Common-ground solutions to empower Chicago's poor: A model for America's cities

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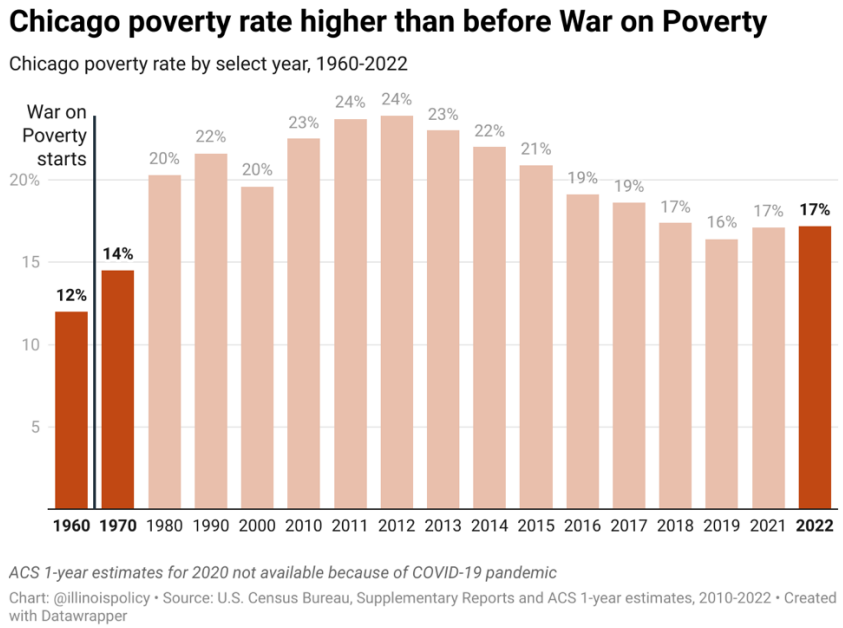
THE CENTER FOR POVERTY SOLUTIONS

Executive summary

The American Dream is grounded in the idea everyone ought to be able to pursue happiness. That idea has positioned the United States as the land of opportunity and motivated countless millions to move here for over two centuries. Yet it's under threat: a 2023 survey by The Wall Street Journal and NORC revealed only 36% of voters believe the American Dream still holds true.

With 37.9 million Americans suffering through poverty every day, it's no surprise this dream looks like a mirage for so many people. That's especially true in urban environments such as Chicago, where prosperity is simply out of reach for too many individuals. While the overall poverty rate in America is already an unacceptably high 11.5%, the poverty rate in Chicago is worse at 17.2%. That means over 450,000 Chicagoans live with poverty daily. Their unjust situation threatens the American Dream itself.

For far too long, we've mistakenly thought poverty's solution was to spend more money. Nearly 60 years after President Lyndon Johnson launched the War on Poverty in 1965, the nation has spent over $12 trillion and poverty rates have remained between 11% and 15%. Chicago's poverty rate of 17.2% is significantly higher than the 12% rate in 1960.



Poverty policies are not just failing the poor and disadvantaged in Chicago and elsewhere, they are aggravating the problems. That's wrong, needs to change and can.

Amid the failed policies and unnecessary suffering is reason for tremendous hope we can solve poverty, especially in Chicago and other urban environments.

From left-of-center think tanks such as the Brookings Institution, Urban Institute and Progressive Policy Institute, to right-of-center public policy groups such as the American Enterprise Institute and the Alliance for Opportunity, there exists remarkable consensus on how to empower individuals to rise out poverty and into prosperity.

What is it?

Substantial consensus exists around seven "macro"-solutions to poverty:

1) Empower people through the dignity of work.
2) Prepare individuals for the future of work through education and workforce development. (This issue is widely overlooked in the research on poverty).
3) Remove barriers to work, especially occupational licensing and burdensome regulations.
4) Ensure the educational system prepares students for careers through improved quality and more effective workforce development programs such as apprenticeships.
5) Restructure safety net programs to empower people to rise out of poverty, including through rigorous program evaluation.
6) Promote affordable housing, including through zoning reform.
7) Promote family formation and stability, including by making it easier for people to follow the "success sequence" of education, job, marriage and then children.

America needs to rediscover its roots and again become the world's preeminent opportunity society where everyone can unleash their potential. This report establishes an agenda to empower people to rise out of poverty and into prosperity. If we can set an agenda for accomplishing that in Chicago, then we will have established a formula for doing so elsewhere in America.

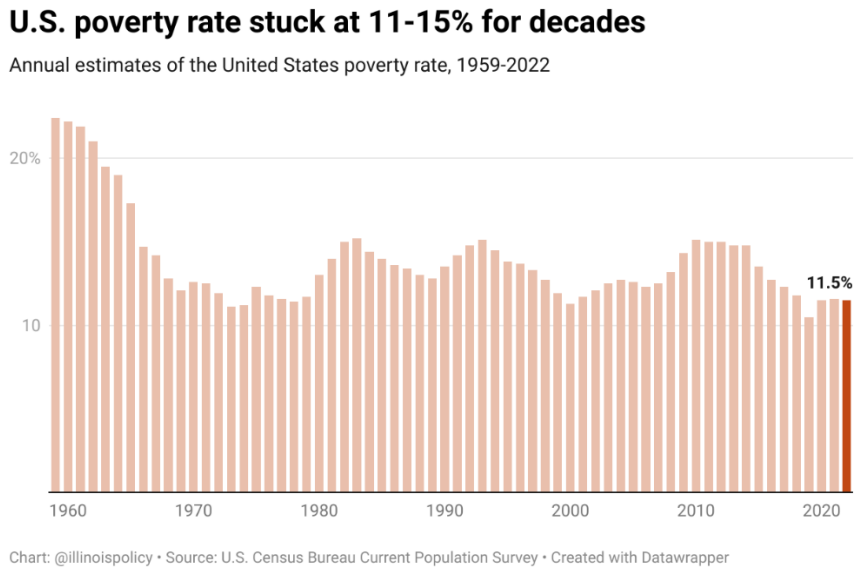
Introduction

The American Dream is grounded in the idea that everyone ought to be able to pursue happiness. That idea has positioned the United States as a beacon of hope, freedom and opportunity for over two centuries.

For the 37.9 million Americans[1] in poverty, their potential remains stunted, leaving the individuals and society worse off. So much suffering and discouragement poses a direct threat to the American Dream itself. As people stop believing in it, its meaning and promise fade.

This is especially true in urban areas such as Chicago, where the poverty rate is significantly higher than the national average. While the overall poverty rate in America is already unacceptably high at 11.5%, the poverty rate in Chicago is even worse at 17.2%. That means over 450,000 Chicagoans live in poverty on a daily basis.[2] That's unjust.

For nearly 60 years, the primary tactic to solve this problem has been spending more money. Since President Lyndon Johnson launched the War on Poverty in 1965, America has spent over $12 trillion to try to solve this problem. The result? Poverty rates have remained mostly flat, fluctuating between 11% and 15%. In Chicago, the poverty rate is significantly higher than when this war started: it was 12% in 1960, 5.2 percentage points lower than today.



Worse still, the War on Poverty has become a war on dignity. Policies intended to alleviate poverty have stripped millions of Americans of purpose by disincentivizing work. Rather than solving poverty, current policies often have the unintended, harmful and perverse consequence of creating a cycle of dependency that becomes intergenerational and is difficult to break.

Our methods are not merely failing the poor and disadvantaged in Chicago and beyond. What we are doing is making them worse off. That's wrong and needs to change. And it can.

Daniel Patrick Moynihan, who was a U.S. senator from New York and an assistant secretary of Labor, famously said, "Everyone is entitled to his own opinion, but not his own facts." More than simply agreeing broadly on the "facts" of poverty based on accurate data, there is a happy reality about opinions on this challenging topic: Amid the gloom of failed policies and unnecessary human suffering, there is reason for tremendous hope as we work to empower people to rise out of poverty and into prosperity, especially in Chicago and other urban environments. Across the ideological spectrum, from progressive to conservative and libertarian policy experts, there exists remarkable consensus on how to solve poverty in America.

What is it?

It begins with a recognition poverty is not merely an economic event. It is moral and multi-dimensional, with social, psychological and political elements, among others. If we fail to recognize this reality, any solutions to poverty will fall short, because we will overlook foundational issues.

And what does the substantive consensus look like for a multi-dimensional approach to solving poverty? Here is a brief outline of these consensus solutions.

1) Empower people through the dignity of work.
2) Prepare individuals for the future of work through education and workforce development. (This issue is widely overlooked in the research on poverty).
3) Remove barriers to work, especially occupational licensing and burdensome regulations.
4) Ensure the educational system prepares students for careers through improved quality and more effective workforce development programs such as apprenticeships.
5) Restructure safety-net programs to empower people to rise out of poverty, including through rigorous program evaluation.
6) Promote affordable housing, including through zoning reform.
7) Promote family formation and stability, including by making it easier for people to follow the "success sequence" of education, job, marriage and then children.

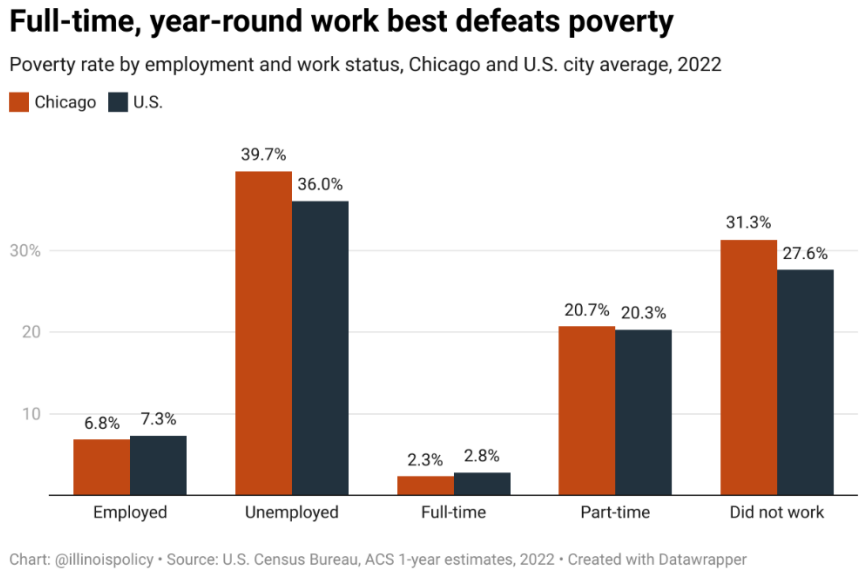
Perhaps even more importantly, notable consensus exists on how to achieve these goals and alleviate poverty. While there are certainly disagreements about details, they are greatly overshadowed by the overlap in approaches.

