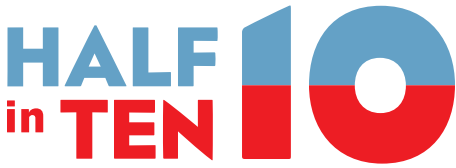




The Right Choices to Cut Poverty and Restore Shared Prosperity

Half in Ten Annual Report

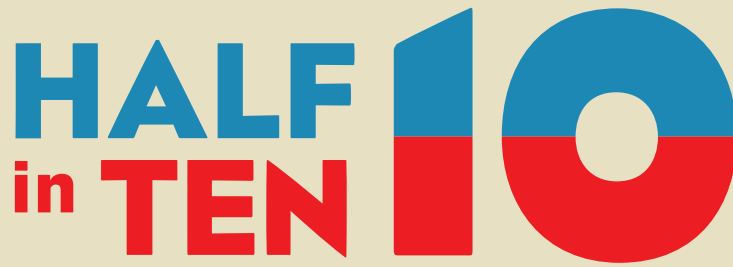
November 2012



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The Campaign to Cut Poverty in **Half in Ten** Years

Foreword

By Mayor Antonio R. Villaraigosa of Los Angeles

Mariana Jimenez is a first-generation resident of Los Angeles with a good job in financial services at Citibank. The first person in her family to have a professional career, Mariana has already received her first promotion after working at Citi for two-and-a-half years and is rapidly climbing the ladder to middle-class success.

But a few years ago, Mariana's future did not look so bright. With only a high school education, Mariana had for many years worked in a series of low-paying jobs, struggling to make ends meet. As she recalls, the doors of opportunity increasingly seemed to be closing in front of her. She wasn't developing her skills. Her economic prospects seemed to be dimming rapidly. In her words, "I didn't see a future for myself."¹

Mariana turned the corner when she enrolled in Los Angeles's BankWorks program. This workforce development initiative is a partnership between the office of the mayor of Los Angeles, the financial services industry, and the federally funded Workforce Investment Board. BankWorks prepares individuals for careers in financial services. It is one of nine job-sector training programs that we have developed to prepare inhabitants of Los Angeles for careers with solid long-term prospects in robust sectors of our economy.

When we hear or read about the statistics on poverty in the United States, we must remember that such numbers aren't just an economic abstraction. There are real people—real lives—behind the statistics—people including Mariana. That is why the fight for economic opportunity and initiatives such as Half in Ten are so important. They ensure that Mariana and the many people like her have access to the resources and opportunities they need to help put food on the table, access housing, find good jobs, and pursue the American Dream.

Mariana's story illustrates what is at stake in the current fight against economic inequality and poverty in America. Without a well-educated workforce, without consumers for American goods and services, without more and more Americans rising into the middle class, it will be extraordinarily difficult to grow the American economy and ensure its long-term competitiveness. This is why it is absolutely essential that we expand the pathways out of poverty. A strong, financially secure, and well-educated middle class is the engine of economic growth and a key guarantee of our country's long-term prosperity.

If we do not lessen the wealth gap in our country, we will continue to incur greater and greater social and human costs. Poverty is expensive. Young children who are poor suffer from toxic levels of stress, inconsistent health care, and inadequate nutrition. Experts at the Center for American Progress estimate that the cost of food insecurity alone is \$167.5 billion annually. And young people who do not get a good start in the labor market find it increasingly hard to get a job as they get older. Cutting poverty in this generation means more opportunity in the next.

This is why the fight against poverty is not just about putting in place the right programs and policies. The fight against poverty is also about principles. It is about equality and justice and ensuring opportunity for all Americans

regardless of creed, color, or conviction. When an ever-larger portion of our society feels that prosperity and economic security are out of reach, it undermines the values that are at the heart of American democracy.

The Half in Ten campaign sets forth the goal of cutting poverty in half in a decade. This is an ambitious goal to be sure, but it is also achievable. In the past America has made impressive strides in alleviating economic inequality. And we have a set of programs and initiatives—Social Security, the Supplemental Nutrition Assistance Program, the earned income tax credit, among others—that are demonstrably instrumental in the fight against poverty.

This report tracks the economic and social indicators of poverty in the United States from 2010 and 2011. It also provides an account of where we have made progress and where we need to redouble our efforts.

Mariana Jimenez speaks of her accomplishments with justifiable pride. In fact, when she graduated from BankWorks, she had multiple job offers. Her success in starting a new career has made her more confident, has enhanced her economic security, and has made her more goal-oriented. All Americans deserve opportunities similar to Mariana's. Now is the time for a concerted effort to make economic opportunity a reality.

¹ User JVSLosAngeles, "BankWork\$: Profiles in Success," YouTube, June 3, 2011, available at http://www.youtube.com/watch?v=m5utPG2_MTo&feature=relmfu; User JVSLosAngeles, "JVS BankWorks Grad Mariana Jimenez introduced by Mayor Antonio Villaraigosa," YouTube, March 15, 2012, available at <http://www.youtube.com/watch?v=AclhZZ1HDKA&feature=relmfu>.

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Introduction and summary

By Erik R. Stegman and Melissa Boteach



Carla Silvestre, 4, and Frankie Galarza, 4, left rear sitting, follow along as they read through a nutrition booklet while attending a nutrition education class at the Dallas County Women, Infants and Children Program office in Dallas. The office provides food stamps, help with healthcare and education to new and expectant mothers.

ASSOCIATED PRESS/TONY GUTIERREZ

In 2011 the official poverty rate in the United States was 15 percent, statistically unchanged from 2010. This means that 46.2 million people—or nearly one in six Americans—lived below the official poverty line of \$23,018 a year for a family of four.

Make no mistake—this lack of progress is not an accident. Widening income inequality over the past 40 years, the proliferation of low-wage work with poverty-level wages, and conservative obstructionism on creating jobs are stalling progress on advancing our goal of cutting poverty in half in 10 years.



None of these trends is inevitable. We have the tools to make significant gains in reducing U.S. poverty—a goal that, if achieved, would bring millions of Americans into the middle class, grow our economy, and enhance our economic competitiveness. We have the resources to accomplish this goal even as we tackle our long-term deficits.¹ Whether or not we achieve our target is a matter of political and public will and the choices we make.

The policy decisions ahead of us over the next year represent fundamentally different visions of what makes a strong and prosperous America. As our leaders determine how to move forward, austerity policies that continue to weigh on low-income families will severely harm our economy in the long run, short-changing our future workforce and reducing our economic competitiveness. Cutting the federal deficit doesn't have to happen at the expense of our country's most vulnerable citizens. In fact, bringing more families into the middle class is essential to cutting the deficit in the long term and returning America to a sustainable and prosperous future.

Half in Ten believes an alternative vision is possible—a path that prioritizes the creation of good jobs, supports strategies to strengthen families and communities, and provides greater economic security and opportunity by investing in education and workforce training, nutrition assistance, health care, affordable housing, and asset building for vulnerable families. These investments are possible in the context of long-term deficit reduction if we ask everyone to pay their fair share, curb system-wide long-term health care costs, and make strategic cuts in our defense spending that do not jeopardize our national security.²

By bringing people off of the economic margins and investing in their participation in shared economic prosperity, this plan will stabilize our long-term fiscal outlook, creating more taxpayers and greater economic growth.

Which path we take will determine whether or not we make progress on our goal of cutting poverty in half in 10 years. In 2011 Half in Ten started the clock, establishing a baseline for this goal and tracking progress along several indicators of success.³ Each indicator tells us something important about the economy, public policy, and

families struggling to make it. Each indicator's movement over the long term will depend on the policy choices we make at this critical point in

our nation's history. Below is a summary of some of the most important findings from this year's analysis of our indicators of poverty.

As our economy grew, so did income inequality

One of the most troubling findings from this year's data was the growth of income inequality. Even though the Great Recession ended three years ago, the gains of this recovery remain unshared. While incomes in the top 5 percent grew in 2011, the poverty rate did not budge that year and middle-class incomes declined.⁴

Income inequality is a new indicator for this year's report and shows that the top 20 percent of Americans take more than half of all income in the country (51.1 percent), with the top 5 percent alone earning 22.3 percent of income. In contrast, the bottom 20 percent brought in only 2.3 percent of all income, while the middle 60 percent captured only 45.7 percent of all income.⁵

Stagnant service incomes and the need for an improved minimum wage

The rise of income inequality hit workers in service occupations especially hard. Median weekly earnings for a full-time worker in service occupations in 2011 were \$486, or about \$24,300 annually. Adjusted for inflation, there was little or no change in service occupation pay between 2010 and 2011, or for that matter, since 2000.⁶ This proliferation of low-wage employment with over a decade of stagnant wages that do not keep up with the cost of living works against our future economic prosperity because it leaves few options as a pathway into the middle class and puts further strains on family economic security.

Stagnant wages point again to the importance of strong federal policies. One important way that Congress can improve the economic security of low-wage service workers is by adopting provisions in the Rebuild America Act that would increase the federal minimum wage to \$10 an hour and adjust it automatically each year for changes in the cost of living. The federal minimum wage used to be half the average wage, but now it has fallen to one-third of the average wage.



John Clark, right, plays with his son Logan Burban, 5, at their home, in Las Vegas. After two years of living with long-term unemployment, Clark, an ironworker, has gone back to school in hopes improving his family's life.

ASSOCIATED PRESS/JULIE JACOBSON

Unemployment insurance is a critical foundation to recovery

When family breadwinners lose their jobs through no fault of their own, unemployment insurance helps keep their families out of poverty. In fact, in 2011 unemployment insurance kept more than 2.3 million people out of poverty—fewer than in 2010, when 3.2 million people were lifted above the poverty line.

Unfortunately, a premature pullback in unemployment insurance between 2010 and 2011 probably dampened the powerful antipoverty effects of this program. According to the non-partisan Center on Budget and Policy Priorities, there was a \$36 billion inflation-adjusted decline (approximately 25 percent) in unemployment insurance payments from 2010 to 2011. This

was due in part to the positive trend of people finding jobs, but unfortunately many people “timed off” benefits, meaning they exhausted their benefits before finding a new job, leaving them with no income support or employment.⁷

In addition, more than a quarter of the decline, resulted from the expiration at the end of 2010 of the Federal Additional Compensation Program, an initiative that was part of the American Recovery and Reinvestment Act of 2009 (The Recovery Act) that provided an additional \$25 per week in unemployment benefits. This pullback is one key reason the poverty rate did not budge in 2011 despite a strengthening economy.

The importance of tax credits and nutrition assistance for working families

Although the traditional poverty indicator held steady this year after several years of getting worse, it didn't take into account some of the most important policy steps enacted by the Obama administration to alleviate hardship and provide a pathway back to the middle class for America's families. The American Recovery and Reinvestment Act included an expansion of the earned income tax credit and the child tax credit for working families. These expansions included making sure more earnings of low-wage workers were included in calculating their child tax credit, providing a larger earned income credit to families with 3 or more children and reducing the marriage penalty so as to not penalize formation of married-couple families.⁸

Unfortunately, the expansion of these two tax credits is set to expire at the end of the year. If Congress fails to act, millions of hard-working low-income families could be pushed into poverty or experience far deeper poverty than they

already do. Overall, the entire earned income tax credit kept 5.7 million people above the poverty line in 2011.⁹

Nutrition assistance was the other untold success story in this year's data. It played a major role in keeping people out of poverty, preventing a significant increase in the share of families struggling against hunger. Between 2007 and 2008, as our economy worsened in the run-up to the Great Recession, there was a big jump in household food insecurity. Yet as the official poverty rate rose dramatically between 2008 and 2009, food insecurity—a key indicator of family hardship and deprivation—did not.

This stability can be attributed in part to the expansion of the Supplemental Nutrition Assistance Program in the Recovery Act, which helped families afford food even as their incomes dropped. In fact, counting this nutrition aid as income would have lifted 3.9 million people above the poverty line in 2011.¹⁰

Health coverage on the rise due to early effects of the Affordable Care Act

One area where we saw some very promising progress was the health insurance coverage rate. The percentage of people without health insurance coverage went down this

year, falling to 15.7 percent in 2011 from 16.3 percent in 2010. Signed into law by President Barack Obama, the Patient Protection and Affordable Care Act of 2010 (The Affordable

Care Act) significantly expanded health care coverage for low-income Americans. This number only shows the early effects of the Affordable Care Act. In just over a year, other parts of the law will kick in and provide affordable health care access to millions of other Americans due to the law's premium tax credits and cost-sharing subsidies. Millions of lower-income Americans will also gain access to Medicaid.¹¹

Further expansion of coverage for those living in poverty, however, is under threat. A number of governors across the country are refusing new Medicaid funding provided under the Affordable Care Act, which is given to states to pay for almost all the new costs. The law's expansion of Medicaid, if fully implemented, would provide an additional 17 million poor and uninsured Americans with access to the program.

What's more, the House Republican budget proposes Medicaid cut of \$810 billion over 10 years by turning the program into a block grant to the states. Combined with an additional proposal to repeal the Affordable Care Act, over 30 million low-income Americans could lose Medicaid coverage.

While our economy is still in a fragile state of recovery, expanding access to health care for millions of Americans will put us on track to rebuild a prosperous economy and help us reduce the deficit in the future by curbing long-term health costs. Repealing the Affordable Care Act and rejecting its most important poverty-fighting attributes is the wrong way to go.

The choices ahead: Poverty reduction is central to long-term deficit reduction

These are only some of the key findings from our review of this year's poverty indicators. In the pages ahead, we take a much more in-depth look at each of our 21 indicators and explain whether they are moving in the right or wrong direction. Our first chapter tracks broad poverty indicators to gauge our overall progress in cutting poverty. The second chapter takes a closer look at the indicators that track how well we're doing at both creating good-quality jobs and training our citizens to thrive in them. The third chapter looks at what it takes to ensure

strong and cohesive families. Finally, our last chapter examines the economic security of America's families and highlights the policies that help them enter and stay in the middle class.

Now, more than ever, we are faced with serious choices about how to restore prosperity in the American economy and who gets to take part in it. Although deficit spending must be reduced in the long run to bring our economy forward, this report demonstrates that low- and middle-income families have shouldered



First graders Phantasia O'Neal, left, and Debbie Smith spend time reading in their class at Uniontown Elementary School in Uniontown, Ala.

ASSOCIATED PRESS/DAVE MARTIN

and continue to bear the greatest burden in the aftermath of the Great Recession.

Our broad base of federal programs such as nutrition assistance and unemployment insurance have been successful. But these programs cannot continue to help families get out of poverty and into the middle class when they are being cut at the time they are most needed.

One path ahead, as articulated by conservatives, is to offer additional tax cuts for millionaires while slashing investments that bring people into the middle class. The federal budget passed by Republicans in the House of Representatives (but blocked by a majority in the Senate) went so far as to get nearly two-

thirds of the cuts from programs helping low-income Americans.¹²

Slamming the poor, however, also slams the brakes on our economy. Leaving people on the economic margins reduces the number of consumers for American goods and services, and limits the potential of children who could be our next great entrepreneurs. In fact, child poverty lost our economy more than half a trillion dollars a year in increased health care costs, worse educational outcomes, lower worker productivity, and increased criminal justice expenditures.¹³

In short, by slowing our economic growth, increasing poverty hurts our long-term fiscal outlook.

Overall, we still have a long way to go toward meeting our goal of cutting poverty in half in 10 years. But, as we note above, these indicators point us to the policy solutions that

work—those that are necessary for strengthening our economy, reducing poverty, and cutting the deficit at the same time. We just have to make the right choices.

Endnotes

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- 2 Ibid.
- 3 Half in Ten, "The right choices to cut poverty and restore shared prosperity" (2011), available at <http://www.halfinten.org/indicators/publications/2010report>.
- 4 Carmen DeNavas-Walt, Bernadette D. Proctor, and Jessica C. Smith, "Income, Poverty, and Health Insurance Coverage in the United States: 2011" (Washington: U.S. Census Bureau, 2012).
- 5 Ibid.
- 6 Bureau of Labor Statistics, *Current Population Survey* (U.S. Department of Labor), available at <http://www.bls.gov/cps/cpsaat39.htm>.
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- 13 Harry Holzer, "Penny Wise, Pound Foolish: Why Tackling Child Poverty During the Great Recession Makes Economic Sense" (Washington: Half in Ten and Center for American Progress, 2010), available at http://www.americanprogress.org/issues/2010/09/hit_child_poverty.html.

CHAPTER ONE

Poverty in the United States today

Charting our nation's lack of progress in expanding the middle class

By Melissa Boteach



Volunteers Lavinia Link, left, and her 10-year-old daughter Jade work at the Oak Park-River Forest food pantry during the Thanksgiving season in Oak Park, Ill.

ASSOCIATED PRESS/CHARLES REX ARBOGAST

Half in Ten believes reducing poverty and expanding the middle class requires the federal government to prioritize the creation of good jobs; support strategies to strengthen families and communities; and provide greater economic security and opportunity by investing in education and workforce training, nutrition assistance, health care, and asset building for vulnerable families. These investments are possible in the context of long-term deficit reduction if we ask everyone to pay their fair share, curb long-term health care costs systemwide, and make strategic cuts in our defense spending that do not jeopardize our national security.¹



By bringing people off of the economic margins and investing in their participation in shared economic prosperity, this plan will also help stabilize our long-term fiscal outlook, creating more taxpayers and greater economic growth.

Last year Half in Ten started the clock on our 10-year plan to cut poverty in half in our nation by 2020, establishing a baseline for this goal and tracking progress along several indicators of success.² This chapter will examine our overall progress in cutting poverty in 2011, compared to 2010 and longer-term trends. The indicators of progress include the traditional poverty measure; the supplemental poverty measure, which takes into account a more complete set of income and expenses; and inequality as measured by income distribution in our economy. Each indicator tells us something important about the economy, public policy, and families struggling to make it. And each indicator's movement over the long term will depend on the policy choices we make at this critical point in our nation's history.

The poverty rate stays flat, even as the economy grows

The 46.2 million Americans in poverty in 2011 are statistically unchanged from last year. This means the poverty rate has gone up significantly in 7 of the past 11 years, rising even in the lead-up to the Great Recession of 2007–2009 as the economy was growing, but the gains were not trickling down to workers; rising even as the recession “officially” ended, but job growth has been slow to return.

This measure does not count the resources that many low-income families receive, such

as tax credits and nutrition assistance. And it does not account for the increased expenses that families face due to changes in our society, among them increased child care and medical costs. Nonetheless, the basic poverty data is informative in showing how much incomes have dropped for a shocking number of Americans who either cannot find full-time work, have wages so low that they cannot support a family, or cannot access the levels of necessary income assistance to scrape by if they are seniors, people with disabilities, or otherwise unable to work.

It is important to note that the data present only a snapshot of how many people lived in poverty for the year as a whole in 2011. But recent longitudinal data showed that more people are cycling in and out of poverty than our public discourse indicates. Between 2009 and 2010, for example, more than a quarter (28 percent) of the population was in poverty for two or more months, though only 4.8 percent of the population was in poverty the whole two years.

In addition to a stagnant poverty rate, the number and the share of Americans living in deep poverty also remained unchanged in 2011, with more than 20 million Americans living on less than \$11,500 a year for a family of four.

Income assistance used to play a more prominent role in preventing families who fell on hard times from experiencing extreme forms of hardship that often accompany deep levels of poverty. But since Temporary Assistance for Needy Families was enacted in 1996, the share of Americans in deep poverty rose from 5.4 percent in 1997 to 6.6 percent in 2011 because this income supplement has largely disappeared from the landscape. Prior to the enactment of this law, 68 percent of poor families with children received income assistance, while today that number stands at just 27 percent.³

The structure of the Temporary Assistance for Needy Families program provides capped payments to states regardless of rising levels of hardship, allows states to shift income assistance funds to other services, and provides little flexibility for poor families to meet the work requirements in a tough economy. And

because the block grant was not indexed to inflation, the real value of federal payments to states has declined by 30 percent since 1997, a year when the unemployment rate was at just 4.9 percent.⁴ All of these factors have played a role in the virtual disappearance of this form of income assistance.

As our Family Economic Security chapter on page 82 demonstrates, the disappearance of this form of temporary help carries dramatic consequences for families experiencing poverty. The declining number of Americans in deep poverty who do not or cannot tap Temporary Assistance for Needy Families serves as a cautionary tale as we consider the fate of other programs that promote nutrition, health care, education, and job training for families struggling to get back on their feet.

Moreover, it is not just American families in deep poverty who are struggling. At approximately \$23,000 a year for a family of four, the poverty line neither accurately captures what it takes for a family to make ends meet nor adequately reflects the hardship and economic insecurity afflicting a much larger share of America's families. In 2011 more than one-third (34.4 percent) of Americans struggled to make ends meet, with earnings below approximately \$46,000 for a family of four, or two times the poverty level. This represents an increase of more than 2.4 million people from last year.

Parsing the numbers in more detail, we can see that women, children, and communities of color are hardest hit at all levels of poverty. (see Table 1)

*Table 1: Poverty doesn't budge in 2011***POVERTY RATES BY INCOME LEVEL BROKEN OUT BY RACE AND ETHNICITY, AGE, AND GENDER, 2011**

	Below 50% poverty		Below 100% poverty		Below 200% poverty	
	2010	2011	2010	2011	2010	2011
All	6.7%	6.6%	15.1%	15%	33.9%	34.4%
Whites (non-Hispanic)	4.3%	4.4%	9.9%	9.8%	25.5%	25.7%
Blacks	13.5%	12.8%	27.4%	27.6%	51.3%	51.3%
Hispanics	10.9%	10.5%	26.6%	25.3%	54.6%	55%
Asians	5.8%	5.5%	12.1%	12.3%	28.3%	29.1%
Native-Americans*	13.5%	14.2%	28.4%	29.5%	N/A	N/A
Male	6.2%	5.9%	14%	13.6%	31.9%	32.2%
Female	7.1%	7.2%	16.2%	16.3%	35.8%	36.5%
Children	9.9%	9.8%	22%	21.9%	43.6%	44.3%
Young children (ages 0-5)	12.2%	12.3%	25.9%	25.1%	47.7%	47.9%
Elderly (over 65)	2.5%	2.3%	9%	8.7%	34.6%	33.6%
Disabled	N/A	N/A	28%	28.8%	N/A	N/A

*Below 125% poverty: 2010: 35.7%, 2011: 36.7%

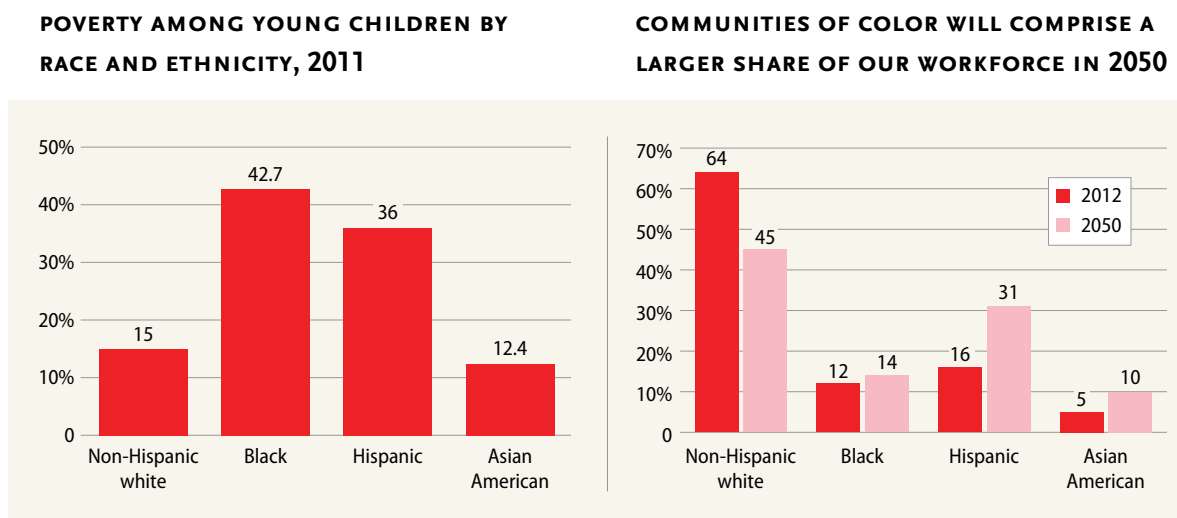
Sources: POV01: Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2011, POV07: Families with Related Children Under 18 by Number of Working Family Members and Family Structure: 2011, POV01: Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race: 2010, Income, Poverty, and Health Insurance Coverage in the United States: 2011 (P60-243).

This steady rise in the number and share of low-income households can be attributed in large part to the proliferation of low-wage jobs that do not pay enough to support a family. In fact, a report from the Center for Economic and Policy Research reveals that in 2010, less than one-fourth of the workforce had a good job, defined as one that pays at least \$37,000 a year (equal to inflation-adjusted earnings of the typical male worker in 1979) with employer-provided health insurance and some kind

of retirement plan. This means that the U.S. economy has lost approximately one-third of its capacity to generate good jobs since 1979.⁵

Without concerted action, this trend is only expected to rise. The Bureau of Labor Statistics projects that six of the top 10 fastest-growing job sectors in the next 10 years are in low-wage industries.⁶ As our Good Jobs chapter underscores, these trends illustrate the need for policies and labor market reforms that improve the qual-

Figure 1: Racial and ethnic disparities in poverty rates among young children



Sources: Source: "POV01. Age and Sex of All People, Family Members and Unrelated Individuals Iterated by Income-to-Poverty Ratio and Race," available at http://www.census.gov/hhes/www/cpstables/032012/pov/POV01_100.htm. For 2012 workforce data, see: Crosby Burns, Kimberly Barton, and Sophia Kerby, "The State of Diversity in Today's Workforce" (Washington: Center for American Progress, 2012), available at <http://www.americanprogress.org/issues/labor/report/2012/07/12/11938/the-state-of-diversity-in-todays-workforce/>. For 2050 workforce projections, see: Jeffrey S. Passel and D'Vera Cohn, "U.S. Population Projections: 2005–2050" (Washington: Pew Research Center, 2008), available at <http://pewsocialtrends.org/files/2010/10/85.pdf>.

ity of low-wage jobs as well as investments to spur job creation in middle- and high-wage sectors.

Looking still deeper at the numbers, a number of demographic groups have even higher rates of poverty, particularly among young children under the age of 5. In 2011 more than one in four young children (25.1 percent) lived in poverty, with elevated levels of poverty among young children of color. More than 4 in 10 young African American children (42.7 percent) and more than a third (36 percent) of young Hispanic children of any race lived in poverty last year.⁷ (see Figure 1) This represents some improvement over the 2010 levels of poverty for African American and Hispanic children of 45.5 percent and 37.6 percent, respectively,

in 2010,⁸ but elevated levels of child poverty and persistently wide racial and ethnic disparities need to be addressed. Research shows that poverty among young children carries consequences far beyond their childhood in everything from educational outcomes and worker productivity to long-term health costs.⁹

These poverty levels for so many children of color are deeply troubling because our nation will have no clear racial or ethnic majority by 2042, a year in which these children will be in the prime of their working lives.¹⁰ Building an economy that is globally competitive will require our leaders to "embrace diversity as an economic asset,"¹¹ which means we must take steps now to cut poverty and create pathways to

opportunity for today's and tomorrow's diverse workforce. If we do not make a concerted effort now to close racial and ethnic disparities and

improve the economic security of families with young children, we place America's long-term economic competitiveness at risk.

The supplemental poverty measure

An additional measure, the supplemental poverty measure, captures another view of poverty in America. While the traditional poverty measure is useful in tracking changes over time, there are a number of ways in which it does not represent a complete picture of poverty in America and undercounts the number of families experiencing economic hardship.¹² When it was first instituted in the 1960s, the poverty measure represented about 50 percent of the typical family's income. But since that time it has been indexed only to inflation despite dramatic changes in the mainstream living standard.

Today, with more mothers working outside the home, families pay more out of pocket for child care. Higher education is more important to joining the middle class today, yet college costs are skyrocketing. And health care costs have risen at a rate much faster than inflation. Simply indexing a 1960s measure of poverty to inflation pushes our definition of "poor" further and further out of the mainstream of what it takes to meet basic needs and participate fully in society.

