Federal Reserve Bank of Boston

Communities & Banking

Supporting the Economic Strength of Lower-Income Communities

spring 2015
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SPEAKING OF IMMIGRATION

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Communities & Banking

Communities & Banking magazine aims to be the central forum for the sharing of information about low- and moderate-income issues in New England.

Caroline Ellis
Managing Editor, *Communities & Banking*
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02210
(617) 973-3187

For free subscriptions, contact:
Regional and Community Outreach, Unit 31
Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, MA 02210
caroline.ellis@bos.frb.org

Read online at
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LETTER FROM THE EDITOR

Every once in a while, it's good to get out of the office and spend some time with the people that our Regional & Community Outreach team aims to benefit with our work. That's why it was especially satisfying to me to head north to Manchester, New Hampshire, with Anthony Poore and spring 2015 author Sally Ward and hear firsthand the personal stories of some recent immigrants.

After learning that the Bhutanese refugees wished to understand the U.S. banking system so they could qualify for small business loans, Anthony connected them with a local banker willing to work with them. Helping to facilitate a step toward our goal of improving the economic strength of New England's lower-income people and communities felt good.

Sally Ward's article addresses Manchester's changing demographics. In other spring articles, you will discover why meeting the financial-services needs of immigrants often benefits the institutions that serve them. Learn how city-to-city visits provide insight into successful revitalization efforts. Check out articles on why more municipalities are emphasizing walkable downtowns and why older, smaller buildings are often correlated with a community's greater livability. Read how Maine is tracking its college grads' job acquisition, why Rhode Island's Capital Good Fund decided to make personal loans, and how community health centers are helping patients avoid unnecessary hospitalizations. And be sure to see our map on the education levels of New England's recent immigrants.

I hope that you'll be in touch. We love feedback.

Caroline Ellis

Managing Editor
caroline.ellis@bos.frb.org

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COVER STORY

IMMIGRATION TO MANCHESTER, NEW HAMPSHIRE

Sally Ward
UNIVERSITY OF NEW HAMPSHIRE

Immigration, historically important for Manchester's economy, today means a younger, more diverse population, with the attendant opportunities and challenges.

Immigration is an important source of U.S. population growth and demographic diversity.[1] Although much of the attention has focused on large metropolitan areas and border states such as Arizona and California, immigration has also affected smaller cities and rural areas nationwide.[2]

In Manchester, New Hampshire, where immigration has been important for more than 100 years, the trend has greatly increased diversity.[3]

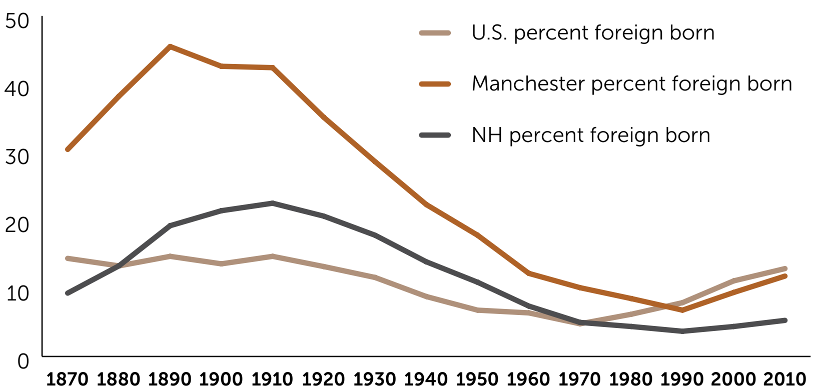
Historical Trends

In the 19th and 20th centuries, immigrants provided critical labor for Manchester's industrial economy and, until very recently, constituted a much larger proportion of the population than in the state or the nation overall. (See "Percent of Foreign-Born Population.")

In 1890, nearly one-half of Manchester's population was foreign born. That proportion declined because of increasingly restrictive national immigration policies and changing economics, particularly the closing of Amoskeag Mills in 1935.[4] But the immigrant share of the Manchester population remained higher than for the state. The proportion of immigrants nationwide surpassed that of Manchester only in the mid-1980s.

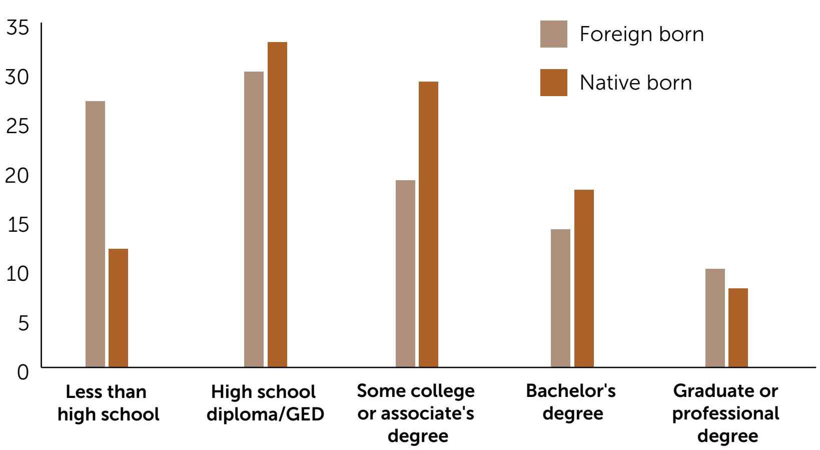
After waning for several decades, Manchester's foreign-born population started to increase in 1990, along with national trends. In fact, if it were not for immigration, the population of Manchester would have declined from 2000 to 2010. All of Manchester's growth (2.4 percent) can be attributed to immigration.[5] That increase might seem small, but any population growth is important for economic expansion.

Percent of Foreign-born Population, Manchester, New Hampshire



Source: U.S. Decennial Census 1870–2000; American Community Survey estimate for 2010, 2007–2011

Education Level by Foreign-Born Status for Adults 25 and Older (City of Manchester), 2007–2011



Source: American Community Survey (2011), 5-year Estimates

What is new about immigration to Manchester is where workers come from. Amoskeag Mills was the largest textile-manufacturing company in the world at the turn of the 20th century, with workers who first came from New England farmlands, then in the 1850s and 1860s, from immigration. Irish immigrants were followed by Germans and Swedes. In the 1870s, Amoskeag Mills began heavy recruitment of French Canadians. In 1890, the proportion of foreign-born residents in Manchester's population peaked, largely driven by the mills' expansion. Immigration was, therefore, the source of both labor and Manchester's ethnic diversity in the ensuing decades.

Today countries of origin are changing, with 30 percent of immigrants still coming from Canada and Europe, but a greater percentage from elsewhere: Latin America (29 percent), Asia (26 percent), and Africa (15 percent).

In addition, since 1980, Manchester has been one of New Hampshire's refugee-resettlement sites, part of a program created by the Federal Refugee Act of 1980, which established sites in all states.[6] According to data from the New Hampshire Office of Minority Health, between 1980 and 2012, Manchester received almost 6,000 refugees. The average numbers of resettlements per year for the three most recent decades were, chronologically, 261, 252, and 257.[7]

Like the countries of origin for the overall immigrant population, those for the refugee population have shifted—away from European countries like Ireland, Germany, Sweden, and Greece and toward Asia, Africa, and the Middle East. The largest group to arrive in the 2010s is from Asia, and includes a substantial number of Bhutanese.[8] (See "The Bhutanese Community in Manchester.")

Aspects of Diversity

The growth of the immigrant population offers opportunities to Manchester.

Among immigrants, 67 percent are minorities; among the native born, only 11 percent are. Immigration is thus a driving force in increasing Manchester's diversity and cultural richness. Immigration also means Manchester is more youthful. Individuals tend to immigrate when they are younger, particularly when they are seeking better lives for themselves and their children or enough economic security to start a family. A younger age structure is correlated with economic growth. It can help replenish the labor force after retirements and is likely to increase the birth rate.

In 1980, Manchester had a median age of 31, compared with 30 for New Hampshire as a whole. Based on the most recent census data, the median age in the state went up to nearly 41, but Manchester's increased only to 36. Manchester's median age is substantially lower than the state's today and may continue to drop with more immigration.[9]

Although a growing immigrant population provides opportunities, disparities between foreign- and native-born populations can create challenges for social

The Bhutanese Community in Manchester

Caroline Ellis
FEDERAL RESERVE BANK OF BOSTON

Last June, Sally Ward, Anthony Poore, and I met with Bhutanese Community Center members in Manchester, New Hampshire. They have a Nepali and Hindu background, unlike the dominant Bhutanese, who are Buddhist. Having been forced out of Bhutan, they lived in refugee camps in India for years. Each mentioned the exact day of arriving in the United States as if it were his birthday.

Krishna works at the International Institute of New England in Manchester and teaches adult education. He got a bachelor's in India and for 10 years taught in a private school outside the refugee camp. In 2009, Krishna, his wife, and son joined his parents and siblings in the United States. In 2010, he helped start Manchester's Bhutanese Community Center. He's happy he can afford a house because his son, who was 8 when he arrived and couldn't make noise in the apartment, now makes all the noise he wants.

Narapati is the center's operations director. He lived in India for 18 years. In the beginning, there was little food or health care. Forty children died on one horrible day. After the UN came, the camp improved. Narapati attended college in India for three years and is finishing his bachelor's here. In the refugee camp, he was a volunteer teacher. The teachers ran the camp, and the children were respectful. He has been making vocabulary lists, looking up English words on Google and practicing.

Narapati describes himself as being sandwiched between two generations. His parents aren't as independent as they once were. Language barriers make it hard for them to meet people. They attend English classes, and Narapati takes them to see interesting things "to give them hope." His children were born here and are fluent in English. The children have little understanding of Bhutanese traditions, so he must work to educate them. Narapati has never seen any hostility to the children. "They are American."

Rohit is studying health-information management in college. He helps the center's clients apply for health insurance. He was able to leave the refugee camp and get a bachelor's in physics in Nepal. From 8th grade on, he was a health volunteer in the camp, working on disease prevention, sanitation, and the like. His goal is to have a good job and, when he has kids, to be able to send them to the best colleges. He wants to give back to the country that has welcomed his community.

Tika serves as the center's acting director. At age 13, he was sent to a Catholic missionary school in India. His father, a political prisoner, was later forced to leave Bhutan on 72 hours' notice. Tika stayed with his parents in the camp on school vacations and worked in a preschool there. He went to college in India and got a job at Sun Life. He is working to understand American pronunciations and slang, creating a list of nicknames. (Jim for James and Bill for William can be confusing.) His goal is to be a "culture broker" for his community. The center has 12 full- and part-time staff around New Hampshire helping Bhutanese with transportation, interpretation, and more. Tika wants to help Bhutanese businesses learn the American system for getting loans.

"America has given us hope and new life and rescued us," says Tika. "We have 320 families here, and we have stable jobs. With a little investment in us, we could do so much for the country."

and economic integration. Manchester, like the rest of the country, encounters its primary challenges in the educational and language arenas. Successfully addressing such challenges can improve the economic well-being of all.

In Manchester, educational differences between the two populations are pronounced, particularly at the lowest and highest levels. (See "Education Level by Foreign-Born Status.") The proportion of the foreign born with less than a high school education (27 percent) is more than twice that of the native-born population (12 percent). Indeed, among Manchester's foreign-born population, less than a high school education is the second most common level of education attainment. A high school diploma or GED is the most common (30 percent). Although the majority of immigrants older than age 25 have at least a high school diploma, the educational disadvantage among this population creates more struggles for their financial well-being and economic mobility.