This report focuses on "macro" solutions to poverty, with an eye to the ones most applicable to Chicago. These solutions serve as a foundation for applying them at the "micro" level of Chicago in subsequent policy research. The "macro" solutions also provide a framework for solving poverty in other urban environments.

Empower people through the dignity of work

The single best way to help people rise out of poverty is to empower them through work. Intuitively, we know this: If you work hard and earn a living, you probably will not be poor, especially once you establish yourself in the workforce. Data bear out this intuition, especially in Chicago.

Employment status by far is the single biggest factor determining whether someone is in poverty in Chicago. Chicagoans age 16 and older who worked full-time, year-round in 2022 had a poverty rate of only 2.3%.[3] By contrast, the poverty rate for those who were unemployed was 39.7%, and 31.3% for Chicagoans who did not work. For those who worked part time, it was 20.7%.



There has been a startling development in America's and Illinois' workforce during the past generation that helps explain why poverty rates have remained high: millions of Americans who would have been working a generation ago based on their demographics have instead left the labor force. The labor force participation rate, which measures the number of people who are employed or unemployed (jobless, looking for a job and available to work) as a percentage of people in a demographic, has plummeted in America as a whole, and in Illinois specifically.

In early 2000, America's labor force participation rate peaked at 67.3%.[4] In October 2023, that number stood at 62.7%.[5] In Illinois, in February 2000 the rate peaked at 70.0%. In September 2023, the Illinois rate was 64.5%.[6] The reason for the sharp decline in the rate is not because of a lack of jobs. As of Nov. 1, 2023, there were 8.7 million job openings across the country, according to the U.S. Bureau of Labor Statistics.[7] In Illinois, there were 410,000 job openings as of August 2023.[8] One of the biggest causes, as identified in a report for the Illinois Department of Economic Security, is from 2000-2016, 50% more people identified themselves as disabled. And 56.6% of that increase was among men.[9]

Labor force participation rates for Chicago are not available through the BLS. There is no reason to think the Chicago labor force is undergoing trends opposite those at the national and state levels.

The decline in the participation rate is particularly pronounced among the Americans we would most expect to work: prime age males, 25-54 years old. The rate in this group peaked at 97.3% in November 1960. As of October 2023, it stands at 89.0%.[10] Policy expert Nicholas Eberstadt has investigated this troubling trend extensively in his book "Men Without Work." Eberstadt identifies two primary culprits. The first is dependence upon "means-tested" programs. "As of 2013, 27 percent of all prime-age men lived in homes receiving poverty-related benefits. The figure for 1985 was 11 percent." These programs include Medicaid, TANF/AFDC, the Supplemental Nutrition Assistance Program, and the Program for Woman, Infants and Children (WIC).[11] The second is a massive increase in the number of men not in the labor force who are on Social Security Disability Insurance. "By 2013, 57 percent of prime-age un-working men lived in homes reporting disability benefits, nearly twenty percentage points higher than it had been in 1985."[12] We will discuss the necessity of reforming the social safety net below, a point punctuated by these troubling trends.

Work is far more than merely an economic phenomenon. It is a social and, above all, a moral phenomenon. Work gives us purpose, meaning and dignity.

The obvious conclusion is we need policies that encourage as many people as possible to work, first as a means of rising out of poverty, and then as a path to professional and personal prosperity.

Experiencing the dignity of work requires that jobs exist, and that workers have the skills and aptitude for those jobs. In the sections below, we will explore tangible ways to encourage people to work, especially with policy reforms.

Jobs do not create themselves. History has shown the best engine for creating jobs is the free enterprise system. That's why everywhere free enterprise has reigned, people have become more prosperous, materially and otherwise. It is called history's "hockey stick": everywhere the free enterprise system has been permitted to flourish, real gross domestic product per capita has skyrocketed.[13] It is imperative decision makers adopt policies that create space for economic growth and job creation. On this front, Chicago faces serious problems.

Chicago needs an economic environment that prioritizes creating jobs. Unfortunately, the economy is hamstrung by significant burdens, including high taxes and regulations. Chicago has the second-highest commercial property taxes of any city in the country.[14] Those taxes significantly hurt job creation by businesses. That pain is on top of sky-high residential property taxes in Cook County, which are up 77% over 20 years.[15] These taxes are volatile, too, sometimes dropping or rising more than 40% in a year.[16] Over 32,000 people fled

Chicago in 2022.[17] High taxes are a major reason, as 97% of fleeing residents went to states with lower taxes.[18]

To solve poverty in Chicago and beyond, we must create an economic and political environment that is as friendly to job creation as possible.

Chicago can do so by adopting policy reforms such as:

- Encouraging individuals, government programs and society to embrace the dignity of work, including by creating and advancing this foundational narrative.
- Requiring work for able-bodied recipients of government benefits.
- Ensuring individuals are prepared to find meaningful work, including through improved schooling and training.

Prepare for the future of work

The nature of work is constantly changing because of innovation, technology, economic changes and other developments. It is vital that workers are prepared to meet these changes so we don't "solve" poverty today, only to see it reemerge later because workers' skills cannot sustain their careers throughout an evolving economy.

Klaus Schwab, founder and chairman of the World Economic Forum, explains we are in the middle of the "fourth industrial revolution," driven by staggering technological breakthroughs in fields such as "artificial intelligence, robotics, the internet of things, autonomous vehicles, 3D printing, nanotechnology, biotechnology, material science, energy storage, and quantum computing, to name a few."[19] He contends "technology and digitization will revolutionize everything."[20]

Consider generative AI. Programs such as ChatGPT are capable of generating compelling text that often is indistinguishable from, or even better than, text generated by a human being. And its power will only grow. The Ernst and Young "2023 Work Reimagined Survey" revealed 84% of employers expect to use generative AI by 2024, and it's expected to have an outsized impact on the labor market.[21]

It's not only technology changing the future of work. Before the COVID-19 pandemic, most people spent most or all of their working days in an office. Now, the BLS estimates 27.5% of private-sector establishments had employees working remotely for some or all of the time.[22] Odds are that number will continue to rise.

How dramatic are the changes we can expect to the future of work? One report from two Oxford professors estimated 47% of total employment in the U.S. is at risk during the next decade.[23] The McKinsey Global Institute estimates across eight high-income countries, including the United States, "more than 100 million workers, or 1 in 16, will need to find a different occupation by 2030."[24] A 2023 report from the World Economic Forum showed employers expect market churn for 23% of jobs by 2027. Already, businesses estimate 34% of tasks are performed by machines, a number that will only rise in the coming years. Employers estimate "44% of workers' skills will be disrupted in the next five years." And we are not ready for these changes: by 2026, 6 in 10 workers will require training. Only half have access to adequate training opportunities.[25]

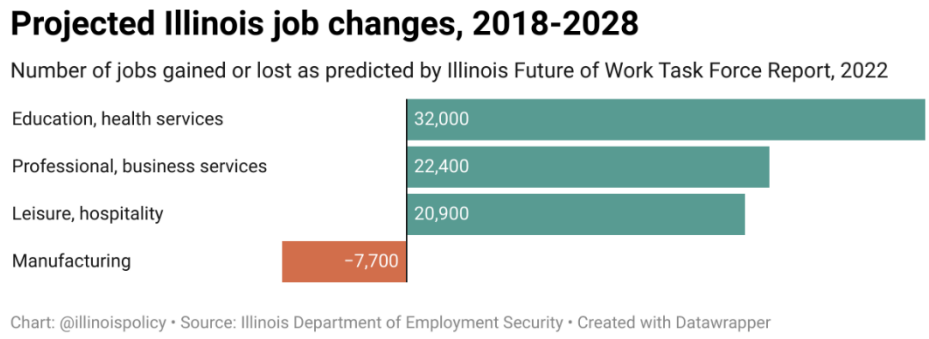
As positive as the fourth industrial revolution undoubtedly will be for the economy and for society as a whole, it presents real problems in our efforts to solve poverty. The consensus seems to be future job growth will be largest in high-wage, high-skill professions such as health care, science, technology, engineering and mathematics. By contrast, McKinsey predicts middle- and low-skill jobs such as food service, production work, customer service and office support will decline.[26] The World Economic Forum predicts the "majority of fastest declining roles are clerical or secretarial roles, with Bank Tellers and Related Clerks, Postal Service Clerks, Cashiers and Ticket Clerks, and Data Entry Clerks expected to decline fastest… Record-Keeping and Administrative roles… Data Entry, Accounting, Bookkeeping and Payroll Clerks; and Administrative and Executive Secretaries." [27]

These displaced workers will need to acquire new skills that are much different from the ones that allow them to do their current jobs well. This already challenging task will be even more difficult because the top skills predicted as necessary to thrive in many of the key future professions include complex problem-solving, analytical thinking, creative thinking, technological literacy and self-efficacy.[28]

Problematic for the purposes of solving poverty is the projection that of the 15 jobs projected to grow the most nationally by 2030, eight are considered low-wage, paying less than $31,200 annually (e.g., home health and personal care aides and cooks). Only two are middle-wage.[29]

What does the future of work look like in Illinois more specifically? A 2022 report from the Illinois Future of Work Task Force provides extensive analysis on this. Key to solving poverty is that the labor market will become more polarized, with growth in low- and high-wage jobs, and a reduction in middle-wage jobs.[30]

The allocation of jobs across industries is changing rapidly in Illinois. "From 2001 to 2016, the Chicago region and the state both lost about 30 percent of their manufacturing jobs, while service-based jobs in industries like health care, finance, and business services expanded."[31] The Illinois Department of Employment Security predicted from 2018 to 2028, educational and health services are expected to add 32,000 jobs, professional and business services 22,400 jobs, and leisure and hospitality another 20,900 jobs. Manufacturing jobs are expected to decline by 7,700.[32]



Particularly promising is Illinois' tech sector. In February 2023 the Census Bureau reported Illinois has over 300,000 high-tech sector jobs,[33] placing it in the top 10 states.

Studying how work will evolve in Chicago and beyond can ensure students and current workers get the training they need to experience meaningful work throughout their lives. This requires a flexible educational system, as well as programs to learn new skills that are desirable in the years ahead, especially when their skills are in low- or no demand.

