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The Johns Hopkins Institute for Policy Studies does for social issues what medicine and public health are doing for health issues. It's extraordinarily important.

Dr. William Brody

President, Johns Hopkins University

Contents

- 1 What is the Value of Policy Research?
- 2 Youth Development
 - Making Connections for Disconnected Youth | Reintegrating Young Offenders into the Community
- 6 Employment
 - Do Workforce Training Programs Really Work? | The Effect of Welfare Reform on Working Families and Fathers
- 10 Livable Communities
 - Housing Vulnerable Populations | Stimulating Economic Development
- 14 Civil Society
 - The New Governance and the Nonprofit Sector

What is the Value of Policy Research?

Public policy, like lawmaking, is often compared to sausage-making: it's better not to get too close to the process. Part of the motivation for the creation of the relatively new field of public policy research was to provide a solid base of evidence to inform the policy-making process—from defining the problem to designing policy solutions. Policy research can also help us figure out whether these policies are working well or not, and whom they're helping or hurting.

The Johns Hopkins Institute for Policy Studies is the focal point for public policy research and graduate education at Johns Hopkins University. Most of our research focuses on leveling the playing field for vulnerable and disadvantaged populations. Our work is based on the premise that we have a better chance of sound policymaking if we have hard evidence at our disposal. We can better understand the underlying problem, not just the superficial symptoms. We can critically examine the conventional wisdom and see through the media hype. We can implement policies so that they help and not hurt, and we can evaluate the efficacy of these programs and decide whether they work well, need tinkering at the margins, or demand a return to the drawing board for radical restructuring.

Like our colleagues in the physical and social sciences, we adhere to scientific standards for our research. But we combine this rigorous research with an understanding of the practice of policy—that is, how you design policy, implement it, and fund it. Much of our work is national in scope, but we also have significant components that focus on Baltimore and its environs, as well as on the international scene.

This publication highlights some of the key points from an IPS research symposium on the social and economic vulnerability of individuals, families, and communities. Our purpose was to provide a sense of the range of topics that we study; the questions we, as policy researchers, ask; and why anyone should care whether we get the answers to these questions. And as a reality check, we asked a group of eminent individuals from the “real world”—government, the private sector, and the nonprofit sector—to respond to our comments.

The program began with four sessions focused on improving the situation for disadvantaged youth and adults by reconnecting disconnected youth, reintegrating young offenders into their communities, providing effective job training, and assisting working families. In the afternoon, the focus shifted from people to place and space, addressing how to improve housing and economic conditions in communities. We also discussed institutional responses to public policy issues, with a special focus on the conduits of government and nonprofit organizations.

Some of these sessions summarize what has been learned about the effectiveness of current policies and programs; other sessions highlight new research at IPS that is redefining how policymakers and analysts look at an issue. All of the sessions illustrate the value of rigorous, impartial research in untangling, clarifying, and, ultimately, resolving complex social problems. My colleagues and I view this as a cornerstone of our mission at IPS.

Sandra Newman, Director
Johns Hopkins Institute for Policy Studies

Youth Development

Making Connections for Disconnected Youth

Presenter: Marion Pines, IPS Senior Fellow

Respondent: Lorenzo Harrison, Director of the Office of Youth Services, U.S. Department of Labor

In the recovering U.S. economy of 2003, it is disconcerting to learn that 16 to 24 year-olds are going through a depression, not a recession. The 36.8 percent employment rate for 16 to 19 year-olds is the lowest recorded rate in 56 years. Even more ominously, in just the last three years, the number of out-of-school, out-of-work 16 to 24 year-olds has grown from 4.8 million to 5.6 million, with males accounting for most of the increase.

Who are these youth? Some are school dropouts; some are high school graduates. What they have in common is stark joblessness. To make matters worse, the actual numbers of youth in these age cohorts is growing rapidly, with two thirds of the anticipated growth occurring among two traditionally disadvantaged populations: African Americans and Latinos.

The U.S. is losing potential productive capacity, communities are losing "buying power," individuals are suffering a severe loss of human capital development, and our democratic society is losing a large segment of citizenry who are unable to participate in intelligent decision making.

Why are these youth not in school, and why are they not able to find jobs? According to Marion Pines, despite 25 years of attempts at school reform, big city high schools have lost their "holding power" for many poor youth. The schools are too big (3,000-5,000 students), students feel too anonymous, many teachers do not believe all students can succeed, and the curriculum seems unrelated to the "real world." Hence, a

50 to 70 percent drop in enrollment between the 9th and 12th grades is not uncommon in urban school districts. Just when society is demanding higher levels of literacy and numeracy, our schools are hemorrhaging kids lacking those essentials.

