Opportunity in Tucson

Companion Report

Jim Kiser

This Opportunity in Tucson Companion Report complements and expands the Opportunity in Tucson report with an in-depth consideration of two consequential issues:

<table>
<thead>
<tr>
<th>Why inequality increased sharply — and why it matters</th>
<th>Page 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning in the late 1970s, inequality increased dramatically in the United States – but not so rapidly in the rest of the developed world. This section answers the question: “What happened in the U.S. that didn’t happen elsewhere?”</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How we can reduce poverty and increase opportunity</th>
<th>Page 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>This section suggests what education, government and business can do to reduce poverty and increase opportunity. It ends with a list of suggested local priorities.</td>
<td></td>
</tr>
</tbody>
</table>

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Why inequality increased sharply – and why it matters

Abstract

Beginning in the late 1970s, inequality increased dramatically in the United States, much faster than it increased in the rest of the developed world. Conventional wisdom says inequality is caused by globalization, automation, the failure of education to adapt to a changing world, and demographic shifts, including declining work rates among males. However, these changes also happened in countries in the rest of the developed world, and none of them experienced the same growth in inequality as the United States. This raises the question, “What happened in the U.S. that didn’t happen elsewhere?”

The answer is American politics and public policy. This report gives five examples of policy changes that increased inequality:

1. The collapse of progressive taxation.
2. The erosion of the minimum wage.
3. The decline of unions.
4. The extraordinary increase in CEO compensation.
5. The change in corporate purpose that focused primarily on shareholder value.

The result: An increase in poverty and inequality in the United States that largely results from changes in politics and public policy.

Part 4 in our report “Opportunity in Tucson” started with a graph showing that from the end of World War II until the mid-1970s, the poor and the wealthy shared almost equally in the United States’ phenomenal economic growth. Then in the 1970s, as the nation’s economic growth slowed substantially, inequality increased dramatically: Income stagnated for the poor while the wealthy began capturing a larger share of the nation’s income growth. (Figure A-1.)

The question is, what caused the nation’s extraordinary increase in income inequality?

Figure A-1: Cumulative income growth by income percentile. Source: Unequal Democracy by Larry M. Bartels.
Common answers to that question include globalization, automation, the increasing number of jobs that require more education and greater skills than in the past, the failure of the schools to close the educational gap between the wealthy and the poor, and demographic changes, including the dissolution of the traditional family and declining work rates among males.

But as important as these changes are to our country, they fail to explain the sharp increase in inequality for two reasons: First, they fail to explain why the exceptionally high income gains experienced by the very top earners in the U.S. have eluded the many similarly highly educated, highly skilled people just below them in income percentiles.

To make this point, two University of California, Berkeley economics professors, Emmanuel Saez and Gabriel Zucman, developed a new income scale for the U.S.: The working class (people in the bottom half of the income distribution), the middle class (the next 40 percent), the upper middle class (the next 9 percent), and the rich (the top 1 percent). It is important to distinguish the upper middle class and the rich, the professors write in a new book, The Triumph of Injustice, “because these two groups are in entirely different leagues.” Indeed, the rich one percent have average incomes nearly seven times as high as the nine percent right below them.¹ The conventional wisdom clearly doesn’t explain that difference.

Second, and perhaps even more important, the same trends occurred in other developed nations without the same increase in inequality. Europe and the United States both are highly developed. Both have been affected by the same technological changes. And both have exposure to global markets. Yet inequality has increased much more in the U.S. than in Europe.

In 1980, inequality was roughly equal in the U.S. and Europe, but by 2017 that was no longer the case. “Income inequality is substantially higher in the US than in Europe,” write researchers at the World Inequality Lab in a 2019 report. “Between 1980 and 2017 ... while inequalities within European countries increased only moderately, they skyrocketed in most US states.”²

Consequently, the United States now has one of the highest levels of inequality of any high-income nation, with the top one percent receiving more income than the bottom 40 percent and owning more wealth than the bottom 95 percent.³

What was happening in the United States that wasn’t happening in Europe that would explain this dramatic increase in inequality? If the usual suspects – globalization, automation, educational failures and demographic changes – don’t explain the increase in inequality, then what does explain it?

The answer is American politics and public policy. Government, through what it did – and through what it chose not to do – became a major contributor to the increase in inequality.⁴ This paper will consider five results of that government action or inaction: The collapse of progressive taxation, the erosion of the minimum wage, the decline of unions, the extraordinary increase in top management salaries, and the change in corporate purpose.
Why inequality increased sharply – and why it matters

Policy One: The collapse of progressive taxation.

The shift in government policy that began in the late 1970s can best be illustrated by changes in the taxes paid by the wealthiest Americans.

