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New England and the SUBTRACTED City

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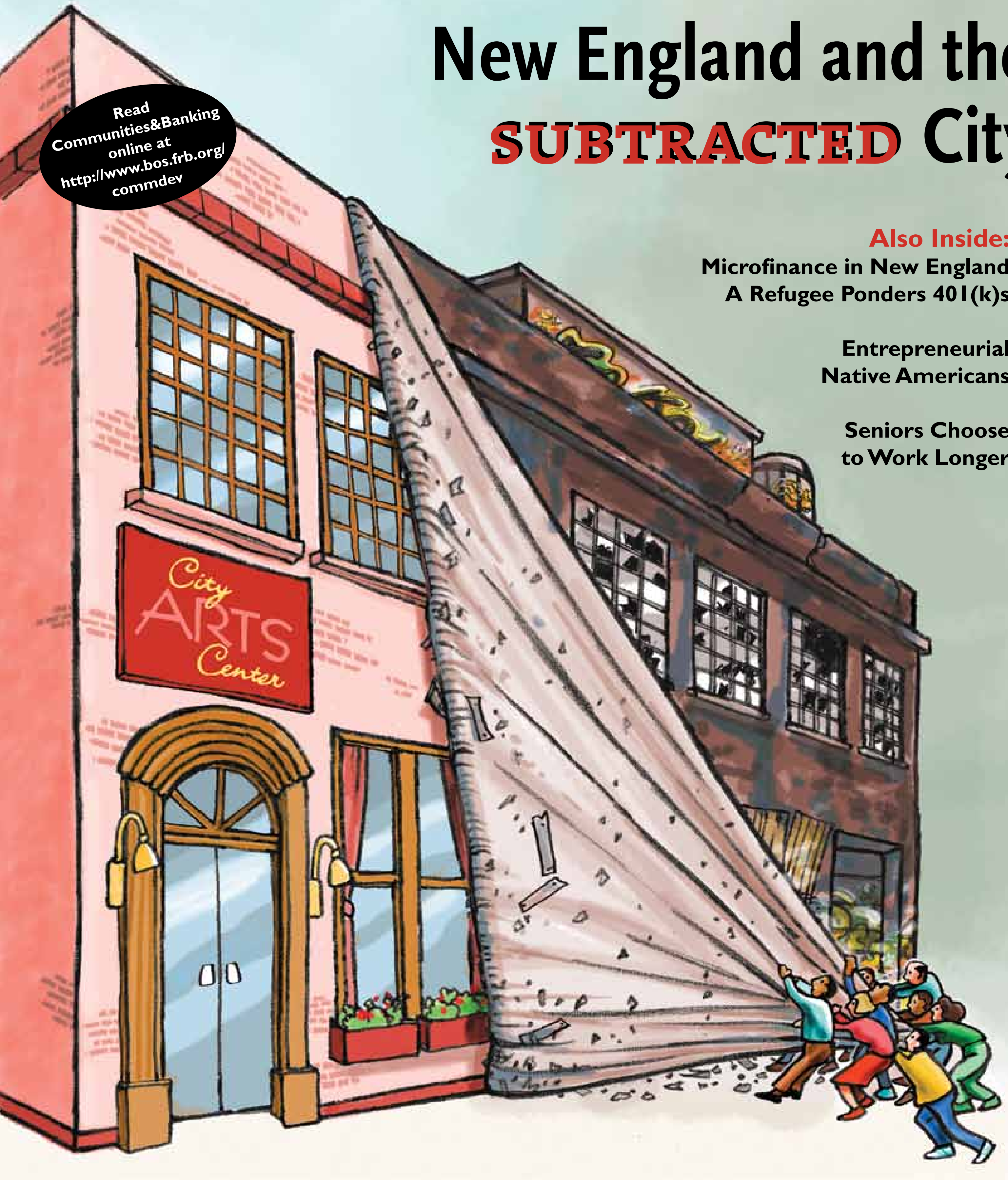

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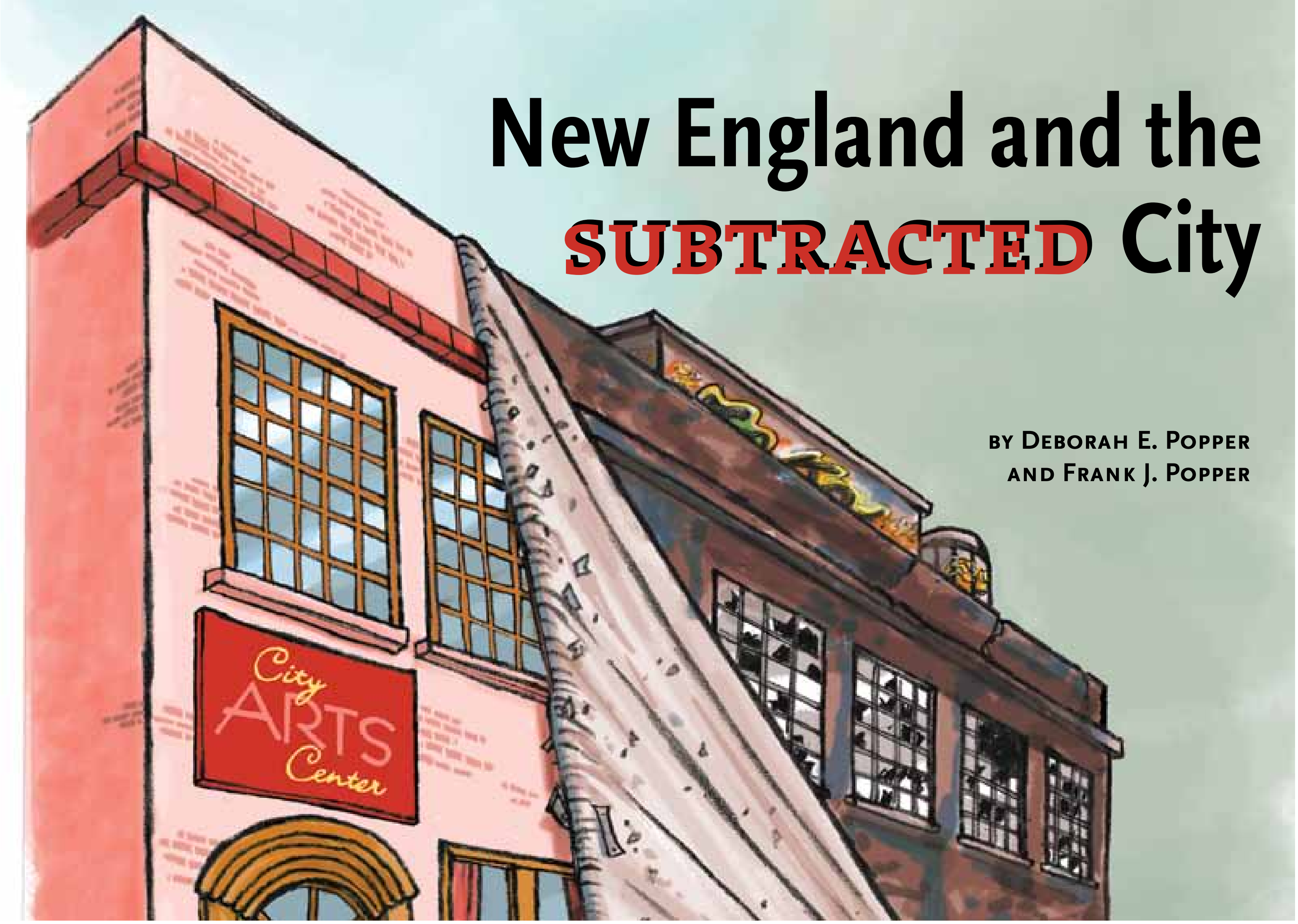


New England and the SUBTRACTED City

by Deborah E. Popper
and Frank J. Popper

Americans historically feel hard-wired for growth. When shrinkage occurs instead of growth, we are uncomfortable and want to ignore the reality.

No American region has longer experience with community shrinkage than New England. Massachusetts's Dukes County (mainly Martha's Vineyard) saw its population fall between the first and second national censuses, in 1790 and 1800. Maine lost more soldiers in the Civil War per capita than any other state, and its postwar population also dropped, with survivors leaving for better prospects. Through the 19th and early 20th centuries, New Englanders repeatedly found more productive lands, fresher forests, and bigger foundries to work in elsewhere. The region's early industrial cities lost out first to the fast-industrializing Midwest and then to the cheaper, nonunionized South. At the time, such losses were not treated as a national problem. Today, however, urban shrinkage is drawing the attention of planners, policymakers, and the general public, and is beginning to be addressed.

The Background

City and regional decline happens all the time. Places shrink over long stretches of history, and then sometimes growth begins again. With the 1821 construction of the Lowell mills in Massachusetts, New England farm children began fleeing to the new manufacturing cities. As the Midwest opened, New England farmers left their hilly, rocky soils for flatter, more fertile ones. Early 20th century writers like Sarah Orne Jewett, Edwin Arlington Robinson, and Edith Wharton portrayed the region's small towns and countryside as deserted by the young.

The automobile's advent caused a turnaround. Partly because of outmigration from the rural areas of New England and elsewhere, Northeast cities grew and became wealthy enough to support middle-class, car-owning seekers of second homes and recreational settings. In turn, the vehicles made rural New England and its villages accessible and attractive. All-season tourism was born.

But New England's industrial cities shrank as its mills and its clothing, shoe, and furniture companies moved south. New England's heavier industries also began to falter. In 1978, Connecticut's Bridgeport, Norwich, and Waterbury were troubled enough to appear in Mary Procter and Bill Matuszeski's path-breaking book *Gritty Cities.*[1] Even state capitals and college towns like Hartford, Providence, and Worcester saw populations and revenues fall, poverty and tax rates rise, and racial-ethnic relations worsen. At century's end, every New England state saw some formerly flourishing cities and towns become losers in the Industrial Revolution's later stages.

The Subtracted City

Five of the largest and most prominent shrinking, depopulating cities now drawing national attention are New Orleans, St. Louis, Buffalo in New York, Flint in Michigan, and Youngstown, Ohio.[2] They feature vacant commercial, residential, and industrial sites, boarded-up buildings, and deteriorating open spaces. Detroit and New Orleans are the best known, particularly after Katrina and the near-collapse of the Big Three automakers.

But many New England small and midsize cities also have suffered: for example, Fall River, Holyoke, New Bedford, and Pittsfield, Massachusetts; Woonsocket, Rhode Island; Calais, Maine; and Rutland, Vermont. And they are losing more than population. We call them subtracted cities because of the way houses, businesses, jobs, schools—even hope—keep getting removed. The losses have occurred without plan or intention.

Subtracted cities, whether Bridgeport, Connecticut, or Detroit, face crushing challenges. No wonder planners and policymakers prefer to focus on growth! Growth and its effects are easier to grasp and deal with. By contrast, subtraction is haphazard, unexpected, and risky. No American city plan or zoning ordinance anticipates it. A city can in theory buy a deserted house, store, or factory and return it to active use. But which use? If the city cannot find one, how long should the property sit vacant before it gets city razed? How common should such vacancies become before they demand systematic, not case-by-case, solutions?