In contrast, a large percentage of immigrants have advanced degrees. In Manchester, 10 percent of the foreign-born population has a graduate or professional degree, compared with 8 percent of the native-born population. Given the recent growth in science, technology, engineering, and mathematics jobs, the foreign-born population with advanced degrees has an advantage in finding work.

As for language, Manchester has always been linguistically diverse. In the wider county, Hillsborough, there is a gap in English fluency between foreign- and native-born residents and also among different immigrant groups. Among foreign-born non-Hispanic whites, approximately 40 percent speak English "less than very well," compared with nearly 70 percent of foreign-born Hispanics, about 60 percent of foreign-born blacks, and 50 percent of foreign-born Asians. Historically, such disparities tend to narrow with each passing generation.[10] Additional policies enhancing language skills would likely ensure smoother transitions for immigrant families.

> Successfully addressing the educational and language challenges can ultimately improve the economic well-being of all residents.

Implications

Manchester's immigrant population creates concrete opportunities for growth and vitality through its impact on the age structure of the city and the viability of the future workforce, its contribution to cultural diversity, and its additions to an otherwise declining population base.

The social and economic differences between the immigrant and native populations do create challenges, particularly in the short term, and the city must deal with the challenges in order to fully realize the opportunities. Investment in infrastructure, especially the city's schools, is critical for educating and integrating the immigrant population and would benefit all Manchester youth and the city as a whole. Support for the immigrant population, including its refugee component, is critical, and the work of nonprofit organizations such as Catholic Charities, the International Institute of New England, New American Africans, and the Bhutanese Community of New Hampshire shows that efforts to include immigrants in the life of a city can be successful.

Evidence on immigrant integration elsewhere in the country points to the importance of increasing the contacts between the foreign born and native born.[11] There is also strong evidence that the response of local leaders, citizens, and other stakeholders to the challenges can make a real difference.[12] Responses that emphasize the problems often lead to divisiveness, whereas efforts that concentrate on inclusiveness and integration can leverage immigrant contributions.

As the center of business and industry in New Hampshire, Manchester has long offered immigrants a home. The benefits of continuing in this role depend on the city's success in welcoming, supporting, and educating its newcomers.

Sally Ward *is professor emerita of sociology and a senior fellow at the University of New Hampshire's Carsey School of Public Policy, based in Durham. Contact her at sally.ward@unh.edu.*

Endnotes

1 This article is a synopsis of Sally Ward, Justin Young, and Curt Grimm, "Immigration to Manchester, New Hampshire: History, Trends, and Implications" (research brief, Carsey School of Public Policy, May 2014), http://scholars.unh.edu/cgi/viewcontent.cgi?article=1212&context=carsey.

2 Daniel T. Lichter and Kenneth M. Johnson, "Immigrant Gateways and Hispanic Migration to New Destinations," *International Migration Review* 43, no. 3 (2009): 496–518; and Daniel T. Lichter, "Integration or Fragmentation? Racial Diversity and the American Future," *Demography* 50 (2013): 359–391.

3 We refer to the Manchester metropolitan area because the focus is Manchester. Technically, the metropolitan area is the Manchester-Nashua metropolitan area.

4 See Tamara K. Hareven and Randolph Langenbach, *Amoskeag: Life and Work in an American Factory-City in New England* (New York: Pantheon, 1978).

5 In 2000, Manchester's population was 107,006. In 2010, it was 109,565, an increase of 2,559. The foreign-born population increased from 10,035 to 12,929. If not for that, the population would have decreased.

6 Refugees have settled in 84 New Hampshire towns. Manchester, Concord, Laconia, and Nashua have had the largest number since the program began in 1980.

7 The three most recent decades are 1990s, 2000s, and 2010s, and the numbers refer to the average numbers of resettlements per year for each decade. We used the annual average rather than the decade total because the 2010s are incomplete.

8 Although 29 percent of Manchester's foreign-born residents in 2010 were from Latin America, none were refugees.

9 According to American Community Survey five-year estimates, 2007–2011, New Hampshire has a median age of 40.7; Manchester's is 36.1.

10 For an in-depth discussion of socioeconomic assimilation and the narrowing gap between the native and foreign born, see Richard Alba and Victor Nee, *Remaking the American Mainstream: Assimilation and Contemporary Immigration* (Cambridge, Massachusetts: Harvard University Press, 2005).

11 Michael Jones-Correa, "All Immigration Is Local: Receiving Communities and Their Role in Integration" (Washington, DC: Center for American Progress, 2011).

12 Patrick J. Carr, Daniel T. Lichter, and Maria J. Kefalas, "Can Immigration Save Small-Town America? Hispanic Boomtowns and the Uneasy Path to Renewal," *Annals of the American Academy of Political and Social Science* 641 (2012): 38–57.

Call to Action: Trato Justo

Immigrant Financial Futures

Betsy Cavendish and Annette LoVoi
APPLESEED

Low-income immigrants who become integrated into the financial system build assets for themselves and become loyal customers for financial institutions.

"My mom is the best because she wants me to get a fair shake," said the nine-year-old second-place winner of a jewelry-store contest celebrating Mother's Day. As he stood among the display cases at the store and read his essay—first in English and then in Spanish—the boy repeated over and over "trato justo, fair shake, trato justo." He was honoring his immigrant mother for wanting him to have a fair chance to succeed in life.

What does a fair shake mean to an immigrant family?

Consider this early 20th century story. A young immigrant from Sicily arrives at Ellis Island with $21 in his pocket. By the time of his death, thanks to lenders where he lives, he owns a city block in Arkansas. He has educated two nurses, three accountants, and a geophysicist. He has run his own restaurant, paying rent and making payroll with the help of local financial institutions. And he has banked $21,000 in savings. Today's immigrants, largely from Mexico, India, the Philippines, China, and El Salvador, deserve the same opportunities to contribute and succeed.[1]

What do we know about immigrants today? They make up roughly 13 percent of the U.S. population, far above the immigrant population share between 1940 and 2000. In absolute numbers, approximately 40 million individuals are foreign born.[2]

Beyond the raw numbers, we know that immigrants are more commonly self-employed than native workers—8 percent of non–U.S. citizens versus only 5.8 percent of native born. With their high rate of starting businesses, immigrants are more than twice as likely as the native born to become entrepreneurs.[3] Also of interest: 80 percent of immigrants are of working age (18–64), whereas only 60 percent of native-born Americans are, a fact that has positive implications for U.S. economic growth.

Markets cannot ignore the newcomers, their purchasing power, or the contributions they make when they keep companies running and pay taxes. By integrating them into the financial system, the institutions serving them find they are good business. And low-income immigrants find more opportunity to rise out of poverty and build assets.

photo courtsey of Appleseed

Financial Challenges

Unfortunately, barriers to immigrant economic integration exist. One is the lack of bank accounts, especially among lower-income immigrants. Immigrants without a bank account may become victims of crime. If thought to carry a lot of cash, they may be targeted by thieves. In fact, two organizations in the network of public-interest justice centers called Appleseed—Texas Appleseed and Georgia Appleseed—began addressing immigrant-finance issues after the robbery and killing of immigrants a decade ago.[4]

Although most people know it is dangerous to carry a lot of cash, immigrants without official U.S. identification may have trouble opening bank accounts. If they lack legal status, they fear being detained or returned to their home country, leaving behind their assets. Some immigrants may face language barriers or find that a financial institution won't accept alternative identification like cards provided by home countries.[5]

Another economic-integration barrier may be a thin credit file or lack of any credit score, which may keep low-income immigrants from accessing small-dollar loans on fair terms for starting a business, renewing visas, or applying for Deferred Action for Childhood Arrival status. As a result, many low-income immigrants rely upon high-cost, even predatory, services. In some states, moreover, immigrant students are ineligible for in-state tuition no matter how long they have been residents, which may force them to take out costly student loans.

Moving Beyond the Challenges

Fortunately, attention is being paid. For virtually any issue under consideration by financial regulators, an immigrant financial angle is relevant, and officials have a role to play in giving immigrants a fair shake. Regulators have been known to give financial institutions Community Reinvestment Act credit for the way banks provide financial services to immigrant communities or for outreach involving clear information in immigrants' own languages.[6]

Such businesses see an opportunity to gain loyal immigrant consumers. That is why the *matricula consular* card is doing well. A decade ago, Texas Appleseed worked with a compassionate mayor, an overworked police department, the Mexican consulate, and a Wells Fargo bank to spearhead a pilot program in Austin. By 2009, acceptance of *matricula consular* cards approached one-third of depository institutions.[7]

And like past generations of immigrants, today's new Americans are benefiting financial institutions. Their climb up the economic ladder involves opening a savings account, repaying small-dollar commercial and personal loans reliably, and the like. Financial institutions that expand their remittance business (international money transfers) and reduce costs for immigrants by using the Federal Reserve System's FedGlobal ACH Payments (Automated Clearinghouse) may find additional growth opportunities.[8]

Like past generations of immigrants, today's new Americans are benefiting financial institutions.

Indeed, remittances are the main financial transaction for immigrants. Many newcomers arrive in affluent countries specifically to earn money and send some home—or to build a nest egg for their return to countries of origin. The World Bank estimates that about $51 billion is sent abroad annually by individuals through official channels, and $123 billion through all channels.[9]

But immigrants sending money home have not always received a fair shake. They have had to deal with opaque pricing, surprise fees for the recipient back home, and language barriers. When United States–based companies have disavowed the extra charges of agents abroad, dissatisfied customers typically have had nowhere to turn.

Landmark remittance regulation by the new Consumer Financial Protection Bureau (CFPB) promises to significantly improve this fundamental aspect of immigrant financial services.[10] Appleseed played a lead advocacy role in implementation of the rule, the first new regulation to emerge from the 2010 Dodd-Frank Act reforms. With remittance rights now guaranteed under law, immigrants have taken a giant step toward empowerment in financial transactions. The new transparency allows comparison shopping. Additionally, competitors to banks offering remittance services are coming under federal review. Meanwhile, as the price of remittances falls, immigrants are finding they can save and invest more of their dollars.

Building on that success, the federal government is turning its attention to other immigrant financial needs, and both the CFPB and the Federal Trade Commission are working with stakeholders to address concerns about immigrant financial services.[11]

A smoothly running system for fair financial futures for immigrants entails work by all interested constituencies—immigrant consumers, the nonprofit organizations devoted to them, businesses, and government entities. As these groups join together to ensure a fair shake, the country will create a stronger marketplace and, at the same time, help make the American dream a reality for millions of newcomers.

Betsy Cavendish *is the former president of Appleseed, a network of public-interest justice centers based in Washington, DC.* **Annette LoVoi** *is the interim president. Contact them at alovoi@appleseednetwork.org.*

Endnotes

1 See http://migrationpolicy.org/programs/data-hub/us-immigration-trends.

2 See Fred Drews, "What Percentage of the U.S. Population is Foreign Born?" (report, Brookings Institution, Washington, DC, October 3, 2013), http://www.brookings.edu/blogs/brookings-now/posts/2013/09/what-percentage-us-population-foreign-born; and Chiamaka Nwosu, Jeanne Batalava, and Gregory Auclair, "Frequently Requested Statistics on Immigrants and Immigration in the United States" (report, Migration Policy Institute, Washington, DC, April 28, 2014), http://www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states. The data are based on estimates from the U.S. Census Bureau's 2012 American Community Survey.