To prepare individuals for the future of work, Chicago can adopt policy reforms such as:

- Studying workforce trends to identify needs in five, 10, and perhaps 20 years.

- Reorienting educational programs around preparing enough individuals for the jobs of tomorrow, while also meeting the needs of employers today.
- Raising awareness among individuals, schools, employers and society of the rapidly changing nature of the economy.
- Adopting a flexible mindset that observes and adapts to the changing realities of the economy.

Remove barriers to work

Because work empowers people to prosper, and it is tough rising out of poverty even when conditions are favorable, the last thing the poor and disadvantaged need is for the government to make it harder to work. The distressing reality is the government systematically shackles people's potential. That's unjust.

One way the government does this is by creating perverse disincentives to work through safety net programs – a topic we consider in the next section.

Another unfair mechanism the government uses to make it harder for people to work is the extensive regulatory regime. The government creates unfair barriers that many people – especially the impoverished – simply cannot overcome.

Illinoisans live under an oppressive regulatory regime. Illinois' regulatory code contains more than 279,000 instances of restrictive language – more than in 44 states and Washington, D.C.[34] Illinois is the 10th-most burdened state by federal regulations.[35]

This regulatory regime hurts poor and disadvantaged Chicagoans. From 1997 to 2017, the 96% increase in federal-level regulations was associated with a 24% increase in poverty in Illinois, and a 4.8% increase in income inequality. If the regulatory regime had merely remained stable, Illinois could have up to 274,000 fewer people living in poverty.[36] As of 2022 there were 1.47 million Illinoisans living in poverty.[37] So tens of thousands – maybe over 100,000 – Chicagoans would have escaped poverty were it not for so many burdensome regulations.

We know a dynamic economy is necessary to create jobs and prosperity. And when Chicagoans are tied down by 279,000 instances of restrictive language, businesses and workers suffocate under the pressure and are unable to create jobs. That hurts everyone.

There is one specific type of regulation that is particularly pernicious to poor Chicagoans: occupational licenses. An occupational license is a government permission slip to work in a particular occupation. Without that permission slip, it is literally illegal to work as a cosmetologist, barber or even florist.

Licenses often require significant amounts of time – sometimes years of formal education – plus fees, and exams. These barriers are too often too big for the poor to overcome, denying them entry to a particular field. They are denied the meaning and income they would get from that work.

A report from the Obama White House estimated over 1,100 occupations required a license. Fewer than 60 were regulated in all 50 states.[38] That means over 1,000 occupations are performed safely in some states while somehow warranting regulation in at least one.

How many people do these licenses impact? Research from the Brookings Institution contends occupational licensing has spread to "around 30 percent of the U.S. workforce, up

from just 5 percent in the 1950s."[39] Mercatus Center research puts the number at "nearly one-third."[40] The BLS estimates 24% of American workers require a license or certification.[41]

Occupational licensing kills jobs and hurts consumers. Morris Kleiner, professor of public policy at the University of Minnesota, estimated "restrictions from occupational licensing can result in up to 2.85 million fewer jobs nationwide, with an annual cost to consumers of $203 billion."[42] Licensing reduces business growth and jobs, which especially hurts entrepreneurs.[43]

Extensive research shows the harms of unnecessary licenses fall disproportionately on the poor. Cato Institute research shows occupational licensing reduces workforce mobility and creates barriers to work and advancement, which is particularly harmful to poor people and younger people trying to start a career.[44] Additional Obama Administration research showed the costs of obtaining a license prevent many low-income workers from accessing certain occupations.[45]

For example, research from the Institute for Justice found "cosmetology school tuition costs more than $16,000 on average – almost half the price of a four-year degree at a public university, even though programs are supposed to last just one year."[46] The burden is worse in Illinois, where in 2019 cosmetology tuition cost on average $17,658. That cost is unreasonable given the median annual wage is $27,040. The value and quality of that education are questionable because only 29.4% of students graduate on time, 51.4% graduate within 18 months, and only 53.3% graduate within 24 months.[47]

Because licensing results in higher prices, Mercatus Center research shows "licensing laws hit the poor twice – once in the form of limiting job opportunities and then again in the form of higher prices."[48] Brookings Institution research states consumers pay as much as 15% more for services when an occupation is licensed.[49] That is simply unfair to the poor.

The Federal Reserve Bank of Minneapolis has shown occupational licensing disproportionately harms workers of color, who are less likely to be licensed than white workers. This research explains "Asian, Black, and American Indian and Alaska Native workers are also less likely than white workers to be licensed, by 6, 5, and 4 percentage points, respectively." The disparity is even larger for Latino workers, who are 11 percentage points less likely to be licensed than whites.[50] Other research has shown occupational licensing decreases the number of Black men in licensed professions by up to 19%, and the number of Black women up to 22%.[51]

The Institute for Justice has done extensive research on the scope and impact of occupational licensing on low-income occupations in a report entitled "License to Work." It focuses on 102 low-wage occupations such as security alarm installer and manicurist. Only 12% of the 102 professions are licensed universally in America, meaning "workers are likely practicing the other 88% safely in at least one state – and often many more than one – without a license."[52]

These and other harms prompted the Trump Administration to issue Executive Order 13966, which made it "the policy of the United States Government to support occupational regulation reform throughout the Nation."[53]

What is the state of occupational licensing in Illinois? Kleiner found in 2015 that 24.7% of the Illinois workforce is licensed, and 5% was workforce certified.[54] With a workforce of 6.45 million as of October 2023,[55] holding those percentages constant, that means over 1.59 million Illinoisans need a government permission slip to work.

Of the 102 low-income occupations, 41 are licensed in Illinois. This licensing costs Illinoisans an average of 234 days lost to education and experience. Average fees for a license are $281. Given that nearly 240,000 Chicagoans are in "deep poverty" and live on less than $20 per day,[56] they'd have to give up on average more than 14 days of income just to pay licensing fees.[57] That is unaffordable.

What's more, relative to other states, Illinois' burden has increased since 2018.[58]

Many of Illinois' licensing requirements do not make sense. To become a fire alarm installer requires three years of experience, resulting in 1,095 calendar days lost, $288 in fees and an exam. A license to become a security alarm installer requires 1,095 days lost, $317 in fees and an exam. Sign language interpreters need 730 days of experience, $470 for the license and two exams. Licenses are even required to become a travel guide or taxidermist.[59]

Occupational licensing is economically destructive in Illinois. In another report, "At What Co$t?", the Institute for Justice estimated licensing in Illinois has cost the state 85,973 jobs, $9.6 billion in misallocated resources, which is equivalent to over 20% of the state's expected general fund revenue for fiscal year 2023 of $46.43 billion[60], and $388.7 million in deadweight losses.[61]

Government reviews have showed many of the licenses in Illinois are simply unnecessary. The majority of government sunrise reviews – a mechanism that looks at all proposed new licenses – have not recommended licensing to become an athletic trainer, security alarm installer, pharmacy tech, sign language interpreter, veterinary technician, locksmith, unarmed security guard or massage therapist.[62] Illinois licenses them all.

To remove harmful barriers to work, Illinois can adopt policy reforms such as:

- Repealing and reducing licensing barriers.
- Preventing new licenses from being established, in part by recognizing licensing as a last resort option.
- Paring back "scope of practice," or rather the legally defined duties of any licensed occupation.[63]
- Performing cost-benefit analyses on all current licensing requirements and repealing any that fail to generate overall net benefits.[64]

- Adopting sunrise reviews, which occur at the beginning of the legislative process and study both newly proposed occupational licenses and new regulations for existing licenses to recommend applying the least restrictive method of regulation. Fourteen states already have some form of sunrise review.[65]
- Enhancing Illinois' current sunset review, which has not proven effective in reducing barriers to work. [66]
- Removing licensing requirements not needed to protect public safety, e.g., portions of an occupation's training curriculum.[67]
- Establishing universal licensure recognition, which recognizes out-of-state professionals licensed in a field, following Arizona.[68]
- Reestablishing and empowering the Illinois Competitiveness Council, which was created in 2016 with the goal of saving Illinoisans at least $250 million in direct license fees over a decade.[69]

Ensure educational excellence

Without a good education, the path out of poverty and into prosperity is far steeper. With an excellent education, students get the tools they need for empowerment and get a pathway to prosperity. Research shows with every level of education completed, both lifetime[70] and median[71] earnings improve.

An excellent education is one that provides students the skills they need to have meaningful work throughout their lives. America's education system scores poorly on that measure. It does a disservice to the poor and disadvantaged students most in need of a quality education.

America's "skills gap" shows the cracks in our education system. The Business Roundtable defines the "skills gap" as the "difference between the skills that employers are looking for and the training and experience that candidates possess."[72] As of the end of October 2023, there were 8.7 million job openings, according to the BLS.[73] If a skills gap did not exist, the number of openings would be much lower. At the same time, BLS reported 6.5 million unemployed persons in October 2023.[74] That means if each of these workers were hired, there would still be 2.2 million job openings. Plus, the labor force participation rate remains much lower than in 2000, meaning many Americans who could fill those jobs have simply left the workforce.