No standard approaches exist. It is the measure of the problem subtracted cities pose that for at least 60 years—and longer in many New England communities—thousands of neighborhoods in hundreds of cities have essentially dropped behind the rest of America, and as a nation we have little idea how to respond.

What To Do

Those affected rarely begin to work with the inexorable reality of subtraction until about half the population has left, which may mean generations pass between initial loss and real action.[3] Typically, both the local leadership and its hopes for growth must move on before there are substantial efforts to work *with* loss rather than against it. By then the local tax base, public services, and fiscal conditions are likely to be dismal.

Most initiatives today begin with community groups and with counting building and lot vacancies, testing soil, air, and water conditions—perhaps conducting brownfield cleanups. Cities may do aggressive razing and turn large chunks of newly open space into community gardens or parkland. For a city government, creating new amenities is partly to improve security and to provide services more efficiently. For the local people, the goals may vary. They get surveyed as to who they are, why they remain, and what they want. Usually they want jobs.

Subtracted cities need mindful shrinkage and enhancement. Our experience suggests that effective local policy has to start with attention to some of the following.

- **The local workforce.** Much of the country's recent economic boom was construction driven, but in subtracted cities, factories, shops, and homes emptied out. Local labor should now raze abandoned buildings or foster their reuse. Residents need training and jobs to value, salvage, restore, and market materials and sites. Local people can learn to do environmental assessments, including lab testing and the like.
- **Critical landscapes.** Local conditions must improve for remaining residents. Children who see debris-filled vacant lots and boarded-up buildings learn not to expect much from life. Along with drug-free school zones, schools should have subtraction-action zones. When empty properties around schools show neglect, they should get rapid responses. Landscaping, even planting a few trees, makes a deserted lot look cared for.
- **Community gardens.** Once space for gardens is available. plants can often go directly in the ground. Or people can truck in soil and build raised beds. Community gardens improve the food supply, provide a positive neighborhood project, teach small business skills, and offer chances at new enterprises based on common resources. Trucks, hoes, and backhoes, for instance, can become shared resources for home maintenance. Above all, community gardens rally people for tangible local efforts—rather than just against city hall.
- **Pushing what worked.** New England's subtracted cities still have midscale downtowns, main streets, and public works patterns that could become desirable again. The sprawl era, when businesses moved to urban outskirts for easier parking and highway access, hurt them. Old downtowns can revive as places for entertainment, retail, and services. Clearing vacant structures on the downtown's edge can provide new parks, outdoor amphitheaters, and sports facilities. When such measures work, nearby homes, often featuring solid architecture, become more desirable.
- **Retaining some old buildings.** All places need their history, however painful. But today, many of the once mournful reminders of past glory are creating new opportunities. The old Sprague factory in North Adams has become Mass MOCA (Massachusetts Museum of Contemporary Art). Mills have turned

into restaurants, apartment buildings, and business incubators. Rail lines have become hiking trails. Old houses on Cape Cod, with their sad widow's walks, are snapped up for their great views. In Brunswick, Maine, the Frontier Café Cinema & Gallery has turned a former mill to new culinary and arts purposes. Without obliterating the past, the response to vacancy should be to seize the chance to move beyond it.

Subtracted cities appall us for what they have suffered while simultaneously daring us to do better. New England's subtracted cities are lucky in their size and proximity to one another. Compared with bigger cities in more dispersed regions, they can more effectively coordinate and learn from efforts to counter subtraction. Moreover, 21st century versions of New England town meetings—the blog, the listserv—can aid coordination.

The first step is to face the realities.

Deborah E. Popper *teaches geography at the College of Staten Island/City University of New York and Princeton University. She is vice-president of the American Geographical Society.* **Frank J. Popper** *teaches land-use planning at Rutgers and Princeton universities.*

Endnotes

1 Mary Procter and Bill Matuszeski, *Gritty Cities: A Second Look at Allentown, Bethlehem, Bridgeport, Hoboken, Lancaster, Norwich, Paterson, Reading, Trenton, Troy, Waterbury, Wilmington* (Philadelphia: Temple University Press, 1978).

2 Deborah E. Popper and Frank J. Popper, "Small Can Be Beautiful: Coming to Terms with Decline," *Planning* (July 2002): 20-23; and Popper and Popper, "Smart Decline in Post-Carbon Cities: The Buffalo Commons Meets Buffalo, New York," in *The Post Carbon Reader: Managing the 21st Century's Sustainability Crises,* eds. Richard Heinberg and Daniel Lerch (Berkeley: University of California Press, 2010): 314-321.

3 See, for example, Henry J. Mayer and Michael R. Greenberg, "Coming Back from Economic Despair: Case Studies of Small- and Medium-Size American Cities," *Economic Development Quarterly* 15 (2001): 203-206.

New England's subtracted cities are lucky in their size and proximity to one another. They can more effectively coordinate and learn from efforts to counter subtraction. The first step is to face the realities.

Mapping New England

Labor Force Participation and Unemployment Rates by County

Unemployment rates among the elderly vary widely within counties in New England, ranging from below 2 percent in three counties in Maine (Cumberland, Kennebec, and Piscataquis), one in New Hampshire (Strafford), and one in Vermont (Grand Isle)–to 9.4 percent in Windham County, Connecticut.

In general, labor force participation rate of residents 65 years and older is lower in Maine's counties than in the other New England states. Conversely, in Vermont, most counties show a labor force participation rate higher than 18 percent.

Nationwide, labor force participation and unemployment rates among people over 65 are 15 percent (lower than the average in New England counties) and 4.4 percent (similar to New England rates), respectively.

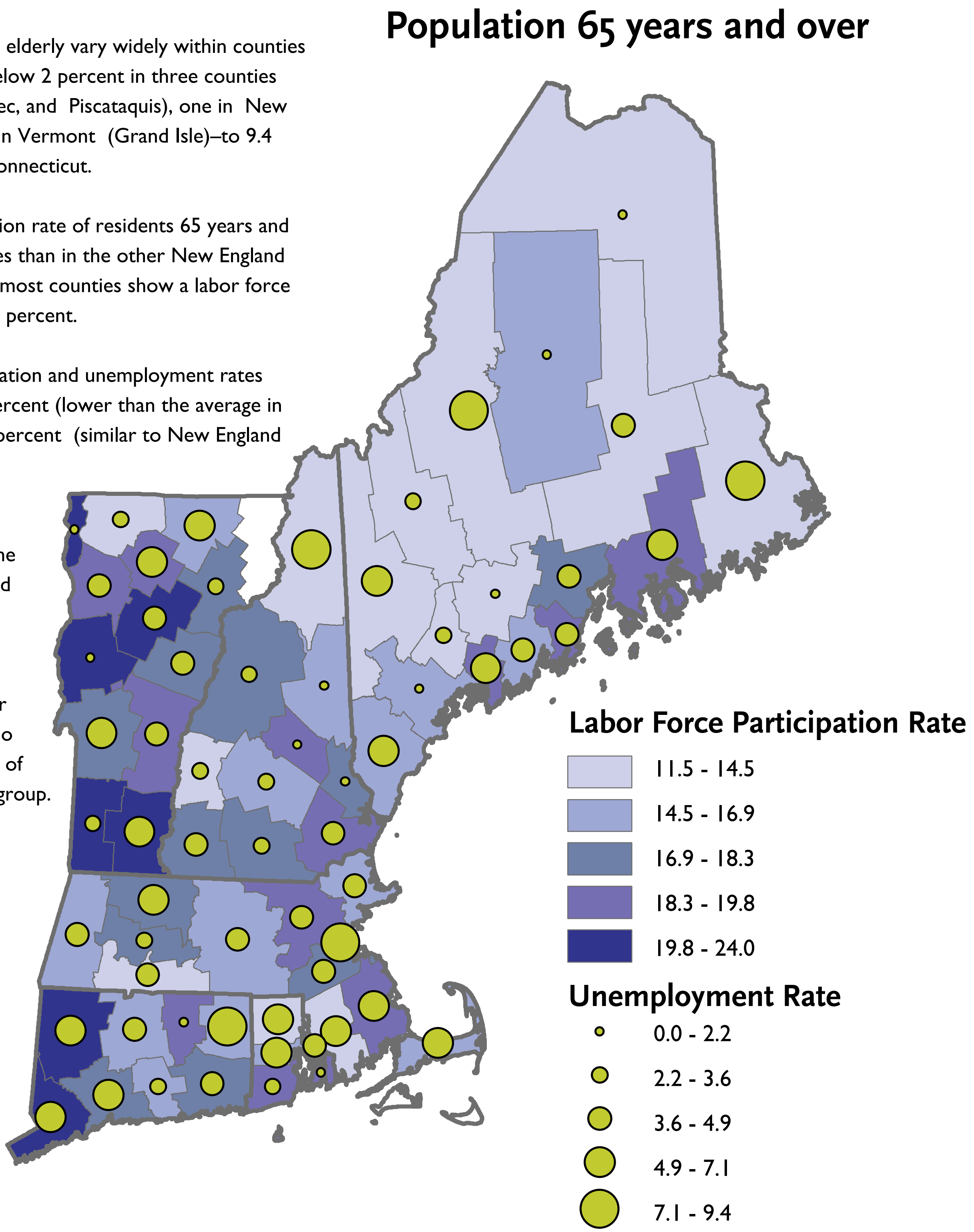
Definitions:

Labor force participation rate: the total number of people employed or seeking employment as a percentage of the population 65 years and older.

Unemployment rate: the number of people 65 years and older who are unemployed as a percentage of the labor force in the same age group.

Map: Ana Patricia Muñoz
Federal Reserve Bank of Boston

Source: American Community Survey
5-Year Estimates (2005-2009)



BY REBECCA HAWK

Building **Economically** Sustainable Communities on Indian Reservations

Linn and Marcie Goldsby, members of the Citizen Potawatomi Nation, are grateful to the Citizen Potawatomi Community Development Corporation for helping them finance their coffee-roasting, food, and catering business in Portland, Oregon. Photograph: Courtesy of CPCDC

For centuries, Native Americans engaged in successful commerce, often using bartering. But today the term "Indian business" may conjure up an image of luxury casinos and gaming riches. Since the enactment of the Indian Gaming Regulations Act (IGRA) in 1988 and the development of gaming on Indian reservations throughout the United States, a few attention-getting, resort-style casinos have been giving credence to that image. However, the idea that casinos—and the required business acumen to own and operate such high-stakes endeavors—have eliminated the economic woes prevalent throughout Indian Country during the last 200 years, is inconsistent with reality.[1]

Gambling's impact is more realistically summarized in a report from the Federal Reserve Bank of Minneapolis: "Casino wealth transformed a few small Indian communities, but most Indian Reservations remain islands of extreme poverty."[2] In fact, the 2000 national census statistics indicate that, proportionately, there are twice as many Native as non-native Americans living in poverty.[3] This reality weighs on Native Americans who have a sense of history.

Margo Gray-Proctor is one. Gray-Proctor is a member of the Osage Nation, president of Horizon Engineering Services Company, and chairwoman of the National Center for American Indian Enterprise Development board. She reminds people that 1,000 years ago "tribes had broad systems of commerce, and we bartered with each other for food and goods. Our ancestors developed extensive trade and commerce routes so effective that the U.S. highway system was later built upon them."