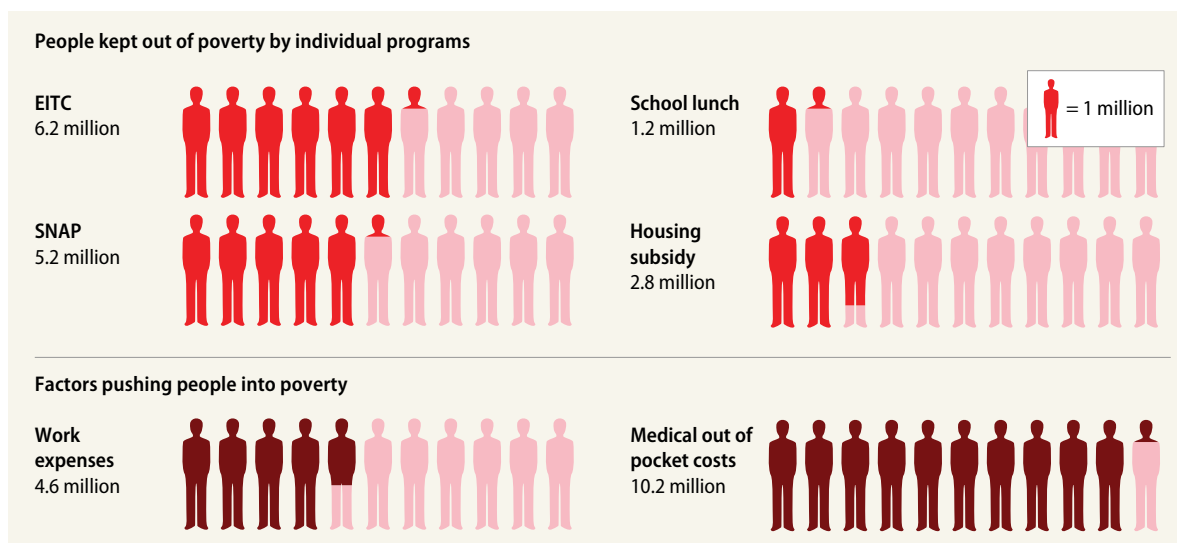
In addition, the traditional poverty measure does not fully capture the financial and non-financial means at a family's disposal to make ends meet. It does not take into account that

part of a family's income is not available to meet basic needs because it is going toward taxes paid, work-related expenses such as transportation and child care, or out-of-pocket medical costs. On the other side, it does not count income or in-kind resources from programs such as the earned income tax credit, nutrition assistance, and housing vouchers that help many families get by.

In November 2011 the U.S. Census Bureau released the supplemental poverty measure, which addresses many of these issues and provides a different look at poverty in 2010. As of the time this report went to print, the 2011 data for the supplemental poverty measure were not yet available, but the online version of the report will incorporate this new data when it is published.

While the measure is not meant to replace the traditional measure, it provides us with different kinds of information that are helpful in tracking our progress to cut poverty in half in 10 years. The new measure shows the extent to which public policies such as the earned income tax credit, the Supplemental Nutrition Assistance Program, and housing vouchers lift people out of poverty, and conversely

Figure 2: Supplemental poverty measure calculates impact of federal programs



Source: The Research Supplemental Poverty Measure, 2010, U.S. Census bureau, November 2011, <http://www.census.gov/prod/2011pubs/p60-241.pdf>.

shows how out-of-pocket medical costs, work expenses, and taxes affect the resources families have to meet their basic needs. (See Figure 2)

The supplemental poverty measure alone is not designed to provide a comprehensive picture of hardship in America, which is one of the reasons

this report tracks indicators relating to good jobs, strong families, and economic security to paint a fuller portrait. But it does provide us with important information on how public policies can make a difference in cutting poverty in half and is thus the central measure by which we'll be tracking our progress over the next 10 years.

Work supports keep millions of families out of poverty

The supplemental poverty measure from last year shows that there were even more people in poverty than the official measure describes, with nearly 50 million (49.1 million) people, or 16 percent, living in poverty, as measured by this alternative definition in 2010.¹³

But despite the grim news on poverty, some good news is to be found in the data. One of the key things the supplemental poverty measure tells us is that public policy does make a difference in lifting people out of poverty and alleviating economic hardship. At a time when programs

such as tax credits for working families and nutrition aid are on the chopping block, this is news that policymakers need to hear.

In 2010, for example, the earned income tax credit kept 6 million people out of poverty, and without it the child poverty rate would have been 4 percentage points higher. Similarly, the Supplemental Nutrition Assistance Program kept 5 million people out of poverty, and the child poverty rate would have been 3 percentage points higher without it.¹⁴ (see Figure 2)

In addition to telling us how work and income supports are helping, the supplemental measure can also provide insights into the kinds of expenses that are pushing families into poverty. Case in point: The supplemental poverty

rate for seniors in 2010 stood at 15.8 percent but would have been nearly half as low (8.6 percent) but for out-of-pocket medical costs that ate up a large portion of seniors' household budgets. Work expenses such as child care and transportation also pushed children and working-age adults into poverty.¹⁵

As policymakers consider changes to child care, early education, health, and transportation policies, it is important to understand how these types of factors affect the economic security of struggling families and their ability to meet other basic needs such as food and shelter. At their core, these policies help low-income families enter the middle class or give their children the opportunity to do so, and give middle-class families and their children the opportunity to continue pursuing the American Dream.

Widening inequality, shrinking middle class

Under traditional economic theory, the best antidote to poverty is a strong economy. And this is certainly true to a great extent because we surely cannot cut poverty in half without restoring economic growth. But while economic growth is a precondition to enlarging the middle class, it is not a sufficient condition. For there to be a real impact on poverty reduction, economic growth must be shared, and those economic gains must actually reach the people at the bottom so that they have opportunities to climb into the middle class.

This kind of shared prosperity amid robust economic growth was common in the 1950s and 1960s, but starting in the 1970s we began to see a delinking of economic growth and poverty reduction because only a fraction of the gains from an increasingly productive economy reached the bottom rungs of the income ladder.¹⁶ (see Figure 3)

Indeed, the last economic expansion between the brief recession of 2000–2001 and before the beginning of the Great Recession of 2007–2009

was the first time on record when profits and productivity went up but poverty increased, meaning that struggling families had already been left out of the gains of economic growth before the Great Recession even hit. And even though the Great Recession ended three years ago, the gains of this recovery remain unshared. While incomes in the top 5 percent grew in 2011, the poverty rate did not budge that year and middle-class incomes declined.¹⁷ (see Figure 4)

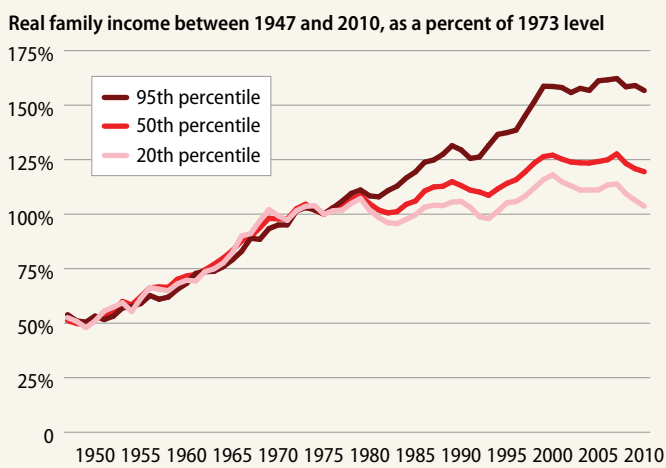
As gains from economic growth concentrate at the top and income inequality widens, more people are falling out of the middle class. Because of this intimate connection between widening income inequality and growing poverty, Half in Ten is adding income inequality, as measured by share of income going to different income groups, as a new indicator in this year's report. This measure is key because it shows that the top 20 percent of Americans boast over half of all income (51.1 percent), with the top 5 percent alone earning 22.3 percent of income. In contrast, the bottom 20 percent brought in just 2.3 percent of income, while the middle 60 percent captured just 45.7 percent of all income.¹⁸ (see Figure 5 for year change in percent income going to each quintile and top 5 percent)

All in all, incomes have fallen sharply for middle and low-income families in inflation-adjusted dollars since 2007, with households at the bottom hit hardest.¹⁹ (see Figure 6)

As the number of Americans with low incomes has grown to beyond a full one-third of our nation, so has the wealth concentrated in the

Figure 3: Broad-based prosperity on the decline

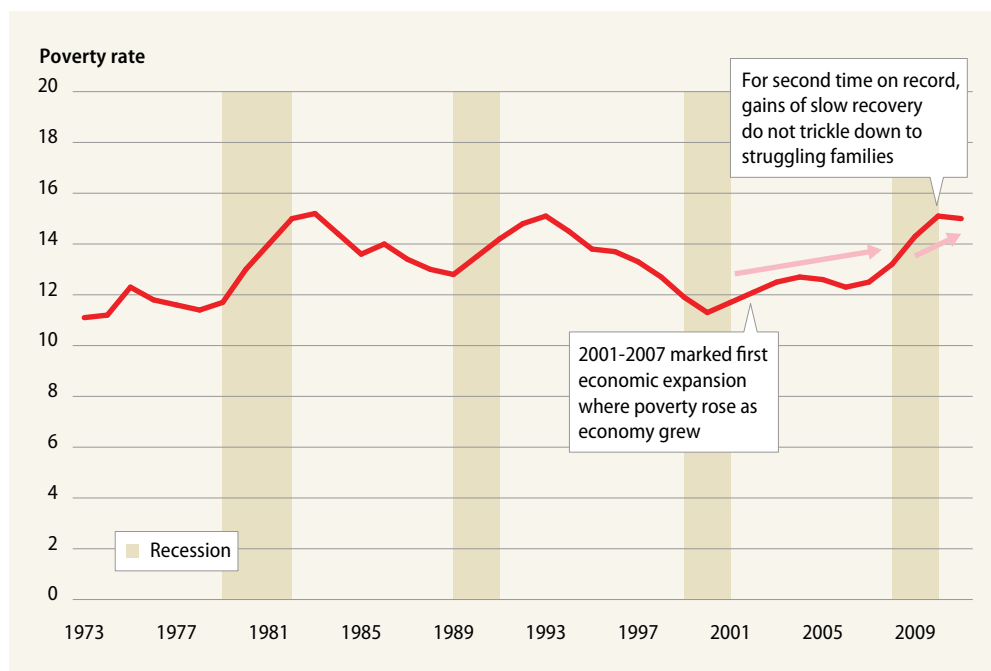
INCOME GAINS WIDELY SHARED IN EARLY POSTWAR DECADES — BUT NOT SO SINCE THEN



Sources: Center on Budget and Policy Priorities; U.S. Census Bureau.

top 1 percent of households. Adjusting for inflation, between 1979 and 2007 (the latest year for which data is available), the average after-tax income of the top 1 percent has grown by nearly \$1 million (from \$347,000 to more than \$1.3 million) in 2007 dollars.²⁰

In fact, a recent report from the National Employment Law Project shows that two-thirds of low-wage workers earning \$10 per hour or less work for large businesses with at least 100 employees, the majority of which have seen steady or increasing profits while their workers' wages have remained stagnant or fallen.²¹ Of the top 50 low-wage employers, 92 percent were profitable last year, 63 percent are earning higher profits now than before the Great

*Figure 4: in last two recoveries growth does not trickle down***STRUGGLING FAMILIES DID NOT SHAR GAINS OF ECONOMIC GROWTH**

Sources: U.S. Census Bureau, Current Population Survey, Table 5: Percent of People by Ratio of Income to Poverty Level: 1970-2011.

Recession, and 73 percent have higher cash holdings now than before the recession.²² Yet not only were these gains not shared through wage increases, average weekly paychecks fell by 1.7 percent in the fourth quarter of 2011.²³

This widening income inequality is bad not only for families but also for our economy. The middle class is the engine of America's economic growth, providing the consumer base for businesses and an educated pool of workers to compete in the international economy.

In fact, 70 percent of the economy is driven by consumer demand, so a rising class of poor families with little consumer buying power means fewer jobs created and less growth and prosperity for all of us.

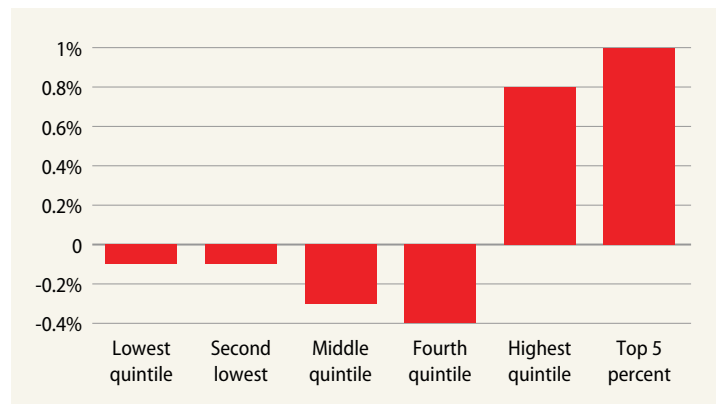
Conservatives argue that widening levels of income inequality are no cause for alarm so long as there is economic mobility, or the ability to move up the economic ladder.²⁴ But research shows that as income inequality has widened economic mobility has stagnated, both within

and across generations. In a speech on inequality at the Center for American Progress, Council of Economic Advisors economist Alan Krueger cited research showing that income mobility over one's career ladder has been flat since the 1970s, looking at all workers as a whole. Examining intergenerational income mobility, Krueger illustrated that parents' income is a strong predictor of the child's income and that countries with a high degree of income inequality tend to have lower levels of mobility across generations.²⁵

If we do not address widening levels of income inequality, families will continue falling out of the middle class and into poverty as the gains from economic growth concentrate at the top. And if we compound that error by adopting fiscal austerity measures to hammer low- and middle-income families to benefit the wealthiest among us then we are destined to see lower economic growth. One need not look further than the United Kingdom to see what happened when that nation simply tried to cut its way out of the deficit hole. Fiscal austerity led to declining economic growth,²⁶ which will undercut Great Britain's long-term deficit reduction and ultimately increase poverty.²⁷ (see box on following page)

Figure 5: Rising inequality

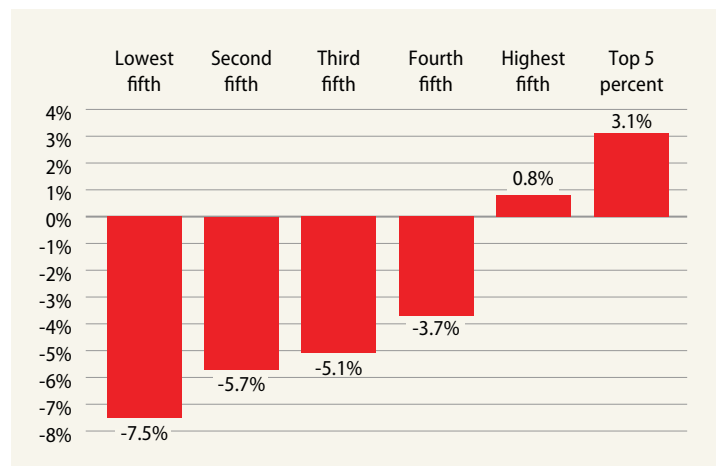
TOP 20 PERCENT SEES INCOME GAINS IN 2011 WHILE INCOMES FALL OR STAGNATE FOR LOW- AND MIDDLE-INCOME FAMILIES



Source: U.S. Census Bureau "Income, Poverty, and Health Insurance Coverage in the United States: 2011" <http://www.census.gov/prod/2012pubs/p60-243.pdf>.

Figure 6: Low-income households hit hard by recession

PERCENT CHANGE IN AVERAGE HOUSEHOLD INCOME BY QUINTILE AND TOP FIFTH FROM 2007-2011



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, Table H3, available at <http://www.census.gov/hhes/www/income/data/historical/household/index.html>.

Lessons from across the pond

POVERTY SUCCESSES AND AUSTERITY FAILURES IN THE UNITED KINGDOM

In 1999 then-Prime Minister Tony Blair set forth an ambitious but achievable target—to reduce the number of children with incomes below the poverty line by 50 percent in the United Kingdom by 2010 and to zero by 2020.²⁸ By 2010 his Labour Party government had made significant progress, cutting child poverty by half using an inflation-adjusted poverty measure, and by 25 percent using a measure adjusted annually for changes in living standards.²⁹

Before the Labour government was voted out in 2010, all three major parties in Parliament came together and passed the 2010 Child Poverty Act, which enshrined the Labour government's pledge into law. The act adopts four different types of poverty measures, including "material deprivation" and "persistent poverty," and sets targets for each one. The law also empowered local governments to come together around community plans to reduce child poverty, with the national government required to report on progress toward these goals annually.³⁰

In last year's report, Half in Ten underscored the power of this approach, illustrating how a national goal to cut poverty and the resources to make it a reality could make a big difference in improving outcomes for poor children.³¹ Even amid a deep recession, upon his victory in 2010, Conservative Party Prime Minister David Cameron echoed that commitment, providing an international example of how different parties could come together to set common goals and make progress through the marshaling of national resources in a coordinated fashion.

CONSERVATIVE-LED AUSTERITY REVERSES PROGRESS NOW PROJECTED TO RESULT IN FALLING INCOMES, RISING POVERTY

Yet at the same time that Prime Minister Cameron publicly reaffirmed his commitment to child poverty reduction, his government embarked on a large-scale austerity effort. Despite assurances that across-the-board cuts to public spending would not increase child poverty—alongside some effort at the start to protect children, notably in the areas of early education and primary and secondary school education—it is now clear that austerity is taking a toll. Child poverty in the United Kingdom is projected to increase, and, absent a course change, all the gains made by the previous government will be eroded.³²

The Conservative government's austerity measures include cutting child care assistance,³³ national health insurance,³⁴ housing assistance,³⁵ and help for people with disabilities.³⁶ These cuts have consequences. Real median income fell almost immediately, and between 2010 and 2013 median income is projected to decline by 7 percent, which would be the largest three-year fall in the past 35 years. Inflation-adjusted poverty is forecast to rise by about 600,000 children and 800,000 working-age adults.³⁷

If current austerity policies continue, the situation in the United Kingdom is only expected to get worse. While a new policy to ease access to benefits, called the Universal Credit, is expected to reduce the number of children in poverty by 450,000 by 2021, these gains will be more than offset by the net direct effect of the coalition government's tax and benefit changes, which will ultimately increase child poverty in both relative and absolute terms.³⁸

An independent study projects that absolute child poverty is forecast to be 23 percent in 2020, compared to the target of 5 percent set out in the Child Poverty Act in 2010. Even more disheartening, this would represent the highest rate of absolute child poverty since 2001–2002, shortly after Prime Minister Blair set the initial goal to eliminate it. Slow and unshared economic growth, largely attributable to austerity, paired with benefit cuts that hit low- and middle-income families the hardest, is on track to undo all of the hard-earned gains from 1999 to 2010. (see Figure 7)

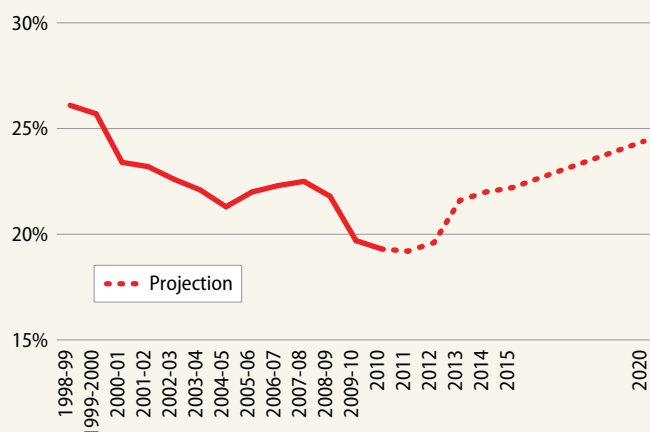
LESSONS FOR THE UNITED STATES

The United States can take action to cut both our poverty rate and our deficit. As we move to do so, the United Kingdom's austerity experiment offers important lessons. First, deep cuts to investments helping low- and middle-income families undercut economic growth, which in turn can contribute to long-term fiscal problems as the debt eats up a larger share of a shrinking economy. Second, improving public assistance for those struggling at the bottom must be paired with shared economic growth and rising incomes. The fact that the number of children projected to be lifted from poverty under the Universal Credit will be more than offset by increases in poverty attributable to slow economic growth and austerity demonstrates this connection.

Third, it's about choices. The United Kingdom was an international model of the progress that can be made when governments set a national goal to cut poverty and marshal the resources and stakeholders to achieve it. To do so in the United States, we must invest in jobs, ask the wealthy to pay their fair

Figure 7: Austerity measures on course to erase child poverty gains

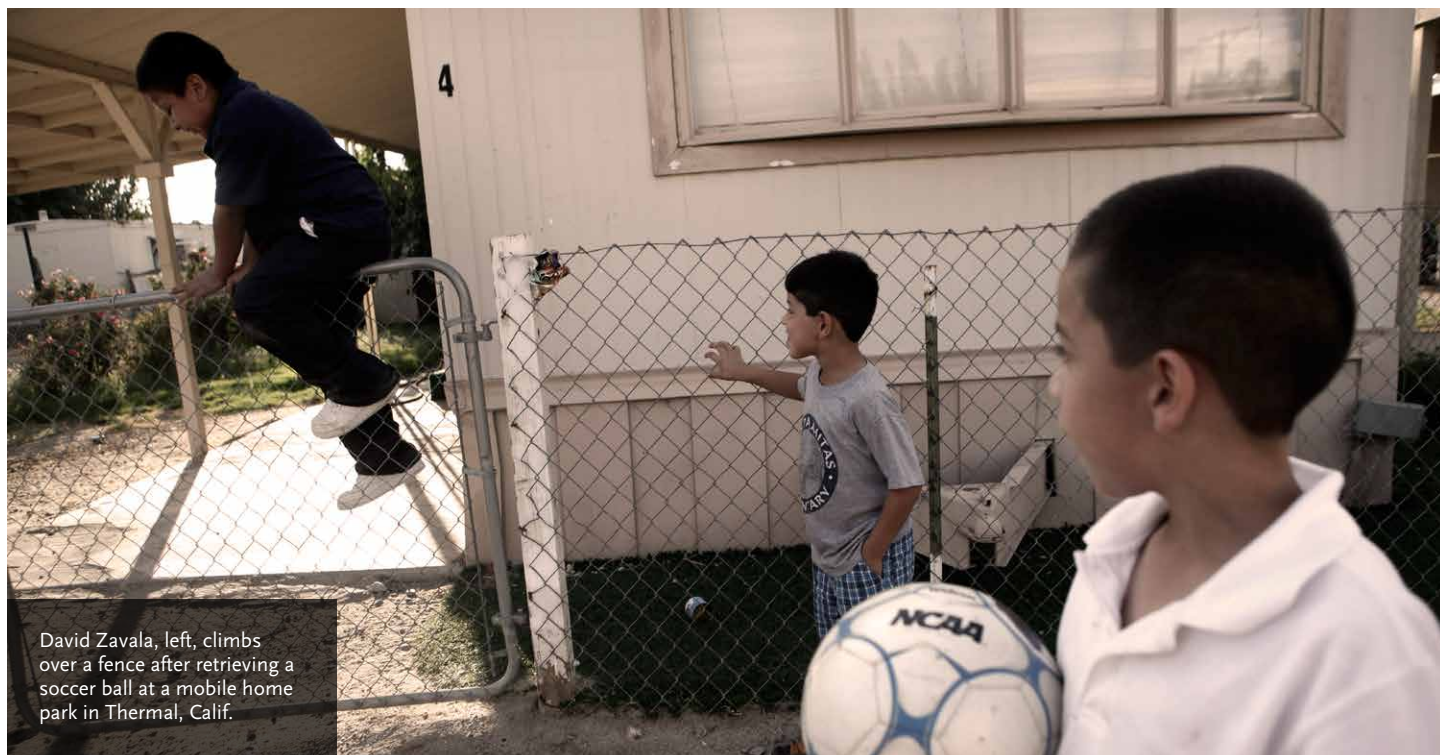
UNITED KINGDOM CHILD POVERTY RATE EXPECTED TO INCREASE OVER NEXT DECADE



Source: Mike Brewer, James Browne, and Robert Joyce, "Child and Working-Age Poverty from 2010 to 2020" (London: Institute for Fiscal Studies, 2011).

share, curb the system-side growth of health care costs, and make strategic cuts in our defense spending without undermining national security.

The United Kingdom's experiment with austerity serves as a cautionary tale to the United States. We must proceed carefully as we seek to cut our deficits. Slamming poor and middle-class families will only slam the brakes on the economy, increase poverty, and ultimately exacerbate our long-term fiscal problems.



David Zavala, left, climbs over a fence after retrieving a soccer ball at a mobile home park in Thermal, Calif.

ASSOCIATED PRESS/JAE C. HONG

Measuring our progress

Last year's report provided a comprehensive history of the long-term economic and social trends that brought us to this point.⁴⁰ But in 2011 alone, there were several key developments that have a direct or indirect bearing on the number of people in poverty, including:

1. LACK OF ACTION ON JOBS. President Barack Obama proposed a \$450 billion jobs package that would have saved or created more than 2 million jobs, but conservative obstructionism stalled the majority of the package at a time when the proposed investments in

infrastructure, school repair, and education could have provided a needed boost to our anemic economic recovery.⁴¹

2. DEEP BUDGET CUTS TO HUMAN NEEDS PROGRAMS IN THE BUDGET CONTROL ACT OF 2011. The manufactured crisis over raising the debt ceiling in 2011 not only distracted policymakers from a focus on job creation but also produced deep and immediate cuts that will slow our economic recovery and force cuts in the part of the budget where many antipoverty services are funded.⁴²

3. IMPLEMENTATION OF THE AFFORDABLE CARE

ACT. Several key provisions of the Affordable Care Act went into effect in 2011, improving the economic security of millions of families. Already 2.5 million young adults have gained coverage because of the law's provision that adults up to age 26 can stay on their parents' insurance plans.⁴³ In addition, the law created more than 350 new community health centers in 2011,⁴⁴ which will help increase access to health services for the more than 50 million Americans living in medically underserved areas and create nearly 19,000 new jobs.

These three overarching developments in 2011 alongside the medium- and long-term poverty trends in America inform the detailed recommendations presented in subsequent chapters—recommendations that will affect our progress in cutting poverty in half in 10 years.

The remainder of this report will address the levers we must pull to achieve our target of cutting poverty in half by creating good jobs, strengthening families, and promoting eco-

nomic security. It will track our progress along a number of indicators to hold ourselves and our elected officials accountable for progress, and set forth policy recommendations at the end of each chapter to achieve our target of halving poverty over the next decade.

In the coming year our nation will have to make a series of policy choices that will either take us down a path of cutting poverty and creating greater economic opportunity for all or that will preserve the privileges enjoyed by the wealthy few at the expense of investments that create shared prosperity.

This report and its online companion, available at halfintenn.org/indicators, provide key state-by-state data as well as comprehensive policy recommendations to inform these policy decisions as well as to hold our elected leaders accountable for progress. We have the tools at our disposal to bring millions of families into the middle class, strengthen our economic competitiveness, and cut our long-term deficits. The question is: Do we have the will?

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Indicators

1 POVERTY RATE

The percentage of people in poverty—with annual incomes of \$18,530 for a family of three—was not statistically different, falling from 15.1 percent in 2010 to 15 percent in 2011, with about 46.2 million people in poverty last year. Similarly, the percentage of people living in deep poverty (less than \$9,265 per year for a family of three) was not statistically different, falling from 6.7 percent in 2010 to 6.6 percent in 2011 – translating to more than 20 million people living in deep poverty.

WHAT THIS MEASURE TELLS US: Although a pullback of unemployment insurance likely pushed more people into poverty, this effect was offset by an increase in the number of full-time year-round workers at the bottom of the income scale, which helped to stabilize the poverty rate at 15 percent.



