

Insights on Southern Poverty

Vol. 8 No. 1, Spring 2011

The newsletter of the
University of Kentucky Center for Poverty Research

Labor-market returns to community college attendance: evidence from Kentucky

Christopher Jepsen, University of Kentucky

In July 2009, President Obama announced a \$12 billion initiative to increase assistance to the nation's community colleges (Kellogg and Tomsho, 2009). The announcement, delivered at Macomb Community College in Michigan, illustrates the administration's view that community colleges are an essential component of the nation's economy. Yet, our knowledge of the benefits of community college attendance is far from complete. Recent economic research on the labor-market returns for community colleges has focused almost exclusively on the returns to associate's degrees or the returns to additional years of schooling or credits. Although community colleges emphasize the benefits of diplomas and certificates, these benefits are based on anecdotal evidence rather than rigorous empirical analysis. Given the growing importance of these awards as well as the growing importance of community colleges in general, it is important to document the economic returns associated with this form of human capital investment.

This article summarizes the results of our UKCPR Discussion Paper (Jepsen, Troske and Coomes 2009), which provides the first detailed empirical evidence of the labor-market returns to community college diplomas and certificates, as well as providing additional information on the returns to associate's degrees and

credits earned. One unique aspect of our analysis is that to estimate these returns we exploit detailed administrative data from the Kentucky Community and Technical College system (KCTCS), following two cohorts of 17 to 60 year-old students who entered the state's community college system during the 2002-2003 and 2003-2004 school years. The student-level data contain information on student characteristics such as age, race and sex; information on all courses taken by the student; and information on all credits, certificates, diplomas or associate's degrees earned. These data are matched with quarterly earnings data collected by the state's unemployment insurance system. Total earnings from all covered jobs are available for each individual from the first quarter of 2000 through the third quarter of 2008. All earnings data are reported in 2008 dollars to control for inflation.

EARNINGS PATTERNS BY HIGHEST AWARD

The analysis of labor-market returns begins by looking at earnings patterns by highest award. Figures 1 and 2 contain the average quarterly earnings for men and women by highest award, where each quarter is measured relative to initial attendance at KCTCS. The quarter when the student first attended KCTCS is measured as 0 on the horizontal axis of the graph. The first

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The University of Kentucky Center for Poverty Research is sponsored by a grant from the Office of the Assistant Secretary for Planning and Evaluation, US Department of Health and Human Services

Letter from the director

James P. Ziliak

In this issue of Insights on Southern Poverty, we highlight several research projects funded by our internal and external grant programs. This research addresses a variety of important questions relevant to poverty in the United States, and includes analyses of such topics as the impact of community college attendance on earnings, economic vulnerability among multiracial families, state policies designed to protect domestic violence victims, and the relationship between gaps in skill levels and wage inequality.

We lead with an article by UKCPR Faculty Affiliate Christopher Jepsen, who investigates the economic returns associated with community college degrees, certifications, and diplomas. Using multivariate regression analysis to control for age and length of enrollment, his results strongly support the claims made by community colleges that associate's degrees and diplomas have significant labor-market returns.

In a study focused on economic vulnerability of multiracial children in single-mother families, Jenifer Bratter and Sarah Damaske use multivariate statistical techniques to identify factors that may explain differences between multiracial and monoracial families. Bratter and Damaske find that multiracial families headed by Black, American Indian, Hispanic and multiracial women are over 30 percent more likely than white monoracial families to live in poverty. One explanation for this variation, they suggest, is the exclusion of women who cross racial lines from crucial social networks of support.

In their review of policy responses to domestic violence, Jennifer Swanberg and Mamta Ojha investigate state level policies to protect employees suffering from domestic violence against adverse employer actions (i.e. loss of job due to time off requests and encounters with abusers at the workplace). Swanberg and Ojha proceed to conduct a systematic content analysis of 327 statutes and 42 administrative regulations and state plans designed to protect domestic violence victims. By identifying commonalities and differences between policy frameworks, Swanberg and Ojha find substantial variation between states in the protection available to domestic violence victims.

Finally, Christopher Bollinger, James Ziliak and Kenneth Troske examine the role of skill differentials in explaining the persistent wage gap between Appalachia and the rest of the United States. Using Census data, their findings suggest that a significant upgrading of skills within the region has prevented the gap from widening over the last 20 years. Additionally they find that urban areas within Appalachia have not experienced the rise in returns to skills as in non-Appalachian urban areas.

