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Creating a **Nest Egg** at Tax Time

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Illustration: Kirk Lyttle

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Tax-Time Savings Innovations for Lower-Income Households

by Jeff Zinsmeyer
D2D Fund

America's dismal savings rate—actually negative in 2005—has profound national and personal implications, especially for lower-income families lacking savings to fall back on in difficult times, to finance a home, or to pay for a child's education.

Research shows that the poor can save when provided with innovations in products and processes that make saving more accessible.[1] The right time to offer savings options is when people have funds. For many American families, especially lower-income families eligible for the earned-income tax credit (EITC) and the like, that is tax time. So nonprofit grassroots organizations that help the poor to file taxes at Volunteer Income Tax Assistance (VITA) sites have been working with corporate partners to explore low-cost, scalable, innovative ways to help lower-income families save.

The Right Time, the Right Tools

Millions of Americans receive substantial refunds from a combination of tax credits and over-withholding. In 2004, more than 100 million tax-filers received $200 billion plus in federal tax refunds. More than 65 million tax-filers with annual incomes of less than $40,000 received $110 billion, averaging $1,680 per filer, in 2005.[2] It is both common sense and good policy to make it easier for such households to save when they learn their tax refund amounts at filing.

One easy, innovative, policy-oriented technique is tax-refund *splitting*. Historically, for refund recipients wishing to send some of their refunds directly to savings accounts, it was an all-or-nothing proposition. Saving required two steps: waiting to receive one's entire refund and then depositing a portion into a savings account.

But in 2005, the Internal Revenue Service began offering split-refund options on tax forms. As a result, filers could make single-step decisions to send part of their refund to savings and the remainder to checking. Currently the saving option applies only to the 50 million Americans who use direct deposit, since that is a requirement. But the split-refund option opened another door to savings opportunity for another group of potential savers—lower-income Americans.

Doorways to Savings

VITA sites, which offer free, community-based, tax preparation to lower-income families, are doorways to savings. Because there are nearly 12,000 sites at which 3 million people receive help filing returns annually, VITA sites are ideal for supporting savings innovations.

Still, significant barriers remain. For one, many lower-income people come to tax preparation without a savings account. In one 2006 survey of VITA site clients, 47 percent reported having no savings account.[3] Anecdotally, 10 percent to 20 percent more are completely unbanked. To help clients open accounts at tax time, sites often bring in bankers. For large sites, that may be reasonable. But many sites have difficulty attracting banks, which may consider participation uneconomical. The problem is especially pronounced at smaller sites and in rural locations.

Consequently, VITA sites and their partners are experimenting with other routes to savings opportunities for clients. Several partnerships are using potentially scalable innovation to get interesting results.

Tennessee

The Nashville Wealth Building Alliance (NWBA), an organization supporting 15 VITA sites, had a problem with its mobile tax preparer. The mobile preparer brought tax preparation to clients unable to get to a VITA site—often people living at homeless shelters, halfway houses, and domestic violence sanctuaries. In 2008 NWBA's mobile preparer served 20 locations. where many residents lacked savings accounts. That presented a challenge.

NWBA contacted Austin, Texas-based Nets to Ladders about its Savings Point

(SP) product. SP is web-based software that enables VITA volunteers to open on-the-spot bank accounts. Coupled with a scanner and signature pad, the system functions as an online document-capture and -delivery system. With SP in hand, NWBA next needed a bank partner comfortable with the new technology.

Before the 2008 tax season began, NWBA approached 10 banks without success. Some cited concerns with Banking Security Act compliance; others noted the need for long lead times for proposal approval. Finally, a local institution, First State Bank, agreed to participate.

NWBA installed SP at the mobile preparer and at one large VITA site, giving 1,750 tax clients the opportunity to open a bank account at tax time. Seventy clients did so, and more than $22,760 in savings was generated.

Delaware

The Nehemiah Gateway Community Development Corporation, headquartered in Wilmington, oversees the operation of 20 VITA sites throughout Delaware. A bigger operation on a bigger scale than the mobile preparer project at NWBA, Nehemiah wanted to provide savings options at all of its sites. It approached the Delaware banking community with a request for proposals in summer 2007. The RFP asked banks to provide a flexible savings product for the program, offsite processing, and approval of account opening—coupled with immediate creation of savings account numbers for the tax form. Like the Nashville group, Nehemiah wanted to be able to open savings accounts at tax sites without a banker onsite.

Three banks played a major role in providing account options during the 2008 tax season—two state-based banks (WSFS Bank and Artisans' Bank)—and the Internet bank GMAC Bank. These three provided savings accounts and certificates of deposit that could be opened over the phone or, for Artisans', via a secure intranet. Trained VITA staff collected and checked necessary documentation—collecting signatures and providing disclosures—for subsequent delivery to participating banks. Meanwhile, the banks issued account numbers to the sites as needed.

At the end of tax season, almost 500 savings accounts had been opened in Delaware, split evenly between savings and certificates of deposit. Says Mary Dupont, Nehemiah executive director, "This is a way to capture the 'money moment' and motivate our customers to save when they have money on their mind."

Savings without Savings Accounts

Boston-based nonprofit D2D Fund Inc. wondered if any savings product existed that did not require opening an account.[4] To meet tax-filers' needs, the product would have to provide a solid yield, support long-term savings, be universally available, and offer low risk. U.S. Savings Bonds met the requirements.

Although the bonds have always been available if potential savers know about them, form the intention to buy them, and travel to an appropriate financial institution to purchase them, many lower-income families do not fit that description. D2D next wondered (a) would tax-filers want savings bonds and (b) could they be made easily available at multiple sites?

Seeking answers, the nonprofit partnered with H&R Block to create a web-based ordering tool.[5] Throughout the 2008 tax season, 32 VITA sites across the country used the tool. More than 25,000 lower-income tax clients were offered the opportunity to purchase bonds, and 1,086 purchasers did so, generating over $200,000 in savings. D2D calculated the take-up rate for eligible purchasers at 6 percent, better than the 3.3 percent take-up of IRAs for tax clients in another test.[6] Most bond buyers had heard of U.S. Savings Bonds before. Almost three-quarters reported themselves "familiar" with savings bonds, whereas only 34 percent were familiar with certificates of deposit and 26 percent with IRAs.

Bonds also allow people to easily save on behalf of others, and in 2008 at the 32 VITA sites, 68 percent did so. Saving for their children was a major objective for 59 percent of bond buyers.

D2D and its partners hope to see policy changes that will enable the scaling up of the savings bond option. In the 1960s, the tax form included a checkbox allowing a filer to automatically purchase a savings bond. That was removed later (probably because split options were not available and few people chose to save their entire refund). D2D recommends restoring that option. Then, with refund splitting, millions of Americans could make the easy decision to buy a bond at tax time with part of their refund.

Barriers to scaling up savings options remain. Banks are often wary; reliance on onsite sales and savings promoters is an expensive proposition; and the up-front investment in partnership building and process creation is daunting. Nevertheless, if the working poor are ever going to be able to move up, they will need ways to save, and the current initiatives are among the most promising to date.

Jeff Zinsmeyer *is the executive director of the D2D Fund Inc. in Roxbury, Massachusetts. The nonprofit organization tests and deploys innovative products to give low-income families access to financial services and asset-building opportunities.*

Endnotes

1 See Sondra G. Beverly and Michael Sherraden, "Institutional Determinants of Saving: Implications for Low-Income Households and Public Policy," *Journal of Socio-Economics* 28 (1999): 465.
2 See http://www.irs.gov/pub/irs-soi/05in33ar.xls.
3 Stephen Holt, "National Tax Assistance for Working Families Campaign: 2006 Report Series" (Milwaukee, Wisconsin: Holt & Associates, unpublished).
4 D2D was originally known as Doorways to Dreams.
5 Find the tool at www.d2dfund.org.
6 See Esther Duflo, William Gale, Jeffrey Liebman, Peter Orszag, and Emmanuel Saez, "Saving Incentives for Low- and Middle-Income Families: Evidence from a Field Experiment with H&R Block," no. 2005-5, Retirement Security Project (May 2005). In this test, clients needed a refund of at least $300 to open an IRA and thus were drawn from a higher-income sample.

Getty Images

Immigrants and the Massachusetts Health-Care Workforce

by Marcia Hohn
The Immigrant Learning Center Inc.

Health care is a $9 billion industry in Massachusetts and the state's largest employer, accounting for 15 percent of the workforce.[1] It employs almost half a million people, who work in 16,353 establishments. Health-care jobs are growing twice as fast as the average for all industries in the state, with 72,480 job openings projected between 2000 and 2010. Health care, therefore, is also an industry needing a continuous stream of new employees and workers capable of moving up steadily into more demanding jobs.