15%

OR 46.2 MILLION
PEOPLE HAD
INCOMES BELOW
THE FEDERAL
POVERTY LINE

a

Two-thirds of people in poverty are white, despite lower poverty rate

Poverty by race and ethnicity, 2011

	Total	Number below poverty	Poverty rate
Total	308,456	46,247	15%
White, not Hispanic	194,960	19,171	9.8%
Black	39,609	10,929	27.6%
Asian	16,086	1,973	12.3%
Hispanic (any race)	52,279	13,244	25.3%

Source: Census Bureau, Current Population Survey.

b

Higher poverty rates for women, children, and people with disabilities

Poverty by gender, age, and disability, 2011

	Total	Number below poverty	Poverty rate
Male	150,990	20,501	13.6%
Female	157,466	25,746	16.4%
Children	73,737	16,134	21.9%
All ages 18–64	193,213	26,492	13.7%
Elderly	41,507	3,620	8.7%
Disability (ages 18–64)	14,968	4,313	29%
No disability (ages 18–64)	177,309	22,105	12%

Source: Census Bureau, Current Population Survey.

2 SUPPLEMENTAL POVERTY MEASURE

As of the printing of this report, the 2011 supplemental poverty measure had not yet been released. The 2010 data showed a research supplemental poverty measure of 16 percent. 2010 was the first year the U.S. Census Bureau released a single supplemental poverty measure, so this is being used as the baseline for future comparisons. The 2010 data, however, showed us that the earned income tax credit alone kept 6 million people out of poverty, while the Supplemental Nutrition Assistance Program kept 5 million people above the poverty line, underscoring the importance these programs play in helping families struggling to make ends meet.

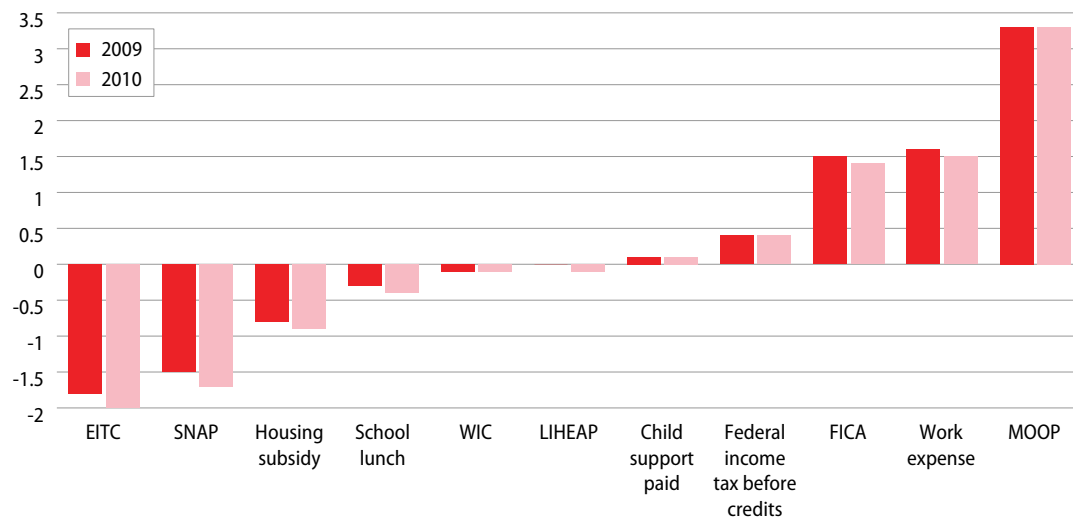
16%

OF 49.1 MILLION
PEOPLE HAD
INCOMES BELOW
THE SUPPLEMENTAL
POVERTY LINE
IN 2010

a

Difference in supplemental poverty measure rate after including each element

Percentage point difference, 2009 and 2010



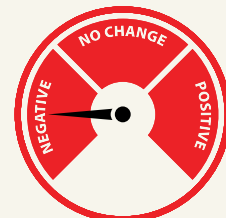
Source: U.S. Census Bureau, The Research Supplemental Poverty Measure:2010.

Indicators

3 INCOME INEQUALITY

Income inequality increased from 2010 to 2011. The top 5 percent took in a larger share of our nation's overall earnings as incomes declined significantly for the middle class and stagnated for those with low incomes. Since the beginning of the Great Recession of 2007–2009, the bottom fifth of households have seen their incomes decline by 7.5 percent, while the top 5 percent have seen income gains of 3.1 percent.

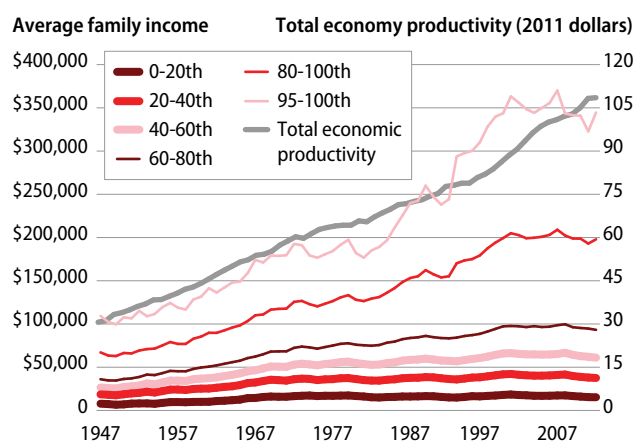
WHAT THIS MEASURE TELLS US: In 2011 only about 12 cents out of every dollar of overall income went to the 40 percent of households in the United States with the smallest incomes—some 48.4 million households. Average household income for people in this group was only \$20,222. Conversely, the top 5 percent captured 22.3 percent of income in 2011.



11.6%
OF OVERALL INCOME
IN 2011 WAS RECEIVED
BY THE BOTTOM
40 PERCENT
OF HOUSEHOLDS

a *As our economy becomes more productive, income gains mostly limited to households with largest incomes*

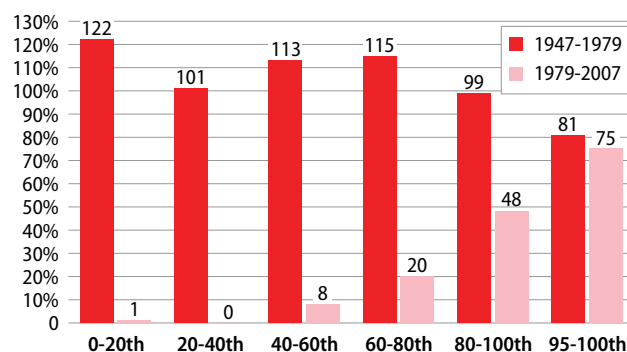
Average family incomes by income group and productivity, 1947-2011 (2011 dollars)



Source: Census Bureau, Current Population Survey and Economic Policy Institute.

b *Reversal of fortune for small- and medium-income families since 1979*

Change in real annual family income, by income group



Source: Shawn Fremstad's analysis of data from the Census Bureau, "Current Population Survey," and Economic Policy Institute, "State of Working America."

Note: The definition of income used here is money income, the definition used by the U.S. Census Bureau for its annual income and poverty data. Money income is before tax income and does not include capital gains, in-kind benefits (such as nutrition assistance), or tax benefits (such as the earned income tax credit) or the value of subsidies (such as the mortgage interest deduction and tax benefits related to retirement and health, provided to families). Income data is from Census Bureau, "Current Population Survey, Tables H-2 and H-3." Data for 1947-67 is Economic Policy Institute, "State of Working America." For an in-depth discussion of income trends, see Chapter 2 of Economic Policy Institute, "State of Working America" (2012).

CHAPTER TWO

More good jobs

A necessary condition for expanding the middle class and reducing poverty over the next decade

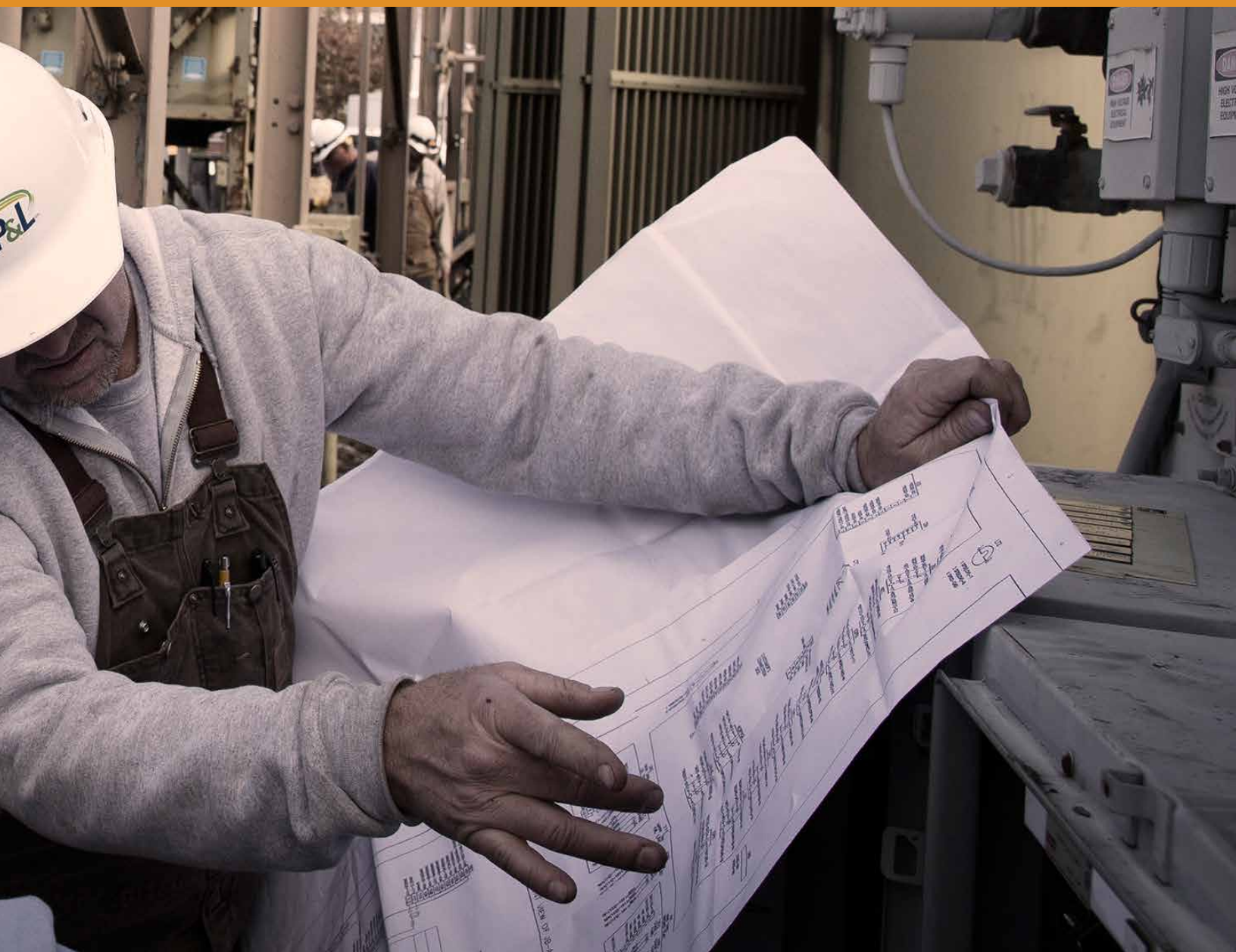
By Shawn Fremstad



Workers inspect a transformer box at a substation on Harrison and 2nd Street in Hoboken, New Jersey.

ASSOCIATED PRESS/JOHN MINCHILLO

In the three decades following World War II, our nation's economy was governed in a way that delivered broadly shared prosperity. Even as the rich became richer, the numbers and income of the middle class grew steadily, and the poverty rate measured by income fell from 40.5 percent in 1949 to a historic low of 11.3 percent in 1973. But the conservative “reorientation of the role of the federal government in our economy”—as President Reagan put it in his 1982 Economic Report—changed everything for the worse. Key elements of the conservative reorientation included lopsided tax cuts for the most advantaged Americans, weakened labor protections for workers, and sharp reductions in investments in skills training.¹



The consequences of this conservative shift in public policy are evident everywhere today. Our nation's middle class is smaller and income inequality is ever on the rise, particularly between the very rich and everyone else. The conservative economic agenda—including massive tax cuts for the rich, hostility to basic labor standards, and promotion of a host of other conservative policies that benefit the wealthy—has failed.

Income is not an isolated indicator. The same factors that take such a toll on America's broad middle class—increased unemployment, stagnant earnings, and increased inequality—impede us from making the kind of sustained progress on reducing overall poverty that we made in the earlier era of shared prosperity.

As University of California-Davis economist Hillary Hoynes and her colleagues demonstrate, trends in the poverty rate for non-elderly people over the past several decades can be explained by changes in a few core labor market factors. Looking at the period between 1967 and 2003, Hoynes and her colleagues find that trends in the unemployment rate, median wages, and wage inequality explain changes in poverty.² Specifically, they find that a

- 1 percentage point increase in the *unemployment rate* increases the poverty rate by about 0.5 percentage points
- 10 percent increase in the *median wage* lowers the poverty rate by about 1.5 percentage points
- 10 percent increase in *wage inequality* (the ratio of the wage earned by a worker in the

exact middle of the wage distribution to the wage earned by one in the 20th percentile from the bottom)—approximately the increase between 1975 and 1985—raises the poverty rate by about 2.5 percentage points.

Hoynes also finds that increases in women's employment since 1980 have helped keep poverty lower than it would have been because it increased family incomes.³ Finally, it is worth noting that the poverty rate remains high despite substantial increases in educational attainment. Between 1979 and 2010, the percentage of poor middle-aged adults (35 to 54 years old) who had high-school diplomas increased from 41 percent to 70 percent, and the share of the poor with some college or a college degree has more than doubled, reaching nearly one-third in 2010.⁴

Congressional action, then inaction

President Barack Obama, in the first two years of his administration, started steering America back in the direction of shared prosperity, particularly with the passage of the American Recovery and Reinvestment Act (Recovery Act) in 2009 and the Affordable Care Act in 2010. The Recovery Act helped bring down the unemployment rate from its peak of 10 percent in October 2010 to 7.9 percent in October 2012, providing crucial help to Americans who needed it as a result of the severe recession.⁵ The Affordable Care Act will extend affordable health insurance to between 27 million and 30 million Americans when fully implemented.

But partisan obstructionism in Congress in the wake of the 2010 congressional elections blocked further measures that would have boosted the economy, created more new jobs, and limited economic hardship. In February 2012 conservatives successfully pushed for unprecedented early cuts in unemployment insurance for workers who have been unemployed for more than six months.⁶ Then Republicans in the House of Representatives blocked President Obama's proposal for an American Jobs Act, a \$450 billion investment and job-creation package.

The president's jobs proposal would have created and saved more than 2 million jobs by the end of 2013 by rebuilding infrastructure, modernizing public schools, giving states assistance to rehire teachers and first responders, and

creating a Pathways Back to Work fund to make it easier for workers to remain connected to the workforce and gain new skills.⁷

Still, there have been some steps in the right direction. Legislation signed by President Obama in February 2012 includes federal financing for states that adopt or expand "work-sharing" programs as part of the unemployment insurance program.¹⁰ Work-sharing programs, also known as short-time compensation, allow employers to reduce workers' hours rather than lay them off. The workers, in turn, receive pro-rated unemployment benefits for the hours not worked and are able to remain employed. Employers are able to keep trained employees on staff, and avoid the costs of hiring and training new workers once demand picks up by simply increasing the hours of their existing staff.

And in June 2011, Congress was able to overcome conservative opposition and push through a bipartisan agreement that continues highway and transit funding at current levels for 18 months, sustaining nearly 2 million jobs. Federal transportation legislation is a crucial part of a good jobs agenda because workers and employers depend on and benefit from our transportation infrastructure and because building and maintaining that infrastructure creates millions of jobs, both directly in construction and indirectly in other businesses.

Yet Donna Cooper of the Center for American Progress notes that the legislation still falls far

short of what is needed to build a 21st-century transportation system.¹¹ The short-term nature of the extension means that Congress needs to

start work immediately on a multiyear authorization bill in the months it is in session over the remainder of 2012.

Executive orders boost quality jobs and economic security

The Obama administration also moved forward on important jobs and economic security issues using its executive powers.

In June 2011 the Department of Education issued final regulations that would crack down on ineffective for-profit colleges that leave low-income students saddled with debt they cannot pay.¹² Most students at for-profit colleges have incomes near or below the poverty line. The career education industry's own research indicates its graduates default on federal student loans at twice the rate of other sectors, even after controlling for demographic differences.

The regulations are designed to protect students from especially ineffective career education programs, particularly at for-profit colleges. Unfortunately, a federal lower-court judge recently ruled that the Education Department needed to provide more justification for the specific standard it adopted and has blocked implementation of the new rules. Nevertheless, the judge upheld the administration's authority to regulate in this area, which means the department will be able to readopt similar minimum standards as long as it provides a "reasoned explanation" for them.

The Obama administration also acted to improve the quality of jobs done by direct care workers, including nursing assistants, home health aides, and personal care aides—all of whom are a large and growing segment of the traditionally poorly compensated workforce. Nine out of 10 are women, and a majority are people of color.¹³ Some of these care workers have been excluded from minimum wage and overtime pay protections under a regulation promulgated during the Ford administration in the 1970s. In December 2011 the Department of Labor proposed a change to federal minimum wage regulations that will finally grant all direct care workers the same basic minimum wage and overtime protections as other workers.

In April 2012 the Equal Employment Opportunities Commission got into the act. It issued important new guidance that will help ensure that people with criminal records are not unfairly shut out from jobs.¹⁴ The increase in punitive criminal justice policies over the past several decades means that employers' use of criminal record checks is now a potential barrier to employment for more than 3 percent of the adult workforce. In fact, if incarceration rates stay the same, the Department of Justice

The consequences of long-term unemployment

The number of Americans trapped in long-term unemployment—looking for a job but unable to find work for six months or longer—hit historic highs as our economy came out of the Great Recession of 2007–2009, the deepest economic downturn since the Great Depression of the 1930s. By 2011 more than 40 percent of the unemployed had gone without finding work for more than six months. Economists John Schmitt and Janelle Jones found that these long-term unemployed workers were more likely to be blacks and Latinos, less-educated workers, and younger workers.⁸

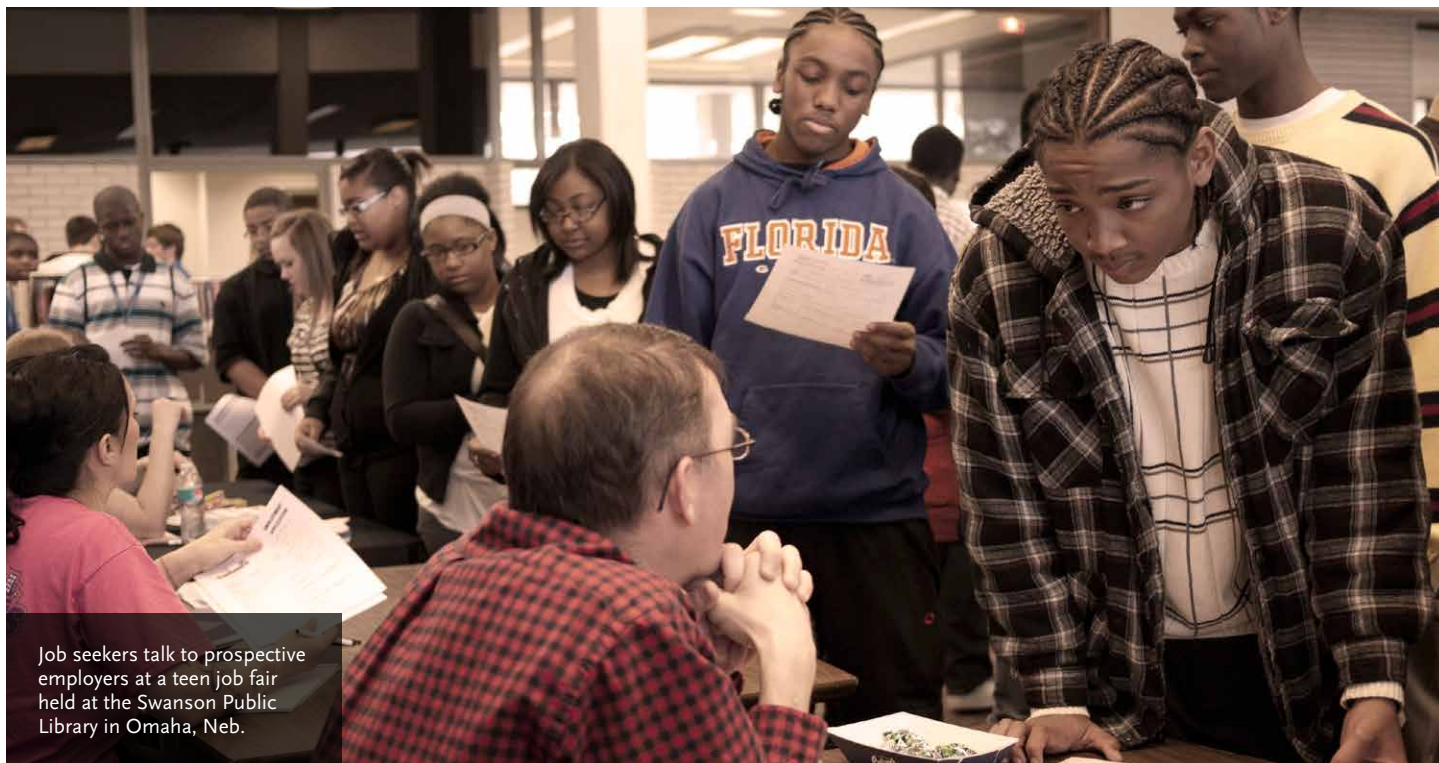
According to the Congressional Budget Office, long-term unemployment is especially likely to harm workers and their families. Adverse effects may include long-term reductions in earnings after finding work again, poor health and reductions in life expectancy, and poor schooling outcomes for children.⁹ As a consequence, long-term underemployment may not only increase poverty in the short run, but also limit the economic mobility of workers and their children over the long run.

estimates that a stunning 6.6 percent of people born in the United States in 2001 will serve time in state or federal prison during their lifetimes. Under the new guidelines, employers may not deny employment based on a conviction except when the offense is job-related.

Then there's the action taken by the National Labor Relations Board, which in August 2011 issued a rule requiring most private-sector employers to post notices advising employees of their rights under the National Labor Relations Act. The new rule would require that employers put up a poster, similar to the one already posted explaining employees' minimum wage rights, explaining that employees have the right under federal law to organize a union to negotiate with their employer about their wages, hours, and other terms and conditions of employment. Unfortunately, the board has put implementation of the notice requirement on hold until court challenges to it are resolved.

Administrative action can also improve opportunities to move from welfare to work. Because of the still-bleak jobs picture for those Americans on the low side of the income scale in our nation, 21.9 percent of children—more than 16.1 million—lived in families with incomes below the poverty line in 2011. Temporary Assistance for Needy Families could play a major role in boosting the economic security and opportunity of these children.

Unfortunately, most states structure their temporary assistance programs in overly burdensome ways that dramatically limit access to effective help from this joint federal-state program. Today fewer than 3 out of every 10 families with incomes below the poverty line receive temporary assistance, compared with nearly 7 out of every 10 in 1996. And only about half of the public funds spent in the program go to family income supplements, work supports, and child care.



Job seekers talk to prospective employers at a teen job fair held at the Swanson Public Library in Omaha, Neb.

ASSOCIATED PRESS/NATI HARNIK

These problems are due in part to the lack of modern performance measures in the temporary assistance program. Instead of measuring whether states use public funds to achieve positive economic outcomes for struggling families, the current law relies on a set of outmoded and Byzantine activity-participation rates that have their roots in the 1988 Family Support Act. These rates are solely the number of hours of prescribed activities that parents receiving temporary assistance are engaged in. This makes as much sense as evaluating the performance of elementary schools by tracking only the number of hours children are engaged in certain prescribed activities, while ignoring whether the children are actually learning anything.

So in July 2012 the U.S. Department of Health and Human Services provided guidance to states on ways to test new approaches to providing temporary assistance—approaches that would build on existing evidence on successful strategies for improving parents' employment outcomes. Under the guidance, states could opt to be held accountable to modern performance measures for employment outcomes, rather than the number of hours parents are placed in federally prescribed activities. Those measures could include job entry, job retention, advancement, and access to jobs that offer opportunities for higher earnings and advancement.

Setbacks and progress in the states

At the state level, cuts in public services over the past few years lengthened the recession and then delayed a more robust economic recovery. In a recent report, state budget analyst Elizabeth McNichol at the Center for Budget and Policy Priorities found that over-reliance on cuts in public investments resulted in the loss of hundreds of thousands of jobs while also undermining education, health care, and other public priorities.¹⁵ According to McNichol, the expiration of federal assistance to states and local governments provided through the Recovery Act made 2012 the worst year since the downturn began for cuts in public services and investments.

As the Economic Policy Institute notes, the public sector historically led the way in providing opportunity and reducing discrimination in the workforce.¹⁶ This has led to an over-representation of women and African Americans in state and local government jobs. Unfortunately, both groups are now suffering disproportionately from the cuts in state and local employment. Female workers, for example, held about two-thirds of the public-sector jobs lost since August 2008.¹⁷

Another troubling state-level development has been conservative campaigns to limit workers' bargaining power. Most notably, Indiana adopted misleadingly labeled "right to work" legislation in 2012. Contrary to the claims of proponents, jobs in states that have adopted similar laws limiting workers' bargaining power pay lower wages and provide fewer benefits than jobs in states without them.¹⁸

In other states efforts to limit collective bargaining have failed. Most significantly, in Ohio voters overturned by a nearly 2-1 margin legislation adopted in 2011 by the Republican-controlled legislature that limited collective bargaining rights of public employees. What's more, progress was also made in some states on legislation that improves job quality and basic protections for workers.

In 2011 Connecticut, for example, became the first state in the nation to require employers to provide paid sick leave. The new law, enacted in 2011, requires most nonmanufacturing businesses with 50 or more employees to provide one hour of paid sick leave for every 40 hours worked, with the number of state-mandated paid sick days capped at five per year. The law covers most service workers who receive an hourly wage. As indicator 10 at the end of this chapter shows, most poorly compensated workers are not able to earn paid sick leave from their employers.

Progress at the state level in making sure a person's credit history is not part of the hiring process also gained ground. The federal Equal Employment Opportunities Commission has warned that use of credit checks in hiring decisions has a discriminatory impact, yet a 2010 survey by the Society of Human Resources Management found that about 60 percent of employers conduct credit checks of job candidates for some or all positions when they are hiring.¹⁹ In 2011 California, Connecticut, and

Maryland passed state laws limiting the use of credit checks by employers in employment decisions. Seven states now have such restrictions (the other four states—Washington, Hawaii, Illinois, and Oregon—all adopted similar restrictions between 2007 and 2010).²⁰

Then there's the progress made in preventing discrimination against unemployed workers. Over the past two years, the National Employment Law Project has documented the extensive scope of hiring discrimination against those without jobs looking for work.²¹ This discrimination typically involves job applicants being told that they will not be considered for a job opening simply because they are

not currently employed. In 2012 the District of Columbia passed first-in-the-nation legislation that prohibits employers and employment agencies from discriminating against unemployed people in the hiring process.

In addition, New Jersey and Oregon adopted legislation that prohibits employers from discriminating against the unemployed when accepting job applications, such as by specifying in want ads or other notices that applications will not be taken from unemployed people. Legislation has also been introduced in Congress—including as part of the American Jobs Act—and in several other states prohibiting employment discrimination against the unemployed.