Today tribes need varied, sustainable kinds of commerce, not just gaming.

Beyond the Resort Casino

According to the National Indian Gaming Commission, as of 2007, fewer than half of the 564 federally recognized tribes in the United States operated casinos. The $27 billion in total tribal gaming revenue (approximately 25 percent of all gaming revenue) is generated primarily by the top 10 percent of those casinos. The rest make little.[4]

The reasons for the disparity among tribal casinos are complex, but one is location. Most reservations are too remote to have adequate access to markets. Nevertheless, even if all the elements needed to create a successful gaming operation were available to every tribe, would that be the wisest basis for building long-term economic stability?

Citizen Potawatomi Nation member Jamie Hubble and her husband, Mike Yoder, were able to buy LB Haley's Carpet in Oklahoma with assistance from the Citizen Potawatomi Community Development Corporation. Photograph: Courtesy of CPCDC

Many tribal leaders and business advisers from Indian Country have cautioned against dependence on gaming. There are always risks in relying on one industry. Consider that in 2008, two tribal casino resorts in southern California, the Pechanga Casino (Riverside County's second largest employer) and the Morongo Casino, laid off 463 employees, blaming the economy.[5] Then in late 2009, tribally owned Gulf Coast Casinos in Biloxi, Mississippi, reported a drop in revenue, with figures reminiscent of 2000, part of a setback for the whole industry.[6] (See "Change in Total Gambling Employment.")

Even the leaders of tribes with highly successful gaming operations recognize the importance of diversifying economically and creating entrepreneurial opportunities. That's why several contacted Joseph Kalt, chair of Harvard University's Native American Program and professor of international economics at Harvard's Kennedy School of Government. He enlisted the efforts of seasoned midcareer master's candidates at the Kennedy School. Former Wall Street attorney Laurence Isaacson and this article's author crafted a framework to identify tools with which tribal governments could transition their economy from tribal-owned businesses to one that also promotes member-owned small businesses.

Moving to Entrepreneurship

We began our project in February 2010 by garnering the wisdom of tribal leaders who were actively engaged in developing member-owned businesses.[7] We knew their insight on the cultural, historical, and economic issues interwoven in Indian Country would be critical as we made legal and business recommendations.

The leaders saw small businesses as important for preserving their culture, building capacity, increasing self-sufficiency, and retaining money within the community. Without small businesses on the reservation, they believed, money that was earned there could be spent elsewhere, hurting efforts to build strong communities for the future.

Next we looked at typical small businesses. Much of the demographic research identifies small business owners as risk-takers, well networked with suppliers of capital, goods, and services. Typically, business owners have received some formal education in running a business. In most cases, one parent had owned a business. But Indian dislocation coupled with policies that removed Indian children from reservations for several generations have stymied the creation of an entrepreneurial spirit built on traditional values. Moreover, tribal communities often place great emphasis on collective well-being, and sometimes striving for individual economic success seems to conflict. The challenge is to blend values so that an individual entrepreneur can be seen as contributing to the community's sustainable worth.

We then looked at successful tribal

entrepreneurship programs. All study participants emphasized that small business development requires strong leaders who can communicate a vision for economic stability and can get buy-in from numerous community members—not just potential business owners.

Keys to Success

Certain factors were consistent among strong entrepreneurial programs. We were therefore able to identify four keys to success: political will, a clear legal framework, a focus on the long term, and access to capital.

Political Will

The tribal governments that have been most successful have shown political will by connecting small business development to helping individuals create financial security and reduce their dependence on federal or tribal resources. They show that the presence of small businesses means assets are distributed more evenly among community members.

Legal Framework

Business development on reservations is subject to state laws (on corporations, partnerships, and limited liability companies). But because tribes have sovereign status, they could establish certain tribal laws and commercial codes to govern small business ventures.

A helpful guide was developed by the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) in Oregon. *The Master Plan for Reservation Small Business Economy* articulates, for example, the necessity of "transparent business laws that provide clarity without needless hindering of business success."

Focus on the Long Term

Short-term success must be weighed against long-term investment. One of the case studies we examined was the Community Development Corporation of the Citizen Potawatomi Tribe of Shawnee, Oklahoma (CPCDC). Through this CDC, the tribe provides hands-on learning opportunities for aspiring entrepreneurs with classes and mentoring programs that coach inexperienced business owners in financial planning, tax assistance, and ways to turn dreams into business plans. For tribes that do not develop their own programs, training is available from organizations such as the Native American Business Enterprise Center, which "provides professional business consulting services and technical assistance to Native Americans."[8]

Access to Capital

A major prohibitive factor for any population struggling to climb out of poverty is lack of access to start-up capital. Many Native Americans are unbanked and missing out on the networks that provide access to entrepreneurial resources. Tribal leaders emphasize that better access to capital is critical. And the CPCDC would add that, when loans are provided within a mentoring and education program, there is a nearly 100 percent repayment rate.

If a Native American nation is not able or inclined to fund a capital program for community members, it may be possible to tap "The Native Initiatives Strategic Plan FY 2009-2014," a program with the Department of the Treasury for the Community Development Financial Institutions Fund (CDFI Fund). That program consists of two main components: to provide financial assistance to expand Native CDFIs and their capacities; and to expand training programs that foster the development of CDFIs. In December 2008, there were 50 certified Native CDFIs and another 60 preparing for certification. The amount granted under the fund since 2002 totals $31 million.[9]

Programs creating thriving, successful business environments on reservations reinforce cultural values that hark back to historical Indian involvement with trade and commerce. And they build a framework to incorporate business-friendly laws and policies, mentoring, education, and shared access to capital. The successes so far suggest that small businesses can increase the self-sufficiency and stability of tribes.

Change in Total and Gambling Employment in the United States, 1991 to 2009

Percent change from prior year

Note: Annual averages, not seasonally adjusted
Source: U.S. Bureau of Labor Statistics.

Rebecca Hawk, *a descendant of the Iroquois Federation, holds a public administration master's degree from Harvard University's Kennedy School of Government. A small business owner for 16 years, she now works to build North American tribes' capacity to participate in natural resource management and policy development.*

Endnotes

1. "Indian Country" refers to regions under jurisdiction of American Indian tribes, such as reservations and tribal trust land. It is both a legal term and a sociocultural description of Native American communities.
2. Douglas Clement, "The Wealth (and Poverty) of Indian Nations," *The Region*, March 2006, http://www.minneapolisfed.org/publications_papers/pub_display.cfm?id=1375.
3. See http://www.census.gov.
4. In 2007 there were 416 gaming operations (including bingo halls, track racing, casinos) owned by 213 tribes. See http://www.nigc.gov.
5. Victor Morales, "450-plus Indian casino jobs slashed," *Indian Country Today,* November 25, 2008, http://www.indiancountrytoday.com/national/southwest/34893674.html.
6. Mary Perez, *The Sun Herald*, January 26, 2010, www.indiancountrytoday.com/archive/82705902.
7. The tribal entities that participated in the study include the Mashantucket Pequot Tribal Nation, HoChunk Inc., Citizen Potawatomi, Tulalip, ONABEN, and Confederated Tribes of the Umatilla Indian Reservation.
8. See the National Center for American Indian Enterprise Development, www.ncaied.org.
9. See "Financing Native Leaders for Tomorrow—Native Initiatives Strategic Plan FY 2009-2014," http://www.cdfifund.gov/what_we_do.

Personal Finance

A First-Generation Refugee Interviews a Second-Generation Immigrant

by Kao Kalia Yang

iStockphoto

I am Kao Kalia Yang. I was born in a Hmong refugee camp in Thailand. My family came to America in 1987, when I was six. I grew up in St. Paul. For most of my life in America, my family of eight lived in a 900-square-foot house built in 1895. The walls were rotting with mold. Bad heating and the Minnesota cold created drafts that kept us quivering and coughing as one season shifted into another.

We were poor. My mom and dad's educations had been terminated by heavy bombs falling onto their schoolhouses during the 1970s secret war in Laos. In America, they worked as assemblers in a factory, putting together small engine parts for car brands they didn't recognize.

Once or twice a year the company sent forms home about a pension plan. None of us knew much about pension plans. We needed every penny to ensure that the bank account didn't hit negative too often. (Mom suffered terrible migraines when the overdraft notices came in their tiny envelopes.) My sister and I, as kids and then teenagers, looked at the forms and picked the least amounts to contribute to these plans. We said, "One day we will be your 401(k). Please don't worry too much." It was not a promise but a declaration of desire to be there with them through the life that we knew, if we were lucky, would come.

Rudy Hokanson, CFA, grew up in Milwaukee, Wisconsin. A granduncle who had immigrated to America from Sweden adopted Rudy's father, who came to the United States when he was 11. It was understood that Rudy's father would always remain close to his new father and mother and help care for them, if not financially, then in any other way they needed. Rudy's mother was born and raised in Milwaukee. Rudy worked five years in the Lutheran ministry and subsequently almost 30 years as a Wall Street equity analyst.

Rudy likes to think about the big issues. Although I came here as a refugee and he is a second generation immigrant, I know he will understand why a new American might struggle to comprehend U.S. expectations and will answer my questions thoughtfully on pensions, savings, and 401(k)s.

Kalia: Were you your mom and dad's 401(k)?
Rudy: No, my father and mother had savings, and my father—a lawyer for the Veterans Administration after WWII until he retired—had a government pension. That was what is called a defined-benefit plan. The benefit was defined: the amount of the monthly check was known. The 401(k) became popular in the early 1980s as more companies realized they couldn't afford to offer pensions with defined benefits. In different periods of history, savings, income, and retirement have taken different forms. The 401(k) is a defined-contribution plan. Your contributions to it and the contributions of your employer are defined, but what you get out when you retire depends on what stocks you invest it in and how well they do. Today, even many government workers do not have guaranteed monthly checks but a form of a 401(k).

Kalia: Imagine for a bit how your life would have changed if you had been your parents' 401(k).

Rudy: There is no easy answer. My father chose to work for the VA because he sought security. Attempts to run his own practice and the Great Depression taught him that risk of failure is real. He didn't like to borrow. If there had been a more secure position than a U.S. government job, he probably would've taken it. I don't know whether his livelihood would've been better or worse if he were a risk taker. As someone who had to adjust to a new country and family at age 11, he did what he thought was necessary.

Kalia: Are your children your pension plan?
Rudy: I hope not, but as a family we're here for each other. We're trying to plan for ourselves, and we hope that we won't need to depend financially on them.

Kalia: Are Americans afraid of dependence, even within the family structure? And how does that relate to their financial choices?
Rudy: Many Americans view financial independence as a sign of success. There is a myth that we all must be self-sufficient. If you're "self made," you're admired. If you must receive charity, it better be temporary. However, as many people are living longer and running through their savings, the dependence of parents upon adult children is causing changes. Concern about older people who cannot support themselves is forcing many families and communities to reexamine mutual dependence.

Kalia: How does one develop a level perspective—reconcile different ways of thinking about financial independence and mutual dependence?
Rudy: People should use common sense. Finance is more than money. At its best, it's stewardship. The steward must know how to balance needs and resources. There's no free money. A responsible steward knows that health care, housing, food, and discretionary spending must be planned and saved for. A level perspective of finance means being responsible.