Immigrants in Health Care

By 2005, foreign-born workers showed an increasingly robust presence across the spectrum of health care in Massachusetts, filling critical vacancies. Clustered at the high-skill end were medical scientists (52 percent immigrants), pharmacists (40 percent immigrants), and physicians or surgeons (28 percent immigrants).

Immigrants are also clustered in lower-skilled occupations. They serve as aides in nursing, psychiatry, and home health care but may remain stuck in those jobs because of inadequate education and English skills. The wasted potential should be a concern for communities.

Health care is an industry where worker shortages loom because of increased demand from an aging population, greater access created by the state's health-care reform, and a decline in the native-born workforce. Immigrants could be trained to help fill the gaps. It is already clear that there are not enough registered nurses to meet future demand, and policymakers are becoming alarmed at the diminishing pipeline of new workers from nursing schools. In spite of a projected demand of almost 30,000 new and replacement openings in the decade 2000 to 2010, the foreign-born population in nursing remained stagnant at 10 percent of Massachusetts nurses from 2000 to 2005.

Training for Health Care

In entering and remaining in the U.S. workforce, immigrants often face challenges that their American-born counterparts do not, especially with regard to language and education. The barriers may include language, limited education, and a lack of local support structures. Workforce-development policies have had difficulty keeping up with the rapid pace of the health-care labor market's changing needs and the needs of the workers themselves. In spite of many creative initiatives, health-care businesses still experience unacceptable job vacancies and retention problems; workers miss out on advancement and earnings opportunities; and many patients lack high-quality, culturally sensitive care. Fortunately, some emerging and promising practices, policies, and programs are starting to improve the labor-market outcomes for immigrant health-care workers.

The Boston Welcome Back Center

The Boston Welcome Back Center started in October 2005 as a partnership among Bunker Hill Community College, Mass Bay Community College, Massachusetts Board of Higher Education, Roxbury Community College, and the University of Massachusetts, Boston. The center focuses on serving internationally educated nurses. Its mission is to build a bridge between such nurses and underserved communities that need linguistically and culturally competent health-care providers.[2] Through a system of individualized case-management support, the center has developed a career pathway that builds on each nurse's strengths, skills, experience, and education. Included in the pathway are English for Speakers of Other Languages (ESOL), educational support, and preparation for the Massachusetts licensure process and other required exams. There have been 260 active participants. To date, 51 percent completed the program's credential exam, 17 percent passed the English proficiency exam, and 19 percent passed the National Council Licensure Exam for Nursing.

Northern Essex Community College

Established in 2003 with funding from the state legislature, Northern Essex Community College's Learning Enrichment Group Program (LEG) is a partnership between the Massachusetts Board of Higher Education, the Massachusetts Hospital Association, and other stakeholders. It tackles the nursing shortage problem from two angles—the shortage of health-care workers, and nurses in particular, and the shortage of nursing educators. In doing so, it aims to rapidly increase the number and quality of skilled health-care workers and nursing faculty, and the capacity of public higher education nursing programs. One way the initiative achieves its goals is by providing funding to public higher education institutions that run related programs.

After a substantial planning period, the LEG program got off the ground in 2005. The curriculum focuses on increasing the number of bilingual and bicultural nurses who enter the Merrimack Valley workforce by supporting their efforts for upward career mobility. Through one project, the LEG program provides coaching to assist bicultural and bilingual nursing graduates to pass licensure exams. Through a second project, LEG provides support for licensed practical nurses (LPNs) to enter the second year of the registered nurse (RN) program through an advanced placement process. In 2005, there were 11 active participants in the exam preparation program, and eight passed the licensure exam. In that same year, two LPNs participated in the Advanced Placement program and are continuing to prepare for the licensure exam.

A Neighborhood Group's Role

A six-year experiment that worked well as a model for how health-care organizations might train people was the Boston Health Care Research and Training Institute, which was launched in 2002 with help from the Jamaica Plain Neighborhood Development Corporation.

A partnership between eight major employers in the health-care and medical research sector, it grew into a major workforce intermediary, with 26 partners. There were 11 employers, including the largest health-care employers within Boston's Longwood Medical area; 15 organizations of higher education; a labor union; the Boston Private Industry Council, social services agencies, and community organizations. The Training Institute provided free workforce development training, education, and social service support to underskilled, economically disadvantaged individuals, most of whom resided in the Fenway, Jamaica Plain, Mission Hill, and Roxbury neighborhoods of Boston.

The Health Care Training Institute has broadened its reach beyond the Longwood area to a dozen major health-care centers in Greater Boston.

The long-term goals included improving the ability of entry-level workers to advance economically; boosting the efficiency of health-care employers by helping them improve retention and fill vacancies in nursing and other allied health professions; and building career ladders that would be replicable by other health-care employers. More than 1,000 people participated in various parts of the program. In 2007, 79 percent of the 174 incumbent workers improved their English and productivity and achieved wage increases (16 percent of those were merit-based increases and 9 percent were job promotions). Twenty-eight participants in the pre-college program enrolled in college programs for nursing and surgical technology.

The Training Institute succeeded in getting disparate stakeholders involved in building a health-care workforce, but ultimately partners had difficulty agreeing on who would pay for what and disbanded in 2008. Some partners decided to focus on in-house training, and the rest of the Training Institute was merged into the nonsectarian Jewish Vocational Services (JVS). The newly created Health Care Training Institute at JVS provides education and training to incumbent workers in the Longwood Medical area and includes ESOL, career coaching, and college preparation. A pre-employment program was also established for residents of the Mission Hill area of Roxbury in collaboration with a community-based organization. Today the Health Care Training Institute has broadened its reach beyond the Longwood area to a dozen major health-care centers in Greater Boston.

The high level of collaboration that the models described here require can lead to challenges in sharing costs equally and finding ways to sustain funding, but collaboration remains a key element of success. Targeted support for students and workers is also critical. Depending on individual situations, that might involve ESOL, basic education, exam preparation, career guidance, interpersonal-skill coaching, or help with balancing the demands of work, school, and family. Every program spoke to the challenges that participants face in handling not only basics such as child care and transportation but also career ladders and preparation for upward steps. At the same time, program leaders learned what it takes to run an effective initiative.

Health Care's Youthful Assets

It is worth noting that the immigrant population is young. A snapshot of this population in 2004 by the Center for Labor Market Studies at Northeastern University found that two-thirds of new immigrants were in the prime age group (20 to 44 years old) for workers. This means that the immigrant population will have many working years to grow and develop in health-care occupations. As their skills, productivity, and earning power increase, they can more fully participate in the economy as homeowners, consumers, and taxpayers. Moreover, they will enhance culturally competent patient care and fill critical vacancies in caring for the aging population.

Marcia Hohn *is director of public education at the Immigrant Learning Center in Malden, Massachusetts.*

Endnotes

[1] This article is drawn from Ramon Borges-Mendez, Donna Haig Friedman, et al., "Immigrant Workers in the Massachusetts Health Care Industry" (Malden, Massachusetts: The Immigrant Learning Center, 2008), http://www.ilctr.org/news/pdf/ILC_WebPDF_File.pdf. See http://www.bhcc.mass.edu/inside/18.

by Bruce Seifer
City of Burlington, Vermont

Vermont Sustainable Jobs Fund

Vermont's Green Economy Speeds Up


Photograph: Ellen Ecker Ogden, *The Vermont Cheese Book*

In the summer of 1994, a group of approximately 15 business leaders convened for a daylong retreat in a rural meadow to discuss their long-term vision for the state of Vermont. All were members of an organization called Vermont Businesses for Social Responsibility (VBSR), an organization whose mission is to support and encourage socially responsible business practices and public policy initiatives. The leaders committed to a vision that included the idea of creating a state entity to support the development and creation of "sustainable" jobs, which were defined as jobs consistent with VBSR core values—protection of the environment, social justice, and economic equity. (See "What Sustainable Means to Vermont.") These leaders formed the Sustainable Jobs Coalition to pursue legislation that would translate their vision into reality.[1]

Photographs: Ellen Ecker Ogden, *The Vermont Cheese Book*

Since the 1960s, Vermont has had a reputation as a national leader on conservation, thanks to laws protecting the environment, including a landmark land use law, the billboard ban, the bottle deposit law, Green-Up Day, and the Scenic Preservation Council. Most companies that rely on Vermont's green image and fertile land to grow and sell their products approve, and many company leaders are in VBSR. They see an opportunity for growth through cooperation and networking, particularly in the area of marketing and advertising, where pooling resources can really pay off.