The good-jobs movement gains momentum

Eight states increased their state minimum wage rates in 2012, all as a result of automatic cost-of-living increases included in their state laws. The states are:

- Arizona (\$7.65; \$4.65 for tipped employees)
- Colorado (\$7.64; \$4.62 for tipped employees)
- Florida (\$7.67; \$4.65 for tipped employees)
- Montana (\$7.65)
- Ohio (\$7.70; \$3.85 for tipped employees)
- Oregon (\$8.80)
- Vermont (\$8.46; \$4.10 for tipped employees)
- Washington (\$9.04)

Legislation is also moving in the U.S. Congress that would boost the minimum wage and

address other living wage issues such as paid sick leave for workers and raising tipped wages across the country. (See box on following page)

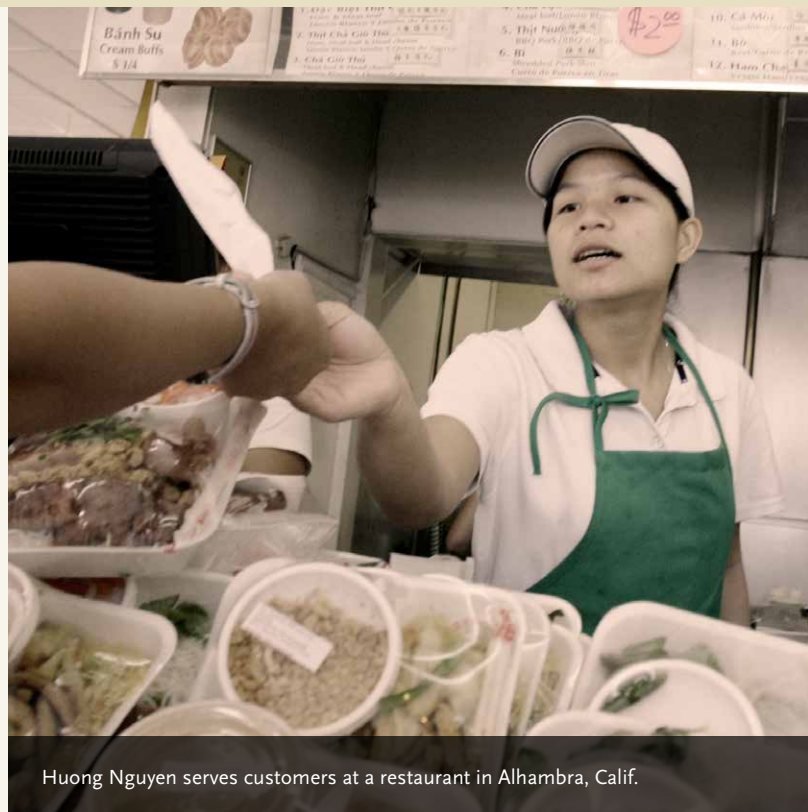
Yet as indicator 11 at the end of this chapter shows, most poorly compensated workers do not have access to retirement benefits through their employers, and access continues to decline. Importantly, though, California acted this year to improve these workers' retirement security by establishing the California Secure Choice Retirement Savings Program. Signed into law by Gov. Jerry Brown in September 2012, Secure Choice creates a publicly sponsored, voluntary retirement savings plan with guaranteed benefits. Secure Choice will be

The Rebuild America Act

The Rebuild America Act, introduced by Sen. Tom Harkin (D-IA) and Rep. Rosa DeLauro (D-CT) earlier this year, includes these major provisions:

- Increasing federal infrastructure spending by more than \$300 billion over 10 years
- Providing earned paid sick leave to workers
- Increasing the minimum wage to nearly \$10 an hour and indexing to inflation
- Tying the tipped minimum wage to 70 percent of the standard minimum wage

Given the hostility of the conservative House leadership to its provisions, the Rebuild America Act has little chance of even being considered this year. Still, as David Madland at the Center for American Progress Action Fund notes, it deserves high praise because it would do more to help build the middle class than virtually any other piece of legislation currently before Congress.²²



Huong Nguyen serves customers at a restaurant in Alhambra, Calif.

ASSOCIATED PRESS/NICK UT

more efficient and less costly than currently available 401(k) defined-contribution retirement savings plans and Individual Retirement Accounts in the private sector. Massachusetts, Connecticut, and New York City are considering similar public retirement savings plans.

One other bright spot in recent years involves the growing movement to vigorously enforce the Fair Labor Standards Act and other laws protecting against various forms of “wage theft,” including not paying at least the minimum wage, not paying overtime, and

not paying for all hours worked. Over the past few years, several states, including New York and Massachusetts, have strengthened their enforcement of laws addressing the problem. However, as a recent report from the Progressive States Network finds, the vast majority of states have few, if any, protections against wage theft.²³

In Congress and in state legislative sessions, sustained and faster job creation needs to be the nation’s top policy priority. Public-sector job losses are devastating communities across

our nation, and private-sector job growth remains too weak to overcome the job losses sustained during the Great Recession. To ensure lasting economic security for the working-class and middle-class Americans who were hammered by the economic crises of the 2000s

policymakers at the state and national levels need to enact the American Jobs Act and similar legislation to put Americans back to work and make the kinds of investments we need to ensure our national economic competitiveness in an increasingly global environment.

Recommendations

The federal government and states can create more good jobs while reducing income poverty and inequality by adopting the following policies. Specifically, they could:

- Modernize and invest in our public infrastructure
- Ensure equal opportunity for workers from disadvantaged communities and women in public infrastructure projects
- Enact living wage provisions
- Strengthen employees' collective bargaining rights
- Improve working conditions in the health care industry
- Prohibit employers from using credit checks in hiring, retention, and promotion decisions
- Maintain and strengthen the earned income tax credit for young people and provide greater support for people with disabilities and those who care for them
- Strengthen the Workforce Investment Act
- Establish a Pathways Back to Work fund

- Create state-sponsored retirement savings plan options for workers

Let's briefly examine each of these recommendations before closing out this chapter with a look at our poverty indicators for creating more good jobs.

Modernize and invest in our public infrastructure

Investing in our transit systems, roads, bridges, and water infrastructure, public school buildings, and in clean energy will strengthen our economy and improve our quality of life while also creating well-paying jobs in the construction industry and other sectors. To help bring our infrastructure up to modern standards, we should establish a national infrastructure bank and a national infrastructure planning council. By establishing a national infrastructure bank, the United States could increase public investment in infrastructure while leveraging billions in additional private investment.²⁴

Ensure equal opportunity for workers from disadvantaged communities and women in public infrastructure projects

To do this, Congress, states, and localities should add “construction careers” policies modeled on the one recently adopted by Los Angeles County. Under this policy, at least 40 percent of all project hours in all transit and highway construction projects must be performed by workers from low-income areas, and at least 10 percent by low-income disadvantaged workers in specified target categories, including being a single parent or Iraq/Afghanistan veteran who receives public assistance.

Enact living wage provisions

Congress needs to address the decline in real earnings and reduce the gender wage gap by adopting provisions in the Rebuild America Act that would increase the federal minimum wage to \$10 an hour and adjust it automatically each year for changes in the cost of living. The federal minimum wage used to be one-half of the average wage but has since fallen to one-third of it. In addition, at least every 10 years, the minimum wage should be reviewed to ensure that it reflects any general rise in the standard of living.

Congress should also include provisions to raise the federal subminimum wage for tipped workers in minimum wage legislation. Federal law allows employers to pay tipped workers—including restaurant servers, car-wash workers, and nail salon technicians, among others—a lower minimum wage that has been frozen at

just \$2.13 for more than 20 years (since 1991). The minimum wage for tipped workers should be increased to at least 70 percent of the regular minimum wage.²⁵

In addition, Congress should ensure that all workers are able to earn paid sick leave. As an important step toward this goal, the proposed Healthy Families Act would ensure that all workers in the United States in companies with at least 15 employees are able to earn one hour of paid sick leave for every 30 hours of work. Nearly half of the 30 million workers who would be able to earn paid sick leave under the act are in the bottom 25 percent of wage earners.

Strengthen employees’ collective bargaining rights

Strong unions help build the middle class by giving workers a voice in the workplace and in our democracy.²⁶ Reducing poverty substantially will be difficult until union membership starts to increase. Unfortunately, only 11.8 percent of workers are currently union members.

The long-term decline in union membership is due in part to unfair tactics used by anti-union employers. Center for Economic and Policy Research economist John Schmitt and his colleague Ben Zipperer estimate that workers were illegally fired in roughly 30 percent of union certification elections in 2007, and that illegal terminations increased over the past several decades as unionization rates fell.²⁷ At the very minimum, Congress should increase penalties on employers who violate



Butch Youshaw, an unemployed casino card dealer, leans on the wall as he talks to his mother in his rented house in Henderson, Nev.

ASSOCIATED PRESS/JAE C. HONG

the National Labor Relations Act and make other labor law improvements included in the Rebuild America Act introduced earlier this year by Senator Harkin.

Improve working conditions in the health care industry

Congress needs to enact legislation that would increase compensation for the more than 4 million workers in care-related occupations, including child care workers, nursing aides, personal and home care aides, and home health aides—most of whom are poorly compensated women and people of color. All four of the major care occupations are on the U.S. Bureau of Labor Statistics' list of the occupations with the largest projected job growth by 2018.

Because the federal government subsidizes so much of the purchases of care services provided by these workers—through Medicaid, Medicare, child and dependent care tax credits, and direct grants—it can have considerable influence over the care sectors' compensation structures.

Prohibit employers from using credit checks in hiring, retention, and promotion decisions

According to a survey conducted by the Society of Human Resources Management, 6 out of 10 employers surveyed conduct credit checks when hiring some or all of their new employees.²⁸ Yet there is little or no evidence that information in credit reports has any validity in predicting job performance. Moreover, the

Equal Employment Opportunity Commission has warned that using credit reports produces discriminatory hiring and firing decisions that violate federal civil rights laws.²⁹ Federal legislation should be passed to prohibit the use of credit reports in hiring and firing decisions, except in the very limited situations where having a good credit history is a necessary element of the job.³⁰

Maintain and strengthen the earned income tax credit for young people and provide greater support for people with disabilities and those who care for them

The earned income tax credit rewards the hard work of the breadwinners of low-income families struggling to enter the middle class and helps offset some of the decline in real wage rates for poorly compensated workers.

The earned income tax credit, however, currently provides little, if any, assistance to poorly compensated workers who are not caring for children. The maximum credit for a married couple without children is only \$464, less than one-tenth the credit for a couple with two children. The opportunity to get ahead should not be limited to parents. Substantially increasing this tax credit for workers without children and making it available to workers under age 24 would reward work equitably.

In addition, we should use the earned income tax credit to address high unemployment and hardship rates among people with disabilities. The United Kingdom's version of the earned income tax credit includes an enhanced credit

for workers with disabilities. This helps offset some of the additional disability-related costs faced by these workers.

There are other ways, too, to boost compensation for those caring for the disabled. One way is to strengthen Social Security, especially for poorly compensated workers and caregivers, by increasing the special minimum benefit for workers who have spent most of their careers in poorly compensated jobs, and by providing at least five years of Social Security credits for adults who spent part of their working years caring for children or elderly parents.³¹

Strengthen the Workforce Investment Act

By adopting improvements proposed in the Workforce Investment Act of 2012 our nation could better prepare our workforce for the challenges of employment in a rapidly changing economy, especially low-income workers in need of better career pathways. Provisions in the proposed legislation would accelerate the adoption of industry- and sector-based partnerships and increase cross-program alignment through career pathway models to provide seamless employment and training pathways for individuals. The legislation also would eliminate disincentives to serve adults with low basic skills and emphasize attainment of industry-recognized postsecondary credentials.³²

Establish a Pathways Back to Work fund

President Obama in his fiscal year 2013 budget proposed a \$12.5 billion Pathways Back to Work fund for states to expand on-the-job training,

transitional jobs, summer jobs for youth, and other successful jobs initiatives for disadvantaged youth and adults. The funding allotment is based on a formula that takes state-level rates of unemployment and disadvantaged youth into account.³³ Congress should include this provision in its FY 2013 budget resolution and appropriate full funding..

Create state-sponsored retirement savings plan options for workers

Too many low-income and lower-middle-class workers do not have access to an adequate employer-provided retirement plan, as indicator 11 on page 57 shows. And even when they do have access the only available plan is typically a defined-contribution 401(k) retirement plan

that often comes with high costs and hidden fees that erode workers' retirement assets.³⁴

California Governor Jerry Brown signed legislation earlier this year that would make it possible for workers without access to an adequate plan to contribute to a state-sponsored but privately managed retirement plan with very low administrative costs.³⁶ States should follow California's lead and adopt similar systems. The federal government could support these efforts by increasing the value of the Saver's Credit, which provides a federal tax credit of up to \$1,000 to low-income workers (\$2,000 for married couples) who contribute to a retirement account, and make it refundable so that all poorly compensated workers who save for retirement benefit from it.

Measuring our progress

Four of the 10 good-jobs indicators have moved in a positive direction over their most recent reporting periods. All three of the measures with education components (indicators 4-6), along with the overall unemployment rate (indicator 7), have improved.

Two of the indicators have gotten worse: the employment rate for people with disabilities and two indicators related to job quality. Finally, two indicators did not change significantly.

Endnotes

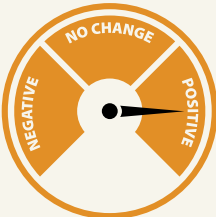
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- 21 Testimony of Maurice Emsellem, National Employment Law Project, in Support of AB1450 (April 17, 2012).
- 22 See: David Madland, "Harkin Bill a Big Step Forward for Our Middle Class," Center for American Progress, March 29, 2012, available at <http://www.americanprogress.org/issues/economy/news/2012/03/29/11306/harkin-bill-a-big-step-forward-for-our-middle-class/>.
- 23 Tim Judson and Cristina Francisco-McGuire, "Where Theft is Legal: Mapping Wage Theft Laws in the 50 States" (New York: Progressive States Network, 2012).
- 24 Keith Miller, Kristina Costa, and Donna Cooper, "Creating a National Infrastructure Bank and Infrastructure Planning Council" (Washington: Center for American Progress, 2012).
- 25 See: Restaurant Opportunities Centers United, "Tipped Over the Edge: Gender Inequity in the Restaurant Industry" (2012).
- 26 See: David Madland and Nick Bunker, "As Unions Weaken So Does the Middle Class" Center for American Progress Action Fund, September 23, 2011, available at <http://www.americanprogressactionfund.org/issues/poverty/news/2011/09/23/10349/as-unions-weaken-so-does-the-middle-class-2/>.
- 27 John Schmitt and Ben Zipperer, "Dropping the Ax: Illegal Firings During Union Election Campaigns, 1951–2007" (Washington: Center for Economic and Policy Research, 2009).
- 28 Society for Human Resource Management, "Background Checking."
- 29 See, for example: "Pre-Employment Inquiries and Credit Rating or Economic Status," available at http://www.eeoc.gov/laws/practices/inquiries_credit.cfm (last accessed October 2012).
- 30 See: Shawn Fremstad and Amy Traub, "Discrediting America: The Urgent Need to Reform the Nation's Credit Reporting Industry" (New York: Demos, 2011).
- 31 For more on these recommendations, see: Maya M. Rockeymoore and others, "Plan for a New Future: The Impact of Social Security Reform on People of Color, A Report of the Commission to Modernize Social Security" (Washington: Commission to Modernize Social Security, 2011); Shawn Fremstad, "Saving and Improving Social Security for Poorly Compensated Workers" (Washington: Center for Economic and Policy Research, 2011).
- 32 For more on improving the Workforce Investment Act, see: National Skills Coalition, "Workforce Investment Act Policy Recommendations," February 2011.
- 33 See: National Skills Coalition, Fiscal Year 2013 Budget Analysis, Key Federal Workforce and Education Programs, February 2012.
- 34 See: Robert Hiltonsmith, "The Retirement Savings Drain: Hidden and Excessive Costs of 401(k)s," (New York: Demos, 2012); David Madland, "The Promise and Peril of a Model 401(k) Plan" (Washington: Center for American Progress, 2010).
- 35 Teresa Ghilarducci, "Guaranteed Retirement Accounts: Toward Retirement Income Security" (Washington: Economic Policy Institute, 2007).

Indicators

4 ON-TIME GRADUATION RATES OF HIGH SCHOOL FRESHMAN

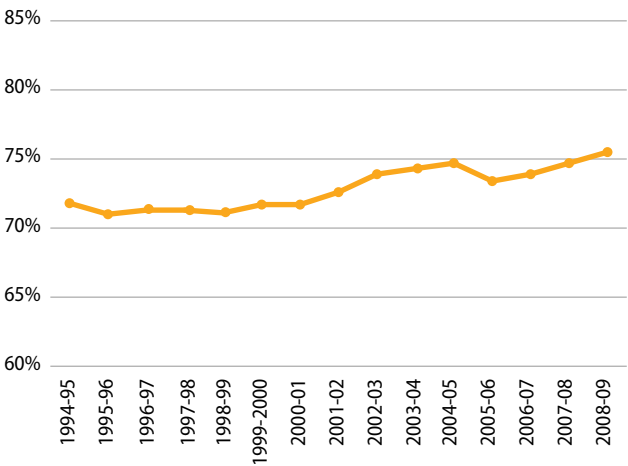
The on-time high school graduation rate has increased by just under 4 percentage points over the past decade, rising from 71.7 percent in 1998–1999 to 75.5 percent in 2008–2009, the last year for which complete data are available.

WHAT THIS MEASURE TELLS US: Three out of every four high school students who were in ninth grade in the fall of 2005 graduated from high school by the summer of 2009. Over the two most recent years we have available, the graduation rate increased by 0.8 percentage points. Over the past decade, the graduation rate has increased by 3.8 percentage points.



75.5%
ON-TIME GRADUATION
RATE OF HIGH
SCHOOL FRESHMEN
FROM 2008–09

a *On-time high school gradation rate has increased modestly over past decade*
On-time high school graduation rate, 1998–2009



Source: National Center for Education Statistics.

b *Considerable gaps remain in graduation rates*
Average freshman graduation rate, by race and ethnicity, male and female, 2008–09

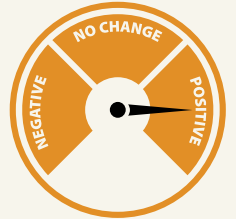
	Average freshman graduation rate	Difference compared to white rate
Total	75.49	
Male	71.78	
Female	78.89	
White	81.36	
Male	78.85	
Female	84.04	
Black	63.18	-18.2
Male	57.27	-21.6
Female	69.26	-14.8
Hispanic	64.85	-16.5
Male	60.31	-18.5
Female	69.68	-14.4
Asian/Pacific Islander	90.44	9.1
Male	87.99	9.1
Female	93.1	9.1
Native American	64.09	-17.3
Male	60.54	-18.3
Female	67.72	-16.3

Source: National Center for Education Statistics.

5 ECONOMIC INCLUSION OF YOUNG PEOPLE

Over the five-year period of 2007–2011, the number of youth who were not in school and not working peaked in 2009 at 5.9 million (15.7 percent of youth). Since then, the number of young people in this category has declined by just under half a million—to 5.44 million (14.2 percent of youth).

WHAT THIS MEASURE TELLS US: In 2011, 5.44 million or 14.2 percent of youth were neither in school nor employed. This decline appears to be mostly due to the steady decline in youth unemployment since the last quarter of 2009, particularly among young men.

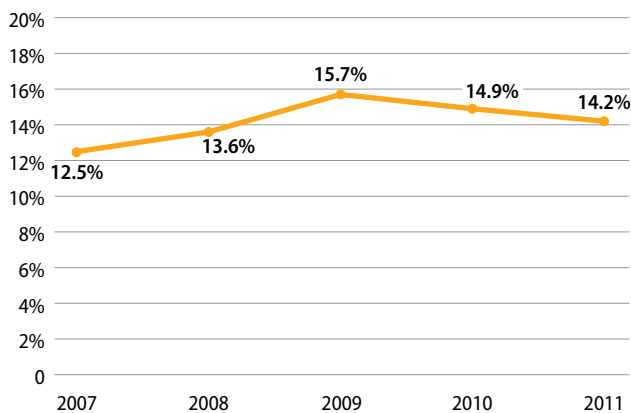


14.2%
OF YOUTH (AGED
16 TO 24) WHO WERE
NOT IN SCHOOL
OR EDUCATION

a

Percentage of youth not in school or employment declining

Youth aged 16 to 24 who are not in school or working, 2007–2011

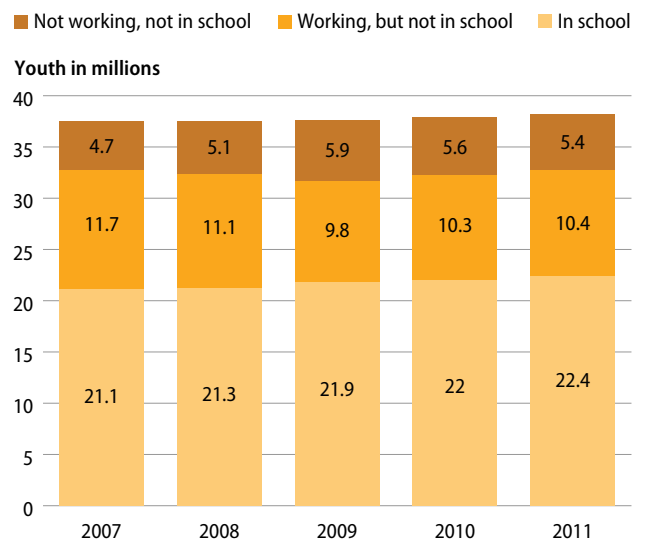


Source: Bureau of Labor Statistics.

b

More than 5 million young people not working or in school

Youth by employment and education status, 2007–2011



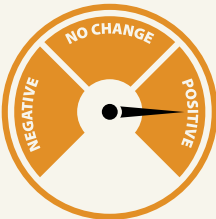
Source: Bureau of Labor Statistics.

Indicators

6 YOUNG ADULTS AGES 25 TO 34 WITH AN ASSOCIATE’S DEGREE OR HIGHER

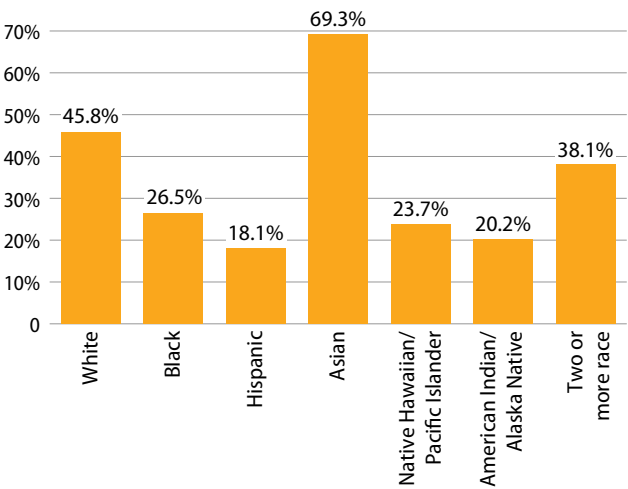
The percentage of the total population of young adults between the ages of 25 to 34 who have an associates degree or higher.

WHAT THIS MEASURE TELLS US: The percentage of young adults ages 25 to 34 who have completed an associate’s degree or higher increased from 37.3 percent from 2005–2007 to 38.8 percent from 2007–2009.



38.8%
OF YOUNG ADULTS
HAD A ASSOCIATE’S
DEGREE OR HIGHER
IN 2007-09

a *Considerable gaps remain in graduation rates by gender, race, and ethnicity*
25- to 34-year olds with associate’s degree or higher, by race and ethnicity, 2007–2009



Source: United States Education Dashboard.

b *Considerable gaps remain in graduation rates by gender, race, and ethnicity*
25- to 34-year olds with associate’s degree or higher, by race and ethnicity, 2007–2009

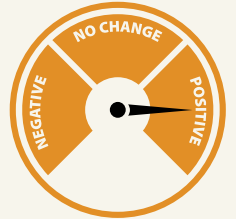
State	%	State	%	State	%	State	%
AL	31.1	IL	44.6	MT	37.1	RI	42.8
AK	32	IN	35.2	NE	44	SC	35.5
AZ	32	IA	45.5	NV	28.1	SD	41.4
AR	28.4	KS	42.2	NH	45.5	TN	32.1
CA	37.6	KY	32.3	NJ	45.9	TX	31.7
CO	41.9	LA	29.5	NM	28.9	UT	38.1
CT	46.1	ME	36.7	NY	49.2	VT	43.7
DE	38.5	MD	45.5	NC	37.9	VA	44
DC	65.6	MA	54.3	ND	50.9	WA	41.6
FL	36.3	MI	36	OH	37.6	WV	28.9
GA	35.6	MN	49.8	OK	31.4	WI	40.8
HI	41.5	MS	30.7	OR	37.7	WY	35.4
ID	33.4	MO	39	PA	43.5		

Source: United States Education Dashboard.

7 UNEMPLOYMENT RATE FOR ALL WORKERS

The percentage of all working-age Americans who are currently looking for work but cannot find a job.

WHAT THIS MEASURE TELLS US: The unemployment rate fell from 9.6 percent in 2010 to 8.9 percent in 2011 and then 7.9 percent by November 2012. This decline appears to be mostly due to the steady decline in youth unemployment since the last quarter of 2009, particularly among young men.

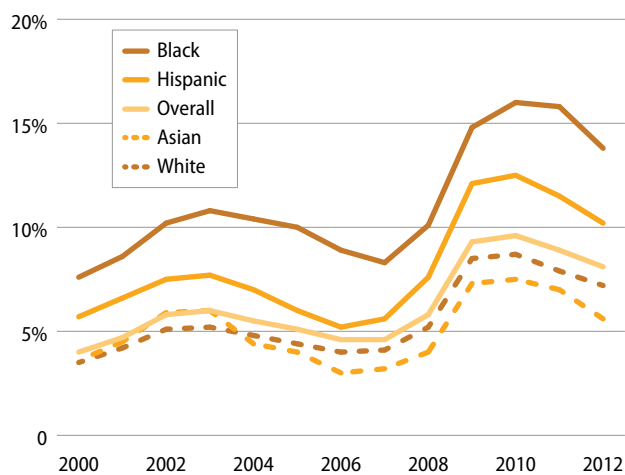


7.9%
THE UNEMPLOYMENT
RATE OCTOBER
OF 2012

a

Overall unemployment rate has declined, but remains elevated, particularly for African Americans and Latinos

Unemployment rate, 2000 to third quarter of 2012, by race and ethnicity

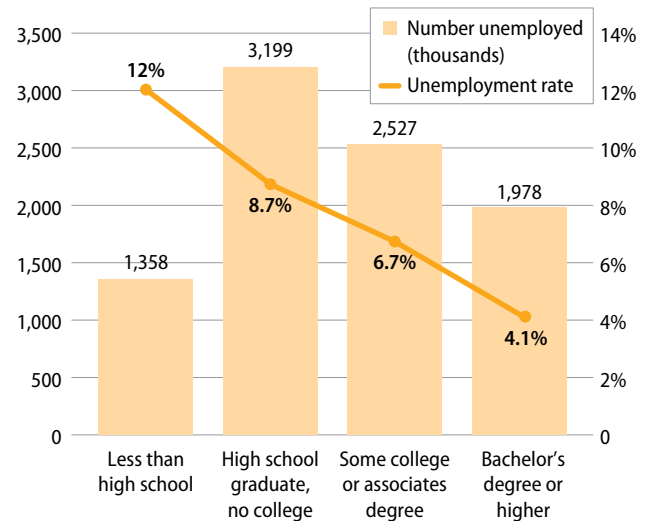


Source: Bureau of Labor Statistics, Current Population Survey.

b

Unemployment declines as education increases; most unemployed people have high school diploma

Number of unemployed and unemployment rate, by educational attainment, third quarter 2011, seasonally adjusted



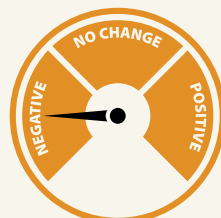
Source: Bureau of Labor Statistics.

Indicators

8 EMPLOYMENT RATE OF PERSONS WITH A DISABILITY

Among the 27.38 million people ages 16 or older with disabilities in 2011, only 4.861 million were employed. The employment rate for people with disabilities declined from 28.6 percent in 2010 to 27 percent in 2011.

WHAT THIS MEASURE TELLS US: Working-age adults with disabilities are much less likely to be employed than adults without a disability. In 2011, 27 percent of persons (ages 16 to 64) with a disability were employed, compared to 69.9 percent of persons without a disability.