The skills gap is widely acknowledged as a problem. According to 2023 research from Wiley, 69% of human resources professionals surveyed said their organization had a skills gap, up from 55% in 2021.[75] That means job candidates are not offering the skills the businesses need to fill positions. A 2016 survey from the Business Roundtable showed 95% of executives saw skills shortages as at least "somewhat problematic" to finding talent. More than 50% deemed this "problematic" or "very problematic."[76] And things are getting worse. Research from the U.S. Chamber of Commerce in 2020 found nearly three-fifths (59%) of survey respondents said finding qualified candidates became more difficult during the preceding three years.[77]

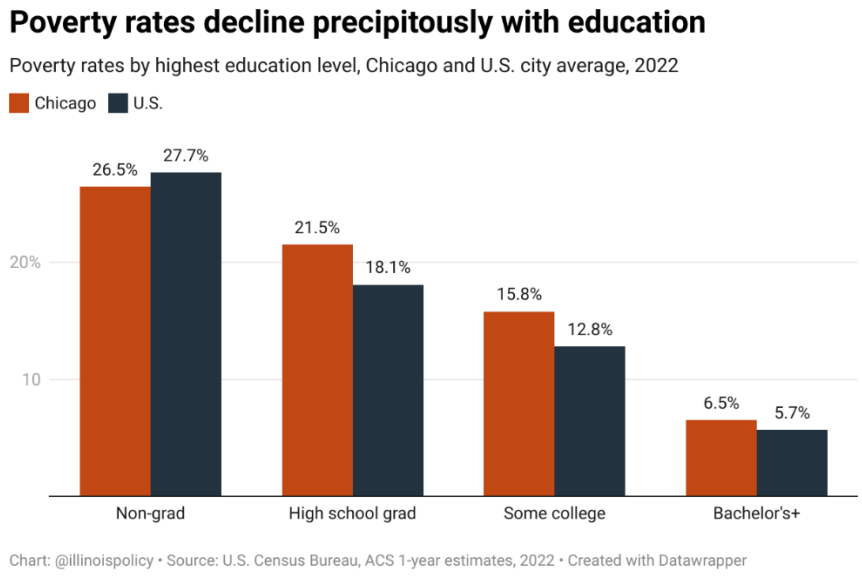
A 2015 report from JPMorgan Chase & Co. showed the Chicago's skills gaps centers on "middle-skill" jobs, which are jobs requiring more than a high school credential and less than a bachelor's. Middle-skill jobs are 44% of all jobs in the Chicago region. They pay well – $26.93 per hour as of 2015, nearly double the state's mandated minimum wage of $14 per hour as of Jan. 1, 2024.[78] Despite the high wages, the report finds "approximately 60% of job openings require middle-skill credentials, but only 54% of the region's workforce have the necessary education levels – reflecting the mismatch between the education and skills that workers currently have and the skills required by the region's emerging industries."[79] Two industries in particular need of middle-skill workers are health care and transportation, distribution and logistics, with about 20,000 openings expected in just these two industries every year in Chicagoland.[80]

This skills gaps exists in large part because our educational system is not preparing students and workers to enter professions where businesses have needs and openings.

This hurts workers, businesses, and the economy. We need an education system that takes the skills gap seriously and works to close it. This starts with ensuring educational excellence.

We will consider three components of education excellence in this report, while acknowledging it is an expansive subject of extensive research. In the section below on family formation and stability, we examine the role of finishing high school in completing the "success sequence." Here we discuss the need for the educational experience to be of sufficient quality, and ideally of high quality. We advocate for orienting education around students attaining skills that will prepare them for a career. This requires a reorientation of our education system from a "college is best" model to a "career training first" model that embraces skills development programs such as apprenticeships.

Chicago data show education and poverty are entwined. The poverty rate for people age 25 and older who did not finish high school is 26.5%. For those who finished high school, it drops to a still high 21.5%. The poverty rate for Chicagoans who completed some college is 15.8%. For those with a bachelor's degree or higher, it is an oddly high 6.5%. That translates to over 53,000 Chicagoans with at least a bachelor's living in poverty.



The 2023 Illinois Report Card paints a picture of poor performance and inequity in Chicago Public Schools. Only 22.3% of 11th grade students met or exceeded proficiency levels on the SAT in 2023. Only 19.1% achieved proficiency in math. The math score comes as no surprise because only 30% of eighth graders passed Algebra I. Chronic absenteeism was 40%. Despite those poor scores, the graduation rate was 83%. That means only 19% of kids could do math at grade level, and only 17% of kids did not graduate. Of the 623 schools in the Chicago district, 42 are rated "exemplary," or in the top 10% of schools statewide with no underperforming student groups. There are 380 somehow rated "commendable," with no underperforming student groups and a graduation rate above 67%.[81] It is borderline

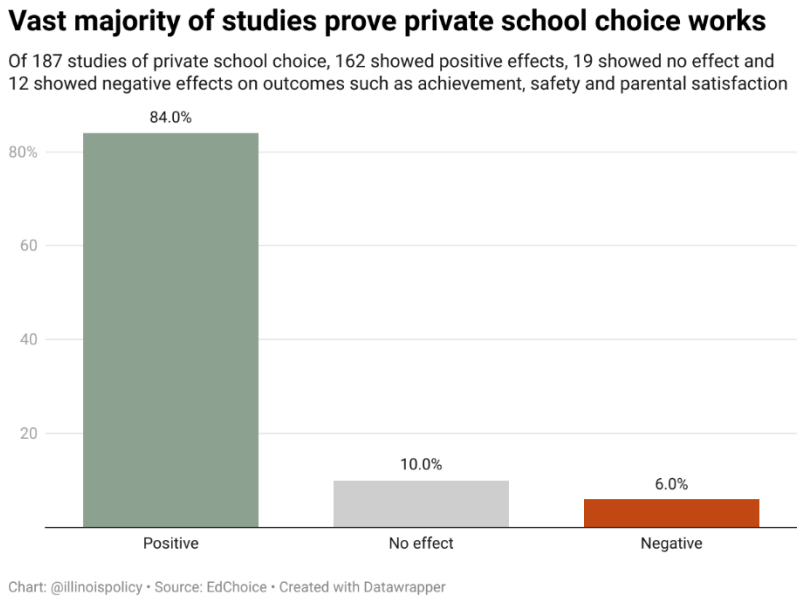
incomprehensible, and unquestionably unjust, for so many schools to fail students so badly and receive these positive ratings.

The reality for Black students is even worse. Only 10.7% of 11th grade Black students were proficient in reading, and 7.7% were proficient in math in 2023. The rate of Black students passing Algebra I in 8th grade was 19.4%. Chronic absenteeism among Black students was 45.8%. Despite all this, the Black graduation rate in CPS was 79%.[82] This is a picture of inequity. It plays a key role in the higher poverty rate among Black Chicagoans.

Given the extremely low quality of Chicago Public Schools, it is no surprise poverty rates are so high for people with a high school diploma or more. CPS is failing to provide students the knowledge and skills they need to secure a job and flourish. That's unfair. All students, and especially poor and disadvantaged students, need an excellent educational system.

Teacher quality is a significant factor affecting school performance, according to the Urban Institute. Teachers are estimated to have "two to three times the impact on student performance on reading and math tests of any other school factor, including services, facilities, and leadership."[83] The effects of teacher quality are most pronounced on students from low-income families and Black students. One mechanism that could promote teacher quality is a "well-designed teacher-evaluation program."[84] These programs have the potential to produce systematic growth in the effectiveness of teachers, even midcareer teachers.[85]

Curriculum also matters a lot. As the Urban Institute report explains, "Evidence also shows the choice of a high-quality curriculum can significantly affect student learning."[86] It is important that teachers are empowered to focus on teaching a good curriculum, and to give them the resources they need to educate students effectively. Far too often, they are bogged down with administrative requirements and unfavorable teaching situations that make this nearly impossible.



School choice is another avenue to ensure educational excellence. In its "The 123s of School Choice," EdChoice has analyzed the effects of private school choice programs across 187 studies that consider program participant test scores, educational attainment, parent satisfaction, public school students' test scores, civic values and practices integration, fiscal effects, and school safety. Of 187 studies, 84% showed positive effects from school choice, and only 12, or 6%, pointed to negative effects.[87]

In 2023 Illinois ripped school choice away from poor families by killing its Invest in Kids tax scholarship program that supported nearly 10,000 disadvantaged kids every year. That's deeply inequitable.[88] Illinois needs to establish a new, broader program that brings choice to the poor and minority families who need it most.

The next major policy reform we consider is dramatically reorienting America's education system away from pushing a misguided "college is best" approach and moving instead towards a "career training first" model that prepares students for meaningful work throughout their careers. While college is a good choice for many students, it is not the right choice for many others. We need an education system centered around the needs, interests and strengths of individual students.

America's "college is best" model is broken. It does a disservice to individuals, employers, and the nation as a whole.

The problem starts with the name we have given to college: "higher" education. Higher than what, exactly? The implication is college is higher than other pursuits, including trade schools and apprenticeships. This obviously is not true. If someone wants to save lives, it can be better to become a plumber than a doctor. How so? Sanitation.[89] Doubtful? Ask residents of Flint, Mich.[90]

There are many reasons for this. First, the quality of a university education is increasingly coming into question. Consider the 53,000 Chicagoans with at least a bachelor's who live in poverty. This high number suggests their degrees are not serving them well. Indeed, an investigation in 2017 by the Better Government Association and Crain's Chicago Business revealed the City Colleges of Chicago issued thousands of degrees after lowering credit hour requirements and watering down education standards.[91] This does a terrible disservice to students.

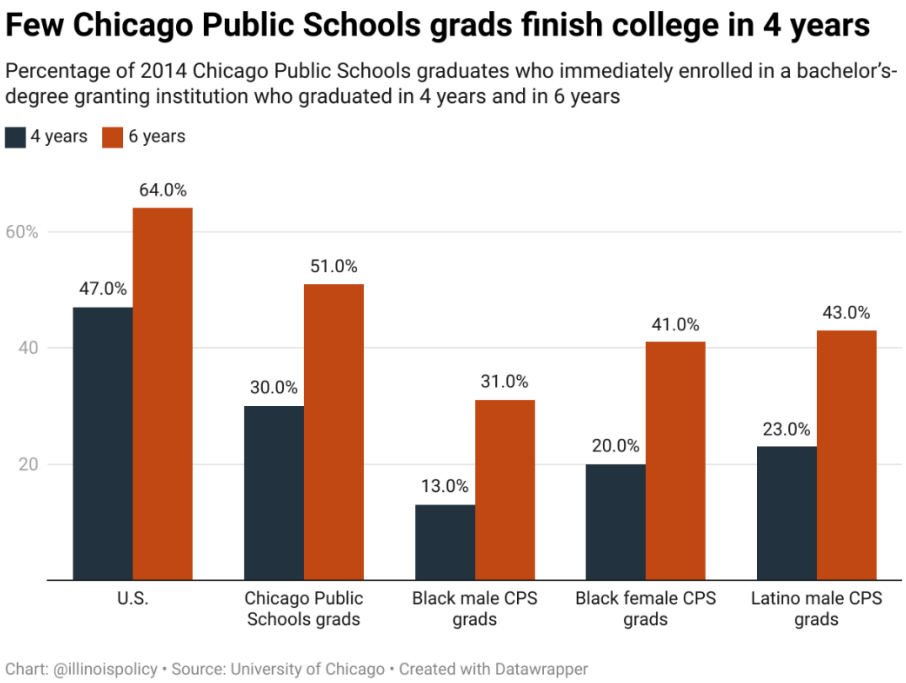
Americans' trust in "higher" education is plummeting. A 2023 Gallup poll found only 36% of Americans have confidence in colleges and universities. That is a massive drop from the 57% who had confidence in 2015, and the 48% who had confidence in 2018. Those declines happened across party, education, gender and age. They were double-digit in all but one case: a 9% decline among Democrats.[92]

There is good reason for this lack of trust and confidence. College costs are skyrocketing, driving massive student debt. The Council on Foreign Relations reported student debt has doubled during the past two decades. As of March 2023, total federal student debt was $1.6 trillion, spread out over 44 million U.S. borrowers.[93] At the same time, many students go to college and never get a degree. Over 40 million Americans have at least some college and no degree.[94] They are left with little more than debt.