Consider one industry example of collaboration. Vermont's artisan and farmstead cheese makers rode a wave of national popularity in the 1990s. But as Cabot Creamery's director of marketing, Jed Davis, recalls, they were "really pretty darn insignificant compared to big states like California. We knew that we weren't going to gain as much by being competitors as we are by cooperating." To grow their businesses—and create new jobs for Vermonters—participants in the state's cheese industry knew they would need to work together to build their reputation as the premier source for small-batch, farmstead cheeses.

So VBSR developed the idea of a sustainable jobs fund. The fund would support growing enterprises and business networks that demonstrated commitment to a dual bottom line—making profits while pursuing social responsibility for the environment, social justice, economic equity, and an increased number of jobs.

The purpose of the Vermont Sustainable Jobs Fund (VSJF) was to create a nonprofit arm of the state that, with an initial state investment, would be able to attract funding from the federal government and private foundations to support the development of sustainable jobs. VBSR, in concert with allies such as those in the Sustainable Jobs Coalition, crafted and passed the legislation in 1995 with the modest appropriation of $250,000.

Grantmaking

The VSJF's initial approach was twofold: plant as many seeds as possible by providing grants, and build networks to support existing or emerging businesses. VSJF has acted as a catalyst, leveraging good ideas, technical know-how, and financial resources to propel innovation in sustainable development, especially in the realms of organic agriculture and local food systems,

What *Sustainable* Means to Vermont

The Vermont Sustainable Jobs Fund was established by the Vermont Legislature in 1995 to build markets within the following natural-resource-based economic sectors:

- environmental technologies;
- environmental equipment and services;
- energy efficiency;
- renewable energy;
- pollution abatement;
- specialty foods;
- water and wastewater systems;
- solid waste and recycling technologies;
- wood products and other natural-resource-based or value-added industries;
- sustainable agriculture; and
- existing businesses, including larger manufacturing companies striving to minimize their impact; and
- waste through environmentally sound products and processes.

The VSJF works with entrepreneurs and consumers to develop both the supply of and demand for goods and services that provide sustainable alternatives to economic practices that could cause negative impact over time.

Success has come through a combination of targeted, early-stage funding, technical assistance such as business coaching and the Peer to Peer Collaborative, and a focus on the long term.*

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* See http://www.vsjf.org/peer_collaborative/purpose.shtml.

sustainable forestry, and biofuels (locally grown for local use).

Since 1997, the VSJF has made grants of more than $2.7 million to 150 recipients. Grantees have utilized these funds to leverage an additional $11.8 million to implement projects, test ideas, and assemble the building blocks of a green economy. Their combined efforts have created approximately 800 local jobs, supported community development initiatives, preserved resilient ecosystems, filled vital needs in Vermont's economy, and provided new models for moving forward.

VSJF funding in 1998 and 2003 was used to help form the Vermont Cheese Council (VCC) and to help its first 12 members market their products, share technical assistance, develop quality standards for Vermont cheeses using the Council's label, develop a fund-raising plan, complete the VCC web site, and produce a logo. Today, two-thirds of VCC's now 36 members have won awards. At the 2006 American Cheese Society Conference, the Clothbound Cheddar collaboration between Jasper Hill Farm and Cabot Creamery won best in show.

"People were scratching their heads," laughs Davis. "Cabot makes the cheese? And Jasper Hill ages the cheese? And you don't fight about this? For that cheese to win best in show provided validation for everything that Vermont is all about. Not that there's just great cheese coming out of here, but that our whole approach to it is innovative and unique."

The VCC represents a transition from commodity to value-added agricultural production, which yields a higher rate of return for farmers and a more diverse range of local products for consumers.

Network Building

With limited funds, VSJF was forced to become innovative in supporting businesses. VSJF saw that every successful business is embedded in a network of relationships, and the stronger the network, the more sustainable, flexible, and resilient the business. The power of networks was a notion derived in part from Robert Putnam, author of *Bowling Alone*, who refers to social capital as "the connections among individuals (social networks) and the norms of reciprocity and

Photographs: Ellen Ecker Ogden, *The Vermont Cheese Book*

trustworthiness that arise from them."

Social capital can be linked positively to innovation, to sales growth, return on investment, international expansion success, and the like. Given Vermont's size and connectedness, it's not surprising that the state is ranked third in the country according to Putnam's social capital index. And VSJF saw that creating a supportive environment to nurture and sustain these kinds of business networks and organizations would be a prudent way to use limited development resources.

VSJF grants helped enable more than a dozen networks, representing 1,600-plus businesses, to do the kind of strategic planning, capacity building, information sharing, market research, joint marketing, and policy development that are crucial to developing a unified voice and competitive advantage in a sustainable economy.

Market Building

VSJF also recognizes the importance of developing markets for existing businesses. They take the perspective that markets are made through interactions among businesses, government, nonprofit organizations, communities, and other resources. For example, four years ago biodiesel was not available in Vermont. VSJF and its partners conducted pilot projects and educational activities that introduced biodiesel to large-scale institutional and commercial diesel users, in addition to residential heating oil customers.

To realize this success, VSJF in cooperation with the University of Vermont Extension Service, conducted on-farm oilseed production and feasibility studies to help farmers familiarize themselves with these new crops. They helped a small nascent biodiesel producer expand his capacity with new equipment, enabled several farmers to construct on-farm production facilities, and assisted the installation of biodiesel pumps at a fueling station. With a little over \$2 million invested over the past four years, more than 30 locations in the state now carry biodiesel, many farmers are in the process of developing farm-scale biodiesel production capacity, and over 4 million gallons were consumed in 2007.[2]

VSJF also has committed to extending its influence outside Vermont borders. It is now in the process of codifying Vermont's model of local production for local use into a set of sustainable biofuel principles, policies, and practices that could be applicable in other rural states.

VSJF's experimentation has affirmed that a little goes a long way. With investments and technical assistance targeted at the development of markets for sustainably produced goods and services, the building blocks of Vermont's green economy are ready to go mainstream.

Bruce Seifer, *Burlington's assistant director for economic development, has worked for the city since 1983. He was instrumental in crafting the original concept for both the Vermont Businesses for Social Responsibility and the Vermont Sustainable Jobs Fund.*

Endnotes

[1] The author floated the original idea and included it in a Burlington, Vermont, economic development policy paper. Next it was presented to VBSR and discussed at their board, policy committee, and visioning meeting. The result was the Sustainable Jobs Coalition. Collaboration with a variety of organizations led to the passage of state legislation.

[2] The biofuels initiatives of Vermont Sustainable Jobs Fund (www.vsjf.org) have been supported by several foundations, state and federal sources (such as the High Meadows Fund and the U.S Department of Energy's Biomass Program), and U.S. Senator Patrick Leahy.

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Gift Card Value when Issuers Go Bankrupt

by Cristin Frederick
Federal Reserve Bank of Boston

The Sharper Image. Linens-N-Things. Lillian Vernon. These are but a sample of big-name retailers that filed for Chapter 11 bankruptcy in 2008.[1] Businesses are understandably worried about the increasing number of bankruptcies. And now that consumers are putting more and more value on gift cards, they may need to be worried, too. According to research firm Tower Group, estimated gift card sales totaled $97 billion in 2007, well above sales of $83 billion in 2006.[2] But few card purchasers have any idea what might happen to a card if the company that sold it were to file for bankruptcy later.

When consumers buy gift cards from a retailer, it's a form of savings. They are paying up-front for future purchases at that company, either for themselves or for someone to whom they are giving a gift. But in today's economy, bankruptcy often strikes unexpectedly at retailers that seem to be doing well. Larger companies frequently harbor millions of dollars in outstanding gift card value, and the law allows them to use that value for paying off creditors instead of honoring consumers' cards. For families that use gifts cards as a budgeting mechanism, a retailer's bankruptcy can have serious consequences.

Gift Cards and Retailer Bankruptcy

When a retailer files for Chapter 11 bankruptcy (which unlike Chapter 7 allows the company to continue operations while reorganizing its debt), it must submit a plan of reorganization explaining how it proposes to pay back its creditors. It actually has to petition the court if it wishes to honor customer service programs such as gift cards. Under the circumstances, three scenarios are possible.

First, a retailer may simultaneously file for bankruptcy and petition to honor gift cards. That was the approach adopted by Kmart in 2002, and it allowed operations to go on without a hitch.

Second, a retailer may file for bankruptcy and later, after bankruptcy proceedings have begun, petition the court to allow it to accept gift cards. The unknown period of time between the filing and the petition can leave the gift-card holder in limbo. Because the purpose of a Chapter 11 filing is to keep a business afloat and retain customers, retailers who want to keep customers happy are likely to seek permission to accept gift cards. The only question is when the customer will be able to access the value.

