and he had seen death.

And in this I am in rare agreement with Larry Mead, but drug dealing is a very difficult job. And now he wanted a regular job.

He came back by my office later in the day and told me that instead of getting \$3.50 an hour, which was the implicit arrangement, he was making \$5.50 an hour. The implication is that for workers and employers, the minimum wage is negotiable. He was a good worker.

My feeling is that it speaks so much to the issue concerning commitment to drug dealing that you raised a few minutes ago.

Representative SOLARZ. Mr. Mead, your feeling seems to be that the problem is competence.

Mr. MEAD. Yes.

Representative SOLARZ. It is not clear to me how the society—what we can do to create competence where it doesn't exist above and beyond what we are already doing. We have a school system. We have various programs.

Do you have any thoughts on that?

Mr. MEAD. I think that very few of these people are absolutely disabled. They mostly can function well enough to do the minimal jobs that exist. I am actually fairly confident about that. Competence is important not so much as a barrier to employment, but rather as an issue.

Much of what experts dispute today is really not the structure of opportunity, but whether or not these people can cope with the demands of the jobs that exist. The real dispute among liberals and conservatives is that liberals say that the demands should be lower, that these people cannot cope, and the conservatives say they can

cope like other people. That is what we are really arguing about rather than whether jobs literally exist.

I am optimistic because I see evidence that when expectations are clear people in fact function.

Representative SOLARZ. Well, let me ask you a question about the single mothers.

Do we know in the society as a whole what percentage of the single mothers work?

Mr. MEAD. I think it is 75 percent. It depends what kind of single mother, but it is a very high proportion.

Representative SOLARZ. OK. But among the underclass a very high proportion of single mothers don't work?

Mr. MEAD. That is right.

Representative SOLARZ. So my question is what accounts for the fact that most single mothers do work but most single mothers in the underclass don't work?

Mr. MEAD. I don't know, probably the welfare system, plus the choice for a single mother to go on welfare. If you work full time, then you are off welfare, you are out of poverty. If you don't, then you are on welfare. That is the basic difference between the two groups. There isn't any very compelling reason from demographics or other background factors to explain which welfare mothers make which choice.

Representative SOLARZ. Why do they prefer to be on welfare rather than to work?

Mr. MEAD. I don't know. That is really the ultimate mystery.

Mr. MINCY. There is a vast difference between the educational attainment of working single mothers and of nonworking single mothers.

Mr. MEAD. That is true, that is true.

Mr. MINCY. Working single mothers tend to be better educated. They make higher wages. They can pay child care, and the after cost, after work cost earnings are such that they can make a decent living.

Mr. MEAD. But it isn't true——

Mr. MINCY. Working nonsingle mothers tend to be younger, less skilled, and what they could make after offsetting the cost of child care is paltry relative to welfare benefits, which is also a part of their equation.

Mr. MEAD. According to an analysis that hasn't been published yet, but which I have seen and commented on, a single mother working at the minimum wage is going to be off welfare and out of poverty in every State in the Union. That assumes full-time work and taking advantage of benefits that are still retained.

The notion that a person working at the lowest possible wage can't get off welfare—this is a woman with two children—is simply not supported by the facts. Again, the real issue is why do they work so few hours.

Representative SOLARZ. And you are saying that such a person would be better off materially——

Mr. MEAD. Materially, yes.

Representative SOLARZ [continuing]. Than they would be if they stay on welfare?

Mr. MEAD. Definitely. Now, they might not be better off in other senses. Ron Mincy is right to say that the working mothers as a group are better off in educational terms. But among welfare mothers, those that work at all, even a little bit, and those that don't aren't very different. There is other research, too, that says that the decision to work off of welfare is not very strongly related to the mother's skills or demographics.

That implies that work is something that we can require people to do and they will be able to do it. In fact more than half of welfare mothers who enter jobs through workfare programs immediately leave the rolls.

Mr. MINCY. I just wanted to turn you back to one other thought, however.

Most people who are on welfare and escape welfare do not—most single mothers do not do that through work. They do it through remarriage, through reconstituting their relationship.

Mr. MEAD. That is true.

Mr. MINCY. And then I am deliberately attempting to take us back to this notion of what is happening to the males who are part of that household because that defines the capacity in general to get off of the welfare system.

