

Chapter 1

Introduction: Opportunity in America— Setting the Stage

Henry Braun and Irwin Kirsch

Abstract Opportunity has long been the bedrock of American society. Today, however, the solid foundation that once grounded the lives of millions is fracturing along economic and social lines. Human capital, encompassing a broad set of cognitive and interpersonal skills, has become increasingly important in determining labor market outcomes as the evolving economic landscape, shaped by the interplay of globalization and technology, as well as governmental and business policies, changes who is working and what they are paid. There is now also a tighter link between human and social capital, which is the set of networks, norms, and values that serve to foster development and success. The strengthening of this relationship has contributed to a polarization in the accumulation of human and social capital that translates into distinctly different life outcomes for individuals. This changing landscape also affects the intergenerational transmission of opportunity, with children’s circumstances at birth becoming more determinative of their prospects as adults. This introduction sets the stage for the chapters that follow, which offer perspectives on opportunity from fields ranging from education and demography to economics and political science. The authors of these chapters, national leaders in their fields, offer their insights into policies and practices that could help us move forward to improve equality of opportunity and better realize America’s values and ideals.

Keywords Opportunity transmission • Skills • Human capital • Social capital • Education funding • Race/ethnicity • Socioeconomic status • Segregation • Labor market • Wages • Unemployment • Family income • Standards-based reform • Apprenticeship • Indicators • American Dream

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Introduction

Opportunity has long been the bedrock of American society. Although, as a country, we have never fully realized the ideal of opportunity for all, most Americans have believed that with hard work and a little luck it was possible for them to make a better life for themselves and their children. Today the experience of increasing numbers of Americans tells a vastly different story. The solid foundation that once grounded the lives of many is fracturing along economic and social lines.

Our current economic landscape has been shaped by the complex interplay of globalization and technology as well as national and state policies. Many of the resulting changes have been positive. But the technology-driven globalized economy has also had devastating consequences for many American workers. It has changed who is working, where they work, and what they are paid. As a result of increasingly sophisticated technology, millions of jobs have simply disappeared. Assembly line jobs have been replaced by industrial robots, scanners are doing the work of grocery store cashiers, and software has been developed to handle routine administrative jobs formerly performed by bookkeepers and payroll clerks. Other jobs have been shipped overseas to take advantage of low-cost labor. Production jobs associated with apparel manufacturing or the assembly of electronic components, as well as service jobs at help desks and call centers, are just a few examples.

One outcome of this changing economic landscape is that the broad set of skills that constitutes human capital has become increasingly important in determining employment and wages. Critical skill sets extend beyond proficiency in reading, math, and writing to include analytical, technical, problem solving, and communication skills. Rapidly evolving technologies and a job market where the average worker can expect to change jobs multiple times over his or her career have also put demands on individuals to be increasingly nimble and able to learn on their own. In the fast-paced competitive global marketplace, those who can bring higher-level skills and the flexibility to adapt are in demand. Those without such skills are lagging behind.

The growing importance of skills is not confined to the workplace. Many of the everyday tasks required to manage our lives and plan for the future are becoming increasingly complex as well. Whether we are paying bills online, using the Internet to look for a job or complete a class assignment, or taking on responsibilities that were once handled by employers such as selecting a health care plan or managing a retirement account, skills matter more in daily life as well as on the job.

Just as changes in the economic landscape have increased the importance of human capital, changes in the social landscape have affected the ability of individuals to develop positive social capital, or the set of networks, norms, and values that serve to foster development and success. In previous generations, strong social networks and common norms of civic engagement that constitute social capital transcended socioeconomic classes. People tended to vote at similar rates regardless of their education levels; marriage rates were similar in both affluent and disadvantaged

communities; and children in most neighborhoods participated in sports and clubs. But over the past generation or two, social capital has become more strongly related to human capital; that is, those with limited human capital are even more disadvantaged because they often lack necessary social capital, and those with more human capital tend to have the networks, norms, and behaviors that provide the most benefit in today's environment.

Educational Testing Service's *Opportunity in America* initiative defines opportunity as pathways to the development of human and social capital. Those pathways may be more or less open for individuals based on the circumstances into which they are born and the trajectory of their lives. The presence or absence of opportunities to develop human and social capital, as well as the choices individuals make to take advantage (or not) of those opportunities, translate into distinctly different life outcomes and, as the generational cycle continues, lead to differential prospects for their children.

This transmission of opportunity from one generation to the next is driven by the dynamics of advantage or disadvantage, with one advantage building upon another for some children, while one disadvantage is compounded by the next for others. The result is diverging destinies that are increasingly defined by circumstances of birth. While birth circumstances have always impacted an individual's life chances, today's children are being born into an America that is increasingly polarized along economic, educational, and social lines, an America where it is harder to make up for early gaps in opportunities to develop human and social capital. This is not in anyone's best interests. It not only impacts this generation and the next, but also the very quality of our society and, ultimately, our democracy.

