

Reduce Poverty and Promote Opportunity

FEDERAL POLICY RECOMMENDATIONS

Create more jobs with better wages and benefits that meet the needs of families.

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Support increases in wages and refundable income tax credits and back programs that encourage sound finances and adequate savings.

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Support programs and policies that provide children and teens with the opportunities, role models, and incentives they need to stay in school and become successful adults.

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Implement a new, more accurate measure of poverty in this country.

Growing numbers of Americans and political leaders recognize that reducing poverty is no longer something our country can afford to put off for another day. With unemployment rates predicted to rise as high as 9 percent in the fourth quarter of 2009, poverty has become an immediate concern not only for individuals and families, but for the economy as a whole. More than 37 million people, including 13.3 million children, currently live below the official poverty level, which today stands at \$21,203 for a family of four. If unemployment continues to rise during this recession, the number of people in poverty is expected to increase by as much as 10.3 million overall and by up to 2 million for children. Those living in extreme poverty (half the poverty level) would climb to between 4.5 and 6.3 million, according to a recent analysis by the Center on Budget and Policy Priorities.

Today, more than ever, we need creative and effective federal policies that enable families and future generations to build a better life and achieve the American dream. For more than 15 years the Annie E. Casey Foundation has partnered with agencies, organizations, and policy leaders to confront the problem of child poverty. Through that work we have come to believe that in addition to providing help to those in need, including adequate nutrition, housing, health and child care, effective poverty reduction efforts must take a *two-generational approach*. Such an approach would stabilize and strengthen the economic conditions of an adult generation of workers marginalized by global market forces, helping them increase their incomes, build savings and assets, and stabilize their finances. At the same time, this strategy would equip their children with the knowledge, skills, experiences, values, and opportunities necessary to participate fully in the mainstream economy when they grow up.

The success of this agenda hinges on fostering a broad-based, *common sense consensus* across ideological and partisan lines that:

- Promotes workforce participation through increased attention to job creation and skill development;

- Provides low-income workers with the supports they need to get and keep good jobs and build assets and savings; and
- Gives children and youth the opportunities, resources and role models necessary to become successful adults.

Additionally, creating effective policy must include an accurate measure of who is in need. This can only be achieved by an overhaul of the outdated federal poverty measure.

While elements of these policy prongs are often embraced by one political side or the other, at Casey we have learned that it is the combination of these approaches that stand the best chance for cutting the nation's poverty rate in half in less than a generation and ensuring that true, transformative change will occur in the lives of children and their families.

Jobs, Earnings, and Workforce Participation

Factors such as globalization and the growing need for high-tech training have resulted in increasing job instability and earnings declines for many American workers. Today's workers must compete with labor in other countries that have lower earnings expectations and lower living standards. Even without global labor competition, the decline in manufacturing jobs in this country has created an expanding wage gap for workers who don't have the education and training to compete for jobs requiring high-tech skills. For several decades, these factors have been pushing growing numbers of asset-holding, low-middle-class American workers into poverty.

Recommendation:

Create more jobs with better wages and benefits that meet the needs of families, while providing workers with the skills and resources they need to participate in the new economy.

- *Support national infrastructure and environmental projects that will increase the supply of quality jobs.* Decades of experience with our Family Economic Success initiatives have given the Casey Foundation a deep understanding of how to steer free markets to work better for low-income families. We recommend policies that promote sector-based job creation and workforce participation, such as investing in new technologies, green jobs, and community

infrastructure. The imperative here is not simply to provide a short-term stimulus for a recessionary slump, but to create a new domestic sector that would supplement manufacturing and complement information technology, spinning off jobs and buffering the economy for decades to come.