Mr. MEAD. Yes, that is true.

Mr. MINCY. And if we keep walking down a social policy toward the poor or, indeed, the underclass that concentrates on escape through welfare that is directed primarily through single mothers, we are going to miss, indeed, the most serious aspect of the problem, the most intractable part of it, but the part that ultimately is where the real long term—and so that we won't be doing that when I have gray hairs.

Representative SOLARZ. But, you know, Mr. Mead has raised, I think a profoundly important point. If one believes that the main reason these young males are not working is basically because the kind of jobs for which their experience and talents make them suitable are no longer available, that points to one set of conclusions. You then have to come up with programs or incentives that create those kinds of jobs.

But if he is correct in saying that there are jobs available for which their talents and experience suit them, which if they took would take them out of poverty, but they are not taking them because either they believe that they should get middle-class jobs right away or because somehow they can't—they would like to work but they can't emotionally overcome the difficulties of getting the job and keeping the job—if he is right, I am not sure what the implications are for public policy because I don't know how the Government deals with those problems.

Mr. ANDERSON. One of the things that I agree with Mr. Mincy on is that the networks are really so very important—how to get a job, how to keep a job, how to work in a situation. There are a lot of people who don't really fully appreciate that, just like the young man that I mentioned. He was just amazed.

Representative SOLARZ. But let's assume you are right. What can government do about that? How can government create networks? Is there a way?

Mr. ANDERSON. In my presentation I talked about the importance of the old heads, and my feeling is that the Government should somehow support that old head.

Representative SOLARZ. How?

Mr. ANDERSON. That is a good question.

Representative SOLARZ. Well, that is the question.

Mr. ANDERSON. One of the ways would be to employ such people through a serious on-the-job training program as a way to connect and match them with the private sector. Look for them systematically and bring them in.

Serious on-the-job training for well-paying jobs would enhance the status of the old head and encourage younger people inclined to follow his example.

Mr. MEAD. You can use law enforcement to break down this alternative economy that has humiliated the old heads. The drug pushers who are advancing alternative ways of living have to be put in jail. There is no alternative to that.

Representative SOLARZ. Mr. Mead, with all due respect, we have five district attorneys in New York.

Mr. MEAD. I know, I know.

Representative SOLARZ. They are working 80 hours a week.

Mr. MEAD. I know that.

Representative SOLARZ. The arrest rates are going all the way up. Prison population has gone all the way up. It is hard to see that we could do within the resources available much more on law enforcement than we are already doing.

Mr. MEAD. That may well be true, and I can't really claim to know much about that.

I also think that programs of a mandatory kind connected to welfare can help to construct the networks that we are all talking about. I don't believe the problem in fact is networking in the sense of discovering a job. I think people know how to do that. It is rather keeping the job and accepting the mores that that requires.

Even existing workfare programs have a fair number of men involved. About a fifth of the clients are men for these clients, the staff are the old heads in a way. They provide the practical wisdom, and they also provide encouragement, and they provide the expectations, and all of that causes those men and the women, too, to more regularly stay at work.

In essence what you are doing is using a public structure to provide the authority that used to exist informally and has now broken down in these areas. That is the gist.

Representative SOLARZ. You are saying, in effect, we should require every able-bodied person on welfare to have a job?

Mr. MEAD. Or something constructively aimed at that end. I don't see findings that say that everyone has to work immediately, but they have to be involved in some activity that makes demands on them, that makes them organize their lives for employment, get out of the house in the morning, even if it is a training or educational option at first.

Representative SOLARZ. Do you have any problem with that, Mr. Mincy?

Mr. MINCY. Yes. The problem that I have is that in underclass areas the fathers are generally absent. So it seems to me that what

Mr. Mead—it could work if the fathers were part of a household, you could attach that household—

Mr. MEAD. That is what I am advocating.

Mr. MINCY [continuing]. And attach both members of it; 60 percent of the underclass, of the families in underclass areas are female headed. Hence, the men exist, they are out of the household. How are you going to twist their arms to do this?

I don't know. If you can provide inducements or encouragements to do it, it seems to me it is a much better strategy.

Mr. ANDERSON. I agree with Mr. Mincy. I take issue with Larry Mead on that.

Representative HAMILTON. Congressman Scheuer.