An analysis of income tax payments by Berkeley economists Saez and Zucman shows that in 2018, the richest 400 households paid a combined federal, state and local tax rate of 23 percent, reported New York Times columnist David Leonhardt in a column based on their new book. This was the first time on record that the 400 wealthiest households paid a lower tax rate than any other income group, Leonhardt wrote.5

This was a sharp decrease from the 1950s and 1960s, when the wealthy paid vastly higher taxes than the middle class or poor, Leonhardt wrote. The overall rate was 70 percent in 1950 and 47 percent in 1980.

By the middle of the 20th century, the United States had perhaps the world’s most progressive tax code.

But in the second half of the 20th century, "Politicians cut every tax that fell heavily on the wealthy: high-end income taxes, investment taxes, the estate tax and the corporate tax," Leonhardt wrote. The result was a sharp reduction in tax rates paid by the highest-income earners. (Figure A-2.)

In addition to showing this sharp decrease in tax rates that the wealthy actually paid, Figure A-2 also shows that middle-class and poor families fared differently. Unlike the wealthy, their taxes now are somewhat higher than they were in 1950. Their federal income taxes have declined modestly, Leonhardt wrote, but they now pay more in payroll taxes, which finance Medicare and Social Security.
Why inequality increased sharply – and why it matters

Thus, it turns out that the nation’s tax system, which is widely believed to be highly progressive, in actuality hardly is progressive at all. And for the very highest earners, the overall tax system has become regressive.

This reduction in top tax rates has had a significant impact. “If the effects of taxation on income at the top had been frozen in place in 1970, a very big chunk of the growing distance between the superrich and everyone else would disappear,” write political scientists Jacob S. Hacker and Paul Pierson in their book, Winner-Take-All Politics.⁶

Policy Two: The erosion of the minimum wage

While the federal government has chosen to be actively engaged in cutting taxes for the wealthy, it has chosen hands-off neglect when it comes to a policy that affects the other end of the income scale, the minimum wage. Interestingly, both actions go against what Americans have wanted. The public has strongly supported an increase in the minimum wage even as it has believed the wealthy should pay higher taxes.⁷

President Franklin D. Roosevelt signed America’s first minimum wage law in 1938. It was 25 cents per hour, which, when adjusted for inflation using 2018 dollars, would be worth $4.45.⁸

At that time, the minimum wage covered about 20 percent of the U.S. labor force. Subsequent legislation has expanded the minimum wage to the point it now covers about 90 percent of all non-supervisory workers.⁹

Figure A-3 on the previous page shows that the minimum wage peaked in 1968, at $11.55 in 2018 dollars. In the 49 years since then, it has gone down in value 37 percent to $7.25, where it remains today.
Though business has often argued that minimum wage increases will cause the elimination of numerous jobs, social scientist Larry M. Bartels disputes that. He writes in his book *Unequal Democracy* that recent research suggests that the negative effects of the minimum wage laws on employment are much less significant than often has been assumed.

At the same time, virtually every survey in the past 70 years has found majorities of the public favor increasing the minimum wage by margins of two-, three- or even four-to-one, Bartels writes.10

This “dramatic rise and fall of the minimum wage over the past 80 years is one of the most remarkable aspect of the political economy of inequality,” writes Bartels. He adds that the declines in the real value of the minimum wage “have contributed substantially to increasing inequality in the bottom half of the income distributions.”

It didn’t have to be that way. While America was lowering the real value of the minimum wage even as it was increasing payroll taxes, at least one other country chose to follow the opposite route. In France, the minimum wage has grown faster than inflation, while the country’s payroll taxes have been cut by 60 percent.11

**Policy Three: The decline of unions**

Unions expanded in the United States after World War II to the extent that by the mid-1950s, more than a third of private sector workers were union members. Since then, union membership has declined to the point that just around one-in-nine employees is represented by a union, with the private sector union membership falling to just over 7 percent.12 (Public sector union membership has remained relatively steady at over 35 percent, about five times higher than that of private-sector workers.13)

Given such a precipitous decline, it is easy to conclude that workers have turned against unions, or perhaps that the economy has changed so much that unions are no longer relevant. Research says both are wrong. Political scientists Jacob Hacker and Paul Pierson report that since the mid-1980s, nonunionized workers have expressed an increasing desire to be unionized. In 2005 more than half of nonunionized, private-sector workers said they wanted to have a union in their workplace, up from about 30 percent in 1984.14 Moreover, many other developed nations have experienced the same economic trends as the United States, yet they have not experienced the same decline in union membership. Figure A-4 shows an Organisation for Economic Co-operation and Development tally of union membership in 15 countries. The U.S. is third from the bottom, higher only than Turkey and France. And even that is misleading: In France, even though it has a low rate of unionization, almost all workers are covered by collective bargaining agreements.15
So what caused the weakening of the nation’s labor unions? Again, the answer is politics, which is easily illustrated by comparing the United States to Canada, the country probably most similar to the U.S.