The jobs traditionally available to unskilled people are also disappearing. Thirty years ago, Bethlehem Steel was the largest private employer in Maryland, welcoming thousands of workers with strong arms and strong backs with or without high school diplomas. Today, Johns Hopkins University is the largest private employer, hiring staff with very different skill sets.

Faced with this triple whammy of inadequate skill levels, fewer jobs for the unskilled, and an overall shrinking job market, "disconnected" youth face steep hurdles. What are some possible ways to address these issues? Do we know what works?

Drawing on three decades of systematic research and on-the-ground experience designing and implementing youth programs, Pines offered the following observations. Disconnected youth need:

- Continuous contact with caring adults who believe in their abilities to succeed.
- A variety of venues and curricula through which to improve their literacy and math competencies to get on a path for a high school diploma and community college. These may be available through charter schools, career academies, "reformed" high schools, dual enrollments, community or faith-based vendors, or private, for-profit educational vendors.



Marion Pines

- Job training linked to local labor market demand.
- Subsidized job opportunities and work experience in order to learn about job behaviors and expectations, build up a meaningful work history, and get in the habit of working.
- To be connected to employers by intermediaries who will vouch for them and stay in touch through the early employment period.

Most of the federal funds to pay for these strategies come from the U.S. Departments of Labor, Education, and Justice. But the federal commitment is continually under assault, said Pines, and there is a need for high quality research to document the return on investment of these strategies.

Lorenzo Harrison noted three challenges to rigorous research and evaluation of youth programs: many youth training programs do not last long enough to be evaluated, many do not lend themselves to classic random assignment studies, and all are only as good as the people who staff them. Because federal funding has been so unstable over the past decade, staff turnover and inexperience is a continuing challenge to program quality, he said.

Harrison also identified a variety of macroeconomic policies that could generate more opportunities for disconnected youth: Targeted new jobs tax credits for employers who agree to hire teens and young adults could provide a boost in demand for these workers. More job creation funds could be appropriated

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through the Workforce Investment Act to enable state and local governments and local nonprofits to hire youth in subsidized jobs for a finite period of time. These funds could also be used to subsidize jobs in the private sector. Can the nation afford these expenditures? While a subsidized job or a quality training program may cost up to \$20,000 per year, incarceration (an all too frequent alternative) can cost up to \$50,000 a year. The economics of youth development programs makes sense, he said. What is needed is the political will to support them.

Youth Development

Reintegrating Young Offenders into the Community

Presenter: David Altschuler, Ph.D., IPS Principal Research Scientist

Respondent: The Honorable Mary Ann Saar,
Secretary, Maryland Department of Public Safety & Correctional Services

A chilling consequence of the high rates of youth disconnection is the very high rates of criminal activity and incarceration among youth. Of the roughly 700,000 persons a year who are released back into the community from state and federal prisons and juvenile correctional facilities, nearly a third (200,000) are between the ages of 10 and 24.

For a majority of these young people, making a go of it is an uphill battle against stiff odds. Estimates are that about two thirds get arrested again within several years and that up to one third find their way back into confinement.

David Altschuler discussed the particular challenges of providing services to youth in the correctional system and some promising strategies for successfully reintegrating them into the community. Altschuler has been working on “offender reentry”—or what is known in some circles as aftercare—since 1988 when he and his colleague Troy Armstrong began research and development work on the topic for the U.S. Department of Justice’s Office of Juvenile Justice and Delinquency Prevention. In the mid-1990’s, Altschuler and Armstrong’s research on juvenile aftercare became the focus of a 5-year national demonstration. Since then, their work has been extended to juvenile and youth corrections, which includes young people on probation who also get placed into various kinds of out-of-home or residential programs.

So what looks promising so far? Beyond punishment and deterrence, Altschuler and others believe that corrections must work toward the goal of “reintegration”—preparing the offender to successfully return to the community. Altschuler’s research has defined three tasks to help achieve this goal by establishing a continuum of intervention that bridges the periods of confinement, transition, and normalization within the community.

First, juveniles must be trained in skills and capabilities that match the actual opportunities and challenges they will confront in the communities where they are going to reside after release. For example, it makes little sense to learn a job skill for which no job can be found, or to get academic credit for a subject that does not count toward a diploma in a local school. Correctional programs need to connect released juvenile offenders to places and situations that directly apply what they have learned or acquired while in the corrections program.