- *Expand workforce development partnerships and other innovations that have shown success during the past decade in training those who lack the skills to succeed in today's increasingly high-tech workforce.* This includes “earn and learn” initiatives like YearUp, a year-long intensive training program that provides 18- to 24-year-olds who live in urban areas with hands-on skills development, college credits, and corporate apprenticeships in administrative and other back-office positions. The federal government should also play a direct role in funding public-philanthropic partnerships, such as the National Fund for Workforce Solutions, a collaboration of foundations that currently supports job-training partnerships in more than 20 sites across the country. Finally, existing government workforce investment programs, such as the Workforce Investment Act, need a funding infusion after years of inadequate support to ensure that the training and services they provide meet the needs of today's workforce.
- *Ensure that economic recovery initiatives include money and resources for low-income families and communities.* Struggling communities and the low-skilled workers who live in them must be clear beneficiaries as the country seeks to repair the nation's roads, bridges, and schools; to create more-efficient energy sources; and to reform the health care system. That means providing low-skilled workers with the training necessary to take advantage of job opportunities created by these initiatives. And it means insisting that urban and rural areas that have suffered from years of neglect are a key element of any plans to revitalize the nation's infrastructure.
- *Support federal legislation establishing comprehensive national paid family and sick leave and expand the Family and Medical Leave Act.* Too often low-income workers are forced to choose between staying home with a sick child and sacrificing their pay checks or even their jobs. No parent should have to make that choice. States should be encouraged to adopt paid leave with the help of federal government funding that offsets the initial costs to employers and employees. The Family and Medical Leave Act should also be expanded to cover businesses with 25 or more employees and should allow parents to take time off to attend parent-teacher conferences and other school activities.

- *Expand and improve jobs in rural areas hit hard by the collapse of traditional industries.* More than one in five rural children are poor and that number is likely to grow as globalization and the recession continue to erode both traditional rural jobs in agriculture, timber, mining, and textiles as well as jobs in the retail and service sectors. To address this problem, the federal government should support a range of programs aimed at helping businesses and creating jobs. These include expanding broadband Internet access so that rural businesses can link up with the global economy; increasing funding for community colleges, which serve as a critical link to workforce development in rural areas; and providing capital and loan guarantees to rural employers to create more quality jobs.

Income and Assets

Low-income families must stretch to meet basic expenses and usually have little or no savings to fall back on during tough times. A vastly expanded national investment in wage and work supports will help families make “work, work” for themselves and their children as they struggle to build a more stable future. These families are also especially vulnerable to overpriced financial services, such as high-cost loans, home mortgages, check cashing, consumer credit, and tax preparation. Many are left deeply in debt by these wealth-stripping practices, making it difficult for them to access loans for education, training, and homeownership. Compounding their problems, low-income families often live in communities where the cost of basic goods, such as food, is higher than the norm.

Recommendation:

Support increases in wages and refundable income tax credits and back programs that encourage sound finances and adequate savings.

- *Pass legislation increasing and indexing the federal minimum wage, restoring it to 50 percent of the average wage or about \$8.40 an hour in 2006.* Taking this action would immediately increase the incomes of nearly 5 million poor workers and nearly 10 million low-income workers. While many business owners warn that raising the minimum wage will force them to lay off workers to contain costs, there is no evidence of job loss from previous minimum wage increases. New economic models that look specifically at low-wage labor markets suggest that employers may be able to absorb some of the costs of a wage increase through higher productivity, lower recruiting and training costs, decreased absenteeism, and increased worker morale.

- *Triple the Earned Income Tax Credit for childless workers and expand the use of tax credits that are refundable so that families who don't earn enough to pay taxes get the credit as a refund.* The EITC is one of the most effective anti-poverty measures ever created, lifting nearly 5 million people above the poverty line each year. Through Casey's National Tax Assistance for Working Families Campaign we have seen the profound impact the EITC can have on the ability of families to build assets and achieve financial stability. We encourage the passage of legislation that expands the EITC benefit for childless workers and includes provisions for testing and evaluating a more generous future expansion. The new \$500 refundable "worker's credit" proposed by President Obama would achieve some of the same improvements. We also urge that the EITC benefit for larger families be increased.
- *Make the Child Tax Credit available to more low-income families by lowering the eligibility threshold.* The Child Tax Credit provides a tax credit of up to \$1,000 per child, but provides no help to the poorest families – those with incomes below \$12,050. We recommend making the Child Tax Credit available to more low-income families by lowering the threshold to \$3,000, or lower. Taking this action would move millions of children out of poverty.
- *Support measures that guarantee child care assistance for low-income families.* We propose that the federal and state governments guarantee child care help to families with incomes below about \$40,000 a year, with expanded tax help to higher-earning families. At the same time, states should be encouraged to improve the quality of early education and broaden access for all children. Child care expansion encompasses the two-generational approach to fighting poverty by raising employment among low-income parents as it helps children get the care they need while their parents are at work.
- *Expand mortgage assistance programs and enact new federal legislation to curb predatory lending to protect low-income families from unscrupulous lenders.* Homeownership in this country has historically been a good investment for families and a buffer against poverty. The current housing crisis and rise in predatory lending practices have altered that equation. The Casey Foundation strongly supports strengthening federal incentives to prevent foreclosures and boosting the availability of instruments that would fix bad loans, as well as providing counseling and legal assistance for those faced with foreclosure proceedings. To protect families from falling victim to predatory practices, home-buyer education programs should also be readily available in low-income communities.