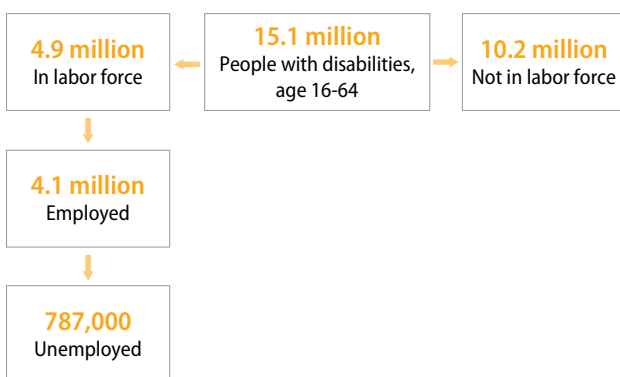
27%

**OF PEOPLE WITH
DISABILITIES AGES
16 TO 64 WERE
EMPLOYED IN 2011**

a

More than 10 million non-elderly Americans with disabilities are not in labor force

People with disabilities, employment, and unemployment, 2011

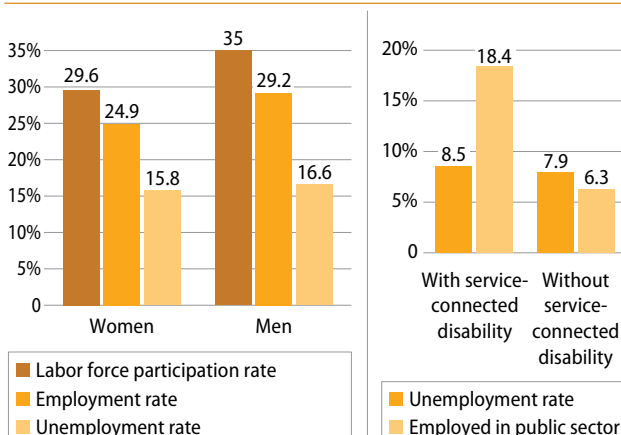


Source: Bureau of Labor Statistics, Current Population Survey.

b

Women with disabilities less likely to be in labor force than men

Employment and unemployment rates for persons with disabilities ages 16 to 64, by gender, 2011



Source: Bureau of Labor Statistics, Current Population Survey.

9 PAY OF WORKERS IN SERVICE OCCUPATIONS

The median weekly earnings for a full-time service worker.

WHAT THIS MEASURE TELLS US: Median weekly earnings for a full-time worker in a service occupation in 2011 were \$486, or about \$24,300 annually. Adjusted for inflation, there was little or no change in service occupation pay between 2010 and 2011, or, for that matter, since 2000.



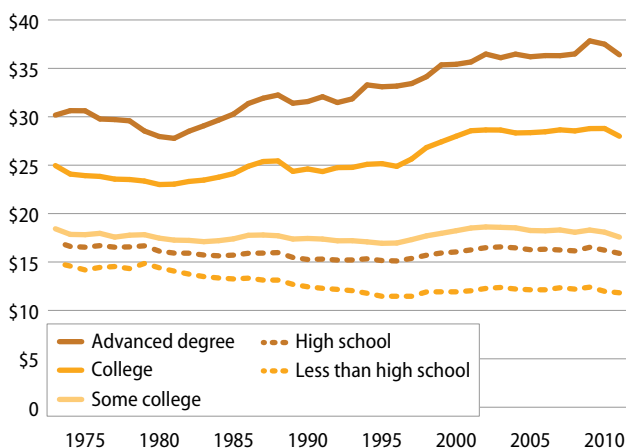
\$486

**MEDIAN WEEKLY
EARNINGS FOR A
FULL-TIME SERVICE
WORKER IN 2011**

a

Real wages have fallen for workers without college degrees

Real wages by education, 1973–2011 (in 2011 dollars)

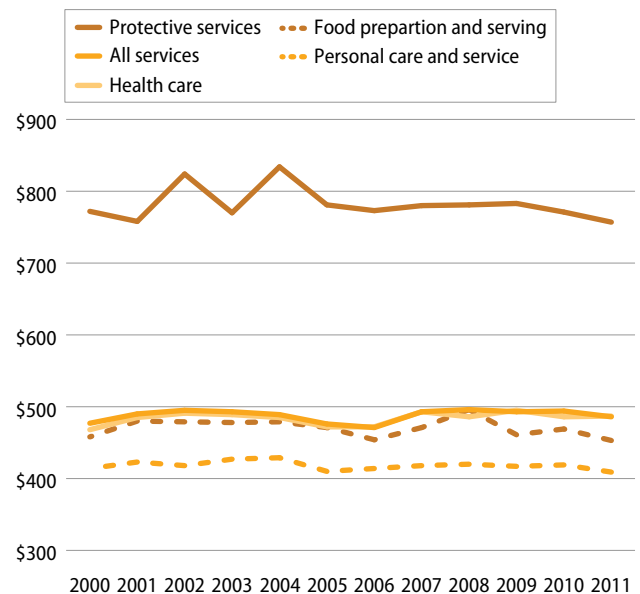


Source: EPI, State of Working America.

b

Real wages have been flat for workers in service occupations over the last decade

Real median weekly earnings for full-time workers in service occupations, by major category, 2000–2011 (in 2011 dollars)



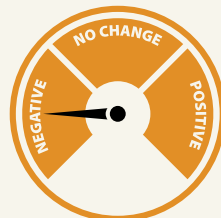
Source: Bureau of Labor Statistics, Current Population Survey.

Indicators

10 SHARE OF POORLY COMPENSATED WORKERS WITH ACCESS TO PAID SICK LEAVE

The percentage of workers paid \$11.17 or less per hour who have access to paid sick leave.

WHAT THIS MEASURE TELLS US: Only about 32 percent of workers in the bottom quarter of the wage distribution had access to paid sick leave in 2012 compared to 68 percent in the second quarter of the distribution. The percentage of poorly compensated workers with paid sick leave declined from 36 percent in March 2011 to 32 percent in March 2012.



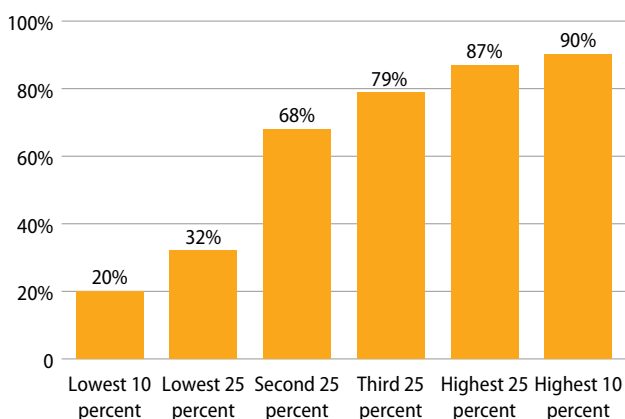
32%

**OF WORKERS PAID
\$11.17 OR LESS PER
HOUR HAD ACCESS
TO PAID SICK LEAVE
IN 2012**

a

Poorly compensated workers much less likely to have paid sick leave

Workers with access to paid sick leave by wage percentile, March 2012

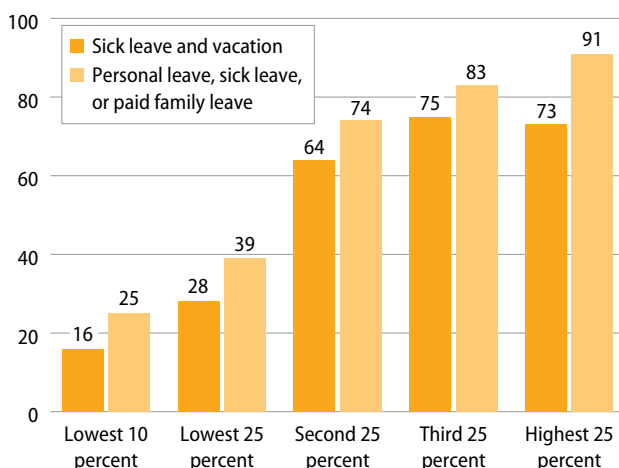


Source: Bureau of Labor Statistics, National Compensation Survey.

b

Few poorly compensated workers have both paid sick leave and paid vacation, or any personal- or family-related leave

Workers with access to specific combinations and types of leave, March 2012



Source: Bureau of Labor Statistics, National Compensation Survey.

11 SHARE OF POORLY COMPENSATED WORKERS WITH ACCESS TO AN EMPLOYER-SPONSORED RETIREMENT PLAN

The percentage of workers paid \$11.17 or less per hour who have access to an employer-sponsored retirement plan.

WHAT THIS MEASURE TELLS US: Only about 41 percent of workers in the bottom quarter of the wage distribution (\$11.17 an hour or less in 2012) had access to an employer-sponsored retirement benefit plan in 2012 compared to 70 percent in the second quarter of the distribution. There was no change between 2011 and 2012 in the percentage of poorly compensated workers with retirement benefits, however, the percentage has declined since 2009, when it was 46 percent.



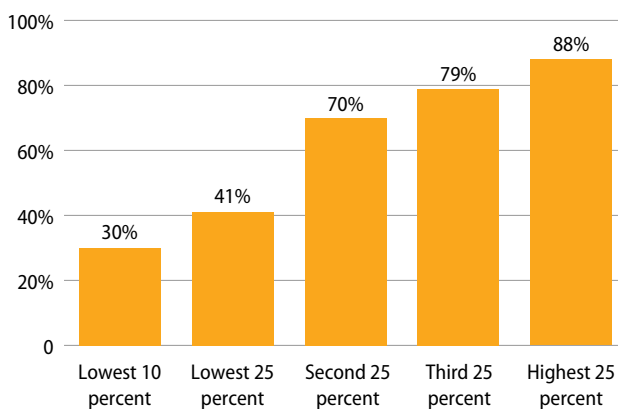
41%

**OF WORKERS PAID
\$11.17 OR LESS PER
HOUR HAD ACCESS TO AN
EMPLOYER-SPONSORED
RETIREMENT PLAN**

a

Poorly compensated workers much less likely to have retirement benefits

Workers with access to retirement benefits by wage percentile, March 2012



Source: Bureau of Labor Statistics, National Compensation Survey.

b

Poorly compensated workers with access to retirement benefits are less likely to participate

Retirement benefits: Access, participation, and take-up rates by wage level, March 2012

		Access	Participation	Take-up rate
All retirement benefits	Lowest 10th	41	21	51
	Lowest 25th	30	10	33
	Second 25th	70	52	75
	Third 25th	79	67	85
	Highest 25th	88	80	91
Defined benefits	Lowest 10th	9	7	77
	Lowest 25th	5	3	61
	Second 25th	24	21	90
	Third 25th	35	32	92
	Highest 25th	50	47	93
Defined contributions	Lowest 10th	35	16	44
	Lowest 25th	26	7	28
	Second 25th	58	38	65
	Third 25th	62	46	75
	Highest 25th	68	53	79

Source: Bureau of Labor Statistics, National Compensation Survey.

Indicators

12 GENDER WAGE GAP

In 2011 women working full-time earned 82.2 percent of men's median weekly earnings. While that ratio of women's to men's earnings is a historic high, the narrowing of the gender wage gap was due solely to a greater decline in men's real earnings (after adjusting for inflation) compared with women's real wages between 2010 and 2011.

WHAT THIS MEASURE TELLS US: The ratio of women's to men's earnings rose by 1 percentage point to 82.2, a historic high. But this narrowing of the gender wage gap was due solely to a greater decline in men's real earnings than in women's between 2010 and 2011.



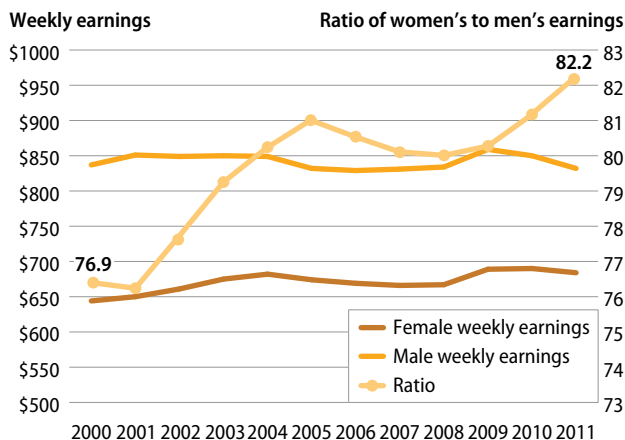
82.2%

**RATIO OF WOMEN'S
EARNINGS TO
MEN'S EARNINGS**

a

Wage gap narrowing, but real male wages same in 2011 as in 2000

Gender wage gap and weekly earnings by gender, 2000-2011



Source: Institute for Women's Policy Research, Current Population Survey.

b

Earnings for African American and Latino women only 70 percent of earnings for white men

Gender wage gaps, by race and ethnicity, 2011

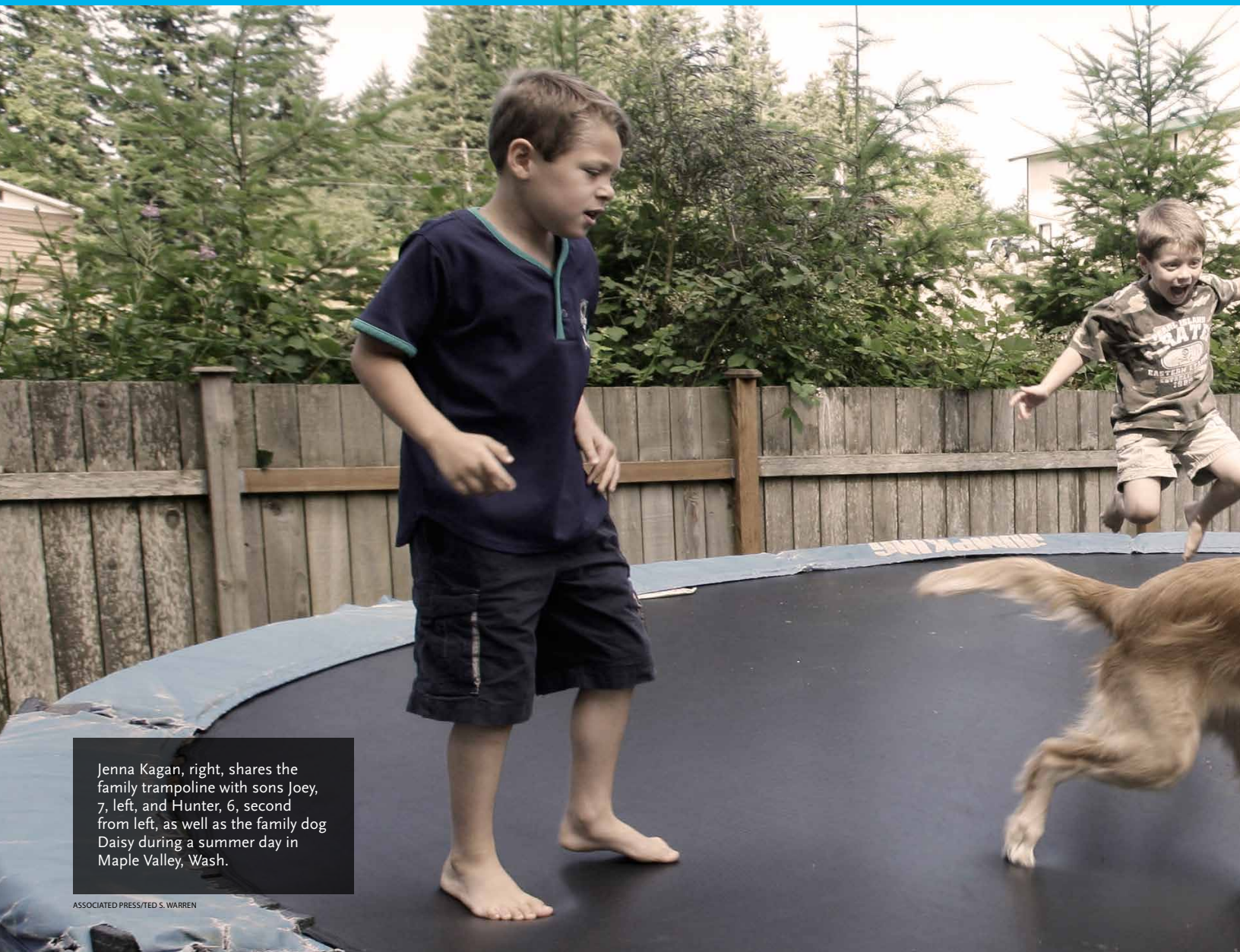
	Women	Men	Female earnings as percentage of male earnings
All Races/ ethnicities	684	832	82.2
White	703	856	82.1
African American	595	653	91.1
Hispanic or Latino	518	571	90.7
Asian American	751	970	77.4

Source: Institute for Women's Policy Research, Current Population Survey.

Strengthening families and communities

Strategies to promote better economic and social outcomes for all families

By Joy Moses



Jenna Kagan, right, shares the family trampoline with sons Joey, 7, left, and Hunter, 6, second from left, as well as the family dog Daisy during a summer day in Maple Valley, Wash.

ASSOCIATED PRESS/TED S. WARREN

Strong families are defined by a number of factors that enable family members to better love and support one another in ways that benefit each individual member and the family as a whole. For these reasons, policymakers continually seek ways to “strengthen families” or support family bonds in ways that promote better economic and social outcomes for all members.

Factors such as family cohesiveness, family income, and access to family planning and parenting support help us better understand the strength of our nation’s families and how that strength can help keep them out of poverty.



Specifically, this chapter examines each of these factors as indicators of family strength, tracking the same indicators as we did in 2011: the number of children in foster care, access to health care, and teen pregnancy. We added a new one focused on family employment and another on children who are generally living apart from both their parents, including the significant number of children who are not involved in the foster care system.

Other sections in this chapter that comment on overall trends in strengthening families and cutting poverty—involving such factors as marriage and fatherhood programs, incarceration rates, child-support enforcement, and housing affordability—offer new ways of tracking progress. Below, we will discuss what these indicators mean and ways we can try to improve them.

Family cohesiveness

By family cohesiveness, we mean the extent to which families are able to maintain strong bonds and relationships that provide stability and security to all members. Low-income people are equally likely as those in the middle class to desire married-parent families,¹ yet they are less likely to achieve this dream—34 percent of poor children lived with married parents in 2011 compared to 65 percent of children more generally.²

Many families maintain cohesiveness in other ways such as parental cohabitation. Adding in these families, 42 percent of poor children live with both parents (compared to 69 percent more generally).³ These numbers are virtually unchanged from the previous year.

For the remaining children, visitation can be a viable option for maintaining parent-child connections, but it is unclear how many non-custodial parents maintain regular visits with their children.

Below are some key recent trends and developments affecting family cohesion.

Marriage and fatherhood programs

The Healthy Marriage Initiative and the Responsible Fatherhood Program are related government efforts directly aimed at strengthening families and improving cohesive-

ness. The Healthy Marriage Initiative offers married and unmarried couples relationship education classes, highlighting areas such as effective communication, conflict resolution, financial planning, and collaborative parenting. Two separate evaluations of marriage programs were published in 2011 and 2012—the first found that the evaluated programs had no impact on relationship quality (happiness, conflict management, or fidelity) or status (marriage, cohabitation, or no longer romantically involved), while the second evaluation found a modest but consistent positive impact on relationship quality but no impact on relationship status a year after participation.⁴

These results did not meet the expectations generated by evaluations of similar programming largely offered to middle-class couples or the limited number of previous evaluations focused on low-income families.⁵ A range of reasons could account for the discrepancy between expectation and outcome. Among them are the natural growing pains of new and developing programs; challenges translating middle-class curriculums and preparing staff to work with low-income and diverse communities; program design flaws; couples too distracted by poverty factors to effectively participate; the possibility that some services simply will not work for some or any low-income families.

In addition, stresses on couples related to their low-income status such as conflicts over money and work can be harder for counseling programs that focus only on relationship skills to remediate. Experimentation and development of marriage services is ongoing and—depending on the

causes of the problems—reforms could produce better results. Future analysis of the programs should focus on questions such as:

- Do the participants value the services and benefit from them in some way?
- Are concerns about domestic violence and safety being appropriately addressed?
- Are programs advancing the understandable goal of expanding low-income-family access to the same body of relationship supports (education and counseling) that middle-class families use to build strong families?
- Are there ways to better integrate marriage services with other work and income supports such as job training and child care that help couples address stress related to poverty status?

Beginning in fiscal year 2011, which ended in September 2011, the dedicated funding stream for the Healthy Marriage Initiative was reduced from \$100 million to \$75 million. The lost funds were shifted into Responsible Fatherhood grants, which target economic stability of fathers (allowing them to provide for their children), parenting, and relationship skills (thus tying the grants to the Healthy Marriage Initiative). This funding structure continued into subsequent fiscal years.

More rigorous evaluation is needed of these programs, but some individual programs have reported high amounts of consumer satisfaction and positive outcomes such as increased employment, payment of child support, and improved parent-child interactions.⁶

The number of children in foster care and family separation

When parents or a single parent can provide a healthy and safe home for their children, the best place for a child to be is with them. While children in poverty are more likely to live apart from both of their parents, the vast majority of parents in poverty are providing loving and safe homes for their children, doing everything in their power to provide the physical, emotional, and intellectual supports their children need to thrive as adults.

In 2011 about 4 percent of children in the United States lived apart from both of their parents, and of this group 80 percent lived with grandparents or other relatives.⁷ This is a slightly greater share of children in this group living with relatives than in the previous year, when that number was 78 percent.⁸ In 2011, 11 percent of children living apart from both of their parents lived with nonrelatives who were not foster parents, down from 15 percent in 2010.⁹ About 8 percent of children who lived separately from their parents were involved in the foster care system in 2011, compared to 7 percent in 2010.¹⁰

Tracking the number of children living in foster care and apart from parents or other relatives tells us the rate at which family units are breaking up and families are turning to systems of last resort. In other words, it indicates the very opposite of family cohesiveness.

A higher number of children living in foster care is not necessarily a negative result if foster

care is a safer place for the child than other arrangements and cannot be avoided. But children in the foster care system often experience higher rates of negative outcomes such as lower educational outcomes, teen pregnancy, or involvement in the criminal justice system.

It is also important to note how long children stay in the foster system as an indicator of how quickly family crises can be resolved or how long children are left in systems of last resort before finding a permanent family home. In 2011 there was an improvement in the average length of stay, to 21.1 months, slightly lower than the average stay of 21.7 months in 2010.¹¹

Another important question is where children go when they leave the foster care system. There was virtually no change between 2010 and 2011: Fifty-two percent were ultimately reunited with their parents or a single parent; 20 percent were adopted; 11 percent were transitioned (reaching the age of adulthood or legally declared to be an adult by a judge); and 17 percent experienced other outcomes in 2011 such as living with a relative or other guardian or running away.

Many of these indicators saw small shifts in the right direction. Compared to 2010, children were slightly less likely to live apart from both of their parents in 2011. More young people also shifted from nonrelative care to relative care, another positive trend. Various system reforms are contributing to downward trends in numbers of children in the child welfare system. These include the implementation



Single father Andrew Witten helps his daughter Lulu put on a helmet before riding skateboards in Washington Square park in New York City.

ASSOCIATED PRESS/MARY ALTAFFER

of federal-level policies such as the Fostering Connections to Success and Increasing Adoptions Act of 2008 and the Adoption and Safe Families Act of 1997, as well as various efforts by individual states.¹²

These endeavors aim to improve the number of children tied to stable families through safely preventing separations from their parent(s), adoptions, reunifications with one or both of their parents, and kinship placements. These combined efforts also helped focus the system on reducing racial disparities by rooting out racial biases through improved staff training and development, monitoring progress, and initiating further research into other causes of family instability.

Incarceration, fatherhood, and families

Another system of last resort that harms family cohesion is the criminal justice system. The so-called war on drugs produced exploding rates of incarceration. Between 1982 and 2007 the number of prison and jail inmates grew by 274 percent and now totals 2.3 million people. Many of these individuals have children—51.2 percent of male inmates in state prisons and 63.4 percent of those in federal prisons were fathers in 2009, accounting for an estimated 1.7 million children.¹⁴

Black and Latino families are disproportionately affected, with higher rates of incarceration and longer sentences overall. Among the

reasons: police practices that disproportionately target black and brown neighborhoods and mandatory sentencing rules that assign more time to the drugs that are used in those communities (for example, policies that attach longer sentences to crack cocaine as opposed to powder cocaine).

Many fathers lived or otherwise spent time with their children prior to incarceration. When dads are removed, it interrupts family relationships and deprives children of their father's income.

Some federal fatherhood dollars are targeting these problems, helping to maintain visits during incarceration; providing family or group counseling; and offering help with issues such as employment, domestic violence, and substance abuse, as formerly incarcerated parents return to society. Such programming is aimed at strengthening families during incarceration and re-entry. Many are still considered to be promising practices and are in the process of being thoroughly evaluated by the federal government.

Family income

Financial security is key to building strong families, significantly influencing low-income people's marriage decisions¹⁵ and most other issues discussed in this chapter. Family income here is tracked by income from employment and child support and also through satisfaction of basic human needs such as affordable health care and housing.

Family employment

Children live in a variety of family situations. The economic health of a family is tied to its earners, or the parents who are in the workforce. Ideally, all parents who want a job would have one, and the family employment indicator tracks the extent to which we are meeting that goal. Having at least one full-time year-round worker in each working-age

family is critically important, lowering the odds of being poor. In 2011, for example, real median earnings dropped, eroding the incomes of the middle class even as incomes for the top 5 percent of earners grew (see the inequality indicator in Chapter 1 on page 2). Yet at the same time, 2.2 million people—including 206,000 single mothers—moved into full-time year-round work, helping to stabilize the poverty rate at 15 percent despite overall declining incomes.¹⁶

In 2011 most families with children headed by couples (married or unmarried) had both adults in the workforce. Unemployment rates for two-earner married-couple families declined slightly, from 10.4 percent with at least one partner unemployed in 2010 to 9.6 percent in 2011.¹⁷ These rates are higher than the general unemployment rates because monitoring the

employment status of two or more “people units” increases the likelihood that at least one person will be out of work.

Unmarried couples with children realized significant improvement in family employment but were starting from a much more disadvantaged baseline. The percent of two-earner unmarried-couple family groups with at least one member unemployed declined from 27.3 percent in 2010 to 23.1 percent in 2011, with some of the employment gains coming from male workers who were most affected at the beginning of the Great Recession of 2007–2009 and who benefited most in the subsequent economic recovery.¹⁸

Yet the high unemployment rates among unmarried-couple numbers reflect something far more troubling—the economic insecurity of those at the bottom of the economic ladder. Parents with limited education and skills are disproportionately represented within the unmarried group, as well as within the ranks of the unemployed. These factors may be related to one another—some adults who experience employment instability and economic insecurity consider themselves and each other unprepared for marriage.

The fact that a strong majority of two-parent families have both parents in the workforce suggests that it is increasingly the case that Americans find that two incomes are necessary to achieve economic security in homes with children, a factor that is related to declining real wages for middle- and working-class families over time. (see the More Good Jobs chapter beginning on page 34 and Figure 1)

This presents significant challenges for single-parent families, who often only have the option of one income to rely on. Despite persistent stereotypes of lazy welfare mothers, the vast majority of single parents (nearly 80 percent) are in the workforce,¹⁹ with the remainder experiencing other circumstances such as work-preventing illnesses or disabilities, the need to care for sick or disabled children or parents, or full-time education or job training. Yet single parents face higher-than-average rates of unemployment, in part reflecting challenges in providing care for children and other family members.

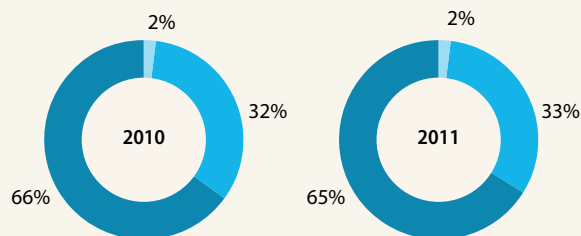
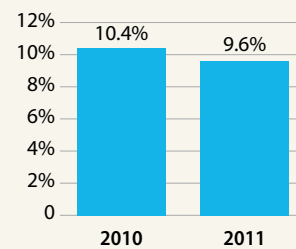
Policies that focus only on marriage as a solution to poverty fail to account for the degree to which ensuring stable employment opportunities for single mothers helps in solving the problem. In fact, in 2011 single-mother families had a poverty rate of 40.9 percent, but in single-mother families with at least one full-time year-round worker, the poverty rate dropped to 13.4 percent,²⁰ suggesting the critical role that stable work for single mothers plays in reducing poverty.