Gift Cards and Expiration Laws

New England State	Expiration Period for Cards Issued by a Retailer
Connecticut	Expiration dates prohibited
Maine	Expiration dates prohibited
Massachusetts	Seven Years
New Hampshire	Expiration date prohibited for cards valued at less than $100
Rhode Island	Expiration dates prohibited
Vermont	Three years

For information on state gift card statues see http://www.ncsl.org/programs/banking/GiftCardsandCerts.htm

When Sharper Image filed for bankruptcy on February 19, 2008, customers complained that they were unable to use their gift cards. As a result, Sharper Image requested and received permission for a modified acceptance program. If customers would spend twice the amount available on a gift card in a single transaction, they could redeem it. Rival Brookstone, seeing a business opportunity, offered a 25 percent discount on its own merchandise in exchange for Sharper Image gift cards.

Third, a retailer may decide not to seek permission from the bankruptcy court to honor gift cards. In this case, gift cards for that retailer are rendered valueless unless the cardholder files a proof of claim, a cumbersome process.

Any situation in which consumers experience a temporary or permanent loss of the cash value placed on cards could create problems for both individuals and families.

What Can the Consumer Do?

In anticipation of any future bankruptcy, a gift card should be treated as cash and used sooner rather than later. Also, consumers should be mindful of applicable state laws, which vary with respect to expiration dates, dormancy fees, and disclosure requirements. (See "Gift Cards and Expiration Laws.") Consumers should note the terms of the gift cards and be clear as to when the card can be used. Is there an expiration date? Is a fee charged if the card is not used for a certain amount of time? What happens if the holder loses the gift card? In any case, state laws protect gift-card holders from disadvantageous terms only during a retailer's normal course of business and do not address bankruptcy. The bottom line is that the cards should be spent rather than saved—there is always a chance that the retailer could declare bankruptcy.

If a retailer in bankruptcy does not accept gift cards, consumers have two options. First, they can turn to rival retail companies that offer promotions tied to the bankrupt retailer's gift card. Brookstone's successful promotion involving the Sharper Image card may inspire other retailers to have similar promotions when bankrupt competitors place restrictions on cards or refuse to honor them at all.

Second, a consumer can file a claim as a creditor against the bankruptcy estate. Bankruptcy law provides gift-card holders with some level of priority among unsecured creditors.[3] The secured creditors (creditors who lent money to the company to buy assets) are paid first. After that, unsecured creditors are paid in a specified order. Such proceedings take time, and gratification does not occur instantly, if at all, given that payment depends on the amount of assets left over after secured obligations are met. It is a rare unsecured creditor that is lucky enough to be fully compensated. The typical unsecured creditor will receive partial payment or nothing.

The Future of Gift Cards

Current trends indicate that consumers are increasingly purchasing branded prepaid gift cards, such as those offered by American Express, Visa, MasterCard and other credit card companies.[4] The cards offer versatility and a sense of security because they allow consumers to recover funds for lost or stolen cards and to shop anywhere the card logo is accepted. However, much like retailer gift cards, the branded cards do not guarantee against bank failure. Furthermore, they often include service fees.

People holding gift cards of any kind should be mindful of applicable laws as well as the terms and conditions for each individual gift card. No one wants to be among those consumers who lose nearly $8 billion annually—approximately 10 percent of gift card sales—as a result of unredeemed value, expiration, or loss of cards.[5] The best advice for retaining card value and avoiding the consequences of company bankruptcy is to use gift cards in a timely fashion rather than save them for a rainy day.

Cristin Frederick, *a law student at Northeastern University School of Law, recently served as an intern in the legal department at the Federal Reserve Bank of Boston.*

Endnotes

[1] From 19,695 in 2006 to 28,322 in 2007. See American Bankruptcy Institute, "Annual Business and Non-Business Filings by Year (1980–2007)," http://www.abiworld.org.

[2] Dan Mitchell, "Fruitcake Might Be a Better Gift," *The New York Times*, January 5, 2008.

[3] See 11 United States Code Annotated § 507.

[4] See *Survey of 8,000 Consumers Shows Branded Gift Cards are the Preferred Gift Among Family and Friends* (Montvale, New Jersey: Network Branded Prepaid Card Association, May 15, 2008), http://www.nbpca.com/docs/NBGC-Recipients-Behaviors-PR.pdf.

[5] Tower Group, "With Soaring Gift Card Sales Poised to Exceed $80 Billion in 2006, Unused Card Values Are Also on the Rise," November 20, 2006, http://www.towergroup.com/research/news/news.htm?newsId=1740.

August 2008

Foreclosure Prevention Workshop

As part of its ongoing efforts to address subprime mortgage difficulties, falling home prices, and rising foreclosures, the Federal Reserve Bank of Boston held a foreclosure-prevention workshop at Gillette Stadium in Foxborough, Massachusetts, on August 12, 2008. The goal of the event was to bring concerned borrowers to a one-stop shop where they could meet lenders and servicers of mortgages face to face, work out a payment plan, and keep foreclosure at bay.

Support came from the Kraft Family Foundation, several New England governors, mayors, state legislators, unions, chambers of commerce, community organizations, and members of the region's Congressional delegation. Hope Now and NeighborWorks America made major contributions by bringing in servicers and housing counselors.

After considerable advance publicity, almost 2,200 distressed borrowers came to Gillette Stadium to meet with loss-mitigation teams from 20 mortgage servicers. Housing counselors from nonprofit agencies also worked with borrowers. Currently, the Boston Fed is conducting research on the results and, together with Hope Now, is analyzing exit surveys. But anecdotally, volunteers report that many borrowers left expressing relief and a sense of progress.

Consumers wait outside Gillette Stadium for the Foreclosure Prevention Workshop to begin on August 12.
Photograph: Kai-yan Lee

Visit **www.theinformedhomebuyer.org** for more information on preventing foreclosures.

Needed Skills versus

An Assessment Tool Is Launched

The conventional wisdom holds that as the U.S. economy shifts toward high-skill industries based on information and knowledge, individuals with limited formal education and skill will increasingly fail to find jobs that pay an adequate wage—or may not be able to secure employment at all. It is a particular concern in large urban areas, where many emerging industries are located and where numerous workers have not gone beyond high school. Embedded in the conventional wisdom is the assumption that an overwhelming number of the available jobs in these new industries are skewed toward the high-skill end of the labor force.

A New Labor Market Tool

Testing the conventional wisdom requires an analysis of two sets of labor market data that are seldom linked: the occupational distribution of specific industries, and the education and skill distribution of occupations in each industry. Combining information on these two distributions was the objective of a project that the Center for Urban and Regional Policy (CURP) at Northeastern University designed in collaboration with the Boston Redevelopment Authority (BRA) Research Division.[1] The result is the Labor Market Assessment Tool (LMAT), a data-rich computer program designed to estimate the education and skill requirements of any industry in the United States and match them to the labor force characteristics of any city, any region, or the nation as a whole.

LMAT combines in one software application a variety of data sources. It permits a labor market analysis that, first, aggregates employment in a specific industry (or a set of industries); second, translates the data into a complete distribution of employment by detailed occupation; third, describes the specific human capital requirements for each detailed occupation; and finally, aggregates all the data into education and skill requirements for all the jobs in a specific industry.[2] LMAT lets workforce development policymakers improve their decision making significantly.

LMAT has been tested in Massachusetts. The U.S. Occupational Employment Statistics (OES) and the Massachusetts Department of Unemployment Assistance (DUA) provide the data that LMAT uses to estimate the employment distribution by occupation for each industry. The Occupational Information Network (O*NET), a survey-based data system, includes information on the education, skill, and language

Available Skills

istockphoto

by **Mark Melnik**, Boston Redevelopment Authority
Barry Bluestone, Northeastern University
Alan Clayton-Matthews, University of Massachusetts, Boston

requirements of the current workforce in each occupation. The U.S. Census provides data on the educational attainment of the workforce for any particular locality. Forecasts from the U.S. Bureau of Labor Statistics and DUA provide information on the likely aggregate employment levels for particular industries over the next decade.

Matching People with Industries

Broadly, the goals of the LMAT program are to:

1. Estimate the number of jobs by education and skill level in a new company on the basis of the typical occupational distribution of its industry.
2. Approximate the number of workers in the surrounding community who could qualify for jobs in companies that expand operations or establish a new facility in a neighborhood or city.
3. Determine the additional schooling or training needed to increase the size of the qualified pool of workers.
4. Assess the difference between the educational attainment of the current labor force and the expected educational requirements for future labor markets.
5. Isolate the prevalence of a key skill needed or a set of skills, such as math, science, or language, in selected industries.
6. Estimate the wage distribution for future labor market scenarios by education and skill requirements.