3 "Open for Business: How Immigrants Are Driving Small Business Creation in the United States" (report, Partnership for a New American Economy, New York, August 14, 2012), http://www.renewoureconomy.org/wp-content/uploads/2013/07/openforbusiness.pdf.

4 See, for example, "Police: Hispanic Immigrants Targeted in Fatal Ga. Attacks," *USA Today*, October 2, 2005, http://usatoday30.usatoday.com/news/nation/2005-09-30-georgiakillings_x.html.

5 That is why cities including New Haven have implemented identification cards for all residents that may be used at libraries, banks, parking garages, and the like. See Kika Matos, "The Elm City Resident Card: New Haven Reaches Out to Immigrants," *New England Community Developments* (2008), https://www.bostonfed.org/commdev/necd/2008/issue1/elmcitycard.pdf.

6 The multicultural center of HarborOne Credit Union (now a bank) is described in Caroline Ellis, "Cutting to the Roots of a Problem," *Communities & Banking* (fall 2009), http://www.bostonfed.org/commdev/c&b/2009/fall/Caroline_Ellis_MultiCultural_Center.pdf.

7 Barbara A. Ryan, Ed Bachelder, and Michael S. Barr, "FDIC Survey of Banks' Efforts to Serve the Unbanked and Underbanked" (presentation, University of Michigan Law School, February 5, 2009). Although a Social Security number and a driver's license are the standard forms of identification, many banks accept other documents, including an Individual Taxpayer Identification Number and a consular registration card from Mexico, Colombia, El Salvador, Honduras, Peru, or Argentina.

8 The service reduces customer costs from dollars to cents. See http://www.frbservices.org/serviceofferings/fedach/fedach_international_ach_payments.html.

9 See Lisa Mahapatra, "Where Does the United States' Immigrant Workforce Come From?" *International Business News*, February 21, 2014, http://www.ibtimes.com/where-does-united-states-immigrant-workforce-come-how-much-money-are-they-sending-home-charts.

10 See Kathleen A. Scott, "Consumer Financial Protection Bureau Final Rule on Remittance Transfers," https://www.appleseednetwork.org/wp-content/uploads/2014/03/Arnold-+-Porter-powerpoint-on-CFPB-Remittance-Rule.pdf.

11 The CFPB and the Federal Trade Commission's October 2014 forum "Debt Collection and the Latino Community" at California State University in Long Beach, California, brought together consumer advocates, industry representatives, state and federal regulators, and academics to examine how debt-collection issues affect Latino consumers, especially those with limited English proficiency.

Walkable and *Affordable* COMMUNITIES

Scott Bricker
AMERICA WALKS

Lower transportation costs, improved health, and other societal benefits can offset lowered affordability in communities where improved walkability has raised housing values.

Throughout history, cities and towns have been built upon residents' ability to access employment, services, and friends—on foot. But after WW II, the automobile and a suburban housing boom changed all that. The middle class left city centers. Lower-income populations remained.

Today we are seeing an urban resurgence, with walkable centers in demand. That makes city centers less affordable. But a view of affordability that includes both transportation and housing can help communities plan for a mix of uses and can enable residents of all income levels to develop more healthful lifestyles.

Benefits and Challenges

Walking is an accessible and free intervention to increase physical activity and health. The website WalkWithADoc.org lists 100 benefits of walking, including managing Type 2 diabetes, reducing blood pressure and weight, and improving psychological functioning. Walkable communities provide benefits for people of all ages and capacities while they do errands, go to school or work, and visit friends. And

Albany Poverty
Population below poverty level, adults age 18–64
American Community Survey by tract, 2009–2013

- Over 20%
- 15.1–20%
- 10.1–15%
- Under 10.1%
- No population age 18–64 reported
- No data or data suppressed

considering that many people do not drive, the sidewalk may be the ultimate public space. (See "Revere Embraces Walking.")

Walkable town centers are becoming a preference for young adults, seniors, and growing numbers of homebuyers. The shift in attitude has led to premium pricing in walkable districts.[1] That has caused some residents to worry about gentrification, higher rents, and real estate values that drive up taxes.

One way to alleviate the increasing housing burden is to lower the cost of transportation, the second-largest expense for American households after housing. Low- and moderate-income households—including rural households—spend up to 42 percent of their total annual income on transportation. Even middle-income households spend almost 22 percent of their income on transportation.[2]

Traditionally, housing affordability has been defined as no more than 30 percent of income spent on housing. But as the website H+T Affordability Index suggests, 45 percent for housing and transportation, combined, may be a better measure.[3] Household transportation costs can be slashed if jobs and other key activities are accessible on public transit and if families reduce automobile use. (See "Share of Income Spent on Housing and Transportation, 2014.")

Analyzing Housing and Transportation Affordability

Three publicly available tools can help with understanding the links between walkability and housing/transportation affordability:

- Walk Score is a proxy for walkability, effectively measuring the proximity of services to homes;
- Community Commons provides maps with income and other demographics; and
- H+T Affordability Index measures the affordability of housing alone and housing combined with transportation.

Albany, New York, has some central neighborhoods that are particularly low income, including areas where more than 30 percent of the people live in poverty. These areas overlap with areas that rank the most walkable according to the Walk Score website. Overlaid with the H+T analysis, the areas consistently stay within the 45 percent H+T measure.

The analysis helps demonstrate how walkability, income, and affordability are linked and suggests that location efficiencies can increase affordability and accessibility.

Share of Income Spent on Housing and Transportation, 2014

$20,000–$35,000 household income

Location of neighborhood where working families live	Housing	Transportation	**Total**
In central city	32%	22%	**54%**
Near other employment center	35%	31%	**66%**
Away from employment center	33%	37%	**70%**

Source: U.S. Department of Transportation, http://www.dot.gov/grow-america/fact-sheets/opportunity.

Other places boast similar scenarios. Walk Score recently published a list of cities that offer both walkability and affordable neighborhoods.[4] Among them are Buffalo and Rochester in New York. Providence and Philadelphia were relegated to runners up only because of their overall high average cost of living.

Making Walkability Work for Low-Income Areas

Although many low-income neighborhoods are affordable, it's important for cities to ensure that they are good places to live.

Safety

Automobiles contribute to the high percentage of fatalities and injuries in low-income areas. According to *Governing* magazine, poorer areas have approximately double the auto fatality rates of wealthier communities.[5] A report from Bridging the Gap, a program of the health-oriented Robert Wood Johnson Foundation, found that "low-income communities are less likely to encounter sidewalks, street/sidewalk lighting, marked crosswalks and traffic-calming

Revere Embraces Walking

Brendan Kearney of WalkBoston points to Revere, a city north of Boston, as a lower-income community that values walkability. His organization dedicates one staff member to working with the Revere community.

Recent survey data show a shift to walking for students across all middle schools. A "Revere on the Move" campaign celebrates the progress so far and continues work on creating a healthier community through convenient access to physical activity and through environmental design. In 2013, the city was recognized by the Massachusetts Public Health Association as a leader in Healthy Community Design. It created its first urban trail in October 2011. In 2013, it installed a bike lane and celebrated a second urban trail. Also of note: a new 5-kilometer race, and hundreds of residents participating in the Citywide Fitness Challenge.

Revere in 2012

	Revere	Massachusetts
Median real income	$55,892	$84,380
Poverty rate	16%	11%
Population		
White	62.7%	76.3%
Hispanic	26.7%	9.6%
Black	2.8%	6.2%
Asian	5.9%	5.4%
Other	3.4%	4.0%

Source: New England City Data, Federal Reserve Bank of Boston, www.bostonfed.org/commdev/data-resources/city-data.

Although Revere was still lagging the surrounding cities as of fall 2014 in terms of its walk score (Chelsea, 79; Everett, 88; Lynn, 65; East Boston, 81; and Winthrop, 56), it had moved up to 60 ("average" walkability).

measures such as pedestrian-friendly medians, traffic islands, curb extensions, and traffic circles."[6] Fortunately, solutions exist.

Crime prevention through environmental design (CPTED) is a multidisciplinary approach to improving safety and deterring criminal behavior. CPTED principles of design affect elements of the built environment ranging from the small scale (such as strategic use of shrubbery and other vegetation) to the overarching (such as an entire urban neighborhood's form and the level of opportunity for eyes on the street).

Roadway policy and environmental design. State and local governments can make it easier and safer for residents to walk in communities by adopting best practices for street design, implementing comprehensive zoning and community plans, and linking funding for capital improvements to best practices.

Housing and Transportation Assistance

Cities that increase and maintain affordable housing and transportation options help ensure that people in all economic sectors can remain.

Special public-interest zoning districts can be effective in providing affordable housing coupled with mixed-use development. In such zones, access to transit, parks, healthful food, and low-cost recreation are prioritized.[7]

Inclusionary zoning refers to municipal and county planning ordinances that require a given share of new construction to be affordable for low- and moderate-income people. In practice, these policies involve placing deed restrictions on 10 percent to 30 percent of new houses or apartments.

Ladders of Opportunity is a federal program that makes competitive-grant funds available through the Federal Transit Administration. The funds may be used to modernize and expand bus service specifically for the purpose of connecting disadvantaged and low-income individuals, veterans, seniors, youths, and others to workforce training, employment centers, health care, and other vital services.[8]

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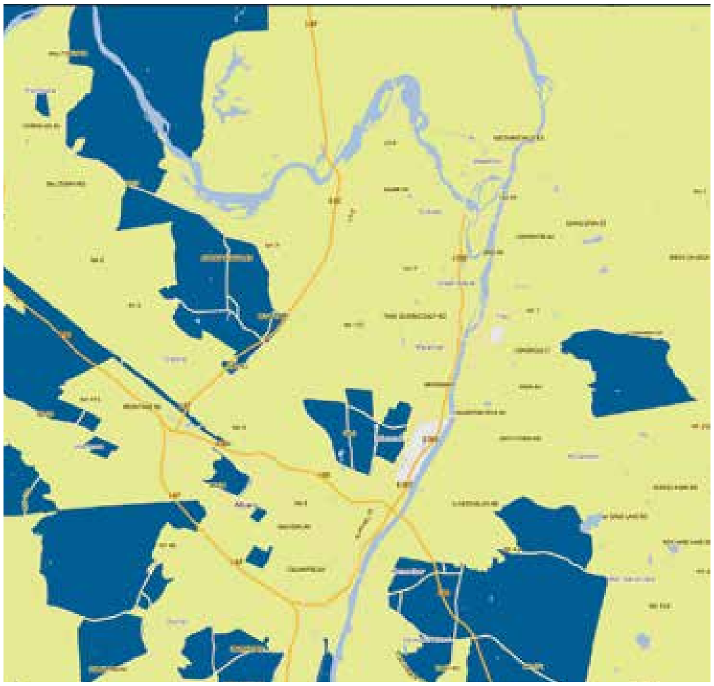
Baby boomers and their children comprise half the U.S. population. Recent data show that many prefer homes and commercial space in walkable neighborhoods, which do not exist in sufficient quantity.[9] Municipalities should ensure that zoning and development policies allow for new, more-intensive developments, including accessory dwelling units, which can provide lower-cost, smaller housing units for grandparents and others. Eliminating parking minimums also can help, by reducing the cost of development.