In 1960, unions represented more than 30 percent of the workers in both the United States and Canada. However, by 2018, Canada’s unionization had fallen somewhat to 25.9 percent. But in the U.S., union membership had fallen to 10.1 percent.

“The difference was politics,” wrote Nobel-prize winning economist Paul Krugman. “US policy turned hostile toward unions in the 1980s, while Canadian policy didn’t follow suit. ... The causes and consequences of union decline ... are a very good illustration of the role of politics in increasing inequality.”

In the U.S., unions have faced decades of determined efforts to influence public and corporate policies against unions. Indeed, corporate-funded organizations have spent hundreds of millions of dollars lobbying against proposed laws that would have favored unions and supporting laws, such as the Taft-Hartley Act of 1947, that restricts the activities and power of labor unions.

Business had adopted an aggressive posture against unions before Ronald Reagan became president, but his breaking of the air controllers strike, and his stacking of the National Labor Relations Board in favor of management, made it clear the government would not aid in resisting anti-union activities. Since then, numerous court rulings have also weakened unions.

“The grand irony is that, because of lopsided federal laws and the Supreme Court’s decision in Citizens United, corporate CEOs today have won more freedom to spend treasury money on politics than union leaders have,” writes Jamie Raskin in a paper arguing that the Roberts court makes corporations strong and unions weak. Raskin notes that corporations can funnel political contributions through 501(c)(4) organizations without disclosing the contributions, whereas unions are required to report even contributions to 501(c)(4)s. He adds, “While there are raging rivers of ‘corporate dark money’ across the land, there is no such thing as ‘union dark money.” (Raskin was a professor of constitutional law at American University when he wrote the paper. He now is a congressman from Maryland.)
A 2018 report by the OECD, (The Future of Work: Employment Outlook 2019), “shows the United States’ unemployed and at-risk workers are getting very little support from the government, and their employed peers are set back by a particularly weak collective-bargaining system,” according to a Washington Post blog by Andrew Van Dam. “Those factors have contributed to the United States having a higher level of income inequality and a larger share of low-income residents than almost any other advanced nation,” he adds.  

Policy Four: Extraordinary increase in CEO compensation:

In the four decades after the New Deal to the mid-1970s, CEO compensation at large firms grew moderately. Then, around the 1980s, CEO pay began to shoot up, with the pace exploding between 1995 and 2000, as shown in Figure A-5. At the same time, the pay of the average workers grew slowly during the same period, according to the Economic Policy Institute. In 2001, the average CEO of the 350 largest firms earned 280.8 times that of the average worker – numerous times higher than the ratio of 19.9 times in 1965.

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Sector Non-Supervisory Worker</th>
<th>Annual Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>$924,000</td>
<td>CEOs $924,000</td>
</tr>
<tr>
<td>1973</td>
<td>$1,206,000</td>
<td>Private sector non-supervisory worker $41,900</td>
</tr>
<tr>
<td>1978</td>
<td>$1,652,000</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>$3,077,000</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>$5,975,000</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>$21,549,000</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$20,027,000</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$11,255,000</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$16,045,000</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$17,270,000</td>
<td></td>
</tr>
<tr>
<td>2018*</td>
<td>$17,180,000</td>
<td></td>
</tr>
</tbody>
</table>

Figure A-5: CEO and average worker annual compensation. The private sector non-supervisory workers constitute 80 percent of payroll employment. *2018 figures are projected. Source: Economic Policy Institute, August 14, 2019.

The great increase in CEO compensation resulted in a dramatic increase in the ratio of CEO compensation to the average worker, as shown in Figure A-6. In 2017, the average CEO of the 350 largest firms earned 280.8 times that of the average worker – numerous times higher than the ratio of 19.9 times in 1965.

There is ongoing debate whether such increases in CEO compensation are a result of talent and skills, or whether the increases result from a combination of luck and managerial power.
The argument for talent and skills depends on the contention that other groups with similar backgrounds also have seen such significant pay increases. Since other professionals such as lawyers, private company executives, hedge fund managers and others, have similar increases, then it is most likely that market forces are driving the increase in CEO pay, the argument goes.

The Economic Policy Institute disputes this conclusion, noting that its figures show that other similar professional groups did not have the same fast growth as CEOs. Consequently, the institute contends the extraordinary compensation for CEOs results from their ability to negotiate the pay from their companies, not special talents or skills.

Hacker and Pierson agree: “Executive pay is set in a distorted market deeply shaped by public policy,” they write. “CEOs have been able to take advantage of a corporate governance system that allows them to drive up their own pay, creates ripe conditions for imbalanced bidding wars in which executives hold the cards, and prevents all but the most privileged insiders from understanding what is actually going on.”