Representative SCHEUER. Mr. Chairman, I would like to ask unanimous consent that at the point in the record where I described the young assistant professor at the University of the District of Columbia, but didn't have her name, to insert her name. Her name is Signithia Fordham, S-i-g-n-i-t-h-i-a F-o-r-d-h-a-m.

Representative HAMILTON. Without objection, it is so ordered.

Representative SCHEUER. How do we mobilize the peer group pressure and the role models in the disadvantaged communities to stimulate and motivate young people to learn, to succeed in school, young fathers to stay with their families, all of these phenomena that we are all familiar with?

How do we stimulate more widespread consciousness on the part of young kids who are dealing in drugs that it is a life of death?

As you pointed out, the young man that you conferred with, he decided to give it up because he could see the life of drugs being a destroyer of education, prospects, job prospects, marriage prospects, indeed life prospects itself.

How do we motivate these young people? The society desperately wants it to happen, but we don't know how you change them.

Mr. MEAD. I think you have hit on an important point, and that is that there have to be role models coming from the groups in question. That means that black and Hispanic leaders have to come forward and publicly affirm the values that the group believes in and thereby provide political support for the policies that we are all in various ways recommending.

I don't believe, as some conservatives do, that the black or Hispanic community should assume entire responsibility for the solution. I think this is a problem for all Americans and that there is very little hope unless public authority can be mobilized in various forums. That is a job for public agencies.

But politically there has to be cover provided by minority leaders. I think they have moved in that direction. Recently, a number of spokesmen, experts, as well as politicians among blacks have begun speaking out openly about the family problems and saying that something must be done. I think they are fairly close to endorsing a policy of enforcement in the work area, which is something that we need.

It won't be just that. There will be some opportunity policies, too, about which I am more skeptical, as I don't see the need. But I do think that there is a real opportunity that there can be some consensus around this. It hasn't quite happened yet, but I think there is some chance of it.

Representative SCHEUER. Just as a footnote to that, I think the process has started.

About 2 years ago or maybe 3 years ago, the NAACP and the Urban League and maybe one or two other organizations had a major conference in a Midwest city about the problems of the self-inflicted wounds in the black community, the problems of black behavior, and that was a wonderful thing because that was the beginning, as I saw it, of the process, although maybe it had been going on for quite a time.

I would like very much to hear from the other two witnesses because they bring to the table a sensitivity and an insight that you and I don't share perhaps.

Mr. MINCY. I would like to say that a quarter of the underclass areas—social problems, OK, female heads, et cetera—are white. This is not a problem of race. It is disproportionately black. It is not strictly a problem of race. I think we have to bring that right on top of the table.

Representative SCHEUER. Of course, you are right.

Mr. MINCY. We have to recognize that.

Representative SCHEUER. There is no question about that.

Mr. MINCY. Second, when you think about how do you encourage young people to do *x, y, z*, the isolation in these communities is important, the isolation from whites and the isolation from successful blacks, and so the first part of the strategy is to figure out how to reduce some of that isolation, how to cause greater integration across social class, as it were, even before we can think about how to motivate people to do things.

In the first place you have to get the role models back. You have to get them there. Those role models used to take place in schools. Teachers were role models. Old heads were role models.

But the very problem of decreasing the amount of isolation in these communities must precede more strategic kinds of problems about questions about motivation.

Mr. ANDERSON. I think it goes back, too, to the source of authority, to the old head. He was a product in some ways of the old manufacturing era. I mean, in those days he made big money; \$5,000, \$6,000 a year was a good deal of money in 1950; with this he could drive a nice car, support a family. He could set a good example because he "had something" and other people could look up to him. But over time he has declined in terms of financial ability, in terms of being a role model, and increasingly he has to compete with the emerging role model.

I am not saying that it is an either-or proposition, but I am just seeing it as a competition within the ghetto community itself, and asking what are the implications of this? What do we do for the old head to shore him up?

And I think one of the things we have to do is to create job opportunities somehow for those young people who would become old heads in the way that the traditional old heads were. They must be matched with effective employment in the modern economy.

It goes back to the old head's authority that was linked with the manufacturing era when he had a good job that people could look up to and respect. The jobs that the young people are able to get

today in fast-food places don't pay enough money for a person really to support a family.