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Figure 1: Average Quarterly Earnings by Highest Award, Men

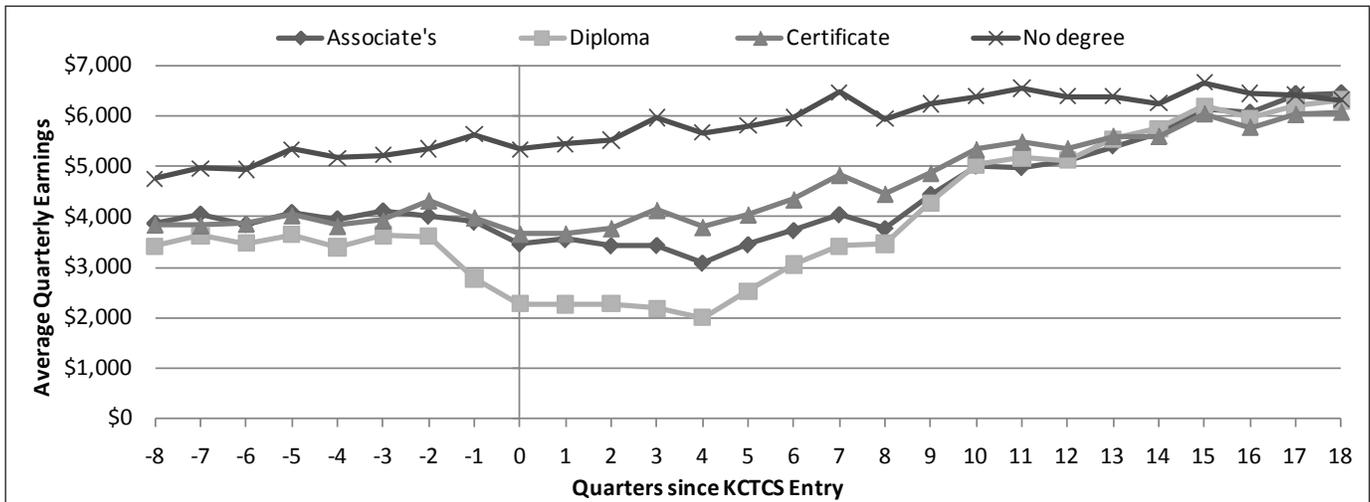
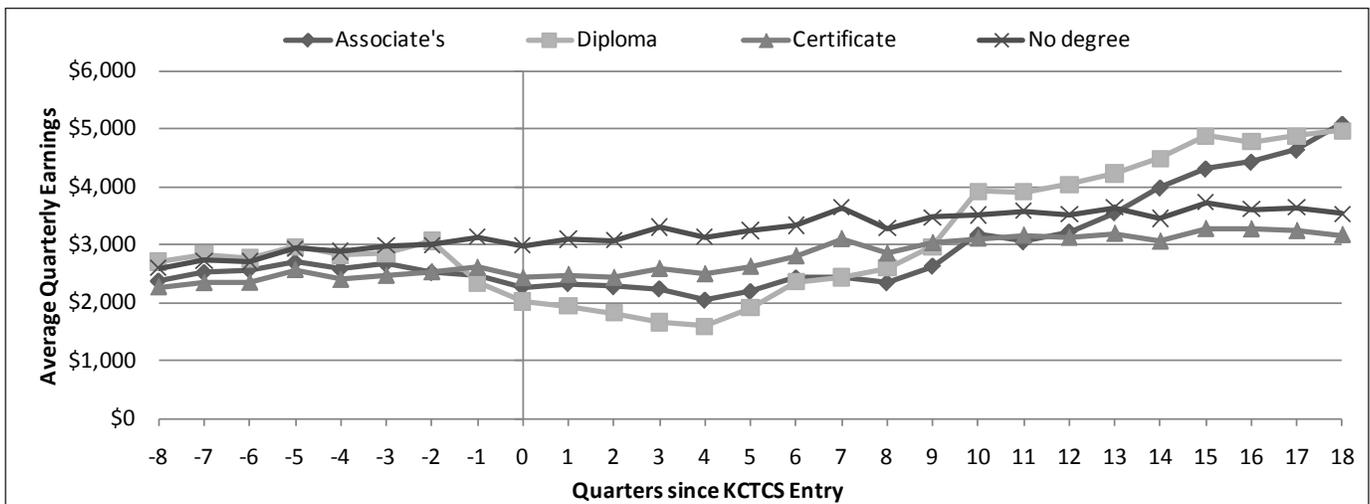


Figure 2: Average Quarterly Earnings by Highest Award, Women



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quarter before the student attended KCTCS is measured as -1, and the first quarter after the student attended KCTCS is measured as 1. For example, consider a student who first attended KCTCS in fall 2002. For this student, quarter 0 is July-September 2002; quarter -1 is June-August 2002; and quarter 1 is October-December 2002. Time is measured relative to entrance at KCTCS, rather than calendar quarter, for two reasons. First, students enter KCTCS at different time periods between summer 2002 and spring 2004. Quarterly earnings at a particular calendar quarter, such as the first quarter of 2006, will measure students with different levels of KCTCS schooling. Second, this arrangement of quarters allows us to illustrate clearly pre-KCTCS differences in earnings. This technique is common in evaluations of job-training programs, where researchers are concerned about the similarity of recipients and non-recipients prior to participation in

job-training programs. Analogous comparisons can be conducted for participation in KCTCS.