Although the LMAT computer program is new, its potential is clear. For example, it can simulate labor market scenarios on the basis of a metropolitan region's ability to attract various industries. Or it can be used to analyze whether there is a mismatch between an industry's human capital needs and an area's labor-supply characteristics. It can also help to isolate future education and training requirements for projected new jobs.

A Boston Example

One example of how LMAT has been used is a report the BRA Research Division produced regarding the current and future value of English skills in Greater Boston's labor market.[3]

The topic has important implications. Recent immigration helped the region avoid a net population loss at the time of the last census.[4] Moreover, as baby boomers approach retirement, immigrant workers will be needed to fill critical job vacancies.

Expected Annual Wages by Language Proficiency 2004 vs. 2014

Language Skill	Current Jobs	New Jobs
Low	$25,043	$17,998
Medium-Low	$33,145	$29,079
Medium-High	$53,680	$57,930
High	$71,117	$74,109

Source: Boston Redevelopment Authority, LMAT Analysis for Greater Boston

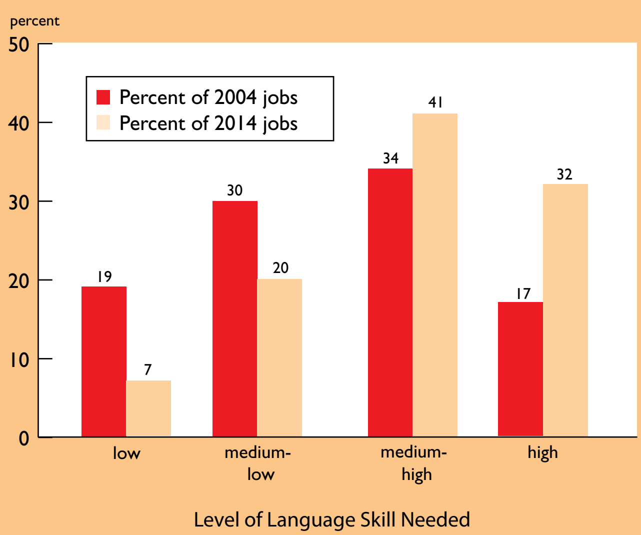
The BRA research using LMAT found that the most likely industry/occupation distribution in 2014 will require greater English language proficiency. Additionally, the few jobs expected to grow that require only limited English language skill are among the lowest paying in the current labor market.

The study looked at the language skills required for the jobs likely to be created between 2004 and 2014. (See "Language Requirements for Greater Boston Jobs, 2004 vs. 2014.) The researchers predicted that although only 17 percent of the jobs in 2004 required a high level of English skill, by 2014, 32 percent would. The share of jobs for which the lowest level of language proficiency was sufficient would shrink from 19 percent of 2004 jobs to 3 percent of the new jobs.

Moreover, new jobs requiring only minimum language proficiency would pay about $18,000 a year, well below the $25,000 for comparable 2004 jobs.[5] (See "Expected Annual Wages by Language Proficiency, 2004 vs. 2014.") New jobs requiring the highest language proficiency were predicted to pay an average of $4,000 more than the 2004 set of such jobs. This indicates that among the jobs requiring advanced English skills, the highest paying jobs are the ones expected to grow the most. However, among the jobs requiring limited English skills, the lowest-paying jobs are the ones expected to grow the most. According to LMAT, 93 percent of jobs expected to be created in Greater Boston over the next 10 years will require at least modest English language skills.

The LMAT information points to two key policy concerns. First, Greater Boston faces a potential skills mismatch between the language skill requirements for expected new jobs in the labor market and the growing immigrant population. Second, the increasing pay disparity between workers of different language ability suggests one reason why wage inequality is increasing in the region. Taken together, the data underscore the importance of language training both for Greater Boston's immigrants and for the long-term health of the economy.

Language Requirements for Greater Boston Jobs, 2004 vs. 2014



Source: Boston Redevelopment Authority, LMAT Analysis for Greater Boston

Implications

Information regarding industry needs today and in the near future can be vital in guiding the curriculum at community colleges and elsewhere. Specifically, LMAT can identify the main skills needed in growth industries and isolate those skills by projected job growth, educational requirements, and estimated training time. LMAT can be used to examine nearly 140 different measures of job requirements.[6]

Armed with LMAT information, government and schools can tailor workforce training programs by, for example, identifying skills needed for occupations that require an associate's degree or less in the growing life sciences industry. Data regarding occupations available to modestly skilled workers in emerging industries would be invaluable to community leaders, elected officials, social service providers, and academics, and could help prepare our workforce for the economy of the future.

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Endnotes

[1] The BRA Research Division analyzes contemporary, historical, and comparative data related to Boston's economy, population, and markets. It plays a critical role in informing public policy for the City of Boston related to community and economic development, and planning. It also is a resource for Boston residents, private-sector groups, academic institutions, community-based organizations, and other governmental agencies. CURP is a "think and do tank" that brings together Northeastern faculty, staff, and students to research a range of topics related to urban areas, focusing primarily on Greater Boston. CURP often works with community groups, nonprofits, and government agencies to collect and analyze data and inform public policy decisions.

[2] Mark Melnik and Alvaro Lima, *Introducing the Labor Market Assessment Tool* (Boston: Boston Redevelopment Authority Research Division, November 2008).

[3] Mark Melnik, Alvaro Lima, and Jeremy B. Thompson, *Revisiting Language Skill Requirements in the Labor Market* (Boston: Boston Redevelopment Authority Research Division, April 2008).

[4] For example, see Andy Sum et al., *The Changing Face of Massachusetts* (Boston: MassINC, June 2005).

[5] All wages in the BRA report are in 2006 dollars.

[6] LMAT uses O*NET data regarding Skill and Knowledge requirements. O*NET collects data on 35 different skill categories and 33 different knowledge categories, each measured on two different scales. Additionally, LMAT uses O*NET data related to educational and training requirements. See: http://online.onetcenter.org/.

Anne Perry

Maine State Representative, Washington County

Poverty and Health

Anne Perry, Washington County's representative to the Maine State Legislature, grew up in Winterport, a small town on the Penobscot River near Bangor. She trained as a nurse and worked in northern New York, where she raised a family, served on school boards, and helped to organize health-care initiatives.

Returning to Maine, Perry attended Bangor's Husson College for her nurse practitioner degree and decided she wanted a rural practice. She searched the Northeast and fell in love with Washington County, the "sunrise" county at the easternmost tip of the United States. As the second person in a two-person practice, she was soon organizing residents to tackle public health problems. Her activism led to an invitation to run for the legislature, where she has added statewide health initiatives to her portfolio.

Rep. Anne Perry with Stuart Arnett (left) and Will Armitage of the Federal Reserve Bank of Boston's Community Development Advisory Council at Southern Maine Community College, South Portland, July 2008. Photograph: Caroline Ellis

What made you choose Washington County in 1998?

Both the rural feeling and the cultural diversity. We're 6 percent minority. We have Native Americans on two reservations and Hispanics who originally were migrant laborers. We have Canada across the river, with its Acadian and British cultures. There's also the fishing industry culture and the wilderness culture.

And soon you were doing community organizing?

Yes. In my first two years, we diagnosed four people with drug-related hepatitis C; three were symptomatic in their 20s, very unusual. I asked the state people, "Do you have any hepatitis C statistics?" They said, "You're from Washington County? Boy, have you got a problem!" Around the same time, the U.S. attorney out of Bangor told us we had OxyContin abuse. Concerned citizens got together to consider the options.

In December 2000 four of us created NADA, Neighbors Against Drug Abuse, and organized a workshop. We invited every Washington County medical provider in the phone book, counseling agencies, state agencies, representatives from city and town government and the district attorney's office, the county sheriff, the police, the schools. A coalition formed to bring in treatment services. We got drug counseling from a federally qualified health center and later a for-profit methadone clinic. Some people were unhappy with that part, but by the time the clinic opened, the community was ready. Then NADA applied to Maine's Office of Substance Abuse for prevention assistance and received an $81,000 18-month grant.

How does your support for gambling mesh with improving health outcomes?

The Native Americans have been trying since the early 1990s to bring in a casino or a racino (harness racing with slots). People are poor here and need some kind of the economic development. Statewide voters keep saying no. Some say gambling brings in drug abuse. They have it backwards. All you have to do is be poor for a long time and lose all hope of making any progress, and you've got drug abuse.

Why did you run for the legislature in 2002?

I was visible because of the drug-abuse fight. U.S. Senator Susan Collins asked a NADA member to present before the Congress about rural OxyContin abuse. Another group I was involved with talked to the governor, the Office of Substance Abuse, and the Maine DEA to encourage the governor to work with the Canadian premier on cross-border drug issues.