A lot of the young men I have talked with and interviewed, say derisively about family life, "I ain't playing house," but they do have babies. But they cannot afford, they say, to play house, and I think this goes to the heart of it, in a way. The old head, traditionally, was able to play house rather well because \$6,000 a year back in 1950 was more like about \$23,000, \$24,000, enough to raise a small family.

Representative SCHEUER. Let me just narrow the question a little.

Two behavioral problems in just what you have talked about. In our country well over half of all black births are out of wedlock. How do we provide the role models, the incentives for young black women—in fact, young black couples, or minority couples, to control their fertility?

It assuredly is not wholly a race problem, but this exists in the white community, but very much more disproportionately in the black community.

That is a key because once a woman becomes an unmarried mother she is almost fatally crippled in terms of education, job, marriage, a happy and fulfilling life.

Second, how do we convince those kids who aren't satisfied with flipping hamburgers at McDonald's that there are other jobs for them that are available—the insurance companies, the banks, IBM? They are desperate for young people, but who bring skills to the table. How do we convince these young kids that there are alternatives to flipping hamburgers but they have to acquire certain skills, that when they acquire the skills there is a job out there for them?

Mr. MEAD. The skills they need are in fact quite minimal for most of those jobs. The notion that these white collar employment opportunities involve high education is simply not true. Even in New York the share of employment that requires more than a high school education has dropped by only 1 point—from 58 to 57 percent, according to one study—in the last 15 years.

Representative SCHEUER. Well, there is an enormous mismatch in New York City between kids with their skills available and the jobs that are out there.

We had panel after panel of corporate executives, corporate leaders who told us of their great need for reasonably skilled employees who could read, write, count, compute, with some computer skills, and they were beating the bushes for young people—the telephone companies, IBM, the banks, the insurance companies. Panel after panel, and they couldn't—and they are having a desperately difficult time finding enough people to fill the vacuum.

Mr. MEAD. That is true. But what isn't true is that those skills are new, that you didn't need those skills previously or their equivalents. You did. What has changed is the caliber of student coming out of the school. That has declined. It is not that the economy is very much more demanding.

The kinds of jobs that take advanced skills are only a small share of the total employment picture. They are growing very rap-

idly. That is quite true. But most jobs that are created in the economy still require only low and moderate skills.

It simply isn't true that these jobs are beyond the reach of people with a high school diploma. The problem is that a high school diploma no longer indicates literacy. One doesn't necessarily know anything or able to do anything. In fact, I would go even further, since many of these companies are training people in basic skills, the only really critically essential skill is the ability to come to work on time.

I also want to just make one comment in response to what Ron Mincy said about race. I agree with him that this is not a racial problem in its causes, but politically it is a racial problem. Although there is a white underclass, the white people don't make special claims. They don't resist social authority; whereas, the black leadership still does to some extent. That creates a political problem over restoring order in the ghetto even though the nature of the difficulty there is not distinct to blacks or Hispanics.

Mr. ANDERSON. I think we have to take some of these corporate executives and match them up with the people who need work, and I agree with Ron Mincy here. I think that you have to get the people while they are young and bring them up and talk to them about these things. But I think the corporations should make a more concerted effort to match themselves up with people in need.

That would be one way to do it, and I think serious on-the-job training is important here.

Mr. MINCY. Congressman, if I may.

We have had some conversation here about educational reform and what it does and how it may impact people whose highest level of educational attainment is high school. While it is true that we seem to have really low skills among our high school graduates, it is also true that those students have very few incentives to do well in school.

Employers do not raise wages for high school graduates who get A's as opposed to B's unless they go to college. Employers don't give better employment opportunities for students who do better in high school than other students. So their incentives for going for it while in high school are not great, and we need—employers even have difficulty getting references from guidance counselors about which are the great students as opposed to the mediocre students.

So in terms of matching the high school labor market with the high school student, we could do a better job in encouraging the private sector to provide the incentives that students need—if they are not headed for college—to provide the incentives they need to distinguish themselves and to learn better, and let me take a little liberty and go a little further.

Another thing mentioned in this report in the Washington Post yesterday by the Joint Center of Political Studies on the education of minorities in inner-city schools, it pointed out the differential treatment of minorities in inner-city schools, in the sense that they are more frequently pushed off into programs for slow learners or retarded children, and so forth and so on, and I think this underclass problem is creating another kind of problem, particularly for black males in inner-city schools.