The graphs suggest that men who receive associate’s degrees, diplomas, and certificates and women who receive associate’s degrees and diplomas have sizable increases in earnings, at least compared to individuals who attend KCTCS but do not receive an award. For women, the increase is particularly large. In contrast, women who receive certificates do not have a large increase in average quarterly earnings.

MULTIPLE REGRESSION RESULTS FOR LABOR-MARKET RETURNS TO ASSOCIATE’S DEGREES, DIPLOMAS, AND CERTIFICATES

Although Figures 1 and 2 provide a useful starting point for the discussion of labor-market returns, they look only at differ-

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ences in average earnings between the four groups indicated in the graphs. They do not control for any differences between the four groups. For example, the graphs illustrate that individuals who receive awards have a sizable decline in average quarterly earnings the quarter before they first attend KCTCS. Because this drop does not occur for individuals who attend KCTCS but do not receive an award, this difference suggests that other differences may exist between award recipients and non-recipients. Figures 1 and 2 will not capture these differences, nor will they capture any other differences such as differences in age or length of KCTCS enrollment. Therefore, in the remainder of this article, multivariate regression analysis (which allows us to control for such differences) is used to study differences in labor-market returns to certificates and diplomas.

Figure 3: Statewide earnings returns to highest award by gender

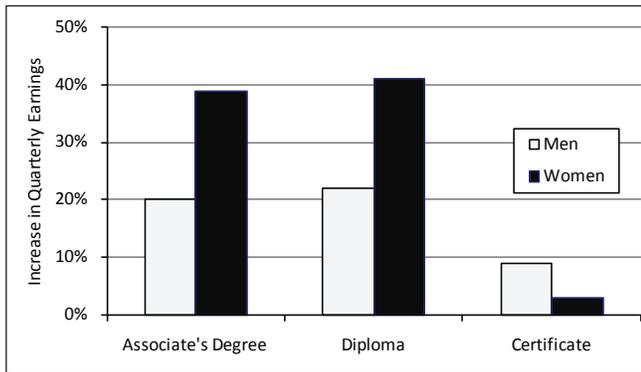


Figure 3 illustrates the individual earnings returns associated with three types of KCTCS outcomes discussed above: associate's degrees, diplomas, and certificates. The returns are reported as the percentage change in earnings for each quarter after receiving the award. Returns are calculated separately for men and for women.

Both men and women have large labor-market returns for associate's degrees and diplomas, with slightly higher returns to diplomas. The returns are 20 to 22 percent for men and 39 to 41 percent for women. These results are consistent with other studies of labor-market returns that use statistical techniques such as fixed effects or instrumental variables (Card, 1999). Returns for certificates are much smaller, in comparison.

LABOR-MARKET RETURNS BY FIELD OF STUDY

Students receive certificates and diplomas in many different subject areas, and it is unlikely that the labor-market returns are identical across areas. Therefore, this section looks at labor-mar-

ket returns to six different fields of study: humanities, other academics, business, health, services, and vocational. These categories have sufficient numbers of certificate and diploma recipients to estimate returns, with the exception that only 11 men receive business diplomas. Given this small sample size, returns for men with business diplomas are not reported. KCTCS does not offer diplomas and certificates in humanities or other academic fields.

Table 1 contains the returns for associate's degrees, diplomas, and certificates by field of study. The table shows that there is substantial variation in earnings returns by field of study, award, and gender.

Associate's degrees in humanities have negligible effects of earnings, but associate's degrees in other academic subjects are associated with earnings gains of 25.8 to 32.6 percent for men and women, respectively. Business-related associate's degrees are associated with 16 percent earnings increases for women, but business- and services-related awards are not associated with higher earnings for either diplomas or certificates. In fact, service-related certificates are associated with lower earnings of nearly 10 percent for men. In contrast, health-related associate's degrees and diplomas are associated with large earnings increases for men and even larger increases for women. For example, the earnings gains for health-related diplomas are 35.5 percent for men and 50.8 percent for women. Health-related certificates have no apparent boost in earnings for men, but they are associated with higher earnings of 4 percent for women. Vocational associate's degrees and diplomas also lead to substantial increases in earnings: around 23 percent for men and 20-21 percent for women. Vocational certificates have higher earnings for men (12 percent), but they have little discernable increase in earnings for women.