French economist Thomas Piketty also agrees. “Because it is objectively difficult to measure individual contributions to a firm’s output,” he wrote in his massive, unlikely bestseller, *Capital in the Twenty-First Century*, “top managers found it relatively easy to persuade boards and stockholders that they were worth the money, especially since the members of compensation committees were often chosen in a rather incestuous manner.”

As with the minimum wage and the decline of unions, America differs widely from other developed nations in its compensation of top executives, as shown in Figure A-7.

The average U.S. CEO earned nearly $6 million more in 2017 than the average CEO in Switzerland, the second highest paying country in the chart. This is another indication that there is nothing about the modern economy that makes high CEOs salaries inevitable.
Since CEOs make up such a small portion of the population, it may be asked whether their supersalaries really matter. The answer is that they do.

First, increases in CEO pay tend to pull up the pay of other executives and managers, further contributing to inequality. Second, Mishel and Wolfe in their Economic Policy Institute analysis calculated that the wage growth for the bottom 90 percent of workers would have grown nearly twice as fast between 1979 and 2017 had wage inequality not grown. Wages for the bottom 90 percent would have grown 40.1 percent during that period, rather than the 22.2 percent they actually grew, Mishel and Wolfe estimate.

Moreover, CEO compensation is a key contributor to the nation’s inequality. Piketty found that the increase in inequality in the United States “was largely the result of an unprecedented increase in wage inequality and in particular the emergence of extremely high remunerations at the summit of the wage hierarchy, particularly among top managers of large firms.”

Policy Five: Change in corporate purpose

The change in corporate purpose also is a key factor in the diverging growth of incomes as corporate leaders began to rethink their primary responsibilities in the late 1970s and 1980s.

Previously, corporate leaders were expected to balance the needs of multiple constituencies in their decision making: Customers, employees, suppliers, creditors, the community at large, and, of course, shareholders. However, partly the result of a very influential 1976 paper, (Michael Jensen, “Theory of the Firm”) business leaders, including business school professors, widely came to believe that the primary goal of a company should be to maximize shareholder value. The theory was that this would cause executives to focus on the long-term performance of the firm.

However, there is a key problem. Measuring a complex process with a single metric often results in a distortion of the outcomes. In the case of corporations, the emphasis on shareholder value made it easier to justify lower wages for employees, reductions in the

Average annual CEO compensation worldwide in 2017
(In millions of U.S. dollars)

Figure A-7: Worldwide CEO compensation in U.S. dollars. Source: Statista.com.
workforce, opposition to increases in the minimum wage, efforts to avoid taxes, higher dividends for shareholders, stock buybacks, and higher salaries for key executives. Moreover, as stock options became a larger portion of executive pay, incentives developed for executives to focus on short-term gains in value. **Significantly, corporate leaders were abetted in implementing such changes by increasing government efforts to deregulate the economy.**

**Conclusion: Does this disparity in incomes actually matter?**

It could be asked; does it really matter that inequality has increased so much and that such a relatively small group of people have so much more money than everybody else?

The answer is “absolutely.” The divergence of lower and upper incomes matters a great deal. It has affected poverty, health, social wellbeing, education, economic growth and opportunity.

At the most basic level, the capturing of most of the income gains by upper income and ultra-wealthy Americans has perpetuated poverty.

Consider Figure A-8. Calculated from a U.S. Census historical report, Figure A-8 shows incomes for 1974 and 2014 by quintile, adjusted for inflation using 2017 dollars. It also shows what 2014 incomes would have been had they increased at the same rate as incomes increased in the three decades after World War II.

<table>
<thead>
<tr>
<th></th>
<th>Lowest Fifth</th>
<th>Second Fifth</th>
<th>Third Fifth</th>
<th>Fourth Fifth</th>
<th>Top 5 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real 1974</strong> income</td>
<td>12,510</td>
<td>31,094</td>
<td>50,115</td>
<td>72,375</td>
<td>194,910</td>
</tr>
<tr>
<td><strong>Real 2014</strong> income</td>
<td>12,102</td>
<td>32,220</td>
<td>56,012</td>
<td>91,037</td>
<td>344,465</td>
</tr>
<tr>
<td><strong>Projected Real 2014 income</strong></td>
<td>24,732</td>
<td>62,250</td>
<td>101,834</td>
<td>143,158</td>
<td>368,965</td>
</tr>
</tbody>
</table>

*The following row shows what 2014 incomes would have been had incomes increased at the same rate as incomes increased for nearly three decades after World War II.*

Figure A-8 shows that in 1974, the bottom 20% had mean household incomes of just over $12,000, when adjusted for inflation. Forty years later, in 2014, their income actually was **slightly less.**

During a period of 40 years, the bottom 20% not only had no income growth, they had **lost** money. However, had the bottom 20% of incomes grown at the same rate as they grew after World War II, then by 2014, their incomes would have almost doubled, to more than $24,000.
Indeed, Figure A-8 shows that the most dramatic income effects in 2014 would have been the doubling of incomes for the bottom 80 percent of households. This would not have eliminated poverty, but it certainly would have reduced it.