Second, corrections officials must establish the necessary linkages with the full range of public- and private-sector actors in the community that can address known risk and protective factors. Schools, vocational training programs, employers, social services, drug treatment and mental health services, mentors, pro-social peers: it is insufficient to think that these various groups and individuals are all going to be receptive and supportive without encouragement, incentives, and back-up from the corrections system. Furthermore, efforts to involve these “non-corrections

It is increasingly recognized that there are identifiable risk and protective factors associated with likelihood of young offenders to re-offend. Altschuler's research argues for an integrated approach that coordinates services across the three stages of reintegration: facility, transition, and community.

supports" must begin when the juvenile offenders are still in correctional facilities and not wait until shortly before, or simultaneous with, community reentry.

Third, officials must ensure the delivery of prescribed services and supervision in the community. Released juvenile offenders who pose public safety risks cannot be released back into the community without a high level of supervision and attention to the very risk factors that contributed to their delinquency in the first place. Young people who, for example, have problems with drugs, their family, negative peers, and finding a job, require assistance in dealing with these issues from others who have the capacity to offer help.

By explicitly defining reintegration in this way, Altschuler and his colleagues are trying to bring together what in most corrections systems are virtually two entirely different worlds that often operate at cross purposes. Traditionally, little to nothing is occurring in the community during the time the offender is in the facility. Community corrections workers don't get assigned the case until release is imminent, and organizations and individuals not part of corrections are excluded or given short shrift. Both the offender and public safety lose out in this situation.

It is increasingly recognized that there are identifiable risk and protective factors associated with likelihood to re-offend. Risk and protective factors tend to fall into seven domains: family and living arrangements; peer groups and friends; mental, behavioral and phys-



David Altschuler

ical health; substance abuse; education and schooling; vocational training and employment; and leisure time, recreation, and avocational interests.

Altschuler's research argues for an approach in which the three stages of reintegration—facility, transition, and community—are linked in such a way that the expectations of offenders, institutional staff, community corrections staff, and the community are brought into alignment. It becomes far more difficult for the stages to operate independently of one another, particularly when the corrections program and the corrections hierarchy create teams, policies, standard operating procedures, staff training requirements, caseloads, and job descriptions that coincide with the reintegration approach.

The Honorable Mary Ann Saar reiterated the importance of addressing both risk and protective factors across the boundaries of facility and community corrections. She described her department's newly created position of transition coordinator, whose job will be to bridge the world of the correctional facility and the community, drawing on Altschuler's model. The Secretary also spoke about the need to focus on the "criminal thinking" mindset, which requires interventions incorporating cognitive restructuring approaches. The Maryland Department of Public Safety and Correctional Services has formally introduced this approach into existing drug treatment services.

Employment

Do Workforce Training Programs Really Work?

Presenter: **Burt Barnow**, Ph.D., IPS Associate Director for Research

Respondent: **Beth Buehlman**, Ph.D., Executive Director, Center for Workforce Preparation, U.S. Chamber of Commerce

Public and private investment in job training, for both the general workforce and individuals who are economically disadvantaged, is significant. Each year, the federal government spends over \$10 billion on workforce development activities. According to Burt Barnow, who has studied America's labor force for over two decades, the return on this investment has been mixed.

Many individuals who would like to work are unable to earn enough to lift themselves and their families out of poverty. Workers find themselves poorly prepared for today's labor market for a number of reasons: some left school at an early age and never obtained an adequate education; others have good basic skills but lack the resources needed to undertake further education and training to get ahead; still others have skills that have become obsolete due to new technologies or competition from imports.

Research in the 1960s led to the development of human capital theory—the idea that education and training can be viewed as an investment that can pay for itself through increased earnings. Government-sponsored training programs were enacted to contribute to that investment. The first major training program was the Manpower Development and Training Act (MDTA) of 1962. This program was established to help workers who lost their jobs due to technological change to train for new opportunities, but the “automation” scare of the 1960s led to little job

displacement, so the program refocused on training the poor. In 1973, the Comprehensive Employment and Training Act (CETA) replaced MDTA. CETA provided training and subsidized employment to poor youth and adults, with funds allocated to states and local areas based on poverty and unemployment.