Table 1: Statewide earnings returns for field of study by gender

	Associate's degree		Diploma		Certificate	
	Men	Women	Men	Women	Men	Women
Humanities	-3.2%	3.5%				
Other academic	25.8%	32.6%				
Business	1.7%	15.7%		4.6%	-4.0%	-0.1%
Health	57.8%	75%	35.5%	50.8%	-4.6%	4.0%
Services	-4.2%	1.5%	-0.3%	2.1%	-9.4%	4.5%
Vocational	23.3%	19.7%	22.9%	21.4%	12.4%	6.1%

CONCLUSION

This article documented the labor-market benefits from community college degrees, certificates, and diplomas. Both men and women received sizable increases in earnings after receiving associate's degrees and diplomas. Men had increased earnings of around 20 percent and women had increased earnings of around 40 percent. The earnings increases associated with certificates were smaller: 9 percent for men and 3 percent for women. However, KCTCS awards degrees, diplomas, and certificates in many

diverse fields of study. Degrees and diplomas in health-related and vocational-related fields of study were associated with sizable earnings increases for both men and women, although the results were larger for women. When separating certificates into specific fields of study, few certificates were associated with noticeable increases in earnings for men and women. The exception is that vocational certificates for men were associated with higher earnings of 12 percent. Overall, our results strongly support the claims made by community colleges that associate's degrees and diplomas have large labor-market returns.

What about these children? Poverty among the 'hidden population' of multiracial children in single-mother families

Jenifer Bratter and Sarah Damaske, Rice University

At the beginning of the twenty-first century, over 12 million American children lived in poverty. These children are significantly more likely to be members of minority and immigrant families and from single-parent households. Despite the increased scholarly focus on the implications of multiracial lives, there is no literature focusing explicitly on the multiracial population within the single-parent household, or which provides comparisons to similar monoracial populations. Nor have there been attempts to examine the degree of economic vulnerability experienced by multiracial children. In this article we summarize the results of our UKCPR Discussion Paper (Bratter and Damaske 2010), which seeks to fill this gap by providing an in-depth assessment of the single-parent multiracial family. Specifically, we have three goals for our analysis. First, we estimate the size of the multiracial population living within female-headed families. Second, we estimate the extent of the economic vulnerability in these families relative to other families. And third, using multivariate statistical techniques, we identify the factors that may explain the differences we observe between multiracial and monoracial families.

DATA AND SAMPLE

The data for this project come from the 2000 U.S. Census Integrated Public Use Microdata Samples 5 Percent Public Use file.

The analytical sample is restricted to 368,302 primary families (not sub-families) designated as "female-headed with no husband present" with minor children present (age < 18). Our analysis focuses on the likelihood that female-headed families have incomes that are at or are below the poverty line.

We use these data to create the following racial/ethnic categories which we apply to all persons in our sample: White (Non-Hispanic), Black/African American (Non-Hispanic), American Indian / Alaskan Native (Non-Hispanic), Asian (Non-Hispanic), Native Hawaiian (Non-Hispanic), Some Other Race (Non-Hispanic) and Hispanic. Respondents who choose a combination of these categories, which commonly signifies a multiracial ancestry, are classified as multiracial. Families that include either multiracial mothers or multiracial children are also considered multiracial in this analysis. Given the tremendous slippage between statements of personal identity as multiracial and actual multiracial heritage, we also include those we may infer are multiracial by comparing mother's race to that of their "natural born" children. If a householder (all of whom in this sample are mothers) has a child who is defined as a different race than she, that child is defined as multiracial.

ANALYSIS AND RESULTS

We begin by calculating the percentage of multiracial families among married-couple families and unmarried female-headed

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families by different definitions of multiracial: those employing the parent's race, those using child's race, and those including a combination of the two. By the criterion of a parent's race, we find that 7.9 percent of the married-couple families can be defined as multiracial, as these families are headed by an interracial couple. Within female-headed households, we find that 7.47 percent of the families can be defined as multiracial. This estimate refers to families where the mother's race and the child's race do not match. We may also define households as multiracial if one or both parents are defined as multiracial. This yields an estimate of 2.14 percent of married-couple households and 1.87 percent of female-headed households. If we apply the children's racial identification as the standard to determine households as multiracial, once again we find a higher percentage of children identified as being of two or more races among female-headed

households than among dual-headed households. A little more than four percent of female-headed families house children that meet this definition, compared to only 2.72 percent among married-couple families. Combining the estimates derived from all of these definitions, we find a higher proportion of multiracial families among those headed by women with no husband present (9.34%) than among married-couple families (8.88%).