Young Americans are voting with their feet. There are more than 1 million fewer college students than there were before the COVID-19 pandemic.[95]

Illinois' public school system is ignoring these realities. According to Crain's, the system steers students towards community college or a state university. This harms students: "Of the graduates that sought associate or bachelor's degrees, too many dropped out because they were placed in dead-end, remedial courses for English and math, or they spent years taking a variety of courses to discover their interests and eventually choose a major – an expensive form of career exploration."[96]

Chicago Public Schools are setting students up for failure in college. A new report from the University of Chicago shows how badly CPS graduates fare when they enroll in college. The report examined four-year and six-year college completion trends for 2004-2014 CPS graduates. The results were abysmal: "Among 2014 CPS graduates who immediately enrolled in a bachelor's-degree granting institution, fewer than one-third of students completed a bachelor's degree within four years (30%)."[97] The proportion rose to 51% within six years. These results are far below the national completion rates for 2014 college enrollees, which were 47% after four years, and 64% after six years.



CPS especially leaves minority students unprepared for college success. Black male CPS graduates have a four-year completion rate of only 13%, and a six-year completion rate of 31%. Only 20% of Black young women completed college in four years, and about 41% finished in six years. The four-year graduation rate for Latino males was 23%, and the six-year rate about 43%.[98] That is a snapshot of the inequity of Chicago Public Schools.

Despite these educational and workforce trends, research in the Harvard Business Review showed 65% of all open jobs as of 2021 required a bachelor's or associate's degree. This eliminates career paths for millions of Americans. More than three-fifths (61%) "of business and HR leaders admit to tossing out resumes without four-year degrees, even if the applicant was qualified."[99] That's unfair. It is also unnecessary. Research from the Georgetown University Center on Education and the Workforce shows "only 31 percent of Americans need postsecondary education as the minimum education level required for their jobs."[100]

Employers need to move towards focusing on skills, not degrees. Fortunately, this shift is underway. A November 2023 survey by Intelligent.com analyzed how companies handled college degrees in 2023, and plan to handle them in 2024 to evaluate job candidates. In 2023, 55% of companies eliminated bachelor's degree requirements. 45% of companies plan to eliminate bachelor's degree requirements for some positions in 2024. 80% of employers said they are more interested in experience than education. To evaluate candidates more effectively, 68% of employers now have job candidates complete a test assignment during the interview process. And 64% use personality tests or work-style assessments.[101]

Work-based educational models that prepare people for careers need to be expanded. These models ensure people get tangible skills that translate into good jobs. As the Urban Institute explains, effective employment and training programs "can play a key role in mobility from poverty because earnings from work are the largest source of income for most people."[102] These programs consider which professions are in high demand today and, ideally, will be in high demand tomorrow as work evolves. These programs focus on sectors that pay well so a career is a pathway to prosperity.

Apprenticeships are a proven work-based educational program for empowering people to prosper. As the Center for American Progress explained, there are many benefits to apprenticeships. First, apprenticeships are jobs. Apprentices are typically paid 50-60% of a typical wage at the beginning, and their pay increases as they become more experienced. Second, apprentices earn higher wages. That's a clear pathway to the middle class. Third, apprentices earn an education with little or no debt. Fourth, apprenticeships grow the economy.[103]

Apprenticeships are well-paid. A report from the Progressive Policy Institute finds, "Individuals who complete an apprenticeship earn an average national salary of $77,000 compared to an average national salary of $55,000."[104] And apprenticeships typically lead to full-time employment, usually with the same employer with whom the apprentice trained.

What are the main barriers to expanding apprenticeships? The Brookings Institution identifies four big ones:

- Low awareness and understanding of apprenticeships among potential apprentices, businesses and society.
- Onerous state and federal apprenticeship registration processes for businesses.
- "Siloed governance structures and funding streams between educational institutions, employer organizations, and learners" which makes coordination onerous and reduces alignment "between available curricula, skills that employers need, and career awareness."
- Stigmatization of "apprenticeships as a lower-status alternative to a college degree (rather than a paid pathway to a degree)."[105]

Chicago, Illinois and the federal government need to address these barriers directly. To accomplish this, the Progressive Policy Institute recommends rethinking the registration process and requirements and cutting red tape.[106] And society needs to stop attaching a stigma to being an apprentice.

One model apprentice program is the Wisconsin Youth Apprenticeship Program. It combines academic (high school) and technical instruction with mentored, paid, hands-on learning. It requires 450 hours of work-based learning and two semesters of classroom instruction related to the field each year for up to two years. The program's standards are "clear and rigorous" and cover "a wide range of occupations and career clusters." Self-

reported performance data shows in 2015, "74.5% of youth apprenticeship graduates were offered continued employment after completing the program."[107]

Chicago and Illinois need to significantly increase apprenticeship and other workforce development programs, focusing on skills in demand today and that will be in demand tomorrow. Expanding the state's career and technical education programs presents one such opportunity. As of 2022 the state was dedicating $34 million annually to getting these programs in select secondary schools.[108] This is tiny. In 2022 there were 611,732 students enrolled in secondary school in the state, and only 22,713 career concentrators.[109] The state needs to reallocate significant resources inside the public school system to increase the size and scope of these programs.

The Chicago Apprentice Network reports over 1,700 apprentices committed, and over 50 ZIP codes represented (of a total of nearly 60) as of December 2023.[110] As of 2019, Illinois had 432 registered apprenticeship programs and 16,055 registered apprentices, according to U.S. Department of Labor data.[111] The small number of registered apprentices compared to 611,732 secondary-school students fails to meet the needs of individuals or employers.

The state also needs to make it easy for businesses to participate in apprenticeship programs. Key is to identify and reduce barriers that prevent businesses from participating in these programs and to raise awareness among businesses of these opportunities.[112]

One promising example in Chicago is the DiverseTech apprenticeship program. Announced in May 2023 by former Mayor Lori Lightfoot, the program seeks to "train 25 apprentices in areas such as cybersecurity and digital services to fuel the growing need for IT roles across the city government and improve the City's technology infrastructure."[113] While small, the program also is mindful of the future of work and is worth studying as it gets started.

In order to get every student the education needed to prosper, Chicago can adopt policy reforms such as:

- Tracking jobs in demand today and jobs expected to be in demand tomorrow. It can orient, and reorient as needed, student learning around those professions.
- Reestablishing and expanding school choice for poor and minority kids in Chicago and Illinois.
- Adopting a "career first" model that focuses on the needs, interests and abilities of individuals students and sets aside the broken "college is best" model.
- Reforming schools to significantly improve student achievement, which is far too low in Chicago and Illinois.
- Studying and implementing best methods for teacher quality.
- Significantly increasing the size and scope of workforce training programs, especially apprenticeships.
- Encouraging companies to adopt pilot programs such as the DiverseTech program.
- Removing barriers to businesses creating apprenticeship programs.
- Raising awareness of apprenticeship opportunities and benefits among individuals, businesses and society.

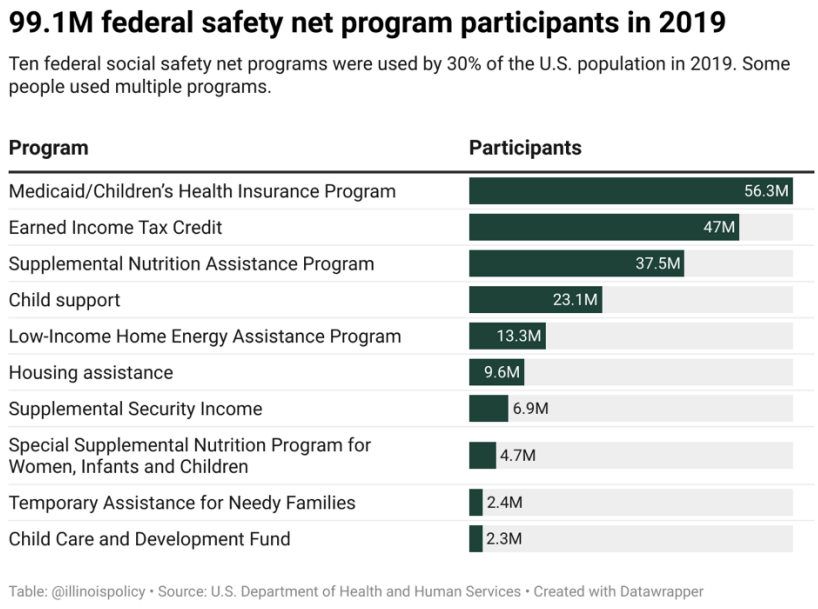
Restructure safety net programs

President Ronald Reagan rightly remarked, “We should measure welfare's success by how many people leave welfare, not by how many are added.” The purpose of welfare, he insisted, needs to be to make our fellow citizens “self-sustaining and, as quickly as possible, independent of welfare.” A safety net needs to be temporary unless someone is unable to work.

The sad, stark reality of today’s safety net programs across America is they do precisely the opposite: far from empowering people to be independent, many of today’s welfare programs perversely make people dependent on government payments to survive. They rob people of dignity and disempower them. That’s harmful to individuals, families, communities and our nation.

It is an economic, social and moral imperative that we restructure safety net programs to empower people to thrive independent of government payments. There are many proposals to accomplish this. We focus here on three that are centered around empowering people to become independent: eliminating the “benefits cliff,” administering workforce services more effectively along the lines of Utah’s “one door” model, and rigorously evaluating programs.

Consider a snapshot of the scope of welfare programs in America, Illinois and Chicago.