Training programs were overhauled in 1982 when the Job Training Partnership Act (JTPA) replaced CETA. The new program gave a more prominent role to the private sector by giving governing authority to local private industry councils and encouraged excellence by holding local programs accountable with performance standards. Further changes were introduced in 1998 with the enactment of the Workforce Investment Act (WIA). This program required that services be provided through One-Stop Career Centers and increased the use of market mechanisms by giving customers vouchers to use at training institutions and establishing standards for providers that wish to be eligible for training funds.

Today, according to Barnow, training programs have a somewhat tarnished reputation for three reasons. First, some past programs were ineffective. Second, some findings from studies of training for welfare recipients have been misconstrued. Finally, the Department of Labor's own evaluations understated the effectiveness of some successful programs. One study that claimed that job placement programs are superior to human capital development programs for welfare recipients mainly compared programs to help people obtain high school equivalencies to programs



Burt Barnow

that provide only job placement services—very few of the people in the study had occupational or vocational training.

Reviews of training programs show that long-term vocational or occupational training offers the largest impacts on earnings. The national evaluation of the JTPA program, for instance, showed that both men and women increased their earnings by over \$900 per year (a statistically significant difference), and there is evidence that the earnings effects are sustained for at least five years.

Recent studies also suggest that training programs that involve employers are especially promising. In customized training programs, employers work with the training provider or agency to design the curriculum and set eligibility and completion requirements. So-called “sectoral” programs work with employers in a key industry to develop common training programs for jobs in demand. On-the-job training programs subsidize the wages of high-risk workers for up to six months while they learn the job. All three approaches give employers a key role.

Although training can be beneficial, evaluations also show that the impacts are not large enough to help many workers earn a decent living. That means that training is only part of the solution. Other useful activities include public employment programs for some unemployed, helping workers access accurate labor market information, and programs that teach job-search skills. Certain financial strategies can also be

The federal government spends over \$10 billion a year on workforce development activities. Reviews of training programs show that long-term vocational or occupational training offers the largest impacts on earnings. Recent studies also suggest that training programs that involve employers are especially promising.

useful. Most analysts conclude that the earned income tax credit, which in essence increases a low-income worker’s wage by up to 40 percent, is effective at increasing work and income. There is less agreement about the effects of minimum wage and living wage laws on income for poor workers.

Beth Buehlman spoke of the importance of engaging small- and medium-size businesses in workforce development. Employers, she noted, often need support just as much as workers because they do not know which resources are available or how to access them—such as job matching programs to help firms hire new workers, or labor market information to keep them abreast of major economic trends. Ms. Buehlman emphasized the importance of speaking about workforce development resources from the perspective of benefits to employers, who, along with workers, are customers of the workforce development system.

Employment

The Effect of Welfare Reform on Working Families and Fathers

Presenter: Demetra Smith Nightingale, Ph.D., IPS Principal Research Scientist

Respondent: Wendell Primus, Ph.D., Staff Director (D), Joint Economic Committee, U.S. Congress

Congress made major changes to the nation's welfare system in 1996 by enacting sweeping legislation designed to place employment at the core of welfare policy. Until then, all families with children and incomes below a specified level were entitled to receive benefits. Today, individuals' federally funded welfare payments are limited to five years in a lifetime.

Due to the urgency imposed by the lifetime limit, and growing public consensus that everyone who is physically able to work should work, employment became the centerpiece of welfare reform. Demetra Smith Nightingale discussed the effects of welfare reform and the importance of understanding trends in the economy that influence the availability of jobs, the population affected by welfare reform, and the agencies implementing the programs.

Nationwide, over 1.5 million families and about 3 million children have left welfare since 1996. Of the parents who left, about two thirds worked at some point in the year after leaving welfare. Caseloads continue to decline, even during the recent recession, and more single mothers work than ever before.

Some believe the reduction in welfare cases and the increase in employment mean welfare reform has been a success, though much research and debate continues in this regard. Closer examination, for instance, raises some serious concerns about work and economic security. Over half of all former welfare

recipients live in poverty, mainly because their wages are low, their employment is often not steady or regular, and they no longer receive welfare checks to supplement their earnings.

Research by Nightingale suggests the economic difficulties of former welfare mothers in part results from the nature of the labor market itself. Because they tend to have limited education (about half do not have a high school diploma or equivalency), most welfare recipients join the low-wage labor market—personal services jobs, clerical positions, or retail sales. Many get stuck in this low-wage segment of the labor market and join the ranks of the “working poor,” due to the gender concentration of jobs and the continuing disparity between so-called women's jobs versus men's jobs. Nightingale's research indicates that there are some good jobs—that is, jobs that pay enough to keep a family of three out of poverty—for persons without a college degree. But most of those good jobs are “non-traditional” for women—truck drivers, machinists, construction workers, equipment repairers. Within the service and retail sectors, where most welfare mothers are employed, there are few good jobs for persons with limited skills.