This volume is an important part of the ETS initiative, which is designed to advance the national conversation about opportunity in America, as it serves as the empirical undergirding for the other parts. The chapters address a number of topics and perspectives ranging from education and demography to economics and political science. The authors shed light on a variety of issues and challenges regarding inequality of opportunity, but they also offer insights into policies and practices that could help us think anew about how to move in a direction that is more in keeping with our national values and ideals.

Of course, it is obvious that a single volume, no matter how rich, cannot hope to capture the full complexity of the current situation. There are multiple forces and policies acting at different levels: supranational, national, regional, and local. Supranational forces like globalization, the accelerating infusion of technology into different workplaces, the increasing power and reach of information and communication technology, and even cultural shifts are not easily tamed at the national level. But other forces are driven by policies adopted by various levels of government. They range from national economic and social welfare policies to state laws governing education funding, collective bargaining and right to work, and local zoning ordinances. These forces interact in complex ways over time that shape trends in opportunity. Moreover, the dynamics play out in systematically different ways depending on location, race/ethnicity, socioeconomic status, and other factors. Thus, we should always bear in mind that oft-cited national averages can conceal

more than they reveal and that countervailing policies and interventions must take into account local realities if they are to achieve even a modicum of success.

Description of the Volume

This volume is divided into five parts. Part I comprises Chaps. 2 through 5 and sets a context for understanding opportunity in America. Part II includes Chaps. 6 and 7, each focusing on labor market issues as they relate to opportunity. Chapters 8 through 11 make up Part III and explore the relationship between education and opportunity. Part IV looks at opportunity through the political lens. It includes Chaps. 12 and 13. In Part V, a concluding epilogue looks at the concept of inclusive prosperity.

Part I: Understanding Where We Are Today

Chapter 2 by Douglas S. Massey and Jonathan Tannen describes trends in residential segregation by race and income. Through striking contrasts between affluent Whites and poor Blacks with respect to social and economic resources, they highlight the importance of place in determining individuals' life chances. In particular, they note that even today, approximately one-third of Blacks living in metropolitan areas reside in so-called hypersegregated neighborhoods, generally characterized by failing schools, high crime rates, and few possibilities for employment (see also Wilson 2011). Similar trends appear to be developing for Hispanics. Massey and Tannen conclude as they began with the assertion that "residential segregation is the structural linchpin of America's system of racial stratification."

The magisterial Chap. 3 by Carl Kaestle chronicles governmental efforts in education since the mid-19th century, with greater attention to more recent history and the ongoing tension between traditionalists, who favor local control, and those who argue that greater central authority is essential to achieving broader improvement in educational outcomes. From his historical analysis he draws conclusions regarding both the limits of governmental action (at different levels) and the policies that could contribute to greater equity in educational outcomes.

Chapter 4, by Bruce Baker, Danielle Farrie, and David G. Sciarra, tackles the current state of public education finance, with particular reference to the twin goals of equal educational opportunity and educational adequacy. It is commonsensical that districts serving more disadvantaged students require more resources per capita to approach educational equity. In most states that is the case, at least to some degree, but most have also lost ground during and since the Great Recession. Extra resources directed at more poorly funded districts matter, as the authors demonstrate, because they typically result in improvement in factors associated with greater student learning, such as smaller class sizes, more competitive teacher

wages, and better instructional support. Inadequate funding continues to plague the drive to provide appropriate resources to those who need them the most.

Chapter 5 by Henry Braun begins by reviewing trends in income inequality over the last four decades, highlighting the increasing gaps, especially since the late 1990s. He argues that greater separation between rungs of the income ladder has implications not only for individuals but also for civil society and the democratic polity. Keeping with the definition of opportunity as pathways to developing human and social capital, Braun proposes a tripartite framework of *Gates*, *Gaps* and *Gradients* to aid in both understanding and communicating the complex dynamics that shape children's developmental trajectories. He notes that we are experiencing an accelerating accumulation of advantage—or disadvantage—that is leading to an ever-greater divergence in adult outcomes, with clear implications for the prospects of the next generation, and concludes with some reflections on how we can begin to reverse these trends.

Part II: The Labor Market

Chapter 6, by Jared Bernstein, focuses on wages. He reviews wage trends over the last 35 years and offers strong empirical evidence of wage stagnation, or even decline, at all but the highest levels of educational attainment while noting some important differences in the experiences of men and women at comparable educational levels. He then presents a critical examination of the various explanations for the observed wage trends, including skill-biased technological change. He argues that although none of these explanations offer a complete answer, they each offer some insight. Bernstein concludes that the most powerful antidotes to the current situation would be the reduction in labor market slack and the strengthening of labor market institutions and standards. Such changes would be particularly beneficial to workers at the lower end of the income scale. However, given the political gridlock in Washington, a systemic approach to labor market issues is not likely and one can only hope for some piecemeal improvement and policy advances at the state or local levels. Recent success in raising the minimum wage in some cities is an example of such advances.