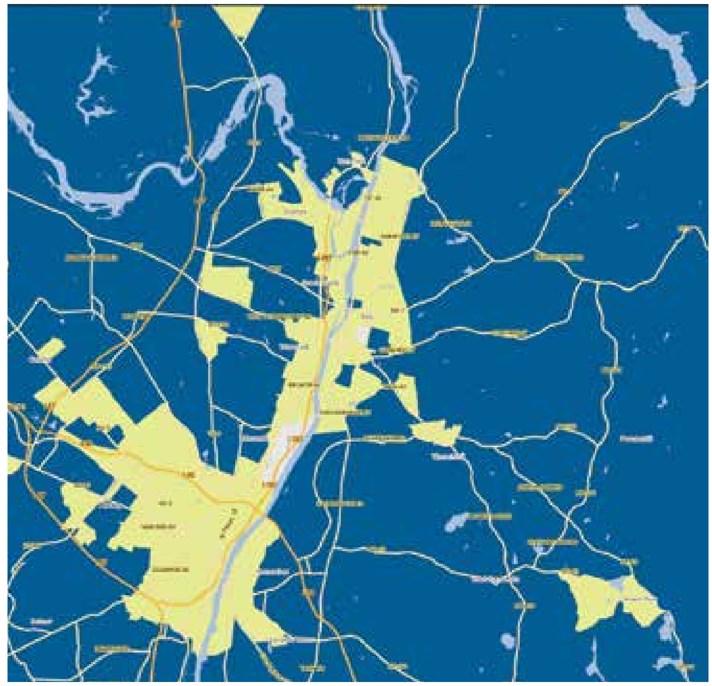
Communities are changing to become safer and more comfortable for all people to walk for daily needs and recreation. The shift is expected to yield massive benefits in health, economic prosperity, community, and traffic safety—even happiness. New England is well-positioned to capitalize on the trends as many communities are in close proximity to one another, have public transit infrastruc-

Households in Albany-Schenectady-Troy, New York

Housing costs



Housing **+ transportation** costs



<45% income   >45% income   Insufficient data

Income: $57, 142   Household size: 2.42 people   Commuters: 1.14 workers

Walk Score 63

Albany Is Somewhat Walkable

Some errands can be accomplished on foot.
The more walkable, the better for household costs.

United States › New York › Albany

ture, and boast considerable historic platting on a walkable scale. Change generally starts with cities, including aging industrial cities and smaller towns, which could boost revitalization by focusing on their main streets and their access to transit.

In the process of improving walkability, however, it is critical for communities to develop in a way that maintains affordability for all. Ensuring that services and employment are within safe walking distance and instituting inclusionary zoning and similar policies are means of ensuring economic equity.

Scott Bricker *is the director of America Walks, based in Portland, Oregon. Contact him at sbricker@americawalks.com.*

Endnotes

1 See Gary Pivo and Jeffrey D. Fisher, "The Walkability Premium in Commercial Real Estate Investment," www.u.arizona.edu/~gpivo/Walkability%20Paper%20February%2010.pdf. The authors find that "the benefits of greater walkability were capitalized into higher office, retail, and apartment values" and that, on a "100 point scale, a 10 point increase in walkability increased values by 1 to 9 percent, depending on property type."

2 See http://www.mutualaidstrategies.org/2012/02/18/the-1-dont-ride-public-transit/www.naccho.org/advocacy/testimony/loader.cfm?csModule=security/getfile&PageID=193952.

3 See http://htaindex.cnt.org/#5.

4 See http://blog.walkscore.com/category/walkability/#.VChhEkuFpLE.

5 See http://www.governing.com/topics/public-justice-safety/gov-pedestrian-deaths-analysis.html.

6 See http://www.bridgingthegapresearch.org/_asset/02fpi3/btg_street_walkability_FINAL_03-09-12.pdf.

7 See http://www.governing.com/topics/urban/gov-most-walkable-cities.html.

8 See http://www.fta.dot.gov/newsroom/news_releases/12286_16007.html.

9 See http://www.washingtonmonthly.com/features/2010/1011.doherty-leinberger.html.

SMALL BUILDINGS

Kennedy Smith
COMMUNITY LAND USE + ECONOMICS GROUP

The National Trust for Historic Preservation has tapped into big data to explore the relationship between urban livability and clusters of smaller, older, dense buildings.

Big data is big news these days. Shorthand for the exponentially growing pool of information—scraped together from subscriptions and surveys, social media and location-aware apps—big data is making it possible for civic leaders to analyze, understand, and plan for their communities in ways never before possible.

Sociologist and *Rise of the Creative Class* author Richard Florida has used big data to pinpoint how the type of work we do divides communities more than the amount of money we earn.[1] Jawbone, a company that makes Bluetooth-connected personal-activity tracking devices, has tapped aggregated data from its users to identify the U.S. cities in which people get the most sleep—and the least.[2] Now the National Trust for Historic Preservation is using big data to explore the correlation between neighborhood vibrancy and the size and density of neighborhood buildings.

A New Role for Big Data

The correlation between dense, human-scale buildings and lively streets is hardly a new concept. It was one of the bedrock observations of famed community activist Jane Jacobs about what makes communities work. In her groundbreaking 1961 book *The Death and Life of Great American Cities*, Jacobs pointed out the most important characteristics that make neighborhoods and cities work well: Blocks must be short, buildings must vary in age, each block must have multiple uses, and there must be a dense concentration of people living and working in the area.

The characteristics Jacobs described exist in abundance in New England communities, from the stately streets of downtown Montpelier to bustling Boston neighborhoods like Roslindale Village and Codman Square. Towns and cities like these have grown organically over the centuries from small, compact, mixed-use cores, and many have retained those characteristics.

But, in other neighborhoods, some of the urban fabric has unraveled. For many reasons, reusing older buildings is often more difficult than building new ones. For example, zoning codes sometimes restrict the mix of uses—ground-floor shops with upper-floor offices and apartments—for which older commercial buildings were designed. If loan products that blend financing for rehabilitation of ground-floor commercial space with financing for rehabilitation of upper-floor housing are unavailable, piecing together financing can be prohibitively cumbersome. Financial incentives sometimes direct development away from walkable town centers to car-dependent, single-use shopping centers and housing complexes.

Until now, no one has quantified the characteristics that Jacobs believed are essential to making communities vibrant and productive. The National Trust recognized the need to make the case, in numbers, about the relationship between such characteristics and neighborhood livability.

The National Trust's Preservation Green Lab spent a year examining a horde of fine-grained data about the age and size of buildings in three cities—San Francisco, Seattle, and Washington, DC—and then correlating the data with 40 different characteristics of vibrancy. It has compiled and published its findings in a report called *Older, Smaller, Better*.[3]

The researchers found that the presence of older, smaller, and age-diverse buildings had strong correlations with indicators of livability.[4] Consider the following:

- **Walkability:** Neighborhoods with smaller buildings and a wide range of building ages have higher Walk Score ratings than neighborhoods with larger buildings and buildings more homogenous in age.[5]

- **New businesses:** Neighborhoods with smaller buildings and buildings of different ages have a higher percentage of new businesses than those with larger buildings and buildings of the same age. They also have higher percentages of minority- and woman-owned businesses.

- **Young residents:** The median age of people living in neighborhoods with smaller, older buildings is lower than that of neighborhoods with larger buildings of the same age.

- **Diversity:** Neighborhoods with smaller, older buildings have a broader mix of people, with a wider age range, than other neighborhoods.

- **Nightlife:** Cellphone use on Friday nights is higher in neighborhoods with smaller, mixed-age buildings than in other neighborhoods.

- **Density:** There are more residents and more businesses per square foot in neighborhoods with smaller, older buildings than in those with newer, larger buildings.

Methodology

For each of the three cities the Green Lab chose to examine, it did six things.

First, it collected information from a variety of sources, including the U.S. Census Bureau, Yelp (information on business density, numbers of nonchain businesses, and business operating hours), Flickr (information on the geographic coordinates of buildings in grid squares), municipal real estate assessors, and Skyhook (a hybrid location-positioning company whose data made it possible to estimate the volume of cellphone use in different grid squares on different days and different times of day).

Second, it divided each city into a grid of 200-by-200-meter squares. Using a grid made it possible to tap into and connect data from many different sources.[6] Third, it matched data to each of the grid squares. Fourth, it excluded squares that were purely residential, as their inclusion would have resulted in apples-to-oranges comparisons. To be included, a grid needed to have at least 10 commercial square feet, three businesses, and one full-time job, with at least 1 percent multifamily housing and one complete parcel record in the municipal property assessor's database. Fifth, the Green Lab developed a "character score," a composite rating of a grid square's building age, age diversity, and granularity (the number of parcels per grid square).

Finally, it correlated the character scores of each grid square with roughly 40 economic, cultural, social, and environmental characteristics, including:

- businesses per 1,000 square feet of commercial space,
- jobs per 1,000 square feet of commercial space,
- percentage of new businesses (opened in 2012),
- percentage of businesses owned by women and minorities,
- percentage of jobs in small businesses,
- percentage of nonchain businesses,
- racial and ethnic diversity,
- Walk Score rating,
- population density (persons per square mile),
- average standard deviation of residential rents,
- income diversity,
- numbers of nonprofit organizations focusing on arts and culture, and
- permitted outdoor seating areas (for example, attached to cafés).

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The National Trust's Green Lab and its partners in this project demonstrated that neighborhoods with older buildings, smaller buildings, and buildings of diverse ages do, in fact, correlate with greater vibrancy than neighborhoods with newer, larger, and age-homogeneous buildings.[7]

What are the implications for public policy and urban planning? The Green Lab extracted half a dozen key lessons from its research: appreciate the efficiencies that older, smaller buildings provide; ensure that new buildings are compatible in scale with older buildings; encourage incremental development; reintegrate public transit into downtown and neighborhood hubs; recognize the appeal of older buildings to creative industries; and remove barriers to rehabilitating older buildings.

Until now, no one had quantified the characteristics that Jane Jacobs called essential to making communities vibrant.

The study represents one of the first times that big data has been used to help with understanding the importance of historic buildings to cities. And since prior research on the economic and cultural impacts of older buildings has been largely limited to buildings listed on the National Register of Historic Places (a list maintained by the National Park Service), it also represents one of the broadest studies of older, mixed-use buildings in the nation.

Jane Jacobs wrote, "Old ideas can sometimes use new buildings. New ideas must use old buildings." The Green Lab's *Older, Smaller, Better* report provides the first quantitative proof that she was right.

Kennedy Smith, *a principal with community economic development strategy consulting firm Community Land Use + Economics Group and an instructor in historic-preservation economics at Goucher College, is the former executive director of the National Main Street Center. She is based in Arlington, Virginia.*

Endnotes

[1] See http://martinprosperity.org/2014/08/25/the-divided-city.

[2] Brooklyn residents stay up latest; people in Pocahontas County, West Virginia, get the most sleep. See https://jawbone.com/blog/circadian-rhythm.

[3] *Older, Smaller, Better: Measuring How the Character of Buildings and Blocks Influences Urban Vitality* (Washington, DC: National Trust for Historic Preservation, 2014), http://www.preservationnation.org/information-center/sustainable-communities/green-lab/oldersmallerbetter.

[4] The number of buildings per block has a connection to the footprint and also the height of buildings. The more buildings the researchers counted in a block, the smaller those buildings were likely to be.

