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HALF in TEN 10

Resetting the Poverty Debate: Renewing Our Commitment to Shared Prosperity

Half in Ten Annual Report *November 2013*

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Introduction and summary

By Erik R. Stegman

Children dance and sing 'Movin' Learning Stir the Soup' in their Head Start class run by the Ohio Association for Community Action Agencies.

OHIO ASSOCIATION FOR COMMUNITY ACTION AGENCIES

In 2012, the official poverty rate in the United States was 15 percent, statistically unchanged from 2011. Nearly one in six people, or 46.5 million Americans, lived below the official federal poverty line—$23,492 per year for a family of four.[1] Each year, we track our progress toward our goal of cutting poverty in half in 10 years by publishing our annual "Half in Ten" report that examines 21 different indicators of economic security and opportunity. It helps us better understand where we are improving the situation for America's struggling families and where we need to do a better job. As with last year's report, the overall poverty rate did not worsen compared to the years following the Great Recession of 2007 to 2009.

But as America's economy continues on its slow and steady recovery, too many families are not sharing in the nation's current economic growth, and we still have to achieve significant progress if we are to meet our goal.

This year carries with it very special meaning as we examine our progress. Fifty years ago, the nation marked two milestone events—the March on Washington for Jobs and Freedom in August 1963 and President Lyndon B. Johnson's declaration of the War on Poverty just a few months later, in January 1964. It is no coincidence that these two pivotal events intersected at this point in our nation's history. Both were important historical moments that represented a multiclass, multiethnic, multiracial, and cross-generational movement—moments that resulted in a public and political commitment to cut poverty and strengthen economic and social justice.

These landmark events were accompanied by a full-employment economy and rising incomes across all parts of the income distribution. A commitment to tackling poverty paired with the landmark civil rights legislation that followed the March on Washington provided new and unprecedented opportunities for people of color, women, and other previously marginalized groups to begin sharing in the gains of our economic growth. Our national commitment also led to investments in a sound set of federal policies that supported families when they struggled and helped them get back on their feet. The result: Our nation cut poverty nearly in half—43 percent—between 1964 and 1973, to a historic low of 11.1 percent.[2]

We know we can cut poverty in half because we have done it before; we know how to do it, and we can do it again.

But our economy and our demographics have changed considerably over the past 50 years. Most importantly, income inequality is at its highest level since the 1920s, and it has been getting worse even as our economy grows after the Great Recession.[3] This is a far cry from the era of broadly shared growth and prosperity in the decades immediately after World War II. On the demographic front, by the early 2040s, communities of color are projected to be the majority of the population.[4] Women are now primary and co-income earners in two-thirds of our nation's families.[5] But communities of color, women, and children now face troubling and disproportionate rates of poverty.

With this changed economy as our backdrop, it is important to consider both what the key findings from this year's report say about the choices our country has made in recent years and what we need to do moving forward to get back on track and invest the way we did in the decades following World War II—but with a 21st century approach that acknowledges our transformed demographic landscape and economy. It's time to once again enact policies that pursue a full-employment economy with widely shared growth and a sound set of federal programs that support families who continue to struggle with rising family costs, stagnant wages, and other challenges.

Unfortunately, the tone-deaf debate in Washington has Congress still set on a course of reckless budget cutting instead of investment. It's time to have an entirely different conversation—one that acknowledges the fiscal situation of today, not 2010. The medium- and long-term fiscal outlooks have improved dramatically since then: The federal government has already enacted about $2.5 trillion in deficit reduction, health care costs have slowed significantly, and, as evidenced by other countries, extreme and immediate austerity has failed.[6] It's time to hit the reset button on our fiscal debate and reinvest in what we know will help us cut poverty in half and grow our country's middle class. Below is a summary of the main findings from this year's report.

Job growth is slow and not widely felt

A good job is the fastest ticket out of poverty, and the unemployment rate is one of the strongest indicators of where our economy stands. This indicator has continued to decline, falling from 8.1 percent in August 2012 to 7.4 percent in August 2013. But this measure only tells part of the story. In order to return to pre-recession employment levels and, at the same time, account for all the new entrants into our labor force, our economy needs to add another 8.3 million new jobs.[7] At our current pace, closing this gap will take us until 2018.[8]

Not only has job growth been painstakingly slow, it has also not been widely felt. The official unemployment rate includes only those who are actively looking for work; it does not include those who are currently not working or looking for work but who want to work, are available to work, and have looked for work in the past 12 months. It also does not include those who are currently employed part time, many of whom are available for and want full-time work but have had to settle for part-time employment. When these groups are included in the official rate, our unemployment rate actually jumps from 7.4 percent to a staggering 13.7 percent.[9] Finally, some groups of Americans still see little to no growth in the job market. African Americans struggle with a far-higher rate of unemployment, currently at 12.6 percent. Those individuals without a high school degree are at 11 percent, and Latinos are at 9.4 percent, all far higher than the overall indicator. The jobless rate for people with disabilities is particularly troubling. The current share of all people ages 16 and older with a disability who are employed actually fell from 17.9 percent in July 2012 to 17.3 percent in July 2013. We explore these numbers and our recommendations to improve them in our "More Good Jobs" chapter.