One day, after that meeting, I was seeing a patient, and our receptionist knocked on the door, her eyes as big as saucers. "The Speaker of the House is on the phone!" So I'm thinking, "Uh-oh, maybe I missed some protocol." I felt I was being sent to the principal. But the Speaker just said, "Would you consider running for the state house of representatives?"

All you have to do is be poor for a long time and lose all hope of making any progress, and you've got drug abuse.

My first response was, "I can't. I've got to work." Then I started thinking about important issues that could be addressed on a state level. I said I'd think about it. I was in a practice with one doctor. I couldn't take six months off. The doctor was great. She looked at the floor, she looked to the side, she looked at me, and she sighed. "I'll probably vote for you and hope you lose."

A nurse practitioner agreed to fill in, with me working one day a week while we were in session. But after my reelection, which I won with 70 percent of the voters, my substitute was no longer available, and I felt I had to resign from the practice. Calais Regional Hospital set up a rural health clinic not long after, so I did get a job after the session.

What has been your legislative focus?

I was appointed to what is now called Insurance and Financial Services. We worked on health insurance among other things. I was on the health-care reform committee that helped create the Dirigo health-care legislation to reduce the number of uninsured. I also was appointed to Health and Human Services. The biggest concern was what medical costs were doing to businesses and to consumer access.

Where do things stand with state health insurance?

Dirigo is a three-legged stool—cost, quality, access. First, we have the Advisory Council on Health Systems Development, which looks at all areas, but especially costs. Second, the Maine Quality Forum gathers data on quality and outcomes. Third is access—increasing the percentage of people with insurance—so the state negotiated with an insurance company to administer the Dirigo product. The idea was that insurance companies and hospitals would subsidize the product by making donations equal to their savings, and savings would be calculated as the decrease in growth of health costs as a result of the Dirigo legislation. The concept of these "savings offset payments" came about because insurance companies and third-party administrators opposed paying for Dirigo with an assessment on premiums.

Has the savings-offset concept worked?

The day it went through, the parties who negotiated for it started litigation against it. The Dirigo process involved having the director of the Bureau of Insurance determine whether the savings claimed were the actual savings.

The Bureau has been remarkably impartial and has backed up its decisions. But inevitably, funding Dirigo through "savings" is not a sustainable solution. The first year a hospital might economize and have good savings. But the next year's expenditures get compared to those of that first year. So every year the benchmark is at a different place and the savings are smaller.

Dirigo has had a limited run because funds that would have expanded it were diverted to litigation. We've been fighting for financing from Day One. Recently, a blue ribbon commission looking for sustainable financing recommended, among other things, new taxes on tobacco, alcohol, and sugar drinks, which impact health. But a new campaign may get the taxes rescinded. That would hurt other worthwhile aspects of the legislation, such as a program enabling reinsurance for high-risk individuals and a pilot project to get young, single adults buying insurance.

Massachusetts now has mandatory health insurance.

We're looking closely at Massachusetts. *States* know that something has to be done. States will push national policy.

What drives our economic engine is the middle class. They're our consumers, our workers, the people who hold the economy together. And we're losing them. Businesses offering good jobs and good benefits are leaving the country. There are many reasons, but we won't get companies back until we abandon business-financed health care. Business can't afford it. The U.S. medical system has the world's highest cost per capita, but out of the 19 industrialized nations, it is dead last in preventable morbidity and mortality.

Describe the new mortality study.

The study came out of Harvard in spring 2008. In the Northeast, the only statistically significant *decrease* in life expectancy was for women in Washington County.[1] Washington County has twice the unemployment of the rest of Maine and the lowest family income. And poverty affects health outcomes. People who are just scraping by struggle to follow through on health-care requirements.

Washington County women have a 191 percent greater incidence of cervical cancer than the rest of the state and a 234 percent greater incidence than the nation. What's going on? Are women not getting preventive care? Do they lack access? I learned from one Eastern Maine Health Systems needs assessment that 19 percent of Washington County residents were uninsured in 2003. My patients with $5,000 and $10,000 deductibles might as well not be insured.

How are you addressing the mortality rates?

First, locally. When I saw the report, I thought, "Somebody ought to do something." Then I realized that maybe that somebody is me. I called the liaison for Health and Human Services and said, "I'm calling a meeting, and I'd like the Commissioner of Health and Human Services, the director of the Maine Center for Disease Control, the director of the minority health portion of the HHS, someone from the Department of Economic and Community Development, and someone from the department of labor."

At the meeting, I laid out the statistics and said, "This is unacceptable. We need to work together. It's a recession, and I'm not asking to throw money around. It took 20 years to get here, and it's going to take time to get out. We need a sustainable process and a way to address the health and socioeconomic aspects together."

What did the state leaders say?

They were absolutely great. They committed to having a meeting with stakeholders in Washington County. I'm organizing the event with the help of Maine Healthy Partner (part of our public health infrastructure) and a group called Washington County: One Community.

We're one of the few counties in rural Maine to have experience working on initiatives countywide, and having collaborated on economic development, we'll now tackle mortality rates. I believe that building sustainable initiatives depends on state government being in touch with the workers on the ground. We can do that. And if Washington County can do a focused, coordinated effort within available resources, the state can take what is learned and target similar communities. With our statewide health plan and a new public health infrastructure, we're in a position to do this. Washington County can become a model for the state, and I will do all I can to make that happen.


Photograph: Caroline Ellis

We must work together. We need a sustainable process and a way to address the health and socioeconomic aspects together.

Endnote

1 See http://www.plosmedicine.org.

by Ross Gittell and Timothy Lord
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New England's Foreign-Born Population Today

Getty Images

From at least the 1600s, immigrants have been drawn to New England. Groups arriving today are similar to past immigrants in that most come seeking economic and educational opportunities, and they cluster in a few cities and counties. Parts of the region would be losing population and economic vitality if not for increases in this population. That is why New England policymakers are increasingly welcoming immigrants.

To understand more about the region's foreign-born residents and how the current scenario compares both to past regional trends and to current national trends, let's start by looking at the changes. (See "Foreign-Born Population: Average Annual Percentage Change.")

In the 1990s, growth of New England's foreign-born population was 2.8 percent per year, a rate that was significantly lower than the 4.6 percent nationwide average. Between 2000 and 2005, the average rate of growth continued at 2.8 percent regionally while the nation's came down to the same level. In 2005, there were 1.6 million foreign-born in New England (out of just under 13.8 million), representing 11.5 percent of the total population, lower than the national average (12.4 percent).

Historical Perspective

Foreign-born residents have always played a significant role in New England. Among the nine U.S. Census divisions from 1900 to 1950, New England had the highest percentage of foreign-born, with the percent peaking in 1920, before restrictive federal immigration policies were put in place. The nadir was in 1970, before the removal of some restrictions. New England's foreign-born population level has slowly moved back toward its 1920s peak but is a significantly lower portion of the region's total population (just over one-ninth as opposed to one-quarter in the 1920s).

However, New England no longer is a leader in attracting immigrants. In 2005, it ranked fourth among the nine census divisions in percentage of total population that is foreign born. (See "Foreign-Born Population in New England, 2005.")

Variances in New England

Within the region there are significant differences in the foreign-born population, with the southern New England states (Massachusetts, Rhode Island, and Connecticut) having significantly higher numbers and concentrations than the region's northern states or the nation as a whole.

Foreign-Born Population: Average Annual Percentage Change

Foreign-Born Population in New England, 2005

Rank	State	Foreign-Born Population (percent)	Foreign-Born Population	Total Population
9	Massachusetts	14.4	891,184	6,182,860
11	Rhode Island	12.6	130,517	1,032,662
12	Connecticut	12.5	423,254	3,394,751
26	New Hampshire	5.7	72,480	1,272,486
37	Vermont	3.6	21,843	602,290
41	Maine	3.0	38,727	1,283,673
	New England	**11.5**	**1,578,005**	**13,768,722**
	United States	**12.4**	**35,622,125**	**287,863,019**

Children with a Parent of Foreign Origin in New England

Rank	State	Percent of Children with a Foreign-Born Parent
10	Rhode Island	25
12	Massachusetts	22
16	Connecticut	18
29	New Hampshire	9
39	Maine	5
39	Vermont	5
	New England	**18**
	United States	**21**

Top 10 New England Counties of Foreign-Born Population, 2005

Rank	County	Foreign-Born Population (percent)	Foreign-Born Population	Total Population
1	Suffolk (MA)	28.0	173,454	620,053
2	Fairfield (CT)	18.7	165,476	884,050
3	Middlesex (MA)	18.5	260,424	1,405,511
4	Providence (RI)	17.3	105,858	610,539
5	Norfolk (MA)	14.7	93,894	636,632
6	Essex (MA)	13.4	96,709	721,625
7	Hartford (CT)	12.8	108,853	850,068
8	Bristol (MA)	12.7	67,769	533,310
9	New Haven (CT)	11.3	92,150	817,828
10	Worcester (MA)	10.3	78,280	759,409