Those schools are highly segregated. Most often young black male students are taught by white females, two steps removed from who they are, and I think a lot of the difficulties that these young people face in doing well in school is alienation that is caused by the antagonism that they face, not to say that they are not misbehaving in this manner or some other manner, but rather we haven't learned—and I speak as a parent of a 13-year-old and an 18-year-old, not an underclass 13-year-old and 18-year-old but other than that, and I constantly deal with an antagonism on the part of teachers relating to my young son, and so——

Representative SCHEUER. And do you think that is based on race?

Mr. MINCY. I think it is based on the broader vision of what the underclass is, on the broader problem that young black males are trouble, and it extends to all, young and middle aged and older black males.

So I think we have to enable this emerging understanding of the perception of young black males to filter its way down into our educational system and affect the way young black males—affect what they have to deal with in negotiating this process to maturity in education, and so forth.

It has an impact. It alienates them, and when it alienates them, it affects their performance in the school.

I am not an educational psychologist. I am a parent. I am a scholar of the underclass, but in my sense this is very important, and we have to study it and understand it and enable it to be affected.

Representative SCHEUER. I am utterly depressed at what you are saying. Your kids obviously come from a home that is an education factory, right?

Mr. MINCY. Yes.

Representative SCHEUER. And if your kid, with all the advantages of the elegant education heritage that they enjoy from having breakfast with you and your wife and dinner with you and your wife and spending weekends with you and your wife and seeing books and magazines and scholarly articles around the house, if with all of those advantages they continue to experience antagonism and resentment with white teachers——

Mr. MINCY. No, no. Don't misunderstand me.

Representative SCHEUER. You are not saying that?

Mr. MINCY. That is not what I am saying. I am saying that the perception of teachers of my children because they are young black males is such that they—my children are antagonized by their teachers, and I have to constantly work at helping the teachers differentiate them—my children from the stereotype young black male.

Representative SCHEUER. I am utterly depressed at hearing that. It seems to me that a teacher, seeing your kid perform, listening to him or her talk, their very speech, their attitude, the way they are dressed——

Mr. MINCY. Sir, I could tell you things that would curl your hair.

Representative SCHEUER. Well, you have already done it.

Mr. MINCY. No, no.

Representative SCHEUER. I am absolutely flabbergasted.

Mr. MINCY. If we have established a dialogue, I think it is important, and let me continue a bit.

Representative SCHEUER. Please.

Mr. MINCY. My son walked into a local university library with his white friend, and he was arrested, cuffed, taken out of the library. My son does not curse. He does not use phrases like "man." He is not your typical image young—I am trying to suggest to you—

Representative SCHEUER. I wouldn't think so.

Mr. MINCY [continuing]. That this is serious, and it is the perception, and this problem of the underclass is generating a vision of young black people, and young black males in particular, that is destructive to what we are trying to accomplish.

So far from the motivation and, you know, are the students trying, what I want to suggest is that they have obstacles to deal with irrespective of their performance, and we have to allow the educational system to become cognizant of that and to help—so that system can perceive better what these students are having to deal with and help them make the transition to maturity, help make that transition easier.

Representative SCHEUER. Before we adjourn this hearing—and it has been a most interesting, if somewhat depressing hearing—can somebody say something of an upbeat nature that will leave us with some hope?

Mr. MEAD. Yes. The labor market is very tight. There is a baby bust. That is, we have many fewer youth going into the labor market today.

Representative SCHEUER. But we have this question of structural unemployment. We have found for the last 30 years, at least for the last 24 years that I have been in Congress, that when the water rises all the boats don't rise.

Mr. MEAD. That is correct.

Representative SCHEUER. Some boats do and some boats don't, and if the young person doesn't have the skills to meet the needs of IBM or the New York Telephone Co. or the John Hancock Life Insurance Co., even though those corporations may need hundreds of thousands of employees, as they apparently do, if you don't have the skills to participate in the kind of work that they perform, if you only have a strong back and a willing heart, that rising tide will not benefit you, and this is a problem that we have lived with for decades.

Mr. MEAD. But it is getting better.

Mr. MINCY. That sends a discouraging message for people who are now out of it, who are now 16 and beyond.