Chapter 7, by Ishwar Khatiwada and Andrew M. Sum, deals primarily with labor market participation and presents a wealth of relevant data drawn from a number of sources. Arguing that the much-cited unemployment rate gives a grossly incomplete picture of labor market participation, they define *labor underutilization* as the sum of unemployed, underemployed (those who are working part time but cannot obtain full-time work), and hidden unemployed (those who have stopped looking for a job but want to be in the full-time work force), divided by the total civilian labor force.

With that definition, in 2013–2014, the underutilization rates varied from 2.9 % for individuals with master's or higher degrees to 13.9 % for those with neither a high school diploma nor a GED. Although the rates increased for all groups since 1999–2000, the lower the educational attainment, the greater the increase.

Correspondingly, over the same period, employment/population ratios fell dramatically, especially for younger, minority youths. Of course, being underutilized not only affects individual and household income but has implications for the timing of other life milestones such as family formation and establishing a stable residence. They conclude that over the last 15 years or so, the labor market has not only seen a marked increase in inequality related to socioeconomic status but also considerable variation by location and race/ethnicity. They assert that a “full employment” economy would do much to reduce overall underutilization rates as well as the stark inequalities now extant.

Part III: Education and Opportunity

Chapter 8, by Timothy M. (Tim) Smeeding, focuses on early development from conception to entry into kindergarten. Marshalling a wealth of empirical evidence, as well as recent scientific research, he constructs a strong argument for the role of contextual factors in shaping opportunity and the resulting accumulation of human and social capital. These factors comprise family structure and maternal health, family income and wealth, parenting practices, social institutions, and neighborhood characteristics. He employs the term *dynamic complementarity* to describe how the concatenation of advantages (i.e., open gates to opportunity) results in the amplification of their individual effects (compare to Heckman on the virtuous cycle begun by effective early interventions; Heckman and Masterov 2007; Heckman and Mosso 2014). He expresses grave concerns regarding the implications of current trends in inequality of opportunity for intergenerational mobility and, like Braun, offers some policy prescriptions for halting the polarization we are now observing.

In Chap. 9, Jennifer O’Day and Marshall S. Smith address the role of schooling in leveling the playing field of opportunity. They argue that, in many districts across the country, systemic problems, along with discriminatory practices and general dysfunction in many schools, leave millions of disadvantaged students behind. When compounded by a range of neighborhood deficits, including a severe lack of resources, the result is that these students fail to gain the skills they need to realize their legitimate aspirations. Sifting through the history of 50 years of educational reform, the authors distill five key lessons to guide future efforts—efforts that should be systemic and sustained. They propose a high-level, three-pronged strategy to improve educational achievement as well as suggestions on the roles best played by different stakeholders including governments, educators, and communities. Through their elaboration of this strategy they are, in effect, offering a radical updating of the standards-based reform strategy contained in their seminal papers of the early 1990s (Smith and O’Day 1991; O’Day and Smith 1993). The chapter concludes with a review of current developments in education finance and policy in California and speculates on what this might portend for the country as a whole (Kirst 2013).

Chapter 10, by Robert I. Lerman, argues that an expanded, properly supported initiative on apprenticeship would be a powerful and cost-effective strategy to prepare tens of thousands of young adults for technical occupations that lead to middle class wages and benefits. Unlike other countries, notably Germany, the U.S. does not have a good track record with regard to apprenticeships, although Lerman is able to cite some current examples. He argues that a range of robust apprenticeship programs would not only benefit students who would otherwise drop out of high school or graduate with weak skills and no relevant work experience, but also employers who would have access to trained, entry-level employees and the capacity to upgrade their workplace. He concludes with a set of strategies to move the apprenticeship initiative forward, drawing on recent experiences in Great Britain as well as in some states. While recognizing that political and financial obstacles remain, he is guardedly optimistic about the future of the initiative.

In Chap. 11, Harry J. Holzer addresses the problem that too many students from disadvantaged backgrounds, even those who enroll in tertiary education programs, fail to accumulate sufficient human capital to enable them to compete successfully in the job market. The causes are many, including weak preparation in K-12, poor counseling (or none at all), attendance at typically lower resourced institutions (e.g., community colleges), and low completion rates (especially at proprietary institutions), among others. Complementing Lerman's chapter, Holzer's argues that, in view of the variety of needs and challenges, the U.S. must initiate or strengthen a broad range of policies and practices to improve the labor market outcomes for these students. That range encompasses better high school-to-work pathways (e.g., apprenticeships and career technical education), alternative postsecondary options linked to local labor market needs, and substantially higher completion rates at two- and four-year institutions. While acknowledging that the long-term success of any or all of these policies depends in large part on trends in the labor market, he argues that a more coherent and focused public investment strategy is essential to reducing the opportunity gap we now have.