Our remaining analyses are restricted to the sample of female-headed families. First, we calculated poverty rates by race of mother and by whether the family houses monoracial or multiracial children. Among monoracial families, the poverty rate is lowest among families headed by white women (27%) and highest among families headed by Black, American Indian, and Hispanic women (44.8%, 48.1%, and 47.5% respectively). The remaining sub-groups hover between these two extremes. Compared to monoracial families, we find that poverty rates for multiracial families are significantly higher for whites (27.5% vs. 35.9%). Among families headed by nonwhite women, rates of poverty are either lower, or are not significantly different.

A number of factors have been found to explain poverty status, and therefore it is possible that the observed differences between monoracial and multiracial families may change once we adjust for these factors. To accomplish this task, we estimated logistic regression models of the relationship between poverty status and race/ethnic composition of families, other demographic characteristics, acculturation, family composition, socioeconomic status, geographic mobility, and geographic location. The reference category for the effect of the racial/ethnic composition of families is white female-headed families with white children. The results show that with the exception of multiracial families with Asian mothers, all other types of multiracial families exhibit higher poverty rates than monoracial white families. Multiracial families headed by black mothers and mothers of "some other race" are particularly vulnerable to poverty. While adjusting for controls attenuates the racial differences in poverty for multiracial families, none of these controls entirely explains the increased likelihood of poverty. In the fully adjusted model, multiracial families headed by Black, American Indian, Hispanic and multiracial women are still more than 30 percent more likely than white monoracial families to be in poverty, independent of controls. Multiracial families headed by a woman of "Some Other Race" are 67 percent more likely to be in poverty than the reference. The one exception to this pattern is multiracial families

INSIGHTS ON SOUTHERN POVERTY

Vol. 8, No. 1

Insights on Southern Poverty is published by the University of Kentucky Center for Poverty Research, 302D Mathews Building, Lexington, KY 40506-0047. Phone: (859) 257-7641, e-mail: ukcpr@uky.edu. The publication is also available electronically at www.ukcpr.org or by contacting UKCPR.

UKCPR is sponsored by the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, grant number 3 U01 PE000002-06S2.

The opinions and conclusions expressed in papers published in *Insights on Southern Poverty* are solely those of the authors and should not be understood to reflect the opinions or policies of UKCPR or any agency of the federal government.

The intent of this publication is to provide non-technical summaries of research related to poverty issues. Summaries of research not funded by UKCPR are published with permission of the authors. Please consult provided links for full reports. Any inconsistencies between these summaries and the full research reports are the responsibility of this publication.

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headed by Native Hawaiian women. Fully adjusting for the control variables narrows the differential in the odds of living in poverty to non-significance (Odds Ratio = 1.275). Finally, we find that multiracial families defined by a multiracial mother have a 75 percent greater odds of being in poverty than white, monoracial families. This suggests that families headed by mothers of more than one race experience at least some of the poverty-increasing effects of nonwhite families.

But how much do these patterns mirror the disparities observed for monoracial groups? In other words, while our results show that multiracial families are more likely to experience poverty than white, monoracial families, are multiracial families worse off than their monoracial (minority group) counterparts? Generally, our results find that multiracial families show little difference in their potential for being in poverty compared to their monoracial counterparts.

Yet, there are two exceptions. For Asians, we find that multiracial families actually fare better, or are less likely to experience poverty, than the monoracial counterpart. Meanwhile, white families with multiracial children represent the only case where multiracial children are more likely to live in poverty than their monoracial counterparts. The fully adjusted model indicates that white women with multiracial children are 24 percent more likely than white women with white children to be in poverty, inde-

pendent of controls.

CONCLUSION

The implications of these findings are twofold. First, as multiracial children are more common among female-headed households, research on multiracial children should incorporate issues of family structure more explicitly. These studies tend to focus on either identity development, the prevalence of at-risk behaviors or mental health difficulties. While family structure differences tend to be netted out of the analysis, the unique vulnerability faced by these families may shape how multiracial children understand their race, as it is likely intertwined with feelings toward an absent parent. Future research must include family structure as a primary frame for identity development. Second, it is still unclear why some single-female-headed households, specifically those headed by white females with multiracial children, are more prone to poverty than their monoracial counterparts, independent of background characteristics, while those headed by Asian women do better than Asian monoracial women. Given the importance of social networks to the livelihoods of single-parent families, women who cross racial lines in ways that are undesirable to friends and family may be cut off from those networks and thus more vulnerable to poverty. Crossing the color line for Asians, which most often involves White men, may nurture access to resources that benefit unmarried mothers.