Demonstrators in support of fast food workers protest outside a McDonald's as they demand higher wages and the right to form a union without retaliation.

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A growing economy with growing income inequality

Our country has seen promising signs again this year that the economy continues on its slow but steady pattern of growth. But while our economy has grown overall since the end of the Great Recession, so has income inequality. Although income inequality did not worsen this year, it remained at record levels. Household incomes for the top 5 percent of Americans have grown 5.2 percent in the past three years.[10] Over the same time period, incomes for workers in the bottom fifth of the income distribution have fallen by 0.8 percent, while middle-class incomes have fallen even more.[11] The bottom line: Our current economic growth is only being felt by those at the very, very top.

This is drastically different than the way things were 50 years ago, in the wake of the March on Washington and after the launch of the War on Poverty. In the three decades following World War II, economic growth and broadly shared prosperity went hand in hand. The rich became richer, but the numbers and incomes of the middle class grew steadily, leading to a dramatic and historic fall in the poverty rate.[12]

The story today, however, is one of a growing economy in which the most poorly compensated workers—the working poor—have seen the largest declines in real wages, while those at the very top find their incomes growing. This is particularly true for workers in the five major service industries, including those in the health care support and food-preparation sectors. The median wage for workers in these service industries as a whole fell by 4 percent between 2002 and 2012, with no significant change between 2011 and 2012.[13] This summer, striking fast-food employees took to the streets in several cities to protest stagnant wages and demand an increase in the minimum wage.[14] Raising the minimum wage also has implications for the earnings gap between women and men since women are disproportionately concentrated in low-wage jobs. In 2012, median annual earnings for women working full time and year round were 76.5 percent of the earnings of men working full time and year round. There has been little progress in closing this gap since 2001.[15] We explore in greater depth these indicators and offer recommendations to improve them in our "More Good Jobs" and "Poverty in the United States Today" chapters.

Our safety net is working overtime

When our economy is failing to provide for most families, especially those who struggle at the bottom, it forces our safety net of public programs to work overtime. Our ability to drastically cut poverty in the past was built on a very different economy in which gains were widely shared and supported by a significant increase of investments in public programs, particularly income-support programs such as Social Security. Today, our safety net is being strained as it works to make up the difference in areas where the economy is not providing, such as wages and work supports.

The supplemental poverty measure, which provides us with a much more comprehensive look at poverty, helps us understand why these public benefit programs are now being overworked—asked to do a lot more for more people. In 2011, according to this measure, when the poverty rate was the same as in 2012—15 percent—our public programs helped millions of Americans avoid poverty. Refundable tax credits for working families such as the Earned Income Tax Credit and the Child Tax Credit, for example, lifted 8.7 million people out of poverty in 2011.[16] Without these two programs, child poverty would have been 6.3 percentage points higher. The Supplemental Nutrition Assistance Program, or SNAP, formerly known as food stamps, which expands and contracts according to economic conditions, lifted 4.7 million people out of poverty by helping struggling families put adequate and nutritional food on their tables.[17] Without SNAP, child poverty would have been 2.9 percentage points higher. In short, our strong set of public programs worked overtime to help keep millions of Americans out of poverty in an economy where too many are not sharing in its gains. Unfortunately, conservatives are seeking to cut these programs, despite the clear and continuing need for them.

Communities of color and women are still being left behind

Another major change over the past 50 years is the United States' shifting demographic landscape, particularly as it relates to communities of color and women. More than half of newborns today are of color, and before we reach the end of this decade, it is predicted that more than half of all youth will be of color.[18] The U.S. Census Bureau predicts that by 2050, there will be no racial or ethnic majority in our country.[19] The implications for the workforce are even more staggering. New immigrants and their children are expected to make up 83 percent of the growth in the working-age population between 2000 and 2050.[20] And women are playing a dramatically different role in our economy today. In 1960, women represented only 29.6 percent of the workforce; now they represent almost half—47 percent.[21] By 2020, women are expected to participate at a higher rate in the workforce than men.[22]

But even as they assume an increasingly prominent role in our economy, women and communities of color, particularly children, struggle with poverty at disproportionate rates. In 2012, more than two in five—42.5 percent—young African American children under 5 years old were poor, and 37.1 percent of Hispanic children under 5 years old lived in poverty.[23] This is compared to the 21.5 percent of white children under age 5 currently living in poverty.[24] Women also continue to struggle at disproportionate rates. In 2012, 16.3 percent of women were living in poverty, compared to 13.6 percent of men,[25] and female-headed households with children were even worse off, with a poverty rate of 42.5 percent.[26] Higher poverty rates for women are due in part to the gender wage gap discussed above. In order to make significant progress cutting poverty, we must build an economy that shares its gains more equally with women and communities of color. This is especially critical, as these groups are playing an increasingly greater role in our economy.