- *Increase access to reputable, comprehensive mainstream financial products and services in low-income communities so that families can build assets and save for education, homeownership, and retirement.* The lack of financial services in many neighborhoods, results in low-income families turning to “non-bank” alternatives such as high-cost payday lenders, check cashers, and pawn shops. In order to save and build assets, families in every community need access to low-cost, conveniently located financial services. The federal government can help by providing seed money for banks and other financial services companies to develop products that would help consumers gain access to free or low-cost bank accounts and loans in their communities. These include programs like Bank On, which allows city governments to partner with local, mainstream financial institutions to promote savings and asset-building among low-income residents.
- *Reduce the disproportionately high cost of goods and services—the “high cost of being poor”—in poor communities.* Low-income families living in high-poverty communities end up paying far too much for many of life’s necessities: food, shelter, transportation, credit, and financial services. The federal government can help by supporting the expansion of programs that reduce costs and allow families to save, such as the Fresh Food Financing Initiative, which increases access to affordable, nutritious food and has resulted in dozens of supermarkets opening up in underserved communities throughout Pennsylvania.
- *Provide rural families with access to affordable, flexible transportation so that they can get to good jobs, quality schools, and health care that meets their needs.* Without a reliable car people living in rural areas are cut off from the jobs and services they need to support themselves and take care of their families. Because they don’t have good credit, many low-income people have a hard time getting a conventional loan to purchase a car and may turn to predatory lenders selling cars at inflated prices, with steep interest rates and payments. Often they end up with aging, unreliable gas guzzlers requiring sudden and costly repairs.

There are programs around the country that help people obtain low-cost financing for good cars, but they have limited funding and long waiting lists. The federal government should provide funding to enhance or create car ownership programs, including allowing the use of Individual Development Accounts (IDAs) for car purchases. IDAs are special savings accounts for very low-income individuals through which, as an incentive to save, a person’s contributions to the account are matched by public and private funding. Under current law, withdrawals can only be used for homeownership, post-secondary

education and starting a business. The rules should be expanded to include the purchase of a car, which is a vital tool as families work to build assets and save.

Opportunities, Supports, and Incentives

Without a healthy and happy start in life, children growing up in poverty are likely to fall into the same cycle of economic hardship as their parents. To close down the pipeline to poverty, children and youth need access to the opportunities, role models, and incentives that will set them on a path toward successful adulthood. They need to have the opportunity to get a good education and receive the health care they need to stay fit and strong; they need role models who will encourage them to stay in school, avoid early pregnancy, and form families where both parents take responsibility for raising their children; and they need incentives to help them understand the short-term, as well as long-term, payoffs of working hard and getting ahead.

Recommendation:

Support programs and policies that provide children and teens with the opportunities, role models, and incentives they need to stay in school and become successful adults.

- *Expand the number of Career Academies to reduce high school drop-out rates.* A recent study of the 50 most populous cities in the country showed high school graduation rates of just 52 percent. The numbers are even worse for Latino and African-American children. To address this problem, we suggest an expansion of the more than 2,500 Career Academies currently operating in the United States. The academies provide a combination of academic and technical curricula, while linking students to local employers. Research shows the academies have been successful in decreasing drop-out rates and increasing employment for participants, especially when the programs target students at risk of dropping out. More recent evaluations also show increased earnings for Career Academy graduates compared to peers who did not attend these programs.
- *Require states to adopt a uniform definition of chronic early school absence and to regularly report the data.* Since chronic school absence in the early grades puts children at risk of later school failure, the federal government should require states to track when students miss extended periods of school, including excused and unexcused absences starting in kindergarten. Schools should also be required to regularly report chronic absence data in an easy to access format by

school and grade, and to consider this information in developing school improvement plans.