Yet the same 13.4 percent of single-mother households that work full-time still live in poverty, which suggests that while stable work is necessary for single-parent households, it is not sufficient. Thus it is important to address work barriers that include limited job opportunities, poverty-level wages, insufficient education and skills, and limited access to child care and transportation to and from work and their children’s schools.

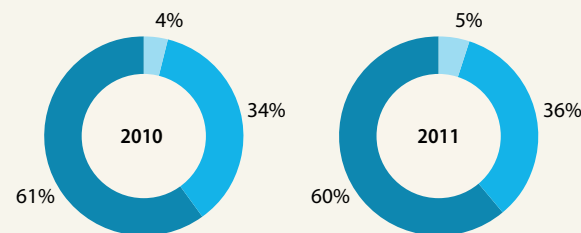
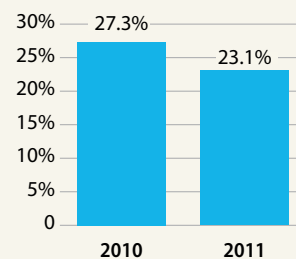
Single mothers who come to marry or partner with a man who is stably employed gain even greater economic security, suggesting a value in

*Figure 1: Family employment***WORK PARTICIPATION AND UNEMPLOYMENT BY FAMILY TYPE****Married couples with children****Workforce participation**

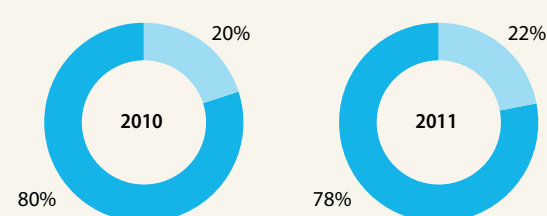
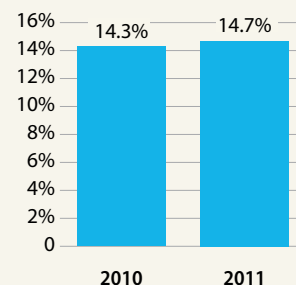
0 earner couples 1 earner couples 2 earner couples

**Married couples with at least one member unemployed: unemployment rate drops****Unmarried couples with children****Workforce participation**

0 earner couples 1 earner couples 2 earner couples

**Unmarried couples with at least one member unemployed: sharp decline in unemployment****Single parent families****Workforce participation**

0 earners 1 earner

**Unemployment among single-parent families: slight increase in unemployment rates**

Source: Author's calculation with original data from U.S. Census Bureau, *America's Families and Living Arrangements* (2010, 2011).

focusing on the employment needs of fathers and other current and potential male caretakers. For instance, when formerly single-mother families included at least two full-time year-round workers, they had an even lower poverty rate of 3 percent.²¹

Clearly marriage remains an important goal for family stability, but efforts to encourage marriage must take place alongside broader policy reforms to address widespread economic insecurity. Declining incomes and financial instability affect couples' decisions to marry and can put pressure on existing marriages. This suggests a tremendous value in connecting couples to employment and income supports and other ways to tackle family unemployment, which in turn may help relationships.

Child support

When parents are not together, the ability of both parents to contribute to childrearing remains a critical component to family economic security. For poor households with children headed by a single parent, child support provided by the noncustodial father or mother is a very large and important source of income in addition to the custodial parent's own income. In fact, for those custodial parents in poverty—mainly women—who were receiving full child support, it represented 62.6 percent of their average income,²² lifting 1 million people, including 625,000 children, out of poverty in 2008, the most recent data available. Without income from child support, child poverty would have increased by 4.4 percent in 2008.²³

Considering that child-support payments are so important to maintaining family income, helping fathers meet their support orders is vital, as is ensuring that payments reach the child.

Unfortunately, even though child support is largely economically beneficial for families, child-support policies do not work optimally for all parents. Some mothers do not receive all the funds collected on their behalf. Federal policy allows the government to retain child-support dollars in order to offset the amounts they have paid out to families for public assistance. Mothers who gain additional income through child support also risk having their public-assistance benefits reduced.

States have the option of waiving both of these rules for women and children—they can “pass-through” child-support dollars from fathers to families (rather than keeping it to offset their public-assistance costs), and they can “disregard” or not count child support income when calculating how much families should receive in public assistance. As of early 2012, 25 states and territories had pass-through and/or disregard policies designed to ensure more income for families living at or near poverty.²⁴ This left 29 states that had yet to take action.

Low-income fathers experience a different set of challenges. A subset of men involved in the Child Support Enforcement system have obligations that are too high given their income. For some, the initial amount of child support was set too high. Others face barriers adjusting the amount of support once their incomes drop due to unemployment, pay cuts, illness, injury, or

incarceration. But regardless of the situation, poor men are disproportionately represented among those not fully meeting their child-support obligations. They account for half of the debtors and owe 70 percent of all arrears.²⁵

Arrears can lead to severe wage garnishments, imprisonment, loss of a driver's license necessary to maintain employment, and even public humiliation, as photos of those not meeting obligations may be published in newspapers and on television. For dads who simply refuse to support their children, such harsh consequences may be justified. But some fathers are simply too poor to pay, causing advocates to revive the term "debtors' prisons" to describe the circumstances of low-income parents who have been jailed due to poverty.²⁶ In 2011 the issue reached the U.S. Supreme Court, which ruled that parents don't have a right to an attorney (who could help them prove they are too poor to pay) when they face jail for nonpayment of child support.²⁷

A step in the right direction would be for the remaining states to adopt pass-through and disregard policies to ensure that more father payments go directly to helping children. Also important are policies that help fathers who are too poor to pay—improving access to employment assistance, providing outreach and assistance with understanding and operating within the child support system, and simplifying processes for adjusting orders as a result of employment loss or drops in wages.

Helping to improve the ability of fathers to pay support is also important. Employment

assistance and EITC expansions are critical tools. New York state, for example, has extended its state Earned Income Tax Credit to noncustodial fathers if they work and pay child support. Research findings from its early years show the program increased the number of fathers paying full support.²⁸

Finally, Congress should restore the \$1.2 billion in cuts made to the Child Support Enforcement program when funding provided through the American Recovery and Reinvestment Act of 2009 was allowed to expire in 2011. These funds helped states maintain enough workers to be able to speed up the modification of child-support orders when fathers face loss of earnings, for example. More steps in the right direction would be to use the child-support system to refer parents to help get their licenses reinstated or training or employment placement, to establish a payment plan, and other strategies to create incentives for low-income parents to pay child support such as New York state's earned income tax credit for working parents who pay child support.

All of these efforts require adequate staff and resources, which have been scaled back as a result of congressional funding cuts to states for child support enforcement.

Access to health care

When President Barack Obama signed the Patient Protection and Affordable Care Act in 2010, he took a significant step forward in strengthening our nation's low-income families.



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Over the past several decades, health care had been a broken sector resulting in unmanageable costs for families and generating significant stress that can challenge family bonds.

Health care reform turned the tide by reducing patient costs and making health insurance accessible to millions more Americans even if they have a pre-existing condition. The legislation brought other benefits such as the opening of 350 new community health centers in 2011 alone,²⁹ reaching underserved areas where parents would have otherwise had to travel a great distance to get a checkup for their child, possibly causing them to miss work and lose income.

The law also expands access to mental health services when untreated illnesses can divide families and inhibit parenting. It makes new investments



in the Maternal, Infant and Early Childhood Home Visiting Program, which provides home-based parent education for young families, who benefit from information about how to support their child's health and development.

During the summer of 2012, the Supreme Court added a significant new chapter to the story of health care reform legislation developed under the Obama administration. In *National Federation of Independent Business v. Sebelius*, the Court upheld the central pillar of the Patient Protection and Affordable Care Act, allowing Americans to benefit from greater access to health care and reduced patient costs.

Despite this positive outcome, one section of the Supreme Court decision has the potential to harm low-income families. The justices made

Figure 2: The coverage gap plays out in a Texas suburb

The year is 2014, and the Affordable Care Act has gone into effect. Although Texas has refused to implement the law, the federal government has set up a health care exchange where uninsured Texans can purchase insurance, and many will receive government subsidies to get affordable coverage. But Texas has also refused to expand its Medicaid program to cover the working poor—people who make less than \$15,300 a year as an individual (which is less than 133 percent of the federal poverty line). People who earn between \$11,500 and \$15,300 may still get a subsidy to purchase health insurance in the exchange, but those earning less than \$11,500 are left without Medicaid coverage and are not eligible for a subsidy to buy insurance on their own. Here’s how this plays out among the two neighbors, Jan and John:



Jan	Name	John
55	Age	55
Part-time retail worker	Occupation	Sales manager at hardware store
\$8,840	Annual salary	\$25,000
77 percent	Percent of federal poverty line	217 percent
\$8,495	Expected cost of premium to cover a 55-year old	\$8,495
Not available Could be covered by Medicaid is her stat takes up the option	Subsidies available from Obamacare to purchase insurance	Yes Will receive \$6,768 in subsidies to purchase insurance
96 percent	Percent of income necessary to get coverage	6.91 percent

it easier for states to opt out of the Medicaid expansion component of the Affordable Care Act, which, prior to the decision, was projected to cover 17 million new people living below 133 percent of the poverty line,³⁰ or \$24,104 for a family of three (single parent with two children). Many of these individuals are parents and other caretakers of children.

States have varying Medicaid eligibility criteria. If some states opt out of the expansion, then they will continue to serve the same groups of people they have always served. All states cover pregnant women living below 133 percent of poverty, but most (39 states) are more generous, covering those living under 185 percent of poverty or greater.³¹ Coverage for other parents, however, has often been limited to those experiencing the most extreme forms of poverty, with some categories of parents completely excluded. In 17 states, for example, working parents must be below 50 percent of the poverty line (\$9,265 per year for a family of three) in order to qualify for Medicaid, and 42 states generally don’t serve noncustodial parents at all.³²

Thus these legions of poor and near-poor parents will continue to lack access to Medicaid in those states that opt out of the expansion authorized in the Affordable Care Act. Under the law, states that opt into the Medicaid provision will enable all people living under 133 percent of the poverty line to access Medicaid. But for those states that opt out, people living above the poverty line will still be eligible for a tax credit, helping them to afford private

Source: Kaiser Family Foundation, "Health Reform Subsidy Calculator," available at <http://healthreform.kff.org/subsidycalculator.aspx?source=QL>. For Jan's scenario, the calculator assumes she will be covered by Medicaid, so the author calculated Jan's premiums as a 55-year-old worker making just above the Medicaid eligibility limit.

health insurance—though their required costs will be higher than they would have been under Medicaid. People below the poverty line in states forgoing the Medicaid expansion are not eligible for the tax credit, experiencing the cruel outcome of being the only group left out of the full promise of health care reform. (see Figure 2)

Consequently, low-income families in states that opt out of the Medicaid expansion will experience greater economic hardships. Those families living just above the poverty line will pay higher premiums and co-payments, and those living below that level almost certainly will still be without insurance and paying extremely high out-of-pocket costs.³³ These additional financial burdens, which states can avoid for their residents by opting into the Medicaid expansion under the Affordable Care Act, would put stress on families and potentially strain their bonds while causing a whole host of other negative outcomes such as not being able to afford food or housing due to health care costs.

Parents may also not get needed preventive services or early treatment for their medical conditions (with some avoiding the doctor because they cannot afford to pay for visits).³⁴ Preventable and unnecessarily prolonged illnesses translate into unnecessary time away from work, decreasing the income available for childrearing. Persistent ill health also impairs the ability to care for children since sick parents may be unable to help with homework or provide discipline.

This stress is not limited to families raising children. Opting out of the Medicaid expansion

has the potential to strain all families, including those that are supporting elderly and other low-income individuals who would gain access if their state implemented the Medicaid provisions of the Affordable Care Act.

Housing affordability

Housing is an unmanageable cost for far too many American families, threatening their economic security and family cohesiveness. The foreclosure crisis, growing numbers of low-income households, and other factors are leading to a significant upswing in the number of renters. We examine housing affordability in detail as an indicator in our Family Economic Security chapter beginning on page 82.

Unaffordable-housing trends are changing the shape of families, causing more to share housing or “double up” in multigenerational family units or with friends. According to the U.S. Census Bureau, there were 21.8 million of these households in 2011, an increase of 2 million since the Great Recession began in 2007.³⁵ Young adults are particularly prone to return to their parents’ homes, but Americans of varying ages are living in these situations, which are certainly affecting the ways in which families interact with one another.

Some families and extended families that double up may experience positive developments, such as help with child care and more consistent emotional support. But others experience negative consequences such as conflict arising from

too much togetherness or continued exposure to unhealthy or even abusive family relationships.

The federal Family Unification Program, which began in 1992, allows child welfare agencies to provide families with housing subsidies (or Housing Choice Vouchers, also known as

Section 8 vouchers) if doing so would help reunify children with their parents or prevent their separation. Of families who retained their housing for at least a year, 90 percent avoided having their child put in an out-of-home placement.³⁶ The need for the program has historically outpaced the available funding.

Family planning: Teen birth rate

The ability of parents to plan the size and timing of their family is vital to the strength and economic security of a family. This suggests a need for access to contraception and health information.

One subset of parents is frequently targeted for research and intervention—teenagers. Unplanned pregnancies, particularly among this group, can leave new parents without the resources they need to raise their children and without the capacity to advance their employment or educational prospects.

Fortunately, there is good news on this front. Teen birth rates continue to decline, down to 31.3 births per 1,000 women ages 15 to 19 in 2011 from 34.2 births per 1,000 in 2010.³⁷ This rate was 44 percent lower than it was two decades prior. It also reflects a record low for the age group. Declines were posted by all racial and ethnic groups, although girls of color remain more likely to experience teen pregnancy. These changes are likely tied to reductions in the number of teens who report being sexually active and increases in the number of sexually active teens who report using contraception.³⁸

Measuring our progress

Reducing poverty and strengthening families raises complex issues and challenges, but health care reform is a powerful example of how progress in these areas is possible with substantial effort. Moving forward, the nation should look toward new solutions as a means

of measuring our progress in cutting poverty in half by 2020. Specifically:

- **CONTINUE TO EXPERIMENT WITH MARRIAGE AND FATHERHOOD SERVICES.** Continued investments in quality evaluations will be

necessary to learn what services are appropriate and work well so that the findings can inform the debate about whether they should be replicated on a larger scale.

- **ENSURE THAT ALL 50 STATES AND THE DISTRICT OF COLUMBIA PARTICIPATE IN THE MEDICAID EXPANSION UNDER THE AFFORDABLE CARE ACT.** This will allow more parents to access health care at the lowest possible cost and enable government agencies to work with families to ensure that they understand—and take the best possible advantage of—all the opportunities available under the Affordable Care Act, including community health centers and home visitation options.
- **EXPAND ACCESS TO AFFORDABLE HOUSING.** This will require capitalizing the National Housing Trust Fund, which would provide communities with funding for building, rehabilitating, and preserving affordable housing. Also important is expanding access to the existing Housing Choice Voucher program, which provides rent subsidies to low-income families, seniors, and people with disabilities.

- **ENCOURAGE MORE STATES TO TAKE ADVANTAGE OF INCENTIVES FOR PASS-THROUGH AND DISREGARD POLICIES FOR CHILD SUPPORT.** This would ensure that more child-support payments go directly to helping children and ensure that custodial parents receive the income and work supports they need to provide for their children.
- **CONTINUE TO IMPROVE RESULTS IN OTHER AREAS THAT STRENGTHEN FAMILIES.** Our nation must continue to make progress in reducing teen pregnancy and improving child welfare services, investing in services that prevent the need for foster care placements, and promoting rapid family reunification, guardianship, or adoption where appropriate.
- **REDUCE MARRIAGE PENALTIES IN WORK AND INCOME SUPPORT PROGRAMS THAT MAY DISCOURAGE MARRIAGE.** In the immediate term, Congress can make permanent the Recovery Act expansions of tax credits for working families which included fixing the marriage penalty in the earned income tax credit.

Endnotes

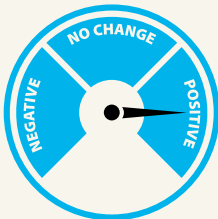
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Indicators

13 WELL-BEING OF CHILDREN LIVING APART FROM THEIR PARENT(S)

Tracking the number of children living in foster care and apart from relatives tells us, as an indicator, the rate in which family units are breaking up and families are turning to systems of last resort. This set of indicators also looks at what happens to these children living away from immediate family, showing what percentage live with relatives, other guardians or the foster care system. We then take a deeper dive for children in the foster care, and then examine where children are placed.

WHAT THIS MEASURE TELLS US: Many of these indicators saw small positive shifts. Compared to 2010, children were slightly less likely to live apart from both of their parents in 2011. More young people also shifted from non-relative to relative care and there was a slight decline the average length of stay in foster care for children from 21.7 months in 2010 to 21.1 months in 2011.



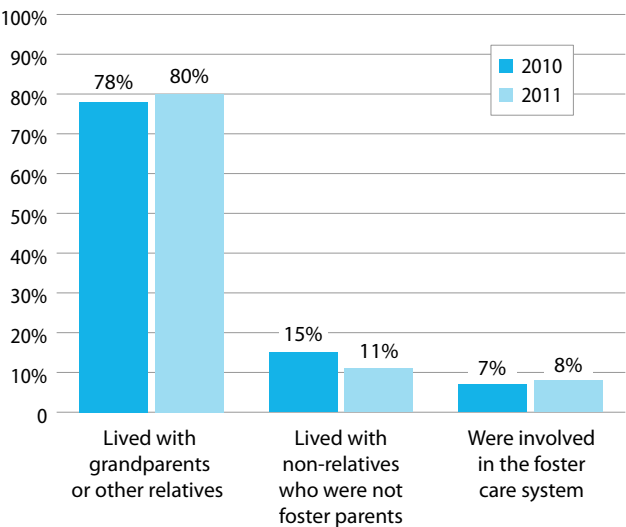
4%

OF CHILDREN IN THE UNITED STATES LIVED APART FROM BOTH OF THEIR PARENTS

a

4 percent of children in the United States lived apart from their parents

More were placed in family settings from 2010 to 2011



Source: U.S. Department of Health and Human Services.

b

Half of children who exited foster care in 2011 were reunited with parents

Outcomes for children who exited foster care during 2011

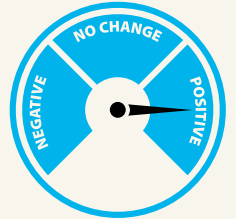
	Number of children	As percent of all children in foster care
Reunification with parent(s) or primary caretaker(s)	125,908	52%
Living with other relative(s)	20,076	8%
Adoption	49,866	20%
Emancipation	26,286	11%
Guardianship	15,707	6%
Transfer to another agency	4,560	2%
Runaway	1,387	1%
Death	343	0.1%
Total	245,260	100%

Source: U.S. Department of Health and Human Services.

14 BIRTH RATE FOR TEENAGERS

Teen birth rates continued to decline, down to 31.3 births per 1,000 women ages 15 to 19 in 2011 from 34.2 births per 1,000 in 2010.

WHAT THIS MEASURE TELLS US: This rate was 44 percent lower than it was two decades prior. It also reflects a record low rate for the age group. Declines were posted by all racial and ethnic groups, although girls of color remain more likely to experience teen pregnancy. These changes are likely tied to reductions in the number of teens who report being sexually active and increases in the number of sexually active teens who report using contraception.

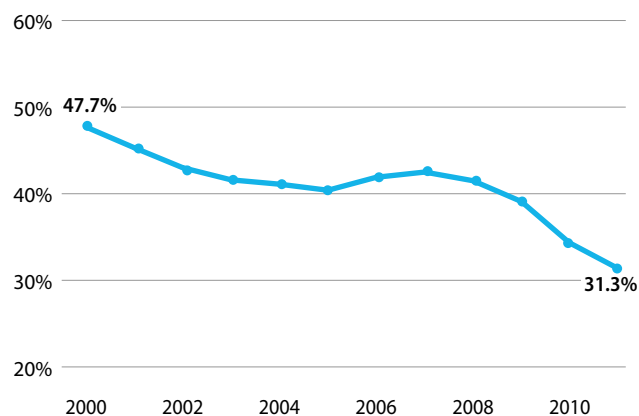


31.3
BIRTHS PER 1,000
WOMEN AGED
15 TO 19

a

Teen birth rate declined 28 percent between 2000 and 2010

Teen birth rate, 2000–2010

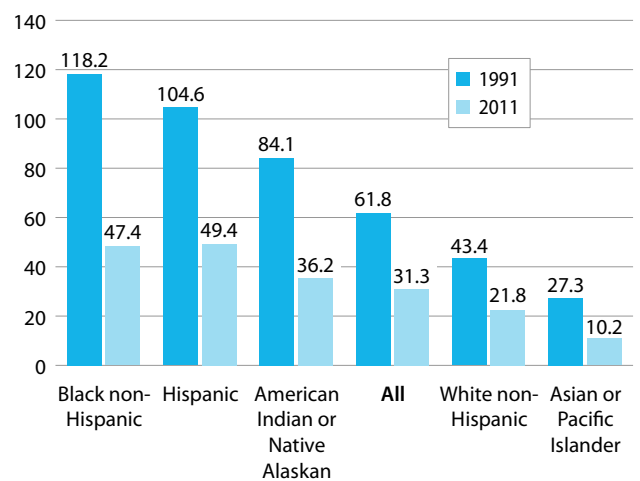


Source: Centers for Disease Control/National Center for Health Statistics, National Vital Statistics System.

b

Decline in teen birth rates over past two decades steepest among black teens

Teen birth rate by race and ethnicity, 1991 and 2011



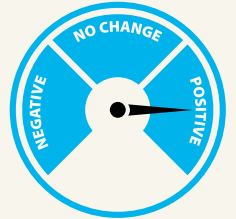
Source: Centers for Disease Control.

Indicators

15 HEALTH INSURANCE

The percentage of people without health insurance went down, falling to 15.7 percent in 2011 from 16.3 percent in 2010. The number of uninsured people decreased to 48.6 million, down from 50 million in 2010.

WHAT THIS MEASURE TELLS US: Early expansions in the Affordable Care Act are already beginning to help more Americans access health coverage. The provision allowing young adults to stay on their parents' coverage until age 26 likely played a role in increasing coverage among this age group. As the full law goes into effect in 2014, further improvements in the indicator are expected.



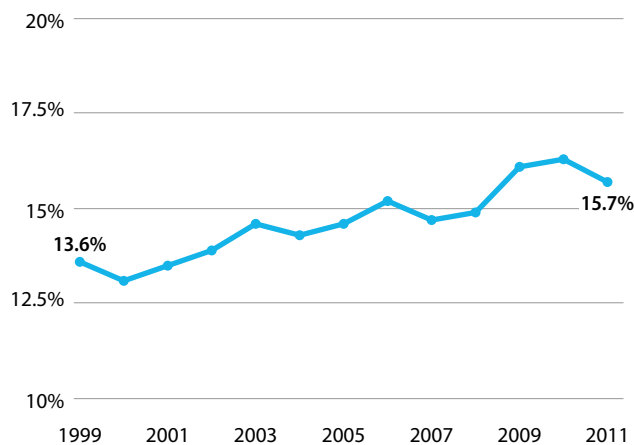
15.7%

**DID NOT HAVE HEALTH
INSURANCE AT ANY
TIME DURING 2011**

a

Uninsurance rose steadily before Affordable Care Act, now trending downward as law is implemented

Percentage of people without health insurance, 1999–2011

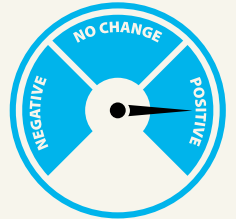


Source: Census Bureau, Current Population Survey.

16 FAMILY EMPLOYMENT

12 percent of families with children were touched by unemployment in 2011, down from 12.6 percent in 2010. This means that at least one parent in the household wanted to work, but could not find a job. While married and unmarried couple families saw improvements in their employment situations, the unemployment rate for single-parent headed households slightly increased. Families with unmarried couples living together were the most likely to be touched by unemployment.

WHAT THIS MEASURE TELLS US: Ideally, all parents who want a job would have one, and the family employment indicator tracks the extent to which we are meeting that goal. Having at least one full-time year round worker in each working-age family dramatically lowers the odds of being poor.



12%

**OF FAMILIES WITH
CHILDREN HAD AT
LEAST ONE PARENT
UNEMPLOYED IN 2011**

a

Family employment

Work participation by family type

Married couples with children workforce participation

	0 earner couples	1 earner couples	1 earner couples
2010	2%	32%	66%
2011	2%	33%	65%

Unmarried couples with children workforce participation

	0 earner couples	1 earner couples	1 earner couples
2010	4%	34%	61%
2011	5%	36%	60%

Single parent families workforce participation

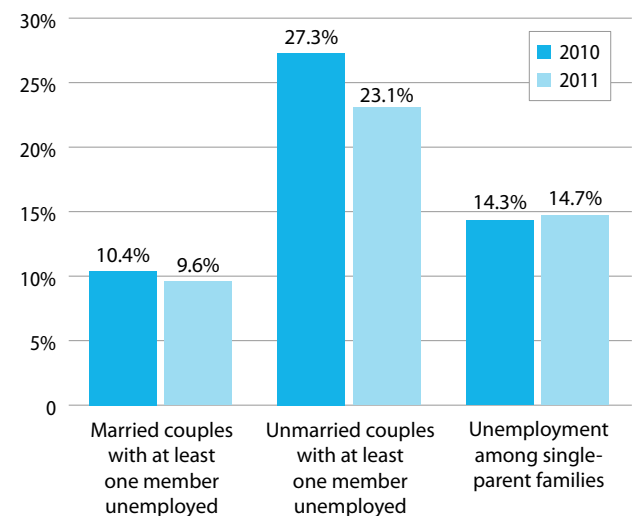
	0 earner couples	1 earner couples
2010	20%	80%
2011	22%	78%

Source: Author's calculation with original data from U.S. Census Bureau, *America's Families and Living Arrangements* (2010, 2011).

b

Unemployment rate for married and unmarried couples declines, but rise slightly for single-parents families

Unemployment by family type




Source: Author's calculation with original data from U.S. Census Bureau, *America's Families and Living Arrangements* (2010, 2011).

Family economic security

Creating the economic foundation families need to thrive

By Erik R. Stegman and Katie Wright



Unita Walburn and daughter Rebeckah, 1, pick greens in their garden at their home in Spotsylvania, Va. The family is spending more time together by working in their garden to save money on their food bill.

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What does economic security mean for a family? It's about stability and opportunity. When families are economically secure, they are better able to weather financial challenges such as the loss of a job while remaining safe and secure. When families lack economic security, an unforeseen crisis that causes financial hardship such as a medical emergency can jeopardize the ability of parents to pay the bills, put food on the table, and afford such necessities as child care and transportation.



Our economic security system provides families with basic insurance against job loss, illness, disability, and other risks that jeopardize this security. The system rests on families' private savings and assets and on public programs. This system is especially important in tough economic times, but even in good ones it plays an essential role.

As we track our nation's progress toward strengthening family economic security and cutting poverty, we'll examine indicators in three important areas: supporting employment, income security, and the ability of families to save.

When it comes to supporting employment, policies such as child care assistance are important indicators of economic security because they give parents the flexibility they need to find and maintain the kind of good jobs we discussed earlier in this report. For too many families, the jobs they are able to find don't pay enough and fall short of supporting the household's other needs. As the "Good Jobs" chapter demonstrates, the proliferation of low-wage work in our economy continues to undermine family economic security. Millions of unemployed or underemployed Americans, through no fault of their own, are unable to find full-time work today. This is why we also track access to unemployment insurance and nutrition and housing assistance as indicators of family economic security.