The effect on poverty aside, one might conjecture about the effect that doubling of incomes for 80 percent of households would have meant in additional sales to the nation’s manufacturers, retailers, and home builders, as well as to the government in additional taxes.

Finally, in 2006, Henry Paulson, treasury secretary under President George W. Bush, asserted that inequality “is simply an economic reality, and it is neither fair nor useful to blame any political party.”

To the contrary, the five policy changes explained in this report demonstrate that politics and public policy are largely responsible for the increase in poverty and inequality over the past five decades.

Vanderbilt University Professor Larry M. Bartels agrees: “Partisan politics and the ideological convictions of political elites have had a substantial impact on the American economy, especially on the economic fortunes of middle-class and poor people. Economic inequality is, in substantial part, a political phenomenon,” he wrote in *Unequal Democracy*.

Similarly, Nobel prize-winning economist Joseph Stiglitz writes that the large gap between the incomes of the poor and the wealthy results from “distinctively American policies, ranging from tax systems that are less progressive, safety nets and social protection systems that are weaker, an education system where a child’s educational, economic, and social attainments are more linked to that of his parents than in other countries, to a smaller role for unions and a larger role for banks.”

Despite this depressing history, despite how politics and public policy have created such economic problems for so many people, it is important to remember this: Problems created by public policy can be solved by public policy. It would not be easy, but for the well-being of our country and almost all of its citizens, it is decidedly worth the effort.
How we can reduce poverty and increase opportunity

“Opportunity in Tucson” documented that Tucson lags behind the nation and its MAP Dashboard comparison cities in providing opportunity to young people who grow up here. It also showed that the opportunity that does exist is not equally available.

This companion report describes possible steps Tucson, Pima County and the State of Arizona could take to reduce poverty and increase opportunity. The list of possible steps is long (and relatively dense), which means it will be necessary to choose only a few as the initial priorities.

The report is based on two beliefs:
1. Solutions most likely will be in a series of relatively small steps in several different areas. When combined, these small steps can constitute a significant improvement in reducing poverty and increasing opportunity for Tucson’s young people.
2. Efforts to alleviate poverty, reduce economic inequality and increase opportunity need to take place at every level – federal, state and local. However, cities and states are doing some of the most worthwhile and meaningful work by bringing together businesspeople, educators, nonprofit leaders, local government officials and others to collaborate on improving schools, building skills, restoring infrastructure and reducing poverty.

This report is divided into four major sections. It suggests what education, government and business can do to reduce poverty and increase opportunity, and it ends with a list of suggested priorities.

Section One: Education

Better schools are one of the five factors that researchers quoted in the “Opportunity in Tucson” report identified as leading to economic success in adulthood. Education provides especially productive avenues for reducing poverty and increasing opportunity on a local level.

Provide funding for preschools: “Equal access to High-Quality Early Childhood Education is essential for the future of our children, families, businesses, schools, law enforcement, and our overall community development,” says The Preschool Promise.

“The Preschool Promise is a growing and diverse coalition of educators, business leaders, community organizations, parents, and concerned citizens who support the goal of making high-quality preschool available for all our children a reality,” according to a September 8, 2019 column by Eric Schindler and Penelope Jacks in the Arizona Daily Star. “Together we seek to generate funding to ensure that more of our children . . . can attend a high-quality preschool.”
How we can reduce poverty and increase opportunity

**Provide more funding for public schools:** Arizona is among the worst states in the nation in its funding of public schools. The Census Bureau said Arizona in 2017 was 48th among the states and Washington D.C. in per pupil spending on elementary and secondary education.

Arizona’s school funding comes from federal, state and local sources, in these percentages:

- Federal 13.7%
- State 40.1%
- Local 46.2%

That pattern is different than in most other states. Arizona receives more education funding from the federal government than all but three states. Arizona relies less on state funding than all but ten states and is 20th among the states in its reliance on local governments.

**Even more concerning is Arizona’s spending on education in relation to its ability to pay for education.** The Census Bureau said Arizona spends $26.84 per $1,000 of its residents’ personal income on public elementary and secondary schools – an expenditure that ranks it third from the bottom. For comparison, the highest spending state is Alaska at $57.11 per $1,000 of personal income, and the national average is $37.46 per $1,000 of personal income. These comparisons make it appear that Arizona could afford to spend much more on public education.