Recent UKCPR-funded research in print

- Bollinger, Christopher, James P. Ziliak, and Kenneth Troske. "Down from the Mountain: Skill Upgrading and Wages in Appalachia." *Journal of Labor Economics* (October 2011).
- Carrell, Scott and Mark Hoekstra. "Externalities in the Classroom: How Domestic Violence Harms Everyone's Kids." *American Economic Journal: Applied Economics* (January 2010).
- Fletcher, Jason M. and Marta Tienda. "High School Classmates and College Success: Lessons from Texas." *Sociology of Education* (Forthcoming 2011).
- Fording, Richard C., Joe Soss, and Sanford F. Schram. 2011. "Race and the Local Politics of Punishment in the New World of Welfare." *American Journal of Sociology* (March 2011).
- Nepomnyaschy, Lenna. "Race Disparities in Low Birth Weight in the South and the Rest of the Nation." *Social Science & Medicine* (Forthcoming 2011).
- Soss, Joe, Richard C. Fording and Sanford F. Schram. 2011. "The Organization of Discipline: From Performance Management to Perversity and Punishment." *Journal of Public Administration Research and Theory*. (Forthcoming 2011)
- Thomas, Kevin. "Familial Influences on Child Poverty in Black, U.S.-Born Black, and Non-Black Immigrant Families." *Demography* (Forthcoming 2011).
- Tolbert Kimbro, Rachel, Jeanne Brooks-Gunn, and Sara McLanahan. "Young Children in Urban Areas: Links Among Neighborhood Characteristics, Weight Status, Outdoor Play, and Television-Watching." *Social Science and Medicine* (2011).

State employment protection statutes for victims of domestic violence: policy's response to domestic violence as an employment matter

Jennifer E. Swanberg and Mamta U. Ojha

Over the past decade, several studies have garnered significant evidence to suggest that domestic violence has serious implications for employers and employees. The tactics employed by abusers can lead to increased absenteeism, tardiness, reduced productivity, work distraction, and even job loss. Domestic violence victims lose nearly 8 million days of paid work per year, costing employers approximately \$728 million. Moreover, domestic violence has been shown to increase employers' administrative, insurance, and medical costs. Regardless of the growing body of evidence that domestic violence costs employers millions of dollars each year, there is not yet widespread acceptance among the employer community that domestic violence is an organizational issue requiring action.

In 1994, the federal government passed the Violence Against Women Act (VAWA). Despite VAWA's success at raising public awareness about the ill effects of domestic violence and providing resources to advocates, victims, prosecutors, and businesses, the law falls short in one important respect. At present there is no federal statute that effectively protects employees from adverse employer actions based on their victimization or provides time off from work to address matters related to victimization without fear of retaliation or job loss (Karin & Shapiro, 2009). Instead, most of the activity surrounding employment protections for domestic violence victims has occurred at the state level. Many states have passed policies that provide employment-related protections to employees by providing access to time off, unemployment compensation, and protection against discrimination (Legal Momentum, 2009; Trent & Margulies, 2007). For instance, the state of Maine has three laws that provide specific employment protections for victims of domestic violence. One law stipulates that employers must provide reasonable and necessary leave from work if an employee or an employee's family member is a victim of domestic violence, sexual assault, or stalking (Ridley et al., 2005). And in 2003, Illinois passed a law pro-

hibiting discrimination against victims of domestic or sexual violence, and requiring employers to give employees who were the victims, or whose family members were victims, 12 weeks of unpaid leave (Victims' Economic Security and Safety Act, 2003).

Although some information about domestic violence employment protection laws is available online, to date, there has not been a systematic and comprehensive examination of state policies that protect domestic violence victims from employer actions or inaction. To this end, this paper has two primary goals: 1) to identify and categorize state-level employment protection available to victims of domestic violence; and 2) to determine the prevalence of states that have passed legislation or adopted administrative regulations within each of the specified categories.

DATA AND ANALYSIS

State statutes which protect the employment rights of domestic violence victims in 50 states were collected between May 2007 and December 2009 using three primary strategies: keyword searches using LexisNexis, an online, legal database that contains full-text statutes and policies; personal communication with state domestic violence agencies; and targeted website searches. LexisNexis was used to identify the state statutes pertaining to employment protections for victims of domestic violence. Keyword searches were conducted using "domestic violence and employer" and "domestic violence and employment." After much deliberation, the research team also opted to gather information about FVOs available under Temporary Assistance to Needy Families (TANF) to give states the ability to waive work requirements and provide services to victims of domestic violence who need public assistance. Ultimately, our data collection efforts resulted in the identification of 327 statutes and 42 administrative regulations and state plans.