The ability of a family to maintain enough savings to weather both unforeseen and expected financial and economic storms on their own is also a key component to family economic

security. This independence allows struggling families to rise, and stay, out of poverty, and move into the middle class even during difficult economic times. This is why we track asset poverty, a key indicator how well a family can weather tough times should their source of income be disrupted.

Unfortunately, critical federal programs that support work, income security, and savings such as those we examine in this chapter are facing cuts at both the state and federal levels as part of a misguided philosophy of austerity. Operating within tight budget constraints and in the context of dwindling funds allocated under the American Recovery and Reinvestment Act of 2009, states have laid off public-sector workers and cut back on services such as child care that help working families struggling to make ends meet. At the federal level, conservatives continue to push for deep cuts and structural changes to critical programs that promote economic security

and opportunity, including efforts to transform them from mandatory programs, where funding is provided according to demand, into capped allotments, also known as block grants. By arbitrarily capping the amount of funding states can receive from the federal government for safety net programs, states are often forced to limit eligibility or benefits when times get tough—and when support is needed the most.

The Temporary Assistance for Needy Families program serves as a cautionary tale for this approach. Temporary income assistance is supposed to provide basic income security and employment services to low-income families with children. In 1996 the program was converted into a block grant with funding frozen at a nominal dollar level. Since then, the actual value of the funding provided by the program has dropped by nearly 30 percent. The percentage of children living in deep poverty dipped amid the economic boom of the mid- to late-1990s but then rose substantially, reaching 9.8

percent in 2011. This troubling reversal reveals the cracks in the system, highlighting the program's inability to meet the increased need families face in tough economic times.¹

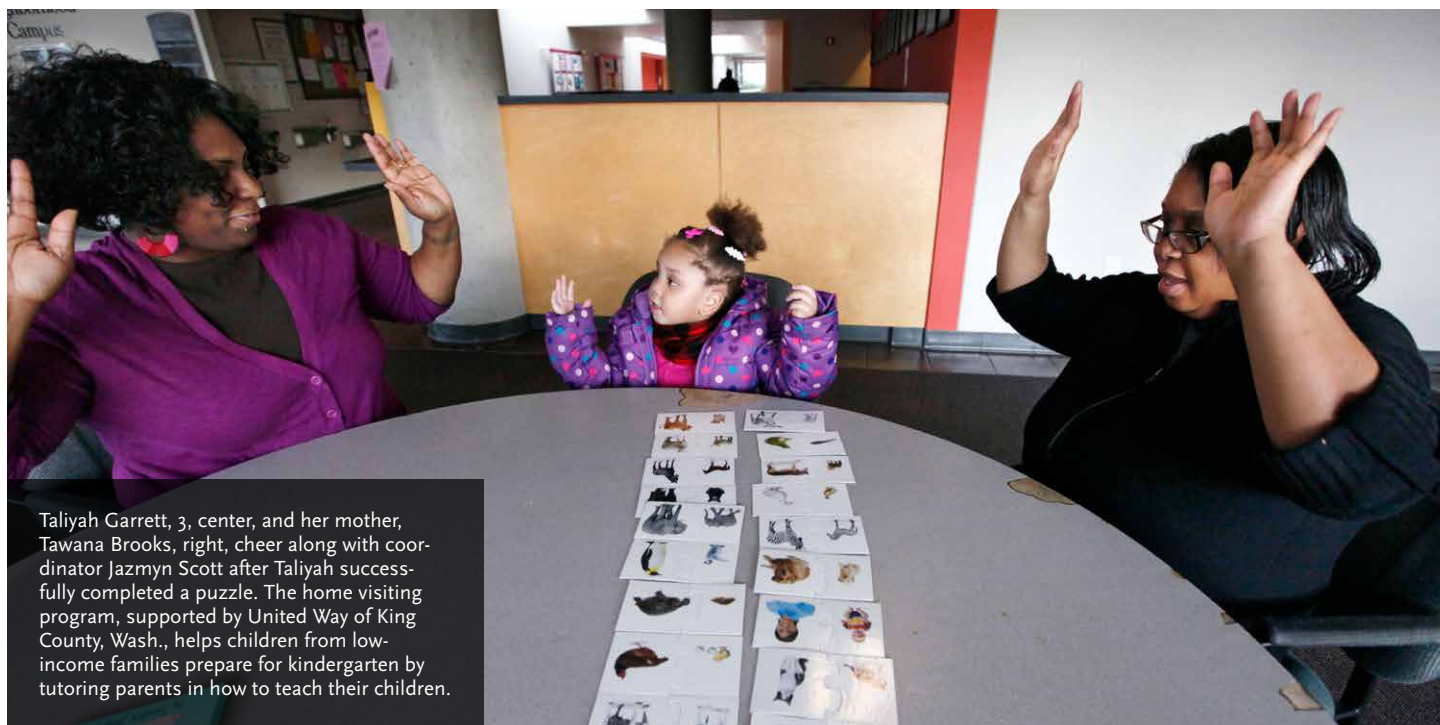
Instead of expanding to accommodate the dire need many more families faced during the Great Recession of 2007–2009, the number of poor families receiving temporary income assistance stagnated or even dropped in some states.² This left some of the nation's poorest families with few options to meet basic needs.

Rather than putting a stranglehold on other critical economic security programs, which would limit their ability to help when people fall on hard times, we should ensure that families can access assistance precisely when they need it most. During economically challenging times like those we face today, it is even more important that we make the right policy choices that will promote—not jeopardize—economic security for our nation's families.

Supporting employment

Access to an adequate and stable income is the foundation of economic security for all families. Family income must cover basic needs such as housing, food, transportation, child care, and health care. Too often, though, low-wage jobs fall short of both income and the flexibility one needs to raise a family, especially child care. One of the most significant barriers

to employment and income security is the lack of child care. As any parent can tell you, raising children is a full-time job on its own, and it can be even more challenging when one is trying to find and maintain full-time employment. This is why child care assistance plays a critical role in supporting parental employment and improving family economic security.



Taliyah Garrett, 3, center, and her mother, Tawana Brooks, right, cheer along with coordinator Jazmyn Scott after Taliyah successfully completed a puzzle. The home visiting program, supported by United Way of King County, Wash., helps children from low-income families prepare for kindergarten by tutoring parents in how to teach their children.

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Affordable child care

High quality and affordable child care is a central need for working families across the country. There are 7.8 million families with children younger than age 6 living under 200 percent of the poverty line—or below about \$38,180 for a family of three.³ With the average cost of full-time child care now ranging from \$3,600 to \$18,200 per child annually, child care assistance is more important than ever as a support to employment, providing opportunities to families who are trying to find a good and sustainable household income.⁴ The child care and development block grant is the primary tool that helps families afford child care. It provides eligible families with a voucher or subsidy to

purchase child care so parents can enter the workforce or pursue the education and training they need to move forward.

The funding for this important program, however, faces serious cuts. An additional \$2 billion of funding for fiscal years 2009 and 2010 provided by the American Recovery and Reinvestment Act to the child care block grant helped states maintain their child care assistance programs. Each month through fiscal year 2010, the last year for which complete data were available, child care assistance served 1.7 million children and nearly 1 million families. Unfortunately, this critical increase has now expired.⁵ In his fiscal year 2013 budget proposal, President Barack Obama proposed an \$825 million increase to the

program, but even with this increase the program would only serve about 1.5 million children.⁶

Direct funding cuts are only one part of the challenge. State administrative policies have dramatically reduced access to child care assistance since 2010. Families in 37 states had a harder time receiving child care assistance in 2011 than in 2010 due to income eligibility limits to qualify, waitlists for assistance, increased co-payments required of parents, reimbursement rates for child care providers, and parental eligibility for child care assistance while looking for a job. The number of states with waitlists, for instance, grew from 19 in 2010 to 22 in

2011. Less than one-fifth of states increased their income eligibility limits between 2010 and 2011, which excludes working families who have incomes slightly above a threshold that often doesn't even keep pace with inflation.⁷

As families struggle in an even more competitive job market, affordable child care is essential. State cost-cutting policies deny more and more families the help they need, while reductions in federal child care funding are further shrinking the pool of child care placements. Without a federal commitment to increase child care assistance, many families will find economic security increasingly elusive.

Income security

When family breadwinners are unable to provide an adequate, stable income on their own due to challenges accessing good jobs, income assistance helps them provide for basic needs in the short term while they work toward attaining a stable and adequate income down the line.

Food-insecure households

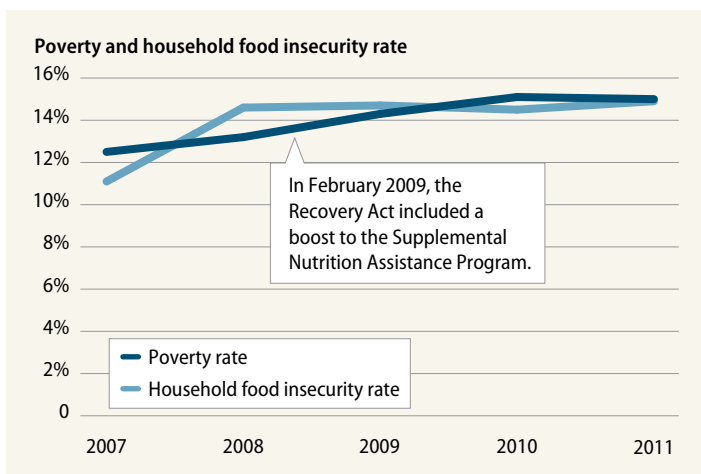
The Supplemental Nutrition Assistance Program provides families living below 130 percent of the federal poverty line (or about \$24,100 annually for a family of three) with benefits they can use to meet their nutritional needs. By 2004 all states had moved away from

paper stamps or coupons to debit cards or electronic benefit transfer as the means of distributing benefits. In addition, the 2008 farm bill renamed the food stamps program as the Supplemental Nutrition Assistance Program. Benefits are used only to purchase food. The program is designed to respond to growing needs in tough economic times and to recede when economic growth is strong.

In doing so, nutrition assistance not only helps families avoid hunger but also helps sustain demand for food during recessions to prevent more layoffs at supermarkets and their suppliers. What's more, the vast majority of participating households have members who are seniors, children, or people with disabilities,

Figure 1: Food insecurity stabilized as poverty rose

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM HELPS CURB HUNGER



Note: The food security measure uses household as the primary unit, but individual food insecurity rates show the same trend of a significant jump from 2007 to 2008 with flat rate following that. Poverty rate used here is individual rate.

Source: "Table 5. Percent of People by Ratio of Income to Poverty Level," available at <http://www.census.gov/hhes/www/poverty/data/historical/people.html>. Also see the USDA Economic Research Service's "Household Food Security in the United States" reports for 2007, 2008, 2009, 2010, and 2011.

which means the program plays a major role in keeping all family members out of poverty.⁸

The latest data available on food insecurity—the extent to which families are sometimes unable to access adequate food—underscore how instrumental nutrition assistance programs are to stemming the tide of hunger and poverty in America. In 2011 the food-insecurity rate remained virtually unchanged at 14.9 percent of all U.S. households, not a statistically significant change from 14.5 percent of households in 2010. Despite the fact that poverty has risen significantly in recent years, food insecurity has remained relatively flat thanks to a provision in

the American Reinvestment and Recovery Act that increased funding for supplemental nutrition assistance. (see Figure 1)

In 2011 alone, the Supplemental Nutrition Assistance Program kept nearly 4 million Americans, including 1.7 million children, from falling into poverty.⁹ During 2011 and into 2012, however, major efforts were attempted to dramatically reduce this important program. The budget plan introduced by House Budget Committee Chairman Paul Ryan (R-WI) and passed by the House proposes a \$134 billion (17 percent) cut to nutrition assistance over the next 10 years. The Republican budget also proposes converting the nation's bedrock nutritional support program into a block grant in 2016, ending its proven ability to respond as needed to the rising demand for nutrition assistance during recessions.¹⁰

The nonpartisan Center on Budget and Policy Priorities estimates that to make a cut this deep, as many as 8 million to 10 million people could be excluded from nutrition support or program participants could see their benefits reduced to levels below the Thrifty Food Plan—the minimum amount a family would need to afford a bare-bones diet, according to the U.S. Department of Agriculture.¹¹

To make matters worse, the U.S. House of Representatives has repeatedly put forth other proposals over the past two years to reduce nutrition assistance greatly through the next decade. One proposed measure would prevent households receiving nutrition assistance from building savings that would ultimately help

them move into the middle class by reinstating a cap on family assets of only \$2,000. We discuss this in more detail in our asset poverty section. The same House proposal would kick 280,000 low-income schoolchildren off automatic enrollment in the free school lunch and breakfast programs.¹²

Such proposals exact both a moral and economic cost on all of us. Our nation's inaction on hunger in 2010 alone cost our economy \$167.5 billion in lost productivity, higher health and education spending, and increased nonprofit expenditures to meet family needs.¹³ Preventing cuts in nutrition programs must be a top national priority.

Unemployment insurance coverage

Unemployment insurance is a critical lifeline to workers and their families who have been laid off through no fault of their own. By providing a temporary source of income, unemployment insurance helps families to bridge the gap between jobs, enabling them to pay bills and hold on until they can find work. Perhaps unsurprisingly, unemployment insurance has played an important role in keeping families who are out of work from falling into poverty. In 2011 alone, unemployment insurance kept 2.3 million people from slipping below the poverty line.¹⁴

Unemployment insurance also stimulates our economy, as families spend their benefits on necessities such as groceries, rent, and child care. This spending keeps local businesses humming and other Americans employed. In fact, the nonpartisan Congressional Budget Office finds that increasing aid to the unemployed is

one of the most effective ways to jump-start the economy,¹⁵ outranking other strategies, including reducing income taxes, which came in last.

Yet due to the persistent high levels of unemployment that came with the Great Recession, many of the unemployed were unable to find work before their benefits ran out, which put their families' economic security in jeopardy. In fact, approximately 40 percent of jobless workers today are long-term unemployed, meaning they have been out of a job for longer than the six months that workers typically receive state-funded unemployment insurance. In addition, many low-wage workers who lose their jobs are less likely to receive unemployment benefits than their moderate- and higher-income counterparts, as the eligibility criteria work against them.¹⁶

Unfortunately, even fewer unemployed Americans are receiving the benefits they need this year. In 2011 only 56 percent of the nation's unemployed received benefits,¹⁷ down 10 percentage points from 2010, when 66 percent—or approximately two-thirds of the nation's unemployed—received unemployment insurance benefits.¹⁸ Between 2010 and 2011, total unemployment insurance payments fell by approximately 25 percent, as unemployed workers either found jobs or were still looking for work when they timed off of benefits.¹⁹ A significant portion of the decline can also be attributed to the expiration of the Federal Additional Compensation Program at the end of 2010, the American Recovery and Reinvestment Act provision that provided jobless workers with an additional \$25 per week.²⁰

Affordable and available housing

Access to housing is a basic need and a major component of family economic security. Because of the continuing foreclosure crisis in so many communities around our nation, more former homeowners are flooding into the rental market, pushing rents up. The number of renter households increased by 1 million in 2011, which is the largest annual increase since the early 1980s. It is estimated that the number of renters may increase by as much as 470,000 annually over the next decade. Currently, 9.8 million renters are considered extremely low income (those earning 30 percent or less of their area median income), an increase of almost 200,000 between 2009 and 2010.²²¹

As the number of renters continues to rise, the number of affordable and available units has declined. According to the most recent data, in 2010 there were only 58 affordable and available units per 100 renter households with very low incomes, compared to 62 affordable and available units per 100 households in 2009. In other words, for every 100 very-low-income renters in 2010, there were only 58 units they could potentially live in without spending more than 30 percent of their income on rent and utilities.²²

This decline in affordable and available units is partly due to the tremendous increase in renters but also the sheer cost of housing, which remains very high. The “housing wage,” an estimate of the full-time hourly wage a household must earn in order to afford an adequate apart-

ment, was \$18.25 nationally in 2012 (\$18.46 in 2011). The national average wage earned by renters, however, was \$14.15 hourly, leaving a serious gap of \$4.10 an hour between the cost of housing and actual income needed to afford it. And considering that the hourly salary of minimum wage work is less than half of the housing wage—\$7.25 an hour—the lowest-wage workers face enormous barriers in finding affordable housing.²³ In 2012 the housing wage exceeded the average hourly wage earned by renters in 86 percent of America’s counties, and in no state could a full-time, year-round minimum wage worker afford a two-bedroom apartment at fair-market rent.²⁴

When the average cost of housing far exceeds what the average household can afford, housing income assistance should be a vital part of helping families achieve economic security. We know how well it can work: The Department of Housing and Urban Development operates a number of important housing support programs that help fill the affordability gap. Some of this support is through direct subsidies to apartment buildings, administered by local housing agencies. Currently, 3.1 million low-income units are provided by the federal government through direct subsidies to buildings. This stock of housing has been in serious decline, however. Between 1995 and 2009 more than 700,000 units were lost through building deterioration or conversion to higher-income units.²⁵

The Housing Choice Voucher Program (known more informally as Section 8 vouchers) has



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helped meet some of this housing loss. Instead of providing direct support to local housing agencies, the Section 8 program provides payments to landlords in the form of a voucher. Currently, the program serves almost 2 million extremely-low-income households.²⁶ Families may use them in private buildings, but landlords are obligated neither to accept Section 8 vouchers nor to maintain a certain level of affordable rent.

The American Recovery and Reinvestment Act showed us that making the right choices can help make families more economically secure. By investing \$4 billion in public housing assistance, our nation ended homelessness for more than 1.2 million people.²⁷ Congress, however, is contemplating severe cuts to federal housing assis-

tance. The latest Department of Housing and Urban Development funding bill passed by the House could remove as many as 58,000 households from assistance. If sequestration takes place as scheduled under the Budget Control Act of 2011, it may mean a loss of 185,000 vouchers in fiscal year 2013.²⁸

Because Recovery Act funds have dried up, the need for affordable housing climbs higher and the number of affordable and available units falls. It is critical that we meet this tremendous unmet need. Housing assistance has the power to put families on track to a sustainable and secure financial future, and we need to make the right decisions now more than ever to continue to support these programs. (see box on following page)

Section 8 housing vouchers can make a world of difference

BUT ONLY FOR THOSE FAMILIES WHO ARE LUCKY ENOUGH TO RECEIVE THEM

The Housing Choice Voucher Program, also known as Section 8 housing vouchers, enables low-income families to affordably rent an approved home, apartment, or townhouse of their choice. Participating families pay the difference between the rent charged and the value of the housing subsidy, freeing up their income to meet other immediate needs such as food, transportation, and child care. Research shows that housing vouchers support work, protect kids from homelessness, and are proven to lift families above the poverty line.²⁹

Unfortunately, demand for Section 8 vouchers is off the charts. Many states have long waitlists, and some have even closed them entirely as a result of the overwhelming demand. Jake Elser and Lyn Grotke—contributors to the Half in Ten and Coalition on Human Needs story bank, called “The Road to Shared Prosperity”³⁰—know first hand the value of Section 8 vouchers to families in need.

Elser, of South Berwick, Maine, had been diagnosed with bipolar disorder and Tourette’s syndrome, and struggled with homelessness until a Section 8 voucher helped him gain the stability he needed to get healthy and find a good job.³¹

The prime time when I was most unhealthy was right in between when I was homeless, like, that was the worst. Two or three days went by and I had no medications. I had no food, no water, except for, you know, going to take a sip out of the water fountain over at the Rec field or whatnot Ultimately, it was the housing voucher that helped me get on my feet and be stable.

Grotke, a mother of four from Fayette, Maine, recognizes the transformative power of a Section 8 voucher but has been stuck on the waiting list.³² After a series of setbacks that included a badly broken leg and a layoff, Grotke said she realized that “things were going to go downhill rapidly. I applied for a Section 8 voucher.” She said:

Right now, I’m working two part-time jobs. I was working three. But I barely make it each month. More than half of my monthly income goes to my housing, to pay for my housing. I’ve been on the Section 8 waiting list since February of 2008. It’s really important for my kids to feel safe and know that they’re going to have whatever they need. And they think of me as always being able to always do that, no matter what.

Section 8 vouchers go a long way toward providing families with the security they need to work, pay bills, and, ultimately, rise out of poverty.

The ability of families to save

Another cornerstone of family economic security is the ability to save for a rainy day or for retirement, education, homeownership, or other means to achieve greater security and opportunity. Adequate and stable income is the most immediate need so a family can be economically secure, but to sustain that security families need savings and assets to help them deal with financial shocks such as medical expenses, unemployment, or family emergencies. In order to turn security into opportunity, they need the ability to save for investments in their families' future.

Asset poverty

For this reason, asset poverty is an important indicator to monitor as we track our success in cutting poverty in half in 10 years.³³ A household is considered asset poor when it doesn't have sufficient net worth (total assets minus total liabilities) to live at or above the poverty level for three months in the absence of income. For a family of four, they would need approximately \$6,000 at the current poverty level.

In other words, asset poverty is a way for us to measure the vulnerability of family economic security. Effective antipoverty strategies both impact families' immediate needs and provide the security and opportunity for them to weather financial shocks on their own.

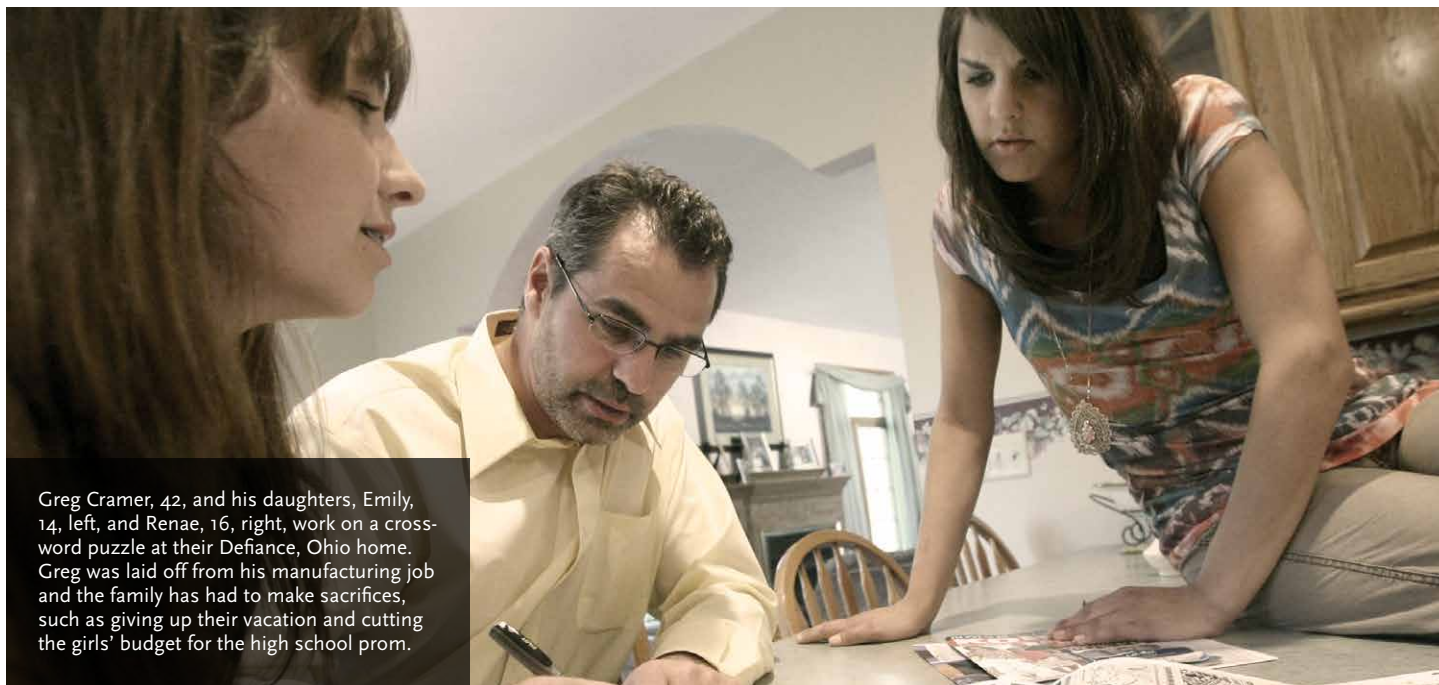
In 2009, the most recent year for which data is available, 27.1 percent of households (measured as a family of four) was living in asset

poverty, up from 22.4 percent of households in 2006.³⁴ This number is almost double the percentage of those households that are living in income poverty in 2009 (approximately one in seven households).³⁵

Asset poverty carries with it unique consequences for families. One of the primary challenges is the credit market. When families can't save enough to withstand difficult times they often have to borrow.

Payday loans, which are small loans due in full on the borrower's next payday, have become a popular product for low-income families who face asset and income poverty. The institutions that provide these products are all by definition predatory—specifically targeting poverty-stricken communities. The Center for Responsible Lending refers to them as “debt treadmills” because they carry with them annual interest rates that average a staggering 417 percent.³⁶

Traditional payday loan lenders are nonbank loan shops that are allowed to operate in states with accommodating laws. More recently, though, the payday loan market has attracted the interest of big banks, which now offer similar short-term loans that typically carry a term of 10 days but keep the borrower in debt on average for 175 days per year.³⁷ Mainstream banks structure their loans in the same way as nonbank loan shops, though they refer to them as “checking account advances” and access a customer's checking account to facilitate the transaction.³⁸



Greg Cramer, 42, and his daughters, Emily, 14, left, and Renae, 16, right, work on a crossword puzzle at their Defiance, Ohio home. Greg was laid off from his manufacturing job and the family has had to make sacrifices, such as giving up their vacation and cutting the girls' budget for the high school prom.

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Car title loans and other predatory loan instruments such as payday loans carry similar rates of interest and high fees that can trap families in debt. For instance, only 2 percent of payday loans go to borrowers who can afford to pay off the loan the first time, and a typical payday loan borrower pays back \$793 for a \$325 loan.³⁹ When an asset-poor family is paying that much of their income for one loan, it can be a dangerous trap and a severe threat to its economic security.

Asset tests that some states impose on recipients of programs such as the Supplemental Nutrition Assistance Program are another contributor to asset poverty. These tests require families to “spend down” most of their savings in order to receive temporary nutri-

tion assistance and prohibit struggling families from putting aside money for things such as tuition or car repairs that would enable them to get a better job and ultimately join the middle class. In many states an entire household becomes ineligible for nutrition assistance, for instance, if it has more than \$2,000 in assets.⁴⁰ Automobiles, for instance, are sometimes considered in state asset tests. Some states completely exempt family vehicles from asset tests, while others place a limit on the equity maintained in a vehicle. Studies have shown that asset limits on vehicles discourage car ownership, which threatens a family’s ability to find and maintain work, and meet their day-to-day needs. In the long run, asset tests can leave families much worse off.⁴¹

Asset development and protection

Federal policymakers, however, can require states to eliminate asset tests in the administration of these important programs, which has already been done in programs such as Medicaid.⁴² Categorical eligibility is one such way that federal work and income support programs operate together to help families build assets. These policies confer eligibility for a program such as Supplemental Nutrition Assistance based on the recipient's participation in other specified income assistance programs like the Temporary Assistance to Needy Families program. Categorical eligibility policies help families bypass unnecessary asset tests when they are already participating in programs for economically insecure families. By removing asset caps, categorical eligibility helps maintain families' ability to save for tough times and still put food on the table. But categorical eligibility policies face severe threats in Congress. The House

Agriculture Committee has proposed restrictions to state categorical eligibility options in an effort to cut SNAP funding by \$11 billion over 10 years.

The new Consumer Financial Protection Bureau is also taking steps to help protect families from predatory lending. Although still in the early stages of developing regulations, the agency has already begun field hearings to examine payday loan practices and other predatory lending activities such as subprime mortgages targeting low-income markets. In fact, the establishment of the new agency marks the first time that a federal regulator has had oversight of not only bank payday lenders but also nonbank lenders, which comprise a major portion of the market. The Consumer Financial Protection Bureau plans to implement a new payday lending supervision program.⁴³ These early steps toward regulating the predatory lending industry offer much promise for families who are trying to build assets to weather tough financial times on their own.