A January 2023 report from the U.S. Department of Health and Human Services found as of 2019, “99.1 million people participated in one of the 10 programs discussed in this data point representing 30 percent of the U.S. population.” Those 10 programs, and number of beneficiaries, are: Medicaid/Children’s Health Insurance Program, 56.3 million; Earned Income Tax Credit, 47 million; Supplemental Nutrition Assistance Program, 37.5 million;

child support, 23.1 million; Low-Income Home Energy Assistance Program, 13.3 million; housing assistance, 9.6 million; Supplemental Security Income, 6.9 million; Special Supplemental Nutrition Program for Women, Infants and Children, 4.7 million; Temporary Assistance for Needy Families, 2.4 million; and Child Care and Development Fund, 2.3 million.[114]

Safety net participation is widespread. The HHS report found 27% of working-age adults, and 49% of the children in America participate in a safety net program. Plus, 12% of adults and 33% of children participate in multiple safety net programs.

Consider the example of food stamp usage. The Pew Research Center showed the average monthly number of people receiving food stamps in fiscal year 2023 through April 2023 was 41.9 million people, a sharp increase from the 2020 data in the HHS report.[115] That is more than double the 20 million people who received food stamps in 1980.

In Illinois, there were 1,090,637 households – 2,005,472 individuals – receiving food benefits in September 2023, the latest data available.[116] As of August 2023, the share of Illinoisans receiving food stamps is the fifth highest in the nation and higher than any other state in the Midwest. According to the Federal Reserve Bank of St. Louis, in Cook County alone there were 946,000 recipients in 2020.[117] In Chicago, 18.6% of the population, or 492,081 people, received Medicaid, higher than Illinois' rate of 17.8%, or 2,213,039 people.[118] Illinois has 37.4% of its children on Medicaid or CHIP.[119]

The participation of nearly 100 million in the government safety net begs two questions: What causes it? How can we address it? Here we focus on three issues that answer both questions, pointing to consensus solutions that empower people to leave the government safety net. They are benefits cliffs, program efficiency and program efficacy.

Benefits cliffs disincentivize workers from earning more income more and advancing in their careers. A report from the Institute for Research on Poverty at the University of Wisconsin-Madison defines the benefits cliff as "an income increase that triggers a loss of public benefits equal to or greater than the dollar value of the income increase (i.e., a marginal tax rate of 100% or higher)."[120] As the National Conference of State Legislatures explains, these losses are often sudden and unexpected.[121] By falling off this cliff rather than having a smooth off-ramp from the safety net, recipients find themselves stuck or in an even worse situation.

Benefits cliffs harm the neediest the most. The Institute for Research on Poverty calculated the marginal tax rate for a family with an income at 115-126% of the federal poverty level averages 75%.[122] The Federal Reserve Bank of Atlanta modeled a scenario in which as a single mother of two children increases her income, she faces two benefits cliffs: the first reduces her net financial resources by $6,000; the second reduces financial resources by $5,000.[123] It is economically rational for this single mom to not earn more money. Perversely, many people subsequently turn down raises.[124]

Benefits cliffs are a serious problem in Illinois. The University of Chicago's Inclusive Economy Lab and the Federal Reserve Bank of Atlanta published a report analyzing the Child Care Development Fund subsidy, one of the largest benefit cliffs in Illinois, and the largest child care subsidy program in America. The report found "only 15.7 percent of Illinoisans live in counties where a family of three (one adult and two young children) can afford the full cost of child care at the income level where the CCDF cliff occurs without forgoing other basic needs."[125] This cliff causes parents to struggle to enter or reenter the workforce, pursue additional education or training, or accept higher-paying jobs.[126]

In modeling the cliff for a hypothetical family, the report showed how the family was harmed and discouraged from growing professionally. Once household income reaches $54,900, the family would suffer a net financial loss of $25,481. At this point, the family would be responsible for paying the full cost of child care, which would consume more than 50% of their income.[127] The report found the CCDF cliff is particularly bad in Cook County.

Illinois and the federal government must save the poor and disadvantaged from falling off this cliff. An Urban Institute report provides one core policy reform: "Benefits could not drop so quickly after an increase in earnings or offer a grace period for families to stabilize their new employment situation."[128] Illinois cannot act alone in doing this because the federal government sets many limits, such as for the child care program just discussed.[129]

A second major reform that would empower people to rise out of poverty is make employment and training programs more efficient. As the Alliance for Opportunity explains, the unfortunate reality is when someone in need comes to the government for help, they encounter a welfare system that is fragmented, inefficient, time-consuming, duplicative and remarkably frustrating.[130] This creates a quagmire for those in need.

There are more than 40 employment and training programs across the federal government, according to a report from the American Enterprise Institute. They serve similar populations and offer similar services, such as employment counseling and job readiness training. Worse, states generally have multiple state agencies that allocate federal resources and have to adhere to different rules and requirements. One federal requirement is that states locate multiple programs in physical buildings. There are over 2,400 of these "comprehensive and affiliate one-step centers" across America, with many housing "close to 20 federal programs, which are often administered by separate state and local staff."[131]

This broken system results in a burdensome labyrinth the poor and disadvantaged struggle to navigate. The Alliance for Opportunity explains this system "makes it difficult to track success and ensure everyone is finding a bridge to work, training, or education… Programs are rarely coordinated, sending potential recipients on a goose chase. It is difficult to know where to get specific services. When they do find the right office, they must resubmit the same information multiple times and even then, eligibility is determined by conflicting rules."[132] Recipients often have multiple case managers, further complicating their attempts to receive needed assistance. As the AEI report explains, "The most important negative effect of this siloing is that staff of these different agencies and programs cannot

implement a comprehensive and cohesive set of services for participants most in need of help."[133]

To better serve those in need and empower them to rise out of poverty, states and cities need to be able to coordinate program administration. This will streamline programs and processes. It will help them avoid conflicting rules and provide for more consistent treatment of people across programs.

The model for administrative reform is Utah and its "one door" policy. The 1998 federal Workforce Investment Act forbids states from reconstructing and consolidating their workforce and public assistance programs. However, in 1996 Utah passed legislation creating the Department of Workforce Services, which is a single statewide authority that operates these programs across areas. Utah thus controls safety net programs at the state level, as opposed to distributing them at the local level. Because Utah did this before the Workforce Investment Act was enacted, it has been permitted to maintain a "single-state designation" under the act and the 2014 Workforce Innovation and Opportunity Act.[134]

What is Utah's "one door" model? Everyone who comes to receive assistance is referred to as a "customer," which indicates the customer service mindset that drives this model. When a "customer" comes to an office for help, they get a single case manager and team tasked with delivering the services most applicable to their situation that will help them find work. Because funding, performance and accountability are overseen at the state level, each "one stop" center can provide a seamless experience focused on getting customers what they need: work. Case managers provide services such as skills assessment and job coaching.[135] Crucially, customers only have to enter "one door" to receive help.

Utah's model has been a success. Nearly 30 years later, it "has integrated all programs with employment and training responsibilities into one state agency," including TANF, SNAP, Medicaid, housing assistance and subsidized child care.[136]

Any reform must start at the federal level, which requires Congress to act. Congress needs to amend the Workforce Innovation and Opportunity Act to allow states to apply for waivers and pursue any other statutory changes that would provide states more flexibility to pursue innovative approaches such as Utah's,[137] or pursue alternative innovative models that could service needy populations more effectively. This is necessary for any reform at the state and local level. Chicago and Illinois leaders need to lobby the federal government to make these changes.

Once states can apply for waivers, they must make the requisite administrative changes to integrate programs and make it easier for people to receive the help they need. This includes adopting a "no wrong door" policy so any administrative office can provide the required help, rather than passing applicants off to multiple different offices.[138] States also need to be able to consolidate programs and adopt what the Alliance for Opportunity calls a "global strategy" of five assistance categories: food assistance, cash assistance, shelter assistance, medical assistance and dependent care.[139]

Basic to any reform is adopting a work-first policy so applicants experience the fulfillment of work. That means actively encouraging, and eventually requiring, applicants and recipients to seek and find work unless there are specific circumstance where that is unmanageable or inadvisable.

For safety net programs to move people from poverty to prosperity, we need to know: Do the programs work? This requires data collection and rigorous program evaluation. Otherwise, we risk investing precious resources into programs that are ineffective. Data are crucial because there will be success stories out of any program. We need to be careful to not assume a program is effective simply because it has helped some people. We need to know it consistently helps many people.

The best way to ensure rigorous program evaluation is to codify it through state and local legislation modeled on federal legislation. The Foundations for Evidence-Based Policymaking Act of 2018 was passed to improve access to data and expand evaluation capacity at the federal level, with the goal being to use that data strategically.[140]

Some of the key components of the Evidence Act are that it:

- Requires agencies to create evidence-building plans, evaluation plans, and capacity assessments.
- Requires agencies to create open data plans so federal data is publicly available by default.
- Requires agencies to create comprehensive searchable data inventories of all their data assets.[141]

What makes program evaluation so important? As part of the federal government's implementation of the Evidence Act, the Government Accountability Office highlights some of the key reasons we need program evaluation:

- To determine the economy, effectiveness, efficiency and equity of a program.
- To identify outcomes or impacts.
- To inform resource allocation.
- To ensure accountability.
- To assess whether and how a program is being implemented.[142]

Chicago and Illinois need to adopt legislation modeled on the Evidence Act. The Future of Work in Illinois Task Force Report provides helpful recommendations for doing that for work programs.

The report recommends creating a statewide data infrastructure that would:

- Fund state agencies to improve their data collection, security, analysis, publication and create a sense of urgency.
- Invest in data collection specifically on job quality in order to understand whether state funding for workforce development is placing Illinoisans into quality jobs.
- Require State agencies, in partnership with universities and other research institutions, to produce semi-annual reports on future of work outcomes.

- Align data systems to track students from education to college or training to career.
- Proactively reach out to Illinois households that qualify for benefits based on data the government already collects.[143]

While the report's recommendations focus on work, the approach is applicable broadly to safety net programs. For example, Chicago and Illinois can invest in data collection on all safety net programs to understand whether they are having their intended effects.

Another component of rigorous program evaluation is performance audits. As the International Organization of Supreme Audit Institutions explains, performance auditing is "an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement."[144] Audits help ensure programs fulfill their mission and improve outcomes. These audits need to happen regularly and need to be conducted by an independent third party.[145]

To turn the safety net into a bridge to prosperity, Chicago can adopt policy reforms such as:

- Smoothing benefits cliffs so people remain incentivized to find work.
- Streamlining the delivery of government services for employment and training programs, ideally by securing a federal waiver to adopt Utah's "one door" policy.
- Adopting local and state legislation modeled on the federal Evidence Act.
- Engaging in regular performance audits.