[5] The Walk Score index assigns a numerical score to most U.S. addresses on the basis of proximity to a range of amenities, including schools, shops, public transit, parks, and theaters. In downtown Beverly, Massachusetts, 265 Cabot Street has a "Walker's Paradise" Walk Score of 97, whereas 444 Broadway in Saugus, 30 miles south, scores 55, "Somewhat Walkable." For more on walkability, see Scott Bricker, "Walkable and Affordable Communities," in this issue.

[6] The U.S. Census Bureau recently launched Demobase, a grid-based tool for retrieving population estimates for any area, not just those within the boundaries of census tracts or political jurisdictions.

[7] Essentially, the lab was testing whether areas with the *combined* characteristics of building age, age variety, and varied building size contributed to livability. They created measures for those characteristics, combined the measures into a "character score" for each block, then assessed how 40 commonly accepted livability factors related to the character scores.

Measuring the Outcomes of Maine's College Graduates

Paul Leparulo
STATE OF MAINE

A new data system measures how many Maine postsecondary grads have found jobs in the state—and what they are being paid.

Most states hold data about their college students separately from data about the students' subsequent employment. Maine decided it would be useful to bring these information sources together and see how the state's college students were faring in the workforce.

The Maine Department of Labor (MDOL) Center for Workforce Research and Information recently unveiled a data system that measures college graduates' wage and employment outcomes. The system links the records of students in the University of Maine System (UMS) and Maine community colleges with their corresponding unemployment insurance wage records, available at MDOL. Bringing these sets of data together improves our ability to answer important questions regarding the extent to which new graduates find jobs in Maine and what they are paid. We're learning, for example, that a majority of the graduates stayed in Maine and found employment, those with two-year degrees earned competitive wages, and nursing graduates remained in high demand.

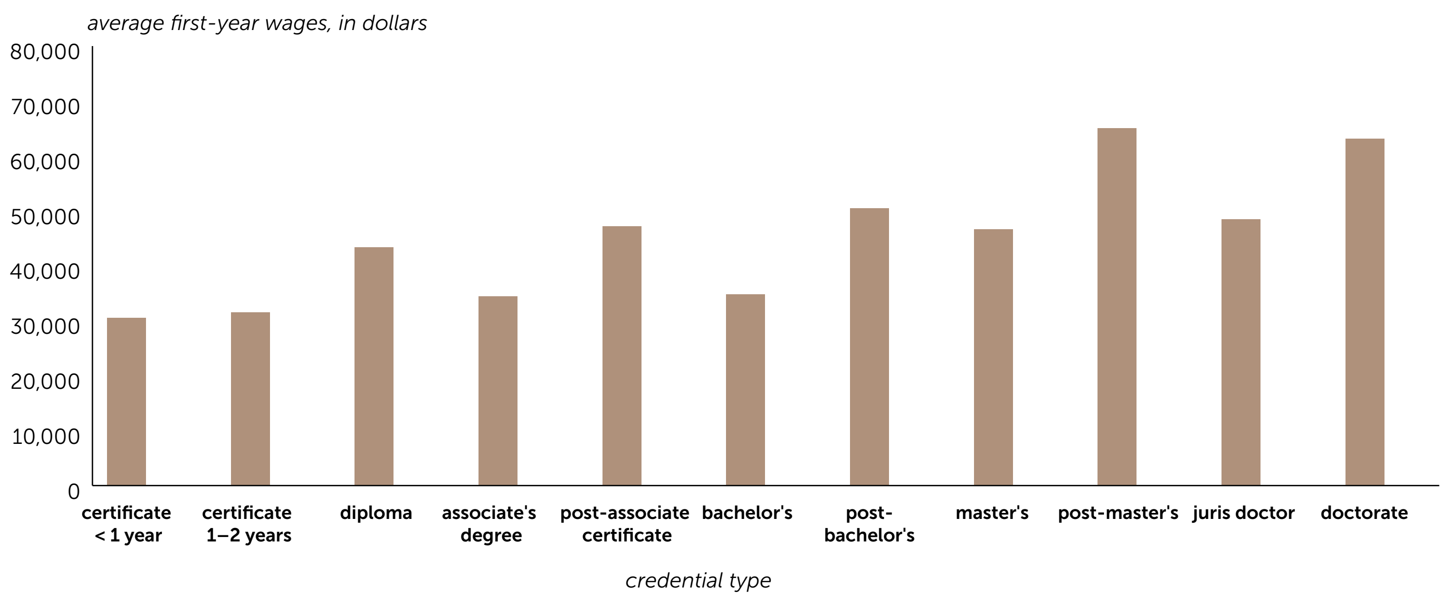
The information can inform career decisions, program review, and policymaking. Prospective students can do better at evaluating different paths of education, and guidance counselors and parents can access reliable data to help students navigate career choices. College administrators and educators can tap comprehensive data for program evaluation and resource allocation. Economic developers, employers, and policymakers can be more informed about the supply of newly trained graduates in strategic sectors and occupations.

How Does It Work?

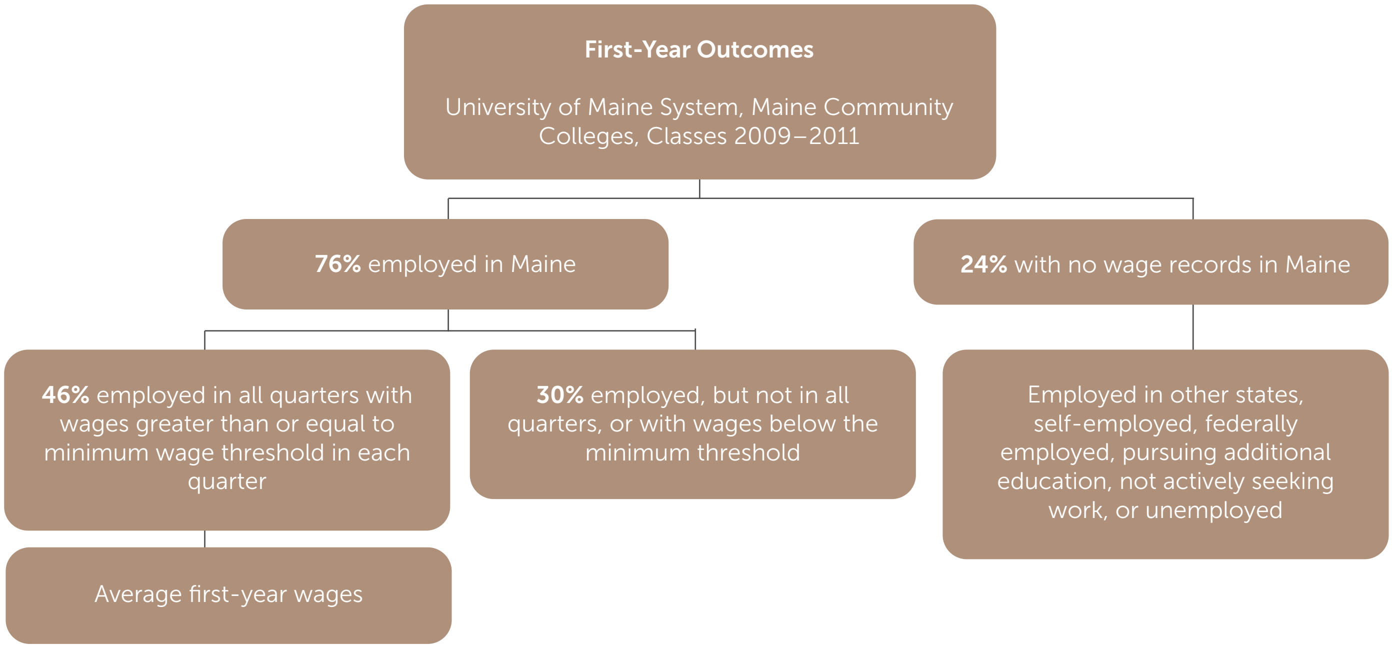
Records of graduates from UMS and Maine's community colleges, classes of 2009 to 2011, are linked to quarterly wage data available at MDOL. Wage data are available for jobs in Maine that provide unemployment insurance (UI) benefits or UI-covered employment. Combining three academic years enables greater reporting at the level of area of study while at the same time maintaining confidentiality.

The data system produces employment and wage outcomes for the first year after graduation, defined as quarters three through six postgraduation. This gives individuals two quarters after completing school to find employment. Longer-term outcomes will be added as more data become available. Results are aggregated and reported by credential, area of study, and school.

Average First-Year Wages, Academic Years 2009–2011



Source: Center for Workforce Research and Information, Maine Department of Labor.



Source: Center for Workforce Research and Information, Maine Department of Labor.

Data sharing among partners is governed in accordance with the Family Education Rights and Privacy Act and other federal and state confidentiality and privacy laws and provisions.

Linking education and wage data has numerous benefits, but there are also limitations in how the results should be interpreted:[1]

- Outcomes data are only for those workers who have employment records in the Maine unemployment-insurance wage-record database. Graduates that are "not found" are not necessarily unemployed. They may be working in another state, self-employed, or employed by the federal government. Moreover, graduates that reenrolled in education programs may not be seeking employment. Overall, 76 percent of the graduates in the cohort were accounted for in the Maine wage-record system during quarters three through six postgraduation.
- The data system measures first-year outcomes, which may not reflect longer-term results, which will be developed as the data become available.
- Employment outcomes will vary with factors such as economic cycles, regions, and industries of employment.
- The system does not measure intangible factors such as personal satisfaction with earning a credential or the intrinsic value of an education.
- Wages are not adjusted for inflation.

What Have We Learned?

Matching student data with wage records helps address heretofore difficult-to-answer questions regarding the employment outcomes of those in postsecondary-education programs. Answers to the questions shed light on the Maine economy, education programs, career options, and more. Consider these preliminary observations of first-year outcomes for the classes of 2009 to 2011.

Most Who Stay in Maine Find Work

Overall, 76 percent of the graduates were identified as having been employed in Maine during the first year after completing their degree. This broad measure captures individuals who had a wage record at any point during quarters three through six postgraduation. Although it does not tell us how long a particular individual was employed or her earnings, it does indicate that a relatively high proportion of graduates remained in-state and garnered some type of work after graduation.

Community college graduates were more likely to have been employed in Maine than university counterparts. Eighty-four percent of those with a community college award worked in-state the first year after graduation, compared with 73 percent of university graduates. Considering that 16 percent of the University of Maine's students originate from outside the state or country, those figures are not surprising.

Many Are Not Working Full-Time

Although three-fourths of the graduates found employment in Maine, less than half had wage records consistent with being fully employed. Specifically, 46 percent had earnings above a minimum wage threshold in each quarter of the measurement period.[2] The remaining 30 percent of working graduates were either not employed in all quarters or had wages below the minimum threshold.

The ability of 2009–2011 graduates to find employment was likely hampered by the Great Recession.[3] As more data are collected and longer-term outcomes processed, we expect to gain a better understanding of the economy's impact on hiring demand and job retention. Thus far, we can summarize the employment outcomes for all completers as follows: 46 percent had wage data indicative of being employed full time in Maine, 30 percent had some employment, and 24 percent were either not employed, working in another state, self-employed, or employed by the federal government. (See "First-Year Outcomes.")