A non-computerized content analysis of each of the statutes and administrative regulations was conducted by three independent coders. After the data were analyzed and categorized, sum-

Table 1. Frequency Distribution of Major Policy Categories and Subcategories

Policy Categories	Number of States
Work Leave Policies	
Leave from work related to domestic violence or sexual harassment	10
Leave from work in response to a subpoena or appear in court	37
Waiver of TANF work requirement	48
Anti-Discrimination Employment Policies	
Protect against discrimination or retaliation	40
Ensure right to unemployment benefits and wages	30
Intercession services	23
Workplace Awareness and Safety	
Employee awareness strategies	3
Workplace restraining orders	10

mary information about each statute or regulation was entered into a database that was organized by the three broad categories, subcategories, and by state. The research team used this database to determine the themes within policy sub-categories and the prevalence of these various types of employment protections.

RESULTS

Our analysis resulted in several interesting findings. First, it appears that states have passed employment protections for domestic violence victims within three broad areas: 1) policies that offer work leave for victims; 2) policies that aim to reduce employment discrimination of domestic violence victims; and 3) policies developed to increase awareness and safety in the workplace. The first category of policies, work leave policies, gives employees the right to request time off from work to attend to personal, family, or legal matters that are directly related to domestic violence without fear of penalty. The second category of policies, anti-discrimination employment policies, protects domestic violence victims against forms of job-related, discriminatory behaviors. The third category of employment protection policies, workplace awareness and safety, requires employers to educate employees and/or supervisors about domestic violence victims' rights or work issues relevant to domestic violence, and provide some means of safety to employees. Each of these three categories is comprised of two or three distinct policy sub-categories.

As noted in Table 1, each of these broad policy categories is

further delineated into distinct sub-categories. Three themes emerge within the work leave category: (a) policies allowing leave from work for reasons of domestic violence or sexual harassment; (b) policies allowing leave from work in response to a subpoena or to attend a hearing (crime victim legislation); (c) regulations or policies that provide a waiver from the TANF work requirement.

Similarly, policies within the anti-discrimination employment category are grouped into three sub-categories: (a) policies that offer protections against victim discrimination or retaliation on the job; (b) policies that aim to insure the right to receive unemployment insurance benefits and wages; and (c) policies that establish employer intercession services. Finally, policies within the workplace awareness and safety category are grouped into two subgroups: (a) policies that aim to increase employee awareness of domestic violence, and (b) policies that allow employers to obtain restraining orders to prevent employee victims' domestic violence perpetrators from entering workplace premises.

A second interesting and important finding to emerge from our analysis is that domestic violence victims are significantly more likely to be protected under general crime legislation than they are to be protected by legislation passed specifically to protect domestic violence victims. For instance, 37 states have policies that require employers to provide leave for general crime victims in response to a subpoena or need to appear in court. Domestic violence victims are covered under this legislation as a "crime victim." Of the 40 states that have general crime victim legisla-

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tion to protect against job-related discrimination or retaliation, only four states have policies that specifically prohibit employers from discriminating or terminating an employee who is a victim of domestic violence. Similarly, domestic violence victims are able to receive intersession services in 23 states because these states have general crime victim legislation that includes victims of domestic violence.

While it is advantageous that states consider domestic violence victims as crime victims, simply defaulting to this strategy, rather than passing legislation specific to domestic victims, in some cases protects only substantiated cases of domestic violence. Victims who have yet to report experienced domestic violence or who may not ever report it are not covered under general crime legislation. Without specific employment protections for victims of domestic violence, a victim may be at risk of being further oppressed by her employer if she is terminated from her job or

overlooked for a promotion due to matters related to domestic violence, as evidenced in several studies.

Finally, our analysis reveals that there is significant variation across states as to the types of policies adopted to protect the employment of domestic violence victims, the criteria for employer inclusion by these policies, and parameters of the specific legislation. One potential concern about this diversity in policies is that differences across states may create confusion for domestic violence victims and employers. As an example, a woman covered by certain employment protection laws in one state, should she opt to move due to safety reasons, may not be covered by the laws in the state to which she moves. Such a situation could put the domestic violence victim, her family, and her new employer in harm's way. This disparity in availability of employment protection supports across states may also create confusion for employers with operations in more than one state.

Down from the mountain: skill upgrading and wages in Appalachia

Christopher Bollinger, James P Ziliak and Kenneth R Troske,
University of Kentucky

When discussing poverty few regions within the United States have engendered as much attention as Appalachia. Poverty rates in Appalachia have exceeded national poverty rates by 10 to 20 percent and the Appalachian region has historically had lower levels of skilled labor and income relative to the rest of the country, which some researchers claim has resulted in a 'poverty trap'. This has led policy makers to focus extensive resources on the region in an effort to raise the levels of education and income in the area. Appalachia was the focal point for much of the legislation underlying the 'War on Poverty' and, since the mid 1960s, has been a designated zone of economic activity. Despite all of these efforts, Appalachia still lags behind the rest of the country in educational achievement and income.