Welfare reform has had some promising results, suggesting that, in time, more families may become economically self-sufficient. First, political and media attention has raised interest among businesses in hiring welfare recipients, removing some past stigma about welfare.

Nationwide, over 1.5 million families and about 3 million children have left welfare since 1996. About two-thirds of parents worked at some point in the year after leaving welfare. However, over half of all former welfare recipients live in poverty, mainly because their wages are low, their employment is not steady or regular, and they no longer receive supplements to their earnings.

Second, a number of innovative programs are trying to upgrade the skills of low-income parents so they can qualify for better-paying jobs. One promising strategy involves partnerships between public programs and private businesses—employers help design training and agree to hire those who complete the training; and publicly-funded programs sponsor the training, provide job coaching and other services to help people keep their jobs, and mediate if problems arise on the job. Several new workplace-based training programs are being created in industries expected to grow in the next two decades, such as health care and construction. The best employment development strategies appear to be those that are individually tailored to meet an individual's interests and an employer's needs.

Third, many programs are beginning to focus not just on welfare mothers, but also fathers. Like the mothers, most non-custodial fathers of welfare children have limited education and low earnings. Many also have other barriers to employment, such as large past-due child support obligations and criminal records. But there are some good jobs for men with limited education and generally more opportunity for upward mobility in "male jobs" than "female jobs." Well-designed programs can provide new hope for fathers and more income support for their children.



Demetra Nightingale

Wendell Primus noted that, while some welfare mothers have experienced employment gains and some increase in income under welfare reform, to significantly improve the lives of low-income families policymakers must focus on the potential for better economic opportunities for low-income fathers. For example, job training could increase the fathers' earning potential and an expanded earned income tax credit could further enhance their ability to financially support their children, reducing further the public costs of welfare. Increasing the positive involvement of fathers with their children has the added benefit of improving the long-term personal and social development of the children.

A comprehensive approach to improving the economic status of low-income men requires better collaboration among the child support enforcement system, the criminal justice system, and the workforce development system, he said. In particular, the child support system, which currently emphasizes collections and enforcement, could be reformed to help fathers find and retain work, and provide them with a wage subsidy conditional upon their regular payment of child support.

Welfare reform represents one step in the right direction, by strongly promoting employment of mothers. However, given the ongoing changes in the nation's economy, which increasingly require higher-skilled workers, bolder policies are needed to ensure that former welfare mothers do not permanently remain "working poor."

Livable Communities

Housing Vulnerable Populations

Presenter: **Sandra Newman**, Ph.D., IPS Director, Professor of Policy Studies

Respondent: **Barry Zigas**, Sr. Vice President, National Community Lending Center, Fannie Mae

Housing has always had an uneasy relationship with the rest of the social welfare safety net. Part of the explanation is that housing has never been strictly a poverty issue, with the largest government subsidies flowing not to the poor, but to the middle class and affluent through the mortgage interest tax deduction.

Partly as a result, housing is an “orphan issue” in the broader social policy debates of the day, rarely surfacing in discussions of welfare or health reform, said Newman. Yet a desire for positive impacts for individuals and families often drives housing policy. The chief housing staff person for Senator Paul Sarbanes (D-Maryland) recently stated that: “to make their case, housing advocates need to show how the lack of stable, affordable housing can have destructive effects.” One of the most striking—and surprising— aspects of the body of research on housing is how little we know about the effects of housing on residents.

It is this fundamental question that drives much of Newman’s research. Until about 20 years ago, housing assistance policy focused on helping poor people live in affordable and physically decent housing, and this was viewed as an end in itself. But over the last 20 years, there has been a major shift from this “bricks and mortar” focus to look at how assisted housing affects the people who live in it.

Using a large survey database that follows thousands of families over 28 years, Newman and her colleagues in IPS’s Housing Research Group examine the effects of assisted housing on various outcomes, including education, income, and welfare dependence, asking

such questions as: How does growing up in inner-city public housing affect educational attainment or earnings as an adult?

One recent analysis looked at young adults who spent part of their upbringing in public housing when they were between the ages of 10 and 16. Contrary to conventional wisdom about the pathologies of public housing, Newman and IPS colleague Joe Harkness found that, for this group, living in public housing as a child was associated with significant long-term benefits in adulthood, including increased employment rates and earnings and reduced welfare dependence.