Promote affordable housing

The poor and disadvantaged need to be able to put a good roof over their heads. That is why ensuring that housing is affordable is another key to defeating poverty. Lack of access to affordable housing creates a host of economic and social problems such as constrained economic growth and displacement.[146] It can even put someone's health at risk.[147] One key reform to promote housing affordability has strong support across the ideological spectrum.

The U.S. Department of Housing and Urban Development defines affordable housing as costing no more than 30% of household income.[148] A report from the Equity Research Institute at the University of Southern California shows housing affordability is a big problem across America, especially for Black and Latino Americans. From 2013 to 2019, across the 100 most populous metropolitan areas, the number of ZIP codes where low-income households can afford median market rents declined by over 50% (from 17% of ZIP codes to 8%). The number of metro areas without even a single ZIP code with housing that is affordable to working class renters tripled, from 14% to 42%.[149]

The affordable housing problem in Chicago is pronounced. A Harris Poll from December 2022 revealed 78% of Chicagoans agreed the city lacks sufficient affordable housing. Three in 10 residents even considered the situation unstable. And Chicagoans were pessimistic about the future, as 45% of respondents thought the situation would be worse in five years.[150] A 2020 report from the Chicago Department of Housing found the city has an "affordable housing gap" of "nearly 120,000 homes."[151]

The Institute for Housing Studies at DePaul University found 47.4% of Chicago renters are cost-burdened (i.e., above the 30% threshold).[152] The Equity Research Institute report found in 2019, only 13 of 350 ZIP codes were affordable to Black households at the median income for all Black households in Chicago, and only 48 ZIP codes were affordable to Latino households.[153]

Research from the Federal Reserve Bank of Atlanta showed as of August 2023, Cook County is well above that threshold. For people who want to buy a home, the annual total payment as a share of median income stands at 40.4%. [154] Things are getting worse for Chicagoans, as housing affordability has declined notably since spring 2022 across the Chicago metro area, in part because of higher interest rates. The Chicago area now has an affordability score of 82.7, with scores of 100 or above considered affordable.[155]

Unaffordable housing is in large part a product of bad policies. Fortunately, there is consensus across the ideological spectrum about one particularly bad policy needing reform: zoning and local land use laws.

Zoning and land use laws regulate where and what kind of housing can be built in an area. In many places, it is illegal to build anything but detached single-family homes. It is illegal to build townhouses, duplexes and apartment buildings. As the Biden Administration has stated, this constrains "housing supply, perpetuates historical patterns of segregation,

prevents workers from accessing jobs, and increases energy costs."[156] Trump Administration Executive Order 13878 highlights that these sorts of regulatory barriers to housing development hurt low- and middle-income Americans the most by straining household budgets, limiting educational opportunities, slowing job creation, increasing financial risk and driving homelessness.[157]

Progressive Policy Institute scholar Richard Kahlenberg elaborates on the perverse nature and origins of these laws. They favor the rich and hurt the poor, young and minorities. Such policies "serve the narrow interests of wealthier incumbent homeowners, and they make life more difficult for young middle-class families starting out and low-income families who must make choices between paying rent and buying food or medicine." Worse still, they "have a deeply unsavory origin. In the early 20th century, many cities enacted racial zoning policies that forbade Black people from buying in white neighborhoods. Today the primary target of such laws is poor and working-class people of all races."[158] Indeed, as Kahlenberg pointedly argues in The Atlantic, "Across the country, a lot of good white liberals, people who purchase copies of "White Fragility" and decry the U.S. Supreme Court for ending affirmative action, sleep every night in exclusive suburbs that socially engineer economic (and thereby racial) segregation by government edict."[159] Reforming zoning and land use laws is not only an economic imperative, it is a moral imperative.

The negative economic impact of zoning laws is enormous. Harvard University Professor Edward Glaeser and University of Pennsylvania Professor Joseph Gyourko found that, when taken together across America, "a lower bound cost of restrictive residential land use regulation is at least 2 percent of national output."[160] With America's GDP estimated at $27.62 trillion as of the third quarter of 2023,[161] 2% is equivalent to over $552 billion.

The economic case for zoning reform is straightforward. As Brookings Institution research explains, "in places where land is expensive" – such as desirable neighborhoods in Chicago – "building multiple homes on a given lot is the most direct way to reduce housing costs, because it spreads the cost of land across multiple homes."[162] This research recommends eliminating building height caps and minimum lot sizes.

Cities such as Chicago also need to streamline housing construction. A report from the Urban Institute calls for eliminating regulations that exclude development from certain neighborhoods because it will lower the costs of housing construction, and thus the housing itself. The report also recommends shortening the approval timeline for new development. This would enable "developers to produce more housing in less time."[163] Along similar lines, research from the Bipartisan Policy Center recommends addressing other "restrictive policies, including minimum lot size requirements, density limits, and prohibitions against mixed-use developments (apartments in commercial zones) to more quickly build affordable housing at scale."[164]

The Trump Administration identified other regulatory barriers to remove in the executive order discussed above. They include: "cumbersome building and rehabilitation codes; excessive energy and water efficiency mandates; unreasonable maximum-density allowances; historic preservation requirements; overly burdensome wetland or

environmental regulations; outdated manufactured-housing regulations and restrictions; undue parking requirements; cumbersome and time-consuming permitting and review procedures; tax policies that discourage investment or reinvestment; overly complex labor requirements; and inordinate impact or developer fees."[165]

The economic harms of these zoning and land use restrictions in Chicago are massive. University of Pennsylvania Professor Joseph Gyourko and Jacob Krimmel, an economist for the Federal Reserve, have detailed the effective tax of zoning policies, what they call "zoning taxes," in 24 major metropolitan areas across the United States. They estimated the zoning tax in Chicago, measured by the "gap between extensive and intensive margin land values of a quarter acre plot of land," is an astounding $60,000-$80,000, putting the city alongside Philadelphia, Portland and Washington, D.C., and ahead of Boston and Miami.[166] The authors explain that in Chicago, "median zoning tax value is from 50% to 100% of area median household income."[167]

The American Enterprise Institute offers a straightforward solution to restrictive housing policies: legalize "light-touch density housing." These include duplexes, triplexes, quads through eight-plexes, townhouses, accessory dwelling units and similar structures. The benefits are clear: "By allowing more units on a single parcel of land, LTD is both naturally affordable and naturally inclusionary, creating upward mobility naturally through a more accessible housing market. All it takes is repealing the laws that ban it."[168] California, Austin and Vermont have already passed legislation doing precisely this. Chicago needs to do it as well.

One reform that can expand affordable housing is to legalize accessory dwelling units. These are independent residences located on a property, such as backyard house or a basement apartment. The Bipartisan Policy Center explains these "can be a win-win for tenants and property owners, providing affordable rental units as well as benefits to homeowners – including generating income from an existing asset and adding flexibility in family living arrangements."[169] Los Angeles, Seattle, Princeton, New Jersey, and Washington, D.C., have relaxed zoning ordinances to permit more of the units.

Chicago has made some progress on this front with its Additional Dwelling Units Ordinance. Issued in December 2020, it allows accessory dwelling units in attics, basements and accessory buildings in portions of select "zones" in Chicago, including the West, South, Southeast, North and Northwest sides.[170] In order to secure more affordable housing, the city needs to expand the ordinance to all parts of Chicago.

There are other promising policy reforms with broad support.

Chicago can speed up housing developing by making the approval process quick and predictable. Otherwise, improved zoning laws will have a limited or no impact. As the Bipartisan Policy Center explains, even when zoning laws are favorable towards development, "getting new projects approved is often slow, costly, and unpredictable. Many projects require discretionary approvals, meaning local planning commissions and boards can reject proposed projects even if they meet zoning requirements."[171] To address these

problems, the Bipartisan Policy Center recommends adopting "by-right development processes" which prioritize "the development of higher density multifamily housing through uniform, codified, and consistent zoning and development regulation."[172]

Another promising policy reform is to tax land value rather that structures. Research from the Brookings Institution explains the benefits: "Unlike typical property taxes, which charge the same rate on both land and structures, taxes that charge a higher tax rate on land and a lower rate on structures encourage owners of expensive land to build more intensively."[173] This is aligned with zoning reform because it encourages construction of more units of housing on a piece of land. It is important to enact both policies because if you were to impose "a land value tax in locations already developed to maximum capacity without relaxing zoning," the result would be to "hand landowners a larger tax bill, but not enable more housing supply."[174]

Perhaps the biggest non-legal barrier to abundant affordable housing – one that drives the establishment and maintenance of legal barriers – is NIMBYism. NIMBY – or Not In My Back Yard – characterizes opposition to development by people in a particular area. Urban Institute research explains residents "oppose new development and density as a way to protect the existing "character" of their neighborhoods."[175] Their anxieties about "too much" development are understandable, and we need to address them directly and with understanding.[176] We do this in part by pointing out these reforms are necessary to achieving a fairer, more just society for the poor and disadvantaged. The unhappy reality, as the Urban Institute explains, is that "NIMBYism is often motivated by objections to racial integration and has the effect of excluding people of color and low-income households from accessing amenity-rich neighborhoods."[177] We need to go from NIMBY to YIMBY.

During the past two years, the Biden Administration has offered some promising proposals for making housing more affordable. First, in 2022 the Administration presented a plan to "reward jurisdictions that have reformed zoning and land-use policies with higher scores in certain federal grant processes, for the first time at scale."[178] To the extent it is appropriate for government to be involved in these sorts of grant processes – an open question because it means the government is allocating resources rather than the market – it is as least preferable for the government to prioritize this sort of deregulation.

Second, in 2023 HUD announced the Pathways to Removing Obstacles to Housing program. This $85 million program provides "communities with funding to identify and remove barriers to affordable housing production and preservation. HUD will award grants of up to $10 million to jurisdictions that have an acute demand for affordable housing and are working to identify, address or remove barriers to housing production and preservation."[179] To the extent it is sensible for government to direct resources, this sort of program – if it yields the intended results of allowing "for higher-density zoning and rezoning for multifamily and mixed-use housing, streamlining affordable housing development" – has the potential to yield significant long-term benefits.

Chicago has numerous policies in need of reform.

The first is the Affordable Requirements Ordinance. This "inclusionary housing" program "requires residential developments with 10 or more units that receive City Council approval for an entitlement, a city land purchase or financial assistance to provide a portion of the units as affordable housing."[180] The problem with this program is evident, based on the research discussed here: by adding unnecessary requirements to residential developments with 10 or more units, the city of Chicago is creating an unnecessary barrier to constructing more housing, thus constricting the supply. This disproportionately hurts the people who most need affordable housing – the poor. A better policy would be to simply eliminate this requirement.