- *Strengthen proven interventions to reduce the number of teen and unwanted pregnancies.* New data from the National Center for Health Statistics show that the teen birth rate has increased for the first time in 14 years. According to the agency's final survey of 2006 birth data, the number of teens giving birth in the United States was up 3 percent between 2005 and 2006 after several years of decline. The United States cannot allow teen pregnancies to climb again. Research has shown that the 30 percent reduction in the teen birth rate between 1991 and 2002 accounted for 25 percent of the decline in children living in poverty. Indeed, without addressing teen pregnancy almost a half a million more children would have been in poverty in 2002. The federal government should expand programs such as the Casey Foundation's Plain Talk initiative, as well as other comprehensive family planning efforts that have demonstrated success in reducing teen and unwanted pregnancies.
- *Expand the use of conditional cash transfer programs to encourage healthy behavior and help shift cultural norms.* Conditional cash transfers provide a true, two-generational approach to changing personal behavior by rewarding positive parenting approaches that affect children's success. Under a pilot program recently implemented in New York City, participants can receive \$4,000 to \$6,000 annually per family when parents complete activities such as ensuring high levels of school attendance by their children, and attending health checkups, parent-teacher conferences, and parenting workshops and trainings. If such efforts prove successful in changing behaviors and helping families break the cycle of poverty, the federal government should replicate the program in targeted communities across the country.
- *Support and complete evaluations of three demonstration projects now underway to promote and sustain healthy marriages among vulnerable populations.* Strong families anchored by well-functioning marriages are vital to income security. The recently launched Healthy Marriages research demonstration project supports a wide range of activities aimed at strengthening marriages. These include programs that offer guidance to poor unwed parents to encourage fathers to provide support for their children and relationship education for low-income couples at risk of committing child abuse. If these programs are successful, they should be replicated in other communities. Likewise, the very promising federal initiatives that promote responsible fatherhood should be expanded and replicated.

Better Data

The Casey Foundation has long believed that good policy decisions start with sound data. Our annual *KIDS COUNT Data Book*, for example, uses the best available data to measure the educational, social, economic, and physical well-being of children, state by state. From our experience collecting and evaluating data, we believe it is imperative that policymakers take quick action to revamp the deeply flawed U.S. poverty measure. Developed in the early 1960s, the measure fails to account for a host of modern-day expenses as well as the government benefits that help low-income families stay out of poverty. We support guidelines developed by the National Academy of Sciences (NAS) that would overhaul what conservative scholar Nicholas Eberstadt of the American Enterprise Institute has dubbed “America’s worst statistical indicator.”

Recommendation:

Congress should implement a new and more accurate measure of poverty in this country.

- *Enact a new poverty measure that reflects what it costs today’s families to make ends meet.* The new measure should factor in current costs of health care, transportation, child care, housing, and utilities, as well as geographic cost-of-living differences – none of which are included in the current calculation.
- *Include non-cash income sources in government poverty calculations.* The current measure provides no indication of how well some of our key public investments in the economic well-being of low-income families are paying off. A revised poverty measure should include valuable non-cash benefits such as housing assistance, the Earned Income Tax Credit, the Child Tax Credit, and food stamps.

Conclusion

Helping the growing number of American families facing poverty today will require a coordinated, highly focused effort that cuts across ideological and partisan lines. At the Annie E. Casey Foundation we know that there are many concrete, practical strategies available that can quickly make a difference in the lives of millions of struggling families. It has become increasingly clear that the public is prepared to support such efforts. Now all we need is the political will to take the next step.

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A special policy issue of our newsletter, *Casey Connects*, and a series of issue briefs with our recommendations for reducing poverty, rebuilding child welfare, reforming juvenile justice, and improving data collection on children and families can be found on the Annie E. Casey Foundation's website: www.aecf.org.

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms, and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities, and neighborhoods fashion more innovative, cost-effective responses to these needs.