A second basic question the housing group has studied is whether the dramatic changes in employment rates and welfare dependency of single mothers receiving welfare extend to the 1.5 million single mothers who receive federal housing assistance. There are two contradictory views as to how housing assistance might affect employment and welfare receipt. The first argues that housing assistance reduces incentives to work because the government’s housing subsidy decreases as income increases. The second suggests that housing assistance provides a base to launch the parent’s entry into the labor force.

If housing assistance acts as a springboard, then policy-makers might want to think about expanding it to a broader group, which would cost more in the short run but could plausibly save money in the long run. But if housing assistance deters pursuit of economic independence, then we need to reconsider the current design of housing programs, said Newman.



Sandra Newman

In a study just nearing completion, Newman and Harkness find that increases in employment rates and declines in welfare participation are roughly comparable for those with and without housing assistance. This suggests that despite their socioeconomic disadvantages and the possible financial disincentives in public housing policy, housing assistance recipients responded the same as other low-income workers to the welfare reform changes and the booming economy of the late 1990s.

One area of domestic policy with bipartisan support is raising the already record-high 68 percent homeownership rate, including among low-income families. Newman and Harkness are examining the wisdom of this goal. Their studies find that homeownership improves the outcomes for lower-income children in almost any neighborhood. While these children do best in high quality neighborhoods, children of homeowners do better than “renter” children even if the neighborhood shows some signs of distress. Because homeowners move less often than renters, this might say more about the disruptive effects of frequent moves on children’s lives than about the beneficial effects of homeownership, per se, an issue being addressed in continuing research.

Barry Zigas noted that because most Americans are well housed, they do not see housing as a social policy priority, in contrast to the current furor over a new prescription drug benefit, for example. Add to this the fact that the failures of housing policy take concrete form

Over the past 20 years, there has been a shift in focus for housing policy, from a focus on providing affordable, physically decent housing to poor people, to an effort to understand how assisted housing affects the people who live in it. The IPS housing research group is leading this effort to examine the effects of assisted housing on various outcomes, asking such questions as: How does growing up in inner-city public housing affect educational attainment or earnings as an adult?

are there for everyone to see, and are easy media targets and one can understand why housing programs have little political support.

However, he noted, housing is the largest household budget item for most U. S. families and an important public sector cost. It behooves us to strengthen our understanding of its impacts to ensure that the money is wisely spent.

Livable Communities

Community and Economic Development

Presenter: Marsha Schachtel, IPS Senior Fellow

Respondent: Phillip Singerman, Ph.D., Executive Director, Maryland Technology Development Corporation

The goal of economic development is to achieve widely-shared prosperity in a specific place. All people have choices, and their choices, particularly about where they live, broaden as their self-sufficiency increases. As incomes rise, people tend to move outward from the center of a city. Urban economic revitalization efforts aimed at developing prosperous citizens must attend to the challenge of developing attractive communities, places where these people will choose to live.

But at the end of the day, to have prosperity, there must be private sector jobs. Marsha Schachtel described how innovation in economic and community development can be encouraged and accomplished, focusing on Baltimore and Maryland.

Economic development initiatives cannot create jobs, per se, aside from funding government service employment. Rather, economic development involves intervening at the margins of the flows of private investment, seeking to create advantages or reduce the disadvantages of a place. Since these flows are so large, and public resources (including fiscal policy and regulation as well as capital) are so modest, interventions must be highly strategic. They must be made with as complete an understanding as possible of the structure, dynamics and competitive position of local economies. This is the economic development challenge, said Schachtel.

In the late 1980s, Schachtel's analysis of Maryland's economy focused on the strong role played by federal research laboratories and federal contract procure-

ment. Maryland has 61 federal laboratories doing almost five billion dollars of research annually, far more than any other state. Johns Hopkins University alone receives more funding from the National Institutes of Health than any other university in the country. This dependence on government funding creates some vulnerability, of course, but the presence of a strong research sector also provides a solid foundation for economic innovation and opportunity.

Schachtel has documented, in a biannual "innovation index," both the strengths of this sector, and the failure to convert its full economic potential. She found that, given the state's assets, Maryland should be achieving much higher levels of economic development. Maryland has, in fact, begun to focus on how to turn its research riches into innovative businesses. The old economic development model assumed that, in a linear process, brilliant discoveries could be "tossed over the transom" from research labs and received and adopted by a wildly enthusiastic waiting world. The unfortunate fact is that many an elegant solution went begging in search of a problem.