Kalia: My concern is about "responsibility." Hmong refugees have their understanding of responsibility. What do Americans mean by it?
Rudy: That depends. Some people believe they are responsible for themselves alone and think that only when people are self-sufficient are they productive and contributing members of society. For me, responsibility means finding a way to care for each other while allowing the individual to find self-respect in being productive. "Responsible" comes from "respond." Responding to others gives meaning to life. That is why personal finance and stewardship are linked.

Kalia: How do new Americans become responsible stewards? Is there a game we should use for practice? Is Monopoly the model of American stewardship?
Rudy: The best practice for anything is showing respect and listening. People are different. Being responsible is partly about doing right by others. Being responsible about finances benefits the people around you. As a first-generation immigrant, my father believed job security and a pension were very important. I never needed to worry about his finances. Today teaching financial literacy is helping young people be independent and also more responsible to others.

Kalia: What are three lessons you have learned about money as a financial analyst and citizen that are important for immigrant and refugee communities to know?
Rudy: One, regardless of advertisements or peer pressure, consumption doesn't bring happiness. Two, savings with some plan is necessary. And three, sharing, giving, and enjoying the benefits we receive multiply our blessings. We can be both responsible and free. I realize, though, that the issues for refugees and immigrants may be different since immigrants generally come for economic gain and refugees come for political freedom. Those differences may affect their attitudes about financial independence and responsibility.

Kalia: What three important insights can we, as refugees and immigrants, share?
Rudy: Refugees and immigrants have a true sense of community and of responsibility for each other. Their thankfulness is important for other Americans to see. I'm most impressed by the smiles, the heartfelt gratitude for the essence of life that refugees and immigrants demonstrate—especially in this country. It makes me aware that the things I worry about are often foolish. It reminds me to hold the joy they hold.

The moldy house I grew up in no longer exists. We moved out in 2003 because I went to Columbia University on full scholarship, and I could take out academic loans to help my mom and dad. They made a down payment on a house 40 minutes from St. Paul on a small acreage. We had to move because the house was full of lead, and my baby sister had astronomical levels of lead poisoning. She couldn't tell her 5's from her 3's from her g's. The house went on the market for $13,000. Nobody bought it. Habitat for Humanity took it over.

The American safety net in my life is academic scholarships. It is Toys for Tots. It is Meals on Wheels. It is church basements full of used clothing. It is conversations with men like Rudy, second-generation immigrants, who have a firmer footing on the finances of the American world and are willing to share insights with first-generation refugees like me.

This year, a new house rises on the St. Paul site. A family of four from Ethiopia will live there. I give them a copy of my book. Inside its cover, I write, "So the dreams of your children can grow in the place where mine were planted. So your family can share in the hopes of a bigger humanity. Because we belong to our stories."

The Hmong heart of me grows as I begin to realize the aspirations and the need of the people who taught me that life is about journeying with those we love as far as we can, as best as we know how, because we will always be each other's safety in a world full of nets.

Kao Kalia Yang *is the author of the Hmong memoir* The Latehomecomer. *She lives in Andover, Minnesota, and works at the University of Wisconsin, Eau Claire.*

Health Reform in Massachusetts: An Update

In April 2006, Massachusetts enacted a health reform bill called An Act Providing Access to Affordable, Quality, Accountable Health Care (Chapter 58 of the Acts of 2006). The law sought to move the state toward nearly universal insurance coverage and to improve access to health care.

In order to track the effects of Chapter 58, the Blue Cross Blue Shield of Massachusetts Foundation began funding an annual survey of nonelderly adults (aged 18 to 64) in the Commonwealth in fall 2006, just prior to the implementation of key elements of health reform. That survey, called the Massachusetts Health Reform Survey (MHRS), has been fielded in the fall of each subsequent year by the Urban Institute, a Washington D.C.-based nonprofit, nonpartisan policy research organization.

The latest survey covers changes under health reform by comparing fall 2009 with fall 2006 (before the reform) and changes between fall 2008 and fall 2009, when the effects of the economic recession in the state were most severe. The outcomes examined include health insurance coverage (both insurance coverage at the time of the survey and coverage over the prior year), health-care access and use, the affordability of health care, and public support of the health reform law.

by Sharon K. Long, Shanna Shulman, and Karen Stockley

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Expanding Coverage

The major components of Chapter 58 were directed at making comprehensive insurance coverage available and affordable for most residents as a first step toward improving access, affordability, and quality of health care. In fall 2009, fewer than 5 percent of nonelderly adults in the state were uninsured, down from more than 12 percent in fall 2006. The share of adults who were ever uninsured over the prior year and the share always uninsured over the prior year were also lower under health reform. The share ever uninsured over the prior year was at 9.7 percent in fall 2009, a drop of nearly half from fall 2006, while the share always uninsured over the prior year was at 2.5 percent, a drop of almost 70 percent from fall 2006.

Importantly, the strong system of public coverage in Massachusetts has offset some of the declines in employer-sponsored coverage observed in the state as a result of the recent economic recession. Compared with an analysis for the nation as a whole, health reform in Massachusetts appears to have provided nonelderly adults more protection against a loss of insurance resulting from the downturn.

Despite the economic downturn and the importance of public coverage in the state, the majority (68 percent) of Massachusetts residents continue to obtain insurance coverage through their employer. Notably, the share of workers whose employer offered coverage to their employees remained stable between fall 2006 and fall 2009. Overall, 91 percent of Massachusetts employees work for companies that offer coverage to at least some of their workers. Further, there is no evidence of public coverage "crowding-out" employer-sponsored insurance coverage because of reform, as employer-sponsored coverage increased by 2.7 percentage points between 2006 and 2009 along with a 5.0 percentage point increase in public and other coverage (which includes coverage obtained through the Commonwealth's health-insurance exchange and direct-purchase coverage).

Increasing Access and Affordability

The gains in insurance coverage in Massachusetts have been associated with improvements in health-care access, use, and affordability. These important achievements provide evidence that residents are obtaining meaningful, comprehensive coverage. For example, access to and use of health care improved between fall 2006 and fall 2009, with more adults reporting visits to doctors and other providers (including visits for preventive care) and fewer adults reporting unmet need for care in fall 2009. There were also gains in the affordability of care in fall 2009 relative to fall 2006, with adults reporting lower out-of-pocket health-care spending relative to family income and lower levels of unmet need because of costs. The latter was lower in fall 2009 than fall 2006 overall and for each of the specific types of care examined, including doctor care; specialist care; medical tests, treatment, or follow-up care; preventive-care screenings; prescription drugs; and dental care.

Some of the most vulnerable adults in the state, including lower-income adults and adults with a chronic health condition, reported some of the strongest gains under health reform. Both groups reported significant gains in insurance coverage, health-care access and use, and the affordability of care between fall 2006 and fall 2009. For example, insurance coverage rose by 14.1 percentage points for lower-income adults between fall 2006 and fall 2009 compared with 7.7 percentage points for adults overall. Relative to fall 2006, lower-income adults were also more likely to have a usual source of care (up 4.5 percentage points), to have health-care visits (up 8.3 percentage points for a doctor visit), and less likely to have unmet need overall (down 7.9 percentage points) for all types of care, including physician, specialist, preventive, dental care, and prescription drugs—meeting or exceeding the gains for the general nonelderly adult population. Among nonelderly adults with a chronic health condition, the most notable improvements under health reform were reductions in unmet need for all types of care (down 7.3 percentage points) and unmet need due to cost (down 6.4 percentage points), both larger than the reductions in unmet need reported for the general population.

The majority (68 percent) of Massachusetts residents continue to obtain insurance coverage through their employer.

Furthermore, racial and ethnic disparities in health-insurance coverage, health-care access and use, and the affordability of care have been reduced and, in some cases, eliminated. Most notably, under health reform, minority adults (defined as nonwhite and Hispanic adults) were just as likely as white, non-Hispanic adults to have insurance coverage in fall 2009 after controlling for differences in health-care needs and demographic characteristics, a significant change from their lower level of coverage in fall 2006.

Minority adults also gained ground in terms of the affordability of health care. Between fall 2006 and fall 2009, minority adults reported greater reductions in the share paying medical bills over time and in unmet need for preventive care due to costs than did white adults, likely reflecting the strong gains in public and other coverage among minority adults under health reform. Remaining racial/ethnic disparities in the site of usual source of care, nonemergency emergency department use, and ratings of quality of care highlight the need to address additional barriers to health care beyond differences in insurance coverage.

Public support for health reform in Massachusetts also remained quite high. When reform began in fall 2006, 68.5 percent of nonelderly adults supported the health reform law; with a similar level supporting health reform in fall 2009. Support has been consistently strong across all major population groups in the state, including when measured by income, gender, age, race/ethnicity, employment status, and region of the state.

Remaining Challenges

In spite of the early success of the Massachusetts health-reform law, insurance coverage in and of itself has not completely eliminated all barriers to care in Massachusetts. For example, some affordability and provider capacity concerns persisted in fall 2009. Specifically, about one in five adults reported problems finding a doctor who would see them, and similar proportions reported unmet need for health care and problems paying medical bills.

Also, the Massachusetts health reform was not designed to address the underlying drivers of ever increasing costs within the health-care system. These cost issues, which extend beyond Massachusetts to the nation as a whole, are the considerable challenge now facing communities across the country. Within Massachusetts, there is broad consensus about the need to control health-care costs and robust discussion about how to move forward on cost containment. Recently, the state's Special Commission on the Health Care Payment System proposed substantial changes in the state's health-care delivery and payment systems and, at the time of this writing, legislation was expected to be introduced. More recently, several Massachusetts agencies have commissioned investigations into the factors driving high costs. With escalating health-care costs a serious problem in every state, there is a clear need for strong federal leadership to address the problems with the payment system nationwide.

The implementation of the new federal health-reform law—the Patient Protection and Affordable Coverage Act of 2010 (PPACA)—will bring its own set of challenges and opportunities to Massachusetts. Although PPACA draws heavily on the Commonwealth's 2006 health reform law, including an expansion of public coverage, a health-insurance exchange to facilitate access to private coverage, and an individual mandate for insurance coverage, there are key differences. Most notably, PPACA necessitates that Massachusetts reassess how to calibrate its affordability standards, subsidy levels, and benefit packages for some of its lower-income residents. And each of those decisions has the potential to affect coverage rates and access to and affordability of care within the state. Thus Massachusetts, like all the other states, is preparing for the significant changes and opportunities that national health reform will bring.

Sharon Long, *a senior fellow at the Urban Institute in Washington, DC, when this work was completed, is currently a professor at the University of Minnesota.* **Shanna Shulman** *is director of policy and research at the Blue Cross Blue Shield of Massachusetts Foundation.* **Karen Stockley** *is a research assistant at the Urban Institute.*

Racial and ethnic disparities in health-insurance coverage, health-care access and use, and the affordability of care have been reduced and, in some cases, eliminated . . . Public support for health reform in Massachusetts has also remained quite high.