The second is the city's Affordable Housing Opportunity Fund, a by-product of the Affordable Requirements Ordinance. The fund provides developers of residential housing a "choice": in lieu of including affordable units in new developments as required by the ordinance, they can pay "in-lieu fees" the city uses to provide affordable housing, such as by funding construction or by providing rent subsidies.[181]

Chicago's substantial in-lieu fees deter development. In downtown Chicago, the in-lieu fee paid in 2023 can be as high as $425,259 per unit.[182] Such massive fees are a significant barrier to constructing new housing. When developers are able to overcome this barrier, they simply pass the fees on to occupants, whether renters or buyers. This fee has the opposite of the intended effect.

Chicago's government housing policy is driven by an approach called "inclusionary zoning" that unintentionally creates less affordable housing. Inclusionary zoning is a government tool that attempts to "harness the power of private investments to create affordable rental and ownership opportunities in communities receiving development that is usually targeted at the upper end of the market."[183] It tries to do this by requiring developers to either provide affordable housing units or pay fees that go towards providing affordable housing to people.

To achieve these goals, the city's Inclusionary Housing Task Force Report makes several recommendations, including:

- Using the Affordable Requirements Ordinance to increase production of units "affordable to households making below 60% of Area Median Income, and of family-sized units."
- Require that more total units be constructed, particularly in neighborhoods "vulnerable to gentrification."
- Consider establishing a "centralized leasing and marketing program through which Chicagoans can identify all available Affordable Requirements Ordinance units across the city and apply for all those that fit their needs."
- Expand "bulk incentives" such as "providing a credit for unit count and floor area for affordable units" to facilitate construction of affordable housing.[184]

The foundational problem with these recommendations is they create still more barriers to constructing more housing. Each hurdle further disincentivizes developers, further diminishing the supply of afford housing.

To provide more affordable housing, Chicago can adopt policy reforms such as:

- Reducing burdens from, and ideally repealing as many zoning and land use laws as possible, including by expanding Additional Dwelling Units.
- Taxing land value rather that structures.
- Persuading people to go from NIMBY to YIMBY.
- Streamlining housing construction.
- Incentivizing localities to implement zoning reforms.
- Removing additional barriers to housing construction, such as “in-lieu” fees.

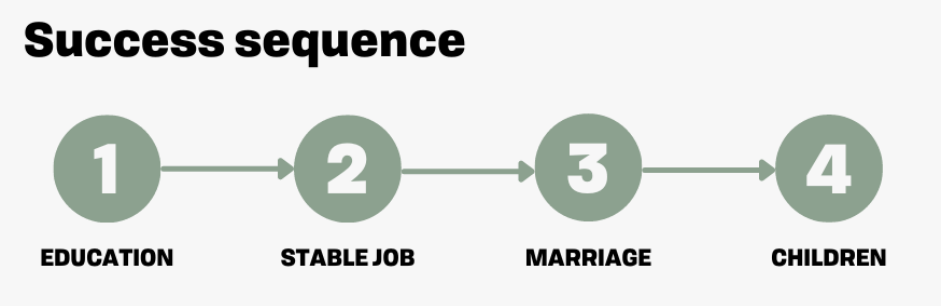
Promote family formation and stability.

The pathway to prosperity is not merely an economic one; it is social and it runs through the family. Family structure is a critical element in determining whether someone is in poverty, and whether they will stay there.

Research from the Urban Institute explains family formation and parenting have important consequence for economic mobility.[185] Unstable relationships, unintended pregnancies and underdeveloped parenting skills can inhibit the mobility of both adults and their children, causing impaired economic and social mobility that can persist across generations.[186] Unstable relationships appear to be related to education and marriage, as less-educated, unmarried parents have more unstable relationships. When they do marry, they have higher divorce rates. This instability harms child development.[187] Teenage pregnancies generally lead to lower educational attainment and increased poverty for teen parents and their children.[188]

The reality that families are central is both intuitive and decidedly controversial. It is intuitive because at some level we all know that families are the foundation of all successful societies. It is decidedly controversial because many find themselves in difficult situations, especially many single moms, and it feels deeply unfair to appear to consign them to subsequent diminished success because of it. How do we square this circle?

We need to support strong family structures, and support those who lack them. That is the best way to care for individuals, families and communities. It is foundational to moving people from poverty to prosperity. How do we do that?



In two words: "success sequence." This pathway out of poverty is widely accepted across the ideological spectrum. The term was popularized by two Brookings Institution researchers, Ron Haskins and Isabell Sawhill. In "Creating an Opportunity Society," they argue for reviving the "success sequence" which describes "what young people need to do and when they need to do it" to ensure they are not in poverty and experience more opportunity. "First comes education… Then comes a stable job that pays a decent wage, made decent by the addition of wage supplements and work supports if necessary. Finally comes marriage, followed by children."[189] Haskins later refined the sequence: "at least finish high school, get a full-time job and wait until age 21 to get married and have

children." Of American adults who did this, only about 2% are in poverty and about 75% join the middle class.[190]

Data from the BLS' National Longitudinal Survey of Youth show unequivocally that when people follow the success sequence, their chances of being in poverty are extremely low. A 2022 report from the American Enterprise Institute and the Institute for Family Studies analyzed this data among millennials and found 97% who followed the sequence were not poor when they reached adulthood. There were 96% of Black and 97% of Hispanic millennials who followed this sequence and were not poor in their mid-30s (32 to 38 years old). The same is true for 94% of millennials who grew up in lower-income families.[191] The success sequence is among the very best means of achieving racial equity.

The picture is much bleaker when people do not follow the success sequence. It found 54% of young adults from lower-income families who missed all steps of the sequence ending up in poverty.[192] It is even worse for Blacks and Hispanics: "For Black millennials without a high school education or a full-time job by their mid-20s, who also didn't follow the marrying-before-having-children route, 73% are in poverty at ages 32 to 38. For Hispanic millennials who missed all three steps, 54% are in poverty by their mid-30s."[193]

Brookings Institution researcher Melissa Kearney punctuates the importance of marriage before children in her 2023 book, "The Two-Parent Privilege: How Americans Stopped Getting Married and Started Falling Behind." Kearney makes a data-driven, economic case for marriage: when two adults marry, their economic and households improve, which is good for both the adults and children in the home. Growing up in a home with two married parents is an economic vehicle to opportunity and advantage over children who do not. This gap is a key driver of inequality.[194]

Public policy reforms can best help people follow the success sequence by focusing on the first two steps: finish high school and get a full-time job.

Schools need to ensure students attend and finish high school. After all, the Urban Institute has shown people with high school diplomas have higher earnings prospects than those without diplomas.[195] This means addressing chronic absenteeism and dedicating sufficient resources to students at risk of not graduating. Chicago Public Schools are currently failing badly on this front. CPS needs to increase the quality of education students receive. Otherwise, securing a job that can secure a middle-class life will be out of reach.

Schools, government programs and society need to reorient around helping individuals find their own way out of poverty and towards fulfilling lives through work. When this ethos is infused in our society, the odds of people completing step two of the success sequence will increase significantly.

To a lesser extent, there are policy changes that will increase the chances people follow the final steps of the sequence, namely to get married and then have children. The best policy solution for this lies at the federal level: eliminate the marriage penalty.

The marriage penalty disincentives marriage. This penalty occurs when a couple's tax bracket changes once they get married and file taxes jointly. This typically happens when couples of the same economic class get married and get pushed into a higher tax bracket. The Tax Foundation estimates the marriage penalty can be as high as 12%. Because of this, it can impact the rate at which a spouse works, with the lower earner working an average of 7% less. Low-income earners can price themselves out of the Earned Income Tax Credit when they marry and file jointly.[196] A recent research paper from the National Bureau of Economic Research shows absent the marriage tax, 13.7% more low-income, single females with children would marry annually. This report also shows the overall marriage tax is nearly double for low-income earners than for high-income earners.[197]

The Institute for Family Studies offers some simple solutions. The first is to make the tax code treat people who are married the same as if they filed separately. The second is to increase the threshold for safety net programs for poor Americans who are married, especially targeting households where both partners work, live together and have children eligible for various programs.[198]

The problem is less in Chicago and Illinois than in many other states. Chicago does not have a local income tax. Illinois has a flat income tax. So, Chicago and Illinois residents experience the marriage penalty only at the federal level.

To encourage the family formation necessary to move people from poverty to prosperity, Chicago can adopt policy reforms such as:

- Investing sufficient resources in ensuring children finish high school, including by reducing chronic absenteeism.
- Ensuring education excellence so students are prepared to find work that will allow them to enter the middle class.
- Focusing educational programming on helping individuals enter careers.
- Eliminating disincentives to marriage, such as the marriage penalty.

Conclusion

The American Dream is under threat. A November 2023 survey by The Wall Street Journal and NORC revealed only 36% of voters said the American Dream was still alive. This represents a significant drop from the 53% who believed in it in 2012, and the 48% who did in 2016.[199]

When Americans feel the American Dream is a fabrication, the very idea of America is in jeopardy. After all, America is different than any other nation: it is an idea. That idea is grounded in the Declaration's establishment of "life, liberty, and the pursuit of happiness" as "unalienable rights." When Americans no longer feel they have the opportunity to pursue happiness, the American Dream will slowly fade. As it fades, so does much of what has made America special for nearly 250 years.

America needs to recover its roots and again become the world's preeminent opportunity society where everyone is empowered to unleash their potential. When tens of millions of Americans suffer through the cold, hard realities of poverty, opportunity is not real for them.

We must establish an agenda to empower people to rise out of poverty and into prosperity. If we can set an agenda for accomplishing that in Chicago, then we will have established a formula for doing so in other cities, and really for just about anywhere in the country.

This report focuses on seven issues where there is tremendous consensus across ideological lines on the data and solutions, including the often-neglected issue of the future of work. It offers much hope for the years ahead.

There are, undoubtedly, many other issues a "comprehensive" program for solving poverty would consider. At the top of that list is public safety and criminal justice reform. Our disadvantaged neighbors must feel safe and actually be safe. We need proven methods to reintegrating individuals who were in the criminal justice system and are reentering society. These are issues for future research.

Because this report has operated at the "macro" level, it lays the groundwork for future research on how to apply these solutions to Chicago via innovative policy solutions. Those next steps will bring us closer to creating a real pathway for more Chicagoans to prosper and, crucially, restoring their belief in the American Dream.

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