A much better understanding of the processes of innovation and entrepreneurship was needed. These processes involve not only perfecting a technology, but also understanding and exploiting markets and building viable businesses. Highly specialized initiatives and intermediaries are needed to intervene at critical junctures in these processes, and Maryland has set about creating or enhancing them by supporting, for example, the Maryland Technology Development

Innovation—creating new products, services, and ways of doing things—is the primary driver of economic growth. And innovation still relies heavily on a diverse mix of “dreamers” and “doers.” The City’s brainpower, livability, affordability, character, and location are key advantages in the competition for talent and economic development in the technology sector.

Corporation (TEDCO). Schachtel helped develop state financing vehicles to leverage private venture capital and establish a state program to help technology entrepreneurs better understand and target their markets. Her work has broadened the understanding of technology entrepreneurs and how more of them might be stimulated and supported.

So what does all this mean for Baltimore and why focus on the technology sector? Innovation—creating new products, services, and ways of doing things—is the primary driver of economic growth. And innovation still relies on a diverse mix of “dreamers” and “doers.” People with imagination, knowledge, and skills have become as mobile and desirable as capital. The City’s density and diversity are once again assets, as its brainpower, livability, affordability, character, and location are key advantages in the competition for talent and economic development.

In 2003, Baltimore City, while no longer the region’s employment or retail hub, continued to be its creative center, in the arts and in businesses like multi-media and advertising, as well as in terms of communications, health, education, and research and development. Schachtel’s analysis suggests that Baltimore’s nascent technology sector represents the best potential source of economic growth and prosperity. While the City lost about 15 percent of its jobs overall between 1990 and 1999, there have been significant gains in



Marsha Schachtel

technology employment. The technology sector also holds great promise for achieving widely shared prosperity because its companies pay significantly higher wages, about 85 percent above others in the private sector. Thus, Schachtel’s Baltimore technology strategy, developed for Mayor Martin O’Malley, calls for initiatives that: develop, retain, and attract knowledge workers; support the creation and growth of new technology-intensive businesses; and make the City’s technology assets widely known to individuals and companies in Baltimore and beyond.

Phillip Singerman discussed how analysis has influenced actual policies, focusing on three specific examples of Schachtel’s work. The Maryland Innovation and Technology Index documents the positive progress the state is making and the continuing importance of federal laboratories in the economy. Based on these insights, TEDCO initiated technology showcases to encourage and highlight partnerships between innovators and research institutions.

Singerman, a former director of the U.S. Economic Development Administration, discussed whether or not the technology sector has the potential to positively influence distressed communities. He pointed to two emerging research parks in distressed urban areas of Baltimore, one closely affiliated with Johns Hopkins University and the other sponsored by the University of Maryland. Both aim to enhance the economy of the City by capitalizing on research institutions, while also involving nearby communities in area-wide economic transformation.

The New Governance and the Nonprofit Sector

Presenter: Lester Salamon, Ph.D., IPS Principal Research Scientist, Professor of Political Science

Respondent: Barbara Finberg, Ph.D., Former Vice President, Carnegie Corporation of New York

Effective action on public problems requires an understanding not just of the nature of the problems and the substance of policy but also the mechanisms through which policies are carried out—the how of policy and not just the what. Johns Hopkins alumnus Woodrow Wilson understood this point more than one hundred years ago when he wrote that “a government ill-executed, whatever it may be in theory, is in practice a bad government.”

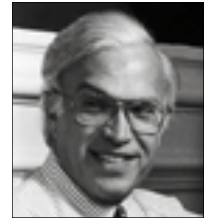
Drawing on his recent book, *The Tools of Government* (Oxford University Press 2003), Lester Salamon noted that a veritable revolution has taken place in the past 30 or 40 years in the tools or instruments for implementing government action. These varied tools include grants, contracts, loans, loan guarantees, vouchers, regulation, insurance, and many more.

Each of these tools has its own procedures, its own skill requirements, its own dynamics, and its own set of players, said Salamon. Increasingly, however, many of them share a common characteristic: they are indirect and they put government in the position of relying heavily on a host of third parties that actually carry out the programs that government authorizes and funds. In a sense, we have deconstructed public action. Where government earlier financed and delivered services itself, increasingly financing and delivery have been split apart and parceled out among a variety of public and private entities.

Through increased reliance on these new tools, government has grown in scope and scale without adding appreciably to its workforce. In fact, the federal workforce actually shrank by two percent between 1955 and 2002, while federal outlays, adjusted for inflation, grew by 400 percent.