New Haven's Elm City Market

Coop Expands Access to Fresh Food

by Sara C. Bronin
University of Connecticut
School of Law

Disparities in access to fresh, healthful food are well documented. Consumers in higher-income communities routinely have more options than their lower-income counterparts. Closing that gap should be a priority for both health reasons and economic development. That is why as part of the Healthy Food Financing Initiative, President Obama proposed more than $400 million be spent in fiscal year 2011 on financial and technical assistance to expand and create farmers markets, retail infrastructure, and food stores in underserved communities.

Photographs: iStockphoto and Elm City Market

Cooperatives

Some of the federal money could go to a conventional-food-market alternative: community-owned food cooperatives. Coops typically emerge bottom up, when a group of people see such a great need in their communities for a food market that they start their own. Founding members work together to assemble capital, gain community support, and scout locations—often while collaborating on interim arrangements such as bulk-buying clubs. Coops range in size, but are usually smaller than conventional supermarkets. According to the Cooperative Grocery directory, there are 42 food coops in New England (seven in Maine, 12 in Massachusetts, six in New Hampshire, one in Rhode Island, 14 in Vermont, two in Connecticut).

Because each member receives a vote, coops are usually run very democratically. Most profits are kept in the community thanks to laws requiring that profits from member sales be distributed as "patronage dividends" to members. Moreover, coops generally operate independently and are not subject to corporate takeovers or abrupt relocations.

The work of coop board members is challenging. Moving from concept to store opening often takes years. After that, many boards struggle to manage as complex an operation as a grocery store in a professional, fiscally prudent manner. Moreover, start-up capital must be raised not from conventional banks (who are often wary of the unique coop business model), but from some combination of membership investments, donations from individuals, and loans from the few lending institutions willing to provide financing.

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Major Partners

Given that food cooperatives face many obstacles, it may seem counterintuitive that the $7 billion for-profit Multi-Employer Property Trust (MEPT) is investing in a coop in one of New England's poorest cities: New Haven. Elm City Market, created specifically for this project, will be located on the ground floor of a recently opened development that represents the largest private, non-Yale investment ever in New Haven. The project is known as 360 State Street.

MEPT broke ground in 2008 with its local partner, the integrated architecture, planning, and development firm Becker and Becker Associates Inc. The project includes a 32-story mixed-use tower. It has 500 residential units (10 percent affordable), a 500-space parking garage, and retail space that includes a bicycle shop and the Elm City Market. As of this writing, the development also is on its way to receiving a platinum rating in the U.S. Green Building Council's LEED for Neighborhood Development Program.

Elm City Market's high-profile location and brand new digs are unusual for a coop. Even more unusual is the top-down genesis, in which a large institutional investor had both space and start-up capital at the ready. The story of how the market became a critical part of a multimillion dollar green building project—as both an investment opportunity and a significant community asset—is worth telling.

Becker and Becker first obtained the property from the City of New Haven in a deal that gave it half a city block in the central business district. The City required that a full-service grocery store be built—"of the quality and reputation of Whole Foods, Trader Joe's, Gristede's, Fairway Market, Wild Oats, Limon Gourmet or Stew Leonard's Grocery or other grocery of similar quality and reputation"—within three years of the first certificate of occupancy. The consequence of failure would be to pay a one-time penalty of $250,000.

It would have been easier and cheaper for the developers not to have bothered with a grocery store. Recognizing, however, that the project's anticipated 1,000 residents and the surrounding community would benefit from convenient food access, Becker included in the original design a fully outfitted market.

For two years, attempts to attract one of the named grocery stores failed. In fact, many refused to visit. A regional chain that signed a letter of intent in late 2009 pulled out in early 2010. Around the same time, the Shaw's grocery store—the only full-service market near downtown New Haven—closed. Residents were left having to buy their produce from a few small convenience stores or from farmers markets run by the local nonprofit City Seed.

Making It Happen

As the grocery options for future residents of the development dwindled, the project team began pursuing the coop idea in earnest. During the first half of 2010, Becker and then MEPT fully funded the hiring of three consultants from the nonprofit Cooperative Development Services, plus a professional general manager who had handled the start-up of food cooperatives nationwide.[1] Becker and MEPT funded the purchase of all of the equipment needed to start the coop. They also funded hundreds of thousands of dollars in architecture, engineering, surveying fees, and other costs to ensure that the space was sustainably designed.

In addition to the Becker-MEPT funding, the Elm City Market received a loan from the Cooperative Fund of New England, a nonprofit community development financial institution focusing on coops. It also received loans ranging from $10,000 to $100,000 from about a dozen private investors. All the financing is to be repaid in accordance with the intricate federal tax rules that govern investments in coops, including limitations on returns. Despite the limitations, investors were eager to sign up, given not just the demand anticipated by the market analysis of New Haven's "food desert" but the investment's social dimension.

Most profits are kept in the community thanks to laws requiring that profits from member sales be distributed as "patronage dividends" to members.

As investors became more interested, so did New Haven's community of advocates dealing with food security and local agriculture. The coop's boards of directors and advisers included local restaurateurs, representatives of Yale University and City Seed, downtown businessmen, community organizers, and urban planners. Through such leaders, the Elm City Market reached out to area farmers and ranchers who could sell products at the coop, with the added benefit of contributing to regional food security.

Like any coop board, Elm City's board members have worked with the community to gain support for the project. A meeting held in October 2010—attended by about 150 people—solidified community support and served as a forum for addressing concerns, particularly concerns about how the coop would serve low-income members of the New Haven community. For example, coop representatives explained that the $200 one-time membership fee could be reduced or phased in for members who qualify. Throughout, the planning team followed strategies and advice from City Market in Burlington, Vermont, one of New England's most profitable grocery stores—conventional or coop.

Surprisingly, the only resistance that the coop planning team received was from the City of New Haven. Initially, officials claimed that a coop would not satisfy the city's requirements for the grocery store component, and as of this writing, they have not embraced the coop concept despite membership commitments from more than 300 New Haven residents. Indeed, many long-established institutions, from public bodies to conventional banks, view coops as risky ventures. But Elm City Market backers are confident that, by starting with both strong financial footing and community support, the coop will meet the city's standards. It may even exceed them because community ownership and control will ensure that the profits from the coop stay in the hands of the members and that the coop is responsive to community needs.

Of course, the ultimate success of Elm City Market remains to be seen. But the project not only could have a significant impact on the health and wellness of New Haven residents, but also could become a new model for institutional investors. Working with local partners to fast-track the project from the top-down, MEPT and Becker and Becker Associates have shown that it is possible to make a coop an integral part of a multimillion dollar private investment.

Not every struggling city will benefit from a major development project like 360 State Street. Not every developer will have the desire or ability to take such a financial risk—or the patience to engage the community in building a food coop. But public and private entities alike should recognize that, especially in a tough economy in which conventional grocery stores are less likely to take a gamble on a poor city, solutions like a create-your-own food coop may be in order.

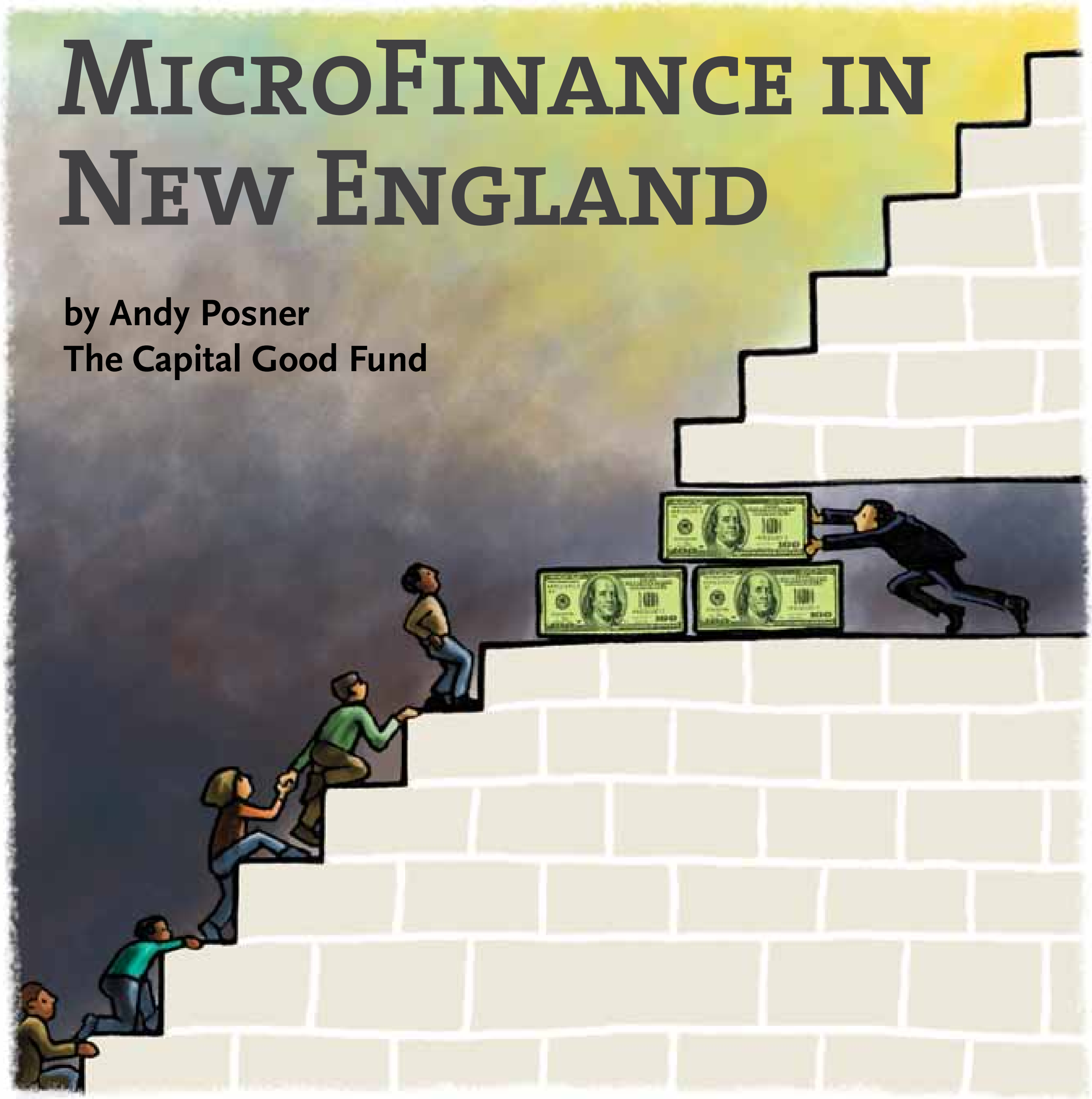
Sara C. Bronin *is an associate professor at the University of Connecticut School of Law and one of the lead attorneys for 360 State Street.*

Endnote

[1] Becker funded it first. Part of MEPT's investment will be a reimbursement of Becker's past costs and then a takeover of remaining obligations.

MicroFinance in New England

by Andy Posner
The Capital Good Fund



Barrie Maguire

Internationally, not only has microfinance proven to be an effective tool for fighting poverty and strengthening community, but microfinance institutions (MFIs) have achieved tremendous scale. Indeed, many MFIs serve millions of customers, and it is increasingly common for them to be profitable. Several have even had IPOs. In the United States, however, the picture is quite different. High transaction costs, differences in the nature of poverty in the states, and the availability of credit from fringe and predatory lenders have all prevented the development of a truly mature domestic microfinance industry, one that is capable of reaching the scale needed to create systemic change.