**Make greater effort to encourage highly competent teachers to teach in schools in low-income neighborhoods:**

Research says less qualified teachers tend to be found in schools serving greater numbers of low-income and minority students. One reason: Veteran, more-experienced teachers prefer higher-income schools, leaving new, inexperienced teachers in the low-income schools. The result is higher teacher turnover and less qualified teachers in the classrooms. Training subsidies and bonus pay have been tried, as have more professional development and high-quality mentoring. However, they have had mixed results.

**Make universities and colleges more affordable.** A 2017 study reported in the New York Times found that Arizona’s three universities draw their students heavily from the well-off and wealthy. The Arizona schools were 16th out of 377 public colleges in attracting students from the top one percent of income, while they were 264th out of 377 public colleges in attracting students from the bottom fifth of incomes. The median parent income at the Arizona universities in 2013 (in 2015 dollars) was $104,500.

On the other hand, three quarters of the students enrolling at City College of New York in the late 1990s from the bottom fifth of the income distribution have moved into the top 60% of the income distribution. They entered college poor, but they left on their way to the middle class and often the upper class. Similar success numbers are available at University of Texas at El Paso, California State University in Bakersfield, at Stony Book University on Long Island, and at
Baruch College in Manhattan. These schools are among the best in the nation at improving their students’ economic wellbeing.

**Nationally, about 40 community colleges offer a form of free tuition.** Three of these programs are:

- Tennessee Promise offers scholarships and mandatory individual mentoring. The program started in 2015, so it is still relatively new. But its results are encouraging. A total of 33,081 students have taken advantage of it. Results indicate the program has increased first-time enrollment by 13 percent. In addition, students are staying enrolled at higher rates.

- Minnesota implemented its Two-Year Occupational Grant Pilot Program in the 2016-2017 academic year. It provides financial aid to students enrolled in qualifying career and technical programs at the state’s two-year colleges.

- South Dakota created a new scholarship program for the 2017-2018 school year called Build Dakota with a $50 million investment—$25 million from a private donor and $25 million from the state government’s Future Fund, which invests in the state’s workforce. The program awards scholarships to students entering high-need workforce programs at South Dakota technical institutes.

**Ogden, Utah, has made especially good use of STEM programs,** installing numerous programs in its schools and its local college, Weber State University. This emphasis on technical jobs is an important element in the city’s remarkable turnaround. In the 1990s, Ogden was mired in the typical problems facing many other cities: crumbling infrastructure, a lack of stable jobs with good wages and benefits, a shortage of affordable, quality housing and schools, and a frustrated population. Today, Ogden and its neighboring communities offer many residents higher wages and a lower cost of living than the national average along with some of the lowest unemployment and best job growth numbers in the country. The city’s focus on technical jobs and vocational training has made it a hub for STEM jobs, according to the Brookings Institution.

- In addition to installing numerous STEM programs in its public schools and Weber State University, Ogden starts technical training as early as kindergarten.

- Ogden’s STEM programs lead to higher-paying jobs for graduates without the need for a four-year university degree, which means lower debt for graduates and a better chance for them to accumulate wealth.

- A key consequence of the city’s improvement: **Ogden and its neighboring communities have the narrowest wealth gap among America’s largest metropolitan statistical areas, according to Newsweek magazine.**

**Section Two: Government**

“Politics and public policy are largely responsible for the increase in poverty and inequality over the past five decades,” according to “Why inequality increased sharply – and why it matters,” the first section of this companion to “Opportunity in Tucson.” By politics and public policy, that
section is referring not only to actions that government takes, but also to what government chooses not to do.

**Locally, government can take several steps:**

- Resist implementing new taxes, or increasing current taxes, that would have a disproportionate effect on low-income Tucsonans. For instance, because sales taxes fall most heavily on those with low incomes, sales tax increases should be used only as a last resort.
- Evaluate proposed laws/ordinances to determine what effect they may have on inequality.
- Increase funding for programs such as KIDCO, which offers after-school and summer programs.
- Change land-use and zoning regulations to make it easier to create mixed-income communities.
- Use housing subsidies and other monies to help low-income parents of young children move to affordable neighborhoods that offer greater opportunity to the children.
- Increase the minimum wage in Tucson and/or Pima County. Research increasingly shows that raising the minimum wage doesn’t necessarily result in the loss of jobs.
- Reduce incarceration, strengthen re-entry programs, and remove barriers to economic security and mobility for the third of working age Americans with criminal records.
- Develop more apprenticeship programs for city departments and for companies doing business with the city.
- Increase funding for a range of human services such as homelessness prevention, and immigrant, youth, and senior programs.
- Strengthen youth training programs and examine the need for additional programs.
- Offer training programs for immigrants, teaching them the language, cultural and technical proficiencies needed to participate in the job market.
- Provide ID cards. New York City provides free, government-issued identification cards for all residents – including the homeless, undocumented immigrants, and former convicts – so they can make use of the city’s resources. These resources include city services, libraries, official ID for police purposes, admission to museums and discounts at pharmacies and some fitness centers.
- Provide direct loans, utility subsidies, bonds for capital purchases, and other incentives to businesses that promote high wages and greater employee benefits.
- Work with businesses to adopt family friendly practices such as job sharing, working at home, flexible schedules and more predictable work schedules
- Seek income growth that is more broadly distributed across the economic spectrum by helping local businesses to expand by providing startup capital.
- Work with employers to stop the practice of asking about previous wages. While seemingly an unimportant practice, this often results in workers – especially women and minorities – earning much less than they would otherwise earn in a competitive market for employees.
How we can reduce poverty and increase opportunity