Wage & Employment Outcomes 2009–2011 Academic Years: Associate Degree in Nursing

School name	Number of completers	Percentage of completers with any wage data	Percentage of completers with first-year wages	Average first- year wages
Kennebec Valley Community College	114	93%	81%	$46,744
University of Maine-Augusta	205	91%	77%	$44,804
Central Maine Community College	81	95%	85%	$45,126
Eastern Maine Community College	76	95%	82%	$49,229
Northern Maine Community College	103	86%	72%	$45,691
Southern Maine Community College (nursing)	153	89%	74%	$46,766
Southern Maine Community College (nursing upgrade)	11	100%	91%	$51,686
All nursing associate degrees	746	91%	78%	$46,272

Higher Credentials, Higher Pay

To understand what graduates earned, we evaluated the group of completers that had wages above the minimum threshold in every quarter throughout the measurement period. By focusing on the 46 percent that met these criteria—and excluding the 30 percent that did not—we are able to better understand what those who were more fully and continuously employed earned during the first year after completing their award.

Average first-year wages support the widely held notion that higher levels of education tend to be accompanied by higher remuneration. (See "Average First-Year Wages.") On one side of the spectrum, those who completed certificates had wages in the low $30,000 range, whereas those with a doctorate earned approximately twice that amount. In general, graduates with higher levels of education had higher first-year wages.

Some programs stand out as exceptional, with wages above that of the next-highest credential. Those programs (diplomas, post-associate certificates, and post-baccalaureate and post-master's certificates) were relatively small and had high percentages of graduates in well-paid areas. Analyzing future cohorts will help determine if these results are anomalies or normative.

First-year wages for associate's and bachelor's degrees were also similar. Although that could reflect something about the mix of jobs available in Maine, longer-term study is necessary to fully understand the differences between these credentials. Two- and four-year programs have different emphases, with the former tending to be more vocationally focused and the latter typically including more general-education credits and affording a wider array of career options.

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MDOL's employment-outcomes dashboard makes the types of data presented here available for hundreds of credentials and areas of study. For example, more than 740 students across six campuses graduated with an associate's degree in nursing. These students were highly employable—91percent found jobs during the first year, and 78 percent had wage data consistent with full-time employment. With first-year wages of approximately $46,000, these graduates were among the highest paid for those with a two-year credential. Employment outcomes were comparable across campuses. (See "Wage & Employment Outcomes.")

The dashboard can be used to understand the progression in outcomes associated with higher levels of educational attainment within a field of study. To extend the previous example, those graduating with a bachelor's in nursing had, on average, 10 percent higher wages than those with the associate's degree but lower employment ratios. Those graduating with a master's in nursing had first-year wages 30 percent to 45 percent higher than those with bachelor's degrees.[4]

MDOL's new data system represents an important step in understanding the relationship between specific credentials and employment outcomes. With further development, additional sources of data and longer-term outcomes can be added, which will enhance our understanding of these complex relationships. In an environment of scarce resources and limited funds, such information is likely to play a prominent role in career and resource planning.

Paul Leparulo *is the deputy director of workforce development in the Maine Department of Labor. Contact him at a.paul.leparulo@maine.gov.*

Endnotes

1 For more information, please visit the Wage & Employment Outcomes website at http://www.maine.gov/labor/cwri/wdqi/index.html.

2 Wage records don't indicate whether a person is employed full or part time. As a result, the measure was developed to gauge the extent to which graduates were fully and continuously employed over the measurement period. To be included, an individual must have had wages in each quarter above a minimum threshold. The threshold is $3,120, or what an individual working 32 hours per week, 13 weeks per quarter at minimum wage would earn in a quarter.

3 See http://www.maine.gov/labor/cwri/recessionIndex.html.

4 For additional information on nursing and an array of other courses of study, see http://www.maine.gov/labor/cwri/wdqi/.

Mapping New England

Education Levels of Recent Immigrants

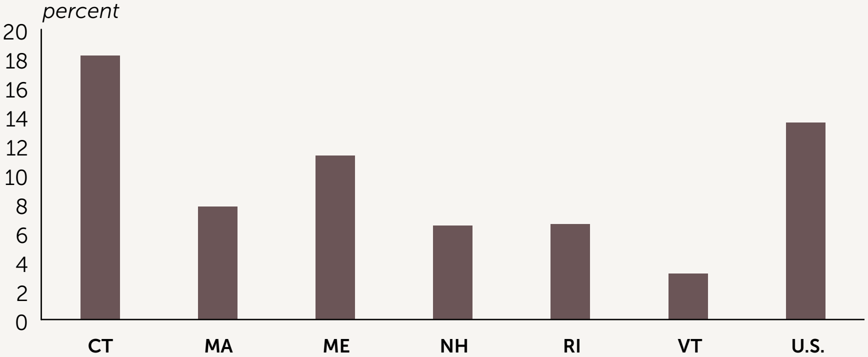
Kseniya Benderskaya
FEDERAL RESERVE BANK OF BOSTON

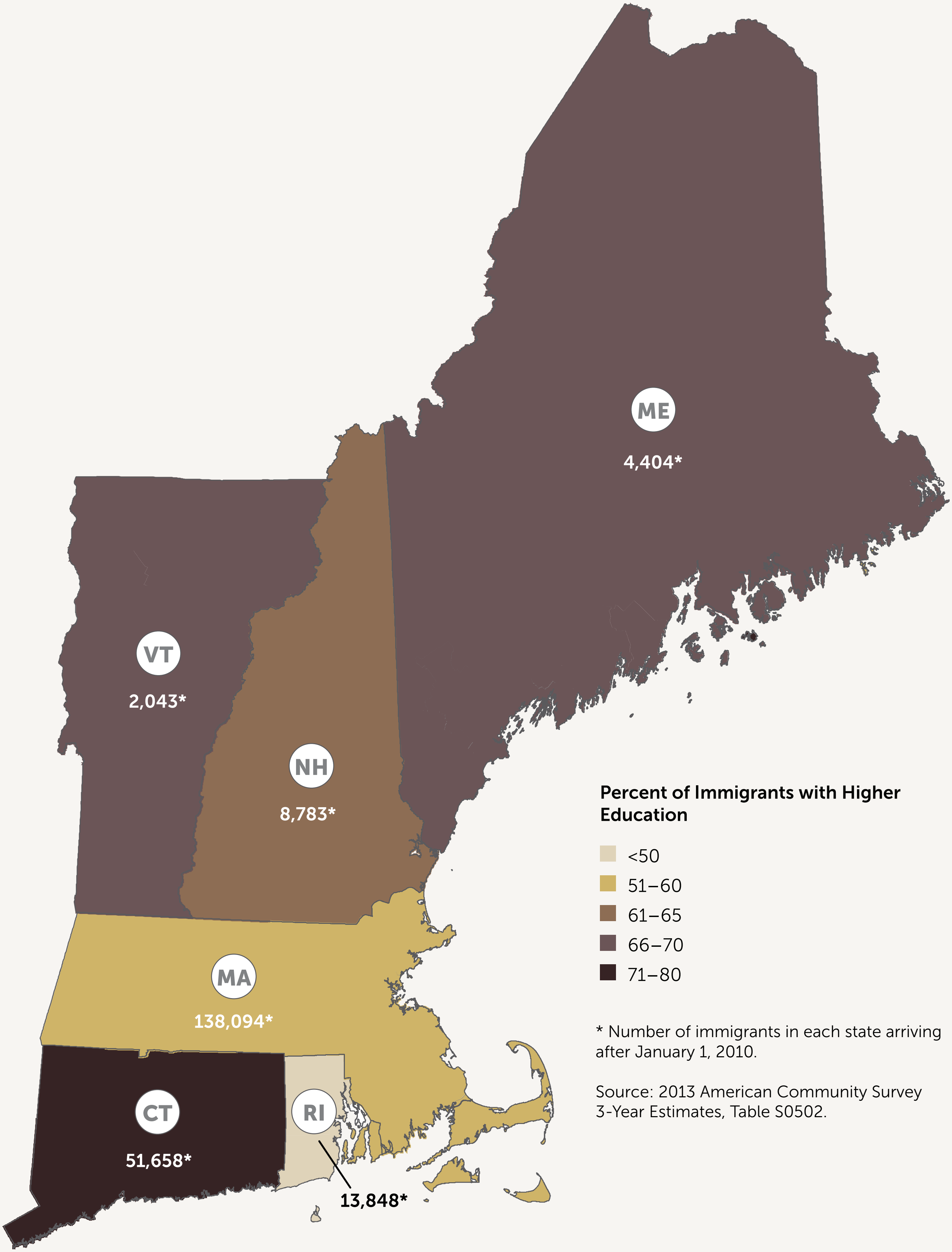
One of the current challenges for workforce development practitioners nationwide is the integration of immigrant job-seekers into the economy. Historically, it has been difficult for immigrants and refugees to find gainful employment in the United States because of inadequate language skills and lower levels of education.

However, the 2013 American Community Survey data on selected socioeconomic characteristics of foreign-born populations by period of entry paint a different portrait of the newest wave of immigrants both nationally and in New England. Foreign-born individuals who arrived in America after January 1, 2010, are more likely to have higher levels of educational attainment than those who entered between 2000 and 2009. In five of the six New England states, between 60 percent and 70 percent of the newcomers had a bachelor's degree, master's degree, or some college-level training.

The increase in the proportion of higher-skilled foreigners is particularly significant in Connecticut (by 18 percent), Maine (by 11 percent), and Massachusetts (by 8 percent). Since Connecticut and Massachusetts are home to about 87 percent of New England's newest immigrants, the trends have important implications for the regional labor markets. It is also notable that the sizeable increase in the human capital of New England's foreign-born residents has not translated into poverty-rate reductions among this wave of newcomers. In fact, about 25 percent to 30 percent of recent immigrants in each of the six states lives below the federal poverty line, which is on average 10 percent higher than poverty rates among immigrants entering the region in the previous decade.

Change in Percent of Immigrants with Higher Education (entry 2010 and later vs. entry in 2000–2009)




ME
4,404*
VT
2,043*
NH
8,783*
MA
138,094*
CT
51,658*
RI
13,848*
Percent of Immigrants with Higher Education
<50
51–60
61–65
66–70
71–80
* Number of immigrants in each state arriving after January 1, 2010.
Source: 2013 American Community Survey 3-Year Estimates, Table S0502.

VIEWPOINT

Reconsidering the Need for Personal Loans

Andy Posner
CAPITAL GOOD FUND

Low-income consumers lack access to equitable loans, so nonprofits need to fill the gap.

When I started Capital Good Fund in 2009, I was inspired by Grameen Bank founder Muhammad Yunus and his model for tackling poverty in Asia through microbusiness lending. The idea immediately struck a chord with me. Impoverished people with an entrepreneurial spirit could be helped toward self-sufficiency through microloans in the United States, too. So with the goal of reducing poverty in America, I set up shop with two others who also were affiliated with Brown University to offer loans of up to $3,000 for income-generating activities, such as home-repair services or catering.

Asking the End User

It didn't take long, however, for us to see that lower-income individuals and families had other, perhaps more urgent, needs. As we spoke with our clients and conducted our own research, we gained deeper knowledge of the $100 billion predatory financial-services industry—payday lenders, check cashers, rent-to-own stores, auto-title lenders, among others—which takes advantage of the vulnerability of the unbanked and underbanked. It also became clear to us that most mainstream financial-service providers were steering clear of some borrowers because of their low incomes, lack of collateral, high servicing costs, and in some cases, the real or perceived fear that regulators discourage serving this market.