Having spent the first three weeks of 2009 being trained by Grameen Bank and having seen firsthand the way in which microfinance can change a life, a family, a community, and even a culture, I have become deeply committed to finding ways of bringing that level of impact to the United States. The economic downturn and credit crisis have only served to highlight the need for access to affordable, equitable, and effective credit. As the executive director of a young and small nonprofit microlender, the Capital Good Fund, I have been experimenting with new approaches to domestic microfinance. Though we have yet to find a perfect solution, here is what we have found so far.

Microfinance as Hub

First and foremost, we have come to see microfinance as a kind of hub around which a number of social service agencies can operate. We have found that many programs become more effective and meaningful when combined with a loan product. For instance, business training courses lead to the creation of profitable businesses only if the graduates are able to obtain start-up capital, and financial education programs have the potential to truly create behavioral change if combined with an actual loan product that enables participants to put their new knowledge into practice.

Second, in order to overcome the high cost of finding new clients, we have begun embedding our lending within social service agencies. In the United States, people don't wake up in the morning and say, "What I need is a microloan." Instead, they go to the local moneylender, pawnshop, or payday lender. Our approach is based on the idea that social service agencies across the country already have well-established relationships with the same people microlenders hope to serve, and the products and services that MFIs offer can enhance the work of the agencies and ensure that people are able to move toward financial self-sufficiency.

Third, microfinance can only get to scale in the United States if affordable interest rates can be combined with extremely high repayment rates and low transaction costs. The group-lending model pioneered by Grameen Bank is, simply put, a marvel of efficiency. One loan officer can serve up to 600 clients (there are 12 groups of five borrowers per "center," and each loan officer attends two center meetings a day, five days a week). As a result, the interest income earned off those 600 clients covers the salary of the loan officer, with enough left over to cover defaults, back-office costs, and the like.

It Can Work Here

The standard argument against group lending in this country has been that we have a culture dominated by individualism, and therefore the model cannot work. Grameen America, which already has 4,000 borrowers, is certainly proving otherwise. And our considerably smaller experience—we currently have around 25 group-loan borrowers—is also demonstrating that the same dynamics can be created here as in Bangladesh or Bolivia. The key is to tap into existing communities of people who meet on a regular basis and are working to overcome a similar challenge and better their lives. These communities already exist in most social service agencies.

As a case in point, take our partnership with Amos House, an innovative organization that assists the homeless, those with drug addiction, ex-offenders, and other individuals struggling to better their lives. Together, we identified a specific need that many of their clients had: paying off traffic fines that accumulated while they were incarcerated so that they can reinstate their driver's license and, in turn, gain access to employment. Amos House already had job-training programs leading to job opportunities. The license issue was the last major barrier to allowing their clients to take advantage of those opportunities.

By combining our experience and understanding of group lending with Amos House's understanding of the needs of their constituents, we were able to develop a group-loan program that hews closely to the Grameen model but that, instead of providing microbusiness loans, offers participants loans to get their driver's licenses reinstated.

Our approach is based on the idea that social service agencies across the country already have well-established relationships with the same people microlenders hope to serve.

Before joining the group, each participant is first screened by a caseworker at Amos House to ensure that he or she is stable enough for the program and can benefit from it. Next, group members must complete at least four classes' worth of financial coaching—taught at the weekly group meeting, which is hosted at Amos House—to ensure that they have the financial knowledge to budget and manage a loan and bank account (all borrowers must open bank accounts). Only then can two of the group members, selected by the group on the basis of need, request a loan. Those two individuals must then make at least one loan payment on time before two more group members can request a loan.

Though still in its infancy, this model—partnering with a social service agency to identify a specific need among its clients and then developing a group-loan program to meet that need—is proving tremendously effective. According to our director of programs, Joseph Holberg, who has been running the Amos House program, "When a group of strangers with a shared set of goals, namely financial stability and security, and with similar obstacles to overcome, interact and participate in group lending, the cohesion and the relationships formed bridge any type of racial, cultural, or socioeconomic barrier that exists between them. This group dynamic forms the basis for the social support that encourages financial mobility and acts as the primary risk management tool for the lending MFI and strengthens the existing social service agency. It is simultaneously simple yet powerful."

The bottom line is that despite being the wealthiest country in the world, the United States faces significant, persistent, and endemic social challenges. These include a poverty rate that currently stands at 15 percent, the largest prison population in the world (which leads to tremendous social and economic costs, urban blight, and violence), and a credit crisis that has millions of Americans caught in a vicious cycle of debt.

Microfinance is not a silver bullet, but by combining the Nobel-prize-winning effectiveness of group lending with the life-changing work of social service agencies, MFIs can become much more than financial institutions with a mission. Indeed, it is reasonable to expect that by forging these new partnerships, MFIs can achieve unprecedented scale and effectiveness, stretch the value of every donor dollar going to them or their partner agencies—and most important, begin to make a meaningful and significant dent in some of the most daunting and costly social issues facing this country.

Andy Posner *is the co-founder and executive director of the Capital Good Fund, based in Providence.*

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Encore Careers

One Solution to the Coming Labor Shortage

With nearly 10 percent of the American labor force unemployed as of this writing and another 7 percent so discouraged by their prospects that they either have dropped out of the workforce or have settled for part-time jobs, the most urgent economic challenge is how to generate enough jobs to put America back to work.[1]

So it may come as a surprise that within less than a decade, the United States may face the opposite problem—not enough workers to fill expected job openings.

by Barry Bluestone and Mark Melnik

That is likely to occur as the baby-boom generation reaches traditional retirement age. U.S. Census-projected population growth between 2008 and 2018 suggests that the nation will undergo a dramatic shift. The vast majority of population growth is projected to take place in the 55 and older age group, one that historically has had labor force participation rates well below those of younger workers. If the shift in the age distribution to older Americans results in a substantial reduction in overall labor force participation—the proportion of an age cohort working or looking for work—long-term economic output could suffer.

The numbers are startling. Between 2008 and 2018, the total U.S. population age 18 and over is expected to increase by 21.8 million as a result of immigration and greater longevity. But of this total, only 900,000 will be under age 55 because a baby bust followed the baby-boom generation; 20.9 million will be over 55. (See "Estimated Population by Age Cohort," p. 22.)

Social-Sector Job Growth for Some Encore Careers

2008-2018 (in thousands)

	Total Employment 2008	Total Employment 2018	Net Job Growth 2008-2018	Net, Less Physically Demanding, Job Growth 2008-2018
Wage and Salary Employment				
Health care and social assistance	15,819	19,816	3,997	3,510
Educational services	3,037	3,842	806	750
Nonprofits	2,973	3,353	379	319
Performing arts	118	127	9	24
Museums	132	161	29	22
Libraries	30	35	5	4
Total private social sector	22,109	27,333	5,224	**4,629**
Federal government	2,764	2,859	95	75
State government	5,178	5,624	446	399
Local government	14,557	15,703	1,146	831
Total government	22,499	24,186	1,687	**1,305**
Total social sector	44,608	51,519	6,911	**5,934**

Source: U.S. Bureau of Labor Statistics; Dukakis Center/BRA Labor Market Assessment Tool.

A Changing Labor Picture

Research based on U.S. Bureau of Labor Statistics (BLS) data suggests that a return to healthy economic growth could mean 14.6 million additional nonfarm payroll jobs created between 2008 and 2018. However, given projected population growth and current labor-force participation rates (and assuming no major change in immigration policy), there will be only about 9.1 million additional workers to fill all those positions. Even taking into account multiple-job holders, the total number of jobs that could be filled at current labor-force participation rates is 9.6 million, leaving 5.0 million to 5.7 million potential jobs vacant.

The BLS projects, however, that boomers will stay active in the labor force longer than previous generations because of better health and a desire to keep active. Moreover, boomers may need to work longer to make up for value lost in homes or portfolios in the downturn. Nevertheless, the increases may not be enough to avert a labor shortage. Using BLS estimates of future labor-force participation rates, there could still be 3.3 million to 4.0 million unfilled jobs by 2018.

Beyond Retirement

One way to help reduce the size of the potential labor shortage is by encouraging older workers to continue in their current jobs beyond normal retirement age or to find *encore careers* after they retire. Civic Ventures, a nonprofit think tank focusing on baby boomers and social-purpose work, defines encore careers as occupations for older workers that "combine personal fulfillment, social impact, and continued income."[2] One sector of the economy that exhibits the characteristics of encore careers is the social sector: for example, health care and social assistance; educational services; nonprofit community and religious organizations; the performing arts; museums; libraries; and government.[3]

Social-Sector Jobs

The social sector is projected to be an increasingly important part of the labor market. Currently, social-sector jobs account for 32 percent of employment. By 2018 there will be 6.9 million new jobs in the social sector, accounting for 47 percent of all the expected U.S. employment growth.

Looked at by industry, nearly 4 million of the most promising encore career opportunities will be in health care and social assistance; 1.1 million in local government; 800,000-plus in educational institutions; nearly 450,000 in state government; and close to 380,000 in nonprofits such as religious and community organizations. (See "Social-Sector Job Growth.")

Among the millions of opportunities that will be added to social-sector jobs (more than 85 percent of which do not require physical stamina), the vast majority are well suited to encore career seekers. In many cases, older workers could carry their existing skills and credentials into new settings. For example, a registered nurse might move from a major hospital to a community clinic; a computer systems analyst at a private software company might take a job in local government; a civil engineer at a private construction firm might work on a state government highway project.

The Promise of Encore Jobs

According to the BLS, the labor-force participation rate of younger adults will continue to decline as more attend college and graduate school and undertake professional studies. There will even be slight declines in participation among those aged 25 to 54 if parents decide to take advantage of improved maternity and paternity leave.

In contrast, large increases in labor-force participation are expected to occur among those 55 and older, with 55- to 64-year-olds increasing their participation rate from 64.5 percent to 68.1 percent between 2008 and 2018. Workforce participation by those aged 65 to 74 is expected to increase from 25.1 percent to 30.5 percent. Participation by those aged 75-plus is projected to increase from 7.3 percent to 10.3 percent. (See "Labor-Force Participation Rates.")

Changes in labor-force participation rates mean that the social-sector subset could see its workforce increase by 5.4 million. But that still leaves a gap of 1.5 million social-sector jobs that could remain unfilled if projected participation rates hold true.

The gap could be closed if the participation of adults 55 and older increases more than official projections. One scenario for filling the entire employment gap would involve both raising the labor-force participation rate for 55- to 64-year-olds to 74.4 percent (more than 6 percentage points higher than the BLS projects for 2018 and 10 percentage points higher than the current 2008 rate) and raising the rate for 65- to 74-year-olds to 33.3 percent from the projected 2018 rate of 30.5 percent (and the current rate of 25.1 percent) while boosting the rate for those 75 and older to 12.4 percent.