Debora Costa right, tries to sign up for insurance coverage for her two children, including 2-year-old Victoria with help from Champaign Urbana Public Health District employee Alice Cronenberg in Champaign, Ill.

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Increased health insurance demonstrates that investments work

As with last year, the rate of health insurance coverage for Americans has improved, and it clearly shows us what happens when we make the right choices to invest in our future. In 2012, the percentage of people without health insurance fell to 15.4 percent—down from 15.7 percent in 2011.[27] This is the second consecutive year of improvement for this indicator. At least part of the 2012 increase in the number of insured individuals was attributable to early provisions of the Affordable Care Act, such as the provision that allowed young adults to stay on their parents' health insurance plans until age 26.[28]

Health care costs are among the biggest expenses for families, and, in fact, medical out-of-pocket costs pushed 10.6 million families into poverty in 2011.[29] This is why supporting full implementation of the Affordable Care Act is critical. Many states are still grappling with whether to expand Medicaid under this law to adults up to 138 percent of the poverty line. If fully implemented across the country, the Medicaid-expansion provision alone would provide health care coverage to 17 million additional Americans, further reducing the cost burden of health care to families and the system.[30]

It's time to get back to investing in our families and our economy

The findings from this year's "Half in Ten" report make it abundantly clear that it's time to change course in this country. It's time to have a different conversation, not about reckless budget cutting but about job creation, boosting wages, and investing in family economic security. Fifty years ago, the March on Washington and the War on Poverty marked a major national commitment, a promise that we made to ourselves as a country—one that led to a steep decline in the poverty rate and ushered in widely shared economic growth.

Our past commitment was born out of a very different economic and social context, but we have much to learn about our future direction from the business left unfinished in the wake of these two iconic milestones in our country's history. Although new generations of Americans have come along and face 21st century challenges in our economy, the tried and true principles of economic justice and widely shared prosperity that these challenges demand have not changed over the past 50 years. This is why we need to reinvigorate our national commitment to cutting poverty by tackling today's economic challenges in the ways we lay out in our report. To meet our goal of cutting poverty in half in 10 years, we need to rebuild a full-employment economy in which everyone has an opportunity to share in its gains. Moreover, we must make sure we leave no one on the margins. When families struggle to make ends meet in our economy, we need to reinvest in sound public programs that help get them back on their feet.

We know this kind of national commitment will help us reach our goal, but the first thing we need to do is put the brakes on the current reckless fiscal debate. Congress should start by ending sequestration—the automatic across-the-board budget cuts that no one wanted. And instead of focusing on cutting budgets for the sake of cutting, they should change the conversation to one that invests in what we know works to grow our economy, create jobs, and provide wider opportunities to all Americans. One example of such an investment is the Affordable Care Act, which is already showing promising results. On the labor front, Congress needs to raise the federal minimum wage to help improve wages that have remained stagnant for more than a decade for low-income families. Finally, with an economy that still fails too many families, Congress needs to invest in programs that keep Americans out of poverty.

We weathered a severe storm during the Great Recession, and today, our short- and medium-term fiscal outlook is far improved, and our economy is growing again. With our economic forecast brightening, let's ensure that the prosperity from these and future gains does not only help those at the very top but also all of us—particularly those of us who struggle the most. Let's learn from our own successful past and commit again to investing in a future with a poverty rate that is half of what it is today. We did it before, and we can do it again.

Endnotes

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9 U.S. Bureau of Labor Statistics, "Table A-15. Alternative measures of labor underutilization," available at http://www.bls.gov/news.release/empsit.t15.htm (last accessed September 2013). This is known as the U-6 measure of unemployment. It includes people who are available for full-time work but have had to settle for a part-time schedule, discouraged workers, and other workers who are marginally attached to the labor force—currently not looking for work but want a job and have looked for one sometime in the past 12 months.

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11 Ibid.

12 Ibid.; Ross, Danziger, and Smolensky, "The Level and Trend of Poverty in the United States."

13 Calculations by Shawn Fremstad based on U.S. Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey: Household Data, Annual Averages, Table 39," available at http://www.bls.gov/cps/cpsaat39.htm (last accessed September 2013).

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15 Ariane Hegewisch and others, "The Gender Wage Gap: 2012" (Washington: Institute for Women's Policy Research, 2013), available at http://www.iwpr.org/publications.

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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 goals: creating good jobs, promoting economic security, strengthening families, and cutting poverty in half in 10 years.

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