(Note: The above list is not meant to imply that several of these things aren’t being done in Tucson and Pima County. It is meant solely as a list of possible steps.)

Other actions local government could initiate or encourage:

- **Work scheduling and family leave** is a much larger issue than one might think, especially for lower-income workers who typically have little control over their schedules. Irregular or unpredictable schedules not only cause income to fluctuate, but they also make it harder to arrange for childcare, attend school or training, or search for a new job.
  - Some states, cities and other localities have passed laws that aim to reduce unpredictable scheduling from employers and improve workers’ access to paid sick and family leave. These include laws requiring employers to give advance notice of schedules, to compensate workers for time on call, to provide paid sick leave, and to guarantee paid family leave.
  - Seven states and Washington, D.C. require employers to pay workers for a minimum number of hours if they are called in for a shift.
  - Employers, obviously, could agree to take such steps or similar steps without laws requiring them to do so.

- **Housing and zoning policies** are valuable tools local officials often can use to address local needs.
  - Seattle residents have voted five times since 1981 in favor of a levy to help low-income residents afford housing. In August 2016, voters approved by more than 70% a new $290 million levy.
    - The median cost to Seattle homeowners for the 2016 levy was $122 per year, based on an assessed value of $480,000.
    - Seattle now has funded more than 13,000 affordable apartments for seniors, low- and moderate-wage workers, and homeless individuals and families.
  - Various cities have taken several other steps:
    - Imposed regulations requiring construction of lower-cost housing.
    - Rezoned areas for denser development and then required that a portion of the units be designated for low- or moderate-income families.
    - Provided targeted housing allowances to make access to housing fairer and to promote mixed-income neighborhoods.
    - Removed regulatory barriers to the development of affordable, quality housing.
    - Financed the preservation and construction of affordable apartments.
    - Coordinated investment for urban housing and access to transportation to ensure they meet the needs of different socio-economic groups.

- **Consider family structure**
  - The researchers behind the Opportunity Atlas identified a larger share of two-
How we can reduce poverty and increase opportunity

parent families as a key factor in children’s later success. However, in the early years of this century, several federal programs designed to enhance marriage and marriage stability did not work as hoped, making it seem less likely that the trend toward single-parent households can be reversed. However, better family planning is a possible solution to single-family households, albeit a politically controversial one.

- An estimated 60 percent of births to single women under 30 years of age are unplanned. Notably, women from upper-class neighborhoods are much less likely to have unplanned pregnancies.
- Increasing home visits from parent educators, social workers or nurses can help young parents better deal with their responsibilities as parents and to learn how to more effectively raise their children.
- Family structure is especially important in Tucson, which is in the 84th percentile for single-parent households.

Statewide, government also can take significant steps:

- **Provide state earned income tax credits**: These are provided by 28 states, but not Arizona. These credits give low-income workers an incentive to work at the same time that they provide a stimulus to the economy. The state tax credits are based on the federal Earned Income Tax Credit, which is one of the nation’s most effective anti-poverty programs. It lifts millions of adults and children out of poverty as it also provides a powerful economic boost to the nation’s cities and towns. In Arizona, the federal EITC distributes about $1.5 billion per year to low-income residents, thereby giving them greater ability to purchase needed goods and services.
  - Only the working poor – men and women who earn wages or salaries – are eligible for the EITC, thus the title, “earned income.” It provides a tax credit based on income and the size of the family. As a family’s income rises, the tax credit decreases until it is phased out.
  - Additionally, several cities have created programs to encourage residents to file for federal Earned Income Tax Credits. These cities are seeking to take advantage of the very significant economic stimulus they gain from the tax credits. Indeed, “many cities now recognize that more funds are invested in their cities annually through EITC than through many traditional ‘urban’ federal programs,” reports the Brookings Institution.

- **Improve partial unemployment benefits**: These benefits are provided by all states to under-employed workers who have had a reduction in hours or who can only find part-time work after being laid off. However, the accessibility and generosity of these provisions vary widely by state. Six states – Connecticut, Delaware, Idaho, Michigan, Montana and Vermont – are the most generous.
  - Though unemployment insurance is an important tool for protecting workers, it has glaring problems. A critical problem is that though low-wage workers are
How we can reduce poverty and increase opportunity

twice as likely as other workers to be unemployed, they are half as likely to be covered by unemployment insurance.