Among the third parties to whom the government has turned to assist in the implementation of public programs, few have been more important than the nation's private, nonprofit organizations. These organizations have long been the invisible subcontinent on the social landscape of our society, rarely examined in the academic world or the press, and only infrequently an explicit focus of public policy. To remedy this, Salamon and colleagues have conducted a wide-ranging body of research to examine the size, scope, role, finances, and functions of this set of institutions both in the United States and around the world. Among the major findings of this research are these:

- The nonprofit sector comprises a sizeable part of the American economy, employing three times more people than agriculture, two times more than wholesale trade, and nearly 50 percent more than either the construction sector or the finance, insurance, and real estate sector.
- Nonprofit organizations account for half of our hospitals, nearly half of our universities, 90 percent of our orchestras and opera companies, a quarter of our nursing homes, and most of our family and children's service agencies.



Lester Salamon

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- Government has come to rely heavily on these organizations to deliver publicly funded human services. In fact, nonprofit organizations deliver a larger share of publicly funded human services than do government agencies themselves.
 - Reflecting this, government has emerged as a major financier of nonprofit activity. Overall, 37 percent of the income of America's nonprofit organizations comes from government—three times more than from private philanthropy.
 - This partnership between government and the nonprofit sector has generally been fruitful for both sides, extending the reach of the nonprofit sector and allowing government to serve human needs in a far more flexible and sensitive manner than would be involved if all services had to be delivered by large-scale governmental bureaucracies.
 - At the same time, this arrangement has not been without its strains, subjecting nonprofits to the swings in public funding and a variety of regulatory burdens and making it more difficult to achieve accountability for the spending of public funds.

Barbara Finberg emphasized how crucial the partnership between government and the nonprofit sector has been to the vitality of America's third sector and to the special approach that Americans have taken to addressing public problems, an approach that emphasizes the mobilization of private initiative in the public interest.

In the past four decades, a veritable revolution has taken place in the tools or instruments for implementing government action, as government has increasingly outsourced delivery of many vital services. IPS has taken the lead in documenting the growing importance of the nonprofit sector in this ongoing evolution in the tools of government action, and the related growth in size and importance of the nonprofit sector.

Power, Politics, and Policy



Robert Caro

To kick off the Ideas in Action Symposium, IPS and the Office of the University President co-sponsored a public lecture by author Robert Caro, Pulitzer Prize-winning biographer of President Lyndon Johnson. The following excerpt from Caro's talk draws on *Master of the Senate*, the third volume in his critically acclaimed Johnson biography.

It was said that no majority leader could lead the Senate... that leaders had no power.... But Johnson led the Senate, he controlled it and he dominated it. And so I felt that if I could find out how he did that, that would be a way of understanding legislative power....

How did he do it? How did he rise to power so fast, and how, once he got there, was he able to run the Senate in a way that no one had done before?

The best explanation for that is something that Johnson said about himself. He said, "Whatever else may be said about me, I do understand power. I know where to look for it, I know where to find it, and I know how to use it."

(Johnson) broke the dam that the senate had been for 20 years against all forms of liberal legislation. He got the first expansion of the social security system since Roosevelt. He added disability benefits to social security. He started what we now think of as the beginnings of Medicare. Most importantly, he passed the first civil rights legislation since Reconstruction...the

Civil Rights Act of 1957. When you're looking at this, you're not just talking about legislative power, you're talking about legislative genius.

In the 82 years since Reconstruction, hundreds—thousands—of civil rights bills had been introduced. Scores of them had passed the House; not one had passed the Senate. The South had all its power in the Senate. In 1957, of the 14 great standing committees of the Senate, southerners were chairman of nine, and they had the filibuster that no one could break.

Out of 6 million Black Americans (of voting age) in the South, only about one million were able to register to vote.... And that was a very misleading figure. Because of violence against them—physical violence and economic intimidation—most of those were afraid to vote. So that, out of six million eligible Black voters in the South, less than 600,000 had voted in the last election in 1956—less than one out of ten. There were whole counties in the South where Black Americans had never cast a vote. To watch Johnson get that bill through the House and through the Senate, almost vote by vote, is, as I said, not just legislative power but legislative genius.

If you look back at the U.S. Senate during the first two and a quarter centuries of the Republic's existence, after the days of Webster, Clay and Calhoun, who were all Senators in the 1840s and 1850s, the Senate worked really only during one period: the six-year period, 1955-1960, in which Johnson was its leader.

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