Perhaps most intriguing was our discovery that many immigrants with low incomes couldn't afford the $680 cost of applying for U.S. citizenship. As a result, they either deferred their dream or sought out predatory lenders to finance the process.

At first, Capital Good Fund resisted the idea of making personal, or consumer, loans. Still, as the nonprofit's leader, I couldn't get my mind off the utter lack of access to equitable capital for disadvantaged populations. And with the financial collapse of 2008, it became impossible to ignore the need. We decided to take the step of making loans to cover the cost of the naturalization process, and pretty soon we were processing dozens of citizenship loan applications per month. Unlike banks and credit unions, we have low overhead costs, our credit standards are more flexible, and our ability to spend more time with each client is greater—factors that made it easier for us to enter the personal loan market.

For several years, our product offerings consisted of microbusiness and citizenship loans. Every once in a while, we got applications for other consumer needs—vehicle repairs, security deposits for renting apartments, computer purchases—and rejected them. They didn't fit our mental model for what nonprofits should do. In late 2012, however, Capital Good Fund became increasingly alarmed about payday lending in Rhode Island, where lenders were being allowed to charge rates of up to 260 percent annual percentage rate (APR), generating roughly $70 million in revenue for themselves every year. We could no longer ignore the need for consumer loans.

With reluctance, we began accepting applications to cover the cost of placing a security deposit on an apartment. We told ourselves that this was appropriate because the loans would have a meaningful impact on reducing debt and poverty. Several months later, though, we were underwriting a strong application for the purchase of a couch. The applicant, who had recently been homeless, indicated that he had just moved into an apartment, where he found himself sitting on the floor, unable to afford furniture. Absent our loan, he would go to a rent-to-own store, where a $500 couch might end up costing over $1,500.

"A couch loan?" we gasped. "Why would a nonprofit like ours make loans for couches?" And then one of our employees asked the question that changed everything: "Well, don't the poor need to sit somewhere, too?"

We listened.

A Good Business

Today, we offer personal loans of up to $2,000 for almost anything. We did get a lot of pushback about the decision from funders, staff members, and other stakeholders. We were asked about mission drift, our interest rates, and even if our clients really needed personal loans at all. But when we looked at our mission—to provide equitable financial services that create pathways out of poverty—it became clear that so long as our clients were weighed down by a crushing burden of debt, upward mobility would be out of reach. What's more, we wanted to be open to what they considered their needs. Perhaps they knew best. At the end of the day, we answered the criticism by pointing to the facts and channeling the voice of our customers.

Moreover, we saw an opportunity. Small personal loans are a phenomenal way to get folks in the door, yes, but that's just the beginning. Our borrowers save hundreds of dollars in interest, build their credit (thanks to the Credit Builders Alliance, we report to the credit bureaus), and gain access to our one-on-one financial coaching.[1]

When we looked at our mission—to provide equitable financial services that create pathways out of poverty—the road became clear.

See a video of author Andy Posner in a snowstorm explaining the Capital Good Fund's couch decision, here, at www.bostonfed.org/commdev/c&b.

Few other community development financial institutions (CDFIs) focus on the small-dollar personal-loan market. Such lending does not often impress their funders, and colleagues in the industry sometimes question its impact. But given that the goal of the CDFI field is to meet the needs of underserved communities, it makes no sense to ignore such a significant issue. Today more policymakers, funders, and journalists are waking up to the damage that unscrupulous subprime lenders are imposing on the poor and are thinking of ways to combat them.[2]

Go into most low-income neighborhoods in America and you are surrounded by the attention-getting "instant cash" and "no credit required" signs that you rarely see in wealthy neighborhoods. The absence of banks and credit unions also looms large. As the United States recovers from the Great Recession, a game of financial whack-a-mole continues unabated. For every attempt to regulate one financial injustice, another one quickly pops up.

Capital Good Fund believes in policies that protect the poor from usury and is passionate about putting usurers out of business by competing on price, convenience, customer service, and impact. But we have to recognize that unscrupulous competitors are well funded and ubiquitous. They have an aggressive lobby and wield their influence effectively. As a case in point, a coalition of Rhode Island community organizations has been bested for the past four years by payday lenders in its effort to lower the interest rate cap from 260 percent APR to 36 percent, which is the maximum rate lenders may charge military men and women.

That is why in 2013, the United Way of Rhode Island (UWRI) gave the Capital Good Fund two substantial grants to launch a payday-loan alternative. Ranging from $300 to $500 and priced at a fixed 30 percent APR, with a 4 percent closing fee, our emergency loan is a competitive product. Unfortunately, getting the word out has been the bigger challenge. Our marketing budget, compared with that of payday lenders, is infinitesimal, and we lack their massive brick-and-mortar network of stores.

What nonprofits that do this work need most is for more funders to be as committed to ending the cycle of debt and poverty as are UWRI and several others, including the Rhode Island Foundation. We need grants for operations, low-interest loans to fund loan pools, and help with customer acquisition. And we need people to lobby for change. Microbusiness loans are, without a doubt, compelling and highly impactful, but we mustn't blind ourselves to what lower-income people say they need. Only by involving funders, policymakers, and community members in an honest dialogue can we help the poor chip away at the prevalence of financial injustice and free themselves from usury. It will take significant investments if we are to give payday lenders and their ilk a run for their money. We owe it to those we serve to give it our best shot.

Andy Posner *is founder and CEO of the Capital Good Fund, based in Providence. Contact him at andy@capitalgoodfund.org.*

Endnotes

1 For more on Credit Builders Alliance, see Vikki Frank, "Helping Clients Build Credit," *Communities & Banking* 18, no. 4 (fall 2007), https://www.bostonfed.org/commdev/c&b/2007/fall/Vikki_Frank_Credit_Builders_Alliance.pdf; and Sarah Chenven, "Building Credit through Rent Reporting," 25, no. 1 (winter 2014), http://www.bostonfed.org/commdev/c&b/2014/winter/building-credit-through-rent-reporting.htm.

2 A good example is a September *New York Times* article, which exposed auto-title lenders' practice of using starter-interrupt devices to remotely disable the vehicles of borrowers who miss a payment. See Michael Corkery and Jessica Silver-Greenberg, "Miss a Payment? Good Luck Moving That Car," *New York Times*, September 24, 2014, http://dealbook.nytimes.com/2014/09/24/miss-a-payment-good-luck-moving-that-car/.

Cities Visiting Other Cities
A Revitalization Tool

Bennett Gray Wilson

City-to-city visits can energize urban initiatives, but more study is needed to understand the precise role of past trips in apparent outcomes.

Urban transformation takes many forms, and U.S. cities have much to gain from studying what their peers have done. A few years ago, the Federal Reserve Bank of Boston organized city-to-city visits as part of its engagement with civic leaders in Springfield, Massachusetts. The idea was to study similar cities that had seen success in revitalization.

Now the Boston Fed is assessing whether such trips would be helpful for its Working Cities Challenge, an initiative advancing collaborative leadership in smaller cities and efforts that improve the lives of low-income people. Launched in 2013, Working Cities incentivized 20 postindustrial cities in Massachusetts to work across sectors on creating deep and lasting change. Boston Fed partners provided monetary awards for winners, and the bank's Regional & Community Outreach department orchestrated learning opportunities for winners and nonwinners—just the beginning of a multi-year process.

To understand whether leaders from Working Cities might benefit from participating in a city-to-city visit, the Fed team asked, What considerations should go into the planning? How much staff time does it take? What have past participants said about the outcomes?

Planning for Success

City-to-city trips provide an opportunity for leaders in one city to learn from similarly situated cities and build long-term relationships. The trips, which last two to three days, give visitors insights into what has worked and what hasn't in host cities. Potential topics include ways to invigorate workforce development or to enlist the private sector in solving problems. A typical itinerary includes tours and meetings with municipal leaders, heads of nonprofits, business leaders, and government representatives.

Participants get to explore beyond their comfort zones, bonding during coffee breaks, over dinner, on buses, even getting a little lost together. New ideas—or confirmation of ideas previously considered—often emerge. In a visit to Grand Rapids, Michigan, for example, participants from Springfield's Common Capital saw firsthand what tackling the silos between organizations could accomplish.[1]

The Fed team also made a list of best practices for city-to-city planning:

- creating a working group with participants to oversee program design,
- establishing specific issue areas and learning goals,
- selecting a destination that has demonstrated strength in similar circumstances,
- encouraging follow-up and lasting engagement, and
- keeping a record of outcomes.

Working groups should include community leaders with diverse areas of expertise and openness to making key decisions in tandem. Joint decision making is important both for developing the program and for seeking buy-in of other attendees and the destination city's organizations.

Destination selection should include articulating a clear purpose for the trip and identifying learning goals. Cities should be chosen to match the needs and opportunities of the traveling city. The two cities should have similar population sizes, demographics, challenges, and assets. Host cities should have a strategy that all stakeholders there promote. In Winston-Salem, for example, the Fed found that leaders across sectors promoted workforce development (even using identical language to do so). In Grand Rapids, the focus was on developing a collective vision, executing on it with a wide variety of stakeholders, and using data to identify what worked.[2]

With an eye to the learning goals, the organizers should select several cities with the most relevance for participants. In making the final choice, the working group should give preference to destinations where it has been able to build a deep list of contacts.

The destinations for the Springfield trips were chosen because they had similar characteristics but were more "resurgent" (Grand Rapids, Michigan, Winston-Salem, North Carolina, and Bethlehem/Allentown, Pennsylvania).[3] Each had leveraged an asset to jump-start revitalization—for example, the arts, an engaged philanthropic or business community, local colleges, or medical institutions.

Springfield was considering a casino and regarded Allentown and Bethlehem as a good match because those cities had been through the experience of bidding for a casino. The Bethlehem and Allentown leaders explained to Springfield visitors how the mayors, originally in competition, designed policies that would give the winning city 80 percent of the casino revenues due to the municipality and the losing city 20 percent. They also described the array of factors, apart from casino jobs, that boosted the area's resurgence, and the visitors returned home with new ideas.

During and After the Trip

Among the useful activities for the visit itself, says the Boston Fed's Anthony Poore, are "panel discussions, site visits, group dinners, and structured debrief sessions at the end of each day. Such activities allow participants to process what they saw and, in collaboration with their peers, identify any commonalities, trends, or best practices."

After participants return home, a debrief that includes local leaders who did not participate—but might be instrumental in the adoption of new initiatives and policies—is critical. Collating participants' comments to better understand the most influential aspects of the trip from different perspectives facilitates understanding. Creating trip records also can help garner local technical and financial support for similar projects in the local area.

Springfield was facing challenges around the time that a city-to-city trip was undertaken.

But what about outcomes? In Springfield, the reenergizing of Develop Springfield and the city's Institute for Healing Racism were outcomes related to the trips.[4] Interestingly, the Institute for Healing Racism had faded in Springfield, but it had inspired similar efforts in Grand Rapids. After the Grand Rapids trip, Springfield participants decided to restore the institute. Similarly, says Boston Fed senior vice president Richard Walker, the reconstitution of Develop Springfield involved city-to-city participants who "pushed for an independent and broader-based representation than had previously been the case."

For additional insight, the Working Cities team investigated

whether other city-to-city efforts had systematically documented the outcomes.