Section Three: Business

Business can fight poverty and increase opportunity indirectly through its influence on local governments on such issues as tax policies, funding for workforce development, and helping ensure that schools teach students the necessary skills to succeed in the workforce.

Business can fight poverty and increase opportunity directly through a number of steps:

- Provide greater access to childcare, particularly to raise labor participation among women. This is an important issue because when high-quality, affordable childcare is not available, it creates stress and too often results in mothers, in particular, not being able to take advantage of job opportunities.
- Offer paid family leave.
- Reduce unpredictable scheduling.
- Adopt family friendly practices such as job sharing, working at home, flexible schedules and more predictable work schedules
- Implement or expand craft vocational and apprenticeship programs, especially in fast-growing industries such as health care. Apprenticeships have been shown to significantly boost workers’ lifetime wages and create pathways to well-paying careers for unemployed young workers. Employers who sponsor apprentices gain skilled workers, reduce employee turnover, and improve productivity. However, apprenticeships are more common in other countries than they are in the United States.
- Offer a variety of opportunities for job training and learning new skills.
- Offer incentives for students to pursue fields of study, such as STEM, especially in needed industries.
- Research ways to offer healthcare and other benefits to part-time employees.
- Automatically enroll employees in savings plans through “opt-out” provisions. It has been shown that employees save substantially more when they are required to opt out of savings plans than they do if they have to opt into savings plans.
- Provide matches for retirement savings accounts.
- Help employees obtain higher education.
- Help employees refinance student debt at lower rates or help them to pay it off.
- Provide day care help, wellness centers, and time off for family emergencies.
- Use local suppliers of goods and services in order to keep the money and its multiplier effect in the local community. Several studies show that substantially more money stays in the market with local firms as opposed to large national chains.
Section Four: Suggested priorities

Tucson and Pima County need a coordinated campaign to educate community leaders and residents on the extent of poverty and the lack of opportunity in Tucson. This campaign should make Tucsonans aware of the problems’ severity, create a consensus that the problems are important to solve, create a consensus as to the causes of the problems, and identify possible solutions.

Following are some suggested initial priorities:

• Increase public awareness of Tucson’s poverty and lack of opportunity.
• Provide universal preschool.
• Provide more low-cost or free tuition and training at Pima Community College.
• Reduce economic segregation by creating more mixed-income neighborhoods and by helping low-income families with young children to move to better neighborhoods.
• Address the especially poor economic situations of Native Americans and black men, as described in “Opportunity in Tucson.”
• Enact a $15 minimum wage.
• Require employers to provide more predictable work scheduling.
• Reduce unplanned pregnancies among single women through family planning programs.

Conclusion

While there are many more steps in this report than it would be possible to undertake, the report does show, however, that there are many steps that can be taken locally to reduce poverty and increase opportunity. The challenge is to determine which steps would be most feasible and most helpful in Tucson and Pima County. To that end, we recommend the creation of a task force to develop an overall strategy to reduce poverty and increase opportunity, to determine priorities for the community and to recommend first steps.
Notes:


3 Ibid.

4 This line of thought is suggested by several books, including:
   • Donald L. Barlett and James B. Steele, The Betrayal of the American Dream, PublicAffairs, 2013.


6 Hacker and Pierson.

7 Bartels reports most surveys since the late 1940s showed supporters of an increase in the minimum wage outnumbering opponents by margins of two- or three-to-one. (Pages 205-206.) Hacker and Pierson write that sharp tax cuts occurred even as voters continued to strongly support higher taxes on the rich. (Page 50.)

8 Annalyn Kurtz, Tal Yellin and will Houp, “The US minimum wage through the years,” CNN.Com, April 9, 2019.

9 Bartels, 199.

10 Ibid.

11 Saez and Zucman, 16.

12 Hacker and Pierson, 56.


14 Hacker and Pierson, 58.


17 Two articles in particular explain the extent of the legal battle against unions by business and conservative groups:
   • Moshe Z. Marvit, “For 60 Years, This Powerful Conservative Group Haw Worked To Crush Labor,” The Nation, July 5, 2018.

18 Hacker and Pierson, 58-59.

19 Raskin, 13

20 Andrew Van Dam, “Is it great to be a worker in the U.S.? Not compare with the rest of the developed world.” The Washington Post, July 4, 2018.


22 Hacker and Pierson, 62.


24 Mishel and Wolfe.

25 Piketty, 298.

26 U.S. Census Bureau: Historical Income Tables: Table H-3.

27 Hacker and Pierson, 42.

28 Bartels, 3.

29 Joseph E. Stiglitz, The Price of Inequality, Norton, 2013, xxxiii