While the Appalachian region has long been the focus of policy makers, it has received relatively little attention from economists. This is unfortunate since knowledge of how regional differences in skill levels and returns to skill translate into regional differentials in wages is essential to a better understand-

ing of widening inequality in general, as well as for more targeted policy prescriptions for regional economic development. This is particularly salient for regions with persistently low levels of income.

In this paper we examine the movement of wages within Appalachia compared with the rest of the country in an effort to understand whether changes in the wage gap between Appalachia and the rest of the country are due to different changes in skill, in the returns to skill, or both. To identify the reasons for wage differences, we estimate human-capital wage equations for men and women that incorporate region-specific heterogeneity in the returns to observable and unobservable factors that proxy for skill. Beyond the standard demographics found in scores of studies on wage levels and gaps, we explicitly control for selection into the labor force and migration into the region of residence. With the rise of employment among women and concurrent decline among men, it is important to account for unobserved factors related to these trends and the possibility that these processes differ between Appalachia and the rest of the nation.

In addition to mean wage levels, we also estimate the deter-

minants of wages across the earnings distribution. Earnings inequality in Appalachia in the 1980s and 1990s was lower and rose more slowly than the rest of the United States, perhaps due to slower wage growth at the higher ends of the earnings distribution or, conversely, to faster wage growth at the lower ends of the earnings distribution. By specifically examining the determinants of wages throughout the distribution we more clearly understand the implications of the observed changes in wages.

The data for our analysis are the 1980–2000 Integrated Public Use Microdata Samples (IPUMS) of the Decennial Census, specifically weighted to identify the Appalachian region. While our primary focus is comparing Appalachia to the rest of the nation, we also separately compare changes in the wages of individuals living in urban and rural areas in the two regions separately.

Our results indicate that men and women in Appalachia came ‘down from the mountain’ in the 1980s and 1990s and significantly upgraded their human capital in terms of education attainment compared to men and women in the rest of the nation. This relative skill upgrading prevented the wages of Appalachians from falling further behind those outside the region during the period of widening inequality overall. As a consequence, the wage distribution for men in Appalachia compared to non-Appalachia is less due to demographic shortfalls than to differences in returns to important skills such as education and expe-

rience, the latter of which appears to be driven in large part by the relative decline in returns to schooling in Appalachia over the past two decades. At the same time, however, for men we find that skill shortages remain more pronounced at the high end of the wage distribution.

One possible explanation for our results in that Appalachia suffers from “missing markets”—the double jeopardy of a lack of high skilled workers coupled with lower returns on those skills. Perhaps surprisingly, this is most pronounced in the urban areas of Appalachia and not the rural areas. Indeed, the wage gap between rural Appalachia and the rest of rural America is virtually nonexistent—the wage gap between the two regions is driven by lower wages in the urban areas of Appalachia. The policy response to such missing markets in urban Appalachia is not clear ex ante. It may involve efforts to develop high-skill jobs that encourage higher-educated Appalachians to remain in the region rather than migrate to higher returns in other areas of the United States, more heavily subsidizing college-level degree programs, or policies that foster migration to high return areas. To more effectively inform policy on efficiency grounds, further evidence is needed on the presence or absence of region-specific externalities.

COST OF LIVING AND THE SUPPLEMENTAL POVERTY MEASURE

A Research Forum sponsored by

University of Kentucky Center for Poverty Research

U.S. Census Bureau

The Brookings Institution

Thursday April 28, 2011

The Brookings Institution*

Program

10:00 a.m. Registration and Coffee

10:30 a.m. Welcome and Introductions: James Ziliak, Donald Oellrich, David Johnson, Ron Haskins

10:45 a.m. Trudi Renwick, Census Bureau

Geographic Adjustment and the Supplemental Poverty Measure

11:15 a.m. Bettina Aten, Bureau of Economic Analysis

Regional Price Parities: 2005-2009

11:45 a.m. Paul Sullivan, Bureau of Labor Statistics

Inter-Area Price Indices and Regional Cost of Living

12:15 p.m. Lunch

1:00 p.m. Keynote Address

Angus Deaton, Princeton University

Price Indices and the Measurement of Well Being

2:00 p.m. Break

2:15 p.m. Roundtable Discussion

Moderator: Ron Haskins, Brookings Institution

Discussants: David Albouy, University of Michigan

Dan Black, University of Chicago

Edward Glaeser, Harvard University

Barry Hirsch, Georgia State University

Stuart Rosenthal, Syracuse University

Edgar Olsen, University of Virginia

4:00 p.m. Adjourn

*Attendance is by invitation only.



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