Part IV: Politics and the Road Ahead

Chapter 12 by Leslie McCall offers empirically grounded insights into the public's views on the causes of the present state of inequality of opportunity and economic outcomes, as well as the implications for themselves and their families. She identifies three potential policy responses and explores their relationships both to historic norms and to a range of current conceptions of what would characterize a fair society. The data presented display a general decline in belief in the American Dream. For example, over the period 2001–2012, in response to the question, "How satisfied are you with the opportunity for someone in this nation to get ahead by working hard?", the percentage of the public that responded very or somewhat satisfied declined from 76 to 53 %. In other graphs and tables she further documents this decline, as well as a substantial divergence in views between the general public and those residing comfortably at the top of the income/wealth ladder. She concludes with consideration of a set of linked

policy options that are most in line with a majority of the public who, she believes, are less polarized on these issues than their political representatives. What is missing, she argues, is innovative political/economic leadership that, building on local initiatives, could forge a national commitment to shared prosperity that would, over time, reduce class-based advantages in the intergenerational transmission of opportunity.

Chapter 13, by Richard V. Reeves, focuses on indicators, that is, summary statistics or metrics that can be used to describe a current state and, when collected systematically over time, can reveal trends to inform policy makers and other stakeholders. He maintains that if America is to have an “opportunity policy agenda,” then “indicators are necessary to guide policy, drive data collection strategies, and measure progress.”¹ In this regard, he offers both a short history and a useful taxonomy. He asserts that it is important to have clear policy goals in order for the selected indicators, as well as the investments that must be made in collecting, analyzing, and summarizing the needed data, to be as productive as possible. Reeves offers as one important opportunity-related goal an increase in relative intergenerational income mobility, adducing evidence that such mobility has been relatively flat in the U.S. but particularly “sticky” at the extremes of the income distribution. (The argument for indicators that he puts forward, however, is relevant to any policy goal.) Ideally, Reeves suggests, we should have a dashboard of opportunity indicators, ranging from short term to long term, at various levels of aggregation and based on data collected on regular schedules. Examples are drawn from a number of sources, including the United Kingdom and Colorado.

Part V: Seeking Inclusive Prosperity

Chapter 14 is a short epilogue by Chrystia Freeland. In it she maintains that if the U.S. is to be successful in reducing income inequality, it must do so not by a frontal attack on capitalism but by striving to reform market capitalism to move (back) to a model of inclusive prosperity so that national wealth can be more equally shared. In this effort, the support of some of the 1 %, and especially the 0.1 %, is crucial—and she quotes two of that elite group who believe the nation’s present course in the distribution of wealth is not sustainable. Although many would argue that the prospect of widespread support for these policies is highly unlikely, she cites a number of instances in the past where America’s business elite accepted financial sacrifices for the common good. Perhaps one more such occurrence is not beyond the realm of possibility!

Conclusion

One cannot read the chapters in this volume without developing both a sense of dread and a feeling of hope. It is evident that there are two Americas: one where opportunities abound, adults are able to navigate rough economic seas, and their

¹For an extended treatment of the use of indicators to monitor public policies and public services, see Bird et al. (2005).

children inherit compounding advantages that enable them to thrive in their own right, and the other where opportunities are scarce, adults struggle on a daily basis, and their children inherit compounding disadvantages as a result of the closed gates along their developmental trajectories. Significant and growing gaps across a range of domains not only shape individual lives but also the very fabric of society. Although there are some who remain unfazed by the specter of increasing inequality of opportunity, most express grave concerns about the future if the forces and policies driving us apart remain unchecked. They argue that it is long past time to take constructive action to reverse the effects of these forces and policies.

The rhetoric of the American Dream is not only uplifting but also highly motivating. Across the country, local communities and even whole regions are coming together to understand their present situation and to plan and implement countervailing strategies. The chapters in this volume call out a number of these efforts and offer suggestions for how we can move forward—strategically and tactically—with both efficacy and efficiency. We agree that there is hope but that the scope and pace of action are yet inadequate to the challenge. The modest goal of this volume is to help to catalyze an ongoing national conversation by contributing an accessible and empirically grounded understanding of America’s recent past and possible futures. By taking ambitious actions at scale over a long period of time, we believe that it is still possible to avert the bleak future that otherwise lies ahead.

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