Such a scenario is not impossible given continued expected improvements in the health status and projected lower morbidity of older Americans, but it would likely require changes in many jobs. That is why beginning to think of ways to restructure work to appeal to older workers is advisable. What types of training and mentoring will they need? How can social-sector jobs be reconfigured to take full advantage of the talents of an older, but experienced, workforce? If jobs are not restructured to attract older workers, it is likely that wages will be bid up to entice enough workers to fill expected vacancies—and that could lead to higher rates of price inflation.

Soon a much larger percentage of the workforce will be over 55. As one observer has suggested, if trained and strategically deployed, boomers could "function as the backbone of education, health care, nonprofits, the government, and other sectors essential to national well-being."[4] Society could gain workers uniquely suited to providing many of the services on which the country relies.

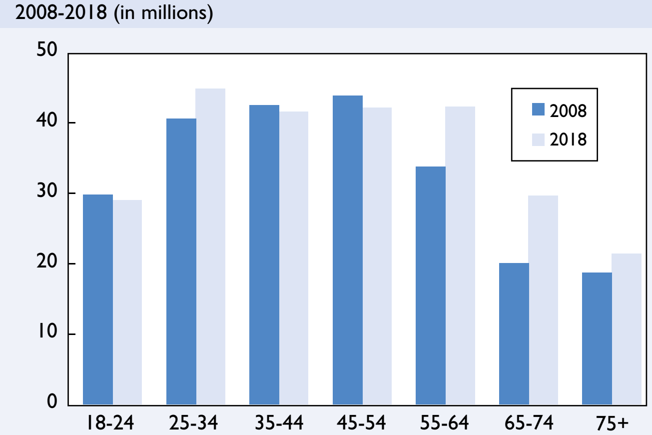
Labor-Force Participation Rates 2008 and 2018

Age Group	2008 Rate (in percent)	2018 Rate (in percent)
16-24	58.8	54.5
25-34	83.3	82.4
35-44	84.1	83.2
45-54	81.9	81.7
55-64	64.5	68.1
65-74	25.1	30.5
75+	7.3	10.3
Total	**66**	**64.5**

Source: Mitra Toosi, "Labor Force Projections to 2018: Older Workers Staying More Active," *Monthly Labor Review*, November 2009.

Estimated Population by Age Cohort

2008-2018 (in millions)



Source: U.S. Census Bureau.

Barry Bluestone *is dean of Northeastern University's School of Public Policy and Urban Affairs and the director of the Dukakis Center for Urban and Regional Policy.* **Mark Melnik** *is the Boston Redevelopment Authority deputy director for research.*

Endnotes

1 This article is based on Barry Bluestone and Mark Melnik, "After the Recovery: Help Needed—The Coming Labor Shortage and How People in Encore Careers Can Help Solve It," *Civic Ventures*, March 2010.

2 See http://www.encore.org/learn/aboutencorecareers.

3 For our purposes, the definition of the social sector is limited to that portion of the economy. But because jobs beyond the scope of our analysis (for example, green jobs) can be considered part of the sector, the implications are, if anything, understated.

4 Marc Freedman, *Encore: Finding Work That Matters in the Second Half of Life* (New York: Public Affairs Books, 2007).

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Making Municipal Aid Count

Mind the Gap!

by David Coyne and Bo Zhao
Federal Reserve Bank of Boston

Cities and towns in Massachusetts rely on state aid to offset the expenditures of providing basic local services. According to the Massachusetts Department of Revenue, in fiscal year 2010, state aid accounted for more than 22 percent of municipal budgeted revenue for local governments in Massachusetts.[1]

Although many cities and towns have been facing significant fiscal difficulties since the onset of the recent economic recession, the degree to which those municipalities need state aid actually varies widely. This variation is due to fundamental differences in the ability of municipalities to provide local public services with locally raised revenues.

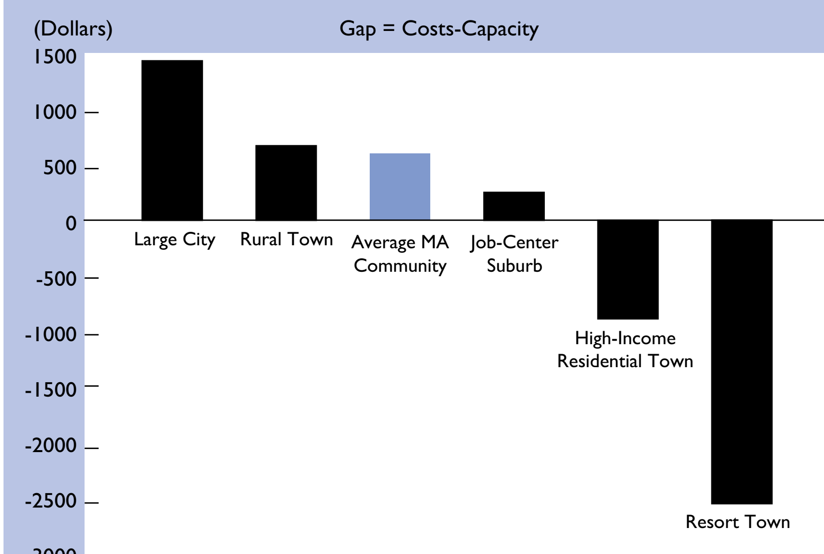
A recent publication from the Federal Reserve Bank of Boston's New England Public Policy Center (NEPPC) explored a possible measure of this disparity, dubbed the "municipal gap."[2] The paper uses the municipal gap to estimate the relative need for nonschool state aid among Massachusetts cities and towns. The gap measure is defined as the difference between the costs of providing municipal services (municipal costs) and the ability to raise revenue locally to pay for those services (municipal capacity).

It is important to note that these costs are not actual spending and that capacity is not actual revenues. Instead, cost and capacity calculations are based on local economic and social characteristics that are outside the control of local officials. This avoids any likelihood of rewarding poor management and wasteful local spending with state aid that is needed more elsewhere.

Municipal Costs and Capacity

Per capita municipal costs vary across cities and

Municipal Gaps of Prototype Massachusetts Communities (per capita, FY 2007)



Municipal Cost Factors of Prototype Massachusetts Communities (FY 2007)

	Cost factors				
	Population density (thousands per square mile)	Poverty rate (%)	Unemployment rate (%)	Jobs per capita	Municipal costs ($ per capita)
Large city	8.84	22.82	6.87	0.35	1,921.39
Rural town	0.08	5.39	4.68	0.29	1,135.96
Job-center suburb	1.55	3.84	3.54	0.99	1,245.32
Higher-income residential suburb	1.42	2.84	2.60	0.21	933.67
Resort town	0.25	7.16	5.32	0.54	1,296.72
Average MA community	4.02	9.93	4.90	0.49	1,410.86

Note: Per capita municipal costs = 28.0 x population density + 19.8 x poverty rate + 81.0 x unemployment rate + 272 x jobs per capita + 570.2.

towns, reflecting variation in fundamental factors that determine how costly it is for a city or town to provide municipal services. Such cost factors include population density, the poverty rate, the unemployment rate, and the number of per capita jobs located in the municipality. In places where density, poverty, joblessness, and local job counts are higher, per capita municipal costs are understandably greater. For example, a community with a higher number of per capita jobs also has a higher number of commuters visiting the community on a frequent basis. The commuters consume local services, including public roads, fire protection, and police protection, driving up municipal costs.

As a result, cities and towns with jobs and a relatively high percentage of low- and moderate-income families often face significantly higher costs than the average Massachusetts community. Large cities are already likely to have high municipal costs resulting from their higher population density and higher poverty rates.

Looking at Massachusetts cities and towns through the medium of prototypes can be instructive. A large-city prototype—based on several actual Massachusetts cities—experienced per capita costs 36 percent higher than the average Massachusetts community in fiscal year 2007.[3] (See "Municipal Cost Factors of Prototype Massachusetts Communities.") Higher-income residential suburbs, however, have much lower municipal costs, since they experience lower poverty rates and unemployment rates, and are home to fewer jobs per capita. A prototypical community of that sort has per capita costs 34 percent lower than the average Massachusetts community, and less than half of the costs estimated for the large-city prototype.

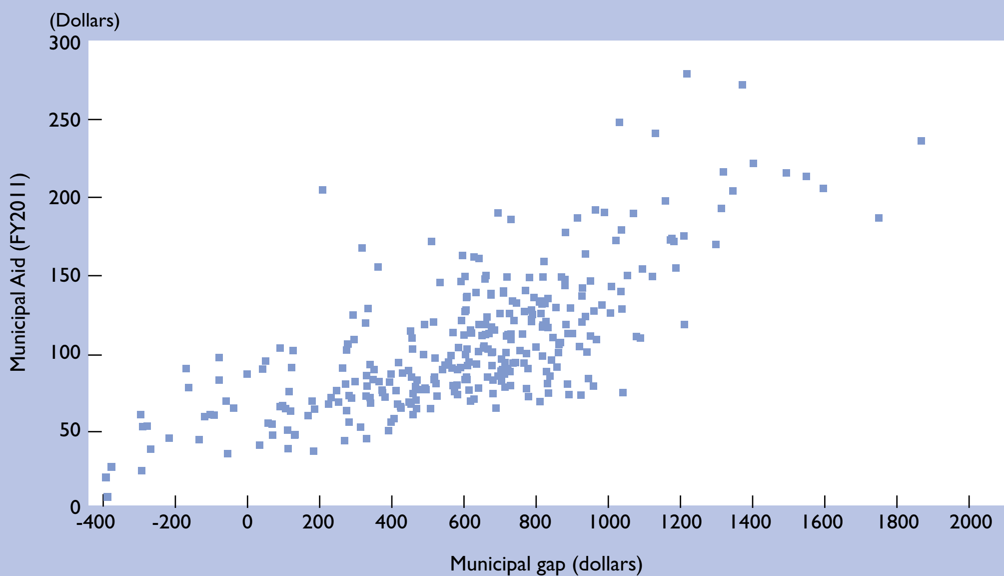
Per capita municipal capacity also varies

Municipal Capacity Factors of Prototype Massachusetts Communities (dollars per capita, FY 2007)

	Property tax capacity factors						
	Taxable residential property value	Taxable nonresidential property value	Income	Property tax capacity	Other local revenue capacity	Required reductions in capacity	Municipal revenue capacity
Large city	62,526.93	10,841.84	16,372.30	704.05	69.07	311.69	461.43
Rural town	99,425.94	11,874.37	23,656.71	1,022.68	126.94	696.32	453.29
Job-center suburb	147,735.92	47,778.98	45,762.15	2,019.94	162.01	1,192.55	989.41
Higher-income residential suburb	283,207.24	8,715.80	123,235.25	3,144.90	166.95	1,476.37	1,835.47
Resort town	805,425.12	61,880.11	35,629.81	4,657.66	296.16	1,063.26	3,890.56
Average MA community	128,549.00	23,314.87	33,240.16	1,457.51	124.64	784.32	797.84

Note: Property tax capacity = 0.0142 x (taxable residential property value)2/3 x (income)1/3 + 0.0126 x taxable nonresidential property value (all in per capita terms). Municipal revenue capacity = property tax capacity + other local revenue capacity - required reductions in capacity.