Representative SCHEUER. They have to acquire skills.

Mr. MINCY. But it sends an encouraging message for those who are now enrolling in elementary school.

Representative SCHEUER. Right.

Mr. MINCY. It says that the potential payoff to real investment in their education and training for them and for us, broadly defined, is high.

Representative SCHEUER. How do we convince the kids of that?

You just told me that kids who are going through high school don't feel they can do any better if they excel in their studies or

whether they fail in their studies. Now, there is a big difference between two kids who graduate from high school in the 12th grade. One kid can't read his diploma, and the other kid can read his diploma, can count, can compute, and is ready for the kind of jobs that these service corporations in the new era provide in great abundance.

How do we motivate the kids early in their education system to understand that there are a great wealth of jobs out there and there is a very happy and satisfying and independent life full of pride and self-respect if they only will acquire skills?

Mr. ANDERSON. If this problem is to be solved, the corporations must become more deeply involved.

Mr. MEAD. I think that the best way to do that is get the parents involved. If the parents aren't doing anything, that is what tells the kid there is no hope. So the first step is to get the parents doing something constructive.

Representative SCHEUER. We know the desiderata, but every school administrator and every principal and every teacher has been trying—they have been breaking their hearts trying to get parents involved. Of course, that should be done. Maybe we have to find new ways of motivating parents.

Mr. MEAD. I am not saying get the parents involved in the school. I am saying get the parents involved in the labor market.

Representative SCHEUER. Yes. Can I hear from you two gentlemen?

Mr. ANDERSON. Yes. I was just going to say that I think we need to get the corporations involved. I keep saying that because I think it is extremely important to match up the corporation with the school somehow.

Representative SCHEUER. But there is a New York partnership. I am not sure you are aware. But corporations are involved in working with the school system in New York, where they do advise the high schools on vocational education programs and they help them construct vocational education programs that are relevant and give the kids job skills that are in demand, and they arrange for work-study programs where the kids work toward jobs that are waiting for them, where the corporation has had a hand in designing the vocational education program and the kid may work over a summer.

There are experiments going on, and I suppose the question is how do we do more of it, how do we extrapolate the trend of corporations sort of adopting a school or adopting a system and working closely with the school administrators and the vocational education people to offer a kid a light at the end of the tunnel, so that when he gets out of school he doesn't just have a hunting license to find a job but maybe he has a job.

Mr. ANDERSON. Right, that is what we have to promote.

Representative SCHEUER. And you think closer education between—

Mr. ANDERSON. Match.

Representative SCHEUER. A closer relationship, a closer networking between corporations and schools is a key element?

Mr. ANDERSON. Indeed. Yes. See, the one thing that the underclass does not have is this ability to network.

Representative SCHEUER. Yes.

Mr. ANDERSON. They just don't have that connection, the networking, and somehow that ought to be enhanced, supported. People ought to be taught important skills. But the ability to connect is the thing that is missing.

That young man that I mentioned before was amazed that I was so receptive. He was enlisting me as an old head, as you probably understood from the testimony, but he was amazed at the results. He was surprised at the reception of the prospective employer to us, and the fact is that I applied for the job with him. I did the talking, and when he saw me later he gave me a big hug. He said, "How did you do that?" I had helped him beyond all his expectations.

Representative SCHEUER. Do you have any thoughts?

Mr. MINCY. Only that wisdom probably says this, that we know what works for younger children, we know what works in terms of prenatal care and the like, and we have limited resources. At the time that these experiments for the younger ones—for the older ones are taking place, perhaps we ought to await the findings. They are going to tell us hopefully how to create networks, how to enable the young and already unskilled to make the transition better.

But we know what works for the really young children. Perhaps we ought to be spending resources on what we know works and awaiting results for the older ones until we know what works.

That is not very profound, but I think it makes a lot of sense.

Representative SCHEUER. Well, it has been very, very interesting, and with a mixture of discouragement and hope, and I very, very much appreciate your testimony.

Thank you, Mr. Chairman.

Representative HAMILTON. Thank you very much, gentlemen. We appreciate the testimony. It has been a long morning for you, and your testimony has been excellent.

The committee stands adjourned.

[Whereupon, at 12:31 p.m., the committee adjourned, subject to the call of the Chair.]



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