Growth in Foreign-Born Population of New England Counties, 2000 to 2005

		Foreign-Born Population		
Rank	County	2000	2005	Percent Change
1	Barnstable (MA)	10,982	17,716	61.3
2	Hillsborough (NH)	25,793	38,225	48.2
3	Plymouth (MA)	29,592	41,762	41.1
4	Litchfield (CT)	9,898	13,809	39.5
5	New London (CT)	14,002	19,352	38.2
6	Rockingham (NH)	10,390	13,938	34.1
7	Worcester (MA)	59,063	78,280	32.5
8	Merrimack (NH)	4,351	5,747	32.1
9	Franklin (MA)	2,610	3,339	27.9
10	Hampden (MA)	33,033	41,817	26.6

Top Origins of U.S. Foreign-Born Population, 2005

Country	Foreign-Born Population	Percent of Foreign-Born Population
Mexico	10,969,941	30.7
Philippines	1,593,421	4.5
India	1,422,492	4.0
China	1,415,177	4.0
Vietnam	1,066,085	3.0

There are also differences in the percentage of children with a parent of foreign-born origin. In Rhode Island, 25 percent of children have at least one foreign-born parent—a percentage higher than the national average. The three northern states have percentages well below the national average. (See "Children with a Parent of Foreign Origin in New England.")

As is the case nationwide, New England's foreign-born are highly concentrated geographically. Five of the region's 67 counties are home to more than half of its foreign-born.[1] (See "Top 10 New England Counties of Foreign-Born Population, 2005.") Suffolk County, Massachusetts, has the highest percentage. Without large and growing foreign-born populations, several counties would have declining populations.

The presence of immigrants is expanding in the region. (See "Growth in Foreign-Born Population of New England Counties, 2000 to 2005.") Several New England counties that once had few foreign-born residents are now experiencing significant growth, including Barnstable and Plymouth in Massachusetts and Hillsborough in New Hampshire. New immigrants are diversifying formerly homogenous populations, and the increased cultural and social diversity has begun to lure workers from the creative economy and the knowledge industry.

Different Origins and Cultures

The foreign-born population in New England differs in character and countries of origin from that of the average foreign-born population nationwide. In New England, no single country accounted for more than 7 percent of the total foreign-born population. That percentage contrasts with the 30 percent figure for Mexico as the top country of origin nationwide. (See "Top Origins of U.S. Foreign-Born Population, 2005.")

In New England, Brazilians make up the largest foreign-born group, and China and India are in the top five countries of origin. For the northern New England states, the largest country of origin is Canada. Vermont and New Hampshire also are seeing increasing numbers of people from India. (See "Top Origins of New England's Foreign-Born Population, 2005.")

In one point of difference from the rest of the nation, New England's foreign-born are generally more educated. The higher percentage of foreign-born population 25 years and older with a bachelor's degree probably relates to the region's postsecondary-education infrastructure and its knowledge-based industries. (See "Education Level of Native-Born and Foreign-Born, 2005.") In New Hampshire and Vermont, more foreign-born individuals 25 and older have a bachelor's degree—a higher percentage than for the native born—and are therefore a source of skilled workers and entrepreneurs.

Given their education levels, it is perhaps not surprising that New England's immigrants also have a median income greater than the national average for the foreign-born. As a result, successful New England immigrants are contributing more to the local economy. (See "Median Income of Native-Born and Foreign-Born Populations, 2005.")

The New England region's long tradition of attracting foreign-born populations continues, but with a new character and some new implications.

For example, northern New England states are benefiting from increased exposure to other cultures as they begin to engage more with the global economy. Southern New England, meanwhile, would have had more than 1 percent lower growth in population if not for the foreign-born. In fact, many areas of New England would be losing population and economic vitality if not for growth in the foreign-born population.

That is why the region's policymakers are increasingly welcoming the foreign-born. New England is well-positioned to reap benefits of immigration.

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Endnote

[1] The American Community Survey provides data only for areas with a population of more than 65,000. Thirty-seven of the 67 New England counties have 2005 data. The counties for which the data were unavailable were grouped together by state, and the computed figures (state figures minus counties in the state with data) were presented.

Top Origins of New England's Foreign-Born Population, 2005

Country	Foreign-Born Population	Percent of Foreign-Born Population
Brazil	104,354	6.6
Portugal	93,801	5.9
Canada	87,059	5.5
China	84,658	5.4
India	68,454	4.3

Education Level of Native-Born and Foreign-Born, 2005

Rank among 50 states of people age 25 and older with a bachelor's degree

Rank	State	Percent of Foreign-Born Population	Percent of Native-Born Population
1	New Hampshire	24.1	19.8
5	Vermont	20.7	20.1
19	Maine	16.5	17.0
25	Connecticut	15.9	20.9
26	Massachusetts	15.7	22.5
41	Rhode Island	13.7	18.7
	New England	**16.1**	**20.8**
	United States	**15.8**	**17.5**

Median Income of Native-Born and Foreign-Born Populations, 2005

Rank	State	Foreign-Born Population Income	Native-Born Population Income
2	New Hampshire	$27,436	$28,446
4	Connecticut	27,078	32,377
6	Vermont	26,015	24,507
8	Massachusetts	25,167	30,837
25	Rhode Island	20,881	28,332
37	Maine	18,991	22,684
	New England	**25,208**	**28,875**
	United States	**$21,255**	**$24,933**

Addressing Concentrated

The Federal Reserve/Brookings Institution study of concentrated poverty in America is out.[1] The findings suggest that despite certain differences, census tracts with a poverty rate of 40 percent of higher have a lot in common.[2] The 16 case studies cover a range of locations, including former industrial cities like Springfield, Massachusetts, rural areas, and Indian reservations. Generally, the rural case studies covered only one census tract, whereas urban case studies covered more. Brookings and individual Federal Reserve Banks worked together to identify understudied communities and communities in different settings. (See "The 16 Communities.")

The communities were similar in that they faced challenges regarding jobs, housing, education, and the like. But the reasons that poverty became concentrated and the initiatives launched to address poverty often differed. The report's authors hope that creating a "nuanced picture of concentrated poverty in America" will provide an informed starting point for policymakers.

The National Study

The researchers chose a descriptive case-study method, one that combined quantitative data collection with qualitative interviews. Quantitative data came from sources such as the U.S. Census, the Bureau of Labor Statistics, and County Business Patterns. Qualitative data came from answers to agreed-on questions directed to interviewees and to focus groups involving community residents, schools, nonprofit organizations, law enforcement officials, and other stakeholders.

Commonalities

Although the reasons poverty became concentrated varied, communities shared some common elements: for example, isolation, demographic change, and lack of workforce readiness. Sometimes the isolation had human causes, such as construction of highways and railroads. Other times it had natural causes. For example, rural communities like Martin County and the Blackfeet Reservation, already remote from population centers, were further cut off by mountains.

In still other cases, segregation caused the isolation. The report points to Latinos in East Austin, Texas, and African Americans in Northwest Milwaukee and West Greenville, North Carolina, who underwent a "forced settlement and/or experienced the negative impacts of redlining and exclusionary zoning." Minorities ended up being cut off from the economic development going on around them.

A second common characteristic was demographic change. The researchers looked at the 30-year period between 1970 and 2000 and found that many communities experienced "a rise in immigrant households, a rise in single-parent families, or both." Births to unmarried mothers tripled between 1970 and 2000. And in each case-study area, the number of single-parent households was higher than in the surrounding area.

Third, there was a lack of labor force readiness and little revitalization or reinvention. Postindustrial cities and rural counties with economies dominated by coal, for example, had serious job losses.

by DeAnna Green
Federal Reserve Bank of Boston

Poverty in America

A final common trait was the incremental nature of communities' descent into concentrated poverty, the result of trends such as economic restructuring, suburbanization, and public housing policy.

In West Fresno, downtown Cleveland, and East Austin, highways built as part of urban renewal cut off poorer neighborhoods. In Greenville, "thriving African American-owned businesses were relocated … under the guise of 'urban renewal.' Very few of them survived," the report says. In Cleveland an interviewee noted, "The Cuyahoga Metropolitan Housing Authority located more than half of the county's public housing units within the Central Neighborhood." And Springfield residents mentioned the location of social service and low-income housing agencies in low-income neighborhoods—a situation not only resulting from poverty concentration but also tending to intensify it.

Differences

Among the differences observed in areas of concentrated poverty, two stand out: (1) historical experiences (segregation, loss of industry, economic restructuring, demographic change, and combinations of those factors) and (2) the economy in the surrounding areas. Although it was not entirely possible to separate the two, the report did try to consider them individually.