Making the right policy choices to promote family economic security

The Great Recession presented our country with serious short- and long-term economic challenges, but the choices we make now about family economic security will determine the success of our economy in the future. The more economically secure our families are, the more they're able to move out of poverty, move into the middle class, and remain there, contributing to our nation's economic growth.

Federal support for sustainable employment through programs such as child care assistance give families the stability and flexibility they need to find—and maintain—employment. Income assistance through unemployment insurance, housing, and nutrition support helps fill in the gaps when wages from employment are not enough or breadwinners lose their jobs. Improving our current programs that enable

families to build and maintain assets helps to ensure they have the capability to weather future financial storms on their own and build financial resources to provide greater economic opportunity and security for their families.

Federal programs that provide nutrition assistance, child care, housing, and other income supports have demonstrated their ability to help families find economic stability and opportunity. The Supplemental Nutrition Assistance Program has helped families put food on the table and spurred economic growth, particularly when the need was greatest during the

recession. Our investments in housing assistance have also helped keep more than 1 million Americans out of homelessness.

Yet troubling trends such as cutbacks in child care and unemployment insurance and insufficient availability of affordable housing leave too many families today with barriers to economic security and sustainable employment. Continuing to support and invest in these vital programs is not only the right thing to do, it also is essential to helping our economy recover. The pathway to restoring our nation's economic prosperity starts with the economic security of our families.

Measuring our progress

Four out of our five indicators of family economic security worsened this year, while we made progress in food insecurity. Despite the fact that much of the movement in this area has gone in the wrong direction, smart policy choices from here on out will put us on a path to building a foundation for family economic security over the long term. We urge policymakers to take the following steps to ensure that families can access help when they need it.

Fully fund the child care and development block grant and the Housing Choice Voucher Program

Stability and affordability in both child care and housing are critical to building and maintaining family economic security, yet proposed

cuts, caps on the part of the budget that funds these programs, and dwindling Recovery Act funds mean both of these programs could face funding reductions that would jeopardize their ability to serve the families at their doorsteps.

Policymakers should fully fund both of these programs, which support work and are proven to lift families out of poverty, going forward. Down the line, policymakers should expand the programs to cut down on long waitlists so families get the assistance they need when they need it.

Fully fund and maintain the integrity of the Supplemental Nutrition Assistance Program

Policymakers debating the reauthorization of the farm bill, which funds the Supplemental

Nutrition Assistance Program, should not accept any cuts to the program. Cuts to this program of the magnitude discussed earlier in this chapter would mean millions of families would face a reduction in benefits or a complete loss of benefits. More families, children, and seniors in the United States would go hungry and could fall into poverty—at a time when they are still fighting to get by.

Transforming the Supplemental Nutrition Assistance Program into a block grant rather than upholding its structural integrity would likely result in benefit cuts or reduced eligibility, as states struggle to make ends meet with a capped allotment, which ties their hands in tough times.

Continue federal unemployment insurance to jobless workers through 2013

Unemployment insurance provides a lifeline to families in between jobs and is a boon to our economic growth. In 2011 alone, it lifted 2.3 million Americans out of poverty. With so many families still struggling to find stable employment, policymakers should reauthorize federal unemployment insurance through 2013 to help such families make ends meet.

Reduce the burden of asset limits and regulate predatory lending

Asset limits imposed by states for assistance programs like the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families often force families to “spend down” their savings in order to receive benefits. This leaves families vulnerable during difficult economic times, including job loss and medical emergencies. These limits can also discourage car ownership, which is often a lifeline for family income. States should lift or reduce the burden imposed by the asset limits so that families can save and stay out of poverty.

Struggling families often turn to predatory lending instruments such as car title and payday loans when they need to make ends meet. Borrowers can get trapped in a “treadmill” of debt when using these products with interest rates averaging 417 percent. States can impose caps on these interest rates. Federal regulators like the newly formed Consumer Financial Protection Bureau have also started, and should continue, developing regulatory policy to protect struggling families from predatory lending practices.

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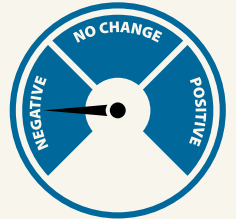
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Indicators

17 AFFORDABLE CHILD CARE

The number of states that increased or decreased access to child care assistance in a given year due to changes in income eligibility limits, waiting lists, copayments, reimbursement rates for providers, and ineligibility for parents who are searching for employment.

WHAT THIS MEASURE TELLS US: Low-income families in need of child care assistance were worse off in 37 states across the country in 2011 than in 2010. This was due to a negative change in one or more state administrative policies listed above. The \$2 billion in Recovery Act funding to the child care and development block grant also expired, which caused a significant drop in access.



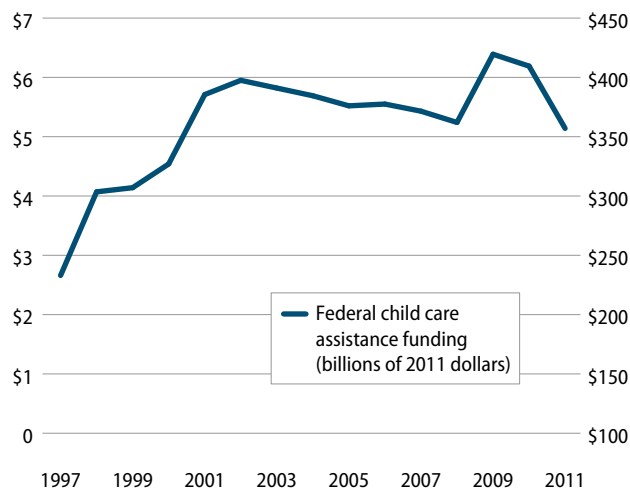
37

STATES WERE WORSE OFF UNDER ONE OR MORE CHILD CARE ASSISTANCE POLICIES IN 2011

a

Except for two-year increase in Recovery Act, federal funding for child care assistance has steadily declined since 2002

Federal funding for Child Care and Development Fund, FY 1997–2011



Source: Congressional Research Service, U.S. Census Current Population Survey.

b

Child care workers need a raise

Median hourly wages and annual earnings of child care workers, 2007–2011 (in 2011 dollars)

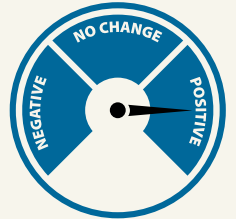
	Number of child care workers	Median hourly wage	Median earnings for full-time, year-round workers
2007	576,680	\$9.57	\$19,907
2008	581,670	\$9.53	\$19,631
2009	595,650	\$9.70	\$20,173
2010	611,280	\$9.57	\$19,909
2011	631,249	\$9.34	\$19,430

Source: Bureau of Labor Statistics, Occupational Employment Statistics.

18 FOOD INSECURITY

Food insecurity measures the share of total households whose family eating patterns were disrupted due to a lack of money or resources for food.

WHAT THIS MEASURE TELLS US: The food insecurity rate was virtually unchanged between 2010 and 2011 (14.5 percent in 2010 and 14.9 percent in 2011). Thanks to the American Reinvestment and Recovery Act, which provided a temporary increase in funding to the Supplemental Nutrition Assistance Program, the food insecurity rate remained stable rather than increasing.



14.9%
OF HOUSEHOLDS
WERE FOOD INSECURE
IN 2011

a

Poverty and food insecurity stabilize

Supplemental nutrition assistance program helps curb hunger

Year	Poverty rate	Household food insecurity rate
2007	12.5	11.1
2008	13.2	14.6
2009	14.3	14.7
2010	15.1	14.5
2011	15	14.9

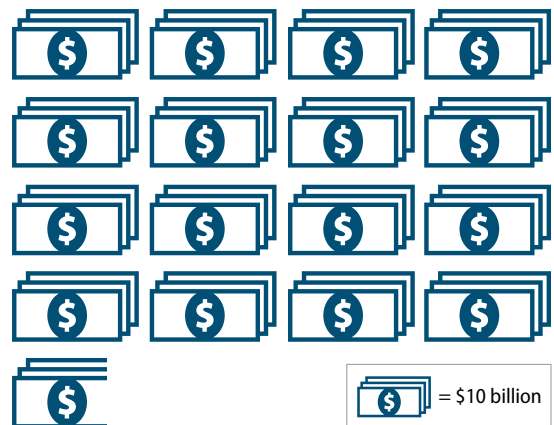
Note: The food security measure uses household as the primary unit, but individual food insecurity rates show the same trend of a significant jump from 2007 to 2008 with flat rate following that. Poverty rate used here is individual rate.

Source: "Table S. Percent of People by Ratio of Income to Poverty Level," available at <http://www.census.gov/hhes/www/poverty/data/historical/people.html>. Also see the USDA Economic Research Service's "Household Food Security in the United States" reports for 2007, 2008, 2009, 2010, and 2011.

b

The cost of hunger to the U.S. economy in 2010

\$167.5 billion



Source: Donald S. Shepard, Donna Cooper, and Elizabeth Setren, "Hunger in America: Suffering We All Pay For" (Washington: Center for American Progress, 2011).

Indicators

19 UNEMPLOYMENT INSURANCE COVERAGE

The share of unemployed workers who received unemployment insurance benefits.

WHAT THIS MEASURE TELLS US: The share of unemployed workers who received unemployment insurance benefits fell by 10 percentage points between 2010 and 2011. This decline is due to the expiration of a temporary benefit increase made possible through the American Reinvestment and Recovery Act, workers timing off of benefits before finding a job, and fewer workers receiving benefits because they had secured employment.



56%

OF UNEMPLOYED
WORKERS WERE HELPED
BY UNEMPLOYMENT
INSURANCE

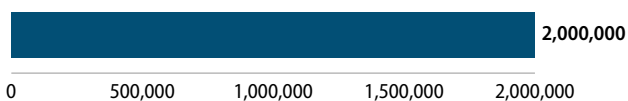
a

3 million unemployed workers could lose unemployment insurance in next few months if Congress doesn't act

Number of workers who will reach the end of their regular unemployment insurance benefits in the first quarter of 2012



Number of workers who will lose unemployment insurance at the end of 2012 if Congress fails to extend the emergency unemployment insurance program

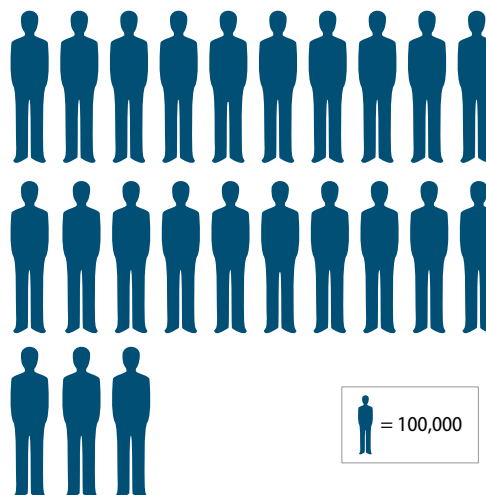


Source: National Employment Law Project.

b

The number of people kept out of poverty by unemployment insurance in 2011

2.3 million

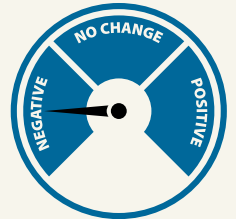


Source: U.S. Census Bureau.

20 AFFORDABLE AND AVAILABLE HOUSING

The number of affordable and available units per 100 renter households with very low incomes.

WHAT THIS MEASURE TELLS US: There were four fewer affordable and available units per 100 rental households with very low incomes in 2010 than in 2009. This decrease was due to a large influx of new renters in the market, a decline in affordable housing supply, and lower wages for low-income renters.



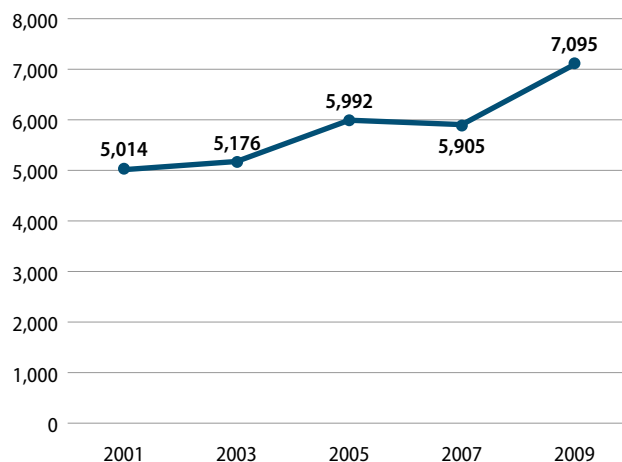
58

**AFFORDABLE AND
AVAILABLE APARTMENTS
FOR EVERY 100 RENTER
HOUSEHOLDS WITH
VERY-LOW INCOMES**

a

Number of renters with “worst-case housing needs” jumped during recession

Percentage of low-income renters who pay one-half or more of income for rent and utilities or live in housing with serious physical problems, 2001–2009



Source: U.S. Department of Housing and Urban Development, American Housing Survey

b

Latinos most likely to have worst-case housing needs

Low-income renters and worst-case housing needs by race/ethnicity, 2007 and 2009

	Low-income renters	Worst-case needs	Percentage of very-low-income renters with worst-case needs
2007			
Non-Hispanic white	7477	2919	39.0%
Non-Hispanic Black	4040	1345	33.3%
Hispanic	3297	1234	37.4%
2009			
Non-Hispanic white	8051	3436	42.7%
Non-Hispanic Black	4493	1582	36.5%
Hispanic	3493	1582	45.3%

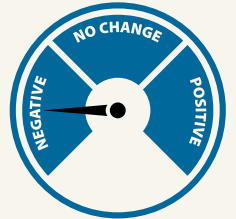
Source: U.S. Department of Housing and Urban Development, American Housing Survey

Indicators

21 ASSET POVERTY

The share of households that do not have enough resources to live at the poverty line for three months in the event that their source of income were disrupted. Asset poverty indicates households' ability to weather major financial challenges like job loss or medical emergency without slipping into poverty.

WHAT THIS MEASURE TELLS US: The percentage of asset poor households increased 4.7 percentage points in 2009 from 22.4 percent in 2006 to 27.1 percent in 2009, the most recent year of data available. Some challenges to this indicator include a lack of access to affordable credit and state "asset tests" that bar a recipient of government assistance from adequately saving for difficult times.

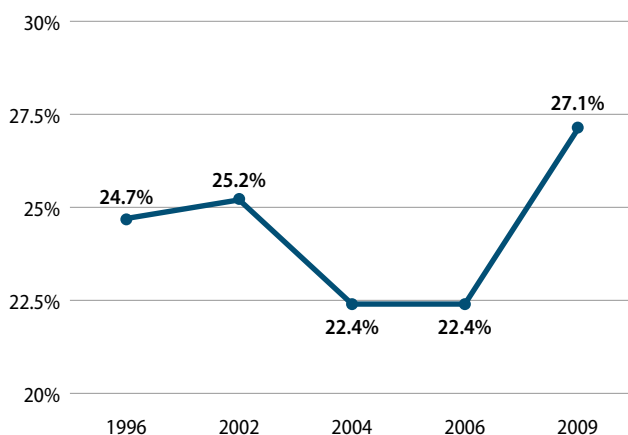


27.1%
OF HOUSEHOLDS
ARE "ASSET POOR"

a

Asset poverty increased during great recession

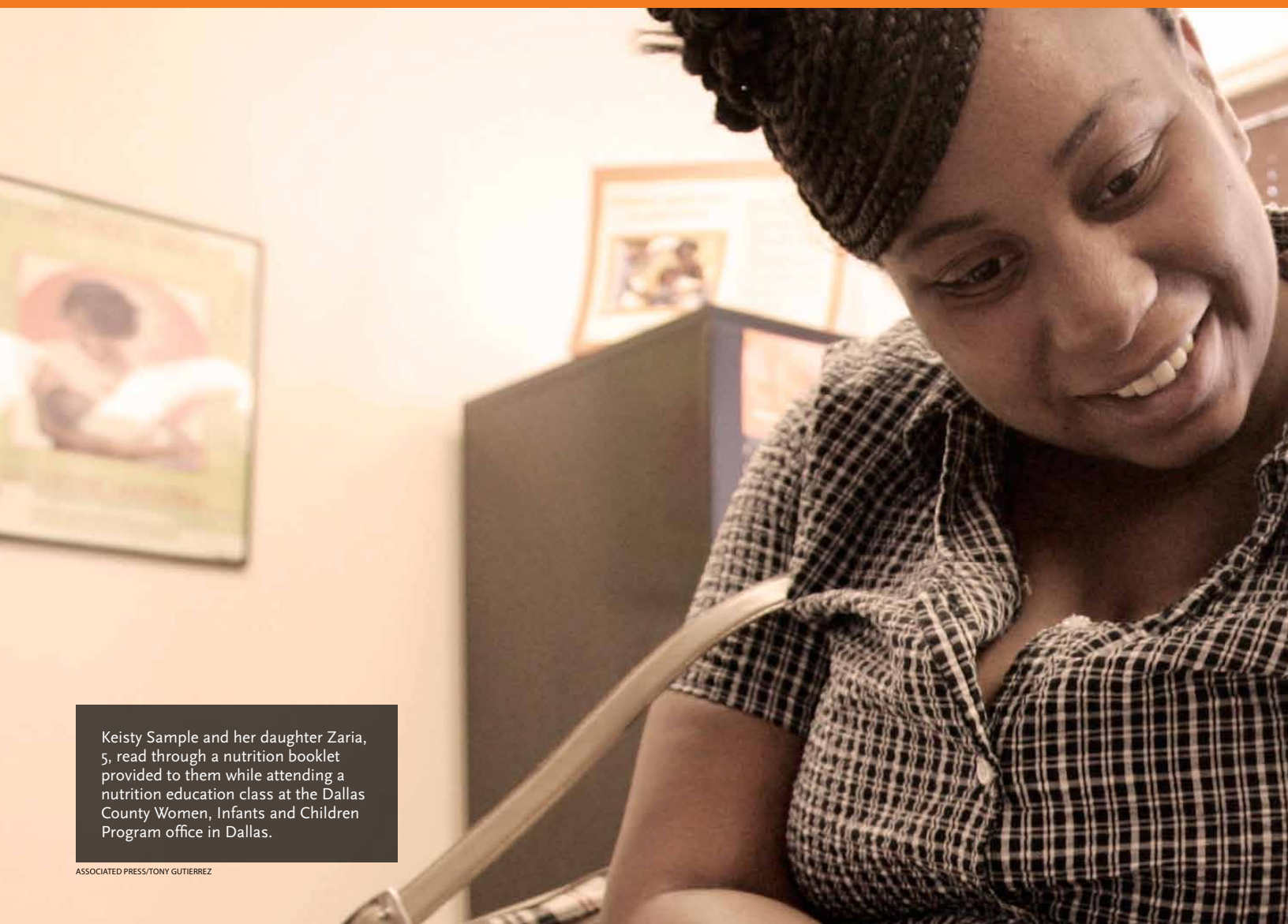
Asset poverty rate, 1996-2009



Source: CFED, Survey of Income and Program Participation

Conclusion: A call to action

*By Neera Tanden, Deborah Weinstein,
and Wade Henderson*



Keisty Sample and her daughter Zaria, 5, read through a nutrition booklet provided to them while attending a nutrition education class at the Dallas County Women, Infants and Children Program office in Dallas.

ASSOCIATED PRESS/TONY GUTIERREZ

“What you are being asked to consider is not a simple or an easy program. But poverty is not a simple or an easy enemy. ... But today, for the first time in our history, we have the power to strike away the barriers to full participation in our society. Having the power, we have the duty.”

—President Lyndon B. Johnson March 16, 1964, address to Congress



Some choices are more momentous than others.

Right now, after a hard-fought national election, our lawmakers approach a critical juncture. During the current lame-duck session of Congress and in the early months of 2013, when our newly elected representatives on Capitol Hill and in the White House begin their terms of office, we will face a series of major decisions about budgets, taxes, investments, deficit reduction, and job creation.

Even more critical, though, is that these officials will be called upon to decide whether they will uphold our long-standing values as Americans—values that call on us to look out for one another, to strive for justice, to eliminate unfair barriers, and to work together to ensure that the United States is a land of opportunity for all, including those who are poor or struggling near the poverty line. At the heart of the promise of America is the notion of economic mobility, but that promise is undermined by policies that exacerbate inequality.

In short, the decisions taken by those we just elected to office will go a long way in determining whether the promise of the American Dream still exists for everyone or for only some.

Last year Half in Ten published its first poverty indicators report, “Restoring Shared Prosperity: Strategies to Cut Poverty and Expand Economic Growth.” The report marked the official launch of the Half in Ten campaign, starting the clock on our goal to cut poverty in America by half by 2020. The report established a measurable baseline and 21 indicators

for tracking progress under the categories of good jobs, strong families and communities, and economic security.¹

Speaking at the launch event, U.S. Secretary of Labor Hilda Solis called for shared responsibility but also government intervention to stimulate the economy and get millions of people back to work. “In this country,” Solis said, “we understand that poverty can be overcome. It’s a false choice to say that it comes down to either personal responsibility or a government that cares. It takes both.”²



Gustavo Rodriguez, left, gets ready to board the bus in Parker, Calif., as Jovana Vasquez, center, his brother Adolfo, right, and mother, Victoria, look on.

ASSOCIATED PRESS/GARY KAZANJIA

With one in six Americans—46.2 million people—living in poverty it is our duty to make reducing poverty a top priority for our nation.³ We cannot and will not accept that there is nothing Congress and the president—no matter which party is in power—can do to address rising poverty and a job market that isn’t growing fast enough. Much has been done to alleviate poverty in the past, and much more can be done now. This is not an intractable problem—it can be solved.

At stake is not just the economic security of millions of families, but also America’s long-term fiscal health and global economic competitiveness. We cannot stabilize our fiscal situation and compete on the world stage if we consign millions of our neighbors to the economic mar-

gins. That’s why it is imperative for policymakers to incorporate reducing poverty as a central goal of overall economic policymaking.

We know what works. Good jobs provide a living wage. Strong families enable children to thrive. And income support, reduced barriers to employment, and financial empowerment promote family economic security. This is what we need to propel the economic recovery forward and to set our nation on a path toward shared prosperity for all.

In the face of similar challenges, policymakers have acted decisively in the past to strengthen economic recovery. Most recently, the American Recovery and Reinvestment Act of 2009 helped

avert another Great Depression. But as the current economic recovery moves into its fourth year, private-sector jobs are growing but not at a fast enough rate to bring the unemployment rate significantly further below its current level. We are in serious need of action now.

Working Americans today face unemployment and underemployment due to the struggling economy, which is why it is critically important to continue to invest in essential programs to preserve the safety net and boost opportunities to get ahead, including job programs, nutrition assistance, income assistance, education, Head Start, health care, child care, low-income housing, and unemployment insurance.

Low- to middle-income families need a more solid economic footing. Struggling families need income supports through, for instance, a continuation of federal unemployment insurance benefits. But they also need labor market reforms that build the middle class such as a higher minimum wage and more opportunities for employees to join a union. Job creation must remain a top policy priority since job growth has remained too weak to provide economic security for too many American families. New jobs in manufacturing, in the energy field, in health care, and in the tech sector, can provide a path to the middle class for struggling families living in poverty.

Yet advocates have to spend time fighting proposal after proposal seeking draconian cuts to government programs that provide a safety net for struggling middle- and low-income

families. As policymakers consider budget proposals to address the national deficit, they should commit to ensuring that poverty reduction and deficit reduction go hand in hand. As people have greater opportunity, they can be more productive economically, and that kind of economic growth can reduce deficits as well.

To further reduce poverty and inequality while also lowering the national deficit, we'll need to invest in growing our economy while being careful about government resources. We'll also need to make our tax system more progressive—and do so in a way that raises more revenue to meet the nation's pressing needs and promotes more broadly shared prosperity. Investment in social programs should not be sacrificed to preserve tax breaks for wealthy corporations and the richest 2 percent of America.

Rather than balancing the budget on the backs of the most vulnerable, policymakers must ask everyone to pay their fair share, including corporations and the wealthy. In this way, our government can invest in the economic and social programs with proven effectiveness to restore America to a land of shared prosperity.

The lame-duck Congress and the incoming 113th Congress must work with the executive branch to make the most of the unique opportunities and challenges we face as a nation. The United States is in a difficult situation, but we remain the largest economy in the world. With sound investments in programs that work to keep American families above the poverty line or help give a leg up to many who have fallen

below it, we can rebuild the American middle class—the linchpin of our prosperity in the past and in the future.

It is time to put people back to work and usher in the next era of American prosperity. Policymakers have a chance to close out the 112th Congress and then start the new legislative session in 2013 with a focus on the lives of 46.2 million Americans now living in poverty or the one-third of our nation struggling on low incomes who are ready and waiting to find good

jobs. Providing for one's family, putting nutritious food on the table, keeping a roof over one's head in a safe community, and being able to afford smart investments so that the next generation can thrive are the hallmarks of upward mobility. They are part of the American Dream.

Now more than ever, we must fight for it by uniting behind strategies to tackle poverty in America. Because it is right, because it is wise, and because it is possible, we have that solemn responsibility.

Endnotes

1 The Half in Ten Campaign, "Restoring Shared Prosperity: Strategies to Cut Poverty and Expand Economic Growth." (2011).

2 "Secretary Solis's Story about Overcoming Poverty," available at <http://www.youtube.com/watch?v=FegZ0SgPEiY> (last accessed October 2012).

3 United States Bureau of the Census, *Income, Poverty and Health Insurance Coverage in the United States: 2011*. (Department of Commerce, 2011), p. 13

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Joy Moses is a Senior Policy Analyst at the Center for American Progress. She produces reports and analyses focused on alleviating, preventing, and ending poverty. Her work covers a broad spectrum of issues, including federal safety net programs, access to justice, and family strengthening policy. She was previously a staff attorney at the National Law Center on Homelessness & Poverty and the NAACP Legal Defense Fund.

Erik R. Stegman is Manager of the Half in Ten Campaign at the Center for American Progress Action Fund, where he leads the “Restoring Shared Prosperity” project, contributes to policy development, and manages the campaign’s network of grassroots partners. Previously, he served as majority staff counsel for the U.S. Senate Committee on Indian Affairs; as a policy advisor to the assistant deputy secretary at the U.S. Department of Education Office of Safe and Drug Free Schools; and as a program manager at the National Congress of American Indians Policy Research Center.

Katie Wright is a Research Associate with the Half in Ten Campaign at the Center for American Progress Action Fund. Katie conducts policy research and advocacy on poverty and economic security issues and manages the Half in Ten/Coalition on Human Needs’ storybank, “The Road to Shared Prosperity.” Prior to her role at Half in Ten, Katie expanded economic opportunity to low-income families and children as a public interest fellow and consultant for the Corporation for Enterprise Development.

About the Half in Ten partners

The Coalition on Human Needs is an alliance of national organizations working together to promote federal policies that address the needs of low-income and other vulnerable populations in the United States. The coalition's members include service providers; religious, labor, civil rights, and professional organizations; as well as those concerned with the well-being of children, women, the elderly, and people with disabilities.

The Leadership Conference on Civil and Human Rights is the nation's premier civil and human rights coalition, consisting of more than 200 national organizations working together to build an America that's as good as its ideals.

The Center for American Progress Action Fund transforms progressive ideas into policy through rapid response communications, legislative action, grassroots organizing and advocacy, and partnerships with other progressive leaders throughout the country and the world. The Action Fund is also the home of the Progress Report and ThinkProgress.

Acknowledgements

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We look forward to our ongoing work together to cut poverty in half over the next 10 years. This report was supported in part by grants from the Annie E. Casey Foundation and The Kresge Foundation.

The Half in Ten campaign is a project of the Center for American Progress Action Fund, the Coalition on Human Needs, and The Leadership Conference on Civil and Human Rights. It is dedicated to building the political and public will to cut the U.S. poverty rate in half in 10 years. The campaign builds on the work of the Center for American Progress's 2007 Task Force on Poverty, combining evidence-based policy recommendations with strategic building of networks, spokespeople, and opinion leaders in communities to amplify the call to reduce poverty in America. Our approach is grounded in four fundamental principles: creating good jobs, promoting economic security, strengthening families, and cutting poverty in half in 10 years.