Comparing Municipal Aid with the Municipal Gap in Massachusetts (per capita)



Note: To show the general pattern more clearly, 40 communities with gaps lower than -$400 have been omitted.

across cities and towns. The biggest drivers of municipal capacity are taxable residential and nonresidential property values and the income of local residents. Because some capacity is not available to fund municipal services, the state-required local contributions to public schools are subtracted, as are payments for services provided by regional planning agencies, regional transit, and so on.

Given their lower taxable property values and income per capita, rural towns tend to suffer from lower municipal capacity. Resort towns enjoy greater municipal capacity, as they are home to many valuable residential and nonresidential properties. A prototypical rural town has per capita municipal capacity that is 43 percent smaller than the average Massachusetts community's, whereas a prototypical resort town enjoys per capita capacity that is almost four times larger than that of the average Massachusetts community. (See "Municipal Capacity Factors of Prototype Massachusetts Communities," p. 24.)

Municipal Gap and Municipal Aid

Measures of costs and capacity help in identifying the sources of—and quantifying the extent of—statewide disparities in the ability to provide municipal services. Municipalities with higher capacity and lower costs (and therefore lower gaps) will have an easier time providing their municipal services than those with lower capacity and higher costs (and thus higher gaps). In Massachusetts, large cities and rural towns tend to have higher municipal gaps, indicating that they have greater need for state assistance in providing municipal services. (See "Municipal Gap of Prototype Massachusetts Communities," p. 23.)

Since the current aid distribution is not determined by need for aid, cities and towns do not receive municipal aid in direct proportion to their municipal gaps. In fact, communities with similar gaps can experience a wide variation in municipal aid receipts. For example, among several towns with a per capita municipal gap very close to $650 per capita, one town is slated to receive $189 per capita in fiscal year 2011 municipal aid, while another expects to receive only $63 per capita. There are also several outliers in the state that experience either high municipal gaps while receiving relatively low municipal aid, or low municipal gaps while receiving a substantial amount of municipal aid. (See "Comparing Municipal Aid with the Municipal Gap.")

A municipal aid formula developed at the NEPPC offers a new way to address municipal gaps by calculating aid payments on the basis of the relative need of each community. Also, in order to avoid disrupting local budgets, the state could preserve existing aid receipts for each community and use the new formula to distribute only new aid money. How much new aid each community receives would depend partly on other policy considerations, such as a potential basic level of per capita new aid that all communities would receive regardless of the size of the municipal gap. Incorporating a gap measure into the municipal aid allocation process could help to equalize the ability of Massachusetts cities and towns to provide municipal services.

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Endnotes

[1] See Massachusetts Department of Revenue, Division of Local Services, Municipal Data Bank, www.mass.gov.

[2] Bo Zhao with Marques Benson, Lynn Browne, Prabal Chakrabarti, DeAnna Green, Yolanda Kodrzycki, Ana Patricia Muñoz, and Richard Walker, "Does Springfield Receive its Fair Share of Municipal Aid? Implications for Aid Formula Reform in Massachusetts" (New England Public Policy Center working paper 10-4, Federal Reserve Bank of Boston, July 2010).

[3] The *large city* prototype is based on Lawrence, Lowell, Lynn, New Bedford, Springfield, and Somerville. The *resort town* prototype is based on Eastham, Edgartown, Nantucket, Orleans, Stockbridge, and Williamstown. The *job-center suburb* prototype is based on Andover, Braintree, Canton, Natick, and Westborough. The *rural town* prototype is based on Ashby, Ashfield, Blandford, Clarksburg, Huntington, Lanesborough, Oakham, and Whately. The *higher-income residential suburb* prototype is based on Belmont, Carlisle, Dover, Lincoln, and Wayland.

Affordable Housing Evolution

Less Top-Down, More Networked

by David Erickson
Federal Reserve Bank of San Francisco

Barrie Maguire

The idea of government-subsidized housing often conjures up Department of Housing and Urban Development (HUD) high-rise "projects" marred by graffiti, broken fixtures, crime, and drugs. But that image bears little resemblance to today's subsidized housing. Over the past several decades affordable-housing efforts have been transformed from top-down federal solutions to a bottom-up networked approach resulting in well-designed, high-quality homes.[1]

In fact, HUD has been essentially out of the housing-construction business since 1978. Today, affordable housing policy is driven by a network that includes local advocacy organizations, nonprofit entities, for-profit corporations, and local, state, and federal government agencies. New housing programs have helped empower thousands of communities through institutions such as community development corporations (CDCs) and community development financial institutions (CDFIs)—and have helped revitalize places that seemed hopeless.

As Local Initiatives Support Corporation senior vice president for policy and program development puts it, "Over the past 20 years, a cluster of federal policies has supported a flexible, decentralized, and well-integrated production system. The system is distinctively market driven, locally controlled, and performance based."[2]

The new approach is also in the vanguard of government delivery of social services to people needing more than a roof to rise out of poverty. Today multiple, disparate groups form problem-solving networks and deliver high-quality housing and services. As a bonus, the networked model is even providing inspiration for policy areas as diverse as economic development, education, health, and the environment.

The Decline of Top-Down

The commonly accepted story about federally built affordable housing closely follows that of U.S. welfare generally—that it developed between the 1930s and the late 1960s and suffered a series of setbacks during the 1970s. According to this story, a political backlash enabled politicians from Richard Nixon to Ronald Reagan to harness white middle-class anger over government programs and roll back the welfare state.

At first glance, the fate of federal programs that subsidize apartments for low-income tenants jibes with that narrative: the federal government created housing programs during the New Deal, added to them significantly during the 1960s, and in the 1980s cut them back because of bad press, conservative attacks, and the policy mistakes of the late 1960s and 1970s.

The problem with that version of history is that it is wrong. More than 2.4 million federally subsidized apartments for low-income tenants were built between 1986 and 2010 by for-profit and nonprofit housing developers. Moreover, they were funded largely with tax credits and federal block grants.[3] The number of subsidized homes may have met only a fraction of the need, but by 2008 there were nearly 33 percent more built under post-1986 government low-income housing finance programs than by all the HUD-sponsored programs dating back to the 1960s.[4] In fact, the number was close to the total of existing subsidized apartments built since the beginning of federal housing programs in 1937.

A Revolution from Below

Despite the lofty rhetoric of housing programs like the Housing Act of 1949, which promised every American family a "decent home and a suitable living environment," the federal government never built many low-income apartments. In some years, it destroyed more units than it built. Before HUD's creation in 1965, the peak annual production of affordable housing through the public housing program was 71,000 units in 1954.[5] During the Great Society of President Lyndon Johnson's administration, the production numbers skyrocketed for a four-year period to nearly half a million units annually, but that pace was short-lived.

In 1973, Richard Nixon imposed a moratorium on new construction, in part because there were complaints that bad design and shoddy workmanship were creating instant slums. Then during the Carter administration, HUD had one more burst of building activity. Since then the number of units it builds has remained low.

While HUD construction programs were fizzling, funding for low-income housing was on the rise. The 1986 Low Income Housing Tax Credit (LIHTC) churned out fewer units than seen in HUD's peak production years, but it did so at a higher rate over 20-plus years than the historic average. By 2005, the program was funding more than 130,000 apartments annually.

So the 1980s actually experienced both a policy revolution and a counterrevolution. Reagan drastically reduced funding for low-income housing and cut back the role of the federal government. Simultaneously, however, a grassroots movement created a "revolution from below" to build housing for low-income tenants without direct federal help. Although often unnoticed, institution building in the 1980s went on at a tremendous pace.

One of the most impressive examples was a Boston effort started by Patrick Clancy that ultimately grew into The Community Builders.[6] And in 1988, housing advocate Paul Grogan, currently president of the Boston Foundation, testified before Congress on "a staggering array of new involvements on the part of state and local government, the nonprofit sector, the private sector, labor unions, churches, [and more]."[7]

The locally based efforts started small but soon demonstrated how a decentralized housing network might work. In time, as networks grew in sophistication, they became politically active and lobbied successfully for more federal resources. The most important new funding sources were the Community Development Block Grant (1974), the LIHTC, and the HOME Investment Partnership Program, which provided funds under the National Affordable Housing Act of 1990.[8] Although it is still a huge challenge to create *enough* affordable housing, the homes built through these programs have been high quality and politically popular.

Spreading Networks

The larger trends that have shaped housing policy options over the past 40 years sometimes leave activists and politicians few choices or lead to unintended consequences. Many blended streams have been carrying us toward the policy we now have. The current has been fed by history, ideology, and technology, and ultimately by decisions made and not made along the way. Whether decisions were made by powerful people on Capitol Hill, in corporate board rooms, or by local activists hoping to improve communities, the blended streams caused a new approach to emerge.

But the community development network is only the beginning in terms of what could be accomplished using a networked approach to problems. In essence, it is a way to harmonize multiple public- and private-sector funding for projects tailored to local needs and designed with local input. Its true potential will likely be realized as CDCs and CDFIs begin to play more prominent roles as coordinators of comprehensive community revitalization efforts—combining funding sources from transportation, education, and health programs. In this expanded role, with some priority setting from local communities, there will be an opportunity for CDCs and CDFIs to use their community connections, political savvy, partnering ability, and deal-structuring know-how to create much more effective revitalization efforts.

Many of these interventions will lead CDCs and CDFIs away from the traditional role of building and financing real estate to programs more oriented toward human capital (such as early care and charter schools for children). The deals may start looking different, but the networked approach will stay the same.

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Endnotes

1 This article is based on David J. Erickson, *The Housing Policy Revolution: Networks and Neighborhoods* (Washington: Urban Institute Press, 2009).

2 Benson F. Roberts, "Using Federal Funding to Mobilize Private Capital," http://www.nextamericanopportunity.org/ffi/private-capital/successStory.asp.

3 See http://www.ncsha.org/resource/housing-credit-fact-sheet-2010. The LIHTC is like a tax coupon available to corporate investors who put equity capital into apartment buildings rented to low-income tenants (those earning less than 50 percent or 60 percent of the local area median income as measured by a HUD annual survey). The Internal Revenue Service distributes the tax credits to state allocating agencies (typically the housing finance agency) on a per capita basis—$1.25 per person from 1986 to 2001, then $1.75 per person and indexed to inflation. In 2008, the credit was $2 per person.

4 I am comparing the two major prior building programs (public housing and HUD-assisted projects) to LIHTC only. There were other subsidized homes built in the later period without tax credits, but it has not been possible to track them all.

5 Charles J. Orlebeke, "The Evolution of Low-Income Housing Policy, 1949 to 1999," *Housing Policy Debate* 11, no. 2 (2000): 489–520.

6 The Community Builders Inc. is one of the largest nonprofit development corporations in the United States. Its mission is "to build and sustain strong communities where people of all incomes can achieve their full potential." See http://www.tcbinc.org.

7 U.S. Senate Subcommittee on Housing and Urban Affairs, *Hearings on the National Affordable Housing Act* (Washington, DC: U.S. Senate, 1988): 332.

8 CDBG funds are block grants to localities (counties and cities primarily). Local decision makers decide how to spend the money, so distribution varies considerably from locality to locality. CDBG money has been spent on affordable housing since the beginning of the program in 1975, but it has been tracked as a separate category only since 2001. See http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports.

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