Both factors were involved in the immigration differences researchers observed. Communities such as Fresno, Miami, and South Texas experienced an influx of the foreign-born over the last several decades—newcomers that the report describes as risk-taking and generally hardworking. In the Little Haiti section of Miami, the new families were poorer than the existing population, and their arrival raised the poverty rate. In contrast, rural counties saw little immigration.

Another historical factor responsible for differences among case-study communities was public policy. In Native American communities such as the Blackfeet Reservation in Montana and CrownPoint in New Mexico, the potential for economic development was hindered by policies on land ownership and resettlement. In communities such as Cleveland, El Paso, and Atlantic City, the policies causing poverty concentration had more to do with assigning public housing to specific neighborhoods.

In addition to those historical factors, the report noted the impact of the wider economic environment in which communities existed. Concentrated poverty in strong market areas (with their growing population, increased job opportunities, high demand for houses) is different from concentrated poverty in a weak market (characterized by population loss, lack of jobs, houses that buyers don't want).

East Austin and Little Haiti in Miami are located amid strong markets. The City of Austin saw house prices increase from 2000 to 2006, making housing for the poor in East Austin less affordable. The same was true in the strong market of Miami, where there had been a vigorous effort by the city to redevelop neighborhoods.

The challenges for the poor in those cities differ from the challenges in weak market cities like Springfield,

Springfield, Massachusetts, photographs: Kai-yan Lee

The 16 Communities

The following communities were the focus of the case studies on concentrated poverty in America:

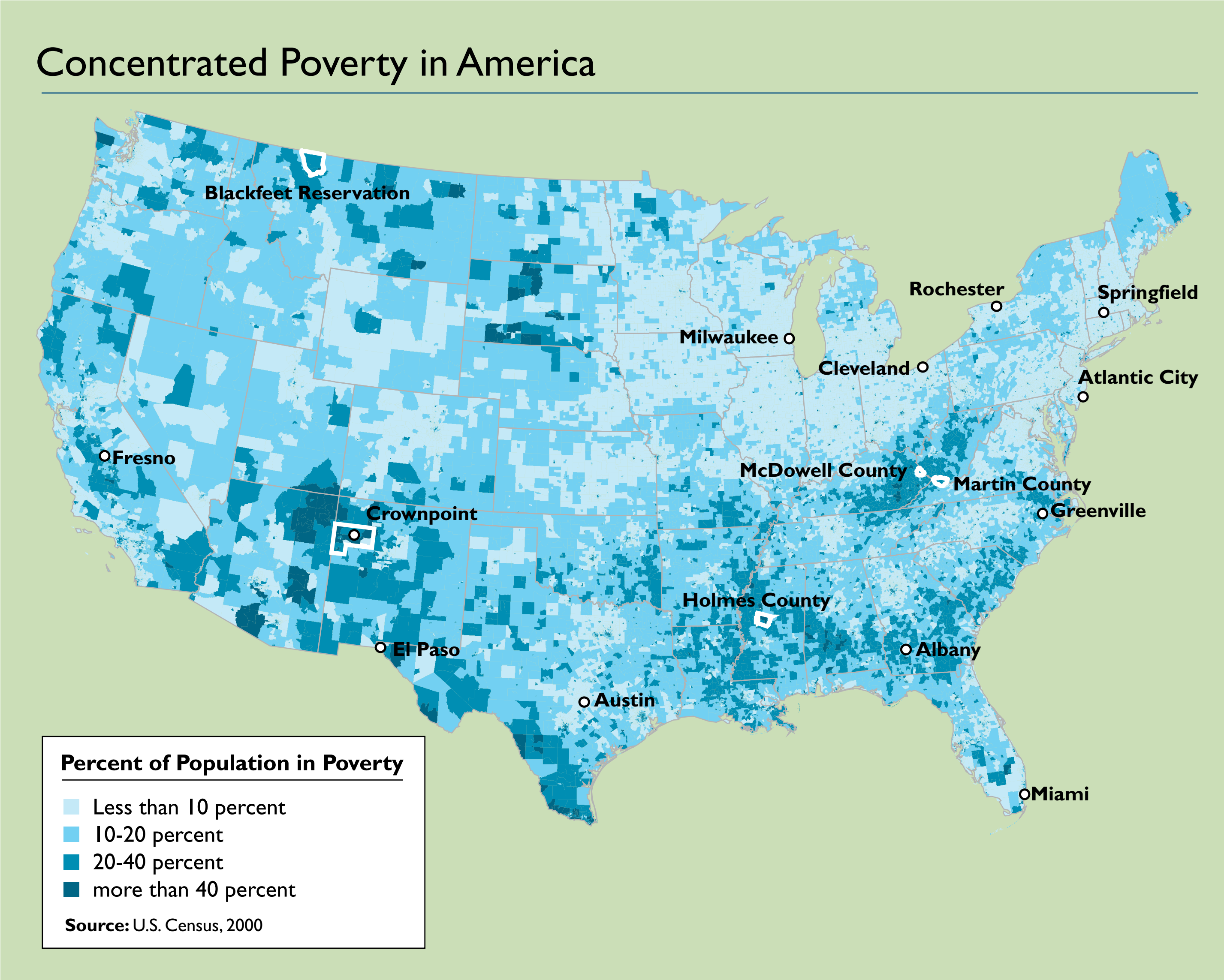
Fresno, California: West Fresno neighborhood
Cleveland, Ohio: Central neighborhood
Miami, Florida: Little Haiti neighborhood
Martin County, Kentucky
Blackfeet Reservation, Montana
Greenville, North Carolina: West Greenville
Atlantic City, New Jersey: Bungalow Park/Marina District
Austin, Texas: East Austin neighborhood
McKinley County, New Mexico: Crownpoint
McDowell County, West Virginia
Albany, Georgia: the East Albany neighborhood
El Paso, Texas: Chamizal neighborhood
Springfield, Massachusetts: Old Hill, Six Corners, and the South End neighborhoods
Rochester, New York: Northern Crescent neighborhoods
Holmes County, Mississippi
Milwaukee, Wisconsin: Northwest neighborhood

Rochester, and Milwaukee. When "there is no private [market and] little potential for private investment," residents struggle harder to build assets.[3] In Springfield, interviewees contended that their home values were hurt by the weak market and would have been more saleable in another part of the city or in a different market.

And although the need for jobs was a common theme, the details varied. For some rural counties and Native American areas, isolation and a complete lack of economic diversity created the worst employment situation.

But in postindustrial cities like Springfield, Rochester, and Cleveland, the report noted the existence of jobs in "advanced manufacturing, higher education, health care, and financial services"—a consolation to the cities as they worked to replace manufacturing jobs, but not much consolation to unskilled workers.

Hence, although Springfield is home to a growing health-care sector anchored by a hospital, inner-city residents who have jobs in health care are employed in the lower-wage occupations.[4] In spite of the mismatch between available jobs and trained workers,



Springfield is better positioned than, say, rural McDowell and Martin counties. At least there is some nearby economic activity on which to build.

A Good Starting Point

The report is designed to help policymakers understand concentrated poverty and think about ways to address the issues.

For example, schools could use more attention. As early as elementary school, students living in concentrated poverty underperformed on standardized tests when compared with students in their larger metro region. (The only exception was Fresno.) Moreover, in nearly every case study at least 40 percent of the adult population lacked a high school diploma, which hurt efforts to build a skilled workforce and to combat unemployment.

The study found that the more collaboration there was between schools, families, and other stakeholders, the more that local initiatives were successful. In Springfield, for example, an elementary school joined with Springfield College to create an ongoing initiative, the Springfield Partners Program. The program matches students with mentors who help with everything from homework to extracurricular activities. Students dine with their mentors at the college each week. And someone from the college takes them home, where a parent is required to be present.

The Federal Reserve Bank of Boston focused on Springfield, but its collaboration with researchers around the country produced insights that enriched overall understanding of concentrated poverty. The report should help policymakers formulate solutions that take into account the factors that are common in communities with concentrated poverty as well as the factors that depend on locale.

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Endnotes

[1] *Concentrated Poverty: Observations from Communities Across the U.S.* (Washington, DC: Federal Reserve System, 2008).

[2] DeAnna Green, "Understanding Concentrated Poverty," *Communities & Banking* 18, no. 4 (fall 2007): 24-25.

[3] Peter Gagliardi, "Incentives for Urban Pioneers," *Communities & Banking* 18, no. 3 (summer 2007): 3-4.

[4] Paul N. Foster et al., *A Demographic and Economic Analysis of the City of Springfield* (West Springfield, Massachusetts: Pioneer Valley Planning Commission, 2006).

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