In a recent interview, a member of the administration of the late Boston Mayor Thomas M. Menino described how the administration learned from the mayor's 1997 visit to Atlanta that a large-scale, high-profile event (the Olympics) could boost a city's reputation as a world-class destination. At the time, Atlanta, like Boston, was more of a regional business capital, home to relatively few global corporations but a plethora of higher-education institutions.

"It was really about thinking big and doing something big," said the former official. Seven years after Mayor Menino's trip, Boston was hosting the Democratic National Convention, helping to focus attention on the city as destination for internationally recognized events.

The best-known example of outcomes, however, is the creation of the Boston Children's Chorus after the 2002 trip to Chicago exposed Boston leaders to Chicago Children's Choir and its ability to bring together youth from different backgrounds through the music making. The Boston Children's Chorus has been a recognized success. But founder Hubie Jones, an eminent civic leader, founder of other Boston nonprofits, and the organizer of many of Boston's city-to-city trips, acknowledges that there is a need to capture a broader and deeper picture of trip outcomes.

Of course, there are reasons that successful city-to-city outcomes are based mostly on anecdotal evidence. For one thing, the final result is probably the sum of many threads coming together. In addition, no organization involved in planning such trips has made a point of measuring the success over time. What is known is that a three-day trip takes place, and participants are exposed to new concepts and continue to stay in touch for years. An initiative with strong roots in a city-to-city trip may occur in time, but too often the knowledge of what got the ball rolling gets lost along the way.

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A city-to-city trip offers opportunities to improve communities through enhanced relationships, knowledge of best practices, and long-term engagement. The challenge is to prove their worth beyond anecdotes.

Conversations with numerous participants from diverse backgrounds and sectors suggest that the trips create the conditions for positive change. People continue to talk about their city-to-city experiences years later. But planning a trip does require resources and staff capacity. Any organization or city that wants to develop a program like this must weigh those costs. It can take one person months to plan and execute a good program. Deciding on the destination, corresponding with the working group, organizing ongoing engagement events, and scheduling the trip itself can be a costly exercise, especially for smaller organizations. It is important to have enough staff capacity to allocate time to the effort. And until better metrics exist, the value will continue to be an intangible expressed by the enthusiasm of past participants.

Bennett Gray Wilson *is a 2015 Global MBA candidate at the George Washington University School of Business in Washington, DC. She conducted this research as an intern at the Federal Reserve Bank of Boston. Contact her at bennettgwilson@gwmail.gwu.edu.*

Endnotes

1 The website "City to City Pioneer Valley" has tracked lessons learned from the Springfield trips, www.city2cityspringfield.org.

2 See http://grcity.us/design-and-development-services/Planning-Department/Documents/10714_Flint%20Presentation.pdf.

3 See Yolanda K. Kodrzycki and Ana Patricia Muñoz, "Economic Distress and Resurgence in U.S. Central Cities: Concepts, Causes, and Policy Levers" (Public Policy Discussion Paper No. 13-3, Federal Reserve Bank of Boston), http://www.bostonfed.org/economic/ppdp/2013/ppdp1303.htm.

4 See http://developspringfield.com/ and http://sbj.net/main.asp?SectionID=48&SubSectionID=108&ArticleID=87186.

Community Health Centers in Low-Income Areas

Tom Manning

Community Health Centers—specifically, Federally Qualified Health Centers—are providing low-income communities with high-quality preventive care while reducing avoidable hospital stays.

Like the old-time family doctor, Community Health Centers (CHCs) provide primary care to millions, including one in three Americans in poverty, while accounting for only about one-half of one percent of U.S. health-care spending ($15.6 billion for 22.7

million patients in 2013).

With total U.S. health-care spending approaching $3 trillion annually, among the most significant health trends as the population ages and as obesity rates rise is the growth of chronic illnesses. In low-income communities, the prevalence of disabling chronic illnesses is above national averages. One study found that diabetics in low-income neighborhoods are 10 times more likely to have an amputation than those who live in more affluent areas.[1]

Fortunately, advances in medicine enable CHCs and other primary-care providers to care for more conditions. And with appropriate intervention and management at the primary-care level, fewer conditions require costly hospitalization or nursing-home care. More cases of asthma and diabetes, for instance, are being managed by patients working with family doctors and avoiding life-threatening acute episodes or early disability.

The Role of Health-Care Reform

The shift to preventive care and chronic-care management in a low-cost, primary-care setting such as a CHC is the essence of health-care reform. Low-cost community-based care, enabled by medical and scientific advances, is driven by necessity. After all, the United States competes in a global economy with other advanced countries that spend less on health care and show better results.

The U.S. health-care system is an inverted pyramid, with heavy investment in after-the-fact intervention and little investment in a foundation of primary and preventive care. Consider the hallmarks of our inverted system:

- Atop of the upside-down pyramid is specialty care and hospital-based treatment. Only one in eight U.S. doctors is a general practitioner, whereas the Organization for Economic Co-operation and Development (OECD) says its member nations average one in four.[2]
- Primary-care doctors earn the least; specialists earn far more.
- Preventable hospitalizations are high. With a system that rewards cure rather than prevention, the nation has twice the average OECD rate of asthma-related hospitalizations and nearly eight times Canada's rate.
- Compared with our industrialized peers, we have vastly higher health-care spending—more than 17 percent of GDP, compared with roughly 8 percent to 11 percent.
- U.S. health-care quality is low relative to expenditures. Public-health measures such as life expectancy tend to be below OECD averages.

Changes are under way. We're beginning to see more emphasis on primary and preventive care, a shift toward payment for outcomes rather than procedures, care management and coordination among providers, and care networks able to take full responsibility for the patient.

At the state level, Massachusetts had the most direct model for the Affordable Care Act (ACA), and another New England state had a noteworthy pre-ACA reform initiative. Rhode Island required that private insurers nearly double their spending on primary care, from an average of 5.9 percent (considered typical nationally) to 10.9 percent over five years, ending in 2014. Known as the "Affordability Standards," the spending requirements included improved management of chronic conditions, widespread adoption of electronic health records, and a move toward comprehensive payment reform. In early 2014, the state reported that the approach was on track.

The ACA benefits low-income people by expanding insurance coverage through private insurance exchanges, expanding Medicaid eligibility, and driving health-system change via payment reform (incentives rewarding prevention and penalizing unnecessary procedures).

Such strategies drive the provision of health care toward primary care. Whereas uninsured people typically do not have a doctor and might turn to emergency rooms, most newly insured seek out a family doctor and get a check-up. Health-care networks, which can share in savings if they meet quality standards, place a new emphasis on keeping patients healthy while providing care in the lowest-cost appropriate setting, often the primary-care level.

In addition to those drivers, the ACA includes measures that directly support CHCs and primary care:

- $11 billion to support the expansion of Federally Qualified Health Centers through a combination of capital and operating grants (to be expended by the end of federal fiscal year 2015),
- scholarships and loan-repayment support for primary-care physicians and support staff, and
- new programs funded through the Center for Medicare and Medicaid Services Innovation Center.

The Bigger Picture

How does ACA support of CHCs and primary-care expansion square with many states' strategies to limit the growth of Medicaid spending? In fact, the strategies can and should be complementary.[3]

Medicaid and Health Centers

Expanded primary care, with its emphasis on prevention and early disease detection, is the fundamental strategy many states adopt to reduce the high costs and personal tragedies stemming from unmanaged chronic conditions and avoidable hospitalizations.

For low-income communities, CHCs are central to that strategy. The basic economic logic can be seen in a simple comparison of the cost of a CHC medical appointment that addresses an issue before it becomes serious (about $150) to the cost of hospitalization when things get out of hand (typically, more than $10,000). Although a true comparison is not simple (patients see their doctor three or four times per year and are seldom admitted to the hospital), hospitalizations occur too often. About one in four have been judged preventable.[4]

A full economic analysis, beyond the Medicaid budget, would also need to consider such factors as the increased output of a healthier workforce, the ongoing value for children of better health and fewer school absences, and the shift of economic activity from hospital and nursing-home care to the activities of a healthier population. Such an analysis is extremely complex and subject to debatable assumptions, but it's not hard to imagine that preventing health problems and managing chronic conditions would create sustained and substantial benefits for both individuals and society.

Other Determinants of Health

The goals of better health at lower cost have created a renewed appreciation for the power of the nonmedical determinants of health—education, good housing, steady employment, public safety, and the like. The quality of such social factors is considered a better predictor of health than the quality of medical care.[5] That understanding is reenergizing the original CHC paradigm, one in which a primary-care provider is connected not just with other medical professionals, but also with a full range of social supports for patients.[6]

CHCs are particularly well situated to contribute to such strategies:

- they are community-based, with a majority of board directors who are, by law, CHC patients;
- they are accustomed to working with a wide range of fellow community-service organizations;
- they are major employers, with 162,000 full-time-equivalent jobs at all skill levels, working at 1,300 CHC entities with approximately 9,000 service sites across 50 states; and
- they bring foot traffic to their communities, creating additional economic activity. In 2013 alone, CHCs drew 90 million patient visits by 22.7 million individuals.

Two examples of CHCs working beyond medicine to improve health in their communities are the Fair Haven CHC of New Haven, where patients at risk of contracting diabetes can volunteer at and get fresh vegetables from local community gardens, and Urban Health Plan, a CHC in the Bronx, which has legally affiliated with a local community development corporation to maximize economic opportunity.

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It's important to note that the driving logic of health-care reform—better health at lower cost—can be achieved only by continuing to move more care, when appropriate, out of hospitals and into ambulatory facilities such as CHCs. Hospitals are irreplaceable for numerous life-saving and life-improving interventions, but fewer activities need to be done within those four walls.

Within a landscape of improved health and benefits to low-income communities, it is important to acknowledge that the shift is not without consequences. With hospitals as major employers in low-income communities, the benefits of health-care reform will result in the loss of many hospital jobs and the need to retrain many workers in the arts of prevention, chronic-care management, and other wellness strategies.

Tom Manning *is a New York–based consultant specializing in investment strategies for healthy communities. Contact him at TManning@harbor-road.com.*

Endnotes

1. Carl D. Stevens, et al., "Geographic Clustering of Diabetic Lower-Extremity Amputations in Low-Income Regions of California," *Health Affairs* (August 2014), http://content.healthaffairs.org/content/33/8/1383.abstract.
2. Though largely European, the 34 OECD countries also include Australia, New Zealand, Japan, South Korea, Israel, Canada, Chile, Mexico, Turkey, and the United States.
3. To control Medicaid spending, many states are adopting the reform agenda (increased investment in primary and preventive care). Efforts to control Medicaid spending are typically characterized as "cutting Medicaid," though it usually means "slowing the growth in spending." Medicaid eligibility expansion under the ACA is 100 percent federally funded for FY 2014–2016, and 90 percent federally funded thereafter. So it is possible for a state to cut its own share while expanding eligibility.
4. Misha Segal et al., "Medicare-Medicaid Eligible Beneficiaries and Potentially Avoidable Hospitalizations," *Medicare & Medicaid Research Review* 4, no. 1 (2014): http://www.cms.gov/mmrr/Downloads/MMRR2014_004_01_b01.pdf.
5. Richard Wilkinson and Michael Marmot, eds., *Social Determinants of Health: The Solid Facts*, 2nd ed. (Copenhagen: World Health Organization–Europe, 2003).
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